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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 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 |

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 September 30, 2020 |
| --- | --- |
| Common Stock, $.625 par value | 554,787,728 |

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FIRST HORIZON NATIONAL CORPORATION

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# PART 1. FINANCIAL INFORMATION

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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 BALANCE SHEETS

| *(Dollars in thousands, except per share amounts)* | First Horizon National Corporation *(Unaudited)* **September 30, 2020** | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | **$ 1,074,646** | $ 633,728 |
| Interest-bearing deposits with banks | **5,443,292** | 482,405 |
| Federal funds sold and securities purchased under agreements to resell | **593,467** | 633,165 |
| Trading securities | **1,386,069** | 1,346,207 |
| Securities available for sale at fair value | **7,995,872** | 4,445,403 |
| Loans held for sale (including $371,831 and $14,033 at fair value, respectively) | **1,050,504** | 593,790 |
| Loans and leases (including $12,372 and $— at fair value, respectively) | **59,706,531** | 31,061,111 |
| Allowance for loan and lease losses | **(988,102)** | (200,307) |
| Net loans and leases | **58,718,429** | 30,860,804 |
| Premises and equipment | **756,113** | 455,006 |
| Goodwill | **1,510,431** | 1,432,787 |
| Other intangible assets | **365,700** | 130,200 |
| Other assets | **4,135,056** | 2,297,405 |
| **Total assets** | **$ 83,029,579** | $ 43,310,900 |
| | | |
| **Liabilities** | | |
| Noninterest-bearing deposits | **$ 21,384,379** | $ 8,428,951 |
| Interest-bearing deposits | **47,024,528** | 24,000,584 |
| Total deposits | **68,408,907** | 32,429,535 |
| Trading liabilities | **477,073** | 505,581 |
| Short-term borrowings | **2,141,719** | 3,518,314 |
| Term borrowings | **2,161,870** | 791,368 |
| Other liabilities | **1,695,868** | 990,094 |
| **Total liabilities** | **74,885,437** | 38,234,892 |
| | | |
| **Equity** | | |
| Preferred stock, Non-cumulative perpetual, no par value; authorized 5,000,000 shares; issued 26,250 and 1,000 shares, respectively | **470,370** | 95,624 |
| Common stock, $0.625 par value; authorized 700,000,000 and 400,000,000 shares, respectively; issued 554,787,728 and 311,469,056 shares, respectively | **346,742** | 194,668 |
| Capital surplus | **5,061,079** | 2,931,451 |
| Retained earnings | **2,110,990** | 1,798,442 |
| Accumulated other comprehensive loss, net | **(140,470)** | (239,608) |
| FHN shareholders' equity | **7,848,711** | 4,780,577 |
| Noncontrolling interest | **295,431** | 295,431 |
| **Total equity** | **8,144,142** | 5,076,008 |
| **Total liabilities and equity** | **$ 83,029,579** | $ 43,310,900 |

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

## CONSOLIDATED STATEMENTS OF INCOME

| *(Dollars and shares in thousands except per share data) (Unaudited)* | First Horizon National Corporation | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | **2020** | 2019 | **2020** | 2019 |
| **Interest income** | | | | |
| Interest and fees on loans and leases | **$ 557,195** | $ 356,371 | **$ 1,189,707** | $ 1,040,421 |
| Interest and fees on loans held for sale | **8,284** | 6,069 | **21,779** | 24,074 |
| Interest on securities available for sale: | | | | |
| Taxable | **24,113** | 28,418 | **75,846** | 90,935 |
| Tax-exempt | **1,421** | 352 | **2,421** | 925 |
| Interest on trading securities | **6,177** | 10,512 | **28,017** | 37,214 |
| Interest on other earning assets | **1,021** | 5,772 | **5,433** | 26,629 |
| Total interest income | **598,211** | 407,494 | **1,323,203** | 1,220,198 |
| **Interest expense** | | | | |
| Interest on deposits | **42,293** | 78,591 | **121,527** | 239,803 |
| Interest on trading liabilities | **699** | 2,943 | **4,965** | 9,515 |
| Interest on short-term borrowings | **1,259** | 11,532 | **12,578** | 29,314 |
| Interest on term borrowings | **21,595** | 13,752 | **43,622** | 42,772 |
| Total interest expense | **65,846** | 106,818 | **182,692** | 321,404 |
| **Net interest income** | **532,365** | 300,676 | **1,140,511** | 898,794 |
| Provision for credit losses | **227,000** | 14,366 | **502,388** | 36,273 |
| **Net interest income after provision for credit losses** | **305,365** | 286,310 | **638,123** | 862,521 |
| **Noninterest income** | | | | |
| Fixed income | **110,943** | 77,645 | **318,999** | 197,808 |
| Deposit transactions and cash management | **42,056** | 34,379 | **103,133** | 98,374 |
| Mortgage banking and title income | **65,503** | 2,019 | **72,072** | 6,477 |
| Brokerage, management fees and commissions | **17,891** | 14,157 | **47,096** | 40,910 |
| Trust services and investment management | **11,741** | 7,163 | **26,669** | 22,077 |
| Bankcard income | **10,457** | 7,017 | **24,362** | 20,324 |
| Securities gains (losses), net | **(1,170)** | 97 | **(2,638)** | 177 |
| Purchase accounting gain | **532,150** | — | **532,150** | — |
| Other income | **33,352** | 29,258 | **82,105** | 84,626 |
| Total noninterest income | **822,923** | 171,735 | **1,203,948** | 470,773 |
| **Noninterest expense** | | | | |
| Personnel expense | **329,439** | 167,022 | **713,168** | 516,590 |
| Net occupancy expense | **39,098** | 18,887 | **80,106** | 60,299 |
| Legal and professional fees | **43,236** | 19,764 | **64,863** | 52,671 |
| Computer software | **25,512** | 15,191 | **58,061** | 45,331 |
| Operations services | **15,634** | 11,634 | **38,980** | 34,835 |
| Contributions | **39,339** | 167 | **39,811** | 408 |
| Equipment expense | **12,022** | 8,197 | **28,958** | 25,401 |
| Amortization of intangible assets | **14,629** | 6,206 | **25,221** | 18,628 |
| Other expense | **68,131** | 61,238 | **160,971** | 150,720 |
| Total noninterest expense | **587,040** | 308,306 | **1,210,139** | 904,883 |
| **Income before income taxes** | **541,248** | 149,739 | **631,932** | 428,411 |
| Provision for income taxes | **2,210** | 35,796 | **19,757** | 97,321 |
| **Net income** | **$ 539,038** | $ 113,943 | **$ 612,175** | $ 331,090 |
| Net income attributable to noncontrolling interest | **2,977** | 2,883 | **8,680** | 8,555 |
| **Net income attributable to controlling interest** | **$ 536,061** | $ 111,060 | **$ 603,495** | $ 322,535 |
| Preferred stock dividends | **12,722** | 1,550 | **15,822** | 4,650 |
| **Net income available to common shareholders** | **$ 523,339** | $ 109,510 | **$ 587,673** | $ 317,885 |
| **Basic earnings per share** | **$ 0.95** | $ 0.35 | **$ 1.50** | $ 1.01 |
| **Diluted earnings per share** | **$ 0.95** | $ 0.35 | **$ 1.50** | $ 1.00 |
| **Weighted average common shares** | **549,690** | 311,888 | **391,699** | 314,442 |
| **Diluted average common shares** | **550,846** | 313,805 | **392,713** | 316,401 |

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

| | First Horizon National Corporation | | | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| *(Dollars in thousands) (Unaudited)* | **2020** | 2019 | **2020** | 2019 |
| Net income | **$ 539,038** | $ 113,943 | **$ 612,175** | $ 331,090 |
| Other comprehensive income (loss), net of tax: | | | | |
| Net unrealized gains (losses) on securities available for sale | **(5,118)** | 16,889 | **82,130** | 113,696 |
| Net unrealized gains (losses) on cash flow hedges | **(2,933)** | 2,844 | **10,145** | 17,140 |
| Net unrealized gains (losses) on pension and other postretirement plans | **2,379** | 2,102 | **6,863** | 5,126 |
| Other comprehensive income (loss) | **(5,672)** | 21,835 | **99,138** | 135,962 |
| Comprehensive income | **533,366** | 135,778 | **711,313** | 467,052 |
| Comprehensive income attributable to noncontrolling interest | **2,977** | 2,883 | **8,680** | 8,555 |
| Comprehensive income attributable to controlling interest | **$ 530,389** | $ 132,895 | **$ 702,633** | $ 458,497 |
| **Income tax expense (benefit) of items included in Other comprehensive income:** | | | | |
| Net unrealized gains (losses) on securities available for sale | **$ (2,253)** | $ 5,544 | **$ 26,198** | $ 37,321 |
| Net unrealized gains (losses) on cash flow hedges | **(771)** | 934 | **3,494** | 5,626 |
| Net unrealized gains (losses) on pension and other postretirement plans | **2,208** | 690 | **3,670** | 1,683 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**First Horizon National Corporation**

**Nine months ended September 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 | Retained Earnings | 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 | — | — | — | — | — | 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 ($0.15 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 | — | — | — | — | — | 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 ($0.15 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 |
| Net income | — | — | — | — | — | 536,061 | — | 2,977 | 539,038 |
| Other comprehensive income (loss) | — | — | — | — | — | — | (5,672) | — | (5,672) |
| Comprehensive income (loss) | — | — | — | — | — | 536,061 | (5,672) | 2,977 | 533,366 |
| Cash dividends declared: | | | | | | | | | |
| Preferred stock | — | — | — | — | — | (12,722) | — | — | (12,722) |
| Common stock ($0.15 per share) | — | — | — | — | — | (84,095) | — | — | (84,095) |
| Common stock repurchased | — | — | (88) | (56) | (781) | — | — | — | (837) |
| Common stock issued for: | | | | | | | | | |
| Stock options and restricted stock - equity awards | — | — | 138 | 87 | (87) | — | — | — | — |
| Issued in business combination | 23,750 | 230,081 | 243,015 | 151,885 | 2,115,330 | — | — | — | 2,497,296 |
| Stock-based compensation expense | — | — | — | — | 11,588 | — | — | — | 11,588 |
| Dividends declared - noncontrolling interest of subsidiary preferred stock | — | — | — | — | — | — | — | (2,977) | (2,977) |
| Other (c) | — | — | (636) | (398) | (5,581) | 117 | $ — | — | (5,862) |
| Balance, September 30, 2020 | 26,250 | $ 470,370 | 554,788 | $ 346,742 | $ 5,061,079 | $ 2,110,990 | $ (140,470) | $ 295,431 | $ 8,144,142 |

(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.

(c) Represents shares canceled to cover taxes on the IBKC equity compensation grants that automatically vested as part of the merger.

**Nine months ended September 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 | Retained Earnings | 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 | — | — | — | — | — | 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 ($0.14 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 | — | — | — | — | — | 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 ($0.14 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 |
| Net income | — | — | — | — | — | 111,060 | — | 2,883 | 113,943 |
| Other comprehensive income (loss) | — | — | — | — | — | — | 21,835 | — | 21,835 |
| Comprehensive income (loss) | — | — | — | — | — | 111,060 | 21,835 | 2,883 | 135,778 |
| Cash dividends declared: | | | | | | | | | |
| Preferred stock ($1,550 per share) | — | — | — | — | — | (1,550) | — | — | (1,550) |
| Common stock ($0.14 per share) | — | — | — | — | — | (44,184) | — | — | (44,184) |
| Common stock repurchased (b) | — | — | (1,804) | (1,127) | (27,255) | — | — | — | (28,382) |
| Common stock issued for: | | | | | | | | | — |
| Stock options and restricted stock - equity awards | — | — | 506 | 315 | 5,046 | — | — | — | 5,361 |
| Stock-based compensation expense | — | — | — | — | 5,822 | — | — | — | 5,822 |
| Dividends declared - noncontrolling interest of subsidiary preferred stock | — | — | — | — | — | — | — | (2,883) | (2,883) |
| Balance, September 30, 2019 | 1,000 | $ 95,624 | 311,180 | $ 194,487 | $ 2,925,309 | $ 1,725,846 | $ (240,654) | $ 295,431 | $ 4,996,043 |

(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, $50.2 million, and $28.2 million repurchased under share repurchase programs in first, second and third quarter 2019, respectively.

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | First Horizon National Corporation | |
|---|---|---|
| | Nine months ended September 30, | |
| *(Dollars in thousands) (Unaudited)* | **2020** | 2019 |
| **Operating Activities** | | |
| Net income | **$ 612,175** | $ 331,090 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Provision for credit losses | **502,388** | 36,273 |
| Provision (benefit) for deferred income taxes | **(82,444)** | 69,102 |
| Depreciation and amortization of premises and equipment | **36,818** | 33,142 |
| Amortization of intangible assets | **25,221** | 18,628 |
| Net other amortization and accretion | **(18,048)** | 1,632 |
| Net (increase) decrease in derivatives | **(325,430)** | (183,852) |
| Purchase accounting gain | **(532,150)** | — |
| Stock-based compensation expense | **22,587** | 16,478 |
| Securities (gains) losses, net | **2,638** | (177) |
| Net (gains) losses on sale/disposal of fixed assets | **7,194** | 20,453 |
| (Gain) loss on BOLI | **(4,076)** | — |
| Loans held for sale: | | |
| Purchases and originations | **(2,780,401)** | (1,488,577) |
| Gross proceeds from settlements and sales | **1,577,599** | 581,137 |
| (Gain) loss due to fair value adjustments and other | **(42,781)** | (6,468) |
| Other operating activities, net | **725,813** | 1,287,711 |
| Total adjustments | **(885,072)** | 385,482 |
| Net cash provided by (used in) operating activities | **(272,897)** | 716,572 |
| **Investing Activities** | | |
| Proceeds from sales of securities available for sale | **249,404** | 182,824 |
| Proceeds from maturities of securities available for sale | **2,993,036** | 566,803 |
| Purchases of securities available for sale | **(3,166,074)** | (357,182) |
| Proceeds from sales of premises and equipment | **8,649** | 14,370 |
| Purchases of premises and equipment | **(35,293)** | (28,769) |
| Proceeds from sale and pay down of loans classified as held to maturity | **—** | 20,100 |
| Proceeds from BOLI | **8,228** | 10,085 |
| Net increase in loans and leases | **(2,309,625)** | (3,779,972) |
| Net (increase) decrease in interest-bearing deposit with banks | **(3,012,954)** | 913,199 |
| Cash received for acquisitions, net | **1,805,546** | — |
| Other investing activities, net | **10,445** | 13,296 |
| Net cash used in investing activities | **(3,448,638)** | (2,445,246) |
| **Financing Activities** | | |
| Common stock: | | |
| Stock options exercised | **4,145** | 8,793 |
| Cash dividends paid | **(138,942)** | (127,455) |
| Repurchase of shares | **(4,295)** | (134,041) |
| Cancellation of common shares | **(7,754)** | — |
| Preferred stock issuance | **144,665** | — |
| Cash dividends paid - preferred stock - noncontrolling interest | **(8,586)** | (8,555) |
| Cash dividends paid - preferred stock | **(8,249)** | (4,650) |
| Net increase (decrease) in deposits | **5,561,114** | (738,333) |
| Net increase (decrease) in short-term borrowings | **(1,585,328)** | 2,814,279 |
| Proceeds from issuance of term borrowings | **1,241,534** | — |
| Payments/maturities on term borrowings | **(1,070,122)** | (2,581) |
| Increases (decreases) in restricted and secured term borrowings | **(5,427)** | 11,572 |
| Net cash provided by financing activities | **4,122,755** | 1,819,029 |
| Net increase in cash and cash equivalents | **401,220** | 90,355 |
| Cash and cash equivalents at beginning of period | **1,266,893** | 1,405,325 |
| Cash and cash equivalents at end of period | **$ 1,668,113** | $ 1,495,680 |
| **Supplemental Disclosures** | | |
| Total interest paid | **$ 181,454** | $ 303,180 |
| Total taxes paid | **89,623** | 32,811 |
| Total taxes refunded | **543** | 27,742 |
| Transfer from loans to OREO | **1,987** | 6,309 |
| Transfer from loans HFS to trading securities | **1,083,418** | 1,024,274 |
| Transfer from loans to loans HFS | **4,283** | 31,465 |

See accompanying notes to consolidated financial statements.

**Notes to the Consolidated Financial Statements (Unaudited)**

**Note 1 – Financial Information**

***Basis of Accounting.*** The unaudited interim consolidated 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 in future periods. 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.

***Merger with IBERIABANK Corporation.*** On July 1, 2020, FHN and IBERIABANK Corporation ("IBKC") closed their merger-of-equals transaction (the "IBKC merger"). Historical periods prior to the closing of the merger only reflect results of legacy FHN operations. Subsequent to closing, results reflect all post-acquisition activity. Refer to Note 2– Acquisitions and Divestitures for additional information regarding the transaction.

***Reclassifications.*** In connection with the IBKC merger, certain captions in the Consolidated Balance Sheets and Consolidated Statements of Income and loan categories were realigned. Amounts reported in prior periods' consolidated financial statements, which represent FHN's pre-merger financial results, have been reclassified to conform to the current presentation.

***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.

As a result of the IBKC merger on July 1, 2020, mortgage banking and title income has become a more significant revenue source. Mortgage banking and title income includes mortgage servicing income, title income, mortgage loan originations and sales, derivative settlements, as well as any changes in fair value recorded on mortgage loans and derivatives.

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 discussion of FHN's other key revenues.

***Contract Balances.*** As of September 30, 2020, accounts receivable related to products and services on noninterest income were $8.8 million. For the three and nine months ended September 30, 2020, FHN had no material impairment losses on noninterest accounts receivable and there were no material contract assets, contract liabilities or deferred contract costs recorded on the Consolidated Balance Sheets as of September 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 nine months ended September 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 13 – 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 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 17 - 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 Balance Sheet.

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 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 Balance Sheets. 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 16 - 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 Held for Sale.*** Loans originated or purchased for which management lacks the intent to hold are included in loans held for sale in the Consolidated Balance Sheets. FHN generally accounts for loans held for sale at the lower of amortized cost or market value ("LOCOM"), with an exception for certain mortgage loans held for sale and repurchased loans that are not governmentally insured which are carried under the fair value option of reporting.

On July 1, 2020 as part of the IBKC merger, FHN acquired a portfolio of loans held for sale which consisted of two components:

- Fair Value Option Election. These loans, which represent the majority of the IBKC loans held for sale portfolio, consist of fixed rate single-family residential mortgage loans originated by IBKC and committed to be sold in the secondary market. Gains and losses on these mortgage loans are included in mortgage banking and title income.

- Other Loans held for sale. For these loans, net unrealized losses, if any, are recognized through a valuation allowance that is recorded as a charge to noninterest income.

***Loans and Leases.*** 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.

As a result of the IBKC merger, FHN acquired equipment financing leases to commercial customers, which are primarily classified as direct financing and sales-type leases. Equipment financing leases are reported at the net lease investment, which represents the sum of minimum lease payments over the lease term and the estimated residual value, less unearned interest income. Interest income is accrued as earned over the term of the lease based on the net investment in leases. Fees incurred to originate the lease are deferred and recognized as an adjustment of the yield on the lease.

FHN also acquired a small amount of loans held for investment in the IBKC merger which are accounted for at elected fair value. See Note 17 - Fair Value of Assets and Liabilities for further discussion of these loans.

FHN has elected to exclude accrued interest receivable ("AIR") from the amortized cost basis on 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 Balance Sheets.

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 Balance Sheets.

***Purchased Credit-Deteriorated Loans.*** Subsequent to 2019, at the time of acquisition 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 estimation 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 and lease 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 and lease 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.

***Allowance for Credit Losses.*** The nature of the process by which FHN determines the appropriate ALLL requires the exercise of considerable judgment. See Note 5 - Allowance for Credit 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. Loans accounted for at elected fair value are excluded from CECL measurements.

The ALLL is increased by the provision for loan and lease 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.

***Transfers of Financial Assets***. Transfers of financial assets, or portions thereof which meet the definition of a participating interest, are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when 1) the assets have been legally isolated from FHN, 2) the transferee has the right to pledge or exchange the assets with no conditions that constrain the transferee and provide more than a trivial benefit to FHN, and 3) FHN does not maintain effective control over the transferred assets. If the transfer does not satisfy all three criteria, the transaction is recorded as a secured borrowing. If the transfer is accounted for as a sale, the transferred assets are derecognized from FHN's balance sheet and a gain or loss on sale is recognized. If the transfer is accounted for as a secured borrowing, the transferred assets remain on FHN's balance sheet and the proceeds from the transaction are recognized as a liability.

***Servicing Rights***. FHN recognizes the rights to service mortgage and other loans as separate assets, which are recorded in other assets in the Consolidated Balance Sheets, when purchased or when servicing is contractually separated from the underlying loans by sale with servicing rights retained. For loan sales with servicing retained, a servicing right, generally an asset, is recorded at fair value at the time of sale for the right to service the loans sold. All servicing rights are identified by class and amortized over the remaining service life of the loan with periodic reviews for impairment.

***Investment Tax Credit***. In conjunction with the IBKC merger, FHN has elected to utilize the deferral method for acquired investments that generate investment tax credits. This includes both solar and historic tax credit investments. Under this approach, the investment tax credits are recognized as a reduction of the related asset rather than income tax expense (benefit).

***Equity Compensation***. As a result of the IBKC merger, as of July 1, 2020, FHN assumed phantom stock awards under various plans to directors, officers, and other key employees. Phantom stock awards are accounted for as liability awards and are remeasured at each reporting period based on changes in their fair value, which is based on changes in common share prices, until the date of settlement. Compensation cost for each reporting period until settlement is based on the change (or a portion of the change, depending on the percentage of the requisite service that has been rendered at the reporting date) in the fair value of the phantom stock award for each reporting period.

***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 was 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 and leases (a) | $ 2,980 |
| Allowance for loan and lease 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 16 - 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.

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 with 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 primarily involve the deferral of principal and interest payments, fee waivers and mortgage modifications required in response to government modification requirements. With the duration of the economic effects from the pandemic continuing, in third quarter 2020, FHN initiated additional modification programs for extensions of certain borrowers which result in total deferral periods exceeding 6 months or temporary conversion of amortizing loans to interest-only status. Accordingly, FHN has applied the provisions of the CARES Act to its most recent modification programs.

***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 243 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.

The merger-of-equals transaction has been accounted for as a business combination. Accordingly, the assets acquired and liabilities assumed are presented at their fair values as of the merger date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change.

The following schedule details a preliminary allocation of merger consideration to the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from IBKC as of July 1, 2020.

| *(Dollars in thousands)* | | IBERIABANK Corporation |
|---|---|---|
| **Assets:** | | |
| Cash and due from banks | $ | 129,553 |
| Interest-bearing deposits with banks | | 1,947,933 |
| Securities available for sale at fair value | | 3,544,364 |
| Loans held for sale | | 319,743 |
| Loans and leases (a) | | 25,917,828 |
| Allowance for loan and lease losses | | (284,457) |
| Other intangible assets | | 237,763 |
| Premises and equipment | | 310,617 |
| Other real estate owned ("OREO") | | 8,593 |
| Other assets | | 1,126,786 |
| Total assets acquired | $ | 33,258,723 |
| **Liabilities:** | | |
| Deposits | | 28,231,609 |
| Short-term borrowings | | 208,733 |
| Term borrowings | | 1,199,533 |
| Other liabilities | | 585,143 |
| Total liabilities assumed | $ | 30,225,018 |
| Net assets acquired | $ | 3,033,705 |
| **Consideration paid:** | | |
| Consideration for outstanding common stock | | 2,242,611 |
| Consideration for equity awards | | 28,291 |
| Consideration for preferred stock | | 230,641 |
| Cash in lieu of fractional shares | | 12 |
| Total consideration paid | $ | 2,501,555 |
| Preliminary purchase accounting gain | $ | (532,150) |

(a) Includes $1.3 billion of initial net investments in sales-type and direct financing leases.

In relation to the merger-of-equals, FHN recorded a preliminary $532.2 million purchase accounting gain, representing the shortfall of the purchase price under the acquisition accounting value of net assets acquired, net of deferred taxes. The preliminary purchase accounting gain is not taxable. Due to the fact that back office functions (including loan and deposit processing) still have not been integrated, the evaluation of post-merger activity, and the extended information gathering and management review processes required to properly record acquired assets and liabilities, FHN considers its valuations of IBKC's loans and leases, allowance for loan and lease losses, loans held-for-sale, premises and equipment, OREO, other assets, tax receivables and payables, core deposit intangibles, other intangibles, time deposits, acquired debt, lease assets and

**Note 2 – Acquisitions and Divestitures (Continued)**

liabilities, other liabilities and acquired contingencies to be provisional as management continues to identify and assess information regarding the nature of these assets and liabilities and reviews the associated valuation assumptions and methodologies. Accordingly, the amounts recorded for current and deferred tax assets and liabilities are also considered provisional as FHN continues to evaluate the nature and extent of permanent and temporary (timing) differences between the book and tax bases of the acquired assets and liabilities assumed. Additionally, the accounting policies of both FHN and IBKC are in the process of being reviewed in detail. Upon completion of such review, conforming adjustments or financial statement reclassification may be determined.

The following is a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed presumed above.

*Cash and due from banks and Interest-bearing deposits with banks:* The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

*Securities available for sale:* Fair values for securities were based on quoted market prices where available. If quoted market prices are not available, fair value estimates are based on observable inputs obtained from market transactions in similar securities. Securities held to maturity were reclassified to securities available for sale based on FHN's intent at closing.

*Loans:* Fair values for loans were based on a discounted cash flow methodology that considered factors including loan type and related collateral, classification status, remaining term of the loan, fixed or variable interest rate, amortization status and current discount rates. Expected cash flows were derived using inputs consistent with management's assessment of credit risk for allowance measurement with adjustments for consistency with fair value measurement concepts. Large loans were specifically reviewed to evaluate credit risk. Loans were valued individually although multiple inputs were applied to loans with similar characteristics as appropriate. The discount rate did not include an explicit factor for credit losses, as that was included as a reduction to the estimated cash flows.

*Leases:* Sales-type and direct financing leases were valued at the net investment in the lease which consists of both the lease receivable (including both the remaining lease payments and the guaranteed residual asset value) and the unguaranteed residual asset, if any. Discounting of the lease receivable was performed using the rate implicit in the lease. The unguaranteed residual asset represents the difference in the fair value of the underlying asset and the lease receivable and therefore includes consideration of all terms and conditions in the lease.

*Intangible assets:* Core deposit intangible assets ("CDI") represents the value of the relationships with deposit customers. The fair value for CDI was estimated based on a discounted cash flow methodology that gave appropriate consideration to expected customer attrition rates, net maintenance cost of the deposit base, alternative costs of funds, and the interest costs associated with the customer deposits. The CDI is being amortized over its estimated useful life of approximately ten years utilizing an accelerated method. Customer relationship intangibles are valued using a discounted cash flow methodology that reflects the estimated value of the future net earnings from the relationships which includes adjustments for estimated attrition.

*Loans Held for Sale:* The valuation of loans held for sale, primarily conforming mortgages, reflected quotes or bids on these loans directly from the purchasing financial institutions.

*Allowance for Loan and Lease Losses:* The allowance for loan losses relates to PCD loans and was determined using a methodology consistent with that described in Note 5 - Allowance for Credit Losses with inputs determined as of the merger date.

*Derivatives:* Derivative assets and liabilities are included in Other assets and Other liabilities. Forward sales contracts are valued using current transactions involving identical securities. Interest rate swaps, interest rate locks, interest rate collars, interest rate floors, and equity indexed derivatives are estimated using prices of financial instruments with similar characteristics and observable inputs. Risk participations also incorporate an estimate of credit risk.

*Lease Assets and Lease Liabilities:* Lease assets and lease liabilities were measured using a methodology that involved estimating the future rental payments over the remaining lease term with discounting using a fully-collateralized discount rate. The lease term was determined for individual leases based on management's assessment of the probability of exercising existing renewal options. The net effect of any off-market terms in a lease were also discounted and applied to the balance of the lease asset.

*Premises and Equipment:* Land and buildings held for use are valued at appraised values, which reflect considerations of recent disposition values for similar property types with adjustments for characteristics of individual properties. Locations held for sale are valued at appraised values which also reference recent disposition values for similar property types but also considers marketability discounts for vacant properties. The valuations of locations held for

**Note 2 – Acquisitions and Divestitures (Continued)**

sale are reduced by estimated costs to sell. Other fixed assets are valued using a discounted cash flow methodology which reflects estimates of future value of assets to a hypothetical buyer.

*OREO:* OREO properties are valued at estimated fair value less estimated costs to sell the real estate. Estimated fair value is determined using appraised values which includes consideration of recent disposition values for similar property types with adjustments for characteristics of individual properties.

*Deposits*: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. Fair values for time deposits were estimated using a discounted cash flow analysis applying interest rates currently offered to the contractual interest rates on such time deposits.

*Short-term borrowings:* The carrying amount of these liabilities is a reasonable estimate of fair value based on the short-term nature of these liabilities.

*Term Borrowings:* The fair values of long-term debt instruments are estimated based on quoted market prices for instrument if available, or for similar instruments if not available. For redeemable debt instruments, an evaluation of the debt terms in comparison to current financing alternatives was performed to evaluate if the redemption value represented the fair value relevant to a market participant. If pricing for similar instruments is not available, a discounted cash flow analysis is utilized based on estimated current borrowing rates for similar types of instruments and considers whether the debt is currently callable. Estimated discount rates are determined from the perspective of the post-merger combined entity rather than the acquiree and/or original issuers.

FHN's operating results for the three and nine months ended September 30, 2020 include the operating results of the acquired assets and assumed liabilities of IBKC subsequent to the merger-of-equals transaction on July 1, 2020.

The following table presents unaudited pro forma information as if the transaction occurred on January 1, 2019. The pro forma information does not necessarily reflect the results of operations that would have occurred had the two companies combined on January 1, 2019. Furthermore, cost savings and other business synergies related to the transaction are not reflected in the pro forma amounts.

| | | Unaudited Pro Forma Information for the | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | Actual from acquistion date through September 30, 2020 | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 (a) | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 (a) |
| Net interest income | $ 222,912 | $ 550,636 | $ 566,174 | $ 1,691,623 | $ 1,711,502 |
| Noninterest income | 89,510 | 290,773 | 235,409 | 783,132 | 645,781 |
| Net income (loss) | (41,750) | 71,162 | 218,572 | 359,214 | 654,884 |

(a) Three and nine months ended September 30, 2019 does not include the impact of CECL which was adopted January 1, 2020.

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

| *(Dollars in thousands)* | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 |
|---|---|---|
| Legal and professional fees (a) | $ 29,984 | $ 34,394 |
| Personnel expense (b) | 34,846 | 40,240 |
| Contribution expense (c) | 20,000 | 20,000 |
| Miscellaneous expense (d) | 11,138 | 12,395 |
| Total IBKC acquisition expense | $ 95,968 | $ 107,029 |

(a) Primarily comprised of fees for legal, accounting, and merger consultants.
(b) Primarily comprised of fees for severance and retention.
(c) Comprised of contribution expense related to the establishment of the First Horizon Louisiana Foundation.
(d) Primarily comprised of fees for travel and entertainment, contract employment, contributions and other miscellaneous expenses.

**Note 2 – Acquisitions and Divestitures (Continued)**

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% deposit premium and purchased approximately $423.4 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 transaction completion in relation to quarter end, FHN considers its valuations of Truist's loans, fixed assets, core deposit intangible assets and other liabilities to be provisional as management continues to identify and assess information regarding the nature of these assets and liabilities and reviews the associated valuation assumptions and methodologies. Fair value estimates related to the acquired assets and liabilities assumed are subject to adjustment for up to one year after the closing date of the transaction as additional information as of closing date becomes available.

The following schedule details a preliminary allocation of merger consideration to the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed from Truist Bank as of July 17, 2020.

| *(Dollars in thousands)* | | Truist Bank |
|---|---|---|
| **Assets:** | | |
| Cash and due from banks | $ | 2,201,685 |
| Loans and leases | | 423,397 |
| Allowance for loan and lease losses | | (2,355) |
| Other intangible assets | | 7,000 |
| Premises and equipment | | 10,965 |
| Other assets | | 27,700 |
| Total assets acquired | $ | 2,668,392 |
| **Liabilities:** | | |
| Deposits | | 2,194,870 |
| Other liabilities | | 29,733 |
| Total liabilities assumed | $ | 2,224,603 |
| Net assets acquired | $ | 443,789 |
| **Consideration paid:** | | |
| Cash | | 521,433 |
| Total consideration paid | $ | 521,433 |
| Preliminary goodwill | $ | 77,644 |

In relation to the acquisition, FHN recorded $77.6 million in goodwill, representing the excess of acquisition consideration over the estimated fair value of net assets acquired. All goodwill has been attributed to FHN's Regional Banking segment (refer to Note 7 - Intangible Assets for additional information). This goodwill is the result of expected synergies, operational efficiencies and other factors. FHN's operating results for the three and nine months ended September 30, 2020 include the operating results of the acquired assets and assumed liabilities of Truist Bank subsequent to the acquisition on July 17, 2020.
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 nine months ended September 30, 2020 and 2019 are presented in the table below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Legal and professional fees (a) | **$ 1,196** | $ 3,507 | **$ 3,322** | $ 9,852 |
| Personnel expense (b) | **303** | 1,473 | **786** | 4,462 |
| Contract employment and outsourcing (c) | **203** | 223 | **929** | 240 |
| Net occupancy expense (d) | **449** | (76) | **342** | 1,547 |
| Miscellaneous expense (e) | **951** | 1,022 | **2,276** | 2,170 |
| All other expense (f) | **1,723** | 2,840 | **6,207** | 5,025 |
| Total | **$ 4,825** | $ 8,989 | **$ 13,862** | $ 23,296 |

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 Balance Sheets.

**Note 3 – Investment Securities**

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

| *(Dollars in thousands)* | September 30, 2020 Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Securities available for sale:** | | | | |
| U.S. treasuries | $ 300,037 | $ — | $ (3) | $ 300,034 |
| Government agency issued mortgage-backed securities ("MBS") | 3,731,490 | 97,734 | (2,158) | 3,827,066 |
| Government agency issued collateralized mortgage obligations ("CMO") | 2,675,192 | 31,694 | (1,439) | 2,705,447 |
| Other U.S. government agencies | 644,328 | 13,942 | (4) | 658,266 |
| Corporates and other debt | 39,936 | 74 | — | 40,010 |
| States and municipalities | 421,754 | 10,342 | (6) | 432,090 |
| | **$ 7,812,737** | **$ 153,786** | **$ (3,610)** | 7,962,913 |
| **AFS debt securities recorded at fair value through earnings:** | | | | |
| SBA-interest only strips (a) | | | | 32,959 |
| **Total securities available for sale (b)** | | | | **$ 7,995,872** |

(a) SBA-interest only strips are recorded at elected fair value. See Note 17 - Fair Value of Assets and Liabilities for additional information.
(b) Includes $5.7 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

| *(Dollars in thousands)* | December 31, 2019 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 |

(a) SBA-interest only strips are recorded at elected fair value. See Note 17 - 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 debt securities portfolios on September 30, 2020 are provided below:

| | Available-for-Sale | |
|---|---|---|
| *(Dollars in thousands)* | Amortized Cost | Fair Value |
| Within 1 year | $ 453,324 | $ 455,069 |
| After 1 year; within 5 years | 192,172 | 196,096 |
| After 5 years; within 10 years | 152,870 | 160,078 |
| After 10 years | 607,689 | 619,157 |
| Subtotal | 1,406,055 | 1,430,400 |
| Government agency issued MBS and CMO (a) | 6,406,682 | 6,532,513 |
| Total | **$ 7,812,737** | **$ 7,962,913** |

(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 nine months ended September 30, 2020 and 2019.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Gross gains on sales of debt securities | **$ 1,442** | $ — | **$ 1,442** | $ — |
| Gross (losses) on sales of debt securities | **(2,765)** | — | **(2,765)** | (267) |
| Net gains (losses) on sales of debt securities (a) | **$ (1,323)** | $ — | **$ (1,323)** | $ (267) |

(a) Cash proceeds for the three and nine months ended September 30, 2020 were not material. Cash proceeds for the three months ended September 30, 2019, were not material. Cash proceeds for the nine months ended September 30, 2019 were $182.8 million.

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

| | **As of September 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 | $ 299,934 | $ (3) | $ — | $ — | $ 299,934 | $ (3) |
| Government agency issued MBS | 568,733 | (2,158) | — | — | 568,733 | (2,158) |
| Government agency issued CMO | 636,386 | (1,439) | — | — | 636,386 | (1,439) |
| Other U.S. government agencies | 30,896 | (4) | $ — | $ — | 30,896 | (4) |
| States and municipalities | 5,191 | (6) | — | — | 5,191 | (6) |
| Total temporarily impaired securities | **$ 1,541,140** | **$ (3,610)** | **$ —** | **$ —** | **$ 1,541,140** | **$ (3,610)** |

**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 $21.8 million as of September 30, 2020. Consistent with FHN's 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 $55.2 million and $25.6 million at September 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 $1.2 million and $0.4 million were recognized in the three months ended September 30, 2020 and 2019, respectively, and unrealized losses of $3.6 million and unrealized gains of $4.9 million were recognized in the nine months ended September 30, 2020 and 2019, respectively, for equity investments with readily determinable fair values.

**Note 4 – Loans and Leases**

The following tables and data as of September 30, 2020 include the loan and lease balances acquired in the IBKC merger and Truist Bank branch acquisition, which were recorded at fair value on their respective transaction closing dates. See Note 2 - Acquisitions and Divestitures for further information.

As discussed in Note 1 - Financial Information, 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.

Loans and leases are disclosed in portfolio segments and classes. A class is generally a disaggregation of a portfolio segment. In determining classes, FHN considered the loan characteristics and methods it applies in monitoring and assessing credit risk and performance. FHN's loan and lease portfolio segments are commercial and consumer. The classes of loans and leases are: commercial, financial, and industrial ("C&I"), which includes commercial and industrial loans and loans to mortgage companies ("LMC"), commercial real estate ("CRE"), consumer real estate, which includes both real estate ("R/E") installment and home equity lines of credit ("HELOCs"), and credit card and other. The following table provides the amortized cost basis of loans and leases by portfolio segment and class as of September 30, 2020 and December 31, 2019, excluding accrued interest of $177.5 million and $84.6 million, which is included in Other assets in the Consolidated Balance Sheets.

| *(Dollars in thousands)* | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| Commercial: | | |
| Commercial and industrial (a) | **$ 28,048,649** | $ 15,640,208 |
| Loans to mortgage companies | **5,607,068** | 4,410,883 |
| Total commercial, financial, and industrial | **33,655,717** | 20,051,091 |
| Commercial real estate | **12,510,887** | 4,337,017 |
| Consumer: | | |
| HELOC | **2,549,837** | 1,287,441 |
| R/E installment loans | **9,778,032** | 4,889,698 |
| Total consumer real estate | **12,327,869** | 6,177,139 |
| Credit card and other | **1,212,058** | 495,864 |
| Loans and leases | **$ 59,706,531** | $ 31,061,111 |
| Allowance for loan and lease losses | **(988,102)** | (200,307) |
| Net loans and leases | **$ 58,718,429** | $ 30,860,804 |

(a) September 30, 2020 balance includes equipment financing leases of $524.2 million.

In addition to loans issued in the normal course of business, FHN considers overdrafts on customer deposit accounts to be loans and reclassifies these overdrafts as loans in its consolidated balance sheets. At September 30, 2020 and December 31, 2019, overdrafts of $9.0 million and $8.1 million, respectively, had been reclassified to loans.

Loans and leases with carrying values of $39.4 billion and $19.2 billion were pledged as collateral for borrowings at September 30, 2020 and December 31, 2019, respectively.

**Note 4 – Loans and Leases (Continued)**

**Portfolio Segment Risk Factors**

Commercial Loans and Leases

The C&I portfolio is comprised of loans and leases used for general business purposes. Typical products including working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, direct financing and sales-type leases, 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. Over 99% of the loans to mortgage companies are collateralized with government guaranteed loans. The loans are of short duration with maturities less than one year.

Commercial Real Estate loans include financings for commercial construction and nonconstruction loans. Income-producing CRE loans and draws on lines and letters of credit are to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate. Residential CRE loans are 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 C&I loans are $4.2 billion of 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 the amount of the loan forgiven by the SBA expected to be paid 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 the consumer real estate 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. 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.

**Note 4 – Loans and Leases (Continued)**

### Concentrations

FHN has a concentration of residential real estate loans (21% of total loans). Loans to finance and insurance companies total $3.1 billion (9% of the C&I portfolio, or 5% of the total loans). FHN had loans to mortgage companies totaling $5.6 billion (17% of the C&I segment, or 9% of total loans) as of September 30, 2020. As a result, 26% of the C&I portfolio is sensitive to impacts on the financial services industry.

### Credit 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. 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). Special mention loans and leases have potential weaknesses that, if left uncorrected, may result in deterioration of FHN's credit position at some future date. Substandard commercial loans and leases have well-defined weaknesses and are characterized by the distinct possibility that FHN will sustain some loss if the deficiencies are not corrected. Doubtful commercial loans and leases have the same weaknesses as substandard loans and leases with the added characteristics that the probability of loss is high and collection of the full amount is improbable.

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

| | C&I | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | 2020 | 2019 | 2018 | 2017 | 2016 | Prior to 2016 | LMC (a) | Revolving Loans | Revolving Loans converted to term loans (b) | Total |
| Credit Quality Indicator: | | | | | | | | | | |
| Pass (PD grades 1 through 12) (c) | $ 7,795,816 | $ 5,770,378 | $ 3,036,673 | $ 1,917,886 | $ 1,323,236 | $ 2,414,920 | $ 5,607,068 | $ 4,533,240 | $ 60,592 | $ 32,459,809 |
| Special Mention (PD grade 13) | 86,675 | 75,224 | 53,067 | 22,692 | 45,640 | 80,438 | — | 123,383 | 47,364 | 534,483 |
| Substandard, Doubtful, or Loss (PD grades 14,15, and 16) | 107,126 | 111,716 | 109,639 | 50,811 | 60,082 | 46,871 | — | 165,173 | 10,007 | 661,425 |
| Total C&I loans | $ 7,989,617 | $ 5,957,318 | $ 3,199,379 | $ 1,991,389 | $ 1,428,958 | $ 2,542,229 | $ 5,607,068 | $ 4,821,796 | $ 117,963 | $ 33,655,717 |

(a) 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.
(b) $40.0 million of C&I loans were converted from revolving to term in 2020.
(c) 2020 balance includes PPP loans.

| | CRE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | 2020 | 2019 | 2018 | 2017 | 2016 | prior to 2016 | Revolving Loans | Revolving Loans converted to term loans | Total |
| Credit Quality Indicator: | | | | | | | | | |
| Pass (PD grades 1 through 12) | 2,099,167 | 3,244,741 | 1,940,046 | 1,410,004 | 1,056,094 | 2,015,504 | 300,752 | 18,836 | 12,085,144 |
| Special Mention (PD grade 13) | 15,089 | 31,230 | 97,016 | 35,573 | 83,254 | 45,875 | 4,065 | — | 312,102 |
| Substandard, Doubtful, or Loss (PD grades 14,15, and 16) | 676 | 2,481 | 22,018 | 41,211 | 8,180 | 31,746 | 7,329 | — | 113,641 |
| Total CRE loans | 2,114,932 | 3,278,452 | 2,059,080 | 1,486,788 | 1,147,528 | 2,093,125 | 312,146 | 18,836 | 12,510,887 |

**Note 4 – Loans and Leases (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)* | C&I | Loans to Mortgage Companies | CRE | Total | Percentage of Total | Allowance for Loan Losses |
| PD Grade: | | | | | | |
| Pass (PD grades 1 through 12) (a) | $ 15,035,946 | $ 4,410,883 | $ 4,252,361 | $ 23,699,190 | 98 % | $ 114,094 |
| Special Mention (PD grade 13) | 232,823 | — | 34,092 | 266,915 | 1 | 8,142 |
| Substandard, Doubtful, or Loss (PD grades 14,15, and 16) | 263,076 | — | 44,026 | 307,102 | 1 | 29,318 |
| Collectively evaluated for impairment | 15,531,845 | 4,410,883 | 4,330,479 | 24,273,207 | 100 | 151,554 |
| Individually evaluated for impairment | 82,438 | — | 1,563 | 84,001 | — | 6,196 |
| Purchased credit-impaired loans | 25,925 | — | 4,975 | 30,900 | — | 848 |
| Total commercial loans | $ 15,640,208 | $ 4,410,883 | $ 4,337,017 | $ 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 and Leases (Continued)**

The following table reflects the amortized cost basis by year of origination and refreshed FICO scores for consumer real estate loans as of September 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 | $ 809,079 | $ 1,242,805 | $ 797,553 | $ 677,865 | $ 746,150 | $ 1,910,304 | $ 1,304,498 | $ 178,921 | $ 7,667,175 |
| FICO score 720-739 | 96,670 | 168,223 | 110,859 | 81,669 | 93,933 | 205,824 | 204,419 | 30,342 | 991,939 |
| FICO score 700-719 | 84,995 | 122,293 | 89,193 | 84,727 | 73,587 | 225,227 | 181,823 | 39,361 | 901,206 |
| FICO score 660-699 | 88,346 | 146,789 | 143,213 | 88,989 | 91,062 | 316,577 | 263,818 | 63,156 | 1,201,950 |
| FICO score 620-659 | 21,847 | 73,365 | 40,104 | 28,207 | 36,391 | 140,682 | 87,205 | 39,707 | 467,508 |
| FICO score less than 620 | 357,712 | 48,100 | 53,006 | 61,476 | 97,995 | 323,215 | 99,561 | 57,026 | 1,098,091 |
| Total | $ 1,458,649 | $ 1,801,575 | $ 1,233,928 | $ 1,022,933 | $ 1,139,118 | $ 3,121,829 | $ 2,141,324 | $ 408,513 | $ 12,327,869 |

(a) $22.7 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 credit card and other loans as of September 30, 2020.

| | Credit Card and Other | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(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 | $ 45,014 | $ 60,629 | $ 67,379 | $ 44,445 | $ 27,990 | $ 129,793 | $ 143,754 | $ 5,263 | $ 524,267 |
| FICO score 720-739 | 6,617 | 8,673 | 10,856 | 9,913 | 9,051 | 29,740 | 90,623 | 1,630 | 167,103 |
| FICO score 700-719 | 6,172 | 9,215 | 9,903 | 8,635 | 4,567 | 42,102 | 41,039 | 1,731 | 123,364 |
| FICO score 660-699 | 27,173 | 14,206 | 16,352 | 11,032 | 10,600 | 53,772 | 54,963 | 3,737 | 191,835 |
| FICO score 620-659 | 3,526 | 5,559 | 7,990 | 5,761 | 12,823 | 29,168 | 19,492 | 1,406 | 85,725 |
| FICO score less than 620 | 22,715 | 7,406 | 16,024 | 10,876 | 9,432 | 28,960 | 22,835 | 1,516 | 119,764 |
| Total | $ 111,217 | $ 105,688 | $ 128,504 | $ 90,662 | $ 74,463 | $ 313,535 | $ 372,706 | $ 15,283 | $ 1,212,058 |

(a) $5.3 million of other consumer loans were converted from revolving to term in 2020.

**Note 4 – Loans and Leases (Continued)**

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.

**Nonaccrual and Past Due Loans and Leases**

Loans and leases are 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 nonaccrual are loans for which FHN continues to receive payments including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy.

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 and leases by class on September 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, financial, and industrial:** | | | | | | | | | |
| C&I (a) (b) | $ 27,815,798 | $ 19,892 | $ 149 | **$ 27,835,839** | $ 126,674 | $ 25,327 | $ 60,809 | **$ 212,810** | **$ 28,048,649** |
| Loans to mortgage companies | 5,607,068 | — | — | **5,607,068** | — | — | — | **—** | **5,607,068** |
| Total commercial and industrial | 33,422,866 | 19,892 | 149 | **33,442,907** | 126,674 | 25,327 | 60,809 | **212,810** | **33,655,717** |
| **Commercial real estate:** | | | | | | | | | |
| CRE | 12,444,693 | 15,133 | — | **12,459,826** | 42,517 | 2,531 | 6,013 | **51,061** | **12,510,887** |
| **Consumer real estate:** | | | | | | | | | |
| HELOC | 2,467,907 | 11,884 | 6,892 | **2,486,683** | 47,101 | 4,628 | 11,425 | **63,154** | **2,549,837** |
| R/E installment loans | 9,631,513 | 22,922 | 6,663 | **9,661,098** | 54,606 | 3,394 | 58,934 | **116,934** | **9,778,032** |
| Total consumer real estate | 12,099,420 | 34,806 | 13,555 | **12,147,781** | 101,707 | 8,022 | 70,359 | **180,088** | **12,327,869** |
| **Credit card and other:** | | | | | | | | | |
| Credit card | 267,880 | 1,513 | 789 | **270,182** | 242 | 38 | 49 | **329** | **270,511** |
| Other | 936,179 | 2,698 | 122 | **938,999** | 963 | 682 | 903 | **2,548** | **941,547** |
| Total credit card and other | 1,204,059 | 4,211 | 911 | **1,209,181** | 1,205 | 720 | 952 | **2,877** | **1,212,058** |
| **Total loans and leases, net of unearned income** | $ 59,171,038 | $ 74,042 | $ 14,615 | **$ 59,259,695** | $ 272,103 | $ 36,600 | $ 138,133 | **$ 446,836** | **$ 59,706,531** |

(a) $125.7 million of C&I loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance.
(b) C&I loans include $209.4 million in TRUPs loans, which are presented net of an amortizing discount of $18.2 million.

**Note 4 – Loans and Leases (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, financial, and industrial:** | | | | | | | | | |
| C&I (a) | $ 15,532,579 | $ 7,155 | $ 237 | $ 15,539,971 | $ 36,564 | $ 14,385 | $ 23,363 | $ 74,312 | $ 15,614,283 |
| Loans to mortgage companies | 4,410,883 | — | — | 4,410,883 | — | — | — | — | 4,410,883 |
| Purchased credit-impaired loans | 23,840 | 287 | 1,798 | 25,925 | — | — | — | — | 25,925 |
| Total commercial and industrial | 19,967,302 | 7,442 | 2,035 | 19,976,779 | 36,564 | 14,385 | 23,363 | 74,312 | 20,051,091 |
| **Commercial real estate:** | | | | | | | | | |
| CRE | 4,329,531 | 686 | — | 4,330,217 | — | 485 | 1,340 | 1,825 | 4,332,042 |
| 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 | 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 and 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 and other | 490,940 | 2,976 | 1,614 | 495,530 | 101 | 44 | 189 | 334 | 495,864 |
| **Total loans and leases, 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) C&I loans include $218.3 million in TRUPs loans, which are presented net of an amortizing discount of $19.1 million.

**Collateral-Dependent Loans**

Collateral-dependent loans are defined as loans for which repayment is expected to be derived substantially through the operation or sale of the collateral and where the borrower is experiencing financial difficulty. At a minimum, the estimated value of the collateral for each loan equals the current book value.

As of September 30, 2020, FHN had C&I loans with amortized cost of approximately $247.7 million that was based on the value of underlying collateral. The collateral for these loans generally consists of business assets including land, buildings, equipment and financial assets.

During the three and nine months ended September 30, 2020, respectively, FHN recognized charge-offs of approximately $18.1 million and $31.1 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 $9.7 million and $26.2 million, respectively, as of September 30, 2020. Charge-offs during the three and nine months ended September 30, 2020 were not significant for either portfolio segment.

**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

**Note 4 – Loans and Leases (Continued)**

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. In accordance with regulatory guidance, loans that were modified during the three and nine months ended September 30, 2020 whose modifications met criteria outlined in either the CARES Act or revised intreragency statement were not accounted for as a TDR and have been excluded from the disclosures below.

On September 30, 2020 and December 31, 2019, FHN had $321.4 and $206.3 million of portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $12.6 million, or 4% as of September 30, 2020, and $19.7 million, or 10% as of December 31, 2019. Additionally, $44.1 million and $51.1 million of loans held for sale as of September 30, 2020 and December 31, 2019, respectively, were classified as TDRs.

The following tables present the end of period balance for loans modified in a TDR during the periods indicated:

| | **Three Months Ended September 30, 2020** | | | **Nine Months Ended September 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, financial, and industrial:** | | | | | | |
| C&I | **83** | **$ 130,281** | **$ 119,591** | **87** | **$ 140,857** | **$ 128,723** |
| Total commercial and industrial | **83** | **130,281** | **119,591** | **87** | **140,857** | **128,723** |
| **Commercial real estate:** | | | | | | |
| CRE | **14** | **11,848** | **11,825** | **14** | **11,848** | **11,825** |
| Total commercial real estate | **14** | **11,848** | **11,825** | **14** | **11,848** | **11,825** |
| **Consumer real estate:** | | | | | | |
| HELOC | **35** | **2,623** | **2,584** | **47** | **3,687** | **3,626** |
| R/E installment loans | **44** | **6,075** | **6,022** | **94** | **15,379** | **15,260** |
| Total consumer real estate | **79** | **8,698** | **8,606** | **141** | **19,066** | **18,886** |
| **Credit card and other** | **10** | **80** | **76** | **50** | **334** | **313** |
| **Total troubled debt restructurings** | **186** | **$ 150,907** | **$ 140,098** | **292** | **$ 172,105** | **$ 159,747** |

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 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, financial, and industrial: | | | | | | |
| C&I | 1 | $ 62 | $ 59 | 4 | $ 14,179 | $ 14,101 |
| Total commercial and industrial | 1 | 62 | 59 | 4 | 14,179 | 14,101 |
| Consumer real estate: | | | | | | |
| HELOC | 13 | 1,638 | 1,631 | 57 | 7,013 | 6,950 |
| R/E installment loans | 16 | 1,771 | 1,854 | 82 | 10,730 | 10,790 |
| Total consumer real estate | 29 | 3,409 | 3,485 | 139 | 17,743 | 17,740 |
| Credit card and other | 35 | 134 | 126 | 68 | 317 | 300 |
| Total troubled debt restructurings | 65 | $ 3,605 | $ 3,670 | 211 | $ 32,239 | $ 32,141 |

**Note 4 – Loans and Leases (Continued)**

The following tables present TDRs which re-defaulted during the three and nine months ended September 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 September 30, 2020 | | Nine Months Ended September 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 | **1** | **32** | **8** | **34** |
| R/E installment loans | **6** | **839** | **16** | **841** |
| Total consumer real estate | **7** | **871** | **24** | **875** |
| **Credit card & other** | **7** | **24** | **21** | **24** |
| **Total troubled debt restructurings** | **14** | **$ 895** | **45** | **$ 899** |

| | Three Months Ended September 30, 2019 | | Nine Months Ended September 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 | 2 | 99 | 4 | 198 |
| R/E installment loans | 1 | 7 | 2 | 45 |
| Total consumer real estate | 3 | 106 | 6 | 243 |
| **Credit card & other** | 8 | 45 | 23 | 77 |
| **Total troubled debt restructurings** | 11 | $ 151 | 29 | $ 320 |

**Loans Acquired with Deteriorated Credit Quality**

Upon FHN's adoption of CECL, purchased credit deteriorated ("PCD") loans are recorded at an initial amortized cost, which is the sum of the purchase price and the estimated credit losses recorded in the ALLL. Subsequent to this initial recognition, PCD loans are accounted for under the same methodology as non-PCD loans.

**Note 4 – Loans and Leases (Continued)**

As discussed in Note 2, on July 1, 2020, FHN and IBKC closed their merger-of-equals transaction. On July 17, 2020, First Horizon Bank completed its purchase of 30 branches from Truist Bank. In connection with these transactions, FHN acquired approximately $25.9 billion in loans from IBKC and purchased approximately $423.4 million of branch loans from Truist Bank. For PCD loans acquired or purchased during the third quarter of 2020, a reconciliation of the unpaid principal balance, contractual cash flow owed to FHN at acquisition date, and purchase price is presented in the following table.

| | Three Months Ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **C&I** | **CRE** | **Consumer Real Estate** | **Credit Card and Other** | **Total** |
| **Par value (UPB)** | $ 4,074,927 | $ 6,435,556 | $ 2,393,677 | $ 192,980 | $ 13,097,140 |
| **Allowance for Loan Losses (a)** | (137,702) | (100,123) | (44,141) | (4,845) | (286,811) |
| **(Discount) Premium** | (64,328) | 3,485 | (31,764) | (3) | (92,610) |
| **Purchase Price** | $ 3,872,897 | $ 6,338,918 | $ 2,317,772 | $ 188,132 | $ 12,717,719 |

**Purchased Credit-Impaired Loans**

Before the adoption of CECL on January 1, 2020, FHN applied the guidance in ASC 310-30 to loans that were identified as PCI loans at the acquisition date. 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 and Leases (Continued)**

## Impaired Loans

The following tables provide additional disclosures previously required by ASC Topic 310 related to FHN's December 31, 2019 balances. Information on impaired loans at December 31, 2019 was as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| *(Dollars in thousands)* | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| **Impaired loans with no related allowance recorded:** | | | |
| Commercial: | | | |
| C&I | $ 52,672 | $ 63,602 | $ — |
| 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: | | | |
| C&I | $ 29,766 | $ 31,536 | $ 6,196 |
| 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 and Leases (Continued)**

| *(Dollars in thousands)* | Three Months Ended September 30, 2019 | | Nine Months Ended September 30 2019 | |
|---|---|---|---|---|
| | Average Recorded Investment | Interest Income Recognized | Average Recorded Investment | Interest Income Recognized |
| **Impaired loans with no related allowance recorded:** | | | | |
| Commercial: | | | | |
| C&I | $ 64,558 | $ 173 | $ 62,553 | $ 530 |
| Loans to mortgage companies | 18,628 | — | 12,419 | — |
| CRE | 1,690 | 3 | 1,576 | 30 |
| Total | $ 84,876 | $ 176 | $ 76,548 | $ 560 |
| Consumer: | | | | |
| HELOC (a) | $ 6,495 | $ — | $ 6,852 | $ — |
| R/E installment loans (a) | 8,147 | — | 8,564 | — |
| Total | $ 14,642 | $ — | $ 15,416 | $ — |
| **Impaired loans with related allowance recorded:** | | | | |
| Commercial: | | | | |
| C&I | $ 14,620 | $ 4 | $ 10,892 | $ 4 |
| TRUPS | 2,750 | — | 2,806 | — |
| CRE | 169 | — | 294 | 9 |
| Total | $ 17,539 | $ 4 | $ 13,992 | $ 13 |
| Consumer: | | | | |
| HELOC | $ 60,312 | $ 449 | $ 62,650 | $ 1,475 |
| R/E installment loans | 102,576 | 787 | 106,175 | 2,424 |
| Credit card & other | 710 | 4 | 697 | 13 |
| Total | $ 163,598 | $ 1,240 | $ 169,522 | $ 3,912 |
| Total commercial | $ 102,415 | $ 180 | $ 90,540 | $ 573 |
| Total consumer | $ 178,240 | $ 1,240 | $ 184,938 | $ 3,912 |
| Total impaired loans | $ 280,655 | $ 1,420 | $ 275,478 | $ 4,485 |

(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 Credit Losses**

Management's estimate of expected credit losses in the loan and lease portfolios is recorded in the ALLL and the reserve for unfunded lending commitments ("RULC"), collectively the allowance for credit losses ("ACL"). The ALLL and the RULC are reported on the Consolidated Balance Sheets in the Allowance for loan and lease losses and in Other liabilities, respectively. Provision for credit losses related to the loans and leases portfolio and the unfunded lending commitments are reported in the Consolidated Statements of Income as Provision for credit losses.

As discussed in Note 1 - Financial Information, FHN adopted ASU 2016-13 effective January 1, 2020. Financial information at September 30, 2020 reflects this adoption and historical financial information disclosed is in accordance with previously applicable GAAP.

**Allowance for Loan and Lease Losses**

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 nine months 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:

- Unemployment peak at 13% in 2Q20, with a baseline forecast of 9.5% for 4Q20 and dropping to 8.1% for 4Q21
- Annualized GDP growth rate of 2.8% in 4Q20
- V-shaped recovery for housing and some portions of consumer spending
- Fed funds rate near zero for at least the next two years.

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.

During the nine months ended September 30, 2020, 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.

**Note 5- Allowance for Credit Losses (Continued)**

**Reserve for Unfunded Lending 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 nine months of 2020 resulted in higher credit expense for unfunded commitments. Excluding the acquired reserve for unfunded commitments, there was no significant change during the third quarter of 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.

The following table provides a rollforward of the ALLL and RULC by portfolio type for the three and nine months ended September 30, 2020 and 2019:

| *(Dollars in thousands)* | Commercial, Financial, and Industrial (a) | Commercial Real Estate | Consumer Real Estate | Credit Card and Other | Total |
|---|---|---|---|---|---|
| **Allowance for loan and lease losses:** | | | | | |
| **Balance as of July 1, 2020** | **$ 318,722** | **$ 57,285** | **$ 143,757** | **$ 18,117** | **$ 537,881** |
| **Charge-offs (b)** | **(69,448)** | **(3,540)** | **(1,834)** | **(3,519)** | **(78,341)** |
| **Recoveries** | **3,200** | **2,243** | **5,311** | **997** | **11,751** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **137,702** | **100,123** | **44,141** | **4,845** | **286,811** |
| **Provision for loan and lease losses (c)** | **98,918** | **51,847** | **74,055** | **5,180** | **230,000** |
| **Balance as of September 30, 2020** | **489,094** | **207,958** | **265,430** | **25,620** | **988,102** |
| | | | | | |
| **Reserve for remaining unfunded commitments:** | | | | | |
| **Balance as of July 1, 2020** | **36,388** | **6,359** | **7,714** | **—** | **50,461** |
| **Initial reserve on loans acquired** | **11,760** | **26,306** | **3,185** | **8** | **41,259** |
| **Provision/(provision credit) for remaining unfunded commitments** | **(1,509)** | **(1,671)** | **180** | **—** | **(3,000)** |
| **Balance as of September 30, 2020** | **46,639** | **30,994** | **11,079** | **8** | **88,720** |
| | | | | | |
| **Allowance for loan and lease losses:** | | | | | |
| **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** |
| **Balance as of January 1, 2020, as adjusted** | **141,268** | **28,764** | **121,435** | **15,234** | **306,701** |
| **Charge-offs (b)** | **(94,400)** | **(4,182)** | **(6,112)** | **(10,007)** | **(114,701)** |
| **Recoveries** | **5,208** | **2,972** | **12,853** | **3,258** | **24,291** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **137,702** | **100,123** | **44,141** | **4,845** | **286,811** |
| **Provision for loan and lease losses (c)** | **299,316** | **80,281** | **93,113** | **12,290** | **485,000** |
| **Balance as of September 30, 2020** | **$ 489,094** | **$ 207,958** | **$ 265,430** | **$ 25,620** | **$ 988,102** |
| | | | | | |
| **Reserve for remaining unfunded commitments:** | | | | | |
| **Balance as of January 1, 2020** | **3,590** | **2,356** | **16** | **139** | **6,101** |
| **Adoption of ASU 2016-13** | **16,512** | **1,276** | **6,323** | **(139)** | **23,972** |
| **Balance as of January 1, 2020, as adjusted** | **20,102** | **3,632** | **6,339** | **—** | **30,073** |
| **Initial reserve on loans acquired** | **11,760** | **26,306** | **3,185** | **8** | **41,259** |
| **Provision for remaining unfunded commitments** | **14,777** | **1,056** | **1,555** | **—** | **17,388** |
| **Balance as of September 30, 2020** | **$ 46,639** | **$ 30,994** | **$ 11,079** | **$ 8** | **$ 88,720** |
| | | | | | |
| Allowance for loan losses: | | | | | |
| Balance as of July 1, 2019 | $ 116,096 | $ 32,953 | $ 31,532 | $ 12,168 | $ 192,749 |
| Charge-offs | (18,598) | (369) | (1,473) | (3,897) | (24,337) |
| Recoveries | 3,245 | 181 | 5,055 | 1,256 | 9,737 |

**Note 5- Allowance for Credit Losses (Continued)**

| | | | | | |
|---|---|---|---|---|---|
| Provision/(provision credit) for loan losses | 13,387 | 2,860 | (4,440) | 3,193 | 15,000 |
| Balance as of September 30, 2019 | 114,130 | 35,625 | 30,674 | 12,720 | 193,149 |
| | | | | | |
| Reserve for remaining unfunded commitments: | | | | | |
| Balance as of July 1, 2019 | 4,231 | 3,149 | 20 | 125 | 7,525 |
| Provision/(provision credit) for remaining unfunded commitments | (406) | (231) | (5) | 7 | (635) |
| Balance as of September 30, 2019 | 3,825 | 2,918 | 15 | 132 | 6,890 |
| | | | | | |
| Allowance for loan losses: | | | | | |
| Balance as of January 1, 2019 | 98,947 | 31,311 | 37,439 | 12,727 | 180,424 |
| Charge-offs | (28,289) | (924) | (5,991) | (11,883) | (47,087) |
| Recoveries | 4,593 | 150 | 14,621 | 3,448 | 22,812 |
| Provision/(provision credit) for loan losses | 38,879 | 5,088 | (15,395) | 8,428 | 37,000 |
| Balance as of September 30, 2019 | 114,130 | 35,625 | 30,674 | 12,720 | 193,149 |
| | | | | | |
| Reserve for remaining unfunded commitments: | | | | | |
| Balance as of January 1, 2019 | 4,240 | 3,242 | 27 | 109 | 7,618 |
| Provision/(provision credit) for remaining unfunded commitments | (415) | (324) | (12) | 23 | (728) |
| Balance as of September 30, 2019 | $ 3,825 | $ 2,918 | $ 15 | $ 132 | $ 6,890 |

(a) C&I loans as of September 30, 2020 include $4.2 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 and lease losses.
(b) The three and nine month periods ended September 30, 2020 exclude day 1 charge-offs and the related initial allowance on PCD loans is net of these amounts. Under the new CECL standard, the initial ALLL recognized on PCD assets included an additional $237.3 million for charged-off loans that had been written off prior to acquisition (whether full or partial) or which met FHN's charge-off policy at the time of acquisition. After charging these amounts off immediately upon acquisition, the net impact was 286.8 million of additional ALLL for PCD loans.
(c) Provision for loan and lease losses for the three and nine month periods ended September 30, 2020 includes $147.0 million recognized on non-PCD loans from the IBKC merger and Truist branch acquisition.

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 September 30, 2020, FHN recognized approximately $1.1 million in allowance for expected credit losses on COVID-19 deferrals that do not qualify for the election which is not reflected in the table above. AIR and the related allowance for expected credit losses is included as a component of other assets.

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

**Note 6- Mortgage Banking Activity**

FHN originates mortgage loans for sale into the secondary market. The loans originated for sale primarily consist of residential first mortgages that conform to standards established by the government-sponsored entities ("GSEs") that are major investors in U.S. home mortgages, but can also consist of junior lien loans secured by residential property. These loans are primarily sold to private companies that are unaffiliated with the GSEs on a servicing-released basis.

**Mortgage Servicing Rights**

Effective with the IBKC merger, FHN made an election to record mortgage servicing rights at the lower of cost or market value and amortize over the remaining servicing life of the loans, with consideration given to prepayment assumptions. Mortgage servicing rights are included in Other assets on the Consolidated Balance Sheets. Mortgage servicing rights had the following carrying values as of the period indicated.

| | September 30, 2020 | | | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Gross Carrying Amount | Valuation Allowance | Accumulated Amortization | Net Carrying Amount |
| Mortgage servicing rights | **22,142** | **(61)** | **(1,413)** | **20,668** |

In addition, there was an insignificant amount of non-mortgage and commercial servicing rights as of September 30, 2020 and December 31, 2019.

Total mortgage servicing fees included in Mortgage banking and title income were $0.6 million and $0.5 million for the three months ended September 30, 2020 and 2019, respectively. Total mortgage servicing fees included in Mortgage banking and title income were $1.4 million for the nine months ended September 30, 2020 and 2019.

**Note 7 – Goodwill and Other Intangible Assets**

**Goodwill**

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 September 30, 2020 and December 31, 2019. The regional banking and fixed income segments do not have any accumulated impairments or divestiture related write-offs.

On July 1, 2020, FHN completed its merger-of-equals transaction with IBERIABANK Corporation. In connection with the merger, FHN recorded a $532.2 million purchase accounting gain, based on preliminary fair value estimates.

On July 17, 2020, FHN completed its purchase of 30 branches from Truist Bank. In relation to the acquisition, FHN recorded $77.6 million in goodwill, based on preliminary fair value estimates. See Note 2 - Acquisitions and Divestitures for additional information regarding these transactions.

FHN performed the required annual goodwill impairment test as of October 1, 2019. The annual impairment test did not indicate impairment in any of FHN's reporting units as of the testing date. Following the testing date, management evaluated the events and circumstances that could indicate that goodwill might be impaired and concluded that a subsequent interim test was not necessary. FHN is currently in the process of performing its annual impairment test as of October 1, 2020.

The following is a summary of goodwill by reportable segment included in the Consolidated Balance Sheets as of September 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 | — | — | — |
| September 30, 2019 | $ 1,289,819 | $ 142,968 | $ 1,432,787 |
| December 31, 2019 | $ 1,289,819 | $ 142,968 | $ 1,432,787 |
| Additions | 77,644 | — | 77,644 |
| **September 30, 2020** | **$ 1,367,463** | **$ 142,968** | **$ 1,510,431** |

**Intangible assets subject to amortization**

In connection with the IBKC merger and the Truist branch acquisition, FHN recorded $206.7 million and $7.0 million of core deposit intangible assets, respectively. Core deposit intangible assets are subject to amortization over a ten years period. In connection with the IBKC merger, FHN recorded $14.0 million of customer relationship intangible assets, $10.3 million of purchased credit card intangible assets, and $6.8 million of title plant related to title company operations. The following table, which excludes fully amortized intangibles, presents other intangible assets included in the Consolidated Balance Sheets:

| | **September 30, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Carrying Value** | Gross Carrying Amount | Accumulated Amortization | Net Carrying Value |
| Core deposit intangibles | **$ 370,850** | **$ (68,902)** | **$ 301,948** | $ 157,150 | $ (47,372) | $ 109,778 |
| Customer relationships | **37,000** | **(7,037)** | **29,963** | 77,865 | (60,150) | 17,715 |
| Other (a) | **38,685** | **(4,896)** | **33,789** | 5,622 | (2,915) | 2,707 |
| Total | **$ 446,535** | **$ (80,835)** | **$ 365,700** | $ 240,637 | $ (110,437) | $ 130,200 |

(a) Includes noncompete covenants, purchased credit card intangible assets, and state banking licenses not subject to amortization.

**Note 7 – Goodwill and Other Intangible Assets (Continued)**

Amortization expense was $14.6 million and $6.2 million for the three months ended September 30, 2020 and 2019, respectively and $25.2 million and $18.6 million for nine months ended September 30, 2020 and 2019, respectively. As of September 30, 2020 the estimated aggregated amortization expense is expected to be:

*(Dollars in thousands)*

| Year | Amortization |
|---|---|
| Remainder of 2020 | $ 14,921 |
| 2021 | 55,943 |
| 2022 | 51,498 |
| 2023 | 47,859 |
| 2024 | 44,040 |
| 2025 | 37,145 |

**Note 8 - Preferred Stock**

At September 30, 2020, FHN had issued and outstanding shares of non-cumulative perpetual preferred stock in five Series, designated A, B, C, D, and E. For each Series, FHN caused depositary shares to be issued, each of which represents a fractional ownership interest in a share of the related Series of preferred stock. Series A was issued in 2013, while the other four Series were issued in 2020. Series B, C, and D were issued on July 2, 2020 as substitutes for corresponding series of IBKC preferred stock. Series E was issued and sold on May 28, 2020 for net proceeds of approximately $145 million.

- ***Series A.*** FHN's Series A preferred stock consists of 1,000 shares authorized, with 1,000 outstanding shares having an aggregate liquidation preference amount of $100 million. Dividends will accrue and be payable on the Series A Preferred Stock, if declared by FHN's Board of Directors, and will be paid quarterly, in arrears, at an annual rate of 6.200%.

- ***Series B.*** FHN's Series B preferred stock consists of 8,625 shares authorized, with 8,000 outstanding shares having an aggregate liquidation preference amount of $80 million. Dividends will accrue and be payable on the Series B preferred stock, if declared by FHN's Board of Directors, and (i) will be paid semi-annually, in arrears, at an annual rate equal to 6.625% for each period from, and including, February 1, 2020 to, but excluding, August 1, 2025 and (ii) will be paid quarterly, in arrears, at an annual rate equal to three-month LIBOR plus 4.262% for each period beginning on or after August 1, 2025.

- ***Series C.*** FHN's Series C preferred stock consists of 5,750 shares authorized, with 5,750 outstanding shares having an aggregate liquidation preference amount of $57.5 million. Dividends will accrue and be payable on the Series C preferred stock, if declared by FHN's Board of Directors, and will be paid quarterly, in arrears, at an annual rate equal to (i) 6.600% for each period from, and including, May 1, 2020 to, but excluding, May 1, 2026 and (ii) three-month LIBOR plus 4.920% for each period beginning on or after May 1, 2026.

- ***Series D.*** FHN's Series D preferred stock consists of 10,000 shares authorized, with 10,000 outstanding shares having an aggregate liquidation preference amount of $100 million. Dividends will accrue and be payable on the Series D preferred stock, if declared by the FHN's Board of Directors, and (i) will be paid semi-annually, in arrears, at an annual rate equal to 6.100% for each period from, and including May 1, 2020 to, but excluding, May 1, 2024 and (ii) will be paid quarterly, in arrears, at an annual rate equal to three-month LIBOR plus 3.859% for each period on or after May 1, 2024.

- ***Series E.*** FHN's Series E preferred stock consists of 1,725 shares authorized, with 1,500 outstanding shares having an aggregate liquidation preference amount of $150 million. Dividends will accrue and be payable on the Series E Preferred Stock, if declared by FHN's Board of Directors, and will be paid quarterly, in arrears, at an annual rate of 6.500%.

Excluding the Series D preferred stock, the preferred stock qualifies as Tier 1 Capital for FHN. No Series of preferred stock has any stated maturity and redemption is solely at the option of FHN. Under current rules, any redemption of the preferred stock is subject to prior approval of the FRB.

The following table presents a summary of FHN's non-cumulative perpetual preferred stock:

| | | | | | September 30, 2020 | December 31, 2019 |
|---|---|---|---|---|---|---|
| *(dollars in thousands)* | **Issuance Date** | **Earliest Redemption Date*** | **Annual Dividend Rate** | **Liquidation Amount** | **Carrying Amount** | **Carrying Amount** |
| Series A Preferred Stock | 1/31/2013 | 4/10/2018 | 6.200 % | $ 100,000 | $ 95,624 | $ 95,624 |
| Series B Preferred Stock | 7/2/2020 | 8/1/2025 | 6.625 % | 80,000 | 77,348 | — |
| Series C Preferred Stock | 7/2/2020 | 5/1/2026 | 6.600 % | 57,500 | 59,084 | — |
| Series D Preferred Stock | 7/2/2020 | 5/1/2024 | 6.100 % | 100,000 | 93,649 | — |
| Series E Preferred Stock | 5/28/2020 | 10/10/2025 | 6.500 % | 150,000 | 144,665 | — |
| | | | | $ 487,500 | $ 470,370 | $ 95,624 |

*Denotes earliest optional redemption date. Earlier redemption is possible, at FHN's election, if certain regulatory capital events occur.

**Note 9 – 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 nine months ended September 30, 2020 and 2019:

| *(Dollars in thousands)* | Securities AFS | Cash Flow Hedges | Pension and Post-retirement Plans | Total |
|---|---|---|---|---|
| Balance as of July 1, 2020 | $ 118,327 | $ 16,305 | $ (269,430) | $ (134,798) |
| Net unrealized gains (losses) | (6,121) | (805) | (141) | (7,067) |
| Amounts reclassified from AOCI | 1,003 | (2,128) | 2,520 | 1,395 |
| Other comprehensive income (loss) | (5,118) | (2,933) | 2,379 | (5,672) |
| **Balance as of September 30, 2020** | **$ 113,209** | **$ 13,372** | **$ (267,051)** | **$ (140,470)** |
| | | | | |
| Balance as of January 1, 2020 | $ 31,079 | $ 3,227 | $ (273,914) | $ (239,608) |
| Net unrealized gains (losses) | 81,127 | 13,998 | (163) | 94,962 |
| Amounts reclassified from AOCI | 1,003 | (3,853) | 7,026 | 4,176 |
| Other comprehensive income (loss) | 82,130 | 10,145 | 6,863 | 99,138 |
| **Balance as of September 30, 2020** | **$ 113,209** | **$ 13,372** | **$ (267,051)** | **$ (140,470)** |

| *(Dollars in thousands)* | Securities AFS | Cash Flow Hedges | Pension and Post-retirement Plans | Total |
|---|---|---|---|---|
| Balance as of July 1, 2019 | $ 21,071 | $ 2,184 | $ (285,744) | $ (262,489) |
| Net unrealized gains (losses) | 16,889 | 1,855 | — | 18,744 |
| Amounts reclassified from AOCI | — | 989 | 2,102 | 3,091 |
| Other comprehensive income (loss) | 16,889 | 2,844 | 2,102 | 21,835 |
| **Balance as of September 30, 2019** | **$ 37,960** | **$ 5,028** | **$ (283,642)** | **$ (240,654)** |
| | | | | |
| Balance as of January 1, 2019 | $ (75,736) | $ (12,112) | $ (288,768) | $ (376,616) |
| Net unrealized gains (losses) | 113,495 | 13,367 | — | 126,862 |
| Amounts reclassified from AOCI | 201 | 3,773 | 5,126 | 9,100 |
| Other comprehensive income (loss) | 113,696 | 17,140 | 5,126 | 135,962 |
| **Balance as of September 30, 2019** | **$ 37,960** | **$ 5,028** | **$ (283,642)** | **$ (240,654)** |

**Note 9 – Components of Other Comprehensive Income (Loss) (Continued)**

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

| *(Dollars in thousands)* | Three Months Ended September 30, | | Nine Months Ended September 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 | **$ 1,323** | $ — | **$ 1,323** | $ 267 | Securities gains (losses), net |
| Tax expense (benefit) | **(320)** | — | **(320)** | (66) | Provision (benefit) for income taxes |
| | **1,003** | — | **1,003** | 201 | |
| Cash flow hedges: | | | | | |
| Realized (gains) losses on cash flow hedges | **(2,807)** | 1,313 | **(5,084)** | 5,012 | Interest and fees on loans and leases |
| Tax expense (benefit) | **679** | (324) | **1,231** | (1,239) | Provision (benefit) for income taxes |
| | **(2,128)** | 989 | **(3,853)** | 3,773 | |
| Pension and Postretirement Plans: | | | | | |
| Amortization of prior service cost and net actuarial gain (loss) | **3,325** | 2,792 | **9,270** | 6,809 | All other expense |
| Tax expense (benefit) | **(805)** | (690) | **(2,244)** | (1,683) | Provision (benefit) for income taxes |
| | **2,520** | 2,102 | **7,026** | 5,126 | |
| Total reclassification from AOCI | **$ 1,395** | $ 3,091 | **$ 4,176** | $ 9,100 | |

**Note 10 – 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars and shares in thousands, except per share data)* | **2020** | 2019 | **2020** | 2019 |
| **Net income** | **$ 539,038** | $ 113,943 | **$ 612,175** | $ 331,090 |
| Net income attributable to noncontrolling interest | **2,977** | 2,883 | **8,680** | 8,555 |
| Net income attributable to controlling interest | **536,061** | 111,060 | **603,495** | 322,535 |
| Preferred stock dividends | **12,722** | 1,550 | **15,822** | 4,650 |
| **Net income available to common shareholders** | **$ 523,339** | $ 109,510 | **$ 587,673** | $ 317,885 |
| Weighted average common shares outstanding—basic | **549,690** | 311,888 | **391,699** | 314,442 |
| Effect of dilutive securities | **1,156** | 1,917 | **1,014** | 1,959 |
| Weighted average common shares outstanding—diluted | **550,846** | 313,805 | **392,713** | 316,401 |
| **Net income per share available to common shareholders** | **$ 0.95** | $ 0.35 | **$ 1.50** | $ 1.01 |
| **Diluted income per share available to common shareholders** | **$ 0.95** | $ 0.35 | **$ 1.50** | $ 1.00 |

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Shares in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Stock options excluded from the calculation of diluted EPS | **8,306** | 1,883 | **4,564** | 2,413 |
| Weighted average exercise price of stock options excluded from the calculation of diluted EPS | **$ 15.32** | $ 21.21 | **$ 17.05** | $ 21.36 |
| Other equity awards excluded from the calculation of diluted EPS | **6,824** | 2,094 | **4,826** | 1,815 |

**Note 11 – 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 most times, and FHN generally cooperates when those matters arise. Pending and threatened litigation matters sometimes are settled by the parties, and sometimes pending matters are resolved in court or before an arbitrator, or are withdrawn. 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 September 30, 2020, the aggregate amount of liabilities established for all such loss contingency matters was $1.3 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 September 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

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 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 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 $15.9 million and $14.5 million as of September 30, 2020 and December 31, 2019, respectively. At September 30, 2020, a significant majority of the liability related to legacy FHN's pre-2009 mortgage business. Accrued liabilities for FHN's estimate of these obligations are reflected in Other liabilities on the Consolidated Balance Sheets. Charges/expense reversals to increase/decrease the liability are included within Other income on the Consolidated 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 12 – 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.

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

***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 Personnel expense in the Consolidated Statements of Income. All other components of net periodic benefit cost are included in Other expense.

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

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| **Components of net periodic benefit cost** | | | | |
| Service cost | **$ 8** | $ 7 | **$ 25** | $ 23 |
| Interest cost | **5,844** | 7,505 | **304** | 358 |
| Expected return on plan assets | **(7,000)** | (9,335) | **(325)** | (314) |
| Amortization of unrecognized: | | | | |
| Prior service cost (credit) | **—** | — | **8** | — |
| Actuarial (gain) loss | **3,381** | 2,546 | **(64)** | (112) |
| **Net periodic benefit cost (credit)** | **$ 2,233** | $ 723 | **$ (52)** | $ (45) |

**Note 12 – Pension, Savings, and Other Employee Benefits (Continued)**

The components of net periodic benefit cost for the nine months ended September 30 were as follows:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| **Components of net periodic benefit cost** | | | | |
| Service cost | **$ 24** | $ 23 | **$ 74** | $ 71 |
| Interest cost | **17,663** | 22,655 | **915** | 1,060 |
| Expected return on plan assets | **(19,337)** | (27,681) | **(947)** | (852) |
| Amortization of unrecognized: | | | | |
| Prior service cost (credit) | **—** | — | **24** | — |
| Actuarial (gain) loss | **9,829** | 7,416 | **(218)** | (346) |
| **Net periodic benefit cost (credit)** | **$ 8,179** | $ 2,413 | **$ (152)** | $ (67) |

**Note 13 – 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 southern and southeastern U.S. and other selected markets. Regional banking also provides investments, wealth management, financial planning, trust services and asset management, mortgage banking, title, credit card, and cash management services. 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 nine months ended September 30:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| **Consolidated** | | | | |
| Net interest income | **$ 532,365** | $ 300,676 | **$ 1,140,511** | $ 898,794 |
| Provision for credit losses (a) | **227,000** | 14,366 | **502,388** | 36,273 |
| Noninterest income | **822,923** | 171,735 | **1,203,948** | 470,773 |
| Noninterest expense | **587,040** | 308,306 | **1,210,139** | 904,883 |
| Income before income taxes | **541,248** | 149,739 | **631,932** | 428,411 |
| Provision for income taxes | **2,210** | 35,796 | **19,757** | 97,321 |
| Net income | **$ 539,038** | $ 113,943 | **$ 612,175** | $ 331,090 |
| Average assets | **$ 81,683,111** | $ 41,940,901 | **$ 57,810,478** | $ 41,359,574 |

(a) Increase in provision expense for the three and nine months ended September 30, 2020 is primarily due to provision related to non-PCD loans acquired in the IBKC merger and Truist branch acquisition and the economic forecast attributable to the COVID-19 pandemic.

**Note 13 – Business Segment Information (Continued)**

| *(Dollars in thousands)* | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **Regional Banking** | | | | |
| Net interest income | **$ 583,907** | $ 302,467 | **$ 1,233,654** | $ 885,932 |
| Provision for credit losses | **227,326** | 19,839 | **501,453** | 50,967 |
| Noninterest income | **172,457** | 85,930 | **333,669** | 240,555 |
| Noninterest expense | **373,680** | 193,956 | **768,870** | 586,697 |
| Income before income taxes | **155,358** | 174,602 | **297,000** | 488,823 |
| Provision for income taxes | **34,744** | 41,795 | **65,497** | 115,266 |
| Net income | **$ 120,614** | $ 132,807 | **$ 231,503** | $ 373,557 |
| Average assets | **$ 64,371,210** | $ 31,632,768 | **$ 44,170,906** | $ 30,231,372 |
| **Fixed Income** | | | | |
| Net interest income | **$ 11,632** | $ 5,309 | **$ 36,088** | $ 18,809 |
| Noninterest income | **110,783** | 77,808 | **319,741** | 197,238 |
| Noninterest expense | **67,395** | 67,582 | **231,488** | 173,656 |
| Income before income taxes | **55,020** | 15,535 | **124,341** | 42,391 |
| Provision for income taxes | **13,456** | 3,707 | **30,236** | 10,001 |
| Net income | **$ 41,564** | $ 11,828 | **$ 94,105** | $ 32,390 |
| Average assets | **$ 3,002,282** | $ 2,882,478 | **$ 3,341,255** | $ 2,952,925 |
| **Corporate** | | | | |
| Net interest income (expense) | **$ (69,187)** | $ (13,252) | **$ (145,847)** | $ (28,136) |
| Noninterest income | **539,668** | 7,359 | **548,891** | 30,112 |
| Noninterest expense | **142,894** | 42,297 | **199,461** | 139,052 |
| Income (loss) before income taxes | **327,587** | (48,190) | **203,583** | (137,076) |
| Provision (benefit) for income taxes | **(46,785)** | (11,632) | **(77,690)** | (36,416) |
| Net income (loss) | **$ 374,372** | $ (36,558) | **$ 281,273** | $ (100,660) |
| Average assets | **$ 13,595,544** | $ 6,434,633 | **$ 9,527,471** | $ 7,098,500 |
| **Non-Strategic** | | | | |
| Net interest income | **$ 6,013** | $ 6,152 | **$ 16,616** | $ 22,189 |
| Provision/(provision credit) for loan losses | **(326)** | (5,473) | **935** | (14,694) |
| Noninterest income | **15** | 638 | **1,647** | 2,868 |
| Noninterest expense | **3,071** | 4,471 | **10,320** | 5,478 |
| Income before income taxes | **3,283** | 7,792 | **7,008** | 34,273 |
| Provision for income taxes | **795** | 1,926 | **1,714** | 8,470 |
| Net income | **$ 2,488** | $ 5,866 | **$ 5,294** | $ 25,803 |
| Average assets | **$ 714,075** | $ 991,022 | **$ 770,846** | $ 1,076,777 |

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

**Note 13 – 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 September 30, 2020 and 2019:

| | Three months ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Regional Banking** | **Fixed Income** | **Corporate** | **Non-Strategic** | **Consolidated** |
| Fixed income (a) | **380** | **110,563** | **—** | **—** | **110,943** |
| Mortgage banking and title income | **65,569** | **—** | **23** | **(89)** | **65,503** |
| Deposit transactions and cash management | **40,500** | **—** | **1,528** | **28** | **42,056** |
| Brokerage, management fees and commissions | **19,595** | **—** | **(1,704)** | **—** | **17,891** |
| Trust services and investment management | **14,599** | **—** | **(2,858)** | **—** | **11,741** |
| Bankcard income | **10,150** | **—** | **277** | **30** | **10,457** |
| Securities gains (losses), net (b) | **—** | **—** | **(1,170)** | **—** | **(1,170)** |
| Purchase accounting gain | **—** | **—** | **532,150** | **—** | **532,150** |
| Other income (c) | **21,664** | **220** | **11,422** | **46** | **33,352** |
| **Total noninterest income** | **$ 172,457** | **$ 110,783** | **$ 539,668** | **$ 15** | **$ 822,923** |

(a) Includes $9.9 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 noninterest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commissions in scope of ASC 606.

| | Three months ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | Regional Banking | Fixed Income | Corporate | Non- Strategic | Consolidated |
| Fixed income (a) | 57 | 77,588 | — | — | 77,645 |
| Mortgage banking and title income | 1,643 | — | — | 376 | 2,019 |
| Deposit transactions and cash management | 32,624 | — | 1,721 | 34 | 34,379 |
| Brokerage, management fees and commissions | 14,157 | — | — | — | 14,157 |
| Trust services and investment management | 7,190 | — | (27) | — | 7,163 |
| Bankcard income | 7,030 | 11 | 63 | (87) | 7,017 |
| Securities gains (losses), net (b) | — | — | 97 | — | 97 |
| Other income (c) | 23,229 | 209 | 5,505 | 315 | 29,258 |
| Total noninterest income | $ 85,930 | $ 77,808 | $ 7,359 | $ 638 | $ 171,735 |

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Includes $9.2 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 noninterest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commissions in scope of ASC 606.

**Note 13 – Business Segment Information (Continued)**

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

| | Nine Months Ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Regional Banking** | **Fixed Income** | **Corporate** | **Non-Strategic** | **Consolidated** |
| Fixed income (a) | **582** | **318,417** | **—** | **—** | **318,999** |
| Deposit transactions and cash management | **98,906** | **—** | **4,131** | **96** | **103,133** |
| Mortgage banking and title income | **71,168** | **—** | **23** | **881** | **72,072** |
| Brokerage, management fees and commissions | **48,799** | **—** | **(1,703)** | **—** | **47,096** |
| Trust services and investment management | **29,562** | **—** | **(2,893)** | **—** | **26,669** |
| Bankcard income | **23,853** | **—** | **421** | **88** | **24,362** |
| Securities gains (losses), net (b) | **—** | **—** | **(2,638)** | **—** | **(2,638)** |
| Purchase accounting gain | **—** | **—** | **532,150** | **—** | **532,150** |
| Other income (c)(d) | **60,799** | **1,324** | **19,400** | **582** | **82,105** |
| **Total noninterest income** | **$ 333,669** | **$ 319,741** | **$ 548,891** | **$ 1,647** | **$ 1,203,948** |

(a) Includes $28.6 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 noninterest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commissions in scope of ASC 606.
(d) Corporate balance includes negative deferred compensation income driven by equity market valuations.

| | Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | Regional Banking | Fixed Income | Corporate | Non- Strategic | Consolidated |
| Fixed income (a) | 120 | 196,582 | — | 1,106 | 197,808 |
| Mortgage banking and title income | 5,119 | — | — | 1,358 | 6,477 |
| Deposit transactions and cash management | 93,316 | 4 | 4,956 | 98 | 98,374 |
| Brokerage, management fees and commissions | 40,910 | — | — | — | 40,910 |
| Trust services and investment management | 22,148 | — | (71) | — | 22,077 |
| Bankcard income | 20,670 | 11 | 185 | (542) | 20,324 |
| Securities gains (losses), net (b) | — | — | 177 | — | 177 |
| Purchase accounting gain | — | — | — | — | — |
| Other income (c)(d) | 58,272 | 641 | 24,865 | 848 | 84,626 |
| Total noninterest income | $ 240,555 | $ 197,238 | $ 30,112 | $ 2,868 | $ 470,773 |

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Includes $23.6 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 noninterest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commissions in scope of ASC 606.

## Note 14 – 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 September 30, 2020 and December 31, 2019:

| *(Dollars in thousands)* | **September 30, 2020** | December 31, 2019 |
|---|---|---|
| **Assets:** | | |
| Other assets | **$ 154,783** | $ 91,873 |
| **Total assets** | **$ 154,783** | $ 91,873 |
| **Liabilities:** | | |
| Other liabilities | **$ 131,782** | $ 70,830 |
| **Total liabilities** | **$ 131,782** | $ 70,830 |

### Nonconsolidated Variable Interest Entities

***Low Income Housing Partnerships.*** Through designated wholly-owned subsidiaries, 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 the subsidiaries represent the holders of the equity investment at risk but do not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. The subsidiaries could absorb losses that are significant to the LIHTC partnerships as they have a risk of loss for their 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 the subsidiaries' 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 (benefit). LIHTC investments that do not qualify for the

**Note 14 – Variable Interest Entities (Continued)**

proportional amortization method are accounted for using the equity method. Expenses associated with these investments were not material for the three or nine months ended September 30, 2020 and 2019.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Provision (benefit) for income taxes: | | | | |
| Amortization of qualifying LIHTC investments | **$ 8,273** | $ 4,436 | **$ 19,586** | $ 12,721 |
| Low income housing tax credits | **(6,738)** | (3,607) | **(16,094)** | (10,758) |
| Other tax benefits related to qualifying LIHTC investments | **(3,034)** | (1,751) | **(8,172)** | (4,970) |

***Other Tax Credit Investments.*** Through designated subsidiaries, First Horizon Bank periodically makes equity investments 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 the 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 First Horizon Bank's subsidiaries represent the holders of the equity investment at risk but do not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. While the subsidiaries could absorb losses that are significant to the NMTC LLCs as they have a risk of loss for their 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 the subsidiaries' initial capital contributions.

First Horizon Bank 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. 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 the subsidiaries represent the holders of the equity investment at risk but do not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. The subsidiaries could absorb losses that are significant to the entities as they have a risk of loss for their 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 the subsidiaries' 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 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.

**Note 14 – Variable Interest Entities (Continued)**

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 Balance Sheets. 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 its acquisitions, FHN has acquired junior subordinated debt underlying multiple issuances of trust preferred debt. All of the 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 14 – Variable Interest Entities (Continued)**

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

| *(Dollars in thousands)* | Maximum Loss Exposure | Liability Recognized | Classification |
|---|---|---|---|
| **Type** | | | |
| Low income housing partnerships | $ 338,558 | $ 166,931 | (a) |
| Other tax credit investments (b) | 66,172 | 34,993 | Other assets |
| Small issuer trust preferred holdings (c) | 209,442 | — | Loans and leases |
| On-balance sheet trust preferred securitization | 32,031 | 82,143 | (d) |
| Proprietary residential mortgage securitizations | 471 | — | Trading securities |
| Holdings of agency mortgage-backed securities (c) | 7,386,169 | — | (e) |
| Commercial loan troubled debt restructurings (f) | 177,949 | — | Loans and leases |
| Sale-leaseback transaction | 17,993 | — | (g) |
| Proprietary trust preferred issuances (h) | — | 287,124 | Term borrowings |

(a) Maximum loss exposure represents $171.7 million of current investments and $166.9 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) 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 and leases, and $1.7 million classified as Trading securities which are offset by $82.1 million classified as Term borrowings.
(e) Includes $0.9 billion classified as Trading securities and $6.5 billion classified as Securities available for sale.
(f) Maximum loss exposure represents $172.8 million of current receivables and contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring were $5.1 million.
(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 and leases |
| 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 and leases |
| 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 and leases, and $1.7 million classified as Trading securities which are offset by $80.9 million classified as Term borrowings.
(f) Includes $0.5 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 15 – 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 Balance Sheets. Treatment of daily margin as a settlement has no effect on hedge accounting or gains/losses for the applicable derivative contracts. On September 30, 2020 and December 31, 2019, respectively, FHN had $289.5 million and $136.6 million of cash receivables and $141.9 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 Balance Sheets as derivative assets and derivative liabilities within Other assets and Other 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 $98.9 million and $63.6 million for the three months

**Note 15 – Derivatives (Continued)**

ended September 30, 2020 and 2019, and $277.5 million and $162.7 million for the nine months ended September 30, 2020 and 2019, respectively. Trading revenues are inclusive of both derivative and non-derivative financial instruments, and are included in Fixed income on the Consolidated Statements of Income.

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

| | September 30, 2020 | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Notional** | **Assets** | **Liabilities** |
| Customer interest rate contracts | **$ 3,847,085** | **$ 240,218** | **$ 2,444** |
| Offsetting upstream interest rate contracts | **3,847,085** | **2,317** | **16,828** |
| Forwards and futures purchased | **15,069,709** | **41,553** | **3,456** |
| Forwards and futures sold | **15,596,324** | **5,788** | **39,018** |

| | 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 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. FHN has provided notice of its intent to exercise the early redemption option for this senior debt on November 15, 2020.

**Note 15 – Derivatives (Continued)**

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

| | September 30, 2020 | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Notional** | **Assets** | **Liabilities** |
| **Customer Interest Rate Contracts Hedging** | | | |
| *Hedging Instruments and Hedged Items:* | | | |
| Customer interest rate contracts | **$ 6,667,600** | **$ 487,005** | **$ 303** |
| Offsetting upstream interest rate contracts | **6,667,600** | **303** | **25,997** |
| **Debt Hedging** | | | |
| *Hedging Instruments:* | | | |
| Interest rate swaps | **$ 500,000** | **$ 13** | **N/A** |
| *Hedged Items:* | | | |
| Term borrowings: | | | |
| Par | **N/A** | **N/A** | **$ 500,000** |
| Cumulative fair value hedging adjustments | **N/A** | **N/A** | **729** |
| Unamortized premium (discount) and issuance costs | **N/A** | **N/A** | **(74)** |
| Total carrying value | **N/A** | **N/A** | **$ 500,655** |

| | 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 15 – Derivatives (Continued)**

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

| | Three Months Ended September 30, | | Nine Months Ended September 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) | **$ (14,050)** | $ 44,375 | **$ 197,346** | $ 124,193 |
| Offsetting upstream interest rate contracts (a) | **14,050** | (44,375) | **(197,346)** | (124,193) |
| **Debt Hedging** | | | | |
| *Hedging Instruments:* | | | | |
| Interest rate swaps (b) | **$ (1,421)** | $ 1,994 | **$ 2,776** | $ 12,969 |
| *Hedged Items:* | | | | |
| Term borrowings (a) (c) | **1,412** | (2,004) | **(2,333)** | (12,876) |

(a) Gains (losses) included in Other expense within the Consolidated Statements of Income.
(b) Gains (losses) included in 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. $200 million of these swaps expired in first quarter 2020. In conjunction with the IBKC merger, FHN acquired interest rate contracts (floors and collars) with a notional value of $800 million and initial remaining terms between 11 and 34 months which have been re-designated as cash floor hedges. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments based on 1-month LIBOR. 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 September 30, 2020 and December 31, 2019:

| | **September 30, 2020** | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Notional** | **Assets** | **Liabilities** |
| **Cash Flow Hedges** | | | |
| *Hedging Instruments:* | | | |
| Interest rate contracts | **$ 1,500,000** | **$ 35,606** | **N/A** |
| *Hedged Items:* | | | |
| Variability in cash flows related to debt instruments (primarily loans) | **N/A** | **$ 1,500,000** | **N/A** |

**Note 15 – Derivatives (Continued)**

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| *(Dollars in thousands)* | **Gains (Losses)** | Gains (Losses) | **Gains (Losses)** | Gains (Losses) |
| **Cash Flow Hedges** | | | | |
| *Hedging Instruments:* | | | | |
| Interest rate contracts (a) | **$ (7,799)** | $ 3,840 | **$ 9,644** | $ 22,954 |
| Gain (loss) recognized in Other comprehensive income (loss) | **(805)** | 1,855 | **13,998** | 13,367 |
| Gain (loss) reclassified from AOCI into Interest income | **(2,128)** | 989 | **(3,853)** | 3,773 |

(a) Approximately $26.5 million of pre-tax gains are expected to be reclassified into earnings in the next twelve months.

Other Derivatives

As part of the merger with IBKC, FHN acquired mortgage banking operations that include the origination and sale of loans into the secondary market. As part of the origination of loans, FHN enters into interest rate lock commitments with borrowers. Additionally, FHN enters into forward sales contracts with buyers for delivery of loans at a future date.

Both of these contracts qualify as freestanding derivatives and are recognized at fair value through earnings. The notional and fair values of these contracts are presented in the table below. Balances and activity for periods prior to the IBKC merger were not significant.

| | **September 30, 2020** | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Notional** | **Assets** | **Liabilities** |
| **Mortgage Banking Hedges** | | | |
| Option contracts written | **$ 698,744** | **$ 21,677** | **$ 223** |
| Forward contracts purchased | **753,660** | **859** | **2,577** |

The following table summarizes gains (losses) on FHN's derivatives associated with mortgage banking activities for the three and nine month periods ended September 30, 2020.

| | **Three Months Ended September 30,** | **Nine Months Ended September 30,** |
|---|---|---|
| | **2020** | **2020** |
| *(Dollars in thousands)* | **Gains (Losses)** | **Gains (Losses)** |
| **Mortgage Banking Hedges** | | |
| Option contracts written | **$ 7,434** | **$ 7,434** |
| Forward contracts purchased | **(9,633)** | **(9,633)** |

**Note 15 – Derivatives (Continued)**

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 September 30, 2020 and December 31, 2019, the derivative liabilities associated with the sales of Visa Class B shares were $15.6 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 September 30, 2020 and December 31, 2019, these loans were valued at $9.1 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 September 30, 2020 the notional values of FHN's risk participations were $248.5 million of derivative assets and $543.0 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 September 30, 2020, FHN had recognized $342 thousand of derivative assets and $1.5 million of derivative liabilities associated with risk participation agreements.

In conjunction with the IBKC merger, FHN obtained certain certificates of deposit with the rate of return based on an equity index which is considered an embedded derivative as a written option that must be separately recognized. The risks of the written option are offset by purchasing an option with terms that mirror the written option, which is also carried at fair value on the Company's consolidated balance sheets. As of September 30, 2020, FHN had recognized $1.3 million of both assets and liabilities associated with these contracts.

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 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

**Note 15 – Derivatives (Continued)**

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 Balance Sheets.

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 Balance Sheets. 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 $239.0 million of assets and $3.6 million of liabilities on September 30, 2020, and $63.1 million of assets and $6.4 million of liabilities on December 31, 2019. As of September 30, 2020 and December 31, 2019, FHN had received collateral of $349.6 million and $148.5 million and posted collateral of $41.1 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 $239.0 million of assets and $24.0 million of liabilities on September 30, 2020, and $63.1 million of assets and $10.3 million of liabilities on December 31, 2019. As of September 30, 2020 and December 31, 2019, FHN had received collateral of $349.6 million and $148.5 million and posted collateral of $62.8 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 15 – Derivatives (Continued)**

The following table provides details of derivative assets and collateral received as presented on the Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019:

| *(Dollars in thousands)* | Gross amounts of recognized assets | Gross amounts offset in the Balance Sheets | Net amounts of assets presented in the Balance Sheets (a) | Gross amounts not offset in the Balance Sheets: Derivative liabilities available for offset | Gross amounts not offset in the Balance Sheets: Collateral received | Net amount |
|---|---|---|---|---|---|---|
| Derivative assets: | | | | | | |
| **September 30, 2020** | | | | | | |
| Interest rate derivative contracts | **$ 787,139** | **$ —** | **$ 787,139** | **$ (11,401)** | **$ (369,510)** | **$ 406,228** |
| Forward contracts | **47,341** | **—** | **47,341** | **(16,105)** | **(16,213)** | **15,023** |
| | **$ 834,480** | **$ —** | **$ 834,480** | **$ (27,506)** | **$ (385,723)** | **$ 421,251** |
| 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 Other assets on the Consolidated Balance Sheets. As of September 30, 2020 and December 31, 2019, $2.6 million and $0.1 million 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 Balance Sheets as of September 30, 2020 and December 31, 2019:

| *(Dollars in thousands)* | Gross amounts of recognized liabilities | Gross amounts offset in the Balance Sheets | Net amounts of liabilities presented in the Balance Sheets (a) | Gross amounts not offset in the Balance Sheets: Derivative assets available for offset | Gross amounts not offset in the Balance Sheets: Collateral pledged | Net amount |
|---|---|---|---|---|---|---|
| Derivative liabilities: | | | | | | |
| **September 30, 2020** | | | | | | |
| Interest rate derivative contracts | **$ 47,047** | **$ —** | **$ 47,047** | **$ (11,401)** | **$ (30,829)** | **$ 4,817** |
| Forward contracts | **42,474** | **—** | **42,474** | **(16,105)** | **(26,369)** | **—** |
| | **$ 89,521** | **$ —** | **$ 89,521** | **$ (27,506)** | **$ (57,198)** | **$ 4,817** |
| 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 Other liabilities on the Consolidated Balance Sheets. As of September 30, 2020 and December 31, 2019, $19.9 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 16 – 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 Balance Sheets. 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.

Securities purchased under agreements to resell is included in Federal funds sold and securities purchased under agreements to resell in the Consolidated Balance Sheets. Securities sold under agreements to repurchase is included in Short-term borrowings.

The following table provides details of securities purchased under agreements to resell and collateral pledged by counterparties as of September 30, 2020 and December 31, 2019:

| | | | | Gross amounts not offset in the Balance Sheets | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Gross amounts of recognized assets | Gross amounts offset in the Balance Sheets | Net amounts of assets presented in the Balance Sheets | Offsetting securities sold under agreements to repurchase | Securities collateral (not recognized on FHN's Balance Sheets) | Net amount |
| Securities purchased under agreements to resell: | | | | | | |
| **September 30, 2020** | **$ 591,987** | **$ —** | **$ 591,987** | **$ (70)** | **$ (590,123)** | **$ 1,794** |
| 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 and collateral pledged by FHN as of September 30, 2020 and December 31, 2019:

| | | | | Gross amounts not offset in the Balance Sheets | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Gross amounts of recognized liabilities | Gross amounts offset in the Balance Sheets | Net amounts of liabilities presented in the Balance Sheets | Offsetting securities purchased under agreements to resell | Securities/ government guaranteed loans collateral | Net amount |
| Securities sold under agreements to repurchase: | | | | | | |
| **September 30, 2020** | **$ 1,158,994** | **$ —** | **$ 1,158,994** | **$ (70)** | **$ (1,158,791)** | **$ 133** |
| 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 16 – 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 September 30, 2020 and December 31, 2019:

| | **September 30, 2020** | | |
|---|---|---|---|
| *(Dollars in thousands)* | **Overnight and Continuous** | **Up to 30 Days** | **Total** |
| Securities sold under agreements to repurchase: | | | |
| U.S. treasuries | **$ 363,674** | **$ —** | **$ 363,674** |
| Government agency issued MBS | **578,284** | **6,882** | **585,166** |
| Government agency issued CMO | **4,529** | **2,412** | **6,941** |
| Other U.S. government agencies | **82,576** | **—** | **82,576** |
| Government guaranteed loans (SBA and USDA) | **120,637** | **—** | **120,637** |
| **Total securities sold under agreements to repurchase** | **$ 1,149,700** | **$ 9,294** | **$ 1,158,994** |

| | 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 17 – 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 17 – 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 September 30, 2020:

| | September 30, 2020 | | | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| Trading securities—fixed income: | | | | |
| U.S. treasuries | $ — | $ 98,743 | $ — | $ 98,743 |
| Government agency issued MBS | — | 352,564 | — | 352,564 |
| Government agency issued CMO | — | 501,091 | — | 501,091 |
| Other U.S. government agencies | — | 261,569 | — | 261,569 |
| States and municipalities | — | 13,087 | — | 13,087 |
| Corporate and other debt | — | 158,544 | — | 158,544 |
| Total trading securities—fixed income | — | 1,385,598 | — | 1,385,598 |
| Trading securities—mortgage banking | — | — | 471 | 471 |
| Loans held for sale (elected fair value) | — | 359,396 | 12,435 | 371,831 |
| Loans held for investment (elected fair value) | — | — | 12,372 | 12,372 |
| Securities available for sale: | | | | |
| U.S. treasuries | — | 300,034 | — | 300,034 |
| Government agency issued MBS | — | 3,827,066 | — | 3,827,066 |
| Government agency issued CMO | — | 2,705,447 | — | 2,705,447 |
| Other U.S. government agencies | — | 658,266 | — | 658,266 |
| States and municipalities | — | 432,090 | — | 432,090 |
| Corporate and other debt | — | 40,010 | — | 40,010 |
| Interest-Only Strip (elected fair value) | — | — | 32,959 | 32,959 |
| Total securities available for sale | — | 7,962,913 | 32,959 | 7,995,872 |
| Other assets: | | | | |
| Deferred compensation mutual funds | 109,907 | — | — | 109,907 |
| Equity, mutual funds, and other | 24,712 | — | — | 24,712 |
| Derivatives, forwards and futures | 48,200 | — | — | 48,200 |
| Derivatives, interest rate contracts | — | 787,139 | — | 787,139 |
| Derivatives, other | — | 1,436 | 342 | 1,778 |
| Total other assets | 182,819 | 788,575 | 342 | 971,736 |
| Total assets | $ 182,819 | $ 10,496,482 | $ 58,579 | $ 10,737,880 |
| Trading liabilities—fixed income: | | | | |
| U.S. treasuries | $ — | $ 431,565 | $ — | $ 431,565 |
| States and municipalities | — | 203 | — | 203 |
| Corporate and other debt | — | 45,298 | — | 45,298 |
| Equity, mutual funds, and other | — | 7 | — | 7 |
| Total trading liabilities—fixed income | — | 477,073 | — | 477,073 |
| Other liabilities: | | | | |
| Derivatives, forwards and futures | 45,051 | — | — | 45,051 |
| Derivatives, interest rate contracts | — | 45,795 | — | 45,795 |
| Derivatives, other | — | 1,462 | 17,140 | 18,602 |
| Total other liabilities | 45,051 | 47,257 | 17,140 | 109,448 |
| Total liabilities | $ 45,051 | $ 524,330 | $ 17,140 | $ 586,521 |

**Note 17 – 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 17 – 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 September 30, 2020 and 2019, on a recurring basis are summarized as follows:

| | Three Months Ended September 30, 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Trading securities | | Interest- only strips- AFS | | Loans held for sale | | Loans held for investment | | Net derivative liabilities | |
| Balance on July 1, 2020 | $ 628 | | $ 25,446 | | $ 13,263 | | $ — | | $ (18,645) | |
| Acquired | — | | — | | — | | 13,746 | | — | |
| Total net gains (losses) included in: | | | | | | | | | | |
| Net income | (157) | | (1,282) | | (80) | | (418) | | (599) | |
| Purchases | — | | — | | — | | — | | — | |
| Sales | — | | (56) | | — | | (2,927) | | — | |
| Settlements | — | | — | | (748) | | (2,312) | | 2,446 | |
| Net transfers into (out of) Level 3 | — | | 8,851 | (b) | — | | 4,283 | | — | |
| Balance on September 30, 2020 | $ 471 | | $ 32,959 | | $ 12,435 | | $ 12,372 | | $ (16,798) | |
| Net unrealized gains (losses) included in net income | $ — | (a) | $ 1,192 | (c) | $ (80) | (a) | $ 367 | | $ (76) | (d) |

| | Three Months Ended September 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Trading securities | | Interest-only-strips-AFS | | Loans held for sale | | Net derivative liabilities | |
| Balance on July 1, 2019 | $ 1,255 | | $ 17,792 | | $ 15,092 | | $ (26,545) | |
| Total net gains (losses) included in: | | | | | | | | |
| Net income | (157) | | (1,421) | | 443 | | (4,008) | |
| Purchases | — | | — | | — | | — | |
| Sales | — | | (11,401) | | — | | — | |
| Settlements | — | | — | | (1,126) | | 2,468 | |
| Net transfers into (out of) Level 3 | — | | 10,279 | (b) | — | | — | |
| Balance on September 30, 2019 | $ 1,098 | | $ 15,249 | | $ 14,409 | | $ (28,085) | |
| Net unrealized gains (losses) included in net income | $ — | (a) | $ (1,977) | (c) | $ 443 | (a) | $ (4,008) | (d) |

(a) Primarily included in mortgage banking and title income on the Consolidated 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 Statements of Income.
(d) Included in Other expense.

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

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

| | Nine Months Ended September 30, 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Trading securities | | Interest- only strips- AFS | | Loans held for sale | | Loans held for investment | | Net derivative liabilities | |
| Balance on January 1, 2020 | $ 941 | | $ 19,136 | | $ 14,033 | | $ — | | $ (22,795) | |
| Acquired | — | | — | | — | | 13,746 | | — | |
| Total net gains (losses) included in: | | | | | | | | | | |
| Net income | (470) | | (3,810) | | 671 | | (418) | | (1,311) | |
| Purchases | — | | 5,481 | | — | | — | | — | |
| Sales | — | | (8,759) | | — | | (2,927) | | — | |
| Settlements | — | | — | | (2,269) | | (2,312) | | 7,308 | |
| Net transfers into (out of) Level 3 | — | | 20,911 | (b) | — | | 4,283 | | — | |
| Balance on September 30, 2020 | $ 471 | | $ 32,959 | | $ 12,435 | | $ 12,372 | | $ (16,798) | |
| Net unrealized gains (losses) included in net income | $ — | (a) | $ 2,994 | (c) | $ 671 | (a) | $ 367 | | $ (788) | (d) |

| | Nine Months Ended September 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 | (128) | | (2,820) | | 1,259 | | (3,892) | |
| Purchases | — | | 86 | | 10 | | — | |
| Sales | — | | (38,612) | | — | | — | |
| Settlements | (298) | | — | | (3,133) | | 7,347 | |
| Net transfers into (out of) Level 3 | — | | 46,693 | (b) | — | | — | |
| Balance on September 30, 2019 | $ 1,098 | | $ 15,249 | | $ 14,409 | | $ (28,085) | |
| Net unrealized gains (losses) included in net income | $ (66) | (a) | $ (1,250) | (c) | $ 1,259 | (a) | $ (3,892) | (d) |

(a) Primarily included in mortgage banking and title income on the Consolidated 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 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 September 30, 2020 and 2019.

**Note 17 – 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 Balance Sheets at September 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 September 30, 2020** | | | |
|---|---|---|---|---|
| *(Dollars in thousands)* | Level 1 | Level 2 | Level 3 | Total |
| Loans held for sale—SBAs and USDA | $ — | $ 594,485 | $ 743 | $ 595,228 |
| Loans held for sale—first mortgages | — | — | 529 | 529 |
| Loans and leases (a) | — | — | 114,583 | 114,583 |
| OREO (b) | — | — | 17,767 | 17,767 |
| Other assets (c) | — | — | 9,490 | 9,490 |

| | 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 and leases (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 credit 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 Balance Sheets at period end, the following table provides information about the fair value adjustments recorded during the three and nine months ended September 30, 2020 and 2019:

| | Net gains (losses) Three Months Ended September 30, | | Net gains (losses) Nine months ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Loans held for sale—SBAs and USDA | **$ (1,560)** | $ (977) | **$ (2,304)** | $ (1,208) |
| Loans held for sale—first mortgages | **31** | 2 | **32** | 27 |
| Loans and leases (a) | **(17,444)** | (15,559) | **(31,040)** | (16,036) |
| OREO (b) | **(34)** | (282) | **(203)** | (256) |
| Other assets (c) | **(346)** | (407) | **(1,118)** | (1,349) |
| | **$ (19,353)** | $ (17,223) | **$ (34,633)** | $ (18,822) |

(a) Write-downs on these loans are recognized as part of provision for credit 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 17 – Fair Value of Assets & Liabilities (Continued)**

In 2020, FHN recognized $4.8 million of fixed asset impairments and $4.2 million of impairments for lease assets primarily related to continuing acquisition integration efforts associated with reduction of leased office space and branch optimization. These amounts were primarily recognized in the Corporate segment.

In 2019, FHN recognized $4.6 million of impairments and $0.7 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 FHN's rebranding initiative, FHN recognized $7.1 million of impairments within the Corporate segment for long-lived tangible assets, primarily signage, related to FHN's rebranding initiative. These amounts were recognized in the Corporate segment.

Lease asset impairments recognized 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 17 – 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 September 30, 2020 and December 31, 2019:

(Dollars in thousands)

| Level 3 Class | Fair Value at September 30, 2020 | Valuation Techniques | Unobservable Input | Values Utilized | |
|---|---|---|---|---|---|
| | | | | Range | Weighted Average (d) |
| Available for sale securities SBA-interest only strips | $ 32,959 | Discounted cash flow | Constant prepayment rate | 12% | 12% |
| | | | Bond equivalent yield | 14% - 16% | 15% |
| Loans held for sale - residential real estate | 12,964 | Discounted cash flow | Prepayment speeds - First mortgage | 5% - 15% | 5.4% |
| | | | Foreclosure losses | 50% - 65% | 63% |
| | | | Loss severity trends - First mortgage | 3% - 19% of UPB | 13.3% |
| Loans held for sale - unguaranteed interest in SBA loans | 743 | Discounted cash flow | Constant prepayment rate | 8% - 12% | 10% |
| | | | Bond equivalent yield | 7% | 7% |
| Loans held for investment | 12,372 | Discounted cash flow | Constant prepayment rate | 0% - 24% | 11% |
| | | | Constant default rate | 0% - 15% | 1% |
| | | | Loss severity trends | 0% - 100% | 1% |
| Derivative liabilities, other | 16,798 | 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 | 6 - 30 | 21 months |
| Loans and leases (a) | 114,583 | 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) | 17,767 | Appraisals from comparable properties | Adjustment for value changes since appraisal | 0% - 10% of appraisal | NM |
| Other assets (c) | 9,490 | 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 credit 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 17 – 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 | Values Utilized: 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 and leases (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 credit 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.

***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

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

(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.

***Loans held for investment.*** Constant prepayment rate, constant default rate and loss severity trends are significant unobservable inputs used in the fair value measurement of loans held for investment. Increases (decreases) in each of these inputs in isolation result in negative (positive) effects on the valuation of the associated loans.

***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 and leases 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 substantially 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 relating to mortgage banking operations conducted prior to the IBKC merger 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.

FHN also has a portion of mortgage loans held for investment for which the fair value option was elected upon origination and which continue to be accounted for at fair value.

**Note 17 – 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 and held for investment measured at fair value in accordance with management's election and the aggregate unpaid principal amount FHN is contractually entitled to receive at maturity.

| | September 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 | **$ 371,831** | **$ 361,865** | **$ 9,966** |
| Nonaccrual loans | **2,972** | **6,073** | **(3,101)** |
| Loans 90 days or more past due and still accruing | **287** | **419** | **(132)** |
| Loans held for investment reported at fair value: | | | |
| Total loans | **$ 12,372** | **$ 13,062** | **$ (690)** |
| Nonaccrual loans | **643** | **890** | **(247)** |

| | 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Changes in fair value included in net income: | | | | |
| Mortgage banking noninterest income | | | | |
| Loans held for sale | **$ 1,867** | $ 443 | **$ 2,618** | $ 1,259 |
| Loans held for investment | **(418)** | — | **(418)** | — |

For the three and nine months ended September 30, 2020 and 2019, the amount for residential real estate loans held for sale included insignificant amounts 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 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

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

fair value in the Consolidated Balance Sheets 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.

***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 FHN 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.*** FHN determines the fair value of loans held for sale using either current transaction prices or discounted cash flow models. Fair values are determined using current transaction prices and/or values on similar assets when available which includes committed bids for specific loans or loan portfolios. Uncommitted bids may be adjusted based on other available market information.

Fair value of residential real estate loans held for sale determined using a discounted cash flow model incorporates both observable and unobservable inputs. Inputs in the discounted cash flow model 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.

FHN utilizes quoted market prices of similar instruments or broker and dealer quotations to value the SBA and USDA guaranteed loans. FHN 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.

***Mortgage loans held for investment at fair value option.*** The fair value of mortgage loans held for investment at fair value option is determined by a third party using a discounted cash flow model using various assumptions about future loan performance and market discount rates.

***Loans held for investment.*** The fair values of mortgage loans are estimated using an exit price methodology that is based on present values using the interest rate that would be charged for a similar loan to a borrower with similar risk, weighted for varying maturity dates and adjusted for a liquidity discount based on the estimated time period to complete a sale transaction with a market participant.

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

Other loans and leases are valued based on present values using the interest rate that would be charged for a similar instrument to a borrower with similar risk, applicable to each category of instruments, and adjusted for a liquidity discount based on the estimated time period to complete a sale transaction with a market participant.

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 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 Balance Sheets 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 and leases, loans held for sale, and term borrowings as of September 30,

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

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 17 – Fair Value of Assets & Liabilities (Continued)**

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Balance Sheets as of September 30, 2020:

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | Book Value | Fair Value | | | |
| *(Dollars in thousands)* | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Loans and leases, net of allowance for loan and lease losses | | | | | |
| Commercial: | | | | | |
| Commercial, financial and industrial | $ 33,166,623 | $ — | $ — | $ 33,295,053 | $ 33,295,053 |
| Commercial real estate | 12,302,929 | — | — | 12,304,261 | 12,304,261 |
| Consumer: | | | | | |
| Consumer real estate (a) | 12,062,439 | — | — | 12,327,350 | 12,327,350 |
| Credit card & other | 1,186,438 | — | — | 1,210,286 | 1,210,286 |
| Total loans and leases, net of allowance for loan and lease losses | 58,718,429 | — | — | 59,136,950 | 59,136,950 |
| Short-term financial assets: | | | | | |
| Interest-bearing cash | 5,443,292 | 5,443,292 | — | — | 5,443,292 |
| Federal funds sold | 1,480 | — | 1,480 | — | 1,480 |
| Securities purchased under agreements to resell | 591,987 | — | 591,987 | — | 591,987 |
| Total short-term financial assets | 6,036,759 | 5,443,292 | 593,467 | — | 6,036,759 |
| Trading securities (b) | 1,386,069 | — | 1,385,598 | 471 | 1,386,069 |
| Loans held for sale | | | | | |
| Mortgage loans (elected fair value) (b) | 371,831 | — | 359,396 | 12,435 | 371,831 |
| USDA & SBA loans- LOCOM | 595,228 | — | 599,501 | 776 | 600,277 |
| Other consumer loans- LOCOM | 4,569 | — | 4,569 | — | 4,569 |
| Mortgage loans- LOCOM | 78,876 | — | — | 78,876 | 78,876 |
| Total loans held for sale | 1,050,504 | — | 963,466 | 92,087 | 1,055,553 |
| Securities available for sale (b) | 7,995,872 | — | 7,962,913 | 32,959 | 7,995,872 |
| Derivative assets (b) | 837,117 | 48,200 | 788,575 | 342 | 837,117 |
| Other assets: | | | | | |
| Tax credit investments | 407,480 | — | — | 386,901 | 386,901 |
| Deferred compensation mutual funds | 109,907 | 109,907 | — | — | 109,907 |
| Equity, mutual funds, and other (c) | 315,828 | 24,712 | — | 291,116 | 315,828 |
| Total other assets | 833,215 | 134,619 | — | 678,017 | 812,636 |
| Total assets | $ 76,867,965 | $ 5,626,111 | $ 11,694,019 | $ 59,950,803 | $ 77,270,933 |
| Liabilities: | | | | | |
| Defined maturity deposits | $ 5,525,913 | $ — | $ 5,602,997 | $ — | $ 5,602,997 |
| Trading liabilities (b) | 477,073 | — | 477,073 | — | 477,073 |
| Short-term financial liabilities: | | | | | |
| Federal funds purchased | 840,847 | — | 840,847 | — | 840,847 |
| Securities sold under agreements to repurchase | 1,158,994 | — | 1,158,994 | — | 1,158,994 |
| Other short-term borrowings | 141,878 | — | 141,878 | — | 141,878 |
| Total short-term financial liabilities | 2,141,719 | — | 2,141,719 | — | 2,141,719 |
| Term borrowings: | | | | | |
| Real estate investment trust-preferred | 46,287 | — | — | 47,000 | 47,000 |
| Term borrowings—new market tax credit investment | 37,881 | — | — | 37,993 | 37,993 |
| Secured borrowings | 15,314 | — | — | 15,314 | 15,314 |
| Junior subordinated debentures | 237,475 | — | — | 229,699 | 229,699 |
| Other long term borrowings | 1,824,913 | — | 1,929,827 | — | 1,929,827 |
| Total term borrowings | 2,161,870 | — | 1,929,827 | 330,006 | 2,259,833 |
| Derivative liabilities (b) | 109,448 | 45,051 | 47,257 | 17,140 | 109,448 |
| Total liabilities | $ 10,416,023 | $ 45,051 | $ 10,198,873 | $ 347,146 | $ 10,591,070 |

(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 $85.6 million and FRB stock of $205.6 million.

**Note 17 – Fair Value of Assets & Liabilities (Continued)**

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

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Book Value | Fair Value | | | |
| *(Dollars in thousands)* | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Loans and leases and allowance for loan and lease 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 and leases and allowance for loan and lease 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 17 – 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 September 30, 2020 and December 31, 2019:

| | Contractual Amount | | Fair Value | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **September 30, 2020** | December 31, 2019 | **September 30, 2020** | December 31, 2019 |
| **Unfunded Commitments:** | | | | |
| Loan commitments | **$ 20,627,190** | $ 12,355,220 | **$ 1,823** | $ 3,656 |
| Standby and other commitments | **742,278** | 459,268 | **6,119** | 5,513 |

**Note 18 – 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 nine months ended September 30, 2020 and were $38.7 million in the nine months ended September 30, 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 personnel expense within noninterest expense.
- Expense largely related to the identification of efficiency opportunities within the organization which is reflected in legal and 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 nine months ended September 30, 2020 and 2019 is presented in the table below:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| *Dollars in thousands* | **2020** | 2019 | **2020** | 2019 |
| Personnel expense | **$ —** | $ 1,182 | **$ 89** | $ 10,244 |
| Legal and professional fees | **2** | 6,488 | **16** | 15,025 |
| Net occupancy expense | **—** | (128) | **2** | 761 |
| Other | **(83)** | 300 | **(185)** | 12,632 |
| Total restructuring, repositioning, and efficiency charges | **$ (81)** | $ 7,842 | **$ (78)** | $ 38,662 |

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

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## INTRODUCTION

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, IBERIABANK, 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, IBERIABANK 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 490 banking offices in 12 states, and FHN Financial has 29 offices in 18 states across the U.S.

The following financial discussion should be read with the accompanying unaudited Consolidated Financial Statements and Notes in this report. Additional information including the 2019 financial statements, notes, and management's discussion and analysis ("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.

## RECENT EVENTS

### Merger and Branch Purchase

On July 1, 2020, FHN and IBERIABANK Corporation ("IBKC") closed their merger-of-equals transaction (the "IBKC merger"). FHN issued approximately 243 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. During the third quarter of 2020, FHN recorded preliminary purchase price allocations related to the transaction and recognized a purchase accounting gain of $532.2 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% 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.

### COVID-19 Pandemic

The COVID-19 pandemic has caused and continues to cause significant, unprecedented disruption to the national economy as well as the local economies within FHN's footprint. FHN continues to closely monitor the pandemic and its effects on clients and the financial markets in which FHN conducts business. The impact of the pandemic and FHN's response are discussed in further detail in the Market Uncertainties and Prospective Trends section included in this MD&A.

## 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 southern and southeastern U.S. and other selected markets. Regional banking also provides investment, wealth management, financial planning, trust and asset management, mortgage banking, title, credit card, and cash management services. 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.

**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 22 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. These statements often include the words "believe," "expect," "anticipate," "intend," "estimate," "should," "is likely," "will," "going forward" and other expressions that indicate future events and trends.

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 the IBKC 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 IBKC 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 IBKC merger;
- FHN’s success in executing its business plans and strategies following the IBKC merger, and managing the risks involved in the foregoing;
- the potential impacts on FHN’s businesses of the 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 reports on Form 10-Q for the periods ended March 31, 2020 and June 30, 2020, all 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

FHN's results of operations for the third quarter of 2020 were significantly impacted by the IBKC merger on July 1 and to a much lesser extent the Truist branch acquisition on July 17.

**Quarterly Financial Performance Summary**

Third quarter 2020 net income available to common shareholders was $523.3 million, or $0.95 per diluted share, compared to $109.5 million, or $0.35 per diluted share in third quarter 2019.

Net interest income increased 77% to $532.4 million in the third quarter of 2020 primarily from an increase in average interest-earning assets as a result of the IBKC merger and Truist branch acquisition, deposit pricing discipline and PPP lending, partially offset by the negative impact of lower interest yields on loans from the decline in LIBOR and Prime rates.

The provision for credit losses totaled $227.0 million for the third quarter of 2020 compared to $14.4 million for the same quarter of 2019. The increase in provision was primarily attributable to $147.0 million in provision related to non-purchased credit deteriorated ("non-PCD") loans acquired from the IBKC merger and Truist branch acquisition, the adoption of CECL, and deterioration in the overall macro-economic outlook from the effects of the COVID-19 pandemic.

Noninterest income increased $651.2 million to $822.9 million in the third quarter 2020, primarily from a $532.2 million preliminary purchase accounting gain recognized as a result of the IBKC merger. The increase in noninterest income was also driven by the addition of IBKC as well as strong fixed income revenue during the quarter.

Noninterest expense increased 90% to $587.0 million for the quarter ended September 30, 2020 compared to $308.3 million for the same period in 2019. Noninterest expense for the third quarter of 2020 included $116 million in merger and acquisition-related costs. In addition, noninterest expense increased from the addition of IBKC during the quarter, primarily in personnel expense.

**Year-to-Date Financial Performance Summary**

For the nine months ended September 30, 2020, net income available to common shareholders was $587.7 million, or $1.50 per diluted share, compared to $317.9 million, or $1.00 per diluted share, for the nine months ended September 30, 2019.

Net interest income for the nine months ended September 30, 2020 increased 27% to $1.1 billion. The same factors that contributed to the third quarter 2020 increase in net interest income also drove the increase for the year-to-date period of 2020 relative to the prior year.

The provision for credit losses was $502.4 million for the nine months ended September 30, 2020 compared to $36.3 million for the comparable 2019 period. The increase in provision was primarily attributable to deterioration in the overall macro-economic outlook from the effects of the COVID-19 pandemic, CECL adoption, and provision related to non-PCD loans acquired from the IBKC merger and Truist branch acquisition.

Noninterest income increased $733.2 million, to $1.2 billion in the first nine months of 2020, driven by the same factors as noted for the third quarter of 2020.

Noninterest expense increased 34% to $1.2 billion compared to $904.9 million for the same period in 2019, largely as a result of merger and acquisition-related expenses and higher charitable contributions, somewhat offset by lower restructuring and rebranding related expenses.

**Financial Condition Summary**

Average assets increased to $81.7 billion for the third quarter of 2020 from $41.9 billion for the third quarter of 2019. For the nine months ended September 30, 2020, average assets increased to $57.8 billion from $41.4 billion for the same period in 2019.

Average loans and leases increased to $60.1 billion in third quarter 2020 from $30.0 billion in third quarter 2019. For the nine months ended September 30, 2020, average loans

and leases increased to $41.6 billion from $28.7 billion in 2019.

Average deposits increased to $67.1 billion for the third quarter of 2020 from $32.4 billion for third quarter of 2019. For the nine months ended September 20, 2020, average deposits increased to $45.9 billion from $32.3 billion for the prior year period.

Asset quality ratios were relatively stable at September 30, 2020, tempered by relief from both the CARES Act and Interagency Guidance. As of September 30, 2020, nonperforming loans and leases were 0.75% of total loans and leases compared to 0.52% at December 31, 2019. The allowance for loan and lease losses to nonperforming loans and leases was 221% compared to 124% at December 31, 2019. The higher coverage ratio reflects CECL adoption, as well as reserve build in 2020 in connection with COVID-19 and the economic downturn.

FHN maintained strong capital measures. Common Equity Tier 1, Tier 1, Total Capital, and Leverage ratios were 9.21%, 10.25%, 12.05%, and 8.25%, respectively, in third quarter 2020 compared to 9.20%, 10.15%, 11.22%, and 9.04%, respectively, at December 31, 2019.

**Key Performance Indicators**

| | As of or for the three months ended September 30, | | As of or for the nine months ended September 30, | |
|---|---|---|---|---|
| *(Dollars in thousands, except per share data)* | **2020** | 2019 | **2020** | 2019 |
| Pre-Provision Net Revenue ("PPNR") (a) | **$ 768,248** | $ 164,105 | **$ 1,134,320** | $ 464,684 |
| Diluted earnings per common share | **$ 0.95** | $ 0.35 | **$ 1.50** | $ 1.00 |
| Return on average assets (annualized) (b) | **2.63 %** | 1.08 % | **1.41 %** | 1.07 % |
| Return on average common equity (“ROCE”) (annualized) (c) | **28.49 %** | 9.50 % | **14.18 %** | 9.47 % |
| Return on average tangible common equity (“ROTCE”) (annualized) (a) (d) | **37.75 %** | 14.49 % | **20.13 %** | 14.60 % |
| Net interest margin (e) | **2.84 %** | 3.21 % | **2.93 %** | 3.29 % |
| Fee income to total revenue (f) | **60.75 %** | 36.34 % | **51.41 %** | 34.37 % |
| Efficiency ratio (g) | **43.31 %** | 65.14 % | **51.56 %** | 66.08 % |
| Allowance for loan and lease losses to total loans and leases | **1.65 %** | 0.62 % | **1.65 %** | 0.62 % |
| Net charge-offs to average loans and leases (annualized) | **0.44 %** | 0.19 % | **0.22 %** | 0.08 % |
| Total period-end equity to period-end assets | **9.81 %** | 11.43 % | **9.81 %** | 11.43 % |
| Tangible common equity to tangible assets ("TCE/TA") (a) | **6.78 %** | 7.20 % | **6.78 %** | 7.20 % |
| Cash dividends declared per common share | **$ 0.15** | $ 0.14 | **$ 0.45** | $ 0.42 |
| Book value per common share | **$ 13.30** | $ 14.80 | **$ 26.46** | $ 14.80 |
| Tangible book value per common share (a) | **$ 9.92** | $ 9.76 | **$ 22.42** | $ 9.47 |
| Common equity Tier 1 | **9.15 %** | 9.01 % | **9.15 %** | 9.01 % |
| Market capitalization (millions) | **$ 5,231.7** | $ 5,041.1 | **$ 5,231.7** | $ 5,041.1 |

(a) Represents a non-GAAP measure which is reconciled in the non-GAAP to GAAP reconciliation in table 22.
(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% 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 impacted during the three and nine months ended September 30, 2020 by the IBKC merger and to a lesser extent the Truist branch acquisition, as well as a large increase in provision for credit losses due to the deterioration in the economic forecast related to the effects of the COVID-19 pandemic.

## Business Line Review

**Regional Banking**

Third quarter 2020 regional banking pre-tax income was $155.4 million, down from $174.6 million in third quarter 2019. For the nine months ended September 30, 2020, regional banking pre-tax income was $297.0 million compared to $488.8 million for the nine months ended September 30, 2019. The decrease in pre-tax income in 2020 reflected an increase in the provision for credit losses

and noninterest expense somewhat offset by an increase in revenue.

Total revenue increased 95%, or $368.0 million, to $756.4 million in third quarter 2020 from $388.4 million in third quarter 2019, primarily driven by an increase in NII due to interest-earning asset growth from the IBKC merger and Truist branch acquisition. Noninterest income increased $86.5 million to $172.5 million in third quarter 2020 from $85.9 million in the prior year. Mortgage banking and title income increased $63.9 million primarily as a result of the IBKC merger and higher activity due to the low rate environment. Noninterest income was also positively impacted by increases in other fee income driven by the addition of IBKC.

Provision expense increased to $227.3 million in third quarter 2020 from $19.8 million in third quarter 2019, primarily driven by $147.0 million in provision related to acquired non-PCD loans, CECL adoption, and deterioration in the overall macro-economic outlook from the effects of the COVID-19 pandemic.

Noninterest expense was $373.7 million in third quarter 2020, up from $194.0 million in third quarter 2019. The increase in expense was primarily driven by the addition of IBKC. Personnel expense increased $82.3 million primarily due to increased headcount from the IBKC merger and Truist branch acquisition as well as higher incentives. Occupancy expense and amortization of intangible assets also increased as a result of the IBKC merger and Truist branch acquisition.

Total revenue increased 39%, or $440.8 million, to $1.6 billion in the nine months ended 2020 from $1.1 billion in the nine months ended 2019, driven by increases in NII and noninterest income. The increase in NII for the year-to-date period of 2020 was driven by acquisition-related growth, deposit pricing discipline, and PPP lending, partially offset by the negative impact of lower interest yields on loans from the decline in LIBOR and Prime rates. Noninterest income increased 39% or $93.1 million to $333.7 million in the nine months ended 2020 from $240.6 million in the prior year. Mortgage banking and title income increased $66.0 million to $71.2 million primarily from the addition of IBKC. A $7.9 million increase in brokerage, management fees and commissions was driven by the inclusion of IBKC in third quarter and higher advisory revenue and annuity income as a result of increased transaction volume. Trust services and investment management increased $7.4 million driven by the inclusion of IBKC when compared to the prior year.

Provision expense increased to $501.5 million for the nine months ended September 30, 2020 from $51.0 million for the nine months ended September 30, 2019, driven by the adoption of CECL, deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic and provision related to acquired non-PCD loans.

Noninterest expense was $768.9 million for the nine months ended September 30, 2020, up from $586.7 million for the nine months ended September 30, 2019. The increase in expense was primarily driven by the inclusion of IBKC during the quarter.

**Fixed Income**

Fixed income pre-tax income increased to $55.0 million in third quarter 2020 from $15.5 million in third quarter 2019. For the nine months ended September 30, 2020 fixed income pre-tax income increased to $124.3 million from $42.4 million for the nine months ended September 30, 2019.

Noninterest income increased 42%, or $33.0 million, to $110.8 million in third quarter 2020 from $77.8 million in third quarter 2019. Fixed income product average daily revenue (“ADR”) increased to $1.5 million in third quarter 2020 from $994 thousand in third quarter 2019, due to favorable market conditions including market volatility and increased depository liquidity. Other product revenue was $11.9 million in third quarter 2020, down from $14.2 million in the prior year, primarily driven by decreases in fees from derivative and loan sales. NII was $11.6 million in third quarter 2020, up from $5.3 million in third quarter 2019, primarily due to higher spreads on inventory positions compared to prior year.

Noninterest expense remained relatively flat at $67.4 million in third quarter 2020 compared to $67.6 million in third quarter 2019 as an increase in variable compensation associated with increased revenues in 2020 was offset by a $7.5 million net impact related to the resolution of legal matters in third quarter 2019.

Noninterest income increased 62%, or $122.5 million, to $319.7 million for the nine months ended September 30, 2020 from $197.2 million in the nine months ended September 30, 2019. Fixed income product revenue increased to $277.5 million for the nine months ended September 30, 2020 from $162.7 million for the nine months ended September 30, 2019, largely driven by the same factors impacting the quarterly period. Other product revenue was $42.2 million in the nine months ended September 30, 2020, up 22% from $34.6 million in the prior year, driven by increases in fees from derivative sales and portfolio advisory services, somewhat offset by lower fees from loan sales. NII was $36.1 million and $18.8 million, respectively, for the nine months ended September 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 $231.5 million for the nine months ended September 30, 2020 compared to $173.7 million for the nine months ended September 30, 2019, primarily driven by higher variable compensation due to increased revenues, somewhat offset by the $7.5 million

net impact related to the resolution of legal matters previously mentioned.

**Corporate**

Pre-tax income for the corporate segment was $327.6 million in third quarter 2020 compared to pre-tax loss of $48.2 million in third quarter 2019. For the nine months ended September 30, 2020, pre-tax income for the corporate segment was $203.6 million compared to pre-tax loss of $137.1 million in the prior year. The increase in income before income taxes was primarily driven by the purchase accounting gain from the IBKC merger.

Net interest expense was $69.2 million and $13.2 million in third 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 in third quarter 2020 was $539.7 million, up from $7.4 million in third quarter 2019, primarily due to the preliminary purchase accounting gain from the IBKC merger.

Noninterest expense increased $100.6 million to $142.9 million in third quarter 2020 from $42.3 million in third quarter 2019. The increase in expense for third quarter 2020 was primarily driven by an increase in merger and integration-related charges relative to third quarter 2019 and the inclusion of IBKC, somewhat offset by $7.8 million of restructuring costs associated with efficiency initiatives and $3.1 million in rebranding expenses recognized in 2019.

Net interest expense was $145.8 million and $28.1 million for the nine months ended September 30, 2020 and 2019, respectively, as net interest expense for the nine months ended September 30, 2020 was also negatively impacted by FTP. Noninterest income for the nine months ended September 30, 2020 was $548.9 million compared to $30.1 million in the nine months ended 2019, primarily a result of the purchase accounting gain from the IBKC merger.

Noninterest expense increased 43% or $60.4 million to $199.5 million for the nine months ended September 30, 2020 from $139.1 million for the nine months ended September 30, 2019. The increase in expense for the nine months ended September 30, 2020 was primarily driven by a $97.6 million increase in merger and integration-related charges and expenses associated with the inclusion of IBKC, somewhat offset by $38.7 million of restructuring costs and $12.2 million in rebranding expenses recognized in 2019.

**Non-Strategic**

The non-strategic segment had pre-tax income of $3.3 million in third quarter 2020 compared to $7.8 million in third quarter 2019. For the nine months ended September 30, 2020 the non-strategic segment had pre-tax income of $7.0 million compared to $34.3 million for the nine months ended September 30, 2019.

Total revenue was $6.0 million in third quarter 2020 down from $6.8 million in third quarter 2019. For the nine months ended September 30, 2020, total revenue was $18.3 million, down from $25.1 million for the nine months ended September 30, 2019. The decline in revenue is primarily due to continued run-off of the loan portfolios.

The provision for credit losses within the non-strategic segment was provision credit of $0.3 million in third quarter 2020 compared to a provision credit of $5.5 million in third quarter 2019. The provision for credit losses within the non-strategic segment was an expense of $0.9 million for the nine months ended September 30, 2020 compared to a provision credit of $14.7 million in the prior year. The increase in provision expense was due to additional consumer reserves driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic.

Noninterest expense was $10.3 million and $5.5 million, respectively, for the nine months ended September 30, 2020 and 2019. The increase in noninterest expense in the nine months ended September 30, 2020 was the result of the favorable impact of a litigation expense reversal on expenses during the nine months ended September 30, 2019.

## Results of Operations

**Net Interest Income/Net Interest Margin**

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. Net interest margin will also depend on 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. 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.

*Third Quarter 2020 compared to Third Quarter 2019*

Net interest income was $532.4 million in third quarter 2020, up from $300.7 million in third quarter 2019. The increase was primarily attributable to growth in average earning assets from the IBKC merger and Truist branch

acquisition, deposit pricing discipline, and PPP lending, partially offset by the negative impact of lower interest yields on loans from the decline of LIBOR and Prime rates.

The consolidated net interest margin was 2.84% in third quarter 2020, down 37 basis points from 3.21% in third quarter 2019. The net interest spread was 2.68% in third quarter 2020, down 15 basis points from 2.83% in third quarter 2019. The decline in net interest margin for the quarter ended September 30, 2020 was primarily the result of the negative impact of lower interest rates (including LIBOR and Prime) on loan yields, somewhat mitigated by deposit pricing discipline, purchase accounting accretion and the impact of PPP. For the third quarter of 2020, an increase in average excess cash also negatively impacted net interest margin relative to the prior year.

Average earning assets increased to $75.0 billion for the quarter ended September 30, 2020 from $37.4 billion for the same quarter of 2019, primarily driven by the IBKC merger and Truist branch acquisition.

*Nine Months of 2020 compared to Nine Months of 2019*

For the nine months ended September 30, 2020, net interest income was $1.1 billion, up from $898.8 million for the nine months ended September 30, 2019. The same factors that contributed to the third quarter 2020 increase in net interest income also drove the increase for the year-to-date period of 2020 relative to the prior year.

Average earning assets increased to $52.2 billion for the nine months ended September 30, 2020 from $36.8 billion for the nine months ended September 30, 2019, primarily driven by the IBKC merger and Truist branch acquisition.

For the nine months ended September 30, 2020, the net interest margin was 2.93%, down 36 basis points from 3.29% for the nine months ended September 30, 2019. The decline in net interest margin for the nine months ended September 30, 2020 was primarily the result of the negative impact of lower interest rates (including LIBOR and Prime) on loan yields, somewhat mitigated by deposit pricing discipline, purchase accounting accretion, and the impact of PPP lending.

**Table 1—Net Interest Margin**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Assets:** | | | | |
| Earning assets: | | | | |
| Loans and leases: | | | | |
| Commercial | **3.59 %** | 4.78 % | **3.76 %** | 4.96 % |
| Consumer | **4.11** | 4.55 | **4.13** | 4.60 |
| Total loans and leases | **3.70** | 4.73 | **3.84** | 4.88 |
| Loans held for sale | **3.36** | 5.33 | **3.77** | 5.57 |
| Investment securities: | | | | |
| U.S. government agencies | **1.12** | 2.45 | **1.69** | 2.58 |
| States and municipalities | **1.74** | 3.51 | **2.17** | 3.66 |
| Corporates and other debt | **4.66** | 4.57 | **4.59** | 4.33 |
| Other | **33.76** | 34.71 | **33.67** | 34.76 |
| Total investment securities | **1.21** | 2.62 | **1.80** | 2.72 |
| Trading securities | **2.08** | 3.06 | **2.55** | 3.43 |
| Other earning assets: | | | | |
| Federal funds sold and securities purchased under agreements to resell | **0.04** | 2.04 | **0.53** | 2.20 |
| Interest-bearing deposits with banks | **0.09** | 1.96 | **0.19** | 2.30 |
| Total other earning assets | **0.09** | 2.00 | **0.27** | 2.26 |
| Interest income / total earning assets | **3.19 %** | 4.35 % | **3.40 %** | 4.45 % |
| **Liabilities:** | | | | |
| Interest-bearing liabilities: | | | | |
| Interest-bearing deposits: | | | | |
| Savings | **0.38 %** | 1.26 % | **0.49 %** | 1.30 % |
| Time deposits | **0.72** | 2.15 | **1.12** | 1.98 |
| Other interest-bearing deposits | **0.20** | 0.94 | **0.30** | 0.99 |
| Total interest-bearing deposits | **0.36** | 1.29 | **0.50** | 1.32 |
| Trading liabilities | **0.77** | 2.33 | **1.36** | 2.68 |
| Short-term borrowings | **0.27** | 2.13 | **0.72** | 2.35 |
| Term borrowings | **3.98** | 4.64 | **3.97** | 4.84 |
| Interest expense / total interest-bearing liabilities | **0.51** | 1.52 | **0.66** | 1.55 |
| **Net interest spread** | **2.68 %** | 2.83 % | **2.74 %** | 2.90 % |
| Effect of interest-free sources used to fund earning assets | **0.16** | 0.38 | **0.19** | 0.39 |
| **Net interest margin** (a) | **2.84 %** | 3.21 % | **2.93 %** | 3.29 % |

NM – Not meaningful

(a) Calculated using total net interest income adjusted for FTE assuming a statutory federal income tax rate of 21% and, where applicable, state income taxes.

**Provision for Credit Losses**

The provision for credit losses includes the provision for loan and lease losses and the reserve for unfunded lending commitments ("RULC"). The provision for credit losses is the expense necessary to maintain the ALLL and the RULC at levels appropriate to absorb management's estimate of credit losses expected over the life of the loan and lease portfolio and the portfolio of unfunded loan commitments.

The provision for credit losses was $227.0 million and $502.4 million for the three and nine months ended September 30, 2020, calculated under the CECL methodology, compared to $14.4 million and $36.3 million for the three and nine months ended September 30, 2019 calculated under the "incurred loss" methodology. The increase in provision expense was primarily attributable to $147.0 million in provision related to non-PCD loans, CECL adoption, and the economic forecast attributable to the COVID-19 pandemic.

For additional information about the provision for credit 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 was $822.9 million for the third quarter 2020 and represented 61% of total revenue compared to $171.7 million and 36% in third quarter 2019. The increase in noninterest income in third quarter 2020 was primarily driven by the preliminary purchase accounting gain of $532.2 million recorded in connection with the IBKC merger. The increase in noninterest income was also driven by the addition of IBKC as well as strong fixed income revenue during the quarter.

For the nine months ended September 30, 2020, noninterest income was $1.2 billion and represented 51% of total revenue compared to $470.8 million and 34% for the nine months ended September 30, 2019. The increase in noninterest income for the year-to-date period of 2020 was primarily driven by the preliminary purchase accounting gain. Higher mortgage banking and title income and fixed income revenue also contributed to the increase in noninterest income.

*Fixed Income*

Fixed income was $110.9 million in third quarter 2020, a 43% increase from $77.6 million in third quarter 2019. The increase in third quarter 2020 was largely driven by favorable market conditions including market volatility and increased depository liquidity. Revenue from other products was $12.1 million and $14.0 million in third quarter 2020 and 2019, respectively. The modest decrease was primarily driven by decreases in derivative and loan sales.

For the nine months ended September 30, 2020, fixed income was $319.0 million, up 61% from $197.8 million for the nine months ended September 30, 2019. The increase in the nine months ended September 30, 2020 was largely driven by the same factors impacting the quarterly period. Revenue from other products increased 18% to $41.5 million for the year-to-date period of 2020 from $35.2 million in 2019, driven by increases in fees from derivative sales and portfolio advisory services, somewhat offset by a decrease in fees from loan sales.

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

**Table 2—Fixed Income Noninterest Income**

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | Percent Change | **2020** | 2019 | Percent Change |
| **Noninterest income:** | | | | | | |
| Fixed income | **$ 98,871** | $ 63,646 | 55 % | **$ 277,497** | $ 162,651 | 71 % |
| Other product revenue | **12,072** | 13,999 | (14) % | **41,502** | 35,157 | 18 % |
| Total fixed income noninterest income | **$ 110,943** | $ 77,645 | 43 % | **$ 318,999** | $ 197,808 | 61 % |

*Deposit Transactions and Cash Management*

Fees from deposit transactions and cash management activities were $42.1 million and $103.1 million for the three and nine months ended September 30, 2020 up 22% and 5% from $34.4 million and $98.4 million for the three and nine months ended September 30, 2019. The increases for both periods were primarily volume-related from the addition of IBKC and were partially offset by a decline in NSF fees from pandemic-related impacts such as a decline in transaction volume and fee waivers. For the year-to-date period, a $4.6 million debit card incentive payment recognized in second quarter 2020 also contributed to the increase in deposit transaction and cash management fees.

*Brokerage, Management Fees and Commissions*

Noninterest income from brokerage, management fees and commissions was $17.9 million and $47.1 million for the three and nine months ended September 30, 2020 compared to $14.2 million and $40.9 million for the three and nine months ended September 30, 2019. The increase for both periods was primarily driven by the inclusion of IBKC and increased annuity income from higher transaction activity, and for the year-to-date period, higher advisory income.

*Mortgage Banking and Title Income*

Mortgage banking and title income was $65.5 million and $72.1 million for the three and nine months ended September 30, 2020 compared to $2.0 million and $6.5 million for the same periods of 2019. The increases were largely the result of the added revenue stream from the IBKC merger and higher activity due to the low rate environment.

*Trust Services and Investment Management*

Trust services and investment management was $11.7 million and $26.7 million for the three and nine months ended September 30, 2020 compared to $7.2 million and $22.1 million for the same periods in 2019. The increase for both periods was primarily the inclusion of IBKC in the third quarter.

*Bankcard Income*

Bankcard income was $10.5 million and $24.4 million for the three and nine months ended September 30, 2020 compared to $7.0 million and $20.3 million for the same periods in 2019. The increase for both periods was primarily the result of the inclusion of IBKC in the third quarter.

*Other Noninterest Income*

Revenue from all other income increased $4.1 million to $33.4 million in third quarter 2020 from $29.3 million in third quarter 2019. The increase in all other income in the third quarter 2020 was largely due to a $3.4 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, an increase in other service charges contributed to the increase in all other income in third quarter 2020, but was partially offset by a decrease in interest rate swap income relative to third quarter 2019. The increase in other service charges was primarily merger-related.

For the nine months ended September 30, 2020 revenue from all other income decreased $2.5 million to $82.1 million from $84.6 million for the nine months ended September 30, 2019. Significant declines in all other income in third quarter 2020 included a $5.4 million decrease in deferred compensation 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. In addition, all other income declined in third quarter of 2020 from collections on fully-charged off CBF loans and gains on sales of fixed assets in the prior year. Increases in fees from derivative sales, income from other services charges and BOLI income offset a portion of the overall decline in other noninterest income.

The following table provides detail regarding the components of other income.

**Table 3—Other Income**

| *(Dollars in thousands)* | Three Months Ended September 30, **2020** | 2019 | Percent Change | Nine Months Ended September 30, **2020** | 2019 | Percent Change |
|---|---|---|---|---|---|---|
| **Other income:** | | | | | | |
| Other service charges | **$ 8,249** | $ 5,738 | 44 % | **$ 18,050** | $ 15,231 | 19 % |
| Income from bank owned life insurance | **5,627** | 4,427 | 27 % | **16,596** | 13,955 | 19 % |
| ATM and interchange fees | **4,556** | 4,507 | 1 % | **12,777** | 12,010 | 6 % |
| Deferred compensation (a) | **3,857** | 472 | NM | **2,521** | 7,884 | (68) % |
| Interest rate swap income | **3,458** | 5,408 | (36) % | **13,426** | 10,229 | 31 % |
| Dividend income (b) | **2,679** | 1,556 | 72 % | **4,866** | 5,678 | (14) % |
| Letter of credit fees | **1,652** | 1,400 | 18 % | **4,673** | 4,021 | 16 % |
| Electronic banking fees | **1,566** | 1,288 | 22 % | **3,778** | 3,826 | (1) % |
| Other | **1,708** | 4,462 | (62) % | **5,418** | 11,792 | (54) % |
| Total other income | **$ 33,352** | $ 29,258 | 14 % | **$ 82,105** | $ 84,626 | (3) % |

Certain previously reported amounts have been reclassified to agree with current presentation.
NM – Not meaningful
(a) Amounts are driven by market conditions and are mirrored by changes in deferred compensation expense which is included in personnel expense; nine months ended September 30, 2020 decrease driven by variability in equity market valuations.
(b) Represents primarily 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 $278.7 million, or 90%, to $587.0 million in third quarter 2020 from $308.3 million in third quarter 2019. For the nine months ended September 30, 2020 noninterest expense increased 34% to $1.2 billion from $904.9 million for the nine months ended September 30, 2019. The increase in noninterest expense for the quarter and year-to-date periods of 2020 was primarily attributable to increases from the addition of IBKC as well as merger and acquisition-related expenses. Contributions expense increased $39.2 million for the quarterly period and $39.4 million for the year-to-date period. The increased contributions expense was reflective of a $20 million contribution to the Louisiana First Horizon Foundation in connection with the IBKC merger and a $15 million donation of Paycheck Protection Plan fees to the First Horizon Foundation to assist low- and moderate-income communities.

*Personnel Expense*

Personnel expense, the largest component of noninterest expense, increased $162.4 million in third quarter 2020 to $329.4 million from $167.0 million in third quarter 2019. The increase in personnel expense in third quarter 2020 was primarily driven by an increase in headcount associated with the IBKC merger and Truist branch acquisition, higher variable compensation due to higher fixed income sales revenue, and increases in deferred compensation expense driven by equity market valuations and acquisition-related costs. In addition, personnel expense included $34.9 million in merger and acquisition-related expenses during the current quarter.

For the nine months ended September 30, 2020 personnel expense was $713.2 million, up $196.6 million from $516.6 million for the nine months ended September 30, 2019. The increase in personnel expense for the year-to-date period was driven by higher headcount from the IBKC merger and Truist branch acquisition, merger and acquisition-related expense, and higher variable compensation due to increased revenues within Fixed Income. For the year-to-date period of 2020, deferred compensation expense decreased $6.9 million driven by the timing of and extreme variability in equity market valuations in both 2020 and 2019. Additionally, a decrease in restructuring costs also offset a portion of the overall increase in personnel expenses for the nine months ended 2020.

*Legal and Professional Fees*

Legal and professional fees were $43.2 million in third quarter 2020, an increase of $23.5 million from $19.8 million in third quarter 2019. The increase in legal and professional fees was primarily driven by an increase in merger and integration-related expenses and the inclusion of IBKC, somewhat offset by $6.5 million of restructuring costs associated with efficiency initiatives recognized in third quarter 2019.

For the nine months ended September 30, 2020, legal and professional fees were $64.9 million, an increase of $12.2 million compared to the same period in 2019. The increase for the year-to-date period was the result of an increase in merger and integration-related expenses and the inclusion of IBKC, partially offset by lower restructuring costs associated with efficiency initiatives recognized in 2019. Additionally, strategic investments recognized in the first quarter of 2019 to analyze growth potential and product mix for new markets contributed to a year-over-year decline in professional fees.

*Other Noninterest Expense*

All other expenses increased 11% to $68.1 million in third quarter 2020 from $61.2 million in third quarter 2019. Miscellaneous loans costs increased $5.2 million, communications and delivery increased $4.0 million, contract employment and outsourcing increased $2.7 million and FDIC premium expense increased $2.6 million. These increases were offset by a decrease in advertising and public relations expense largely due to promotional branding campaigns and target marketing in new markets in 2019.

All other expenses increased 7% to $161.0 million for the nine months ended September 30, 2020 from $150.7 million for the nine months ended September 30, 2019. FDIC premium expense increased $7.3 million, largely due to the addition of IBKC as well as balance sheet growth and expected loss severity ratios. Miscellaneous loan costs increased $6.7 million, primarily from the inclusion of IBKC. Contract employment and outsourcing increased $6.4 million from technology-related projects as well as merger and integration-related expense. Pension-related costs increased $6.3 million primarily from the change in the expected rate of return on plan assets and interest cost due to the discount rate. These increases were somewhat offset by a decrease in asset impairments and technology related costs associated with restructuring and rebranding initiatives recognized in 2019. The decline in advertising and public relations expense was largely due to promotional branding campaigns and target marketing in new markets in 2019.

The following table provides detail regarding the components of other expense.

**Table 4—Other Expense**

| *(Dollars in thousands)* | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Percent Change | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 | Percent Change |
|---|---|---|---|---|---|---|
| **Other expense:** | | | | | | |
| Communications and delivery | **$ 9,662** | $ 5,650 | 71 % | **$ 21,058** | $ 19,483 | 8 % |
| FDIC premium expense | **8,194** | 5,564 | 47 % | **21,368** | 14,084 | 52 % |
| Miscellaneous loan costs | **6,186** | 1,017 | NM | **9,636** | 2,901 | NM |
| Contract employment and outsourcing | **5,961** | 3,256 | 83 % | **16,133** | 9,705 | 66 % |
| Other insurance and taxes | **4,462** | 2,475 | 80 % | **9,740** | 7,664 | 27 % |
| Advertising and public relations | **3,157** | 6,646 | (52)% | **13,138** | 19,462 | (32)% |
| Non-service components of net periodic pension and post-retirement cost | **2,765** | 986 | NM | **8,234** | 1,977 | NM |
| Supplies | **2,149** | 1,668 | 29 % | **6,493** | 4,814 | 35 % |
| Other | **25,595** | 33,976 | (25)% | **55,171** | 70,630 | (22)% |
| Total other expense | **$ 68,131** | $ 61,238 | 11 % | **$ 160,971** | $ 150,720 | 7 % |

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

**Income Taxes**

FHN recorded an income tax provision of $2.2 million in third quarter 2020, compared to $35.8 million in third quarter 2019. For the nine months ended September 30, 2020 and 2019, FHN recorded an income tax provision of $19.8 million and $97.3 million, respectively. The effective tax rate for the three and nine months ended September 30, 2020 was approximately 0.4% and 3% compared to 24% and 23% for the three and nine months ended September 30, 2019. The decrease in the effective tax rate was the result of the preliminary purchase accounting gain from the IBKC merger, which is not taxable.

FHN'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 FHN's FDIC premium and executive compensation expenses.

FHN'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 September 30, 2020, FHN's gross DTA (net of a valuation allowance) and gross DTL were $454.9 million and $409.8 million, respectively, resulting in a net DTA of $45.1 million at September 30, 2020, compared with a net DTA of $69.0 million at December 31, 2019.

As of September 30, 2020, FHN had deferred tax asset balances related to federal and state income tax carryforwards of $47.4 million and $8.9 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 nine months ended September 30, 2020 and were $38.7 million in the nine months ended September 30, 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 18 - Restructuring, Repositioning, and Efficiency for additional information.

## Financial Condition

Total period-end assets were$83.0 billion at September 30, 2020 compared to $43.3 billion at December 31, 2019, primarily driven by the IBKC merger and the Truist branch acquisition.

Earning assets consist of loans, investment securities, loans held for sale, and other earning assets, such as trading securities and interest-bearing deposits with banks. A detailed discussion of the major components of earning assets is provided in the following sections.

**Loans and Leases**

Period-end loans and leases increased $28.6 billion, or 92% to $59.7 billion as of September 30, 2020 from $31.1 billion on December 31, 2019, driven by both $26.3 billion in acquired loans and leases and PPP lending. Average loans and leases increased $29.4 billion to $60.1 billion in third quarter 2020 compared to $30.7 billion in fourth quarter 2019 and $30.0 billion in third quarter 2019.

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

**Table 5—Average Loans and Leases**

| | Quarter Ended September 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 (C&I) | **$ 34,051,174** | **57 %** | $ 19,739,937 | 64 % | 72 % |
| Commercial real estate (CRE) | **12,413,582** | **21** | 4,263,597 | 14 | 191 |
| Total commercial | **46,464,756** | **77** | 24,003,534 | 78 | 94 |
| Consumer: | | | | | |
| Consumer real estate (a) (b) | **12,443,874** | **21** | 6,194,134 | 20 | 101 |
| Credit card and other | **1,208,994** | **2** | 508,651 | 2 | 138 |
| Total consumer | **13,652,868** | **23** | 6,702,785 | 22 | 104 |
| Total loans and leases | **$ 60,117,624** | **100 %** | $ 30,706,319 | 100 % | 96 % |

* Amount is less than one percent.
(a) Balance for the quarter ended 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 57% of total loans in third quarter 2020 and 64% in fourth quarter 2019. C&I loans increased 72% from fourth quarter 2019, largely driven by acquired loans from IBKC and Truist Bank, PPP lending and higher balances within mortgage warehouse lending. Driven by acquired IBKC loans, commercial real estate loans increased 191% to $12.4 billion in third quarter 2020.

Average consumer loans increased 104% from fourth quarter 2019 to $13.7 billion in third quarter 2020, largely driven by acquired loans.

**Loans Held for Sale**

On July 1, 2020 as part of the IBKC merger, FHN acquired a portfolio of loans held for sale which primarily consist of fixed rate single-family residential mortgage loans originated by IBKC and committed to be sold in the secondary market. The legacy FHN loans HFS portfolio consists of small business, other consumer loans, the mortgage warehouse, USDA, student, and home equity loans. On September 30, 2020, and December 31, 2019, loans HFS were $1.1 billion and $593.8 million, respectively. The average balance of loans HFS increased to $984.9 million in third quarter 2020 from $581.8 million in fourth quarter 2019. The increase in period-end and average loans HFS was primarily driven by the acquired IBKC HFS loans, somewhat offset by a decrease in small business loans. Held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure totaled $2.4 million and $6.8 million at September 30, 2020 and December 31, 2019, respectively.

**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"), 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 $8.0 billion on September 30, 2020 up from $4.4 billion on December 31, 2019, primarily as a result of securities acquired from the IBKC merger.

Average investment securities were $8.6 billion in third quarter 2020 and $4.4 billion in fourth quarter 2019, representing 11% and 12% of average earning assets, respectively. The increase in average investment securities was also driven by the IBKC merger. FHN manages the size and mix of the investment portfolio to assist in asset liability management, provide liquidity, and optimize risk adjusted return.

**Deposits**

Period-end deposits increased to $68.4 billion on September 30, 2020, from $32.4 billion on December 31, 2019. Average deposits increased to $67.1 billion in third quarter 2020, from $32.8 billion in fourth quarter 2019 and $32.4 billion in third quarter 2019. The increase in both period-end and average balances was largely the result of the IBKC merger and the Truist branch acquisition. In

addition, deposit balances were impacted by 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, municipalities received federal stimulus payments, and PPP funding began, 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). As short-term rates have come down, particularly in the third quarter, bank deposits provide institutional clients with overnight liquidity at a competitive, and often superior, rate to other short-term cash management options. Additionally, there has been a notable shift from interest-bearing deposits to non-interest bearing deposits within many of FHN's institutional relationships. The influx in noninterest-bearing deposits during the nine months ended September 30, 2020 resulted in an increase in the percentage of average noninterest-bearing deposits from 26% of total deposits in fourth quarter 2019 to 31% of total deposits in third quarter 2020.

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

**Table 6—Average Deposits**

| | **Quarter Ended September 30, 2020** | | Quarter Ended December 31, 2019 | | |
|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Amount** | **Percent of total** | Amount | Percent of total | Growth Rate |
| Interest-bearing deposits: | | | | | |
| Savings | **$ 25,648,149** | **38 %** | $ 11,579,655 | 35 % | 121 % |
| Time deposits | **5,782,686** | **9** | 3,933,741 | 12 | 47 |
| Other interest-bearing deposits | **14,771,168** | **22** | 8,721,130 | 27 | 69 |
| Total interest-bearing deposits | **46,202,003** | **69** | 24,234,526 | 74 | 91 |
| Noninterest-bearing deposits | **20,903,559** | **31** | 8,542,521 | 26 | 145 |
| Total deposits | **$ 67,105,562** | **100 %** | $ 32,777,047 | 100 % | 105 % |

**Short-Term Borrowings**

Period-end short-term borrowings decreased 35% to $2.6 billion on September 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 customer deposits to support balance sheet funding. The decrease in other short-term borrowings was somewhat offset by increases in securities purchased under agreements to resell and federal funds purchased.

Short-term borrowings averaged $2.8 billion in third quarter 2020, down 14% from $3.3 billion in fourth quarter 2019. As noted in the table below, the decrease in short-term borrowings between fourth quarter 2019 and third quarter 2020 was primarily driven by decreases in other short-term borrowings, federal funds purchased and trading liabilities, 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 fluctuate based on various factors including variations in levels of trading securities. Federal funds purchased fluctuates depending on the amount of excess funding of FHN's correspondent bank customers. Balances of securities sold under agreements to resell fluctuate based on cost attractiveness relative to FHLB borrowing levels and the ability to pledge securities toward such transactions.

**Table 7—Average Short-Term Borrowings**

| (Dollars in thousands) | Quarter Ended September 30, 2020 Amount | Quarter Ended September 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 | **$ 832,800** | **29 %** | $ 1,163,701 | 35 % | (28) % |
| Securities sold under agreements to repurchase | **1,503,305** | **53** | 701,213 | 21 | 114 |
| Other short-term borrowings | **132,546** | **5** | 844,558 | 26 | (84) |
| Trading liabilities | **360,054** | **13** | 585,889 | 18 | (39) |
| Total short-term borrowings | **$ 2,828,705** | **100 %** | $ 3,295,361 | 100 % | (14) % |

**Term Borrowings**

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Period-end term borrowings were $2.2 billion on September 30, 2020, up from $.8 billion on December 31, 2019. Average term borrowings were $2.2 billion in third quarter 2020 and $.9 billion in fourth quarter 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.

## 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 was $8.1 billion at September 30, 2020, an increase of $3.1 billion from December 31, 2019. Average equity increased to $8.1 billion in third quarter 2020 from $5.0 billion in fourth quarter 2019. Equity issued in connection with the IBKC merger was $2.5 billion. In addition, FHN issued 1,500 shares of Series E Non-Cumulative Perpetual Preferred Stock in May 2020 for net proceeds of $144.7 million. Other significant changes included net income of $612.2 million and an increase in AOCI of $99.1 million, which were partially offset by $195.0 million for common and preferred dividends and $96.1 million related to the adoption of CECL.

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

**Table 8—Regulatory Capital and Ratios**

| *(Dollars in thousands)* | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Shareholders' equity | **$ 7,848,711** | $ 4,780,577 |
| Modified CECL transitional amount (a) | **199,051** | — |
| FHN non-cumulative perpetual preferred | **(470,370)** | (95,624) |
| Common equity | **$ 7,577,392** | $ 4,684,953 |
| Regulatory adjustments: | | |
| Disallowed goodwill and other intangibles | **(1,766,718)** | (1,505,971) |
| Net unrealized (gains) losses on securities available for sale | **(113,209)** | (31,079) |
| Net unrealized (gains) losses on pension and other postretirement plans | **267,051** | 273,914 |
| Net unrealized (gains) losses on cash flow hedges | **(13,372)** | (3,227) |
| Disallowed deferred tax assets | **(9,154)** | (8,610) |
| Other deductions from common equity tier 1 | **(748)** | (1,044) |
| Common equity tier 1 | **$ 5,941,242** | $ 3,408,936 |
| Qualifying FHN non-cumulative perpetual preferred (b) | **376,721** | 95,624 |
| Qualifying noncontrolling interest—First Horizon Bank preferred stock | **294,816** | 255,890 |
| Tier 1 capital | **$ 6,612,779** | $ 3,760,450 |
| Tier 2 capital | **1,158,924** | 394,435 |
| Total regulatory capital | **$ 7,771,703** | $ 4,154,885 |
| **Risk-Weighted Assets** | | |
| First Horizon National Corporation | **$ 64,486,809** | $ 37,045,782 |
| First Horizon Bank | **63,788,902** | 36,626,993 |
| **Average Assets for Leverage** | | |
| First Horizon National Corporation | **80,199,066** | 41,583,446 |
| First Horizon Bank | **79,551,797** | 40,867,365 |

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Ratio | Amount | Ratio | Amount |
| **Common Equity Tier 1** | | | | |
| First Horizon National Corporation | **9.21 %** | **$ 5,941,242** | 9.20 % | $ 3,408,936 |
| First Horizon Bank | **9.83** | **6,268,056** | 9.38 | 3,433,867 |
| **Tier 1** | | | | |
| First Horizon National Corporation | **10.25** | **6,612,779** | 10.15 | 3,760,450 |
| First Horizon Bank | **10.29** | **6,562,872** | 10.18 | 3,728,683 |
| **Total** | | | | |
| First Horizon National Corporation | **12.05** | **7,771,703** | 11.22 | 4,154,885 |
| First Horizon Bank | **11.88** | **7,578,857** | 10.77 | 3,944,613 |
| **Tier 1 Leverage** | | | | |
| First Horizon National Corporation | **8.25** | **6,612,779** | 9.04 | 3,760,450 |
| First Horizon Bank | **8.25** | **6,562,872** | 9.12 | 3,728,683 |

(a) The modified CECL transitional amount is calculated as defined in the final rule issued by the banking regulators on August 26, 2020 and includes the full amount of the impact to retained earnings from the initial adoption of CECL plus 25% of the change in the adjusted allowance for credit losses ("AACL") since FHN's initial adoption of CECL through September 30, 2020.

(b) The $96.3 million carrying value of the Series D preferred stock does not qualify as Tier 1 capital because the earliest redemption date is less than five years from the issuance date.

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 6.50%, 8.00%, 10.00%, and 5.00%, 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 September 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 third quarter 2020 capital ratios for both FHN and First Horizon Bank are calculated under the final rule issued by the banking regulators in late August 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 third quarter 2020 relative to fourth quarter 2019 primarily from the issuance of preferred and common equity in connection with the IBKC merger, offset by the intangible assets created in the IBKC merger and Truist Bank branch acquisition. Regulatory capital ratios were also favorably impacted by the impact of net income less dividends during the first nine months of 2020. For the Bank only, the risk-based regulatory capital ratios were impacted by a reduction of $115 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. 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 third quarter 2020 increased relative to fourth quarter 2019 primarily in connection with the IBKC merger. 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 September 30, 2020, $229.3 million in purchases had been made under this authority at an average price per share of $15.09, or $15.07 excluding commissions. Management currently does not anticipate purchasing a material number of shares under this authority during 2020.

**Table 9a—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** | | | | |
| July 1 to July 31 | — | NA | — | $ 270,654 |
| August 1 to August 31 | — | NA | — | 270,654 |
| September 1 to September 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 September 30, 2020, the maximum number of shares that may be purchased under the program was 24.0 million shares. Management currently does not anticipate purchasing a material number of shares under this authority during 2020.

**Table 9b—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** | | | | |
| July 1 to July 31 | 29 | $ 9.49 | 29 | $ 24,104 |
| August 1 to August 31 | 5 | 9.32 | 5 | 24,099 |
| September 1 to September 30 | 54 | 9.42 | 54 | 24,045 |
| **Total** | 88 | $ 9.44 | 88 | |

## 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 (21% 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 16 – 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 September 30, 2020, are generally consistent with those reported and disclosed in FHN's Form 10-K for the year ended December 31, 2019.

### COMMERCIAL LOAN PORTFOLIOS

#### C&I

The C&I portfolio was $33.7 billion on September 30, 2020, and is comprised of loans and leases used for general business purposes. Typical products include working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, direct financing and sales-type leases, and trade credit enhancement through letters of credit. The largest geographical concentrations of balances as of September 30, 2020, are in Tennessee (22%), Florida (11%), Texas (10%), Louisiana (8%), North Carolina (8%), California (6%), Georgia (5%), and Alabama (4%), with no other state representing more than 3% of the portfolio.

The following table provides the composition of the C&I portfolio by industry as of September 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 10—C&I Loan Portfolio by Industry**

| *(Dollars in thousands)* | September 30, 2020 Amount | September 30, 2020 Percent | December 31, 2019 Amount | December 31, 2019 Percent |
|---|---|---|---|---|
| **Industry:** | | | | |
| Loans to mortgage companies | **$ 5,607,068** | **17 %** | $ 4,410,883 | 22 % |
| Finance & insurance | **3,120,262** | **9** | 2,778,411 | 14 |
| Health care & social assistance | **2,781,907** | **8** | 1,499,178 | 7 |
| Accommodation & food service | **2,347,160** | **7** | 1,364,833 | 7 |
| Real estate rental & leasing (a) | **2,378,081** | **7** | 1,454,336 | 7 |
| Wholesale trade | **2,089,880** | **6** | 1,372,147 | 7 |
| Manufacturing | **1,973,045** | **6** | 1,150,701 | 6 |
| Transportation & warehousing | **1,851,054** | **6** | 691,235 | 3 |
| Other (education, arts, entertainment, etc) (b) | **11,507,260** | **34** | 5,329,367 | 27 |
| Total C&I loan portfolio | **$ 33,655,717** | **100 %** | $ 20,051,091 | 100 % |

(a) Leasing, rental of real estate, equipment, and goods.
(b) Industries in this category each comprise less than 5% 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. 26% of FHN's C&I loans are loans to mortgage companies or borrowers in the finance and insurance industry and as a result 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 September 30, 2020, FHN did not have any other concentrations of C&I loans in any single industry of 10% or more of total loans.

Loans to Mortgage Companies

The balance of loans to mortgage companies was 17% of the C&I portfolio as of September 30, 2020, 22% as of December 31, 2019 and 25% as of September 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 third quarter 2020, 40% of the loans funded were home purchases and 60% were refinance transactions.

Finance and Insurance

The finance and insurance component represents 9% of the C&I portfolio as of September 30, 2020 compared to 14% 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 September 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 September 30, 2020, no TRUP relationship was on interest deferral. As of September 30, 2020, the unpaid principal balance ("UPB") of trust preferred loans totaled $227.6 million. Inclusive of an amortizing discount on TRUPs of $18.2 million, total reserves (ALLL plus the amortizing discount) for TRUPs and other bank-related loans were $28.5 million, or 13% of outstanding UPB.

**C&I Asset Quality Trends**

The C&I portfolio trends have been negatively impacted in the third 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 $366.6 million from December 31, 2019, to $489.1 million as of September 30, 2020, primarily due to the steep decline in the economic forecast attributable to the COVID-19 pandemic, the initial allowance recorded on PCD loans, and the adoption of ASU 2016-13.

The allowance as a percentage of period-end loans increased 84 basis points to 1.45% as of September 30, 2020, compared to .61% as of year-end 2019.

Nonperforming C&I loans increased $138.5 million from December 31, 2019, to $212.8 million on September 30, 2020. The nonperforming loan ("NPL") ratio increased to 0.63% of C&I loans as of September 30, 2020, from 0.37% as of December 31, 2019. The increase in NPLs was primarily driven by acquired NPLs from IBKC.

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

The 30+ delinquency ratio increased one basis point as of September 30, 2020. Net charge-offs in third quarter 2020 were $66.2 million compared to $3.3 million and $15.4 million of net charge-offs in fourth quarter 2019 and third quarter 2019, respectively. Third quarter 2020 net charge-offs were primarily driven by losses in the energy portfolio.

**Table 11—C&I Asset Quality Trends by Segment**

| | 2020 | | |
|---|---|---|---|
| | Three months ended | | |
| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
| **Allowance for loan and lease losses as of July 1** | **$ 308,461** | **$ 10,261** | **$ 318,722** |
| **Charge-offs** | **(69,384)** | **(64)** | **(69,448)** |
| **Recoveries** | **3,194** | **6** | **3,200** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **137,530** | **172** | **137,702** |
| **Provision for loan and lease losses** | **97,112** | **1,806** | **98,918** |
| **Allowance for loan and lease losses as of September 30** | **$ 476,913** | **$ 12,181** | **$ 489,094** |
| **Net charge-offs % (qtr. annualized)** | **0.78 %** | **N/M** | **0.77 %** |
| **Allowance / net charge-offs** | **1.81 x** | **N/M** | **1.86 x** |
| | **As of September 30** | | |
| **Period-end loans** | **$ 33,264,706** | **$ 391,011** | **$ 33,655,717** |
| **Nonperforming loans** | **212,522** | **288** | **212,810** |
| **Troubled debt restructurings** | **153,831** | **—** | **153,831** |
| **30+ Delinq. % (a)** | **0.06 %** | **— %** | **0.06 %** |
| **NPL %** | **0.64 %** | **0.07 %** | **0.63 %** |
| **Allowance / loans %** | **1.43** | **3.12** | **1.45** |

| | 2019 | | |
|---|---|---|---|
| | Three months ended | | |
| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
| Allowance for loan and lease losses as of July 1 | $ 114,810 | $ 1,286 | $ 116,096 |
| Charge-offs | (18,598) | — | (18,598) |
| Recoveries | 3,244 | 1 | 3,245 |
| Provision/(provision credit) for loan losses | 14,478 | (1,091) | 13,387 |
| Allowance for loan and lease losses as of September 30 | $ 113,934 | $ 196 | $ 114,130 |
| Net charge-offs % (qtr. annualized) | 0.33 % | NM | 0.32 % |
| Allowance / net charge-offs | 1.87 x | NM | 1.87 x |
| | 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 $12.5 billion on September 30, 2020. The CRE portfolio includes both financings for commercial construction and nonconstruction loans. The largest geographical concentrations of balances as of September 30, 2020 are in Florida (28%), North Carolina (12%), Texas (11%), Louisiana (11%), Tennessee (9%), and Georgia (8%), with no other state representing more than 5% of the portfolio. This portfolio 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. Subcategories of CRE consist of multi-family (28%), office (22%), retail (19%), industrial (10%), hospitality (10%), land/land development (2%), and other (9%).

**CRE Asset Quality Trends**

The CRE portfolio asset quality trends as of September 30, 2020 have been negatively impacted by economic uncertainty attributable to the global COVID-19 pandemic, as well as acquired nonperforming loans during third quarter 2020, with nonperforming loans up $49.2 million from December 31, 2019. The CRE portfolio could also continue to be negatively impacted in future periods due to COVID-19. The allowance increased to $208.0 million as of September 30, 2020, from $36.1 million as of December 31, 2019 primarily due to the initial allowance recorded on PCD loans in the third quarter 2020 and the impact of COVID-19. Allowance as a percentage of loans increased 83 basis points from 0.83% as of December 31, 2019, to 1.66% as of September 30, 2020. Nonperforming loans as a percentage of total CRE loans increased to 0.41% as of September 30, 2020 from 0.04% at December 31, 2019.

Accruing delinquencies as a percentage of period-end loans increased to 12 basis points as of September 30, 2020, from 2 basis points as of December 31, 2019. Net charge-offs were $1.3 million in third quarter 2020 compared to $0.2 million in third quarter 2019.

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

**Table 12—Commercial Real Estate Asset Quality Trends by Segment**

| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
|---|---|---|---|
| | **2020** | | |
| | **Three months ended** | | |
| **Allowance for loan and lease losses as of July 1** | **$ 56,723** | **$ 562** | **$ 57,285** |
| **Charge-offs** | **(3,540)** | **—** | **(3,540)** |
| **Recoveries** | **2,243** | **—** | **2,243** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **100,123** | **—** | **100,123** |
| **Provision for loan losses** | **51,033** | **814** | **51,847** |
| **Allowance for loan and lease losses as of September 30** | **$ 206,582** | **$ 1,376** | **$ 207,958** |
| **Net charge-offs % (qtr. annualized)** | **0.04** | **—** | **0.04** |
| **Allowance / net charge-offs** | **40.04 x** | **—** | **40.31 x** |
| | **As of September 30** | | |
| **Period-end loans** | **$ 12,440,481** | **$ 70,406** | **$ 12,510,887** |
| **Nonperforming loans** | **51,061** | **—** | **51,061** |
| **Troubled debt restructurings** | **18,994** | **—** | **18,994** |
| **30+ Delinq. % (a)** | **0.12 %** | **— %** | **0.12 %** |
| **NPL %** | **0.41** | **—** | **0.41** |
| **Allowance / loans %** | **1.66** | **1.95** | **1.66** |
| | 2019 | | |
| | Three months ended | | |
| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
| Allowance for loan and lease losses as of July 1 | $ 29,215 | $ 3,738 | $ 32,953 |
| Charge-offs | (369) | — | (369) |
| Recoveries | 181 | — | 181 |
| Provision/(provision credit) for loan losses | 3,797 | (937) | 2,860 |
| Allowance for loan and lease losses as of September 30 | $ 32,824 | $ 2,801 | $ 35,625 |
| Net charge-offs % (qtr. annualized) | 0.02 % | — | 0.02 % |
| Allowance / net charge-offs | 43.95 x | NM | 47.70 x |
| | 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 $12.3 billion on September 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 September 30, 2020, are in Florida (31%), Tennessee (26%), Louisiana (10%), North Carolina (9%), Georgia (3%), and Alabama (3%), with no other state representing more than 3% of the portfolio. As of September 30, 2020, approximately 84% of the consumer real estate portfolio was in a first lien position. At origination, weighted average FICO score of this portfolio was 750 and refreshed FICO scores averaged 749 on September 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 $2.5 billion of the consumer real estate portfolio as of September 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 September 30, 2020, approximately 86% of FHN's HELOCs are in the draw period compared to approximately 76% as of December 31, 2019. Based on when draw periods are scheduled to end per the line agreement, it is expected that $472.8 million, or 21% 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.

September 30, 2020 and December 31, 2019 include $40.0 million and $18.8 million, respectively, of held-to-maturity consumer mortgage loans secured by residential real estate in process of foreclosure.

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

**Table 13—HELOC Draw To Repayment Schedule**

| | **September 30, 2020** | | December 31, 2019 | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **Repayment Amount** | **Percent** | Repayment Amount | Percent |
| **Months remaining in draw period:** | | | | |
| 0-12 | **$ 92,670** | **4 %** | $ 47,455 | 5 % |
| 13-24 | **74,067** | **3** | 58,843 | 6 |
| 25-36 | **66,411** | **3** | 65,833 | 7 |
| 37-48 | **68,842** | **3** | 67,692 | 7 |
| 49-60 | **170,780** | **8** | 75,246 | 7 |
| >60 | **1,746,350** | **79** | 666,001 | 68 |
| Total | **$ 2,219,120** | **100 %** | $ 981,070 | 100 % |

### Consumer Real Estate Asset Quality Trends

Overall, performance of the consumer real estate portfolio remained stable in third 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, nonaccruals, and 30+ accruing delinquencies increased from year-end, due primarily to acquired loans, the 30+ delinquencies ratio improved while the nonperforming loans ratio remained relatively stable. 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 7 basis points from year-end to 1.46% as of September 30, 2020. The ALLL increased $237.0 million from December 31,

2019, to $265.4 million as of September 30, 2020, primarily due to the impact of the COVID-19 pandemic, the initial allowance recorded on PCD loans, and the adoption of ASU 2016-13. The allowance as a percentage of loans increased 169 basis points to 2.15% as of September 30, 2020 compared to year-end 2019. Driven by acquired loans, the balance of nonperforming loans increased $94.4 million to $180.1 million as of September 30, 2020. Loans delinquent 30 or more days and still accruing increased from $42.9 million as of December 31, 2019, to $48.4 million as of September 30, 2020. The portfolio realized net recoveries of $3.5 million in third quarter 2020 compared to net recoveries of $3.3 million in fourth quarter 2019 and net recoveries of $3.6 million in third quarter 2019.

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

**Table 14—Consumer Real Estate Asset Quality Trends by Segment**

| | 2020 | | | |
|---|---|---|---|---|
| | Three months ended | | | |
| *(Dollars in thousands)* | Regional Bank | Corporate | Non-Strategic | Consolidated |
| **Allowance for loan and lease losses as of July 1** | **$ 120,885** | **N/A** | **$ 22,872** | **$ 143,757** |
| **Charge-offs** | **(1,473)** | **N/A** | **(361)** | **(1,834)** |
| **Recoveries** | **1,598** | **N/A** | **3,713** | **5,311** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **42,127** | **N/A** | **2,014** | **44,141** |
| **Provision/(provision credit) for loan losses** | **76,994** | **N/A** | **(2,939)** | **74,055** |
| **Allowance for loan and lease losses as of September 30** | **$ 240,131** | **N/A** | **$ 25,299** | **$ 265,430** |
| **Net charge-offs % (qtr. annualized)** | **NM** | **N/A** | **NM** | **NM** |
| **Allowance / net charge-offs** | **NM** | **N/A** | **NM** | **NM** |
| | **As of September 30** | | | |
| **Period-end loans** | **$ 11,874,481** | **$ —** | **$ 453,388** | **$ 12,327,869** |
| **Nonperforming loans** | **122,521** | **—** | **57,567** | **180,088** |
| **Troubled debt restructurings** | **54,036** | **—** | **93,862** | **147,898** |
| **30+ Delinq. % (a)** | **0.31 %** | **—** | **2.54 %** | **0.39 %** |
| **NPL %** | **1.03** | **—** | **12.70** | **1.46** |
| **Allowance / loans %** | **2.02** | **—** | **5.58** | **2.15** |

| | 2019 | | | |
|---|---|---|---|---|
| | Three months ended (a) | | | |
| *(Dollars in thousands)* | Regional Bank | Corporate | Non-Strategic | Consolidated |
| Allowance for loan and lease losses as of July 1 | $ 14,705 | N/A | $ 16,827 | $ 31,532 |
| Charge-offs | (378) | N/A | (1,095) | (1,473) |
| Recoveries | 1,124 | N/A | 3,931 | 5,055 |
| Provision/(provision credit) for loan losses | (644) | N/A | (3,796) | (4,440) |
| Allowance for loan and lease losses as of September 30 | $ 14,807 | N/A | $ 15,867 | $ 30,674 |
| 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 $1.2 billion as of September 30, 2020, and primarily includes consumer-related credits, including home equity and other personal consumer loans, credit card receivables, and automobile loans. The allowance increased to $25.6 million as of September 30, 2020, from $13.3 million as December 31, 2019, primarily driven by economic uncertainty attributable to the COVID-19 pandemic, the initial allowance recorded on PCD loans, and the adoption of ASU 2016-13. Loans 30 days or more delinquent and accruing as a percentage of loans decreased 51 basis points from December 31, 2019, to 0.42% as of September 30, 2020. Net charge-offs were $2.5 million in third quarter 2020 compared to $2.6 million in third quarter 2019.

**Table 15—Credit Card and Other Asset Quality Trends by Segment**

| | 2020 | | |
|---|---|---|---|
| | Three months ended | | |
| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
| **Allowance for loan and lease losses as of July 1** | **$ 17,807** | **$ 310** | **$ 18,117** |
| **Charge-offs** | **(3,271)** | **(248)** | **(3,519)** |
| **Recoveries** | **761** | **236** | **997** |
| **Initial allowance on loans purchased with credit deterioration (b)** | **4,762** | **83** | **4,845** |
| **Provision/(provision credit) for loan losses** | **5,202** | **(22)** | **5,180** |
| **Allowance for loan and lease losses as of September 30** | **$ 25,261** | **$ 359** | **$ 25,620** |
| **Net charge-offs % (qtr. annualized)** | **0.87 %** | **0.08 %** | **0.83 %** |
| **Allowance / net charge-offs** | **2.53 x** | **7.38 x** | **2.55 x** |
| | As of September 30 | | |
| **Period-end loans** | **$ 1,146,005** | **$ 66,053** | **$ 1,212,058** |
| **Nonperforming loans** | **2,714** | **164** | **2,878** |
| **Troubled debt restructurings** | **660** | **24** | **684** |
| **30+ Delinq. % (a)** | **0.42 %** | **0.53 %** | **0.42 %** |
| **NPL %** | **0.24** | **0.25** | **0.24** |
| **Allowance / loans %** | **2.20** | **0.54** | **2.11** |

| | 2019 | | |
|---|---|---|---|
| | Three months ended | | |
| *(Dollars in thousands)* | Regional Bank | Non-Strategic | Consolidated |
| Allowance for loan and lease losses as of July 1 | $ 12,119 | $ 49 | $ 12,168 |
| Charge-offs | (3,300) | (597) | (3,897) |
| Recoveries | 1,022 | 234 | 1,256 |
| Provision for loan losses | 2,840 | 353 | 3,193 |
| **Allowance for loan and lease losses as of September 30** | $ 12,681 | $ 39 | $ 12,720 |
| Net charge-offs % (qtr. annualized) | 2.02 % | 2.84 % | 2.10 % |
| Allowance / net charge-offs | 1.40 x | 0.03 x | 1.21 x |
| | 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 16—Asset Quality by Portfolio**

| | September 30 2020 | December 31 2019 |
|---|---|---|
| **Key Portfolio Details** | | |
| **C&I** | | |
| Period-end loans ($ millions) | **$ 33,656** | $ 20,051 |
| 30+ Delinq. % (a) | **0.06 %** | 0.05 % |
| NPL % | **0.63** | 0.37 |
| Charge-offs % (qtr. annualized) | **0.77** | 0.07 |
| Allowance / loans % | **1.45 %** | 0.61 % |
| Allowance / net charge-offs | **1.86 x** | 9.25 x |
| **Commercial Real Estate** | | |
| Period-end loans ($ millions) | **$ 12,511** | $ 4,337 |
| 30+ Delinq. % (a) | **0.12 %** | 0.02 % |
| NPL % | **0.41** | 0.04 |
| Charge-offs % (qtr. annualized) | **0.04** | NM |
| Allowance / loans % | **1.66 %** | 0.83 % |
| Allowance / net charge-offs | **40.31 x** | NM |
| **Consumer Real Estate (b)** | | |
| Period-end loans ($ millions) | **$ 12,328** | $ 6,177 |
| 30+ Delinq. % (a) | **0.39 %** | 0.70 % |
| NPL % | **1.46** | 1.39 |
| Charge-offs % (qtr. annualized) | **NM** | NM |
| Allowance / loans % | **2.15 %** | 0.46 % |
| Allowance / net charge-offs | **NM** | NM |
| **Credit Card and Other** | | |
| Period-end loans ($ millions) | **$ 1,212** | $ 496 |
| 30+ Delinq. % (a) | **0.42 %** | 0.93 % |
| NPL % | **0.24** | 0.07 |
| Charge-offs % (qtr. annualized) | **0.83** | 2.29 |
| Allowance / loans % | **2.11 %** | 2.68 % |
| Allowance / net charge-offs | **2.55 x** | 1.14 x |

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 and Lease 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 and lease losses increased to $988.1 million on September 30, 2020, from $200.3 million on December 31, 2019. The ALLL as of September 30, 2020 reflects the adoption of ASU 2016-13 on January 1, 2020, the steep decline in the economic forecast attributable to the COVID-19 pandemic, and an initial allowance on PCD loans of $286.8 million. The ratio of allowance for credit losses to total loans and leases increased 101 basis points to 1.65% on September 30, 2020, compared to 0.64% on December 31, 2019.

The provision for loan and lease 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 $230.0 million in third quarter 2020, compared to $15.0 million provision expense in third quarter 2019. The increase is primarily attributable to a $147.0 million provision for non-PCD assets acquired in the IBKC merger and Truist Bank branch acquisition, as well as from 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 September 30, 2020 includes $4.2 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**

Net charge-offs in third quarter 2020 were $66.6 million compared to $14.6 million of net charge-offs in third quarter 2019.

Net charge-offs in third quarter 2020 in the commercial portfolio were $67.5 million compared to $15.5 million in net charge-offs in third quarter 2019. Net charge-offs were impacted by higher energy charge-offs in the current quarter. Net recoveries in the consumer real estate portfolio were $3.5 million in third quarter 2020 compared to $3.6 million in net recoveries in third quarter 2019. Net charge-offs in the credit card and other consumer portfolio were $2.5 million in third quarter 2020 compared to $2.6 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").

Driven by acquired NPLs, total nonperforming assets (including NPLs HFS) increased to $470.8 million on September 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 0.78% as of September 30, 2020, from 0.57% as of December 31, 2019. Portfolio nonperforming loans increased to $446.8 million as of September 30, 2020 from $162.2 million as of December 31, 2019. The increase in nonperforming loans was driven by the consumer real estate and CRE portfolios from acquired loans.

The ratio of the ALLL to NPLs in the loan portfolio was 2.21 times as of September 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 17 provides an activity rollforward of OREO balances for September 30, 2020 and 2019. The balance of OREO, exclusive of inventory from government insured mortgages, was $17.8 million as of September 30, 2020, an

increase of $2.1 million from December 31, 2019, driven by acquired OREO from IBKC.

**Table 17—Rollforward of OREO**

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| Beginning balance | **$ 13,177** | $ 16,593 | $ 15,660 | $ 22,387 |
| Acquired | **8,593** | — | 8,593 | — |
| Valuation adjustments | **(34)** | (282) | (203) | (256) |
| New foreclosed property | **99** | 2,862 | 1,784 | 5,863 |
| Disposal | **(4,068)** | (1,357) | (8,067) | (10,178) |
| Ending balance, September 30 (a) | **$ 17,767** | $ 17,816 | **$ 17,767** | $ 17,816 |

(a) Excludes OREO and receivables related to government insured mortgages of $5.2 million and $9.7 million as of September 30, 2020 and 2019, respectively.

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

**Table 18—Asset Quality Information**

| | Three Months Ended September 30, | |
|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 |
| **Allowance for loan and lease losses:** | | |
| Beginning balance on July 1 | **$ 537,881** | $ 192,749 |
| Provision for loan and lease losses | **230,000** | 15,000 |
| Charge-offs (a) | **(78,341)** | (24,337) |
| Recoveries | **11,751** | 9,737 |
| Initial allowance on loans purchased with credit deterioration | **$ 286,811** | $ — |
| Ending balance on September 30 | **$ 988,102** | $ 193,149 |
| Reserve for remaining unfunded commitments | **88,720** | 6,890 |
| Total allowance for loan and lease losses and reserve for unfunded commitments | **$ 1,076,822** | $ 200,039 |
| **Key ratios** | | |
| Allowance / net charge-offs (b) | **3.73 x** | 3.33 x |
| Net charge-offs % (c) | **0.44 %** | 0.19 % |

| | As of September 30 | As of December 31 |
|---|---|---|
| Nonperforming Assets by Segment | **2020** | 2019 |
| Regional Banking: | | |
| Nonperforming loans (d) | **$ 388,817** | $ 113,187 |
| OREO (e) | **15,652** | 12,347 |
| Total Regional Banking | **404,469** | 125,534 |
| Non-Strategic: | | |
| Nonperforming loans (d) | **58,019** | 48,978 |
| Nonperforming loans held for sale, net of fair value adjustment (d) | **6,188** | 4,047 |
| OREO (e) | **2,115** | 3,313 |
| Total Non-Strategic | **66,322** | 56,338 |
| Total nonperforming assets (d) (e) | **$ 470,791** | $ 181,872 |

(a) The three months ended September 30, 2020 exclude day 1 charge-offs and the related initial allowance on PCD loans is net of these amounts. Under the new CECL standard, the initial ALLL recognized on PCD assets included an additional $237.3 million for charged-

off loans that had been written off prior to acquisition (whether full or partial) or which met FHN's charge-off policy at the time of acquisition. After charging these amounts off immediately upon acquisition, the net impact was $286.8 million of additional ALLL for PCD loans.
(b) Ratio is total allowance divided by annualized net charge-offs.
(c) Ratio is annualized net charge-offs divided by quarterly average loans, net of unearned income.
(d) Excludes loans that are 90 or more days past due and still accruing interest.
(e) Excludes OREO from government-insured mortgages.

**Table 18—Asset Quality Information (continued)**

| | As of September 30 2020 | As of December 31 2019 |
|---|---|---|
| **Loans and commitments:** | | |
| Total period-end loans | **$ 59,706,531** | $ 31,061,111 |
| Potential problem assets (a) | **698,463** | 346,896 |
| Loans 30 to 89 days past due | **74,042** | 36,052 |
| Loans 90 days past due (b) (c) | **14,615** | 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) | **4,712** | 3,424 |
| Loans held for sale 90 days past due (c) | **11,150** | 6,484 |
| Loans held for sale 90 days past due—guaranteed portion (c) (d) | **9,039** | 6,417 |
| Remaining unfunded commitments | **$ 20,627,190** | $ 12,355,220 |
| **Key ratios** | | |
| Allowance for loan and lease losses / loans % | **1.65 %** | 0.64 % |
| Allowance for loan and lease losses / NPL | **2.21 x** | 1.24 x |
| NPA % (e) | **0.78 %** | 0.57 % |
| NPL % | **0.75 %** | 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 $14.6 million on September 30, 2020, compared to $21.9 million on December 31, 2019. The decrease was primarily driven by consumer real estate loans. Loans 30 to 89 days past due were $74.0 million on September 30, 2020, compared to $36.1 million on December 31, 2019. The increase was driven by acquired loans, most notably in the CRE and 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 $698.5 million on September 30, 2020, $346.9 million on December 31, 2019, and $305.0 million on September 30, 2019. The increase in potential problem assets compared to December 31, 2019 was due to acquired loans in third quarter 2020 and 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 and lease 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 and Leases for further discussion regarding TDRs and loan modifications.

On September 30, 2020 and December 31, 2019, FHN had $321.4 million and $206.3 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $12.6 million and $19.7 million, or 4% and 10% of TDR balances, as of September 30, 2020 and December 31, 2019, respectively. Additionally, FHN had $44.1 million and $51.1 million of HFS loans classified as TDRs as of September 30, 2020 and December 31, 2019, respectively.

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

**Table 19—Troubled Debt Restructurings**

| *(Dollars in thousands)* | **As of September 30, 2020** | As of December 31, 2019 |
|---|---|---|
| Held-to-maturity: | | |
| Consumer real estate (a): | | |
| Current | **81,477** | 105,525 |
| Delinquent | **1,151** | 4,634 |
| Non-accrual (b) | **65,270** | 52,087 |
| Total consumer real estate | **147,898** | 162,246 |
| Credit card and other: | | |
| Current | **651** | 615 |
| Delinquent | **22** | 38 |
| Non-accrual | **11** | — |
| Total credit card and other | **684** | 653 |
| Commercial loans: | | |
| Current | **87,552** | 10,558 |
| Delinquent | **—** | — |
| Non-accrual | **85,272** | 32,841 |
| Total commercial loans | **172,824** | 43,399 |
| Total held-to-maturity | **$ 321,406** | $ 206,298 |
| Held-for-sale: | | |
| Current | **$ 37,158** | $ 39,014 |
| Delinquent | **5,093** | 8,008 |
| Non-accrual | **1,858** | 4,106 |
| Total held-for-sale | **44,109** | 51,128 |
| Total troubled debt restructurings | **$ 365,515** | $ 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 September 30, 2020 and December 31, 2019, include $13.1 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% 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 20—VaR and SVaR Measures**

| | Three Months Ended September 30, 2020 | | | Nine Months Ended September 30, 2020 | | | As of September 30, 2020 |
|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | **Mean** | **High** | **Low** | **Mean** | **High** | **Low** | |
| **1-day** | | | | | | | |
| VaR | **$ 3,174** | **$ 4,399** | **$ 2,226** | **$ 2,839** | **$ 6,783** | **$ 1,023** | **$ 3,171** |
| SVaR | **3,183** | **4,446** | **2,226** | **5,186** | **17,727** | **2,226** | **3,171** |
| **10-day** | | | | | | | |
| VaR | **16,092** | **21,628** | **9,769** | **12,146** | **24,880** | **1,807** | **13,332** |
| SVaR | **16,102** | **21,628** | **9,769** | **18,709** | **43,221** | **9,316** | **13,542** |

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2019 | | | As of September 30, 2019 |
|---|---|---|---|---|---|---|---|
| *(Dollars in thousands)* | Mean | High | Low | Mean | High | Low | |
| **1-day** | | | | | | | |
| VaR | $ 824 | $ 1,341 | $ 503 | $ 1,086 | $ 1,907 | $ 503 | $ 1,092 |
| SVaR | 4,854 | 6,733 | 3,157 | 6,415 | 9,629 | 3,157 | 6,640 |
| **10-day** | | | | | | | |
| VaR | 2,389 | 4,055 | 1,499 | 2,794 | 4,518 | 1,499 | 3,460 |
| SVaR | 13,927 | 20,839 | 8,803 | 17,451 | 28,086 | 8,803 | 19,743 |

| | 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 were as follows:

**Table 21—Schedule of Risks Included in VaR**

| | As of September 30, 2020 | | As of September 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 | **$ 3,621** | **$ 5,039** | $ 1,379 | $ 7,182 | $ 693 | $ 3,929 |
| Credit spread risk | **2,689** | **9,688** | 661 | 1,407 | 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 September 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 1.9%, 3.6% , 6.8%, and 10.7%, 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 1.4%. 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 1.5%. Rate shocks of minus 25 basis points and 50 basis points result in unfavorable NII variances of 2.3% and 2.7%, assuming the absence of negative rates. 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 ($14.3 billion was available at September 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 noninterest bearing

accounts. The ratio of total loans, excluding loans HFS and restricted real estate loans, to core deposits was 98% for September 30, 2020 and 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. On July 2, 2020, as a result of the IBKC merger, FHN issued $237.5 million of three new series of Non-Cumulative Perpetual Preferred Stock (Series B, Series C, and Series D).

As of September 30, 2020, First Horizon Bank and subsidiaries had outstanding preferred shares of $295.4 million, which are reflected as noncontrolling interest on the Consolidated Balance Sheets.

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 $806.4 million as of October 1, 2020. Additionally, a capital conservation buffer of 50 basis points above well-capitalized levels (equal to an extra 2.50% 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, second, and third quarter 2020 and each quarter of 2019. Additionally, First Horizon Bank declared preferred dividends in fourth quarter 2020, payable in January 2021.

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 $0.15 per common share on October 1, 2020. FHN paid cash dividends of $331.25 per Series B preferred share and $165.00 per Series C preferred share on August 3, 2020, $1,550.00 per Series A preferred share and $2,383.33 per Series E preferred share on October 13, 2020 and $165.00 per Series C preferred share and $305.00 per Series D preferred share on November 2, 2020. In addition, in October 2020 the Board approved cash dividends per share in the following amounts:.

| | Dividend/Share | Record Date | Payment Date |
|---|---|---|---|
| **Common Stock** | $ 0.15 | 12/11/2020 | 01/04/2021 |
| **Preferred Stock** | | | |
| **Series A** | $ 1,550.00 | 12/24/2020 | 01/11/2021 |
| **Series B** | $ 331.25 | 01/15/2021 | 02/01/2021 |
| **Series C** | $ 165.00 | 01/15/2021 | 02/01/2021 |
| **Series E** | $ 1,625.00 | 12/24/2020 | 01/11/2021 |

**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 11 - 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 11 - 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 increased to $15.9 million on September 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 FHN; 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.

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/acquired through merger 32,727 of PPP loans with an aggregate principal of $4.2 billion through September 30, 2020. For these loans, FHN anticipates recognizing net lender fees of approximately $60 million. 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 the end of 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 September 30, 2020.

| *(Dollars in thousands)* | As of September 30, 2020 |
|---|---|
| **Commercial:** | |
| Commercial and industrial | $ 352,124 |
| Commercial real estate | 556,063 |
| Total Commercial | $ 908,187 |
| **Consumer:** | |
| HELOC | $ 21,750 |
| R/E installment loans | 404,983 |
| Credit Card and Other | 2,980 |
| Total Consumer | 429,713 |
| **Total** | $ 1,337,900 |

Commercial deferrals processed in our different lines of business were comprised primarily of general commercial (75% or $684.5 million), private client (10% or $90.0 million), specialty (7% or $66.0 million - primarily franchise finance), and professional commercial real estate (5% or $46.5 million).

## Critical Accounting Policies

Except for the changes to the following Allowance for Loan and Lease Losses and Business Combinations sections, 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 AND LEASE LOSSES

Management's policy is to maintain the ALLL at a level sufficient to absorb expected credit losses in the loan and lease portfolio. Management performs periodic and systematic detailed reviews of its loan and lease portfolio to identify trends and to assess the overall collectability of the 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 and lease 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 and lease 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 and lease 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 - Financial Information and Note 5 - Allowance for Credit Losses for detail regarding FHN's processes, models, and methodology for determining the ALLL.

**BUSINESS COMBINATIONS**

Pursuant to applicable accounting guidance FHN generally recognizes assets acquired, including identified intangible assets, and the liabilities assumed in acquisitions at their fair values as of the acquisition date, with the merger-related transaction costs expensed in the period incurred. Specified items such as net investment in leases as lessor, acquired operating lease assets and liabilities as lessee, employee benefit plans and income-tax related balances are recognized in accordance with accounting guidance that results in measurements other than fair value. Determining the fair value of assets acquired, including identified intangible assets, and liabilities assumed follows the fair value hierarchy described in Note 17 – Fair Value of Assets & Liabilities. This often involves estimates based on internal or third-party valuations which include appraisals, discounted cash flow analysis or other valuation techniques that may include estimates of attrition, inflation, asset growth rates, discount rates, credit risk, multiples of earnings or other relevant factors. The credit allowance for PCD assets is recognized within business combination accounting. The credit allowance for non-PCD assets is recognized as provision expense in the same reporting period as the business combination.

Premiums and discounts on acquired AFS debt securities and loans and leases held for investment are amortized to interest income over their estimated remaining lives, which may include prepayment estimates in certain circumstances. Premiums and discounts on acquired debt are amortized to interest expense over their remaining lives. In addition, the determination of the useful lives over which identified finite-life intangible assets will be amortized is subjective. Intangible assets are generally amortized using an accelerated methodology that reflects the cash flow projections utilized in the applicable valuation.

**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 22—Non-GAAP to GAAP Reconciliation**

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| *(Dollars in thousands)* | **2020** | 2019 | **2020** | 2019 |
| **Pre-provision Net Revenue ("PPNR")** | | | | |
| Net interest income (GAAP) | **$ 532,365** | $ 300,676 | **$ 1,140,511** | $ 898,794 |
| Plus: Noninterest income (GAAP) | **822,923** | 171,735 | **1,203,948** | 470,773 |
| Total revenues (GAAP) | **1,355,288** | 472,411 | **2,344,459** | 1,369,567 |
| Less: Noninterest expense (GAAP) | **587,040** | 308,306 | **1,210,139** | 904,883 |
| PPNR (Non-GAAP) | **768,248** | 164,105 | **1,134,320** | 464,684 |
| Provision for credit losses (GAAP) | **227,000** | 14,366 | **502,388** | 36,273 |
| Income before income taxes (pre-tax income ("PTI")) (GAAP) | **$ 541,248** | $ 149,739 | **$ 631,932** | $ 428,411 |
| **Average Tangible Common Equity (Non-GAAP)** | | | | |
| Average total equity (GAAP) | **8,072,000** | 4,962,341 | **6,071,331** | 4,880,806 |
| Less: Average noncontrolling interest (a) | **295,431** | 295,431 | **295,431** | 295,431 |
| Less: Average preferred stock (a) | **467,963** | 95,624 | **238,594** | 95,624 |
| (A) Total average common equity | **$ 7,308,606** | $ 4,571,286 | **$ 5,537,306** | $ 4,489,751 |
| Less: Average intangible assets (GAAP) (b) | **1,793,546** | 1,572,312 | **1,636,886** | 1,578,458 |
| (B) Average Tangible Common Equity (Non-GAAP) | **$ 5,515,060** | $ 2,998,974 | **$ 3,900,420** | $ 2,911,293 |
| **Net Income Available to Common Shareholders** | | | | |
| (C) Net income available to common shareholders (annualized) (GAAP) | **$ 2,081,979** | $ 434,469 | **$ 784,994** | $ 425,011 |
| **Tangible Common Equity (Non-GAAP)** | | | | |
| (D) Total equity (GAAP) | **8,144,142** | 4,996,043 | **8,144,142** | 4,996,043 |
| Less: Noncontrolling interest (a) | **295,431** | 295,431 | **295,431** | 295,431 |
| Less: Preferred stock (a) | **470,370** | 95,624 | **470,370** | 95,624 |
| (E) Total common equity | **$ 7,378,341** | $ 4,604,988 | **$ 7,378,341** | $ 4,604,988 |
| Less: Intangible assets (GAAP) (b) | **1,876,131** | 1,569,193 | **1,876,131** | 1,569,193 |
| (F) Tangible common equity (Non-GAAP) | **$ 5,502,210** | $ 3,035,795 | **$ 5,502,210** | $ 3,035,795 |
| **Tangible Assets (Non-GAAP)** | | | | |
| (G) Total assets (GAAP) | **83,029,579** | 43,717,684 | **83,029,579** | 43,717,684 |
| Less: Intangible assets (GAAP) (b) | **1,876,131** | 1,569,193 | **1,876,131** | 1,569,193 |
| (H) Tangible assets (Non-GAAP) | **$ 81,153,448** | $ 42,148,491 | **$ 81,153,448** | $ 42,148,491 |
| **Period-end Shares Outstanding** | | | | |
| (I) Period-end shares outstanding | **554,788** | 312,478 | **554,788** | 312,478 |
| **Ratios** | | | | |
| (C)/(A) Return on average common equity ("ROCE") (GAAP) (c) | **28.49 %** | 9.50 % | **14.18 %** | 9.47 % |
| (C)/(B) Return on average tangible common equity ("ROTCE") (Non-GAAP) (d) | **37.75** | 14.49 | **20.13** | 14.60 |
| (D)/(G) Total equity to total assets (GAAP) | **9.81** | 11.43 | **9.81** | 11.43 |
| (F)/(H) Tangible common equity to tangible assets ("TCE/TA") (Non-GAAP) | **6.78** | 7.20 | **6.78** | 7.20 |
| (E)/(I) Book value per common share (GAAP) | **$ 13.30** | $ 14.80 | **$ 13.30** | $ 14.80 |
| (F)/(I) Tangible book value per common share (Non-GAAP) | **$ 9.92** | $ 9.76 | **$ 9.92** | $ 9.76 |

(a) Included in Total equity on the Consolidated Balance Sheets.
(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 119 of this report and the subsections entitled "Market Risk Management" beginning on page 119 and "Interest Rate Risk Management" beginning on page 121 of this report, and

(b) Note 15 to the Consolidated Financial Statements appearing on pages 62-69 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. Other than as explained below, there have not been any changes in FHN's internal control over financial reporting during the third fiscal quarter that have materially affected, or are reasonably likely to materially affect, FHN's internal control over financial reporting.

On July 1, 2020, FHN and IBERIABANK Corporation ("IBKC") closed their merger-of-equals transaction. As permitted by Securities and Exchange Commission rules, we have elected to exclude IBKC from our assessment of internal control over financial reporting as of December 31, 2020. Our integration of IBKC's systems and processes with our own could cause changes to our internal controls over financial reporting in future periods.

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# Part II. OTHER INFORMATION

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Item 1. Legal Proceedings

The “Contingencies” section of Note 11 to the Consolidated Financial Statements beginning on page 50 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 9(a) and 9(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 106 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.

| | | | | | Incorporated by Reference to | | |
|---|---|---|---|---|---|---|---|
| Exh No | Description of Exhibit to this Report | Filed Here | Mngt Exh | Furnished | Form | Exh No | Filing Date |
| 3.1 | Restated Charter of First Horizon National Corporation | | | | 8-K | 3.1 | 10/29/2020 |
| 3.2 | Bylaws of First Horizon National Corporation, as amended and restated effective October 27, 2020 | | | | 8-K | 3.2 | 10/29/2020 |
| 4.1 | Deposit Agreement, dated as of January 31, 2013, by and among First Horizon National Corporation, Wells Fargo Bank, N.A., as depositary, and the holders from time to time of the depositary receipts described therein [Series A] | | | | 8-K | 4.1 | 1/31/2013 |
| 4.2 | Form of certificate representing Series A Preferred Stock | | | | 8-K | 4.2 | 1/31/2013 |
| 4.3 | Form of Depositary Receipt-Series A (included as part of Exhibit 4.1 to this report) | | | | 8-K | 4.3 | 1/31/2013 |
| 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 | Form of Depositary Receipt-Series B (included as part of Exhibit 4.4 to this report) | | | | 8-K | 4.4 | 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 C] | | | | 8-K | 4.2 | 7/2/2020 |
| 4.7 | Form of Depositary Receipt-Series C (included as part of Exhibit 4.6 to this report) | | | | 8-K | 4.5 | 7/2/2020 |
| 4.8 | 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 |
| 4.9 | Form of Depositary Receipt-Series D (included as part of Exhibit 4.8 to this report) | | | | 8-K | 4.6 | 7/2/2020 |
| 4.10 | 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 |
| 4.11 | Form of certificate representing Series E Preferred Stock | | | | 8-K | 4.2 | 5/28/2020 |
| 4.12 | Form of Depositary Receipt-Series E (included as part of Exhibit 4.10 to this report) | | | | 8-K | 4.3 | 5/28/2020 |
| 4.13 | Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 | X | | | | | |
| 4.14 | 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 | Description of Updated 2020 Salary Rates For 2019 Named Executive Officers | X | | | | | |
| 10.2 | Sections of Director Policy Pertaining to Compensation as amended July 28, 2020 | X | | | | | |
| 10.3 | Rate Applicable to Participating Directors and Executive Officers Under the Directors and Executives Deferred Compensation Plan | X | | | | | |
| 31(a) | Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of Sarbanes-Oxley Act of 2002) | X | | | | | |

| Exh No | Description of Exhibit to this Report | Filed Here | Mngt Exh | Furn-ished | Incorporated by Reference to | | |
|---|---|---|---|---|---|---|---|
| | | | | | Form | Exh No | Filing Date |
| 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 | | | |
| 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 September 30, 2020, formatted in Inline XBRL: (i) Consolidated Balance Sheets at September 30, 2020 and December 31, 2019; (ii) Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2020 and 2019; (iv) Consolidated Statements of Changes in Equity for the Three and Nine Months Ended September 30, 2020 and 2019; (v) Consolidated Statements of Cash Flows for the Three and Nine Months Ended September 30, 2020 and 2019; (vi) Notes to Consolidated 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: November 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 4.13**

# DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

**EXHIBIT TABLE OF CONTENTS**


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## Overview

At September 30, 2020, First Horizon National Corporation ("First Horizon") had registered the following securities under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

(1) First Horizon's common stock, par value $0.625 per share ("Common Stock");

(2) First Horizon's depositary shares ("Series A Depositary Shares"), each representing a 1/4,000$^{th}$ interest in a share of First Horizon's Non-Cumulative Perpetual Preferred Stock, Series A ("Series A Preferred Stock");

(3) First Horizon's depositary shares ("Series B Depositary Shares"), each representing a 1/400$^{th}$ interest in a share of First Horizon's 6.625% Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series B ("Series B Preferred Stock");

(4) First Horizon's depositary shares ("Series C Depositary Shares"), each representing a 1/400$^{th}$ interest in a share of First Horizon's 6.60% Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series C ("Series C Preferred Stock");

(5) First Horizon's depositary shares ("Series D Depositary Shares"), each representing a 1/400$^{th}$ interest in a share of First Horizon's 6.100% Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series D ("Series D Preferred Stock"); and

(6) First Horizon's depositary shares ("Series E Depositary Shares"), each representing a 1/4,000$^{th}$ interest in a share of First Horizon's Non-Cumulative Perpetual Preferred Stock, Series E ("Series E Preferred Stock").

The description of securities in this exhibit is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to First Horizon's Restated Charter (the "Charter") and First

Horizon's Bylaws (the "Bylaws"), the most recent version of each of which is an exhibit (3.1 and 3.2, respectively) to First Horizon's Quarterly Report on Form 10-Q for the period ended September 30, 2020 ("First Horizon's 3Q20 10-Q"). First Horizon's Charter and Bylaws are subject to, and governed by, the laws of Tennessee, including especially the Tennessee Business Corporation Act (the "TCBA"), Title 48 of the Tennessee Code, chapters 11 through 27. In addition:

- The description of First Horizon's Series A Depositary Shares is subject to and qualified in its entirety by reference to a Deposit Agreement, dated as of January 31, 2013 (the "Series A Deposit Agreement"), by and among First Horizon, Wells Fargo Bank, N.A., as depositary (the "Series A Depositary"), and the holders from time to time of depositary receipts described therein, which is listed as an exhibit to First Horizon's 3Q20 10-Q.
- The description of First Horizon's Series B Depositary Shares is subject to and qualified in its entirety by reference to a Deposit Agreement, dated as of July 1, 2020 (the "Series B Deposit Agreement"), by and among First Horizon, Equiniti Trust Company, as depositary (the "Series B Depositary"), and the holders from time to time of depositary receipts described therein, which is listed as an exhibit to First Horizon's 3Q20 10-Q.
- The description of First Horizon's Series C Depositary Shares is subject to and qualified in its entirety by reference to a Deposit Agreement, dated as of July 1, 2020 (the "Series C Deposit Agreement"), by and among First Horizon, Equiniti Trust Company, as depositary (the "Series C Depositary"), and the holders from time to time of depositary receipts described therein, which is listed as an exhibit to First Horizon's 3Q20 10-Q.
- The description of First Horizon's Series D Depositary Shares is subject to and qualified in its entirety by reference to a Deposit Agreement, dated as of July 1, 2020 (the "Series D Deposit Agreement"), by and among First Horizon, Equiniti Trust Company, as depositary (the "Series D Depositary"), and the holders from time to time of depositary receipts described therein, which is listed as an exhibit to First Horizon's 3Q20 10-Q.
- The description of First Horizon's Series E Depositary Shares is subject to and qualified in its entirety by reference to a Deposit Agreement, dated as of May 28, 2020 (the "Series E Deposit Agreement"), by and among First Horizon, Equiniti Trust Company, as depositary (the "Series E Depositary"), and the holders from time to time of depositary receipts described therein, which is listed as an exhibit to First Horizon's 3Q20 10-Q.

## Authorized Capital Stock

At September 30, 2020, First Horizon's authorized capital shares consist of 700,000,000 shares of Common Stock and 5,000,000 shares of preferred stock without par value ("Preferred Stock").

First Horizon's Board of directors is authorized to create one or more series of preferred stock from the amount authorized and, for each series, to fix the powers (including voting power), designations, preferences, and relative, participating, optional, or other special rights along with any qualifications, limitations, or restrictions. At September 30, 2020, five series had been designated, consisting of:

- 1,000 shares of Series A Preferred Stock, liquidation preference $100,000 per share, of which 1,000 shares are outstanding;
- 8,625 shares of Series B Preferred Stock, liquidation preference $10,000 per share, of which 8,000 shares are outstanding;
- 5,750 shares of Series C Preferred Stock, liquidation preference $10,000 per share, of which 5,750 shares are outstanding;
- 10,000 shares of Series D Preferred Stock, liquidation preference $10,000 per share, of which 10,000 shares are outstanding; and
- 1,500 shares of Series E Preferred Stock, liquidation preference $100,000 per share, of which 1,500 shares are outstanding.

The outstanding shares of First Horizon's Common Stock and Preferred Stock are fully paid and nonassessable.

## Description of Common Stock

***Voting Rights***

Holders of Common Stock are entitled to one vote per share on all matters voted on by the stockholders, including the election of directors. First Horizon's Common Stock does not have cumulative voting rights.

***Dividend Rights***

Subject to the rights of holders of outstanding shares of Preferred Stock, the holders of Common Stock are entitled to receive dividends, if any, as may be declared from time to time by First Horizon's Board of directors in its discretion out of funds legally available for the payment of dividends.

Each outstanding Series of First Horizon's preferred stock (A, B, C, D, and E) limits First Horizon's ability to declare or pay dividends on, or purchase, redeem or otherwise acquire, shares of Common Stock in the event that First Horizon's Board of directors does not declare and pay (or set aside) dividends on that Series of Preferred Stock.

***Liquidation Rights***

Subject to any preferential rights of outstanding shares of Preferred Stock, holders of Common Stock will share ratably in all assets legally available for distribution to First Horizon's common stockholders in the event of dissolution.

***Other Rights and Preferences***

First Horizon's Common Stock has no sinking fund or redemption provisions, and no preemptive, conversion, or exchange rights.

***Listing***

First Horizon's Common Stock is listed on the New York Stock Exchange LLC under the symbol **FHN**.

## Description of Series A Depositary Shares and Series A Preferred Stock

***Relationship of Depositary Shares to Preferred Stock***

All 1,000 designated shares of Series A Preferred Stock have been issued and are held by the Series A Depositary under the Series A Deposit Agreement. The Series A Depositary has issued 4,000,000 Series A Depositary Shares, which are evidenced by depositary receipts. Each Series A Depositary Share represents a 1/4,000$^{th}$ ownership interest in one share of Series A Preferred Stock held by the Series A Depositary. The holders of the Series A Depositary Shares, pro-rata through the Series A Depositary, may exercise, receive, and enjoy all the rights of the underlying Series A Preferred Stock.

The number of designated shares of Series A Preferred Stock may be increased by action of First Horizon's Board without the consent of the current holder of Series A Preferred Stock or the holders of the Series A Depositary Shares.

***Ranking***

With respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up, the Series A Preferred Stock ranks:

- senior to First Horizon's Common Stock and all other junior stock;
- senior to or on a parity with each other series of preferred stock First Horizon may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least a two-thirds of the shares of the Series A Preferred Stock at the time outstanding and entitled to vote) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up; and
- junior to all existing and future indebtedness and other non-equity claims on First Horizon.

See also "Ranking of the Five Outstanding Preferred Series with respect to Each Other" on page 45 of this Exhibit.

***Voting Rights—Series A Depositary Shares***

Whenever the Series A Preferred Stock is entitled to vote, the Series A Depositary is required to notify holders of Series A Depositary Shares. Series A Depositary Share holders may instruct the Series A Depositary to vote in proportion to the Depositary Shares held. The Series A Depositary may not vote in respect of Series A Depositary Shares as to which voting instructions are not given.

***Voting Rights—Series A Preferred Stock***

The Series A Preferred Stock has no voting rights, except as required by Tennessee law and except for the following:

1. *Election of Two Directors if Dividends are Missed*. If First Horizon fails to declare and pay six quarterly dividends, whether or not consecutive, the number of First Horizon's directors will increase by two, and the holders of Series A Preferred Stock (along with any other series of Preferred Stock with voting parity rights) will be entitled to elect the two additional directors. The election right will end if First Horizon pays, in full, at least four quarterly dividends on the Series A Preferred Stock (along with any other series of Preferred Stock with voting parity rights) after the last missed quarter.
2. *Approval Required In Certain Situations*. The affirmative vote of the holders of at least two-thirds of all of the shares of Series A Preferred Stock at the time outstanding and entitled to vote, voting separately as a class, is required to: (a) authorize or increase the authorized amount of, or issue shares of, any class or series of First Horizon's capital stock ranking senior to the Series A

Preferred Stock with respect to payment of dividends or as to distributions upon First Horizon's liquidation, dissolution, or winding-up, or issue any obligation or security convertible into or evidencing the right to purchase, any such class or series of First Horizon's capital stock; (b) amend the provisions of First Horizon's Charter or restated bylaws so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series A Preferred Stock, taken as a whole; or (c) consummate a binding share-exchange or reclassification involving the Series A Preferred Stock, or a merger or consolidation of First Horizon with or into another entity, unless the shares of the Series A Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have terms that are not materially less favorable than those of the Series A Preferred Stock.

Each holder of the Series A Preferred Stock will have one vote per share on any matter on which holders of the Series A Preferred Stock are entitled to vote, including any action by written consent. Whether the vote or consent of a majority or other portion of the Series A Preferred Stock and any voting parity stock has been cast or given on any matter will be determined by reference to the respective liquidation preference amounts of the Series A Preferred Stock and voting parity stock voted or covered by the consent.

***Dividend Rights—Series A Depositary Shares***

The Series A Depositary is required to distribute, pro-rata, all dividends it receives to the holders of Series A Depositary Shares, subject to applicable taxes and other governmental charges which First Horizon or the Series A Depositary is required to withhold or remit.

***Dividend Rights—Series A Preferred Stock***

The holder of Series A Preferred Stock is entitled to receive dividends, if any, as may be declared from time to time by First Horizon's Board of directors in its discretion out of funds legally available for the payment of dividends. Any such dividends are payable in arrears on each January 10, April 10, July 10 and October 10, commencing April 10, 2013, at an annual rate of 6.20% of the liquidation preference amount. As mentioned below, the liquidation preference amount is $100,000 per share of Series A Preferred Stock (or $25 per Series A Depositary Share). Accordingly, the dollar amount of the dividend is $6,200 per share of Series A Preferred Stock (or $1.55 per Series A Depositary Share). Dividends on the Series A Preferred Stock are not cumulative; if First Horizon's Board of directors fails to declare a quarterly dividend, First Horizon has no obligation to pay dividends for that quarterly period at any future time.

No dividend may be declared or paid on the Common Stock unless the full amount for the Series A Preferred Stock, for the most recent quarterly period, has been declared and paid (or set aside for payment).

***Maturity and Redemption***

The Series A Preferred Stock is perpetual. It has no maturity date, no mandatory redemption date, and no sinking fund requirement or process.

The holder of the shares of Series A Preferred Stock has no right to require purchase or redemption of those shares. Holders of Series A Depositary Shares similarly have no right to require purchase or redemption of those shares.

First Horizon may, at its option, redeem the Series A Preferred Stock (i) in whole or in part, from time to time, on any dividend payment date on or after April 10, 2018, or (ii) in whole, but not in part, at any time within 90 days following certain "Regulatory Capital Events" defined in First Horizon's Charter, in either

case at a redemption price equal to $100,000 per share (equivalent to $25 per Series A Depositary Share), plus the per share amount of any declared and unpaid dividends. Redemption of the Series A Preferred Stock would result in a corresponding redemption of Depositary Shares.

***Liquidation Rights***

If First Horizon voluntarily or involuntarily liquidates, dissolves or winds up its affairs, holders of the Series A Preferred Stock will be entitled to receive an amount per share (the "total liquidation amount") equal to the liquidation preference of $100,000 per share (equivalent to $25 per Series A Depositary Share), plus any declared and unpaid dividends (but not including any undeclared dividends). The holder of the Series A Preferred Stock will be entitled to receive the total liquidation amount out of assets available for distribution to shareholders, after payment or provision for payment of First Horizon debts and other liabilities to creditors and subject to the rights of holders of any securities ranking senior to the Series A Preferred Stock with respect to distributions but before any distribution of assets is made to holders of Common Stock or any other shares ranking junior to the Series A Preferred Stock.

The Series A Preferred Stock may be fully subordinated to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of U.S. law.

If First Horizon's assets are sufficient to pay part of, but not the total, liquidation amount to the holder of Series A Preferred Stock and all holders of any parity shares, the amounts paid to the holders of the Series A Preferred Stock and to such parity share holders will be paid *pro rata* in accordance with the respective total liquidation amounts.

Series A Preferred Stock is non-participating. If the applicable liquidation preference amounts have been paid in full to all holders of Series A Preferred Stock and of parity shares, the holders of Common Stock or any other shares ranking, as to such distribution, junior to the Series A Preferred Stock will be entitled to receive all of First Horizon's remaining assets according to their respective rights and preferences, and the Series A Preferred Stock will not be entitled to participate in any such distribution.

For purposes of the liquidation rights, neither First Horizon's sale, lease, exchange or transfer of all or substantially all of its property and assets, nor First Horizon's consolidation, merger or other business combination with or into any other entity, will constitute a liquidation, dissolution, or winding-up of First Horizon's affairs.

***No Preemptive or Conversion Rights***

Holders of the Series A Preferred Stock do not have preemptive rights. The Series A Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of capital stock or other securities of First Horizon, nor convertible into or exchangeable for any other of First Horizon's property, interests or securities.

***Listing***

Series A Depositary Shares are listed on the New York Stock Exchange LLC under the trading symbol **FHN PR A**. The Series A Preferred Stock is not listed on any exchange, and is not registered under the Securities Exchange Act of 1934.

## Description of Series B Depositary Shares and Series B Preferred Stock

***Relationship of Depositary Shares to Preferred Stock***

First Horizon's Board has designated 8,625 shares of Series B Preferred Stock, of which 8,000 have been issued, all of which are held by the Series B Depositary under the Series B Deposit Agreement. The Series B Depositary has issued 3,200,000 Series B Depositary Shares, which are evidenced by depositary receipts. Each Series B Depositary Share represents a 1/400$^{th}$ ownership interest in one share of Series B Preferred Stock held by the Series B Depositary. The holders of the Series B Depositary Shares, pro-rata through the Series B Depositary, may exercise, receive, and enjoy all the rights of the underlying Series B Preferred Stock.

The number of designated shares of Series B Preferred Stock may be increased by action of First Horizon's Board without the consent of the current holder of Series B Preferred Stock or the holders of the Series B Depositary Shares.

***Ranking***

With respect to the payment of dividends and distributions upon First Horizon's liquidation, dissolution or winding up, the Series B Preferred Stock will rank (i) senior to First Horizon's Common Stock and any other class or series of preferred stock that by its terms ranks junior to the Series B Preferred Stock, (ii) equally with the Series A Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, and any future series of preferred stock that First Horizon may issue that does not by its terms provide for a junior ranking and (iii) junior to all existing and future indebtedness and other liabilities and any class or series of preferred stock that expressly provides in the articles of amendment creating such preferred stock that such series ranks senior to the Series B Preferred Stock (subject to any requisite consents prior to issuance).

The Series B Preferred Stock is not secured, is not guaranteed by First Horizon or any of its affiliates, and is not subject to any other arrangement that legally or economically enhances the ranking of the Series B Preferred Stock.

See also "Ranking of the Five Outstanding Preferred Series with respect to Each Other" on page 45 of this Exhibit.

***Voting Rights—Series B Depositary Shares***

Because each Series B Depositary Share represents a 1/400th ownership interest in a share of Series B Preferred Stock, holders of Series B Depositary Shares will be entitled to 1/400th of a vote per Series B Depositary Share under those limited circumstances in which holders of the Series B Preferred Stock are entitled to vote.

When the Series B Depositary receives notice of any meeting at which the holders of the Series B Preferred Stock are entitled to vote, the Series B Depositary will provide the information contained in the notice to the record holders of the Series B Depositary Shares relating to the Series B Preferred Stock. Each record holder of Series B Depositary Shares on the record date, which will be the same date as the record date for the Series B Preferred Stock, may instruct the Series B Depositary to vote the amount of the Series B Preferred Stock represented by the holder's Series B Depositary Shares. To the extent possible, the Series B Depositary will vote the amount of the Series B Preferred Stock represented by Series B Depositary Shares in accordance with the instructions it receives. First Horizon has agreed to take all reasonable actions that the Series B Depositary determines are necessary to enable the Series B Depositary to vote as instructed. If the Series B Depositary does not receive specific instructions from the holders of any Series B Depositary Shares representing the Series B Preferred Stock, it will abstain from

voting with respect to such Shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

***Voting Rights—Series B Preferred Stock***

Registered owners of Series B Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by applicable law.

Whenever dividends payable on the Series B Preferred Stock or any other class or series of preferred stock ranking equally with the Series B Preferred Stock, including the Series A Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock, as to payment of dividends, and upon which voting rights equivalent to those described in this paragraph have been conferred and are exercisable, have not been declared and paid in an aggregate amount equal to, as to any class or series, the equivalent of at least three or more semi-annual or six or more quarterly Dividend Periods, as applicable, whether or not for consecutive Dividend Periods (a "Nonpayment"), the holders of outstanding shares of the Series B Preferred Stock voting as a class with holders of shares of any other series of First Horizon preferred stock ranking equally with the Series B Preferred Stock, including the Series A Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock, as to payment of dividends, and upon which like voting rights have been conferred and are exercisable ("Voting Parity Stock"), will be entitled to vote for the election of two additional directors of First Horizon board of directors on the terms set forth below (and to fill any vacancies in the terms of such directorships) (the "Preferred Stock Directors"). Holders of all series of First Horizon Voting Parity Stock will vote as a single class. In the event that the holders of the shares of the Series B Preferred Stock are entitled to vote as described in this paragraph, the number of members of the First Horizon board of directors at the time will be increased by two directors, and the holders of the Series B Preferred Stock will have the right, as members of that class, as outlined above, to elect two directors at a special meeting called at the request of the holders of record of at least 20% of the aggregate voting power of the Series B Preferred Stock or any other series of Voting Parity Stock (unless such request is received less than 90 days before the date fixed for First Horizon's next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of the stockholders), provided that the election of any Preferred Stock Directors shall not cause First Horizon to violate the corporate governance requirements of the NYSE (or any other exchange on which First Horizon's securities may at such time be listed) that listed companies must have a majority of independent directors, and provided further that at no time shall the First Horizon board of directors include more than two Preferred Stock Directors.

When First Horizon has paid full dividends on the Series B Preferred Stock for the equivalent of at least two semi-annual or four quarterly Dividend Periods, as applicable, following a Nonpayment, the voting rights described above will terminate, except as expressly provided by law. The voting rights described above are subject to re-vesting upon each and every subsequent Nonpayment.

Upon termination of the right of the holders of the Series B Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors as described above, the term of office of all Preferred Stock Directors then in office elected by only those holders will terminate immediately. Whenever the term of office of the Preferred Stock Directors ends and the related voting rights have expired, the number of directors automatically will be decreased to the number of directors as otherwise would prevail. Any Preferred Stock Director may be removed at any time by the holders of record of a majority of the outstanding shares of the Series B Preferred Stock (together with holders of any Voting Parity Stock) when they have the voting rights described in this section.

Under regulations adopted by the Federal Reserve Board, if the holders of any series of preferred stock are or become entitled to vote for the election of directors, such series will be deemed a class of voting

securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over First Horizon, will be subject to regulation as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). In addition, at the time a Series is deemed a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve Board under the BHC Act to acquire or retain more than 5% of that Series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that Series.

So long as any shares of Series B Preferred Stock remain outstanding, First Horizon will not, without the affirmative vote or consent of holders of at least 66 2/3% in voting power of the Series B Preferred Stock and any Voting Parity Stock, voting together as a class, authorize, create or issue any capital stock ranking senior to the Series B Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up, or reclassify any authorized capital stock into any such shares of such capital stock or issue any obligation or security convertible into or evidencing the right to purchase any such shares of capital stock. So long as any shares of the Series B Preferred Stock remain outstanding, First Horizon will not, without the affirmative vote of the holders of at least 66 2/3% in voting power of the Series B Preferred Stock, amend, alter or repeal any provision of the Articles of Amendment or First Horizon's charter, including by merger, consolidation or otherwise, so as to adversely affect the powers, preferences or special rights of the Series B Preferred Stock.

Notwithstanding the foregoing, none of the following will be deemed to adversely affect the powers, preferences or special rights of the Series B Preferred Stock: any increase in the amount of authorized Common Stock or authorized Preferred Stock, or any increase or decrease in the number of shares of any series of preferred stock, or the authorization, creation and issuance of other classes or series of capital stock, in each case ranking on parity with or junior to the Series B Preferred Stock as to dividends or distribution of assets upon First Horizon's liquidation, dissolution or winding up; a merger or consolidation of First Horizon with or into another entity in which the shares of the Series B Preferred Stock remain outstanding; and a merger or consolidation of First Horizon with or into another entity in which the shares of the Series B Preferred Stock are converted into or exchanged for preference securities of the surviving entity or any entity, directly or indirectly, controlling such surviving entity and such new preference securities have powers, preferences and special rights that are not materially less favorable than the Series B Preferred Stock.

*Voting Rights under Tennessee Law*

Under current provisions of the TBCA, holders of the Series B Preferred Stock are entitled to vote separately as a class on certain amendments to the First Horizon charter that would impact the Series B Preferred Stock.

***Dividend Rights—Series B Depositary Shares***

Each dividend payable on a Series B Depositary Share will be in an amount equal to 1/400th of the dividend declared and payable on each share of Series B Preferred Stock.

The Series B Depositary will distribute all dividends and other cash distributions received on the Series B Preferred Stock to the holders of record of the Series B Depositary Shares in proportion to the number of Series B Depositary Shares held by each holder. In the event of a distribution other than in cash, the Series B Depositary will distribute property received by it to the holders of record of the Series B Depositary Shares in proportion to the number of Series B Depositary Shares held by each holder, unless the Series B Depositary determines that this distribution is not feasible, in which case the Series B Depositary may, with First Horizon's approval, adopt a method of distribution that it deems equitable and

practicable, including the sale of the property (in a commercially reasonable manner) and distribution of the net proceeds of that sale to the holders of the Series B Depositary Shares.

If the calculation of a dividend or other cash distribution results in an amount that is a fraction of a cent and that fraction is equal to or greater than $0.005, the Series B Depositary will round that amount up to the next highest whole cent and will request that First Horizon pay the resulting additional amount to the Series B Depositary for the relevant dividend or other cash distribution. If the fractional amount is less than $0.005, the Series B Depositary will disregard that fractional amount and add such amount to, and treat it as a part of, the next succeeding distribution.

Record dates for the payment of dividends and other matters relating to the Series B Depositary Shares will be the same as the corresponding record dates for the Series B Preferred Stock.

The amount paid as dividends or otherwise distributable by the Series B Depositary with respect to the Series B Depositary Shares or the underlying Series B Preferred Stock will be reduced by any amounts required to be withheld by First Horizon or the Series B Depositary on account of taxes or other governmental charges. The Series B Depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any Series B Depositary Shares or the shares of the Series B Preferred Stock until such taxes or other governmental charges are paid.

***Dividend Rights—Series B Preferred Stock***

Holders of the Series B Preferred Stock will be entitled to receive, only when, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), out of assets legally available under applicable law for payment, noncumulative cash dividends based on the liquidation preference of $10,000 per share of Series B Preferred Stock, and no more, at a rate equal to (1) 6.625% per annum (equivalent to $1.65625 per Series B Depositary Share per annum), for each semi-annual Dividend Period occurring from, and including, the original issue date of the Series B Preferred Stock to, but excluding, August 1, 2025 (the "Fixed Rate Period"), and (2) thereafter, three-month LIBOR plus a spread of 426.2 basis points per annum, for each quarterly Dividend Period beginning August 1, 2025 (the "Floating Rate Period"). A "Dividend Period" means the period from, and including, each Dividend Payment Date (as defined below) to, but excluding, the next succeeding Dividend Payment Date, except that the initial Dividend Period will be the period from, and including, the last dividend payment date prior to the closing.

When, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), during the Fixed Rate Period, First Horizon will pay cash dividends on the Series B Preferred Stock semi-annually, in arrears, on February 1 and August 1 of each year (each such date, a "Fixed Period Dividend Payment Date"), beginning on February 1, 2016, and, when, as and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), during the Floating Rate Period, First Horizon will pay cash dividends on the Series B Preferred Stock quarterly, in arrears, on February 1, May 1, August 1 and November 1 of each year, beginning on November 1, 2025 (each such date, a "Floating Period Dividend Payment Date," and together with the Fixed Period Dividend Payment Dates, the "Dividend Payment Dates"). First Horizon will pay cash dividends to the holders of record of shares of the Series B Preferred Stock as they appear on the First Horizon stock register on the applicable record date, which shall be the fifteenth calendar day before that Dividend Payment Date or such other record date fixed by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date.

If any Dividend Payment Date on or prior to August 1, 2025 is a day that is not a business day (as defined below), then the dividend with respect to that Dividend Payment Date will instead be paid on the immediately succeeding business day, without interest or other payment in respect of such delayed

payment. If any Dividend Payment Date after August 1, 2025 is a day that is not a business day, then the Dividend Payment Date will be the immediately succeeding business day unless such day falls in the next calendar month, in which case the Dividend Payment Date will instead be the immediately preceding day that is a business day, and dividends will accumulate to the Dividend Payment Date as so adjusted. A "business day" for the Fixed Rate Period means any weekday in New York, New York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed. A "business day" for the Floating Rate Period means any weekday in New York, New York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed, and additionally, is a London banking day (as defined below).

First Horizon will calculate dividends on the Series B Preferred Stock for the Fixed Rate Period on the basis of a 360-day year of twelve 30-day months. First Horizon will calculate dividends on the Series B Preferred Stock for the Floating Rate Period on the basis of the actual number of days in a Dividend Period and a 360-day year. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series B Preferred Stock will cease to accumulate after the redemption date, as described below under "Maturity and Redemption—Series B Preferred Stock," unless First Horizon defaults in the payment of the redemption price of the shares of the Series B Preferred Stock called for redemption.

Dividends on the Series B Preferred Stock will not be cumulative or mandatory. If the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) does not declare a dividend on the Series B Preferred Stock for any Dividend Period prior to the related Dividend Payment Date, that dividend will not accumulate, and First Horizon will have no obligation to pay a dividend for that Dividend Period at any time, whether or not dividends on the Series B Preferred Stock or any other series of First Horizon Preferred Stock or Common Stock are declared for any future Dividend Period.

Dividends on the Series B Preferred Stock will accumulate from the original issue date at the then-applicable dividend rate on the liquidation preference amount of $10,000 per share (equivalent to $25 per Series B Depositary Share). If First Horizon issues additional shares of the Series B Preferred Stock, dividends on those additional shares will accumulate from the original issue date of those additional shares at the then applicable dividend rate.

The dividend rate for each Dividend Period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the Dividend Period, which date is the "dividend determination date" for the relevant Dividend Period. The calculation agent then will add three-month LIBOR as determined on the dividend determination date and the applicable spread. Once the dividend rate for the Series B Preferred Stock is determined, the calculation agent will deliver that information to First Horizon and the transfer agent. Absent manifest error, the calculation agent's determination of the dividend rate for a Dividend Period for the Series B Preferred Stock will be final. A "London banking day" is any day on which commercial banks are open for dealings in deposits in U.S. dollars in the London interbank market.

The term "three-month LIBOR" means the London interbank offered rate for deposits in U.S. dollars for a three month period, as that rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) at approximately 11:00 a.m., London time, on the relevant dividend determination date.

If no offered rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, in consultation with First Horizon, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London

interbank market, on that date and at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent in consultation with First Horizon will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks for a three month period for the applicable Dividend Period in an amount of at least $1,000,000. If three quotations are provided, three-month LIBOR will be the arithmetic average of the quotations provided. Otherwise, three-month LIBOR for the next Dividend Period will be equal to three-month LIBOR in effect for the then-current Dividend Period or, in the case of the first Dividend Period in the Floating Rate Period, the most recent rate on which three-month LIBOR could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the Fixed Rate Period.

***Priority Regarding Dividends***

So long as any share of Series B Preferred Stock remains outstanding, (1) no dividend will be declared and paid or set aside for payment and no distribution will be declared and made or set aside for payment on any Junior Stock (as defined below) (other than a dividend payable solely in shares of Junior Stock or any dividend in connection with the implementation of a shareholder rights plan or the redemption or repurchase of any rights under such a plan), (2) no shares of Junior Stock will be repurchased, redeemed, or otherwise acquired for consideration by First Horizon, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange for or conversion into Junior Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock or pursuant to a contractually binding requirement to buy Junior Stock pursuant to a binding stock repurchase plan existing prior to the most recently completed Dividend Period), nor will any monies be paid to or made available for a sinking fund for the redemption of any such securities by First Horizon and (3) no shares of Parity Stock (as defined below) will be repurchased, redeemed or otherwise acquired for consideration by First Horizon (other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series B Preferred Stock and such Parity Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, as a result of a reclassification of Parity Stock for or into other Parity Stock, or by conversion into or exchange for other Parity Stock or Junior Stock), during a Dividend Period, unless, in each case, the full dividends for the most recently completed Dividend Period on all outstanding shares of the Series B Preferred Stock have been declared and paid in full or declared and a sum sufficient for the payment of those dividends has been set aside. The foregoing limitations do not apply to purchases or acquisitions of First Horizon Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any of First Horizon's employment, severance, or consulting agreements) of First Horizon's or of any of First Horizon's subsidiaries.

Except as described below, for so long as any share of Series B Preferred Stock remains outstanding, First Horizon will not declare, pay, or set aside for payment full dividends on any Parity Stock unless First Horizon has paid in full, or set aside payment in full, in respect of all accumulated dividends for all Dividend Periods for outstanding shares of preferred stock. To the extent that First Horizon declares dividends on the Series B Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, First Horizon will allocate the dividend payments on a pro rata basis among the holders of the shares of Series B Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, First Horizon will allocate dividend payments based on the ratio between the then current and unpaid dividend payments due on the shares of Series B Preferred Stock and (1) in the case of cumulative Parity Stock the aggregate of the accumulated and unpaid dividends due on any such Parity Stock and (2) in the case of noncumulative

Parity Stock, the aggregate of the declared but unpaid dividends due on any such Parity Stock. No interest will be payable in respect of any dividend payment on Series B Preferred Stock that may be in arrears.

As used in this section, "Junior Stock" means First Horizon Common Stock and any other class or series of First Horizon capital stock over which the Series B Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on First Horizon's liquidation, dissolution or winding up, and "Parity Stock" means the Series A Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, and any other class or series of First Horizon capital stock that ranks on a par with the Series B Preferred Stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up, which includes any class or series of First Horizon stock hereafter authorized that ranks on a par with the Series B Preferred Stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up.

Subject to the conditions described above, and not otherwise, dividends (payable in cash, stock, or otherwise), as may be determined by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), may be declared and paid on First Horizon Common Stock and any Junior Stock from time to time out of any funds legally available for such payment, and the holders of the Series B Preferred Stock will not be entitled to participate in those dividends.

***Maturity and Redemption—Series B Depositary Shares***

If First Horizon redeems the Series B Preferred Stock, in whole or in part, Series B Depositary Shares also will be redeemed with the proceeds received by the Series B Depositary from the redemption of the Series B Preferred Stock held by the Series B Depositary. The redemption price per Series B Depositary Shares will be 1/400th of the redemption price per share payable with respect to the Series B Preferred Stock (or $25 per Series B Depositary Share), plus, as applicable, any accumulated and unpaid dividends on the shares of the Series B Preferred Stock called for redemption for the then-current dividend period to, but excluding, the redemption date, without accumulation of any undeclared dividends.

If First Horizon redeems shares of the Series B Preferred Stock held by the Series B Depositary, the Series B Depositary will redeem, as of the same redemption date, the number of Series B Depositary Shares representing those shares of the Series B Preferred Stock so redeemed. If First Horizon redeems less than all of the outstanding Series B Depositary Shares, the Series B Depositary Shares to be redeemed will be selected either pro rata or by lot. In any case, the Series B Depositary will redeem Series B Depositary Shares only in increments of 400 Depositary Shares and multiples thereof. The Series B Depositary will provide notice of redemption to record holders of the Series B Depositary Shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the applicable series of Series B Preferred Stock and the Series B Depositary Shares.

***Maturity and Redemption—Series B Preferred Stock***

The Series B Preferred Stock is perpetual and has no maturity date. The Series B Preferred Stock is not subject to any mandatory redemption, sinking fund, or other similar provision.

Neither the holders of Series B Preferred Stock nor the holders of the Series B Depositary Shares have the right to require the redemption or repurchase of the Series B Preferred Stock. In addition, under the Federal Reserve Board's risk-based capital rules applicable to bank holding companies, any redemption of the Series B Preferred Stock is subject to prior approval of the Federal Reserve Board.

*Optional Redemption*

First Horizon may redeem the Series B Preferred Stock, in whole or in part, at First Horizon's option, for cash, on any Dividend Payment Date on or after August 1, 2025, with not less than 30 days' and not more than 60 days' notice ("Optional Redemption"), subject to the approval of the appropriate federal banking

agency, at the redemption price provided below. Dividends will not accumulate on those shares of Series B Preferred Stock on and after the redemption date.

*Redemption Following a Regulatory Capital Event*

First Horizon may redeem the Series B Preferred Stock, in whole but not in part, at First Horizon's option, for cash, at any time within 90 days following a Regulatory Capital Treatment Event, subject to the approval of the appropriate federal banking agency, at the redemption price provided below ("Regulatory Event Redemption"). A "Regulatory Capital Treatment Event" means a good faith determination by First Horizon that, as a result of any: amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series B Preferred Stock; proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of the Series B Preferred Stock; or official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of the Series B Preferred Stock there is more than an insubstantial risk that First Horizon will not be entitled to treat the full liquidation value of the Series B Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy laws or regulations of the Federal Reserve Board (or, as and if applicable, the capital adequacy laws or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series B Preferred Stock is outstanding. Dividends will not accumulate on the shares of Series B Preferred Stock on and after the redemption date.

*Redemption Price*

The redemption price for any redemption of Series B Preferred Stock, whether an Optional Redemption or Regulatory Event Redemption, will be equal to $10,000 per share of Series B Preferred Stock (equivalent to $25 per Series B Depositary Share), plus any declared and unpaid dividends (without regard to any undeclared dividends) to, but excluding, the date of redemption.

*Redemption Procedures*

If First Horizon elects to redeem any shares of Series B Preferred Stock, First Horizon will provide notice to the holders of record of the shares of Series B Preferred Stock to be redeemed, not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series B Preferred Stock or the Series B Depositary Shares are held in book-entry form through The Depository Trust Company ("DTC"), First Horizon may give this notice in any manner permitted by DTC). Any notice given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and any defect in this notice or in the provision of this notice, to any holder of shares of Series B Preferred Stock designated for redemption will not affect the redemption of any other shares of Series B Preferred Stock. Each notice of redemption shall state: the redemption date; the redemption price; if fewer than all shares of Series B Preferred Stock are to be redeemed, the number of shares of Series B Preferred Stock to be redeemed; and the manner in which holders of Series B Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series B Preferred Stock has been given and if the funds necessary for such redemption have been set aside by First Horizon in trust for the benefit of the holders of any shares of Series B Preferred Stock so called for redemption, then from and after the redemption date such shares of Series B Preferred Stock will no longer be deemed outstanding, all dividends with respect to such shares of Series B Preferred Stock shall cease to accumulate after the redemption date and

all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series B Preferred Stock at the time outstanding, the shares of Series B Preferred Stock to be redeemed will be selected either pro rata or by lot or in such other manner as the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) determines to be fair and equitable. Subject to the provisions set forth in this section, the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) will have the full power and authority to prescribe the terms and conditions upon which shares of Series B Preferred Stock may be redeemed from time to time.

***Liquidation Rights***

Upon First Horizon's voluntary or involuntary liquidation, dissolution or winding up, the holders of the outstanding shares of Series B Preferred Stock are entitled to be paid out of First Horizon assets legally available for distribution to First Horizon shareholders, before any distribution of assets is made to holders of or any other Junior Stock, a liquidating distribution in the amount of a liquidation common stock preference of $10,000 per share (equivalent to $25 per Series B Depositary Share), plus the sum of any declared and unpaid dividends for prior Dividend Periods prior to the Dividend Period in which the liquidation distribution is made and any declared and unpaid dividends for the then current Dividend Period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B Preferred Stock will have no right or claim to any of First Horizon's remaining assets.

Distributions will be made only to the extent that First Horizon assets are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of holders of any securities ranking senior to the Series B Preferred Stock. If First Horizon's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series B Preferred Stock and all Parity Stock, then First Horizon will distribute First Horizon's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

First Horizon's merger or consolidation with one or more other entities or the sale, lease, exchange or other transfer of all or substantially all of First Horizon's assets (for cash, securities or other consideration) will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up. If First Horizon enters into any merger or consolidation transaction with or into any other entity and First Horizon is not the surviving entity in such transaction, the Series B Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series B Preferred Stock.

Because First Horizon is a holding company, First Horizon's rights and the rights of First Horizon's creditors and First Horizon's stockholders, including the holders of the Series B Preferred Stock, to participate in the distribution of assets of any of First Horizon's subsidiaries upon that subsidiary's voluntary or involuntary liquidation, dissolution or winding up will be subject to the prior claims of that subsidiary's creditors, except to the extent that First Horizon is a creditor with recognized claims against that subsidiary. In addition, holders of the Series B Preferred Stock (and of Series B Depositary Shares) may be fully subordinated to interests held by the U.S. Government in the event First Horizon enters into a receivership, insolvency, liquidation or similar proceeding.

***No Preemptive or Conversion Rights***

Holders of the Series B Preferred Stock do not have preemptive rights. The Series B Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of capital stock or other

securities of First Horizon, nor convertible into or exchangeable for any other of First Horizon's property, interests or securities.

***Listing***

Series B Depositary Shares are listed on the New York Stock Exchange LLC under the trading symbol **FHN PR B**. The Series B Preferred Stock is not listed on any exchange, and is not registered under the Securities Exchange Act of 1934.

## Description of Series C Depositary Shares and Series C Preferred Stock

***Relationship of Depositary Shares to Preferred Stock***

First Horizon's Board has designated 5,750 shares of Series C Preferred Stock, of which all have been issued and are held by the Series C Depositary under the Series C Deposit Agreement. The Series C Depositary has issued 2,300,000 Series C Depositary Shares, which are evidenced by depositary receipts. Each Series C Depositary Share represents a 1/400$^{th}$ ownership interest in one share of Series C Preferred Stock held by the Series C Depositary. The holders of the Series C Depositary Shares, pro-rata through the Series C Depositary, may exercise, receive, and enjoy all the rights of the underlying Series C Preferred Stock.

The number of designated shares of Series C Preferred Stock may be increased by action of First Horizon's Board without the consent of the current holder of Series C Preferred Stock or the holders of the Series C Depositary Shares.

***Ranking***

With respect to the payment of dividends and distributions upon First Horizon's liquidation, dissolution or winding up, the Series C Preferred Stock will rank (i) senior to First Horizon Common Stock and any other class or series of preferred stock that by its terms ranks junior to the Series C Preferred Stock, (ii) equally with the Series A Preferred Stock, the Series B Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, and any existing or future series of preferred stock that does not by its terms provide for a junior ranking, and (iii) junior to all existing and future indebtedness and other liabilities and any class or series of preferred stock that expressly provides in the Articles of Amendment creating such preferred stock that such series ranks senior to the Series C Preferred Stock (subject to any requisite consents prior to issuance).

The Series C Preferred Stock is not secured, is not guaranteed by First Horizon or any of its affiliates and is not subject to any other arrangement that legally or economically enhances the ranking of the Series C Preferred Stock.

See also "Ranking of the Five Outstanding Preferred Series with respect to Each Other" on page 45 of this Exhibit.

***Voting Rights—Series C Depositary Shares***

Because each Series C Depositary Share represents a 1/400th ownership interest in a share of Series C Preferred Stock, holders of Series C Depositary Shares will be entitled to 1/400th of a vote per Series C Depositary Share under those limited circumstances in which holders of the Series C Preferred Stock are entitled to vote.

When the Series C Depositary receives notice of any meeting at which the holders of the Series C Preferred Stock are entitled to vote, the Series C Depositary will provide the information contained in the notice to the record holders of the Series C Depositary Shares relating to the Series C Preferred Stock. Each record holder of Series C Depositary Shares on the record date, which will be the same date as the record date for the Series C Preferred Stock, may instruct the Series C Depositary to vote the amount of the Series C Preferred Stock represented by the holder's Series C Depositary Shares. To the extent possible, the Series C Depositary will vote the amount of the Series C Preferred Stock represented by Series C Depositary Shares in accordance with the instructions it receives. First Horizon has agreed to take all reasonable actions that the Series C Depositary determines are necessary to enable the Series C Depositary to vote as instructed. If the Series C Depositary does not receive specific instructions from the holders of any Series C Depositary Shares representing the Series C Preferred Stock, it will abstain from

voting with respect to such Shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

***Voting Rights—Series C Preferred Stock***

Registered owners of Series C Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by applicable law.

Whenever dividends payable on the Series C Preferred Stock or any other class or series of preferred stock ranking equally with the Series C Preferred Stock, including the Series A Preferred Stock, the Series B Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock, as to payment of dividends, and upon which voting rights equivalent to those described in this paragraph have been conferred and are exercisable, have not been declared and paid in an aggregate amount equal to, as to any class or series, the equivalent of at least six or more quarterly Dividend Periods, whether or not for consecutive Dividend Periods (a "Nonpayment"), the holders of outstanding shares of the Series C Preferred Stock voting as a class with holders of shares of any other series of First Horizon preferred stock ranking equally with the Series C Preferred Stock, including the Series A Preferred Stock, the Series B Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock, as to payment of dividends, and upon which like voting rights have been conferred and are exercisable ("Voting Parity Stock"), will be entitled to vote for the election of two additional directors of the First Horizon board of directors on the terms set forth below (and to fill any vacancies in the terms of such directorships) (the "Preferred Stock Directors"). Holders of all series of First Horizon Voting Parity Stock will vote as a single class. In the event that the holders of the shares of the Series C Preferred Stock are entitled to vote as described in this paragraph, the number of members of the First Horizon board of directors at the time will be increased by two directors, and the holders of the Series C Preferred Stock will have the right, as members of that class, as outlined above, to elect two directors at a special meeting called at the request of the holders of record of at least 20% of the aggregate voting power of the Series C Preferred Stock or any other series of Voting Parity Stock (unless such request is received less than 90 days before the date fixed for First Horizon's next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of the shareholders), provided that the election of any Preferred Stock Directors shall not cause First Horizon to violate the corporate governance requirements of the NYSE (or any other exchange on which First Horizon's securities may at such time be listed) that listed companies must have a majority of independent directors, and provided further that at no time shall the First Horizon board of directors include more than two Preferred Stock Directors.

When First Horizon has paid full dividends on the Series C Preferred Stock for the equivalent of at least four quarterly Dividend Periods following a Nonpayment, the voting rights described above will terminate, except as expressly provided by law. The voting rights described above are subject to re-vesting upon each and every subsequent Nonpayment.

Upon termination of the right of the holders of the Series C Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors as described above, the term of office of all Preferred Stock Directors then in office elected by only those holders will terminate immediately.

Whenever the term of office of the Preferred Stock Directors ends and the related voting rights have expired, the number of directors automatically will be decreased to the number of directors as otherwise would prevail. Any Preferred Stock Director may be removed at any time by the holders of record of a majority of the outstanding shares of the Series C Preferred Stock (together with holders of any Voting Parity Stock) when they have the voting rights described in this section.

Under regulations adopted by the Federal Reserve Board, if the holders of any series of preferred stock are or become entitled to vote for the election of directors, such series will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a

"controlling influence" over First Horizon, will be subject to regulation as a bank holding company under the BHC Act. In addition, at the time a Series is deemed a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve Board under the BHC Act to acquire or retain more than 5% of that Series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that Series.

So long as any shares of preferred stock remain outstanding, First Horizon will not, without the affirmative vote or consent of holders of at least 66 2/3% in voting power of the Series C Preferred Stock and any Voting Parity Stock, voting together as a class, authorize, create or issue any capital stock ranking senior to the Series C Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up, or reclassify any authorized capital stock into any such shares of such capital stock or issue any obligation or security convertible into or evidencing the right to purchase any such shares of capital stock. So long as any shares of the Series C Preferred Stock remain outstanding, First Horizon will not, without the affirmative vote of the holders of at least 66 2/3% in voting power of the Series C Preferred Stock, amend, alter or repeal any provision of the Articles of Amendment or the First Horizon charter, including by merger, consolidation or otherwise, so as to affect the powers, preferences or special rights of the Series C Preferred Stock.

Notwithstanding the foregoing, none of the following will be deemed to affect the powers, preferences or special rights of the Series C Preferred Stock: any increase in the amount of authorized Common Stock or authorized Preferred Stock, or any increase or decrease in the number of shares of any series of Preferred Stock, or the authorization, creation and issuance of other classes or series of capital stock, in each case ranking on parity with or junior to the Series C Preferred Stock as to dividends or distribution of assets upon First Horizon's liquidation, dissolution or winding up; a merger or consolidation of First Horizon with or into another entity in which the shares of the Series C Preferred Stock remain outstanding; and a merger or consolidation of First Horizon with or into another entity in which the shares of the Series C Preferred Stock are converted into or exchanged for preference securities of the surviving entity or any entity, directly or indirectly, controlling such surviving entity and such new preference securities have powers, preferences and special rights that are not materially less favorable than the Series C Preferred Stock.

*Voting Rights under Tennessee Law*

Under current provisions of the TBCA, holders of the Series C Preferred Stock are entitled to vote separately as a class on certain amendments to the First Horizon charter that would impact the Series C Preferred Stock.

***Dividend Rights—Series C Depositary Shares***

Each dividend payable on a Series C Depositary Share will be in an amount equal to 1/400th of the dividend declared and payable on each share of Series C Preferred Stock.

The Series C Depositary will distribute all dividends and other cash distributions received on the Series C Preferred Stock to the holders of record of the Series C Depositary Shares in proportion to the number of Series C Depositary Shares held by each holder. In the event of a distribution other than in cash, the Series C Depositary will distribute property received by it to the holders of record of the Series C Depositary Shares in proportion to the number of Series C Depositary Shares held by each holder, unless the Series C Depositary determines that this distribution is not feasible, in which case the Series C Depositary may, with First Horizon's approval, adopt a method of distribution that it deems equitable and practicable, including the sale of the property (in a commercially reasonable manner) and distribution of the net proceeds of that sale to the holders of the Series C Depositary Shares.

If the calculation of a dividend or other cash distribution results in an amount that is a fraction of a cent and that fraction is equal to or greater than $0.005, the Series C Depositary will round that amount up to the next highest whole cent and will request that First Horizon pay the resulting additional amount to the Series C Depositary for the relevant dividend or other cash distribution. If the fractional amount is less than $0.005, the Series C Depositary will disregard that fractional amount and add such amount to, and treat it as a part of, the next succeeding distribution.

Record dates for the payment of dividends and other matters relating to the Series C Depositary Shares will be the same as the corresponding record dates for the Series C Preferred Stock.

The amount paid as dividends or otherwise distributable by the Series C Depositary with respect to the Series C Depositary Shares or the underlying Series C Preferred Stock will be reduced by any amounts required to be withheld by First Horizon or the Series C Depositary on account of taxes or other governmental charges. The Series C Depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any Series C Depositary Shares or the shares of the Series C Preferred Stock until such taxes or other governmental charges are paid.

***Dividend Rights—Series C Preferred Stock***

Holders of the Series C Preferred Stock will be entitled to receive, only when, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), out of assets legally available under applicable law for payment, noncumulative cash dividends based on the liquidation preference of $10,000 per share of Series C Preferred Stock, and no more, at a rate equal to (1) 6.60% per annum (equivalent to $1.65 per Series C Depositary Share per annum), for each quarterly Dividend Period occurring from, and including, the original issue date of the Series C Preferred Stock to, but excluding, May 1, 2026 (the "Fixed Rate Period"), and (2) thereafter, three-month LIBOR plus a spread of 492 basis points per annum, for each quarterly Dividend Period beginning May 1, 2026 (the "Floating Rate Period"). A "Dividend Period" means the period from, and including, each Dividend Payment Date (as defined below) to, but excluding, the next succeeding Dividend Payment Date, except that the initial Dividend Period will be the period from, and including, the last dividend payment date prior to the closing.

When, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), First Horizon will pay cash dividends on the Series C Preferred Stock quarterly, in arrears, on February 1, May 1, August 1 and November 1 of each year (each such date, a "Dividend Payment Date"), beginning on the first Dividend Payment Date after completion of the merger. First Horizon will pay cash dividends to the holders of record of shares of the Series C Preferred Stock as they appear on First Horizon's stock register on the applicable record date, which shall be the fifteenth calendar day before that Dividend Payment Date or such other record date fixed by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date.

If any Dividend Payment Date on or prior to May 1, 2026 is a day that is not a business day (as defined below), then the dividend with respect to that Dividend Payment Date will instead be paid on the immediately succeeding business day, without interest or other payment in respect of such delayed payment. If any Dividend Payment Date after May 1, 2026 is a day that is not a business day, then the Dividend Payment Date will be the immediately succeeding business day unless such day falls in the next calendar month, in which case the Dividend Payment Date will instead be the immediately preceding day that is a business day, and dividends will accumulate to the Dividend Payment Date as so adjusted. A "business day" for the Fixed Rate Period means any weekday in New York, New York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed. A "business day" for the Floating Rate Period means any weekday in New York, New

York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed, and additionally, is a London banking day (as defined below).

First Horizon will calculate dividends on the Series C Preferred Stock for the Fixed Rate Period on the basis of a 360-day year of twelve 30-day months. First Horizon will calculate dividends on the Series C Preferred Stock for the Floating Rate Period on the basis of the actual number of days in a Dividend Period and a 360-day year. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series C Preferred Stock will cease to accumulate after the redemption date, as described below under "Maturity and Redemption—Series C Preferred Stock," unless First Horizon defaults in the payment of the redemption price of the shares of the Series C Preferred Stock called for redemption.

Dividends on the Series C Preferred Stock will not be cumulative or mandatory. If the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) does not declare a dividend on the Series C Preferred Stock for any Dividend Period prior to the related Dividend Payment Date, that dividend will not accumulate, and First Horizon will have no obligation to pay a dividend for that Dividend Period at any time, whether or not dividends on the Series C Preferred Stock or any other series of First Horizon Preferred Stock or Common Stock are declared for any future Dividend Period.

Dividends on the Series C Preferred Stock will accumulate from the issue date at the then-applicable dividend rate on the liquidation preference amount of $10,000 per share (equivalent to $25 per Series C Depositary Share). If First Horizon issues additional shares of the Series C Preferred Stock, dividends on those additional shares will accumulate from the issue date of those additional shares at the then-applicable dividend rate.

The dividend rate for each Dividend Period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the Dividend Period, which date is the "dividend determination date" for the relevant Dividend Period. The calculation agent then will add three-month LIBOR as determined on the dividend determination date and the applicable spread. Once the dividend rate for the Series C Preferred Stock is determined, the calculation agent will deliver that information to First Horizon and the transfer agent. Absent manifest error, the calculation agent's determination of the dividend rate for a Dividend Period for the Series C Preferred Stock will be final. A "London banking day" is any day on which commercial banks are open for dealings in deposits in U.S. dollars in the London interbank market.

The term "three-month LIBOR" means the London interbank offered rate for deposits in U.S. dollars for a three month period, as that rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) at approximately 11:00 a.m., London time, on the relevant dividend determination date.

If no offered rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, in consultation with First Horizon, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent in consultation with First Horizon will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks for a three month period for the applicable Dividend Period in an

amount of at least $1,000,000. If three quotations are provided, three-month LIBOR will be the arithmetic average of the quotations provided.

Otherwise, three-month LIBOR for the next Dividend Period will be equal to three-month LIBOR in effect for the then-current Dividend Period or, in the case of the first Dividend Period in the Floating Rate Period, the most recent rate on which three-month LIBOR could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the Fixed Rate Period.

***Priority Regarding Dividends***

So long as any share of Series C Preferred Stock remains outstanding, (1) no dividend will be declared and paid or set aside for payment and no distribution will be declared and made or set aside for payment on any Junior Stock (as defined below) (other than a dividend payable solely in shares of Junior Stock or any dividend in connection with the implementation of a shareholder rights plan or the redemption or repurchase of any rights under such a plan); (2) no shares of Junior Stock will be repurchased, redeemed, or otherwise acquired for consideration by First Horizon, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange for or conversion into Junior Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock or pursuant to a contractually binding requirement to buy Junior Stock pursuant to a binding stock repurchase plan existing prior to the most recently completed Dividend Period), nor will any monies be paid to or made available for a sinking fund for the redemption of any such securities by First Horizon; and (3) no shares of Parity Stock (as defined below) will be repurchased, redeemed or otherwise acquired for consideration by First Horizon (other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series C Preferred Stock and such Parity Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, as a result of a reclassification of Parity Stock for or into other Parity Stock, or by conversion into or exchange for other Parity Stock or Junior Stock), during a Dividend Period, unless, in each case, the full dividends for the most recently completed Dividend Period on all outstanding shares of the Series C Preferred Stock have been declared and paid in full or declared and a sum sufficient for the payment of those dividends has been set aside. The foregoing limitations do not apply to purchases or acquisitions of First Horizon's Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any First Horizon employment, severance, or consulting agreements) of First Horizon's or of any of First Horizon's subsidiaries.

Except as described below, for so long as any share of Series C Preferred Stock remains outstanding, First Horizon will not declare, pay, or set aside for payment full dividends on any Parity Stock unless First Horizon has paid in full, or set aside payment in full, in respect of all accumulated dividends for all Dividend Periods for outstanding shares of preferred stock. To the extent that First Horizon declares dividends on the Series C Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, First Horizon will allocate the dividend payments on a pro rata basis among the holders of the shares of Series C Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, First Horizon will allocate dividend payments based on the ratio between the then current and unpaid dividend payments due on the shares of Series C Preferred Stock and (1) in the case of cumulative Parity Stock the aggregate of the accumulated and unpaid dividends due on any such Parity Stock and (2) in the case of noncumulative Parity Stock, the aggregate of the declared but unpaid dividends due on any such Parity Stock. No interest will be payable in respect of any dividend payment on Series C Preferred Stock that may be in arrears.

As used in this section, "Junior Stock" means First Horizon Common Stock and any other class or series of First Horizon's capital stock over which the Series C Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on First Horizon's liquidation, dissolution or winding

up, and "Parity Stock" means the Series A Preferred Stock, the Series B Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock, and any other class or series of First Horizon's capital stock that ranks on a par with the Series C preferred stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up, which includes any other class or series of First Horizon's stock hereafter authorized that ranks on a par with the Series C Preferred Stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up.

Subject to the conditions described above, and not otherwise, dividends (payable in cash, stock, or otherwise), as may be determined by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), may be declared and paid on First Horizon's Common Stock and any Junior Stock from time to time out of any funds legally available for such payment, and the holders of the Series C Preferred Stock will not be entitled to participate in those dividends.

***Maturity and Redemption—Series C Depositary Shares***

If First Horizon redeems the Series C Preferred Stock, in whole or in part, Series C Depositary Shares also will be redeemed with the proceeds received by the Series C Depositary from the redemption of the Series C Preferred Stock held by the Series C Depositary. The redemption price per Series C Depositary Shares will be 1/400th of the redemption price per share payable with respect to the Series C Preferred Stock (or $25 per Series C Depositary Share), plus, as applicable, any accumulated and unpaid dividends on the shares of the Series C Preferred Stock called for redemption for the then-current dividend period to, but excluding, the redemption date, without accumulation of any undeclared dividends.

If First Horizon redeems shares of the Series C Preferred Stock held by the Series C Depositary, the Series C Depositary will redeem, as of the same redemption date, the number of Series C Depositary Shares representing those shares of the Series C Preferred Stock so redeemed. If First Horizon redeems less than all of the outstanding Series C Depositary Shares, the Series C Depositary Shares to be redeemed will be selected either pro rata or by lot. In any case, the Series C Depositary will redeem Series C Depositary Shares only in increments of 400 Depositary Shares and multiples thereof. The Series C Depositary will provide notice of redemption to record holders of the Series C Depositary Shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the applicable series of Series C Preferred Stock and the Series C Depositary Shares.

***Maturity and Redemption—Series C Preferred Stock***

The Series C Preferred Stock is perpetual and has no maturity date. The Series C Preferred Stock is not subject to any mandatory redemption, sinking fund, or other similar provision.

Neither the holders of Series C Preferred Stock nor the holders of the Series C Depositary Shares have the right to require the redemption or repurchase of the Series C Preferred Stock. In addition, under the Federal Reserve Board's risk-based capital rules applicable to bank holding companies, any redemption of the Series C Preferred Stock is subject to prior approval of the Federal Reserve Board.

*Optional Redemption*

First Horizon may redeem the Series C Preferred Stock, in whole or in part, at First Horizon's option, for cash, on any Dividend Payment Date on or after May 1, 2026, with not less than 30 days' and not more than 60 days' notice ("Optional Redemption"), subject to the approval of the appropriate federal banking agency, at the redemption price provided below. Dividends will not accumulate on those shares of Series C Preferred Stock on and after the redemption date.

*Redemption Following a Regulatory Capital Event*

First Horizon may redeem the Series C Preferred Stock, in whole but not in part, at First Horizon's option, for cash, at any time within 90 days following a Regulatory Capital Treatment Event, subject to the approval of the appropriate federal banking agency, at the redemption price provided below ("Regulatory Event Redemption"). A "Regulatory Capital Treatment Event" means a good faith determination by First Horizon that, as a result of any: amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series C Preferred Stock; proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of the Series C Preferred Stock; or official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of the Series C Preferred Stock, there is more than an insubstantial risk that First Horizon will not be entitled to treat the full liquidation value of the Series C Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy laws or regulations of the Federal Reserve Board (or, as and if applicable, the capital adequacy laws or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series C Preferred Stock is outstanding. Dividends will not accumulate on the shares of Series C Preferred Stock on and after the redemption date.

*Redemption Price*

The redemption price for any redemption of Series C Preferred Stock, whether an Optional Redemption or Regulatory Event Redemption, will be equal to $10,000 per share of Series C Preferred Stock (equivalent to $25 per Series C Depositary Share), plus any declared and unpaid dividends (without regard to any undeclared dividends) to, but excluding, the date of redemption.

*Redemption Procedures*

If First Horizon elects to redeem any shares of Series C Preferred Stock, First Horizon will provide notice to the holders of record of the shares of Series C Preferred Stock to be redeemed, not less than 30 days and not more than 60 days before the date fixed for redemption thereof (provided, however, that if the shares of Series C Preferred Stock or the Series C Depositary Shares are held in book-entry form through DTC, First Horizon may give this notice in any manner permitted by DTC). Any notice given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and any defect in this notice or in the provision of this notice, to any holder of shares of Series C Preferred Stock designated for redemption will not affect the redemption of any other shares of Series C Preferred Stock. Each notice of redemption shall state: the redemption date; the redemption price; if fewer than all shares of Series C Preferred Stock are to be redeemed, the number of shares of Series C Preferred Stock to be redeemed; and the manner in which holders of Series C Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series C Preferred Stock has been given and if the funds necessary for such redemption have been set aside by First Horizon in trust for the benefit of the holders of any shares of Series C Preferred Stock so called for redemption, then from and after the redemption date such shares of Series C Preferred Stock will no longer be deemed outstanding, all dividends with respect to such shares of Series C Preferred Stock shall cease to accumulate after the redemption date and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series C Preferred Stock at the time outstanding, the shares of Series C Preferred Stock to be redeemed will be selected either pro rata or by lot or in such other manner as the First Horizon board of directors (or a duly authorized committee of the First Horizon board

of directors) determines to be fair and equitable. Subject to the provisions set forth in this section, the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) will have the full power and authority to prescribe the terms and conditions upon which shares of Series C Preferred Stock may be redeemed from time to time.

***Liquidation Rights***

Upon First Horizon's voluntary or involuntary liquidation, dissolution or winding up, the holders of the outstanding shares of Series C Preferred Stock are entitled to be paid out of First Horizon's assets legally available for distribution to First Horizon's shareholders, before any distribution of assets is made to holders of Common Stock or any other Junior Stock, a liquidating distribution in the amount of a liquidation preference of $10,000 per share (equivalent to $25 per Series C Depositary Share), plus the sum of any declared and unpaid dividends for prior Dividend Periods prior to the Dividend Period in which the liquidation distribution is made and any declared and unpaid dividends for the then current Dividend Period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series C Preferred Stock will have no right or claim to any of First Horizon's remaining assets.

Distributions will be made only to the extent that First Horizon's assets are available after satisfaction of all liabilities to depositors, and creditors and subject to the rights of holders of any securities ranking senior to the Series C Preferred Stock. If First Horizon's remaining assets are not sufficient to pay the full liquidating distributions to the holders of all outstanding Series C Preferred Stock and all Parity Stock, then First Horizon will distribute First Horizon's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

First Horizon's merger or consolidation with one or more other entities or the sale, lease, exchange or other transfer of all or substantially all of First Horizon's assets (for cash, securities or other consideration) will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up. If First Horizon enters into any merger or consolidation transaction with or into any other entity and First Horizon is not the surviving entity in such transaction, the Series C Preferred Stock may be converted into shares of the surviving or successor corporation or the direct or indirect parent of the surviving or successor corporation having terms identical to the terms of the Series C Preferred Stock.

Because First Horizon is a holding company, First Horizon's rights and the rights of First Horizon's creditors and First Horizon's shareholders, including the holders of the Series C Preferred Stock, to participate in the distribution of assets of any of First Horizon's subsidiaries upon that subsidiary's voluntary or involuntary liquidation, dissolution or winding up will be subject to the prior claims of that subsidiary's creditors, except to the extent that First Horizon is a creditor with recognized claims against that subsidiary. In addition, holders of the Series C Preferred Stock (and of Series C Depositary Shares) may be fully subordinated to interests held by the U.S. Government in the event First Horizon enters into a receivership, insolvency, liquidation or similar proceeding.

***No Preemptive or Conversion Rights***

Holders of the Series C Preferred Stock do not have preemptive rights. The Series C Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of capital stock or other securities of First Horizon, nor convertible into or exchangeable for any other of First Horizon's property, interests or securities.

***Listing***

Series C Depositary Shares are listed on the New York Stock Exchange LLC under the trading symbol **FHN PR C**. The Series C Preferred Stock is not listed on any exchange, and is not registered under the Securities Exchange Act of 1934.

## Description of Series D Depositary Shares and Series D Preferred Stock

***Relationship of Depositary Shares to Preferred Stock***

First Horizon's Board has designated 10,000 shares of Series D Preferred Stock, of which all have been issued and are held by the Series D Depositary under the Series D Deposit Agreement. The Series D Depositary has issued 4,000,000 Series D Depositary Shares, which are evidenced by depositary receipts. Each Series D Depositary Share represents a 1/400$^{th}$ ownership interest in one share of Series D Preferred Stock held by the Series D Depositary. The holders of the Series D Depositary Shares, pro-rata through the Series D Depositary, may exercise, receive, and enjoy all the rights of the underlying Series D Preferred Stock.

The number of designated shares of Series D Preferred Stock may be increased by action of First Horizon's Board without the consent of the current holder of Series D Preferred Stock or the holders of the Series D Depositary Shares.

***Ranking***

With respect to the payment of dividends and distributions upon First Horizon's liquidation, dissolution or winding up, the Series D Preferred Stock will rank (i) senior to First Horizon's Common Stock and any other class or series of capital stock that by its terms ranks junior to the Series D Preferred Stock, (ii) equally with the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series E Preferred Stock, and any existing or future series of capital stock that does not by its terms provide for a junior ranking, and (iii) junior to all existing and future indebtedness and other liabilities and any class or series of capital stock that expressly provides in the Articles of Amendment creating such preferred stock that such series ranks senior to the Series D Preferred Stock (subject to any requisite consents prior to issuance).

The Series D Preferred Stock will not be convertible into, or exchangeable for, shares of any other class or series of First Horizon capital stock or other securities and will not be subject to any sinking fund or other obligation to redeem or repurchase the Series D Preferred Stock. The preferred stock is not secured, is not guaranteed by First Horizon or any of First Horizon's affiliates and is not subject to any other arrangement that legally or economically enhances the ranking of the Series D Preferred Stock.

See also "Ranking of the Five Outstanding Preferred Series with respect to Each Other" on page 45 of this Exhibit.

***Voting Rights—Series D Depositary Shares***

Because each Series D Depositary Share represents a 1/400th ownership interest in a share of Series D Preferred Stock, holders of Series D Depositary Shares will be entitled to 1/400th of a vote per Series D Depositary Share under those limited circumstances in which holders of the Series D Preferred Stock are entitled to vote.

When the Series D Depositary receives notice of any meeting at which the holders of the Series D Preferred Stock are entitled to vote, the Series D Depositary will provide the information contained in the notice to the record holders of the Series D Depositary Shares relating to the Series D Preferred Stock. Each record holder of Series D Depositary Shares on the record date, which will be the same date as the record date for the Series D Preferred Stock, may instruct the Series D Depositary to vote the amount of the Series D Preferred Stock represented by the holder's Series D Depositary Shares. To the extent possible, the Series D Depositary will vote the amount of the Series D Preferred Stock represented by Series D Depositary Shares in accordance with the instructions it receives. First Horizon has agreed to take all reasonable actions that the Series D Depositary determines are necessary to enable the Series D Depositary to vote as instructed. If the Series D Depositary does not receive specific instructions from the

holders of any Series D Depositary Shares representing the Series D Preferred Stock, it will abstain from voting with respect to such Shares (but shall appear at the meeting with respect to such shares unless directed to the contrary).

***Voting Rights—Series D Preferred Stock***

Registered owners of Series D Preferred Stock will not have any voting rights, except as set forth below or as otherwise required by applicable law.

Whenever dividends payable on the Series D Preferred Stock or any other class or series of preferred stock ranking equally with the Series D Preferred Stock, including the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series E Preferred Stock, as to payment of dividends, and upon which voting rights equivalent to those described in this paragraph have been conferred and are exercisable, have not been declared and paid in an aggregate amount equal to, as to any class or series, the equivalent of at least three Fixed Rate Periods or at least six Floating Rate Periods, whether or not for consecutive Dividend Periods (a "Nonpayment"), the holders of outstanding shares of the Series D Preferred Stock voting as a class with holders of shares of any other series of First Horizon preferred stock ranking equally with the Series D Preferred Stock, including the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series E Preferred Stock, as to payment of dividends, and upon which like voting rights have been conferred and are exercisable ("Voting Parity Stock"), will be entitled to vote for the election of two additional directors of the First Horizon board of directors on the terms set forth below (and to fill any vacancies in the terms of such directorships) (the "Preferred Stock Directors"). Holders of all series of First Horizon Voting Parity Stock will vote as a single class. In the event that the holders of the shares of the Series D Preferred Stock are entitled to vote as described in this paragraph, the number of members of the First Horizon board of directors at the time will be increased by two directors, and the holders of the Series D Preferred Stock will have the right, as members of that class, as outlined above, to elect two directors at a special meeting called at the request of the holders of record of at least 20% of the aggregate voting power of the Series D Preferred Stock or any other series of Voting Parity Stock (unless such request is received less than 90 days before the date fixed for First Horizon's next annual or special meeting of the shareholders, in which event such election shall be held at such next annual or special meeting of the shareholders), provided that the election of any Preferred Stock Directors shall not cause First Horizon to violate the corporate governance requirements of the NYSE (or any other exchange on which First Horizon's securities may at such time be listed) that listed companies must have a majority of independent directors, and provided further that at no time shall the First Horizon board of directors include more than two Preferred Stock Directors.

The Preferred Stock Directors elected at any such special meeting will hold office until First Horizon's next annual meeting of the shareholders unless they have been previously terminated or removed pursuant to the First Horizon charter. In case any vacancy in the office of a Preferred Stock Director occurs (other than prior to the initial election of the Preferred Stock Directors), the vacancy may be filled by the written consent of the Preferred Stock Director remaining in office, or if none remains in office, by the vote of the holders of the Series D Preferred Stock (together with holders of any Voting Parity Stock) to serve until First Horizon's next annual meeting of the shareholders.

When First Horizon has paid full dividends on the Series D Preferred Stock for the equivalent of at least two Fixed Rate Periods or at least four Floating Rate Periods following a Nonpayment, the voting rights described above will terminate, except as expressly provided by law. The voting rights described above are subject to re-vesting upon each and every subsequent Nonpayment.

Upon termination of the right of the holders of the Series D Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors as described above, the term of office of all Preferred Stock Directors then in office elected by only those holders will terminate immediately.

Whenever the term of office of the Preferred Stock Directors ends and the related voting rights have expired, the number of directors automatically will be decreased to the number of directors as otherwise would prevail. Any Preferred Stock Director may be removed at any time by the holders of record of a majority of the outstanding shares of the Series D Preferred Stock (together with holders of any Voting Parity Stock) when they have the voting rights described in this section.

Under regulations adopted by the Federal Reserve Board, if the holders of any series of preferred stock are or become entitled to vote for the election of directors, such series will be deemed a class of voting securities and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over First Horizon, will be subject to regulation as a bank holding company under the BHC Act. In addition, at the time a Series is deemed a class of voting securities, any other bank holding company will be required to obtain the prior approval of the Federal Reserve Board under the BHC Act to acquire or retain more than 5% of that Series. Any other person (other than a bank holding company) will be required to obtain the non-objection of the Federal Reserve Board under the Change in Bank Control Act of 1978, as amended, to acquire or retain 10% or more of that Series.

So long as any shares of Series D Preferred Stock remain outstanding, First Horizon will not, without the affirmative vote or consent of holders of at least 66 2/3% in voting power of the Series D Preferred Stock and any Voting Parity Stock, voting together as a class, authorize, create or issue any capital stock ranking senior to the Series D Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up, or reclassify any authorized capital stock into any such shares of such capital stock or issue any obligation or security convertible into or evidencing the right to purchase any such shares of capital stock. So long as any shares of the Series D Preferred Stock remain outstanding, First Horizon will not, without the affirmative vote of the holders of at least 66 2/3% in voting power of the Series D Preferred Stock, amend, alter or repeal any provision of the Articles of Amendment or First Horizon's charter, including by merger, consolidation or otherwise, so as to affect the powers, preferences or special rights of the Series D Preferred Stock.

Notwithstanding the foregoing, none of the following will be deemed to affect the powers, preferences or special rights of the Series D Preferred Stock: any increase in the amount of authorized Common Stock or authorized Preferred Stock, or any increase or decrease in the number of shares of any series of Preferred Stock, or the authorization, creation and issuance of other classes or series of capital stock, in each case ranking on parity with or junior to the Series D Preferred Stock as to dividends or distribution of assets upon First Horizon's liquidation, dissolution or winding up; a merger or consolidation of First Horizon with or into another entity in which the shares of the Series D Preferred Stock remain outstanding; and a merger or consolidation of First Horizon with or into another entity in which the shares of the Series D Preferred Stock are converted into or exchanged for preference securities of the surviving entity or any entity, directly or indirectly, controlling such surviving entity, so long as such new preference securities have powers, preferences and special rights that are identical to the powers, preferences and special rights of the Series D Preferred Stock.

*Voting Rights under Tennessee Law*

Under current provisions of the TBCA, holders of the Series D Preferred Stock are entitled to vote separately as a class on certain amendments to the First Horizon charter that would impact the Series D Preferred Stock.

***Dividend Rights—Series D Depositary Shares***

Each dividend payable on a Series D Depositary Share will be in an amount equal to 1/400th of the dividend declared and payable on each share of Series D Preferred Stock.

The Series D Depositary will distribute all dividends and other cash distributions received on the Series D Preferred Stock to the holders of record of the Series D Depositary Shares in proportion to the number of Series D Depositary Shares held by each holder. In the event of a distribution other than in cash, the Series C Depositary will distribute property received by it to the holders of record of the Series D Depositary Shares in proportion to the number of Series D Depositary Shares held by each holder, unless the Series D Depositary determines that this distribution is not feasible, in which case the Series D Depositary may, with First Horizon's approval, adopt a method of distribution that it deems equitable and practicable, including the sale of the property (in a commercially reasonable manner) and distribution of the net proceeds of that sale to the holders of the Series D Depositary Shares.

If the calculation of a dividend or other cash distribution results in an amount that is a fraction of a cent and that fraction is equal to or greater than $0.005, the Series D Depositary will round that amount up to the next highest whole cent and will request that First Horizon pay the resulting additional amount to the Series D Depositary for the relevant dividend or other cash distribution. If the fractional amount is less than $0.005, the Series D Depositary will disregard that fractional amount and add such amount to, and treat it as a part of, the next succeeding distribution.

Record dates for the payment of dividends and other matters relating to the Series D Depositary Shares will be the same as the corresponding record dates for the Series D Preferred Stock.

The amount paid as dividends or otherwise distributable by the Series D Depositary with respect to the Series D Depositary Shares or the underlying Series D Preferred Stock will be reduced by any amounts required to be withheld by First Horizon or the Series D Depositary on account of taxes or other governmental charges. The Series D Depositary may refuse to make any payment or distribution, or any transfer, exchange, or withdrawal of any Series D Depositary Shares or the shares of the Series D Preferred Stock until such taxes or other governmental charges are paid.

***Dividend Rights—Series D Preferred Stock***

Holders of the Series D Preferred Stock will be entitled to receive, only when, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), out of assets legally available under applicable law for payment, noncumulative cash dividends based on the liquidation preference of $10,000 per share of Series D Preferred Stock, and no more, at a rate equal to (1) 6.100 % per annum (equivalent to $1.525 per Series D Depositary Share per annum), for each semi-annual Dividend Period occurring from, and including, the original issue date of the Series D Preferred Stock to, but excluding, May 1, 2024 (the "Fixed Rate Period"), and (2) thereafter, three-month LIBOR plus a spread of 385.9 basis points per annum, for each quarterly Dividend Period beginning May 1, 2024 (the "Floating Rate Period"), subject to potential adjustment as provided in clause (iii) of the definition of three-month LIBOR. A "Dividend Period" means the period from, and including, each Dividend Payment Date (as defined below) to, but excluding, the next succeeding Dividend Payment Date, except that the initial Dividend Period will be the period from, and including, the last dividend payment date prior to the closing.

When, as, and if declared by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), First Horizon will pay cash dividends on the Series D Preferred Stock semi-annually, in arrears, on May 1 and November 1 of each year (each such date, a "Dividend Payment Date"), beginning on the first Dividend Payment Date after completion of the merger and ending on May 1, 2024.

From, and including, May 1, 2024, First Horizon will pay cash dividends on the Series D Preferred Stock quarterly, in arrears, on February 1, May 1, August 1, and November 1, beginning on August 1, 2024, subject to potential adjustment as provided in clause (iii) of the definition of three-month LIBOR. First Horizon will pay cash dividends to the holders of record of shares of the Series D Preferred Stock as they

appear on First Horizon's stock register on the applicable record date, which shall be the fifteenth calendar day before that Dividend Payment Date or such other record date fixed by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) that is not more than 60 nor less than 10 days prior to such Dividend Payment Date.

If any Dividend Payment Date on or prior to May 1, 2024 is a day that is not a business day (as defined below), then the dividend with respect to that Dividend Payment Date will instead be paid on the immediately succeeding business day, without interest or other payment in respect of such delayed payment. If any Dividend Payment Date after May 1, 2024 is a day that is not a business day, then the Dividend Payment Date will be the immediately succeeding business day unless such day falls in the next calendar month, in which case the Dividend Payment Date will instead be the immediately preceding day that is a business day, and dividends will accumulate to the Dividend Payment Date as so adjusted. A "business day" for the Fixed Rate Period means any weekday in New York, New York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed. A "business day" for the Floating Rate Period means any weekday in New York, New York that is not a day on which banking institutions in those cities are authorized or required by law, regulation, or executive order to be closed, and additionally, is a London banking day, which is any day on which commercial banks are open for dealings in deposits in U.S. dollars in the London interbank market.

First Horizon will calculate dividends on the Series D Preferred Stock for the Fixed Rate Period on the basis of a 360-day year of twelve 30-day months. First Horizon will calculate dividends on the Series D Preferred Stock for the Floating Rate Period on the basis of the actual number of days in a Dividend Period and a 360-day year, subject to potential adjustment as provided in clause (iii) of the definition of three-month LIBOR.

Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on the Series D Preferred Stock will cease to accumulate on and after the redemption date, as described below under "—Redemption," unless First Horizon defaults in the payment of the redemption price of the shares of the Series D Preferred Stock called for redemption.

Dividends on the Series D Preferred Stock will not be cumulative or mandatory. If the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) does not declare a dividend on the Series D Preferred Stock for any Dividend Period prior to the related Dividend Payment Date, that dividend will not accumulate, and First Horizon will have no obligation to pay a dividend for that Dividend Period at any time, whether or not dividends on the Series D Preferred Stock or any other series of First Horizon's Preferred Stock or Common Stock are declared for any future Dividend Period.

Dividends on the Series D Preferred Stock will accumulate from the issue date at the then-applicable dividend rate on the liquidation preference amount of $10,000 per share (equivalent to $25 per Series D Depositary Share). If First Horizon issues additional shares of the Series D Preferred Stock, dividends on those additional shares will accumulate from the issue date of those additional shares at the then-applicable dividend rate.

The dividend rate for each Dividend Period in the Floating Rate Period will be determined by the calculation agent using three-month LIBOR as in effect on the second London banking day prior to the beginning of the Dividend Period, which date is the "dividend determination date" for the relevant Dividend Period. The calculation agent then will add three-month LIBOR as determined on the dividend determination date and the applicable spread. Once the dividend rate for the Series D Preferred Stock is determined, the calculation agent will deliver that information to First Horizon and the transfer agent. Absent manifest error, the determination by the calculation agent (or, for the avoidance of doubt, by the

IFA in the clause (iii) below) of the dividend rate for a Dividend Period for the Series D Preferred Stock will be final and binding. A "London banking day" is any day on which commercial banks are open for dealings in deposits in U.S. dollars in the London interbank market.

The term "three-month LIBOR" means, for each dividend determination date related to the Floating-Rate Period, the rate determined by the calculation agent as follows: (i) the London interbank offered rate for deposits in U.S. dollars for a three month period, as that rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) at approximately 11:00 a.m., London time, on the relevant dividend determination date. (ii) If no offered rate appears on Reuters screen page "LIBOR01" (or any successor or replacement page) on the relevant dividend determination date at approximately 11:00 a.m., London time, then the calculation agent, in consultation with First Horizon, will select four major banks in the London interbank market and will request each of their principal London offices to provide a quotation of the rate at which three-month deposits in U.S. dollars in amounts of at least $1,000,000 are offered by it to prime banks in the London interbank market, on that date and at that time. If at least two quotations are provided, three-month LIBOR will be the arithmetic average (rounded upward if necessary to the nearest .00001 of 1%) of the quotations provided. Otherwise, the calculation agent in consultation with First Horizon will select three major banks in New York City and will request each of them to provide a quotation of the rate offered by it at approximately 11:00 a.m., New York City time, on the dividend determination date for loans in U.S. dollars to leading European banks for a three month period for the applicable Dividend Period in an amount of at least $1,000,000. If three quotations are provided, three-month LIBOR will be the arithmetic average of the quotations provided. Otherwise, if a LIBOR Event (as defined below) has not occurred, three-month LIBOR for the next Dividend Period will be equal to three-month LIBOR in effect for the then-current Dividend Period or, in the case of the first Dividend Period in the Floating Rate Period, the most recent rate on which three-month LIBOR could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the Fixed Rate Period. (iii) Notwithstanding clauses (i) and (ii) above, if First Horizon, in its sole discretion, determine on the relevant dividend determination date that the three-month LIBOR has been permanently discontinued or is no longer viewed as an acceptable benchmark for securities like the Series D Preferred Stock, and First Horizon has notified the calculation agent (if it is not First Horizon) of such determination (a "LIBOR Event"), then the calculation agent will use, as directed by First Horizon, as a substitute or successor base rate (the "Alternative Rate") for each future dividend determination date, the alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for the three-month LIBOR. As part of such substitution, the calculation agent will, as directed by First Horizon, make such adjustment to the Alternative Rate or the spread thereon, as well as the business day convention, the dividend determination date and related provisions and definitions ("Adjustments"), in each case that are consistent with market practice for the use of such Alternative Rate. Notwithstanding the foregoing, if First Horizon determines that there is no alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) that is consistent with market practice regarding a substitute for three-month LIBOR, First Horizon may, in its sole discretion, appoint an independent financial advisor ("IFA") to determine an appropriate Alternative Rate and any Adjustments, and the decision of the IFA will be binding on First Horizon, the calculation agent and the holders of the Series D Preferred Stock. If on any dividend determination date during the Floating-Rate Period (which may be the first dividend determination date of the Floating-Rate Period) a LIBOR Event has occurred prior to such Dividend Determination Date and for any reason an Alternative Rate has not been determined or there is no such market practice for the use of such Alternative Rate (and, in each case, an IFA has not determined an appropriate Alternative Rate and Adjustments or an IFA has not been appointed) as of such Dividend Determination Date, then commencing on such Dividend Determination

Date the dividend rate, business day convention and manner of calculating dividends applicable during the Fixed-Rate Period will be in effect for the applicable Dividend Period and will remain in effect during the remainder of the Floating-Rate Period.

***Priority Regarding Dividends***

During any Dividend Period, so long as any share of Series D Preferred Stock remains outstanding, unless (i) the full dividends for the immediately preceding Dividend Period on all outstanding shares of Series D Preferred Stock have been paid in full or declared; and funds sufficient for the payment of those dividends set aside, and (ii) First Horizon is not in default on its obligation to redeem any shares of Series D Preferred Stock that have been called for redemption, (1) no dividend will be declared and paid or set aside for payment and no distribution will be declared and made or set aside for payment on any Junior Stock (as defined below) (other than a dividend payable solely in shares of Junior Stock or any dividend in connection with the implementation of a shareholder rights plan or the redemption or repurchase of any rights under such a plan); (2) no shares of Junior Stock will be repurchased, redeemed, or otherwise acquired for consideration by First Horizon, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into other Junior Stock, or the exchange for or conversion into Junior Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock or pursuant to a contractually binding requirement to buy Junior Stock pursuant to a binding stock repurchase plan existing prior to the most recently completed Dividend Period), nor will any monies be paid to or made available for a sinking fund for the redemption of any such securities by us; and (3) no shares of Parity Stock (as defined below) will be repurchased, redeemed or otherwise acquired for consideration by First Horizon (other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series D Preferred Stock and such Parity Stock, through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, as a result of a reclassification of Parity Stock for or into other Parity Stock, or by conversion into or exchange for other Parity Stock or Junior Stock), during a Dividend Period.

The foregoing limitations do not apply to purchases or acquisitions of First Horizon Junior Stock pursuant to any employee or director incentive or benefit plan or arrangement (including any of First Horizon's employment, severance, or consulting agreements) of First Horizon's or of any of First Horizon's subsidiaries.

Except as described below, for so long as any share of Series D Preferred Stock remains outstanding, First Horizon will not declare, pay, or set aside for payment full dividends on any Parity Stock unless First Horizon has paid in full, or set aside payment in full, in respect of all accumulated dividends for all Dividend Periods for outstanding shares of preferred stock. To the extent that First Horizon declares dividends on the Series D Preferred Stock and on any Parity Stock but cannot make full payment of such declared dividends, First Horizon will allocate the dividend payments on a pro rata basis among the holders of the shares of Series D Preferred Stock and the holders of any Parity Stock then outstanding. For purposes of calculating the pro rata allocation of partial dividend payments, First Horizon will allocate dividend payments based on the ratio between the then current and unpaid dividend payments due on the shares of Series D Preferred Stock and (1) in the case of cumulative Parity Stock the aggregate of the accumulated and unpaid dividends due on any such Parity Stock and (2) in the case of noncumulative Parity Stock, the aggregate of the declared but unpaid dividends due on any such Parity Stock. No interest will be payable in respect of any dividend payment on Series D Preferred Stock that may be in arrears.

"Junior Stock" means First Horizon Common Stock and any other class or series of First Horizon capital stock over which the Series D Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on First Horizon's liquidation, dissolution or winding up, and "Parity Stock" means the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series

E Preferred Stock, and any other class or series of First Horizon capital stock that ranks on a par with the Series D Preferred Stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up, which includes any other class or series of First Horizon's stock hereafter authorized that ranks on a par with the Series D Preferred Stock in the payment of dividends and in the distribution of assets on First Horizon's liquidation, dissolution or winding up.

Subject to the conditions described above, and not otherwise, dividends (payable in cash, stock, or otherwise), as may be determined by the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors), may be declared and paid on First Horizon Common Stock and any Junior Stock from time to time out of any funds legally available for such payment, and the holders of the Series D Preferred Stock will not be entitled to participate in those dividends.

***Maturity and Redemption—Series D Depositary Shares***

If First Horizon redeems the Series D Preferred Stock, in whole or in part, Series D Depositary Shares also will be redeemed with the proceeds received by the Series D Depositary from the redemption of the Series D Preferred Stock held by the Series D Depositary. The redemption price per Series D Depositary Shares will be 1/400th of the redemption price per share payable with respect to the Series D Preferred Stock (or $25 per Series D Depositary Share), plus, as applicable, any accumulated and unpaid dividends on the shares of the Series D Preferred Stock called for redemption for the then-current dividend period to, but excluding, the redemption date, without accumulation of any undeclared dividends.

If First Horizon redeems shares of the Series D Preferred Stock held by the Series D Depositary, the Series D Depositary will redeem, as of the same redemption date, the number of Series D Depositary Shares representing those shares of the Series D Preferred Stock so redeemed. If First Horizon redeems less than all of the outstanding Series D Depositary Shares, the Series D Depositary Shares to be redeemed will be selected either pro rata or by lot. In any case, the Series D Depositary will redeem Series D Depositary Shares only in increments of 400 Depositary Shares and multiples thereof. The Series D Depositary will provide notice of redemption to record holders of the Series D Depositary Shares not less than 30 and not more than 60 days prior to the date fixed for redemption of the applicable series of Series D Preferred Stock and the Series D Depositary Shares.

***Maturity and Redemption—Series D Preferred Stock***

The Series D Preferred Stock is perpetual and has no maturity date. The Series D Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provision.

Neither the holders of Series D Preferred Stock nor the holders of the Series D Depositary Shares have the right to require the redemption or repurchase of the Series D Preferred Stock. In addition, under the Federal Reserve Board's risk-based capital rules applicable to bank holding companies, any redemption of the Series D Preferred Stock is subject to prior approval of the Federal Reserve Board.

*Optional Redemption*

First Horizon may redeem the Series D Preferred Stock, in whole or in part, at First Horizon's option, for cash, on any Dividend Payment Date on or after May 1, 2024, with not less than 30 days' and not more than 60 days' notice ("Optional Redemption"), subject to the approval of the appropriate federal banking agency, at the redemption price provided below. Dividends will not accumulate on those shares of Series D Preferred Stock on and after the redemption date.

*Redemption Following a Regulatory Capital Event*

First Horizon may redeem the Series D Preferred Stock, in whole but not in part, at First Horizon's option, for cash, at any time within 90 days following a Regulatory Capital Treatment Event, subject to the approval of the appropriate federal banking agency, at the redemption price provided below. A

"Regulatory Capital Treatment Event" means a good faith determination by First Horizon that, as a result of any: amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Series D Preferred Stock; proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of the Series D Preferred Stock; or official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced or becomes effective after the initial issuance of the Series D Preferred Stock there is more than an insubstantial risk that First Horizon will not be entitled to treat the full liquidation value of the Series D Preferred Stock then outstanding as "Tier 1 Capital" (or its equivalent) for purposes of the capital adequacy laws or regulations of the Federal Reserve Board (or, as and if applicable, the capital adequacy laws or regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of Series D Preferred Stock is outstanding. Dividends will not accumulate on the shares of Series D Preferred Stock on and after the redemption date.

*Redemption Price*

The redemption price for any redemption of Series D Preferred Stock, whether an Optional Redemption or Regulatory Event Redemption, will be equal to $10,000 per share of Series D Preferred Stock (equivalent to $25 per Series D Depositary Share), plus any declared and unpaid dividends (without regard to any undeclared dividends) to, but excluding, the date of redemption.

*Redemption Procedures*

If First Horizon elects to redeem any shares of Series D Preferred Stock, First Horizon will provide notice to the holders of record of the shares of Series D Preferred Stock to be redeemed, not less than thirty (30) days and not more than sixty (60) days before the date fixed for redemption thereof (provided, however, that if the shares of Series D Preferred Stock or the Series D Depositary Shares are held in book-entry form through DTC, First Horizon may give this notice in any manner permitted by DTC). Any notice given as provided in this paragraph will be conclusively presumed to have been duly given, whether or not the holder receives this notice, and any defect in this notice or in the provision of this notice, to any holder of shares of Series D Preferred Stock designated for redemption will not affect the redemption of any other shares of Series D Preferred Stock. Each notice of redemption shall state: the redemption date; the redemption price; if fewer than all shares of Series D Preferred Stock are to be redeemed, the number of shares of Series D Preferred Stock to be redeemed; and the manner in which holders of Series D Preferred Stock called for redemption may obtain payment of the redemption price in respect to those shares.

If notice of redemption of any shares of Series D Preferred Stock has been given and if the funds necessary for such redemption have been set aside by First Horizon in trust for the benefit of the holders of any shares of Series D Preferred Stock so called for redemption, then from and after the redemption date such shares of Series D Preferred Stock will no longer be deemed outstanding, all dividends with respect to such shares of Series D Preferred Stock shall cease to accumulate after the redemption date and all rights of the holders of such shares will terminate, except the right to receive the redemption price, without interest.

In the case of any redemption of only part of the Series D Preferred Stock at the time outstanding, the shares of Series D Preferred Stock to be redeemed will be selected either pro rata or by lot or in such other manner as the First Horizon board of directors (or a duly authorized committee of the First Horizon board of directors) determines to be fair and equitable. Subject to the provisions described in this exhibit, the First Horizon board of directors (or a duly authorized committee of the First Horizon board of

directors) will have the full power and authority to prescribe the terms and conditions upon which shares of Series D Preferred Stock may be redeemed from time to time.

***Liquidation Rights***

Upon First Horizon's voluntary or involuntary liquidation, dissolution or winding up, the holders of the outstanding shares of Series D Preferred Stock are entitled to be paid out of First Horizon's assets legally available for distribution to First Horizon shareholders, before any distribution of assets is made to holders of Common Stock or any other Junior Stock, a liquidating distribution in the amount of a liquidation preference of $10,000 per share (equivalent to $25 per Series D Depositary Share), plus the sum of any declared and unpaid dividends for prior Dividend Periods prior to the Dividend Period in which the liquidation distribution is made and any declared and unpaid dividends for the then current Dividend Period in which the liquidation distribution is made to the date of such liquidation distribution. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series D Preferred Stock will have no right or claim to any of First Horizon's remaining assets.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, First Horizon's available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series D Preferred Stock and the corresponding amounts payable on all shares of Parity Stock in the distribution of assets upon any such liquidation, dissolution or winding up, then First Horizon will distribute First Horizon's assets to those holders pro rata in proportion to the full liquidating distributions to which they would otherwise have received.

First Horizon's merger or consolidation with one or more other entities or the sale, lease, exchange or other transfer of all or substantially all of First Horizon's assets (for cash, securities or other consideration) will not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up. If First Horizon enters into any merger or consolidation transaction with or into any other entity and First Horizon is not the surviving entity in such transaction, the Series D Preferred Stock may be converted into or exchanged for preference securities of the surviving entity or any entity, directly or indirectly, controlling such surviving entity, so long as such new preference securities have powers, preferences and special rights that are identical to the powers, preferences and special rights of the Series D Preferred Stock described in this exhibit.

Because First Horizon is a holding company, First Horizon's rights and the rights of First Horizon creditors and First Horizon shareholders, including the holders of the Series D Preferred Stock, to participate in the distribution of assets of any of First Horizon's subsidiaries upon that subsidiary's voluntary or involuntary liquidation, dissolution or winding up will be subject to the prior claims of that subsidiary's creditors, except to the extent that First Horizon is a creditor with recognized claims against that subsidiary. In addition, holders of the Series D Preferred Stock (and of the Series D Depositary Shares) may be fully subordinated to interests held by the U.S. Government in the event First Horizon enters into a receivership, insolvency, liquidation or similar proceeding.

***No Preemptive or Conversion Rights***

Holders of the Series D Preferred Stock do not have preemptive rights. The Series D Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of capital stock or other securities of First Horizon, nor convertible into or exchangeable for any other of First Horizon's property, interests or securities.

***Listing***

Series D Depositary Shares are listed on the New York Stock Exchange LLC under the trading symbol **FHN PR D**. The Series D Preferred Stock is not listed on any exchange, and is not registered under the Securities Exchange Act of 1934.

## Description of Series E Depositary Shares and Series E Preferred Stock

***Relationship of Depositary Shares to Preferred Stock***

All 1,500 designated shares of Series E Preferred Stock have been issued and are held by the Series E Depositary under the Series E Deposit Agreement. The Series E Depositary has issued 6,000,000 Series E Depositary Shares, which are evidenced by depositary receipts. Each Series E Depositary Share represents a 1/4,000$^{th}$ ownership interest in one share of Series E Preferred Stock held by the Series E Depositary. The holders of the Series E Depositary Shares, pro-rata through the Series E Depositary, may exercise, receive, and enjoy all the rights of the underlying Series E Preferred Stock.

The number of designated shares of Series E Preferred Stock may be increased by action of First Horizon's Board without the consent of the current holder of Series E Preferred Stock or the holders of the Series E Depositary Shares.

***Ranking of Series E Preferred Stock***

With respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up, the Series E Preferred Stock ranks:

- senior to First Horizon's Common Stock and all other junior stock;
- senior to or on a parity with each other series of preferred stock First Horizon may issue (except for any senior series that may be issued upon the requisite vote or consent of the holders of at least a two-thirds of the shares of the Series E Preferred Stock at the time outstanding and entitled to vote) with respect to the payment of dividends and distributions of assets upon any liquidation, dissolution or winding-up; and
- junior to all existing and future indebtedness and other non-equity claims on First Horizon.

See also "Ranking of the Five Outstanding Preferred Series with respect to Each Other" on page 45 of this Exhibit.

***Voting Rights—Series E Depositary Shares***

When the Series E Depositary receives notice of any meeting at which the holders of the Series E Preferred Stock are entitled to vote, the Series E Depositary will mail the information contained in the notice to the record holders of the Series E Depositary Shares. Each record holder of the Series E Depositary Shares on the record date, which will be the same date as the record date for the Series E Preferred Stock, may instruct the Series E Depositary to vote the amount of the Series E Preferred Stock represented by the holder's Series E Depositary Shares. To the extent possible, the Series E Depositary will vote the amount of the Series E Preferred Stock represented by Series E Depositary Shares in accordance with the instructions it receives. First Horizon will agree to take all reasonable actions that the depositary determines are necessary to enable the Series E Depositary to vote as instructed. If the Series E Depositary does not receive specific instructions from the holders of any Series E Depositary Shares, it will not vote the shares of Series E Preferred Stock relating to those Series E Depositary Shares.

***Voting Rights—Series E Preferred Stock***

Except as described below or otherwise required by law, the holders of Series E Preferred Stock do not have voting power, and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of shares of First Horizon's capital stock, and are not be entitled to participate in meetings of holders of First Horizon's Common Stock or to call a meeting of the holders of any one or more classes or series of First Horizon's capital stock for any purpose.

*Right to Elect Two Directors upon Non-payment of Dividends*

If and when the dividends on the Series E Preferred Stock and any dividend parity stock that has voting rights equivalent to those described in this paragraph ("voting parity stock") have not been declared and paid (i) in the case of the Series E Preferred Stock and voting parity stock bearing non-cumulative dividends, in full for at least six quarterly dividend periods or their equivalent (whether or not consecutive) or (ii) in the case of voting parity stock bearing cumulative dividends, in an aggregate amount equal to full dividends for at least six quarterly dividend periods or their equivalent (whether or not consecutive), the number of directors then constituting First Horizon's board of directors will be increased by two. Holders of Series E Preferred Stock, together with the holders of all other affected classes and series of voting parity stock, voting as a single class, will be entitled to elect the two additional members of First Horizon's board of directors (the "preferred stock directors") at any annual or special meeting of shareholders or any special meeting of the holders of Series E Preferred Stock and any voting parity stock for which dividends have not been paid, called as provided below, but only if the election of any preferred stock directors would not cause First Horizon to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange or trading facility on which First Horizon's securities may be listed or traded). In addition, First Horizon's board of directors shall at no time have more than two preferred stock directors.

At any time after this voting power has vested as described above, First Horizon's Secretary may, and upon the written request of holders of record of at least 20% of the outstanding shares of the Series E Preferred Stock and voting parity stock (addressed to the Secretary at First Horizon's principal office) must, call a special meeting of the holders of Series E Preferred Stock and voting parity stock for the election of the preferred stock directors. No special meeting may be called within 90 days of the date fixed for the next annual or special meeting of shareholders. Notice for a special meeting will be given in a similar manner to that provided in First Horizon's by-laws for a special meeting of the shareholders, which First Horizon will provide upon request, or as required by law. If First Horizon's Secretary is required to call a meeting but does not do so within 20 days after receipt of any such request, then any holder of shares of Series E Preferred Stock may (at First Horizon's expense) call such meeting, upon notice as provided in this section, and for that purpose will have access to First Horizon's stock books. The preferred stock directors elected at any such special meeting will hold office until the next annual meeting of First Horizon's shareholders unless they have been previously terminated. In case any vacancy occurs among the preferred stock directors, a successor will be elected by First Horizon's board of directors to serve until the next annual meeting of the shareholders upon the nomination of the then remaining preferred stock director or, if none remains in office, by the vote of the holders of record of a majority of the outstanding shares of Series E Preferred Stock and voting parity stock, voting as a single class. Any preferred stock director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of Series E Preferred Stock and all voting parity stock, voting as a single class. The preferred stock directors will each be entitled to one vote per director on any matter.

Whenever full dividends have been paid on the Series E Preferred Stock and any noncumulative voting parity stock for at least one year after a non-payment event and all dividends on any cumulative voting parity stock have been paid in full, then the right of the holders of the Series E Preferred Stock to elect the preferred stock directors will cease (but subject always to the same provisions for the vesting of these voting rights in the case of any similar non-payment of dividends in respect of future dividend periods), the terms of office of all preferred stock directors will immediately terminate and the number of directors constituting First Horizon's board of directors will be reduced accordingly.

*Other Voting Rights of Series E Preferred Stock*

So long as any shares of the Series E Preferred Stock remain outstanding, in addition to any other vote or consent of stockholders required by law or First Horizon's Charter, the affirmative vote or consent of the

holders of at least two-thirds of all of the shares of Series E Preferred Stock at the time outstanding and entitled to vote, voting separately as a class, will be required to:

- authorize or increase the authorized amount of, or issue shares of, any class or series of First Horizon's capital stock ranking senior to the Series E Preferred Stock with respect to payment of dividends or as to distributions upon First Horizon's liquidation, dissolution or winding-up, or issue any obligation or security convertible into or evidencing the right to purchase, any such class or series of First Horizon's capital stock;
- amend the provisions of First Horizon's Charter or restated bylaws so as to materially and adversely affect the special powers, preferences, privileges or rights of the Series E Preferred Stock, taken as a whole; or
- consummate a binding share-exchange or reclassification involving the Series E Preferred Stock, or a merger or consolidation of First Horizon with or into another entity, unless the shares of the Series E Preferred Stock (i) remain outstanding or (ii) are converted into or exchanged for preference securities of the surviving entity or any entity controlling such surviving entity and such new preference securities have terms that are not materially less favorable than those of the Series E Preferred Stock.

When determining the application of the supermajority voting rights described above, the authorization, creation and issuance, or an increase in the authorized or issued amount of, junior stock or any series of preferred stock, or any securities convertible into or exchangeable or exercisable for junior stock or any series of preferred stock, that by its terms expressly provides that it ranks on an equal basis with the Series E Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and as to distributions upon First Horizon's liquidation, dissolution or winding-up, will not be deemed to materially and adversely affect the powers, preferences, privileges or rights of the Series E Preferred Stock, and will not require the affirmative vote or consent of, the holders of any outstanding shares of Series E Preferred Stock.

Each holder of the Series E Preferred Stock will have one vote per share on any matter on which holders of the Series E Preferred Stock are entitled to vote, including any action by written consent. Whether the vote or consent of a majority or other portion of the Series E Preferred Stock and any voting parity stock has been cast or given on any matter will be determined by reference to the respective liquidation preference amounts of the Series E Preferred Stock and voting parity stock voted or covered by the consent.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required shall be effected, all outstanding shares of the Series E Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by First Horizon for the benefit of the holders of the Series E Preferred Stock to effect the redemption.

Under current provisions of the Tennessee Business Corporation Act, holders of the Series E Preferred Stock are entitled to vote separately as a class on certain amendments to First Horizon's Charter that would impact the Series E Preferred Stock.

***Dividend Rights—Series E Depositary Shares***

The Series E Depositary will distribute any cash dividends or other cash distributions received in respect of the deposited shares of the Series E Preferred Stock to the record holders of Series E Depositary Shares relating to the underlying shares of the Series E Preferred Stock in proportion to the number of Series E Depositary Shares held by the holders. The Series E Depositary will distribute any property received by it other than cash to the record holders of Series E Depositary Shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not

feasible to make a distribution. In that event, the Series E Depositary may, with First Horizon's approval, sell the property and distribute the net proceeds from the sale to the holders of the Series E Depositary Shares in proportion to the number of Series E Depositary Shares they hold.

Record dates for the payment of dividends and other matters relating to the Series E Depositary Shares will be the same as the corresponding record dates for the Series E Preferred Stock.

The amounts distributed to holders of Series E Depositary Shares will be reduced by any amounts required to be withheld by the Series E Depositary or by First Horizon on account of taxes or other governmental charges.

***Dividend Rights—Series E Preferred Stock***

The holder of Series E Preferred Stock, in preference to the holders of First Horizon's Common Stock and of any other shares of First Horizon's stock ranking junior to the Series E Preferred Stock as to payment of dividends, will be entitled to receive, only when, as and if declared by First Horizon's board of directors, out of assets legally available for payment, non-cumulative cash dividends. These dividends will be payable at a rate of 6.500% per annum, applied to the $100,000 liquidation preference per share of Series E Preferred Stock (equivalent to $25 per Series E Depositary Share) and will be paid in arrears on each dividend payment date. A "dividend payment date" means each January 10, April 10, July 10 and October 10, commencing October 10, 2020, except if any such date is not a business day, then such date will nevertheless be a dividend payment date but dividends on the Series E Preferred Stock, when, as and if declared, will be paid on the next succeeding business day (without interest or any other adjustment in the amount of the dividend per share of the Series E Preferred Stock). A "business day" means each weekday that is not a legal holiday in New York, New York and is not a day on which banking institutions in New York, New York are authorized or obligated by law, regulation or executive order to close. A "dividend period" means each period from and including a dividend payment date (except that the initial dividend period shall commence on and include the original issue date of the Series E Preferred Stock) and continuing to but not including the next succeeding dividend payment date. As that term is used herein, each dividend payment date "relates" to the dividend period most recently ending before such dividend payment date. Dividends will be paid to holders of record of the Series E Preferred Stock as they appear on First Horizon's books on the applicable record date, which shall be the 15th calendar day before such dividend payment date, or such other record date fixed for that purpose by First Horizon's board of directors that is not more than 60 nor less than 10 calendar days prior to such dividend payment date.

The amount of dividends payable per share of the Series E Preferred Stock will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

Dividends on shares of the Series E Preferred Stock will not be cumulative and will not be mandatory. If First Horizon's board of directors does not declare a dividend on the Series E Preferred Stock in respect of a dividend period, then no dividend will be deemed to have accrued for such dividend period, be payable on the related dividend payment date, or accumulate, and First Horizon will have no obligation to pay any dividend for such dividend period, whether or not First Horizon's board of directors declares a dividend on the Series E Preferred Stock or any other series of First Horizon's Preferred Stock or on First Horizon's Common Stock for any future dividend period. References to the "accrual" (or similar terms) of dividends herein refer only to the determination of the amount of such dividend and do not imply that any right to a dividend arises prior to the date on which a dividend is declared.

***Priority Regarding Dividends***

So long as any share of the Series E Preferred Stock remains outstanding, unless (i) the full dividends for the most recently completed dividend period have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside) on all outstanding shares of the Series E Preferred Stock and (ii) First Horizon is not in default on First Horizon's obligation to redeem any shares of the Series E Preferred Stock that have been called for redemption:

- no dividend shall be declared, paid or set aside for payment, and no distribution shall be declared, made or set aside for payment, on any junior stock, other than (i) a dividend payable solely in junior stock or (ii) any dividend in connection with the implementation of a stockholders' rights plan, or the redemption or repurchase of any rights under any such plan;
- no shares of junior stock shall be repurchased, redeemed or otherwise acquired for consideration by First Horizon, directly or indirectly; this restriction on repurchases, redemptions or other acquisitions will not apply to or otherwise restrict a repurchase, redemption or acquisition
  - as a result of a reclassification of junior stock for or into other junior stock,
  - the exchange or conversion of junior stock for or into other junior stock,
  - through the use of the proceeds of a sale of other shares of junior stock within the preceding 180 days,
  - purchases, redemptions or other acquisitions of shares of junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants,
  - purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan (including a so-called Rule 10b5-1(c) purchase plan),
  - the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged,
  - purchases or other acquisitions by any of First Horizon's broker-dealer subsidiaries solely for the purpose of market making, stabilization or customer facilitation transactions in junior stock in the ordinary course of business,
  - purchases by any of First Horizon's broker-dealer subsidiaries of First Horizon's capital stock for resale pursuant to an offering by First Horizon of such capital stock underwritten by such broker-dealer subsidiary, or
  - the acquisition by First Horizon or any of First Horizon's subsidiaries of record ownership in junior stock for the beneficial ownership of any other persons (other than for the beneficial ownership by First Horizon or any of First Horizon's subsidiaries), including as trustees or custodians;
  - no shares of dividend parity stock shall be repurchased, redeemed or otherwise acquired for consideration by First Horizon, directly or indirectly; this restriction on repurchases, redemptions or other acquisitions will not apply to or otherwise restrict a repurchase, redemption or acquisition
  - pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series E Preferred Stock and such dividend parity stock,
  - as a result of a reclassification of dividend parity stock for or into other dividend parity stock,
  - the exchange or conversion of dividend parity stock for or into other dividend parity stock,

- through the use of the proceeds of a sale of other shares of dividend parity stock within the preceding 180 days,
- purchases of shares of dividend parity stock pursuant to a contractually binding requirement to buy dividend parity stock existing prior to the most recently completed dividend period, including under a contractually binding stock repurchase plan (including a so-called Rule 10b5-1(c) purchase plan),
- the purchase of fractional interests in shares of dividend parity stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged,
- purchases or other acquisitions by any of First Horizon's broker-dealer subsidiaries solely for the purpose of market making, stabilization or customer facilitation transactions in dividend parity stock in the ordinary course of business,
- purchases by any of First Horizon's broker-dealer subsidiaries of First Horizon's capital stock for resale pursuant to an offering by First Horizon of such capital stock underwritten by such broker-dealer subsidiary, or
- the acquisition by First Horizon or any of First Horizon's subsidiaries of record ownership in dividend parity stock for the beneficial ownership of any other persons (other than for the beneficial ownership by First Horizon or any of First Horizon's subsidiaries), including as trustees or custodians; and

- no money shall be paid to or made available for a sinking fund for the redemption of any junior stock or dividend parity stock by First Horizon.

When dividends are not paid in full upon the shares of the Series E Preferred Stock and any dividend parity stock, all dividends paid or declared for payment on that dividend payment date with respect to the Series E Preferred Stock and the dividend parity stock will be shared (i) first ratably by the holders of any dividend parity stock who have the right to receive dividends with respect to past dividend periods for which such dividends were not declared and paid, in proportion to the respective amounts of the undeclared and unpaid dividends relating to past dividend periods, and (ii) thereafter ratably by the holders of the Series E Preferred Stock and any dividend parity stock, in proportion to the respective amounts of the declared and unpaid dividends relating to the current dividend period. To the extent a dividend period with respect to any dividend parity stock coincides with more than one dividend period with respect to the Series E Preferred Stock, for purposes of the immediately preceding sentence, First Horizon's board of directors will treat such dividend period as two or more consecutive dividend periods, none of which coincides with more than one dividend period with respect to the Series E Preferred Stock or in any manner that it deems to be fair and equitable. For the purposes of this paragraph, the term "dividend period" as used with respect to any dividend parity stock means such dividend periods as are provided for in the terms of such dividend parity stock.

Subject to the foregoing, such dividends (payable in cash, securities or otherwise) as may be determined by First Horizon's board of directors may be declared and paid on any class or series of junior stock or any dividend parity stock from time to time out of assets legally available for such payment, and the Series E Preferred Stock will not be entitled to participate in any such dividend. Holders of the Series E Preferred Stock will not be entitled to receive any dividends not declared by First Horizon's board of directors and no interest, or sum of money in lieu of interest, will be payable in respect of any dividend not so declared.

***Maturity and Redemption—Series E Depositary Shares***

If First Horizon redeems shares of the Series E Preferred Stock represented by the Series E Depositary Shares, the depositary shares will be redeemed from the proceeds received by the Series E Depositary resulting from the redemption of the shares of the Series E Preferred Stock held by the Series E Depositary. The redemption price per Series E Depositary Share will be equal to 1/4,000th of the redemption price per share payable with respect to the Series E Preferred Stock or $25 per Series E Depositary Share (plus dividends if applicable). Whenever First Horizon redeems shares of the Series E Preferred Stock held by the Series E Depositary, the Depositary will redeem, as of the same redemption date, the number of Series E Depositary Shares representing the shares of the Series E Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding Series E Depositary Shares, the Series E Depositary Shares to be redeemed will be selected by the Series E Depositary by lot or pro rata or in any other manner determined by the Series E Depositary to be equitable.

***Maturity and Redemption—Series E Preferred Stock***

The Series E Preferred Stock is perpetual and has no maturity date. The Series E Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. Neither the holders of Series E Preferred Stock nor holders of Series E Depositary Shares have the right to require the redemption or repurchase of the Series E Preferred Stock.

First Horizon may, at First Horizon's option, redeem the Series E Preferred Stock (i) in whole or in part, from time to time, on any dividend payment date on or after October 10, 2025, or (ii) in whole, but not in part, at any time within 90 days following a Regulatory Capital Event (as defined below), at a redemption price equal to $100,000 per share (equivalent to $25 per Series E Depositary Share), plus any declared and unpaid dividends.

A "Regulatory Capital Event" means the good faith determination by First Horizon that, as a result of (i) any amendment to, clarification of, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series E Preferred Stock, (ii) any proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any share of Series E Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series E Preferred Stock, there is more than an insubstantial risk that First Horizon will not be entitled to treat the full liquidation preference amount of $100,000 per share of Series E Preferred Stock then outstanding as "Tier 1 capital" (or its equivalent) for purposes of the capital adequacy guidelines of the Federal Reserve (or, as and if applicable, the capital adequacy guidelines or regulations of any successor appropriate federal banking agency) as then in effect and applicable.

"Appropriate federal banking agency" means the "appropriate federal banking agency" with respect to First Horizon as that term is defined in Section 3(q) of the Federal Deposit Insurance Act or any successor provision.

***Liquidation Rights***

In the event that First Horizon voluntarily or involuntarily liquidates, dissolves or winds up its affairs, holders of the Series E Preferred Stock will be entitled to receive an amount per share (the "total liquidation amount") equal to the liquidation preference of $100,000 per share (equivalent to $25 per Series E Depositary Share), plus any declared and unpaid dividends (but not including any undeclared dividends). Holders of the Series E Preferred Stock will be entitled to receive the total liquidation amount out of First Horizon's assets that are available for distribution to shareholders, after payment or provision

for payment of First Horizon's debts and other liabilities to creditors and subject to the rights of holders of any securities ranking senior to the Series E Preferred Stock with respect to distributions but before any distribution of assets is made to holders of First Horizon's Common Stock or any other shares ranking, as to that distribution, junior to the Series E Preferred Stock.

The Series E Preferred Stock may be fully subordinate to interests held by the U.S. government in the event of a receivership, insolvency, liquidation, or similar proceeding, including a proceeding under the "orderly liquidation authority" provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

If First Horizon's assets are not sufficient to pay the total liquidation amount in full to all holders of Series E Preferred Stock and all holders of any shares of First Horizon's stock ranking as to any such distribution on a parity with the Series E Preferred Stock, the amounts paid to the holders of the Series E Preferred Stock and to such other shares will be paid pro rata in accordance with the respective total liquidation amount for those holders. If the liquidation preference has been paid in full to all holders of Series E Preferred Stock and the liquidation preference of any other shares ranking on parity with the Series E Preferred Stock has been paid in full, the holders of First Horizon's Common Stock or any other shares ranking, as to such distribution, junior to the Series E Preferred Stock will be entitled to receive all of First Horizon's remaining assets according to their respective rights and preferences, and the Series E Preferred Stock will not be entitled to participate in any such distribution.

For purposes of the liquidation rights, neither the sale, lease, exchange or transfer of all or substantially all of First Horizon's property and assets, nor the consolidation, merger or other business combination by First Horizon with or into any other entity or by another entity with or into us, including a merger, consolidation or other business combination in which the holders of Series E Preferred Stock receive cash, securities or property for their shares, will constitute a liquidation, dissolution or winding-up of First Horizon's affairs.

***No Preemptive or Conversion Rights***

Holders of the Series E Preferred Stock do not have preemptive rights. The Series E Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of capital stock or other securities of First Horizon, nor convertible into or exchangeable for any other of First Horizon's property, interests or securities.

***Listing***

Series E Depositary Shares are listed on the New York Stock Exchange LLC under the trading symbol **FHN PR E**. The Series E Preferred Stock is not listed on any exchange, and is not registered under the Securities Exchange Act of 1934.

## Ranking of the Five Outstanding Preferred Series with respect to Each Other

First Horizon's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock are dividend parity stocks and liquidation parity stocks with respect to each other, meaning that each Series ranks equally with each other Series as to distributions of dividends or upon the liquidation, dissolution or winding-up of First Horizon, as described above.

The Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock are voting parity stocks with respect to each other in connection with certain limited voting rights provided to those Series in the event certain dividend payments are missed, as described above.

## Other Depositary Share Matters

***Withdrawal of Series B, C, or D Preferred Stock***

Upon surrender of Series B, C, or D Depositary Shares at the principal office of the applicable Depositary, upon payment of any unpaid amount due the Depositary, and subject to the terms of the applicable deposit agreement, the owner of the Depositary Shares evidenced thereby is entitled to delivery of the number of shares of the applicable Series of Preferred Stock and all money and other property, if any, represented by such Depositary Shares. Only whole shares of Preferred Stock may be withdrawn. If the Depositary Shares surrendered by the holder in connection with withdrawal exceed the number of Depositary Shares that represent the number of whole shares of rollover First Horizon preferred stock to be withdrawn, the Depositary will deliver to that holder at the same time a new depositary receipt evidencing the excess number of Depositary Shares.

Holders of shares of Preferred Stock thus withdrawn will not thereafter be entitled to deposit such shares under the applicable deposit agreement or to receive Depositary Shares therefor.

***Resignation and Removal of a Depositary***

In accordance with the applicable Deposit Agreement, a Depositary may resign at any time with notice to First Horizon. Similarly, First Horizon may remove or replace a Depositary at any time.

## Charter and Bylaw Provisions which Might Operate to Deter a Change in Control Event

First Horizon's Charter contains certain provisions which might discourage or delay attempts to gain control of First Horizon. Those Charter provisions include:

1. providing that only the Board of directors may fill any newly created directorships resulting from an increase in the number of directors (by means of amending the Bylaws);
2. providing that only the Board of directors may fill vacancies on the Board, including those caused by an increase in the size of the board, except for vacancies on the board resulting from a director's removal (which shareholders may choose to fill);
3. providing that shareholders may remove a director only for cause by the affirmative vote of at least a majority of the voting power of all outstanding voting stock;
4. requiring the affirmative vote by holders of at least 80% of the voting power of all outstanding voting stock in order for First Horizon's shareholders (a) to make, amend, or repeal any Bylaw provision, and (b) to adopt any Charter provision which is inconsistent with any Bylaw provision; and

5. requiring the affirmative vote by holders of at least 80% of the voting power of all outstanding voting stock to alter any of the above provisions.

First Horizon's Bylaws contain certain provisions which might have a similar effect. Those Bylaw provisions include:

1. authorizing only the board of directors or First Horizon's Chairman of the Board to call a special meeting of shareholders;
2. requiring timely notice before a shareholder may nominate a director or propose other business to be presented at a shareholders' meeting;
3. requiring timely notice and adherence to certain procedures and restrictions before a shareholder's nomination of a director may be included in First Horizon's proxy materials; and
4. requiring the affirmative vote by holders of at least 80% of the voting power of all outstanding voting stock in order for First Horizon's shareholders to make, amend, or repeal any Bylaw provision.

In addition, in certain instances, the ability of First Horizon's Board to issue authorized but unissued shares of Common Stock or Preferred Stock may have an anti-takeover effect.

This summary does not include the effects of laws and regulations which might, and in some cases would, significantly restrict the ability of anyone to gain control of First Horizon. The most significant of those are embodied in federal laws regulating control of banks and bank holding companies, and related regulations of the Board of Governors of the Federal Reserve.

**Exhibit 10.1**

# DESCRIPTION OF UPDATED 2020 SALARY RATES FOR 2019 NAMED EXECUTIVE OFFICERS

On July 1, 2020, First Horizon National Corporation (the "Company") closed its merger-of-equals transaction with IBERIABANK Corporation ("IBKC"). In the third quarter of 2020, effective July 2, 2020, the Compensation Committee of the Company's Board of Directors modified the salaries of four of the executive officers of the Company who were named in the executive compensation disclosures of the Company's 2020 proxy statement in relation to fiscal year 2019 ("2019 Named Executive Officers"). The annualized salary rates of those officers currently are:

| Officer Name | Salary Rate (eff. 7/2/2020) |
|---|---|
| D. Bryan Jordan | $1,030,000 |
| William C. (B.J.) Losch III | 675,000 |
| David T. Popwell | 700,000 |
| Susan L. Springfield | 575,000 |

Salary rates have no term. Rates generally continue in effect until they are changed.

**Exhibit 10.2**

# SECTIONS OF DIRECTOR POLICY PERTAINING TO COMPENSATION

**As amended July 28, 2020**

This exhibit sets forth excerpts from the Director Policy of First Horizon National Corporation of all sections in that Policy pertaining to compensation of directors. Other sections of the Policy have been omitted.

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## II. Implementation

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### Compensation

General. In addition to the other compensation set forth in this section, outside directors on the FHNC Board will receive the compensation set forth in the table below for their service as a director. (Table shown is effective starting with second quarter of 2020.)

**Outside Director Compensation**
**(April 1 through March 31 Pay Year)**

| | |
|---|---|
| Base Retainer: | $80,000 cash annually |
| | $122,000 RSUs annually¤ |
| Additional retainers: | Annual cash amounts: |
| Lead director | $50,000 |
| Outside Chairman of the Board* | $125,000 |
| Chair of Audit Committee | $32,000 |
| Chair of Executive & Risk Committee | $50,000 |
| Chair of other committees | $20,000 |
| Non-chair service on Audit | $10,000 |
| Non-chair service on Executive & Risk | $10,000 |

¤ The Board has determined that, for directors in office on July 28, 2020, this RSU rate will apply starting with the 2021-22 pay year.

* The Board may determine to pay this additional retainer in whole or part in RSUs. If there is an outside Chairman, the Chairman's additional retainer is to be paid in lieu of all committee-related additional retainer amounts other than for service on the Executive & Risk Committee.

No extra compensation is paid for meeting attendance, special meetings, or special committee service unless approved by the Board. Outside directors are not separately compensated for the Bank's Board or the Bank's committee service. Inside directors will receive no compensation for Board or committee membership or chair status. The total of each director's cash base retainer and additional retainer amounts ("total cash compensation") will be calculated after the organization meeting of the Board following the annual meeting of shareholders based on committee assignments and lead director status established or continued at that Board meeting. Each director's total cash compensation will be divided into four equal installments and paid quarterly in arrears during the pay year. Directors are permitted to elect to defer cash compensation into an interest-accruing account of the First Horizon National Corporation Non-Qualified Deferred Compensation Plan or any other duly adopted deferral plan, now existing or hereafter approved. As used in this section of this Policy, a "calendar year" consists of the twelve months January through December while a "pay year" consists of the last three quarters of a calendar year plus the first quarter of the next year.

RSU Awards. The dollar amount of the RSU portion of each director's base retainer will be converted into an award of restricted stock units ("RSUs") granted under FHNC's Equity Compensation Plan or any duly adopted successor plan. An RSU represents the right to receive a share of FHNC common stock at vesting as provided below. RSU awards for each pay year are to be granted annually in advance promptly after the organization meeting of the Board following the annual meeting of shareholders. The number of RSUs to be granted for the pay year will be determined as provided below under "RSU Administration." RSUs granted to directors: generally will vest on April 2 of the calendar year following grant; will earn dividend equivalents that will cumulate without interest and be paid in cash when shares are delivered; and will carry no voting or other rights associated with actual stock. Payment of units will be deferred for two years after vesting; dividends will continue to accrue during the deferral period. When the deferral period ends, shares and cash (for dividend equivalents)will be delivered reasonably promptly (but no more than four weeks) thereafter, and may be delivered electronically, through an administrative vendor, or otherwise as is administratively convenient. Each director is responsible for any income or other taxes associated with RSUs.

RSUs and Termination of Service. If a director ceases to serve on the Board for any reason, then all unvested RSUs will be forfeited unless the departure is due to one of these exceptions: death, disability, acceptance of a Bylaw tender, normal shareholder action, or change in control. In cases involving one of those exceptions: forfeiture will be avoided and vesting of RSUs will be accelerated to the date of departure. In addition, in connection with retirement a director may request the Board to waive forfeiture caused by that departure in whole or part. For purposes of non-employee director equity-based awards: "disability" means total and permanent disability; and "fair market value" and "change in control" have the meanings given in the plan under which the award was granted. A "Bylaw tender" by a director is a tender of resignation required by Section 7.1(b) of FHNC's Bylaws (or any successor section) associated with the director leaving his or her principal outside position; and, an "acceptance" of a Bylaw tender means the acceptance by the Board of such a tender of resignation. A director would leave the Board by "normal shareholder action" if he or she stands for re-election at the annual or other meeting of shareholders and either is voted out of office directly or fails to receive a majority of the votes cast and as a result is required to tender his or her resignation which is accepted by the Board. "Normal shareholder action" does not include removal from the Board for misconduct or other cause. Although the Board may act as it deems appropriate, traditionally for non-employee directors "retirement" means any termination, not caused by death or disability, after the attainment of age 65 or ten years of service as a director of FHNC.

Timing Matters. No director who is not standing for re-election at the next annual meeting is entitled to any compensation pertaining to the second quarter of the final calendar year he or she is in office, except that RSUs vesting on April 2 of that quarter shall not be disturbed by this sentence.

No continuing director is entitled to any compensation pertaining to a pay year unless and until: (a) he or she has been re-elected at the annual meeting of shareholders occurring during that pay year and has not resigned pursuant to a Bylaw tender; or (b) if the regular Board meeting of the first quarter of a pay year (the second quarter of the calendar year) begins prior to the annual meeting, he or she attends and participates as a director in that regular Board meeting.

If a new non-employee director first is elected to the Board after the annual meeting of shareholders, his or her compensation will be pro-rated and generally will begin with that quarter during which he or she first attends, and participates as a director in, a regular quarterly Board meeting. For example, a

new non-employee director who is first elected in October, who attends the regular Board meeting for the fourth calendar quarter, and who participates in that meeting as a director, would receive compensation pro-rated for the remainder of the pay year, or 50% of a full pay year. Such compensation would include total cash compensation paid quarterly and a part-year award of RSUs. Cash compensation for the remainder of the pay year will be determined based on the new director's initial committee assignments.

Assignment Change. If a non-employee director's committee, lead director, or chair assignments are changed after the organization board meeting in the first quarter of a pay year (in this paragraph, an "assignment change"), then the quarterly payments of total cash compensation for that director for the remainder of the pay year will be adjusted up or down as follows. Management will re-calculate the director's total cash compensation for the pay year on a blended basis, based on the quarters during which the original assignment was effective and the quarters during which the new assignment will be effective, to arrive at a new blended total cash compensation amount for the pay year. Management then will subtract from that total the cash payments (or deferrals) made to date for that pay year. The difference will be paid to the director in equal installments over the remaining quarters of the pay year. If assignment changes are made more than once for a particular director during a pay year, management shall apply the principles of this paragraph as equitably as possible to avoid an unfair windfall or shortfall.

RSU Administration. The number of RSUs granted shortly after the annual meeting will be determined by dividing the annual dollar amount of the RSU retainer by the average accounting value of FHNC's common stock measured during the period of five consecutive trading days ending on the trading day immediately preceding the organization meeting of the Board for the pay year. However, that five-day period will be delayed to the minimum extent possible if any part of it precedes or includes the day first-quarter earnings are announced so that the entire five-day pricing period for the grant falls after the day of the announcement. The accounting value will be the average fair market value discounted, using the discount used in preparing the Company's financial statements, for the two-year mandatory payment deferral; no discount will be applied for any risk of failure to vest. The formal grant date will be determined by management for administrative necessity and expedience consistent with the provisions of this Policy. For an award of part-year RSUs to a director elected after the annual meeting, the foregoing principles will be applied using the later election date and earnings announcement date.

The RSU awards are to be implemented by management without further action by the Board. However, in a particular case or circumstance, the Board may change or make specific exceptions to any equity award otherwise called for above. The Board may waive any forfeiture in whole or part in its discretion, subject to any conditions the Board may choose to impose. Directors may receive such other awards under FHNC's Compensation Plan, or any duly adopted successor plan, as may be approved by the Board. Perquisites and other benefits for non-employee directors are to be provided or paid as approved by the Board.

In no event will the number of share-settled RSUs granted in any year exceed the share limits on non-employee director grants imposed by the Equity Compensation Plan as in effect at the time of the organization meeting of the Board. To the extent a grant were to exceed that limit, the excess RSUs will be granted as provided above but will be paid entirely in cash based on the average closing price of the Company's common stock during the five consecutive trading days ending on the trading day immediately preceding the scheduled payment date.

Regional Board Service. To improve the directors' knowledge and understanding of FHNC and the Bank and their markets, customers, and officers, and to enhance each director's service as a director of FHNC, FHNC's non-employee directors are encouraged to become, where practicable, members of one of the Bank's Regional Boards. A director who becomes a member of a Regional Board shall not be compensated as a member of the Regional Board but shall receive attendance fees for attendance at Regional Board meetings (at the same rate as is paid for other Regional Board members, not to exceed $500 per meeting) as part of his or her FHNC director compensation. Such director shall report back to the FHNC Board regarding his or her attendance at Regional Board meetings. Membership by an FHNC director on a Regional Board is deemed by FHNC's Board of Directors to be part of the FHNC director's service as a director of FHNC.

**Retirement**

Directors of FHNC or the Bank shall be retired from the Board of Directors in accordance with the applicable provisions of the Bylaws of FHNC or the Bank as in effect on the date hereof and as they may be amended from time to time.

**Other**

This policy shall be implemented by the Chairman of the Board in cooperation with the Nominating and Corporate Governance Committee of the Board of Directors of FHNC and the Bank. The Chairman of the Board may adopt appropriate interpretations and procedures to assist in implementation of this Policy.

## III. Delegation of Authority

The Chairman of the Board and the Nominating and Corporate Governance Committee severally are delegated the authority to make exceptions to any provision of this Policy except the provisions dealing with compensation, retirement, and any matter required by the Charter or Bylaws of FHNC or the Bank, or by any law, regulation or listing standard, to be acted upon only by the Board. Any exception to this policy shall be reported to the Board at its next regularly scheduled meeting.

**EXHIBIT 10.3**

**RATE APPLICABLE TO PARTICIPATING DIRECTORS AND EXECUTIVE OFFICERS UNDER THE DIRECTORS AND EXECUTIVES DEFERRED COMPENSATION PLAN**

Effective for the 2021 plan year, the Board of Directors and its Compensation Committee approved an applicable interest rate of 8.20% for the Directors and Executives Deferred Compensation Plan. That rate decreased from the 9.66% rate in effect for 2020, and applies prospectively to certain participants, including all participants who presently are directors or officers of First Horizon National Corporation. Rates are subject to annual approval by the Board, but generally remain in effect until changed. The new interest rate, within the context of the entire Plan, has been established at a level intended to provide both retention and long-term non-compete incentives. When a participant retires after 2010 due to mandatory retirement, the participant's interest rate during retirement will be the highest rate in place over the past three years—that is, the highest of the rates applicable during the year of retirement and the previous two years.

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: November 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.

   c.

Date: November 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 September 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: November 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 September 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: November 5, 2020

/s/ William C. Losch III

William C. Losch III
Senior Executive Vice President and Chief Financial Officer