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 March 31, 2021
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



(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
Depositary Shares, each representing a 1/4,000th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series F*	FHN PR F	New York Stock Exchange LLC

* Denotes class of security issued and outstanding on the date this report is filed, but not at March 31, 2021. Listing on the New York Stock Exchange is expected, but not final at time of filing.

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 March 31, 2021
Common Stock, $.625 par value	552,374,489

FIRST HORIZON CORPORATION

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GLOSSARY OF ACRONYMS AND TERMS

The following is a list of common acronyms and terms used throughout this report:

ACL	Allowance for credit losses
ADR	Average daily revenue
AFS	Available for sale
AIR	Accrued interest receivable
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
ALM	Asset/liability management
AOCI	Accumulated other comprehensive income
ASC	FASB Accounting Standards Codification
Associate	Person employed by FHN
ASU	Accounting Standards Update
Bank	First Horizon Bank
BOLI	Bank-owned life insurance
C&I	Commercial, financial, and industrial loan portfolio
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CBF	Capital Bank Financial
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CECL	Current expected credit loss
CEO	Chief Executive Officer
CFPB	Consumer Financial Protection Bureau
CMO	Collateralized mortgage obligations
Company	First Horizon Corporation
Corporation	First Horizon Corporation
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
CRMC	Credit Risk Management Committee
DSCR	Debt service coverage ratios
DTA	Deferred tax asset
DTI	Debt-to-income
DTL	Deferred tax liability
EPS	Earnings per share
ESOP	Employee stock ownership plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Federal Reserve Board
FFP	Federal funds purchased
FFS	Federal funds sold
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC / Freddie Mac	Federal Home Loan Mortgage Corporation
FHN	First Horizon Corporation
FHNF	FHN Financial; FHN's fixed income division
FICO	Fair Isaac Corporation
FINRA	Financial Industry Regulatory Authority
FNMA / Fannie Mae	Federal National Mortgage Association
First Horizon	First Horizon Corporation
FRB	Federal Reserve Bank or the Federal Reserve Board
FTBNA	First Tennessee Bank National Association (former name of the Bank)
FTE	Fully taxable equivalent
FTHC	First Tennessee Housing Corporation
FTNF	FTN Financial (former name of FHNF)
FTNMC	First Tennessee New Markets Corporation
FTRESC	FT Real Estate Securities Company, Inc.
GAAP	Generally accepted accounting principles (U.S.)
GNMA	Government National Mortgage Association or Ginnie Mae
GSE	Government sponsored enterprises, in this report references Fannie Mae and Freddie Mac
HELOC	Home equity line of credit
HFS	Held for Sale
HTM	Held to maturity
HUD	Department of Housing and Urban Development
IBKC	IBERIABANK Corporation
IBKC merger	FHN's merger of equals with IBKC that closed July 2020
ISDA	International Swap and Derivatives Association
IRS	Internal Revenue Service

LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LIHTC	Low Income Housing Tax Credit
LLC	Limited Liability Company
LMC	Loans to mortgage companies
LOCOM	Lower of cost or market
LRRD	Loan Rehab and Recovery Department
LTV	Loan-to-value
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MSR	Mortgage servicing rights
MSRB	Municipal Securities Rulemaking Board
NAICS	North American Industry Classification System
NII	Net interest income
NIM	Net interest margin
NM	Not meaningful
NMTC	New Market Tax Credit
NOL	Net operating loss
NPA	Nonperforming asset
Non-PCD	Non-Purchased Credit Deteriorated Financial Assets
NPL	Nonperforming loan
NSF	Non-sufficient funds
OCC	Office of the Comptroller of the Currency
OIS	Overnight indexed swap
OREO	Other Real Estate Owned
OTC	One-time close, a mortgage product which allowed simplified conversion of a construction loan to permanent financing
OTTI	Other than temporary impairment
PCAOB	Public Company Accounting Oversight Board
PCD	Purchased Credit Deteriorated Financial Assets
PCI	Purchased credit impaired
PD	Probability of default
PM	Portfolio managers
PPP	Paycheck Protection Program
PSU	Performance Stock Unit
RE	Real estate
RM	Relationship managers
ROA	Return on assets
ROCE	Return on average common shareholders' equity
ROTCE	Return on tangible common equity
ROU	Right-of-use
RPL	Reasonably Possible Loss
RSU	Restricted stock unit
RULC	Reserve for unfunded lending commitments
RWA	Risk-weighted assets
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SVaR	Stressed Value-at-Risk
TA	Tangible assets
TCE	Tangible common equity
TDR	Troubled Debt Restructuring
TRUP	Trust preferred loan
UPB	Unpaid principal balance
USDA	United States Department of Agriculture
VaR	Value-at-Risk
VIE	Variable Interest Entities
we / us / our	First Horizon Corporation

Forward-Looking Statements

This report, including material incorporated into it, contains 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 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements pertain 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. Forward-looking statements can be identified by 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 FHN’s control, and many of which, with respect to future business decisions and actions (including acquisitions and divestitures), are subject to change and could cause FHN’s actual future results and outcomes to differ materially from those contemplated or implied by forward-looking statements or historical performance. Examples of uncertainties and contingencies include, among other important factors:

- 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;
- potential adverse reactions or changes to business or associate relationships resulting from the IBKC merger;
- the potential impacts on FHN’s businesses and clients of the COVID-19 pandemic, including negative impacts from quarantines and other public restrictions, market declines and volatility, and changes in client behavior;
- potential claims alleging mortgage servicing failures, individually, on a class basis, or as master servicer of securitized loans;
- potential claims relating to participation in government programs, especially lending or other financial services programs;
- global, general and local economic and business conditions, including economic recession or depression;
- the stability or volatility of values and activity in the residential housing and commercial real estate markets;
- expectations of and actual timing and amount of interest rate movements, including the slope and shape of the yield curve, which can have a significant impact on a financial services institution;
- market and monetary fluctuations, including fluctuations in mortgage markets;
- the financial condition of borrowers and other counterparties;
- competition within and outside the financial services industry;
- the occurrence of natural or man-made disasters, including pestilence, conflicts, or terrorist attacks, or other adverse external events;
- the effectiveness and cost-efficiency of FHN’s hedging practices;
- fraud, theft, or other incursions through conventional, electronic, or other means directly or indirectly affecting FHN or its clients, business counterparties, or competitors;
- FHN’s ability to adapt products and services to changing industry standards and client preferences;
- risks inherent in originating, selling, servicing, and holding loans and loan-based assets, including prepayment risks, pricing concessions, fluctuation in U.S. housing and other real estate prices, fluctuation of collateral values, and changes in client profiles;

- changes in the regulation of the U.S. financial services industry;
- changes in laws, regulations, and administrative actions, including executive orders, whether or not specific to the financial services industry;
- changes in accounting policies, standards, and interpretations;
- evolving capital and liquidity standards under applicable regulatory rules;
- accounting policies and processes requiring management to make estimates about matters that are uncertain; and
- other factors that may affect the future results of FHN.

FHN cautions readers of this report that the list above is not exhaustive as of the date of this report. Further, FHN assumes no obligation to update or revise any forward-looking statements that are made in this report or in any other statement, release, report, or filing from time to time. Actual results could differ and FHN's estimates and expectations could change, possibly materially, because of one or more factors, including those factors listed above or presented elsewhere in this report or those factors listed in material incorporated by reference into this report. In evaluating forward-looking statements and assessing FHN's prospects, readers of this report should carefully consider the factors mentioned above along with the additional risk and uncertainty factors discussed in Item 1A of Part II of this report and in the forepart, and in Items 1, 1A, and 7, of FHN's most recent Annual Report on Form 10-K, along with any additional factors which might materially affect future results and outcomes.

Non-GAAP Information

Certain measures included in this report are "non-GAAP," meaning they are not presented in accordance with U.S. GAAP 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 financial condition, capital position, and financial results of FHN and its business segments. Non-GAAP measures are reported to FHN's management and Board of Directors through various internal reports. The non-GAAP measures presented in this report are: pre-provision net revenue, return on average tangible common equity, tangible common equity to tangible assets, adjusted tangible common equity to risk-weighted assets, and tangible book value per common share. Table 20 appearing in the MD&A (Item 2 of Part I) of this report provides a reconciliation of non-GAAP items presented in this report to the most comparable GAAP presentation.

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 report 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, which is a measure of total on- and off-balance sheet assets adjusted for credit and market risk, used to determine regulatory capital ratios.

PART I. FINANCIAL INFORMATION

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CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)	*(Unaudited)* **March 31, 2021**	December 31, 2020
Assets		
Cash and due from banks	**$ 1,169**	$ 1,203
Interest-bearing deposits with banks	**11,635**	8,351
Federal funds sold and securities purchased under agreements to resell	**520**	445
Trading securities	**1,076**	1,176
Securities available for sale at fair value	**8,351**	8,047
Loans held for sale (including $449 and $405 at fair value, respectively)	**811**	1,022
Loans and leases (including $17 and $16 at fair value, respectively)	**58,600**	58,232
Allowance for loan and lease losses	**(914)**	(963)
Net loans and leases	**57,686**	57,269
Premises and equipment	**719**	759
Goodwill	**1,511**	1,511
Other intangible assets	**339**	354
Other assets	**3,696**	4,072
Total assets	**$ 87,513**	$ 84,209
Liabilities		
Noninterest-bearing deposits	**$ 25,046**	$ 22,173
Interest-bearing deposits	**48,120**	47,809
Total deposits	**73,166**	69,982
Trading liabilities	**454**	353
Short-term borrowings	**2,203**	2,198
Term borrowings	**1,671**	1,670
Other liabilities	**1,712**	1,699
Total liabilities	**79,206**	75,902
Equity		
Preferred stock, Non-cumulative perpetual, no par value; authorized 5,000,000 shares; issued 26,250 shares	**470**	470
Common stock, $0.625 par value; authorized 700,000,000 shares; issued 552,374,489 and 555,030,652 shares, respectively	**345**	347
Capital surplus	**5,036**	5,074
Retained earnings	**2,402**	2,261
Accumulated other comprehensive loss, net	**(241)**	(140)
FHN shareholders' equity	**8,012**	8,012
Noncontrolling interest	**295**	295
Total equity	**8,307**	8,307
Total liabilities and equity	**$ 87,513**	$ 84,209

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share data; shares in thousands) (Unaudited)	Three Months Ended March 31, 2021	2020
Interest income		
Interest and fees on loans and leases	**$ 507**	$ 327
Interest and fees on loans held for sale	**7**	7
Interest on securities available for sale	**29**	27
Interest on trading securities	**7**	13
Interest on other earning assets	**2**	4
Total interest income	**552**	378
Interest expense		
Interest on deposits	**24**	54
Interest on trading liabilities	**1**	3
Interest on short-term borrowings	**1**	10
Interest on term borrowings	**18**	8
Total interest expense	**44**	75
Net interest income	**508**	303
Provision for credit losses	**(45)**	154
Net interest income after provision for credit losses	**553**	149
Noninterest income		
Fixed income	**126**	96
Mortgage banking and title income	**53**	2
Deposit transactions and cash management	**42**	30
Brokerage, management fees and commissions	**20**	16
Trust services and investment management	**12**	7
Bankcard income	**11**	7
Other income	**34**	16
Total noninterest income	**298**	174
Noninterest expense		
Personnel expense	**318**	183
Net occupancy expense	**37**	20
Computer software	**28**	16
Legal and professional fees	**14**	9
Operations services	**16**	12
Equipment expense	**11**	9
Amortization of intangible assets	**14**	5
Other expense	**106**	48
Total noninterest expense	**544**	302
Income before income taxes	**307**	21
Income tax expense	**71**	5
Net income	**236**	16
Net income attributable to noncontrolling interest	**3**	3
Net income attributable to controlling interest	**233**	13
Preferred stock dividends	**8**	1
Net income available to common shareholders	**225**	12
Basic earnings per common share	**$ 0.41**	$ 0.04
Diluted earnings per common share	**$ 0.40**	$ 0.04
Weighted average common shares	**552,249**	311,597
Diluted average common shares	**557,532**	313,170

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions) (Unaudited)	Three Months Ended March 31, 2021	2020
Net income	**$ 236**	$ 16
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities available for sale	**(103)**	89
Net unrealized gains (losses) on cash flow hedges	**(2)**	13
Net unrealized gains (losses) on pension and other postretirement plans	**4**	2
Other comprehensive income (loss)	**(101)**	104
Comprehensive income	**135**	120
Comprehensive income attributable to noncontrolling interest	**3**	3
Comprehensive income attributable to controlling interest	**$ 132**	$ 117
Income tax expense (benefit) of items included in Other comprehensive income:		
Net unrealized gains (losses) on securities available for sale	**$ (33)**	$ 29
Net unrealized gains (losses) on cash flow hedges	**(1)**	4
Net unrealized gains (losses) on pension and other postretirement plans	**1**	1

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three months ended March 31, 2021

(Dollars in millions, except per share data; shares in thousands) (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, 2020	26,250	$ 470	555,031	$ 347	$ 5,074	$ 2,261	$ (140)	$ 295	$ 8,307
Net income	—	—	—	—	—	233	—	3	236
Other comprehensive income (loss)	—	—	—	—	—	—	(101)	—	(101)
Comprehensive income (loss)	—	—	—	—	—	233	(101)	3	135
Cash dividends declared:									
Preferred stock	—	—	—	—	—	(8)	—	—	(8)
Common stock ($0.15 per share)	—	—	—	—	—	(84)	—	—	(84)
Common stock repurchased (b)	—	—	(3,864)	(2)	(60)	—	—	—	(62)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	1,208	—	12	—	—	—	12
Stock-based compensation expense	—	—	—	—	10	—	—	—	10
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(3)	(3)
Balance, March 31, 2021	26,250	$ 470	552,375	$ 345	$ 5,036	$ 2,402	$ (241)	$ 295	$ 8,307

(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 $59 million repurchased under share repurchase programs.

Three months ended March 31, 2020

(Dollars in millions, except per share data; shares in thousands) (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	$ 96	311,469	$ 195	$ 2,931	$ 1,798	$ (239)	$ 295	$ 5,076
Adjustment to reflect adoption of ASU 2016-13	—	—	—	—	—	(96)	—	—	(96)
Beginning balance, as adjusted	1,000	96	311,469	195	2,931	1,702	(239)	295	4,980
Net income	—	—	—	—	—	13	—	3	16
Other comprehensive income (loss)	—	—	—	—	—	—	104	—	104
Comprehensive income (loss)	—	—	—	—	—	13	104	3	120
Cash dividends declared:									
Preferred stock ($1,550 per share)	—	—	—	—	—	(1)	—	—	(1)
Common stock ($0.15 per share)	—	—	—	—	—	(48)	—	—	(48)
Common stock repurchased	—	—	(141)	—	(2)	—	—	—	(2)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	652	—	4	—	—	—	4
Stock-based compensation expense	—	—	—	—	7	—	—	—	7
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(3)	(3)
Other (b)	—	—	(117)	—	(1)	—	—	—	(1)
Balance, March 31, 2020	1,000	$ 96	311,863	$ 195	$ 2,939	$ 1,666	$ (135)	$ 295	$ 5,056

(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.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions) (Unaudited)	Three months ended March 31, 2021	2020
Operating Activities		
Net income	**$ 236**	$ 16
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision (provision credit) for credit losses	**(45)**	154
Deferred income tax expense (benefit)	**(3)**	(19)
Depreciation and amortization of premises and equipment	**16**	11
Amortization of intangible assets	**14**	5
Net other amortization and accretion	**(14)**	4
Net (increase) decrease in derivatives	**322**	(324)
Stock-based compensation expense	**10**	7
Net (gains) losses on sale/disposal of fixed assets	**34**	—
Loans held for sale:		
Purchases and originations	**(943)**	(588)
Gross proceeds from settlements and sales	**683**	181
(Gain) loss due to fair value adjustments and other	**(35)**	(1)
Other operating activities, net	**789**	(846)
Total adjustments	**828**	(1,416)
Net cash provided by (used in) operating activities	**1,064**	(1,400)
Investing Activities		
Proceeds from sales of securities available for sale	**26**	9
Proceeds from maturities of securities available for sale	**591**	224
Purchases of securities available for sale	**(1,065)**	(214)
Proceeds from sales of premises and equipment	**1**	2
Purchases of premises and equipment	**(10)**	(8)
Proceeds from BOLI	**1**	2
Net increase in loans and leases	**(338)**	(2,312)
Net increase in interest-bearing deposits with banks	**(3,284)**	(188)
Other investing activities, net	**6**	3
Net cash used in investing activities	**(4,072)**	(2,482)
Financing Activities		
Common stock:		
Stock options exercised	**12**	4
Cash dividends paid	**(84)**	(44)
Repurchase of shares	**(62)**	(2)
Cancellation of common shares	**—**	(2)
Cash dividends paid - preferred stock - noncontrolling interest	**(3)**	(3)
Cash dividends paid - preferred stock	**(8)**	(2)
Net increase in deposits	**3,190**	1,990
Net increase in short-term borrowings	**4**	1,807
Increases (decreases) in restricted and secured term borrowings	**—**	(3)
Net cash provided by financing activities	**3,049**	3,745
Net increase (decrease) in cash and cash equivalents	**41**	(137)
Cash and cash equivalents at beginning of period	**1,648**	1,267
Cash and cash equivalents at end of period	**$ 1,689**	$ 1,130
Supplemental Disclosures		
Total interest paid	**$ 39**	$ 84
Total taxes paid	**2**	5
Total taxes refunded	**4**	—
Transfer from loans to OREO	**—**	1
Transfer from loans HFS to trading securities	**498**	398
Transfer from loans to loans HFS	**(3)**	—

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

Notes to the Consolidated Financial Statements (Unaudited)

Note 1 – Basis of Presentation and Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and notes necessary for complete financial statements in accordance with GAAP. In the opinion of management, the accompanying unaudited consolidated financial statements contain all significant adjustments, consisting of normal and recurring items, considered necessary for fair presentation. These interim financial statements should be read in conjunction with FHN's audited consolidated financial statements and notes in FHN's Annual Report on Form 10-K for the year ended December 31, 2020. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year.

All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts reported in prior years have been reclassified to conform to the current period presentation. See the Glossary of Acronyms and Terms included in this Report for terms used herein.

Accounting Changes With Extended Transition Periods

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 has elected to utilize the optional expedients and exceptions provided by ASU 2020-04 for certain contract modifications. FHN anticipates that it will continue to utilize the expedients and exceptions in situations where they mitigate potential accounting outcomes that do not faithfully represent management’s intent or risk management activities, consistent with the purpose of the standard.

In January 2021, the FASB issued ASU 2021-01, "Scope" to expand the scope of ASU 2020-04 to apply to certain contract modifications that were implemented in October 2020 by derivative clearinghouses for the use of Secure Overnight Funding Rate (SOFR) in discounting, margining and price alignment for centrally cleared derivatives, including derivatives utilized in hedging relationships. ASU 2021-01 also applies to derivative contracts affected by the change in discounting convention regardless of whether they are centrally cleared (i.e., bi-lateral contracts can also be modified) and regardless of whether they reference LIBOR. ASU 2021-01 was effective immediately upon issuance with retroactive application permitted. FHN elected to retroactively apply the provisions of ASU 2021-01 because FHN's centrally cleared derivatives were affected by the change in discounting convention and because FHN has other bi-lateral derivative contracts that may be modified to conform to the use of SOFR for discounting. Adoption did not have a significant effect on FHN's reported financial condition or earnings.

Note 2 – Acquisitions and Divestitures

On July 1, 2020, FHN and IBERIABANK Corporation 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 U.S.

The merger-of-equals transaction has been accounted for as a business combination. Accordingly, the assets acquired and liabilities assumed are generally 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 valuations of the identifiable tangible and intangible assets acquired and liabilities assumed from IBKC as of July 1, 2020.

(Dollars in millions)		IBERIABANK Corporation
Assets:		
Cash and due from banks	$	395
Interest-bearing deposits with banks		1,683
Securities available for sale at fair value		3,544
Loans held for sale		320
Loans and leases (a)		25,921
Allowance for loan and lease losses		(284)
Other intangible assets		240
Premises and equipment		311
OREO		9
Other assets		1,156
Total assets acquired	$	33,295
Liabilities:		
Deposits	$	28,232
Short-term borrowings		209
Term borrowings		1,200
Other liabilities		618
Total liabilities assumed	$	30,259
Net assets acquired	$	3,036
Consideration paid:		
Consideration for outstanding common stock	$	2,243
Consideration for equity awards		28
Consideration for preferred stock		231
Total consideration paid	$	2,502
Preliminary purchase accounting gain	$	(534)

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

In relation to the merger-of-equals transaction, FHN recorded a preliminary $533 million purchase accounting gain in 2020 and an additional $1 million purchase accounting gain during the first quarter of 2021, 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 certain back office functions (including loan processing) have not been integrated, the ongoing evaluation of post-merger activity, and the extended information gathering and management review

Note 2 – Acquisitions and Divestitures (Continued)

processes required to properly record acquired assets and liabilities, FHN considers its valuations of IBKC's loans and leases, other assets, tax receivables and payables, 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.

All measurement period adjustments made during the first three months of 2021 have been deemed insignificant individually and in the aggregate. FHN will finalize its valuation of the IBKC merger-of-equals transaction within the measurement period (i.e., no later than July 1, 2021). See Note 2, Acquisitions and Divestitures, in the 2020 Annual Report on Form 10-K for the year ended December 31, 2020, for a description of the methods used to determine the fair values of significant assets acquired and liabilities assumed presented above.

On July 17, 2020, First Horizon Bank completed its purchase of 30 branches from Truist Bank. As of December 31, 2020, the valuation of the acquired assets and liabilities assumed from the Truist branches acquisition was final. In relation to the acquisition, FHN recorded $78 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 was the result of expected synergies, operational efficiencies and other factors. Expenses related to FHN's merger and integration activities are recorded in FHN's Corporate segment.

Total merger and integration expense recognized for the three months ended March 31, 2021 and 2020 are presented in the table below:

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	2020
Personnel expense (a)	**$ 21**	$ 1
Legal and professional fees (b)	**3**	2
Net occupancy expense (c)	**3**	—
Other expense (d)	**43**	3
Total	**$ 70**	$ 6

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

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.

Note 3 – Investment Securities

The following tables summarize FHN's investment securities on March 31, 2021 and December 31, 2020:

	March 31, 2021			
(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. treasuries	$ 610	$ —	$ —	$ 610
Government agency issued MBS	4,009	68	(39)	4,038
Government agency issued CMO	2,463	19	(41)	2,441
Other U.S. government agencies	733	5	(13)	725
Corporate and other debt	40	—	—	40
States and municipalities	467	9	(1)	475
	$ 8,322	**$ 101**	**$ (94)**	8,329
AFS securities recorded at fair value through earnings:				
SBA-interest only strips (a)				22
Total securities available for sale (b)				**$ 8,351**

(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 $7.0 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

	December 31, 2020			
(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. treasuries	$ 613	$ —	$ —	$ 613
Government agency issued MBS	3,722	92	(2)	3,812
Government agency issued CMO	2,380	29	(3)	2,406
Other U.S. government agencies	672	12	—	684
Corporate and other debt	40	1	(1)	40
States and municipalities	445	15	—	460
	$ 7,872	$ 149	$ (6)	8,015
AFS securities recorded at fair value through earnings:				
SBA-interest only strips (a)				32
Total securities available for sale (b)				$ 8,047

(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 $6.4 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 portfolio on March 31, 2021 is provided below:

	Available for Sale	
(Dollars in millions)	Amortized Cost	Fair Value
Within 1 year	$ 758	$ 759
After 1 year through 5 years	146	148
After 5 years through 10 years	345	348
After 10 years	601	617
Subtotal	1,850	1,872
Government agency issued MBS and CMO (a)	6,472	6,479
Total	**$ 8,322**	**$ 8,351**

(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.

Gross gains and losses on sales of debt investment securities and cash proceeds from the sale of available-for-sale securities for the three months ended March 31, 2021 and 2020 were insignificant.

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of March 31, 2021 and December 31, 2020:

	As of March 31, 2021					
	Less than 12 months		12 months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued MBS	$ 1,772	$ (39)	$ —	$ —	$ 1,772	$ (39)
Government agency issued CMO	1,508	(41)	—	—	1,508	(41)
Other U.S. government agencies	405	(13)	—	—	405	(13)
States and municipalities	82	(1)	—	—	82	(1)
Total	**$ 3,767**	**$ (94)**	**$ —**	**$ —**	**$ 3,767**	**$ (94)**

	As of December 31, 2020					
	Less than 12 months		12 months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ 307	$ —	$ —	$ —	$ 307	$ —
Government agency issued MBS	426	(2)	—	—	426	(2)
Government agency issued CMO	586	(3)	—	—	586	(3)
Other U.S. government agencies	80	(1)	—	—	80	(1)
States and municipalities	1	—	—	—	1	—
Total	$ 1,400	$ (6)	$ —	$ —	$ 1,400	$ (6)

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 $24 million and $22 million as of March 31, 2021 and December 31, 2020, respectively. 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

Note 3 – Investment Securities (Continued)

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.

The carrying amount of equity investments without a readily determinable fair value was $70 million and $57 million at March 31, 2021 and December 31, 2020, respectively. The year-to-date 2021 and 2020 gross amounts of upward and downward valuation adjustments were not significant.

Unrealized gains of $3 million were recognized in the three months ended March 31, 2021 and 2020, respectively, for equity investments with readily determinable fair values.

Note 4 – Loans and Leases

The loans and lease portfolio is disaggregated into portfolio segments and then further disaggregated into classes for certain disclosures. GAAP defines a portfolio segment as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. A class is generally a disaggregation of a portfolio segment and is generally determined based on risk characteristics of the loan and FHN's method for 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: (1) commercial, financial, and industrial, which includes commercial and industrial loans and leases and loans to mortgage companies, (2) commercial real estate, (3) consumer real estate, which includes both real estate installment and home equity lines of credit, and (4) credit card and other.

The following table provides the amortized cost basis of loans and leases by portfolio segment and class as of March 31, 2021 and December 31, 2020, excluding accrued interest of $182 million and $180 million, respectively, which is included in Other assets in the Consolidated Balance Sheets.

(Dollars in millions)	**March 31, 2021**	December 31, 2020
Commercial:		
Commercial and industrial (a) (b)	**$ 28,421**	$ 27,700
Loans to mortgage companies	**5,530**	5,404
Total commercial, financial, and industrial	**33,951**	33,104
Commercial real estate	**12,470**	12,275
Consumer:		
HELOC	**2,270**	2,420
Real estate installment loans	**8,783**	9,305
Total consumer real estate	**11,053**	11,725
Credit card and other	**1,126**	1,128
Loans and leases	**$ 58,600**	$ 58,232
Allowance for loan and lease losses	**(914)**	(963)
Net loans and leases	**$ 57,686**	$ 57,269

(a) Includes equipment financing leases of $614 million and $587 million, respectively, as of March 31, 2021 and December 31, 2020.
(b) Includes PPP loans fully guaranteed by the SBA of $5.1 billion and $4.1 billion as of March 31, 2021 and December 31, 2020, respectively.

Restrictions

Loans and leases with carrying values of $38.1 million and $38.6 billion were pledged as collateral for borrowings at March 31, 2021 and December 31, 2020, respectively.

Concentrations of Credit Risk

Most of the FHN's business activity is with clients located in the southern United States. FHN's lending activity is concentrated in its market areas within those states. As of March 31, 2021, FHN had loans to mortgage companies of $5.5 billion and loans to finance and insurance companies of $3.1 billion. As a result, 25% 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 and the loss given default for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16. This credit grading system is intended to identify and measure the credit quality of the loan and lease portfolio by analyzing the migration between grading categories. It is also integral to the estimation methodology utilized in determining the ALLL since an allowance is established for pools of commercial loans based on the credit grade assigned. Each PD grade corresponds to an estimated one-year default probability percentage. PD grades are continually evaluated, but require a formal scorecard annually. As a response to the COVID-19 pandemic, FHN identified a segment of its commercial portfolio that requires a quarterly re-

Note 4 – Loans and Leases (Continued)

grading process. As borrowers recover, they can be removed from the quarterly re-grading process with credit officer concurrence.

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 March 31, 2021 and December 31, 2020:

	March 31, 2021									
	C&I									
(Dollars in millions)	2021	2020	2019	2018	2017	Prior to 2017	LMC (a)	Revolving Loans	Revolving Loans converted to term loans (b)	Total
Credit Quality Indicator:										
Pass (PD grades 1 through 12) (c)	$ 2,368	$ 7,915	$ 4,572	$ 2,174	$ 1,600	$ 3,038	$ 5,530	$ 5,535	$ 14	$ 32,746
Special Mention (PD grade 13)	5	68	65	51	28	81	—	189	7	494
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	35	148	80	124	35	94	—	148	47	711
Total C&I loans	$ 2,408	$ 8,131	$ 4,717	$ 2,349	$ 1,663	$ 3,213	$ 5,530	$ 5,872	$ 68	$ 33,951

(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) C&I loans converted from revolving to term in 2021 were not material.
(c) 2021 and 2020 balances include PPP loans.

Note 4 – Loans and Leases (Continued)

	December 31, 2020									
	C&I									
(Dollars in millions)	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)	$ 9,060	$ 5,138	$ 2,628	$ 1,748	$ 1,161	$ 2,145	$ 5,404	$ 4,571	$ 60	$ 31,915
Special Mention (PD grade 13)	89	93	70	31	37	64	—	127	1	512
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	182	77	114	50	42	58	—	95	59	677
Total C&I loans	$ 9,331	$ 5,308	$ 2,812	$ 1,829	$ 1,240	$ 2,267	$ 5,404	$ 4,793	$ 120	$ 33,104

(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) $50 million of C&I loans were converted from revolving to term in 2020.
(c) 2020 balances include PPP loans.

	March 31, 2021								
	CRE								
(Dollars in millions)	2021	2020	2019	2018	2017	Prior to 2017	Revolving Loans	Revolving Loans converted to term loans	Total
Credit Quality Indicator:									
Pass (PD grades 1 through 12)	$ 514	$ 2,346	$ 3,350	$ 1,612	$ 1,024	$ 2,652	$ 320	$ —	$ 11,818
Special Mention (PD grade 13)	—	74	38	178	77	109	—	—	476
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	—	18	12	21	43	57	25	—	176
Total CRE loans	$ 514	$ 2,438	$ 3,400	$ 1,811	$ 1,144	$ 2,818	$ 345	$ —	$ 12,470

	December 31, 2020								
	CRE								
(Dollars in millions)	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)	$ 2,477	$ 3,311	$ 1,750	$ 1,140	$ 946	$ 1,800	$ 259	$ 19	$ 11,702
Special Mention (PD grade 13)	48	24	117	75	71	54	—	—	389
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	30	13	21	42	27	33	18	—	184
Total CRE loans	$ 2,555	$ 3,348	$ 1,888	$ 1,257	$ 1,044	$ 1,887	$ 277	$ 19	$ 12,275

Note 4 – Loans and Leases (Continued)

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

The following table reflects the amortized cost basis by year of origination and refreshed FICO scores for consumer real estate loans as of March 31, 2021 and December 31, 2020. Within consumer real estate, classes include 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 tables 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. All loans in the following tables classified in a vintage year are real estate installment loans.

	March 31, 2021								
	Consumer Real Estate								
(Dollars in millions)	2021	2020	2019	2018	2017	Prior to 2017	Revolving Loans	Revolving Loans converted to term loans (a)	Total
FICO score 740 or greater	$ 131	$ 1,195	$ 1,060	$ 613	$ 529	$ 2,230	$ 1,200	$ 150	$ 7,108
FICO score 720-739	8	163	142	91	69	249	179	27	928
FICO score 700-719	15	129	103	75	72	267	173	31	865
FICO score 660-699	13	121	120	115	69	329	238	53	1,058
FICO score 620-659	1	40	57	31	21	134	83	35	402
FICO score less than 620	108	58	32	41	50	302	56	45	692
Total	$ 276	$ 1,706	$ 1,514	$ 966	$ 810	$ 3,511	$ 1,929	$ 341	$ 11,053

(a) $11 million of HELOC loans were converted from revolving to term in 2021.

	December 31, 2020								
	Consumer Real Estate								
(Dollars in millions)	2020	2019	2018	2017	2016	Prior to 2016	Revolving Loans	Revolving Loans converted to term loans	Total
FICO score 740 or greater	$ 1,186	$ 1,167	$ 703	$ 610	$ 674	$ 1,719	$ 1,275	$ 159	$ 7,493
FICO score 720-739	157	158	100	77	92	197	186	29	996
FICO score 700-719	122	107	78	76	73	221	177	34	888
FICO score 660-699	130	141	123	75	85	296	264	59	1,173
FICO score 620-659	45	61	37	28	35	127	92	36	461
FICO score less than 620	107	36	52	54	95	261	61	48	714
Total	$ 1,747	$ 1,670	$ 1,093	$ 920	$ 1,054	$ 2,821	$ 2,055	$ 365	$ 11,725

Note 4 – Loans and Leases (Continued)

The following tables reflect the amortized cost basis by year of origination and refreshed FICO scores for credit card and other loans as of March 31, 2021 and December 31, 2020.

	March 31, 2021								
	Credit Card and Other								
(Dollars in millions)	2021	2020	2019	2018	2017	Prior to 2017	Revolving Loans	Revolving Loans converted to term loans (a)	Total
FICO score 740 or greater	$ 13	$ 51	$ 43	$ 53	$ 32	$ 119	$ 279	$ 6	$ 596
FICO score 720-739	2	8	7	6	7	30	36	2	98
FICO score 700-719	3	8	7	8	6	38	35	2	107
FICO score 660-699	2	29	10	14	8	52	41	3	159
FICO score 620-659	1	4	4	6	4	31	19	1	70
FICO score less than 620	11	9	6	7	10	30	21	2	96
Total	$ 32	$ 109	$ 77	$ 94	$ 67	$ 300	$ 431	$ 16	$ 1,126

(a) $2 million of other consumer loans were converted from revolving to term in 2021.

	December 31, 2020								
	Credit Card and Other								
(Dollars in millions)	2020	2019	2018	2017	2016	Prior to 2016	Revolving Loans	Revolving Loans converted to term loans	Total
FICO score 740 or greater	$ 57	$ 52	$ 59	$ 37	$ 23	$ 116	$ 159	$ 5	$ 508
FICO score 720-739	7	7	9	8	8	27	91	2	159
FICO score 700-719	9	8	9	8	4	38	37	3	116
FICO score 660-699	30	12	15	9	9	48	46	3	172
FICO score 620-659	5	5	7	5	10	24	20	1	77
FICO score less than 620	14	7	8	11	9	26	20	1	96
Total	$ 122	$ 91	$ 107	$ 78	$ 63	$ 279	$ 373	$ 15	$ 1,128

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. In accordance with revised Interagency Guidance issued in 2020, FHN is not required to designate loans with deferrals granted in response to COVID-19 as past due because of such deferrals. If a borrower defers payment, this may result in no contractual payments being past due, and as such, loans would not be considered past due during the period of deferral, and as a result, are excluded from loans past due 30-89 days and loans 90+ days past due in the tables below.

Note 4 – Loans and Leases (Continued)

The following table reflects accruing and non-accruing loans and leases by class on March 31, 2021 and December 31, 2020:

	March 31, 2021								
	Accruing				Non-Accruing				
(Dollars in millions)	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)	$ 28,251	$ 26	$ —	**$ 28,277**	$ 102	$ 7	$ 35	**$ 144**	**$ 28,421**
Loans to mortgage companies	5,530	—	—	**5,530**	—	—	—	**—**	**5,530**
Total commercial, financial, and industrial	33,781	26	—	**33,807**	102	7	35	**144**	**33,951**
Commercial real estate:									
CRE	12,392	11	—	**12,403**	20	3	44	**67**	**12,470**
Consumer real estate:									
HELOC	2,198	6	9	**2,213**	43	2	12	**57**	**2,270**
Real estate installment loans	8,623	33	4	**8,660**	72	8	43	**123**	**8,783**
Total consumer real estate	10,821	39	13	**10,873**	115	10	55	**180**	**11,053**
Credit card and other:									
Credit card	273	2	—	**275**	—	—	—	**—**	**275**
Other	845	3	—	**848**	1	1	1	**3**	**851**
Total credit card and other	1,118	5	—	**1,123**	1	1	1	**3**	**1,126**
Total loans and leases	$ 58,112	$ 81	$ 13	**$ 58,206**	$ 238	$ 21	$ 135	**$ 394**	**$ 58,600**

(a) $100 million of C&I loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance.
(b) C&I loans include TRUPS loans of $210 million, which is net of an amortizing discount of $18 million.

	December 31, 2020								
	Accruing				Non-Accruing				
(Dollars in millions)	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)	$ 27,541	$ 15	$ —	$ 27,556	$ 88	$ 12	$ 44	$ 144	$ 27,700
Loans to mortgage companies	5,404	—	—	5,404	—	—	—	—	5,404
Total commercial, financial, and industrial	32,945	15	—	32,960	88	12	44	144	33,104
Commercial real estate:									
CRE	12,194	23	—	12,217	10	42	6	58	12,275
Consumer real estate:									
HELOC	2,336	13	11	2,360	43	3	14	60	2,420
Real estate installment loans	9,138	40	5	9,183	63	9	50	122	9,305
Total consumer real estate	11,474	53	16	11,543	106	12	64	182	11,725
Credit card and other:									
Credit card	279	3	1	283	—	—	—	—	283
Other	838	6	—	844	1	—	1	2	845
Total credit card and other	1,117	9	1	1,127	1	—	1	2	1,128
Total loans and leases, net of unearned income	$ 57,730	$ 100	$ 17	$ 57,847	$ 205	$ 66	$ 115	$ 386	$ 58,232

(a) $101 million of C&I loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance.
(b) C&I loans include TRUPs loans of $210 million, which is net of an amortizing discount of $18 million.

Note 4 – Loans and Leases (Continued)

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 March 31, 2021 and December 31, 2020, FHN had commercial loans with amortized cost of approximately $247 million and $167 million that was based on the value of underlying collateral. Collateral-dependent C&I and CRE loans totaled $180 million and $67 million, respectively, at March 31, 2021. The collateral for these loans generally consists of business assets including land, buildings, equipment and financial assets. During the three months ended March 31, 2021, FHN recognized charge-offs of approximately $13 million on these loans related to reductions in estimated collateral values.

Consumer HELOC and real estate installment loans with amortized cost based on the value of underlying real estate collateral were approximately $9 million and $24 million, respectively, as of March 31, 2021, and $9 million and $26 million, respectively, as of December 31, 2020. Charge-offs during the three months ended March 31, 2021 were not significant for collateral-dependent consumer loans.

Troubled Debt Restructurings

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

A modification is classified as a TDR if the borrower is experiencing financial difficulty and it is determined that FHN has granted a concession to the borrower. FHN may determine that a borrower is experiencing financial difficulty if the borrower is currently in default on any of its debt, or if it is probable that a borrower may default in the foreseeable future. Many aspects of a borrower's financial situation are assessed when determining whether they are experiencing financial difficulty. Concessions could include extension of the maturity date, reductions of the interest rate (which may make the rate lower than current market for a new loan with similar risk), reduction or forgiveness of accrued interest, or principal forgiveness. The assessments of whether a borrower is experiencing (or is likely to experience) financial difficulty, and whether a concession has been granted, are subjective in nature and management's judgment is required when determining whether a modification is classified as a TDR. In accordance with regulatory guidance, certain loan modifications that might ordinarily have qualified as TDRs were not accounted for as TDRs and have been excluded from the disclosures below. For loan modifications that were made during the three months ended March 31, 2021 or the year ended December 31, 2020 that met the TDR relief provisions outlined in either the CARES Act, as extended by the CAA, or revised Interagency Guidance, FHN has excluded these modifications from consideration as TDRs, and has excluded loans with these qualifying modifications from designation as TDRs in the information and discussion that follows.

On March 31, 2021 and December 31, 2020, FHN had $288 million and $307 million of portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $11 million, or 4% as of March 31, 2021, and $12 million, or 4% as of December 31, 2020. Additionally, $41 million and $42 million of loans held for sale as of March 31, 2021 and December 31, 2020, respectively, were classified as TDRs.

Note 4 – Loans and Leases (Continued)

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

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
(Dollars in millions)	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	**17**	**$ 8**	**$ 8**	3	$ 6	$ 4
Commercial real estate:						
CRE	**1**	**12**	**10**	—	—	—
Consumer real estate:						
HELOC	**12**	**2**	**2**	8	1	1
Real estate installment loans	**9**	**2**	**2**	10	2	2
Total consumer real estate	**21**	**4**	**4**	18	3	3
Credit card and other	**13**	**—**	**—**	24	—	—
Total TDRs	**52**	**$ 24**	**$ 22**	45	$ 9	$ 7

The following tables present TDRs which re-defaulted during the three months ended March 31, 2021 and 2020, 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 March 31, 2021		Three Months Ended March 31, 2020	
(Dollars in millions)	Number	Recorded Investment	Number	Recorded Investment
Commercial, financial, and industrial:				
C&I	**7**	**$ 1**	—	$ —
Commercial real estate:				
CRE	**—**	**—**	—	—
Consumer real estate:				
HELOC	**1**	**—**	4	1
Real estate installment loans	**3**	**2**	5	—
Total consumer real estate	**4**	**2**	9	1
Credit card and other	**—**	**—**	7	—
Total TDRs	**11**	**$ 3**	16	$ 1

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 RULC, collectively the 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.

The ACL is maintained at a level management believes to be appropriate to absorb expected lifetime credit losses over the contractual life of the loan and lease portfolio and unfunded lending commitments. The determination of the ACL is based on periodic evaluation of the loan and lease portfolios and unfunded lending commitments considering a number of relevant underling factors, including key assumptions and evaluation of quantitative and qualitative information.

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 March 31, 2021 and December 31, 2020, FHN recognized approximately $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 below. 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 and the amount of income recognized on nonaccrual loans during the three months ended ended March 31, 2021 and 2020 were not material.

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

The following table provides a rollforward of the ALLL and RULC by portfolio type for the three months ended March 31, 2021 and 2020:

(Dollars in millions)	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 January 1, 2021	$ 453	$ 242	$ 242	$ 26	$ 963
Charge-offs	(16)	(3)	(1)	(3)	(23)
Recoveries	6	2	6	1	15
Provision (provision credit) for loan and lease losses	(1)	(8)	(25)	(6)	(41)
Balance as of March 31, 2021	$ 442	$ 232	$ 222	$ 18	$ 914
Reserve for remaining unfunded commitments:					
Balance as of January 1, 2021	$ 65	$ 10	$ 10	$ —	$ 85
Provision (provision credit) for remaining unfunded commitments	(3)	1	(2)	—	(4)
Balance as of March 31, 2021	$ 62	$ 11	$ 8	$ —	$ 81
Allowance for loan losses:					
Balance as of January 1, 2020, as adjusted (b)	$ 142	$ 29	$ 121	$ 15	$ 307
Charge-offs	(7)	(1)	(2)	(4)	(14)
Recoveries	1	1	3	1	6
Provision for loan losses	119	19	—	7	145
Balance as of March 31, 2020	$ 255	$ 48	$ 122	$ 19	$ 444
Reserve for remaining unfunded commitments:					
Balance as of January 1, 2020, as adjusted (b)	$ 21	$ 3	$ 6	$ —	$ 30
Provision for remaining unfunded commitments	6	3	—	—	9
Balance as of March 31, 2020	$ 27	$ 6	$ 6	$ —	$ 39

(a) C&I loans as of March 31, 2021 include $5.1 billion in PPP loans which due to the government guarantee and forgiveness provisions are considered to have no credit risk and therefore have no allowance for loan and lease losses.
(b) Balance, as adjusted, reflects the adoption of ASU 2016-13 (CECL) effective January 1, 2020.

Note 5- Allowance for Credit Losses (Continued)

The difference in the ACL as of March 31, 2021 as compared to December 31, 2020 reflects improvement in the macroeconomic outlook.

In developing credit loss estimates for its loan and lease portfolios, FHN selected Moody's baseline forecast as the primary source for its macroeconomic inputs, which included assumptions that were generally in line with Blue Chip Economic Indicators, including unemployment rates for 2021 and 2022 and GDP growth rates for the same periods, as well as assumptions around further business disruption related to COVID-19 and an unchanged target Fed funds range until mid 2023.

As there can be no certainty that actual economic performance will precisely follow any specific macroeconomic forecast, FHN also evaluated other macroeconomic forecasts provided by Moody's and adjusted the modeled outputs through a qualitative adjustment to account for uncertainties inherent in the macroeconomic forecast process. Additionally, where macroeconomic forecast variables used in the models did 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 outputs qualitatively to account for this assistance.

During the year ended December 31, 2020 and the three months ended March 31, 2021, FHN also considered stressed loan portfolios or industries that are most exposed to the effects of the COVID-19 pandemic and added qualitative adjustments, where needed, to account for the risks not captured in modeled results. 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.

Note 6 – Mortgage Banking Activity

On July 1, 2020, as part of the IBKC merger, FHN obtained IBKC's mortgage banking operations which includes origination and servicing of residential first lien mortgages that conform to standards established by 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. Gains and losses on these mortgage loans are included in Mortgage banking and title income on the Consolidated Statements of Income. Prior to the merger, FHN's mortgage banking operations were not significant; however, at March 31, 2021, FHN had approximately $53 million of loans that remained from pre-2009 Mortgage Business operations. Activity related to the pre-2009 mortgage loans was primarily limited to payments and write-offs in 2020 and 2021, with no new originations or loan sales, and only an insignificant amount of repurchases. These loans are excluded from the disclosure below.

The following table summarizes activity relating to residential mortgage loans held for sale as of the three months ended March 31, 2021 and the year ended December 31, 2020.

(Dollars in millions)	**March 31, 2021**	December 31, 2020
Balance at beginning of period	**$ 409**	$ 4
Acquired	**—**	320
Originations and purchases	**446**	2,499
Sales, net of gains	**(421)**	(2,405)
Mortgage loans transferred from (to) held for investment	**3**	(9)
Balance at end of period	**$ 437**	$ 409

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 periods indicated.

	March 31, 2021		
(Dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Mortgage servicing rights	**$ 31**	**$ (4)**	**$ 27**

	December 31, 2020		
(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Mortgage servicing rights	$ 28	$ (3)	$ 25

In addition, there was an insignificant amount of non-mortgage and commercial servicing rights as of March 31, 2021 and December 31, 2020. Total mortgage servicing fees included in Mortgage banking and title income were $1 million for the three months ended March 31, 2021, and were insignificant for the three months ended March 31, 2020.

Note 7 – Goodwill and Other Intangible Assets

Goodwill

On July 1, 2020, FHN completed its merger-of-equals transaction with IBKC. In connection with the merger, FHN recorded a $534 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 $78 million in goodwill, based on 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, 2020. 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.

As further discussed in Note 13 - Business Segment Information, FHN reorganized its management reporting structure during the fourth quarter of 2020 and, accordingly, its segment reporting structure and goodwill reporting units. In connection with the reorganization, management reallocated goodwill to the new reporting units using a relative fair value approach.

Accounting estimates and assumptions were made about FHN's future performance and cash flows, as well as other prevailing market factors (e.g., interest rates, economic trends, etc.) when determining fair value as part of the goodwill impairment test. While management used the best information available to estimate future performance for each reporting unit, future adjustments to management's projections may be necessary if conditions differ substantially from the assumptions used in making the estimates.

The following is a summary of goodwill by reportable segment included in the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020.

(Dollars in millions)	Regional Banking	Specialty Banking	Total
December 31, 2019	$ 802	$ 631	$ 1,433
Additions	78	—	78
December 31, 2020	$ 880	$ 631	$ 1,511
December 31, 2020	$ 880	$ 631	$ 1,511
Additions and adjustments	—	—	—
March 31, 2021	**$ 880**	**$ 631**	**$ 1,511**

Other intangible assets

The following table, which excludes fully amortized intangibles, presents other intangible assets included in the Consolidated Balance Sheets:

	March 31, 2021			December 31, 2020		
(Dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	**$ 371**	**$ (93)**	**$ 278**	$ 371	$ (81)	$ 290
Customer relationships	**37**	**(9)**	**28**	37	(8)	29
Other (a)	**41**	**(8)**	**33**	41	(6)	35
Total	**$ 449**	**$ (110)**	**$ 339**	$ 449	$ (95)	$ 354

(a) Includes noncompete covenants and purchased credit card intangible assets. Also includes title plant intangible assets and state banking licenses which are not subject to amortization.

Note 8 - Preferred Stock

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

(Dollars in millions)							March 31, 2021	December 31, 2020
	Issuance Date	Earliest Redemption Date (a)	Annual Dividend Rate	Dividend Payments	Shares Outstanding	Liquidation Amount	Carrying Amount	Carrying Amount
Series A	1/31/2013	4/10/2018	6.200 %	Quarterly	1,000	$ 100	$ 96	$ 96
Series B	7/2/2020	8/1/2025	6.625 % (b)	Semi-annually	8,000	80	77	77
Series C	7/2/2020	5/1/2026	6.600 % (c)	Quarterly	5,750	58	59	59
Series D	7/2/2020	5/1/2024	6.100 % (d)	Semi-annually	10,000	100	93	93
Series E	5/28/2020	10/10/2025	6.500 %	Quarterly	1,500	150	145	145
					26,250	$ 488	$ 470	$ 470

(a) Denotes earliest optional redemption date. Earlier redemption is possible, at FHN's election, if certain regulatory capital events occur.
(b) Fixed dividend rate will reset on August 1, 2025 to three-month LIBOR plus 4.262%.
(c) Fixed dividend rate will reset on May 1, 2026 to three-month LIBOR plus 4.920%.
(d) Fixed dividend rate will reset on May 1, 2024 to three-month LIBOR plus 3.859%.

Subsidiary Preferred Stock

First Horizon Bank has issued 300,000 shares of Class A Non-Cumulative Perpetual Preferred Stock (Class A Preferred Stock) with a liquidation preference of $1,000 per share. Dividends on the Class A Preferred Stock, if declared, accrue and are payable each quarter, in arrears, at a floating rate equal to the greater of the three month LIBOR plus 0.85% or 3.75% per annum. These securities qualify fully as Tier 1 capital for First Horizon Bank, while for FHN they qualify partially as Tier 1 capital and partially as Tier 2 capital. On March 31, 2021 and December 31, 2020, $295 million of Class A Preferred Stock was recognized as Noncontrolling interest on the Consolidated Balance Sheets.

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 months ended March 31, 2021 and 2020:

(Dollars in millions)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of January 1, 2021	$ 108	$ 12	$ (260)	$ (140)
Net unrealized gains (losses)	(103)	(3)	2	(104)
Amounts reclassified from AOCI	—	1	2	3
Other comprehensive income (loss)	(103)	(2)	4	(101)
Balance as of March 31, 2021	**$ 5**	**$ 10**	**$ (256)**	**$ (241)**

(Dollars in millions)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of January 1, 2020	$ 31	$ 3	$ (273)	$ (239)
Net unrealized gains (losses)	89	13	—	102
Amounts reclassified from AOCI	—	—	2	2
Other comprehensive income (loss)	89	13	2	104
Balance as of March 31, 2020	$ 120	$ 16	$ (271)	$ (135)

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

(Dollars in millions)	Three Months Ended March 31,		
Details about AOCI	**2021**	2020	**Affected line item in the statement where net income is presented**
Cash flow hedges:			
Realized (gains) losses on cash flow hedges	**$ 2**	$ —	Interest and fees on loans and leases
Tax expense (benefit)	**(1)**	—	Income tax expense
	1	—	
Pension and Postretirement Plans:			
Amortization of prior service cost and net actuarial (gain) loss	**4**	3	All other expense
Tax expense (benefit)	**(2)**	(1)	Income tax expense
	2	2	
Total reclassification from AOCI	**$ 3**	$ 2	

Note 10 – Earnings Per Share

The computations of basic and diluted earnings per common share were as follows:

	Three Months Ended March 31,	
(Dollars in millions, except per share data; shares in thousands)	**2021**	2020
Net income	**$ 236**	$ 16
Net income attributable to noncontrolling interest	**3**	3
Net income attributable to controlling interest	**233**	13
Preferred stock dividends	**8**	1
Net income available to common shareholders	**225**	12
Weighted average common shares outstanding—basic	**552,249**	311,597
Effect of dilutive securities	**5,283**	1,573
Weighted average common shares outstanding—diluted	**557,532**	313,170
Basic earnings per common share	**$ 0.41**	$ 0.04
Diluted earnings per common share	**$ 0.40**	$ 0.04

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 March 31,	
(Shares in thousands)	**2021**	2020
Stock options excluded from the calculation of diluted EPS	**3,827**	3,031
Weighted average exercise price of stock options excluded from the calculation of diluted EPS	**$ 18.11**	$ 18.73
Other equity awards excluded from the calculation of diluted EPS	**2,784**	4,264

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 currently 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 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. FHN provides contingencies note disclosures for certain pending or threatened litigation matters each quarter, including all matters mentioned in categories (i) or (ii) and, occasionally, certain matters mentioned in category (iii). In addition, in this Note, certain other matters, or groups of matters, are discussed relating to FHN's pre-2009 mortgage origination and servicing businesses. In all litigation matters discussed in this Note, 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 March 31, 2021, the aggregate amount of liabilities established for all such loss contingency matters was $1 million. These liabilities are separate from those discussed under the heading "Mortgage 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 March 31, 2021, FHN estimates that for all material loss contingency matters, estimable reasonably possible losses in future periods in excess of currently established liabilities could aggregate in a range from zero to less than $1 million.

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.

Note 11 – Contingencies and Other Disclosures (Continued)

Material Matters

A former shareholder of CBF has 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; whether applicable insurance will be sufficient to cover FHN's exposure; and the outcome of discovery.

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

Based on currently available information and experience to date, FHN has evaluated its loan repurchase, make-whole, foreclosure, and certain related exposures and has accrued for losses of $16 million as of March 31, 2021 and December 31, 2020. 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

Note 11 – Contingencies and Other Disclosures (Continued)

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 – Retirement Plans

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 2020. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan for the remainder of 2021.

FHN also maintains non-qualified plans including a supplemental retirement plan that covers certain employees whose benefits under the qualified pension plan have been limited by tax rules. These other non-qualified plans are unfunded, and contributions to these plans cover all benefits paid under the non-qualified plans. Payments made under the non-qualified plans were $5 million for 2020. FHN anticipates making benefit payments under the non-qualified plans of $5 million in 2021.

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.

For more information on FHN's pension plan and other postretirement benefit plans, see Note 18 - Pension, Savings and Other Employee Benefits in FHN's 2020 Annual Report on Form 10-K.

The components of net periodic benefit cost for the three months ended March 31 were as follows:

	Pension Benefits	
(Dollars in millions)	**2021**	2020
Components of net periodic benefit cost		
Interest cost	**$ 4**	$ 6
Expected return on plan assets	**(4)**	(6)
Amortization of unrecognized:		
Actuarial (gain) loss	**2**	3
Other	**2**	—
Net periodic benefit cost	**$ 4**	$ 3

Note 13 – Business Segment Information

During the fourth quarter of 2020, FHN reorganized its internal management structure and, accordingly, its segment reporting structure. Historically, FHN's reportable business segments were Regional Banking, Fixed Income, Corporate, and Non-strategic. On July 1, 2020, FHN and IBKC closed their merger of equals transaction. This transaction prompted organizational changes to better integrate and execute the combined Company's strategic priorities across all lines of businesses. As a result, FHN revised its reportable segments as described below. Prior period segment information has been reclassified to conform to the current period presentation.

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 clients primarily in the southern U.S. and other selected markets. Regional Banking also provides investment, wealth management, financial planning, trust and asset management services for consumer clients.

- Specialty Banking segment consists of lines of business that deliver product offerings and services with specialized industry knowledge. Specialty Banking's lines of business include asset-based lending, mortgage warehouse lending, commercial real estate, franchise finance, correspondent banking, equipment finance, mortgage, and title insurance. In addition to traditional lending and deposit taking, Specialty Banking also delivers treasury management solutions, loan syndications, international banking and SBA lending. Additionally, Specialty Banking has a line of business focused on 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 primarily of corporate support functions including risk management, audit, accounting, finance, executive office, and corporate communications. Shared support services such as human resources, properties, technology, credit risk and bank operations are allocated to the activities of Regional Banking, Specialty Banking and Corporate. Additionally, the Corporate segment includes centralized management of capital and funding to support the business activities of the company including management of wholesale funding, liquidity, and capital management and allocation. The Corporate segment also includes the revenue and expense associated with run-off businesses such as pre-2009 mortgage banking elements, run-off consumer and trust preferred loan portfolios, and other 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.

Note 13 – Business Segment Information (Continued)

The following tables reflect financial information for each reportable business segment for the three months ended March 31 2021 and 2020:

	Three Months Ended March 31, 2021			
(Dollars in millions)	**Regional Banking**	**Specialty Banking**	**Corporate**	**Consolidated**
Net interest income (expense)	**$ 426**	**$ 159**	**$ (77)**	**$ 508**
Provision for credit losses	**(32)**	**(7)**	**(6)**	**(45)**
Noninterest income	**100**	**185**	**13**	**298**
Noninterest expense (a)	**272**	**154**	**118**	**544**
Income (loss) before income taxes	**286**	**197**	**(176)**	**307**
Income tax expense (benefit)	**66**	**47**	**(42)**	**71**
Net income (loss)	**$ 220**	**$ 150**	**$ (134)**	**$ 236**
Average assets	**$ 42,371**	**$ 21,503**	**$ 21,527**	**$ 85,401**

(a) Includes $33 million in asset impairments related to IBKC merger integration efforts in the Corporate segment.

	Three Months Ended March 31, 2020			
(Dollars in millions)	Regional Banking	Specialty Banking	Corporate	Consolidated
Net interest income (expense)	$ 194	$ 109	$ —	$ 303
Provision for credit losses	98	54	2	154
Noninterest income	73	104	(3)	174
Noninterest expense	173	111	18	302
Income (loss) before income taxes	(4)	48	(23)	21
Income tax expense (benefit)	(2)	11	(4)	5
Net income (loss)	$ (2)	$ 37	$ (19)	$ 16
Average assets	$ 19,044	$ 16,890	$ 7,618	$ 43,552

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

The following tables reflect a disaggregation of FHN's noninterest income by major product line and reportable segment for the three months ended March 31, 2021 and 2020:

	Three months ended March 31, 2021			
(Dollars in millions)	**Regional Banking**	**Specialty Banking**	**Corporate**	**Consolidated**
Noninterest income:				
Fixed income (a)	**$ 1**	**$ 125**	**$ —**	**$ 126**
Mortgage banking and title income	**—**	**52**	**1**	**53**
Deposit transactions and cash management	**38**	**3**	**1**	**42**
Brokerage, management fees and commissions	**20**	**—**	**—**	**20**
Trust services and investment management	**12**	**—**	**—**	**12**
Bankcard income	**11**	**—**	**—**	**11**
Other income (b)	**18**	**5**	**11**	**34**
Total noninterest income	**$ 100**	**$ 185**	**$ 13**	**$ 298**

(a) Includes $10 million of underwriting, portfolio advisory, and other noninterest income in scope of ASC 606, "Revenue From Contracts With Customers."
(b) 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)

(Dollars in millions)	Three months ended March 31, 2020			
	Regional Banking	Specialty Banking	Corporate	Consolidated
Noninterest income:				
Fixed income (a)	$ —	$ 96	$ —	$ 96
Mortgage banking and title income	—	2	—	2
Deposit transactions and cash management	26	3	1	30
Brokerage, management fees and commissions	16	—	—	16
Trust services and investment management	7	—	—	7
Bankcard income	6	1	—	7
Other income (b)	18	2	(4)	16
Total noninterest income	$ 73	$ 104	$ (3)	$ 174

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

(a) Includes $9 million of underwriting, portfolio advisory, and other noninterest income in scope of ASC 606, "Revenue From Contracts With Customers."
(b) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commissions in scope of ASC 606.

Note 14 – Variable Interest Entities

FHN makes equity investments in various entities that are considered VIEs, as defined by GAAP. A VIE typically does not have sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. The Company's variable interest arises from contractual, ownership or other monetary interests in the entity, which change with fluctuations in the fair value of the entity's net assets. FHN consolidates a VIE if FHN is the primary beneficiary of the entity. FHN is the primary beneficiary of a VIE if FHN's variable interest provides it with the power to direct the activities that most significantly impact the VIE and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to the VIE. To determine whether or not a variable interest held could potentially be significant to the VIE, FHN considers both qualitative and quantitative factors regarding the nature, size and form of its involvement with the VIE. FHN assesses whether or not it is the primary beneficiary of a VIE on an ongoing basis.

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 March 31, 2021 and December 31, 2020:

(Dollars in millions)	**March 31, 2021**	December 31, 2020
Assets:		
Other assets	**$ 200**	$ 195
Total assets	**$ 200**	$ 195
Liabilities:		
Other liabilities	**$ 173**	$ 165
Total liabilities	**$ 173**	$ 165

Nonconsolidated Variable Interest Entities

Low Income Housing Tax Credit 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 LIHTC. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN's community reinvestment initiatives. LIHTC partnerships are managed by unrelated general partners that have the power to direct the activities which most significantly affect the performance of the partnerships. FHN is therefore not the primary beneficiary of any LIHTC partnerships. Accordingly, FHN does not consolidate these VIEs and accounts for these investments in other assets on the Consolidated Balance Sheets.

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 as a component of income tax expense. LIHTC investments that do not qualify for the proportional amortization method are accounted for using the equity method. Expenses associated with these investments were not material for the three months ended March 31, 2021 and 2020.

Note 14 – Variable Interest Entities (Continued)

The following table summarizes the impact to Income tax expense on the Consolidated Statements of Income for the three months ended March 31, 2021 and 2020 for LIHTC investments accounted for under the proportional amortization method.

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	2020
Income tax expense (benefit):		
Amortization of qualifying LIHTC investments	**$ 9**	$ 6
Low income housing tax credits	**(9)**	(5)
Other tax benefits related to qualifying LIHTC investments	**(3)**	(3)

Other Tax Credit Investments. Through designated subsidiaries, First Horizon Bank periodically makes equity investments as a non-managing member in various LLCs that sponsor community development projects utilizing the NMTC. First Horizon Bank also makes equity investments as a limited partner or non-managing member in entities that receive tax credits from solar and historic tax credits. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN's community reinvestment initiatives. These entities 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 entities.

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. 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. 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.

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

Note 14 – Variable Interest Entities (Continued)

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.

Proprietary Trust Preferred Issuances. In conjunction with its acquisitions, FHN 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 ability 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.

The following table summarizes FHN's nonconsolidated VIEs as of March 31, 2021:

(Dollars in millions)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 345	$ 126	(a)
Other tax credit investments (b)	68	42	Other assets
Small issuer trust preferred holdings (c)	210	—	Loans and leases
On-balance sheet trust preferred securitization	32	83	(d)
Holdings of agency mortgage-backed securities (c)	7,053	—	(e)
Commercial loan troubled debt restructurings (f)	169	—	Loans and leases
Proprietary trust preferred issuances (g)	—	287	Term borrowings

(a) Maximum loss exposure represents $219 million of current investments and $126 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 million classified as Loans and leases and $2 million classified as Trading securities which are offset by $83 million classified as Term borrowings.
(e) Includes $0.6 billion classified as Trading securities and $6.5 billion classified as Securities available for sale.
(f) Maximum loss exposure represents $166 million of current receivables and $3 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.
(g) No exposure to loss due to nature of FHN's involvement.

The following table summarizes FHN's nonconsolidated VIEs as of December 31, 2020:

(Dollars in millions)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 338	$ 132	(a)
Other tax credit investments (b)	64	42	Other assets
Small issuer trust preferred holdings (c)	210	—	Loans and leases
On-balance sheet trust preferred securitization	32	82	(d)
Holdings of agency mortgage-backed securities (c)	7,063	—	(e)
Commercial loan troubled debt restructurings (f)	186	—	Loans and leases
Proprietary trust preferred issuances (g)	—	287	Term borrowings

(a) Maximum loss exposure represents $206 million of current investments and $132 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 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 million classified as Loans and leases and $2 million classified as Trading securities which are offset by $82 million classified as Term borrowings.
(e) Includes $0.8 billion classified as Trading securities and $6.2 billion classified as Securities available for sale.
(f) Maximum loss exposure represents $176 million of current receivables and $10 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.
(g) 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 clients' 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 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 March 31, 2021 and December 31, 2020, respectively, FHN had $234 million and $280 million of cash receivables and $122 million and $166 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 client transactions and as a risk management tool. Where contracts have been created for clients, 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

FHNF trades U.S. Treasury, U.S. Agency, government-guaranteed loan, mortgage-backed, corporate and municipal fixed income securities, and other securities for distribution to clients. When these securities settle on a delayed basis, they are considered forward contracts. FHNF also enters into interest rate contracts, including caps, swaps, and floors, for its clients. In addition, FHNF 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

Note 15 – Derivatives (Continued)

recognized in 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 FHNF 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 $115 million and $78 million for the three months ended March 31, 2021 and 2020, 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 derivatives associated with FHNF's trading activities as of March 31, 2021 and December 31, 2020:

	March 31, 2021		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Customer interest rate contracts	**$ 3,877**	**$ 111**	**$ 60**
Offsetting upstream interest rate contracts	**3,877**	**6**	**13**
Option contracts purchased	**3**	**—**	**—**
Forwards and futures purchased	**15,777**	**12**	**108**
Forwards and futures sold	**16,495**	**119**	**8**

	December 31, 2020		
(Dollars in millions)	Notional	Assets	Liabilities
Customer interest rate contracts	$ 3,950	$ 207	$ 7
Offsetting upstream interest rate contracts	3,950	2	17
Forwards and futures purchased	10,795	62	—
Forwards and futures sold	11,633	1	65

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 clients 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 had designated a derivative transaction in a hedging strategy to manage interest rate risk on $500 million of senior debt prior to its maturity in December 2020. This transaction qualified for hedge accounting using the long-haul method. FHN early redeemed the $500 million senior debt in November 2020.

Note 15 – Derivatives (Continued)

The following tables summarize FHN's derivatives associated with interest rate risk management activities as of March 31, 2021 and December 31, 2020:

	March 31, 2021		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	**$ 7,057**	**$ 255**	**$ 30**
Offsetting upstream interest rate contracts	**7,057**	**4**	**24**

	December 31, 2020		
(Dollars in millions)	Notional	Assets	Liabilities
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	$ 6,868	$ 436	$ 1
Offsetting upstream interest rate contracts	6,868	5	35

The following table summarizes gains (losses) on FHN's derivatives associated with interest rate risk management activities for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
(Dollars in millions)	**Gains (Losses)**	Gains (Losses)
Customer Interest Rate Contracts Hedging		
Hedging Instruments and Hedged Items:		
Customer interest rate contracts (a)	**$ 214**	$ 196
Offsetting upstream interest rate contracts (a)	**(214)**	(196)
Debt Hedging		
Hedging Instruments:		
Interest rate swaps (b)	**$ —**	$ 5
Hedged Items:		
Term borrowings (a) (c)	**—**	(4)

(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.

Cash Flow Hedges

Prior to 2021, FHN had pay floating, receive fixed interest rate swaps designed to manage its exposure to the variability in cash flows related to interest payments on debt instruments, which primarily consisted of held-to-maturity trust preferred loans. In conjunction with the IBKC merger, FHN acquired interest rate contracts (floors and collars) which have been re-designated as cash flow hedges. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments based on 1-month LIBOR.

In a cash flow hedge, the entire change in the fair value of the interest rate swap included in the assessment of hedge effectiveness is initially recorded in OCI and is subsequently reclassified from OCI to current period earnings (interest income or interest expense) in the same period that the hedged item affects earnings.

Note 15 – Derivatives (Continued)

The following tables summarize FHN's derivative activities associated with cash flow hedges as of March 31, 2021 and December 31, 2020:

	March 31, 2021		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Cash Flow Hedges			
Hedging Instruments:			
Interest rate contracts	**$ 1,250**	**$ 27**	**$ —**
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	**N/A**	**$ 1,250**	**N/A**

	December 31, 2020		
(Dollars in millions)	Notional	Assets	Liabilities
Cash Flow Hedges			
Hedging Instruments:			
Interest rate contracts	$ 1,250	$ 32	$ —
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	N/A	$ 1,250	N/A

The following table summarizes gains (losses) on FHN's derivatives associated with cash flow hedges for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
(Dollars in millions)	**Gains (Losses)**	Gains (Losses)
Cash Flow Hedges		
Hedging Instruments:		
Interest rate contracts (a)	**$ 8**	$ 17
Gain (loss) recognized in Other comprehensive income (loss)	**(3)**	13
Gain (loss) reclassified from AOCI into Interest income	**1**	—

(a) Approximately $25 million of pre-tax gains are expected to be reclassified into earnings in the next twelve months.

Other Derivatives

As part of the IBKC merger, 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.

	March 31, 2021		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Mortgage Banking Hedges			
Option contracts written	**$ 702**	**$ 9**	**$ 1**
Forward contracts purchased	**878**	**14**	**—**

Note 15 – Derivatives (Continued)

(Dollars in millions)	December 31, 2020 Notional	Assets	Liabilities
Mortgage Banking Hedges			
Option contracts written	$ 667	$ 20	$ —
Forward contracts purchased	725	—	6

The following table summarizes gains (losses) on FHN's derivatives associated with mortgage banking activities for the three month period ended March 31, 2021.

(Dollars in millions)	Three Months Ended March 31, 2021 Gains (Losses)
Mortgage Banking Hedges	
Option contracts written	**$ (11)**
Forward contracts purchased	**23**

In conjunction with the sale of its Visa Class B shares, FHN 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. As of March 31, 2021 and December 31, 2020, the derivative liabilities associated with the sales of Visa Class B shares were $20 million and $13 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 March 31, 2021 and December 31, 2020, these loans were valued at $10 million and $12 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. As of March 31, 2021 and December 31, 2020, the notional values of FHN's risk participations were $237 million and $233 million of derivative assets and $501 million and $464 million of derivative liabilities, respectively. Assuming all underlying third party customers referenced in the swap contracts defaulted at March 31, 2021 and December 31, 2020, the exposure from these agreements would not be material based on the fair value of the underlying swaps.

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 March 31, 2021 and December 31, 2020, FHN had recognized $2 million and $1 million, respectively, of both assets and liabilities associated with these contracts.

Master Netting and Similar Agreements

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 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.

Note 15 – Derivatives (Continued)

Cash margin received (posted) that is considered settlements for the derivative contracts is included in the respective derivative asset (liability) value. Cash margin that is considered collateral received (posted) for interest rate derivatives is recognized as a liability (asset) on FHN's Consolidated Balance Sheets.

Interest rate derivatives with clients 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 derivative instruments with adjustable collateral posting thresholds was $85 million of assets and $33 million of liabilities on March 31, 2021, and $200 million of assets and $5 million of liabilities on December 31, 2020. As of March 31, 2021 and December 31, 2020, FHN had received collateral of $248 million and $320 million and posted collateral of $5 million and $34 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 $102 million of assets and $40 million of liabilities on March 31, 2021, and $216 million of assets and $17 million of liabilities on December 31, 2020. As of March 31, 2021 and December 31, 2020, FHN had received collateral of $265 million and $343 million and posted collateral of $10 million and $53 million, respectively, in the normal course of business related to these contracts.

FHNF buys and sells various types of securities for its clients. 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 March 31, 2021 and December 31, 2020:

(Dollars in millions)	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:						
March 31, 2021						
Interest rate derivative contracts	**$ 412**	**$ —**	**$ 412**	**$ (42)**	**$ (232)**	**$ 138**
Forward contracts	**131**	**—**	**131**	**(33)**	**(5)**	**93**
	$ 543	**$ —**	**$ 543**	**$ (75)**	**$ (237)**	**$ 231**
December 31, 2020						
Interest rate derivative contracts	$ 702	$ —	$ 702	$ (7)	$ (327)	$ 368
Forward contracts	63	—	63	(14)	(20)	29
	$ 765	$ —	$ 765	$ (21)	$ (347)	$ 397

(a) Included in Other assets on the Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, $16 million and $4 million, respectively, of derivative assets have been excluded from these tables because they are generally not subject to master netting or similar agreements.

The following table provides details of derivative liabilities and collateral pledged as presented on the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020:

(Dollars in millions)	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:						
March 31, 2021						
Interest rate derivative contracts	**$ 128**	**$ —**	**$ 128**	**$ (42)**	**$ (12)**	**$ 74**
Forward contracts	**115**	**—**	**115**	**(33)**	**(34)**	**48**
	$ 243	**$ —**	**$ 243**	**$ (75)**	**$ (46)**	**$ 122**
December 31, 2020						
Interest rate derivative contracts	$ 60	$ —	$ 60	$ (7)	$ (31)	$ 22
Forward contracts	65	—	65	(14)	(51)	—
	$ 125	$ —	$ 125	$ (21)	$ (82)	$ 22

(a) Included in Other liabilities on the Consolidated Balance Sheets. As of March 31, 2021 and December 31, 2020, $21 million and $22 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 March 31, 2021 and December 31, 2020:

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	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:						
March 31, 2021	**$ 463**	**$ —**	**$ 463**	**$ —**	**$ (461)**	**$ 2**
December 31, 2020	380	—	380	—	(379)	1

The following table provides details of securities sold under agreements to repurchase and collateral pledged by FHN as of March 31, 2021 and December 31, 2020:

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	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:						
March 31, 2021	**$ 1,098**	**$ —**	**$ 1,098**	**$ —**	**$ (1,098)**	**$ —**
December 31, 2020	1,187	—	1,187	—	(1,187)	—

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 March 31, 2021 and December 31, 2020:

	March 31, 2021		
(Dollars in millions)	**Overnight and Continuous**	**Up to 30 Days**	**Total**
Securities sold under agreements to repurchase:			
U.S. treasuries	**$ 294**	**$ —**	**$ 294**
Government agency issued MBS	**584**	**—**	**584**
Government agency issued CMO	**13**	**—**	**13**
Other U.S. government agencies	**82**	**—**	**82**
Government guaranteed loans (SBA and USDA)	**125**	**—**	**125**
Total securities sold under agreements to repurchase	**$ 1,098**	**$ —**	**$ 1,098**

	December 31, 2020		
(Dollars in millions)	Overnight and Continuous	Up to 30 Days	Total
Securities sold under agreements to repurchase:			
U.S. treasuries	$ 284	$ —	$ 284
Government agency issued MBS	616	—	616
Government agency issued CMO	10	—	10
Other U.S. government agencies	151	—	151
Government guaranteed loans (SBA and USDA)	126	—	126
Total securities sold under agreements to repurchase	$ 1,187	$ —	$ 1,187

Note 17 – Fair Value of Assets and 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 and Liabilities (Continued)

Recurring Fair Value Measurements

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and December 31, 2020:

	March 31, 2021			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Trading securities:				
U.S. treasuries	$ —	$ 51	$ —	$ 51
Government agency issued MBS	—	384	—	384
Government agency issued CMO	—	190	—	190
Other U.S. government agencies	—	237	—	237
States and municipalities	—	10	—	10
Corporate and other debt	—	204	—	204
Total trading securities	—	1,076	—	1,076
Loans held for sale (elected fair value)	—	437	12	449
Loans held for investment (elected fair value)	—	—	17	17
Securities available for sale:				
U.S. treasuries	—	610	—	610
Government agency issued MBS	—	4,038	—	4,038
Government agency issued CMO	—	2,441	—	2,441
Other U.S. government agencies	—	725	—	725
States and municipalities	—	475	—	475
Corporate and other debt	—	40	—	40
Interest-only strips (elected fair value)	—	—	22	22
Total securities available for sale	—	8,329	22	8,351
Other assets:				
Deferred compensation mutual funds	122	—	—	122
Equity, mutual funds, and other	25	—	—	25
Derivatives, forwards and futures	145	—	—	145
Derivatives, interest rate contracts	—	414	—	414
Derivatives, other	—	2	—	2
Total other assets	292	416	—	708
Total assets	$ 292	$ 10,258	$ 51	$ 10,601
Trading liabilities:				
U.S. treasuries	$ —	$ 361	$ —	$ 361
Other U.S.government agencies	—	20	—	20
Government agency issued MBS	—	8	—	8
Corporate and other debt	—	65	—	65
Total trading liabilities	—	454	—	454
Other liabilities:				
Derivatives, forwards and futures	116	—	—	116
Derivatives, interest rate contracts	—	128	—	128
Derivatives, other	—	2	21	23
Total other liabilities	116	130	21	267
Total liabilities	$ 116	$ 584	$ 21	$ 721

Note 17 – Fair Value of Assets and Liabilities (Continued)

	December 31, 2020			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Trading securities:				
U.S. treasuries	$ —	$ 81	$ —	$ 81
Government agency issued MBS	—	633	—	633
Government agency issued CMO	—	212	—	212
Other U.S. government agencies	—	62	—	62
States and municipalities	—	7	—	7
Corporate and other debt	—	181	—	181
Total trading securities	—	1,176	—	1,176
Loans held for sale (elected fair value)	—	393	12	405
Loans held for investment (elected fair value)	—	—	16	16
Securities available for sale:				
U.S. treasuries	—	613	—	613
Government agency issued MBS	—	3,812	—	3,812
Government agency issued CMO	—	2,406	—	2,406
Other U.S. government agencies	—	684	—	684
States and municipalities	—	460	—	460
Corporate and other debt	—	40	—	40
Interest-only strips (elected fair value)	—	—	32	32
Total securities available for sale	—	8,015	32	8,047
Other assets:				
Deferred compensation mutual funds	118	—	—	118
Equity, mutual funds, and other	25	—	—	25
Derivatives, forwards and futures	63	—	—	63
Derivatives, interest rate contracts	—	702	—	702
Derivatives, other	—	4	—	4
Total other assets	206	706	—	912
Total assets	$ 206	$ 10,290	$ 60	$ 10,556
Trading liabilities:				
U.S. treasuries	$ —	$ 307	$ —	$ 307
Government agency issued MBS	—	3	—	3
Corporates and other debt	—	43	—	43
Total trading liabilities	—	353	—	353
Other liabilities:				
Derivatives, forwards and futures	71	—	—	71
Derivatives, interest rate contracts	—	60	—	60
Derivatives, other	—	4	14	18
Total other liabilities	71	64	14	149
Total liabilities	$ 71	$ 417	$ 14	$ 502

Note 17 – Fair Value of Assets and 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 March 31, 2021 and 2020 on a recurring basis are summarized as follows:

	Three Months Ended March 31, 2021			
(Dollars in millions)	Interest- only strips- AFS	Loans held for sale	Loans held for investment	Net derivative liabilities
Balance on January 1, 2021	$ 32	$ 12	$ 16	$ (14)
Total net gains (losses) included in net income	5	1	—	(9)
Purchases	—	—	—	—
Sales	(27)	—	—	—
Settlements	—	(1)	(2)	2
Net transfers into (out of) Level 3	12 (b)	—	3	—
Balance on March 31, 2021	$ 22	$ 12	$ 17	$ (21)
Net unrealized gains (losses) included in net income	$ 2 (c)	$ 1 (a)	$ —	$ (9) (d)

	Three Months Ended March 31, 2020			
(Dollars in millions)	Trading securities	Interest-only-strips-AFS	Loans held for sale	Net derivative liabilities
Balance on January 1, 2020	$ 1	$ 19	$ 14	$ (23)
Total net gains (losses) included in net income	—	(1)	—	—
Purchases	—	5	—	—
Sales	—	(8)	—	—
Settlements	—	—	(1)	2
Net transfers into (out of) Level 3	—	8 (b)	—	—
Balance on March 31, 2020	$ 1	$ 23	$ 13	$ (21)
Net unrealized gains (losses) included in net income	$ — (a)	$ (1) (c)	$ — (a)	$ — (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 March 31, 2021 and 2020.

Note 17 – Fair Value of Assets and 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 March 31, 2021, and December 31, 2020, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the related carrying value.

	Carrying value at March 31, 2021			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale—SBAs and USDA	$ —	$ 299	$ 1	$ 300
Loans held for sale—first mortgages	—	—	1	1
Loans and leases (a)	—	—	69	69
OREO (b)	—	—	11	11
Other assets (c)	—	—	11	11

	Carrying value at December 31, 2020			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale—SBAs and USDA	$ —	$ 508	$ 1	$ 509
Loans held for sale—first mortgages	—	—	1	1
Loans and leases (a)	—	—	77	77
OREO (b)	—	—	15	15
Other assets (c)	—	—	9	9

(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 months ended March 31, 2021 and 2020:

	Net gains (losses) Three Months Ended March 31	
(Dollars in millions)	**2021**	2020
Loans held for sale—SBAs and USDA	**$ (1)**	$ (1)
Loans and leases (a)	**(7)**	(5)
	$ (8)	$ (6)

(a) Write-downs on these loans are recognized as part of provision for credit losses.

Note 17 – Fair Value of Assets and Liabilities (Continued)

For the three months ended March 31, 2021, FHN recognized $33 million of fixed asset impairments and $3 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.

For the three months ended March 31, 2020, FHN recognized an insignificant amount of impairment.

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 and 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 March 31, 2021 and December 31, 2020:

(Dollars in millions)

Level 3 Class	Fair Value at March 31, 2021	Valuation Techniques	Unobservable Input	Values Utilized	
				Range	Weighted Average (d)
Available for sale securities SBA-interest only strips	$ 22	Discounted cash flow	Constant prepayment rate	12%	12%
			Bond equivalent yield	10% - 13%	11%
Loans held for sale - residential real estate	$ 13	Discounted cash flow	Prepayment speeds - First mortgage	4% - 13%	5%
			Foreclosure losses	57% - 65%	62%
			Loss severity trends - First mortgage	9% - 17% of UPB	12%
Loans held for sale - unguaranteed interest in SBA loans	$ 1	Discounted cash flow	Constant prepayment rate	8% - 12%	10%
			Bond equivalent yield	8%	8%
Loans held for investment	$ 17	Discounted cash flow	Constant prepayment rate	0% - 46%	31%
			Constant default rate	0% - 15%	1%
			Loss severity trends	0% - 93%	7%
Derivative liabilities, other	$ 21	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	12 - 36 months	26 months
Loans and leases (a)	$ 69	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)	$ 11	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal	NM
Other assets (c)	$ 11	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 and Liabilities (Continued)

(Dollars in millions)

Level 3 Class	Fair Value at December 31, 2020	Valuation Techniques	Unobservable Input	Values Utilized: Range	Values Utilized: Weighted Average (d)
Available for sale securities SBA-interest only strips	$ 32	Discounted cash flow	Constant prepayment rate	12%	12%
			Bond equivalent yield	15% - 17%	15%
Loans held for sale - residential real estate	$ 13	Discounted cash flow	Prepayment speeds - First mortgage	5% - 15%	5%
			Foreclosure losses	59% - 70%	63%
			Loss severity trends - First mortgage	3% - 19% of UPB	12%
Loans held for sale - unguaranteed interest in SBA loans	$ 1	Discounted cash flow	Constant prepayment rate	8% - 12%	10%
			Bond equivalent yield	7% - 8%	7%
Loans held for investment	$ 16	Discounted cash flow	Constant prepayment rate	0% - 26%	11%
			Constant default rate	0% - 14%	1%
			Loss severity trends	0% - 100%	11%
Derivative liabilities, other	$ 14	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	3 - 27 months	19 months
Loans and leases (a)	$ 77	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	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal	NM
Other assets (c)	$ 9	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 and Liabilities (Continued)

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

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

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

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 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

Note 17 – Fair Value of Assets and Liabilities (Continued)

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.

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.

	March 31, 2021		
(Dollars in millions)	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	**$ 449**	**$ 445**	**$ 4**
Nonaccrual loans	**2**	**5**	**(3)**
Loans held for investment reported at fair value:			
Total loans	**$ 17**	**$ 17**	**$ —**
Nonaccrual loans	**1**	**1**	**—**

	December 31, 2020		
(Dollars in millions)	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	$ 405	$ 442	$ (37)
Nonaccrual loans	2	5	(3)
Loans held for investment reported at fair value:			
Total loans	$ 16	$ 17	$ (1)
Nonaccrual loans	1	1	—

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 March 31,	
(Dollars in millions)	**2021**	2020
Changes in fair value included in net income:		
Mortgage banking noninterest income		
Loans held for sale	**$ (9)**	$ —

Note 17 – Fair Value of Assets and Liabilities (Continued)

For the three months ended March 31, 2021 and 2020, the amount for residential real estate loans held for sale included an insignificant amount of gains 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

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following describes the assumptions and methodologies used to estimate the fair value of financial instruments recorded at fair value in the Consolidated Balance Sheets and for estimating the fair value of financial instruments for which fair value is disclosed.

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, benchmark yields, 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.

Securities available for sale. Valuations of available-for-sale securities are performed using observable inputs obtained from market transactions in similar securities. Typical inputs include benchmark yields, consensus prepayment speeds, and credit spreads. Trades from similar securities and 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, including 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.

Note 17 – Fair Value of Assets and Liabilities (Continued)

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 (constant prepayment rate, constant default rate and loss severity trends) 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.

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 contracts) are based on inputs observed in active markets for similar instruments. Typically inputs include benchmark yields, option volatility and option skew. Starting in October 2020, centrally cleared derivatives are discounted using SOFR as required by clearinghouses. 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 client 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

Note 17 – Fair Value of Assets and Liabilities (Continued)

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 March 31, 2021 and December 31, 2020, 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 and TRUPS loans within the Corporate segment, 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 clients, 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 and Liabilities (Continued)

The following tables summarize the book value and estimated fair value of financial instruments recorded in the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020:

	March 31, 2021				
		Fair Value			
(Dollars in millions)	Book Value	Level 1	Level 2	Level 3	Total
Assets:					
Loans and leases, net of allowance for loan and lease losses					
Commercial:					
Commercial, financial and industrial	$ 33,509	$ —	$ —	$ 33,249	$ 33,249
Commercial real estate	12,238	—	—	12,265	12,265
Consumer:					
Consumer real estate	10,831	—	—	11,283	11,283
Credit card and other	1,108	—	—	1,134	1,134
Total loans and leases, net of allowance for loan and lease losses	57,686	—	—	57,931	57,931
Short-term financial assets:					
Interest-bearing deposits with banks	11,635	11,635	—	—	11,635
Federal funds sold	463	—	463	—	463
Securities purchased under agreements to resell	57	—	57	—	57
Total short-term financial assets	12,155	11,635	520	—	12,155
Trading securities (a)	1,076	—	1,076	—	1,076
Loans held for sale:					
Mortgage loans (elected fair value) (a)	449	—	437	12	449
USDA & SBA loans - LOCOM	300	—	299	1	300
Other loans - LOCOM	4	—	4	—	4
Mortgage loans - LOCOM	58	—	—	58	58
Total loans held for sale	811	—	740	71	811
Securities available for sale (a)	8,351	—	8,329	22	8,351
Derivative assets (a)	561	145	416	—	561
Other assets:					
Tax credit investments	410	—	—	400	400
Deferred compensation mutual funds	122	122	—	—	122
Equity, mutual funds, and other (b)	262	25	—	237	262
Total other assets	794	147	—	637	784
Total assets	$ 81,434	$ 11,927	$ 11,081	$ 58,661	$ 81,669
Liabilities:					
Defined maturity deposits	$ 4,653	$ —	$ 4,664	$ —	$ 4,664
Trading liabilities (a)	454	—	454	—	454
Short-term financial liabilities:					
Federal funds purchased	982	—	982	—	982
Securities sold under agreements to repurchase	1,098	—	1,098	—	1,098
Other short-term borrowings	122	—	122	—	122
Total short-term financial liabilities	2,202	—	2,202	—	2,202
Term borrowings:					
Real estate investment trust-preferred	46	—	—	47	47
Term borrowings—new market tax credit investment	45	—	—	45	45
Secured borrowings	15	—	—	15	15
Junior subordinated debentures	239	—	—	237	237
Other long term borrowings	1,326	—	1,462	—	1,462
Total term borrowings	1,671	—	1,462	344	1,806
Derivative liabilities (a)	265	116	130	21	267
Total liabilities	$ 9,245	$ 116	$ 8,912	$ 365	$ 9,393

(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 $34 million and FRB stock of $202 million.

Note 17 – Fair Value of Assets and Liabilities (Continued)

	December 31, 2020				
	Book Value	Fair Value			
(Dollars in millions)		Level 1	Level 2	Level 3	Total
Assets:					
Loans and leases and allowance for loan and lease losses					
Commercial:					
Commercial, financial and industrial	$ 32,651	$ —	$ —	$ 32,582	$ 32,582
Commercial real estate	12,033	—	—	12,079	12,079
Consumer:					
Consumer real estate	11,483	—	—	11,903	11,903
Credit card and other	1,102	—	—	1,131	1,131
Total loans and leases, net of allowance for loan and lease losses	57,269	—	—	57,695	57,695
Short-term financial assets:					
Interest-bearing deposits with banks	8,351	8,351	—	—	8,351
Federal funds sold	65	—	65	—	65
Securities purchased under agreements to resell	380	—	380	—	380
Total short-term financial assets	8,796	8,351	445	—	8,796
Trading securities (a)	1,176	—	1,176	—	1,176
Loans held for sale:					
Mortgage loans (elected fair value) (a)	405	—	393	12	405
USDA & SBA loans - LOCOM	509	—	511	1	512
Other loans - LOCOM	31	—	31	—	31
Mortgage loans - LOCOM	77	—	—	77	77
Total loans held for sale	1,022	—	935	90	1,025
Securities available for sale (a)	8,047	—	8,015	32	8,047
Derivative assets (a)	770	63	706	—	769
Other assets:					
Tax credit investments	400	—	—	371	371
Deferred compensation mutual funds	118	118	—	—	118
Equity, mutual funds, and other (b)	288	25	—	263	288
Total other assets	806	143	—	634	777
Total assets	$ 77,886	$ 8,557	$ 11,277	$ 58,451	$ 78,285
Liabilities:					
Defined maturity deposits	$ 5,070	$ —	$ 5,083	$ —	$ 5,083
Trading liabilities (a)	353	—	353	—	353
Short-term financial liabilities:					
Federal funds purchased	845	—	845	—	845
Securities sold under agreements to repurchase	1,187	—	1,187	—	1,187
Other short-term borrowings	166	—	166	—	166
Total short-term financial liabilities	2,198	—	2,198	—	2,198
Term borrowings:					
Real estate investment trust-preferred	46	—	—	47	47
Term borrowings—new market tax credit investment	45	—	—	45	45
Secured borrowings	15	—	—	15	15
Junior subordinated debentures	238	—	—	223	223
Other long term borrowings	1,326	—	1,455	—	1,455
Total term borrowings	1,670	—	1,455	330	1,785
Derivative liabilities (a)	149	71	64	14	149
Total liabilities	$ 9,440	$ 71	$ 9,153	$ 344	$ 9,568

(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 $61 million and FRB stock of $202 million.

Note 17 – Fair Value of Assets and Liabilities (Continued)

The following table presents the contractual amount and fair value of unfunded loan commitments and standby and other commitments as of March 31, 2021 and December 31, 2020:

	Contractual Amount		Fair Value	
(Dollars in millions)	**March 31, 2021**	December 31, 2020	**March 31, 2021**	December 31, 2020
Unfunded Commitments:				
Loan commitments	**$ 20,881**	$ 20,796	**$ 1**	$ 2
Standby and other commitments	**720**	751	**6**	6

Note 18 – Other Events

Issuance of Series F Preferred Stock

On May 3, 2021, FHN issued 1,500 shares having an aggregate liquidation preference of $150 million of Series F Non-Cumulative Perpetual Preferred Stock for net proceeds of approximately $146 million. Dividends on the Series F Preferred Stock, if declared, accrue and are payable quarterly, in arrears, at a rate of 4.70% per annum. For the issuance, FHN issued depositary shares, each of which represents a fractional ownership interest in a share of FHN's preferred stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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INTRODUCTION

First Horizon Corporation (FHN) is a financial holding company headquartered in Memphis, Tennessee. FHN provides diversified financial services primarily through it principal subsidiary, 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, mortgage lending, title insurance, specialized commercial lending, commercial leasing and equipment financing, brokerage, wealth management and capital market services through the First Horizon family of companies. 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. In addition, FHN has 29 title services offices in three states and 15 stand-alone mortgage lending offices in seven states.

This MD&A should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes to Consolidated Financial Statements in Part I, Item 1, as well as other information contained in this document and FHN's 2020 Annual Report on Form 10-K.

Recent Events

Merger of Equals

On July 1, 2020, FHN completed its merger of equals with IBERIABANK Corporation. Reported results for FHN reflect legacy FHN prior to the completion of the merger and results from both FHN and IBKC from the merger closing date forward. As such, comparative income statement data in this MD&A for the first quarter of 2020 is only for legacy FHN.

COVID-19 Pandemic

Government and societal reaction to the COVID-19 pandemic caused extraordinary disruption to the U.S. economy, as well as to the local economies within FHN's footprint, during the final three quarters of 2020 and continuing into the first quarter of 2021. Business activity, especially lending, declined throughout 2020 and into first quarter this year. In certain business lines, FHN reduced or stopped new lending because of the pandemic.

In the fourth quarter of 2020, two extremely effective vaccines were approved in the U.S. Administration of those vaccines began late in 2020, nationwide but on a narrowly targeted basis. In the first quarter of 2021, vaccine production and distribution increased, and a third vaccine was approved in the U.S. Public vaccination in the U.S. has accelerated during the first four months of 2021. In many of FHN's markets, COVID-19 restrictions at least partially were eased by the end of March or during April, and FHN believes further easing is likely in the rest of 2021. COVID-19 restrictions still had a substantial impact on FHN and its clients in the first quarter of 2021, but FHN expects those impacts to diminish over the rest of this year as the vaccinated percentage of the U.S. population continues to climb. Within the U.S. economy, broadly speaking, manufacturing has largely recovered while services continue to lag significantly, especially in hospitality and leisure.

Risk of resurgence remains as new virus variants continue to be identified around the world. As a result, FHN continues to closely monitor the pandemic and its effects on clients, especially credit quality, on FHN's communities, and on the financial markets. FHN continues to reach out to clients to discuss challenges and solutions, to provide line draws and new extensions to existing clients, to provide support for small businesses through the Paycheck Protection Program and other stimulus programs, and to provide lending and deposit assistance through deferrals and waived fees.

The pandemic has resulted in modest operational disruptions for FHN. Clients' physical access to banking centers has been restricted off and on in many markets and many non-client-facing associates have worked largely on a remote basis. FHN has also implemented additional sick time and child care assistance for associates.

Quarterly Financial Performance Summary

First Quarter 2021 versus Fourth Quarter 2020

First quarter 2021 net income available to common shareholders was $225 million, or $0.40 per diluted share, compared to $234 million, or $0.42 per diluted share, in fourth quarter 2020. First quarter 2021 results produced a return on average assets of 1.12% and a return on average common equity of 12.01% compared to 1.16% and 12.53% for fourth quarter 2020.

Net interest income of $508 million declined $14 million from fourth quarter 2020, driven by the impact of a decrease in average loans, day count and lower short-term rates partially offset by improved funding costs.

The provision for credit losses was a benefit of $45 million for the first quarter of 2021, compared to expense of $1 million for fourth quarter 2020, largely reflecting continued improvement in the overall macroeconomic outlook and a reduction in consumer loans.

Noninterest income of $298 million increased $10 million from fourth quarter 2020, primarily reflecting strong fixed income offset by decreases in mortgage banking and title income, deposit transaction and cash management fees, deferred compensation and derivative sales.

Noninterest expense of $544 million increased $36 million from fourth quarter 2020, largely as a result of IBKC merger integration expenses.

First Quarter 2021 versus First Quarter 2020

First quarter 2021 net income available to common shareholders was $225 million, or $0.40 per diluted share, compared to $12 million, or $0.04 per diluted share, in first quarter 2020 driven by the impact of the July 1, 2020 IBKC merger and a lower provision for credit losses. First quarter 2021 results produced a return on average assets of 1.12% and a return on average common equity of 12.01% compared to 0.15% and 1.05% for the first quarter 2020.

Net interest income increased 68% to $508 million compared to first quarter 2020, driven by an increase in average interest-earning assets as a result of the IBKC merger and Truist branch acquisition. Results also reflect the benefit of deposit pricing discipline and PPP lending, which helped to partially offset the impact of lower interest rates.

The provision for credit losses was a benefit of $45 million for the first quarter of 2021, compared to expense of $154 million for first quarter 2020. The decrease in provision was primarily attributable to improvement in the overall macro-economic outlook.

Noninterest income of $298 million increased $124 million from first quarter 2020, primarily driven by the impact of the IBKC merger. Results also reflect an increase in fixed income revenue during the quarter.

Noninterest expense of $544 million increased $242 million from first quarter 2020, largely as a result of the IBKC merger. Noninterest expense for the first quarter of 2021 included $70 million in merger and acquisition-related costs compared to $6 million in first quarter 2020.

Financial Condition Summary

Total assets at March 31, 2021 of $87.5 billion increased $3.3 billion, or 4%, from $84.2 billion at December 31, 2020.

Period-end loans and leases of $58.6 billion increased $368 million, or 1%, from December 31, 2020 driven by a $1.0 billion increase in commercial loans primarily tied to PPP loans, offset by a $674 million decrease in consumer loans. Average loans and leases of $58.2 billion in first quarter 2021 increased $27.7 billion from $30.5 billion in first quarter 2020 primarily driven by the IBKC merger.

Period-end deposits of $73.2 billion increased $3.2 billion, or 5%, from December 31, 2020, largely reflecting growth in noninterest-bearing deposits from the impact of stimulus checks and PPP loan funding. Average deposits of $71.0 billion for first quarter 2021 increased from $32.9 billion for first quarter 2020.

FHN maintained strong capital measures. The Tier 1 risk-based capital and total risk-based capital ratios at March 31, 2021 were 11.05% and 12.84%, respectively, compared to 10.74% and 12.57% at December 31, 2020, respectively. The CET1 ratio was 9.97% at March 31, 2021 compared to 9.68% at December 31, 2020.

Table 1 - Key Performance Indicators

(Dollars in millions, except per share data)	As of or for the three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Pre-provision net revenue (a)	**$ 262**	$ 302	$ 175
Diluted earnings per common share	**$ 0.40**	$ 0.42	$ 0.04
Return on average assets (b)	**1.12 %**	1.16 %	0.15 %
Return on average common equity (c)	**12.01 %**	12.53 %	1.05 %
Return on average tangible common equity (a) (d)	**15.90 %**	16.73 %	1.59 %
Net interest margin (e)	**2.63 %**	2.71 %	3.16 %
Noninterest income to total revenue (f)	**37.00 %**	35.86 %	36.59 %
Efficiency ratio (g)	**67.54 %**	62.46 %	63.26 %
Allowance for loan and lease losses to total loans and leases	**1.56 %**	1.65 %	1.33 %
Net charge-offs to average loans and leases	**0.06 %**	0.19 %	0.10 %
Total period-end equity to period-end assets	**9.49 %**	9.86 %	10.71 %
Tangible common equity to tangible assets (a)	**6.64 %**	6.89 %	6.81 %
Cash dividends declared per common share	**$ 0.15**	$ 0.15	$ 0.15
Book value per common share	**$ 13.65**	$ 13.59	$ 14.96
Tangible book value per common share (a)	**$ 10.29**	$ 10.23	$ 9.96
Common equity Tier 1	**9.97 %**	9.68 %	8.54 %
Market capitalization	**$ 9,341**	$ 7,082	$ 2,514

(a) Represents a non-GAAP measure which is reconciled in the non-GAAP to GAAP reconciliation in Table 20.
(b) Calculated using annualized net income divided by average assets.
(c) Calculated using annualized net income available to common shareholders divided by average common equity.
(d) Calculated using annualized 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 noninterest income excluding securities gains (losses) to total revenue excluding securities gains (losses).
(g) Ratio is noninterest expense to total revenue excluding securities gains (losses).

Results of Operations

Net Interest Income/Net Interest Margin

Net interest income is FHN's largest source of revenue and is the difference between the interest earned on interest-earning assets (generally loans, leases and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (generally deposits and borrowed funds). The level of net interest income is primarily a function of the difference between the effective yield on average interest-earning assets and the effective cost of interest-bearing liabilities. These factors are influenced by the pricing and mix of interest-earning assets and interest-bearing liabilities which, in turn, are impacted by external factors such as local economic conditions, competition for loans and deposits, the monetary policy of the FRB and market interest rates.

First Quarter 2021 versus Fourth Quarter 2020

Net interest income for first quarter 2021 decreased $14 million from fourth quarter 2020. This decrease reflected a $23 million decrease in interest income, the result of lower average loan balances, a decrease in day count, and lower short-term rates. Partially offsetting the decrease in interest income was a $9 million decrease in interest expense, driven by deposit pricing discipline, as the rate on deposits decreased 6 basis points from fourth quarter 2020, as well as a $243 million decrease in average long-term borrowings.

The net interest margin was 2.63% in first quarter 2021, down 8 basis points from fourth quarter 2020, while the net interest spread of 2.52% in first quarter 2021 was down 7 basis points. The decline in net interest margin for the quarter ended March 31, 2021 was primarily the result of a 13 basis point decrease in earning asset yields, largely driven by an unfavorable mix shift to lower yielding assets.

Average earning assets increased $1.7 billion to $78.7 billion for first quarter 2021 from $77.0 billion for fourth quarter of 2020, primarily driven by a $3.1 billion increase in average interest-bearing cash,

partially offset by a $1.6 billion decrease in average loans and leases from a reduction in new originations, continued payoffs, and a decrease in loans to mortgage companies, partially offset by growth in asset-based lending and commercial real estate. The mix shift also contributed to a decline in earning asset yield from the prior quarter.

First Quarter 2021 versus First Quarter 2020

Net interest income increased $205 million in first quarter 2021 from $303 million in first quarter 2020. The increase was primarily attributable to growth in average earning assets from the IBKC merger and Truist branch acquisition in third quarter 2020, 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 net interest margin in first quarter 2021 was down 53 basis points from 3.16% in first quarter 2020. The net interest spread of 2.52% in first quarter 2021 was down 37 basis points from the first quarter 2020. The decline in net interest margin for the quarter ended March 31, 2021 was primarily the result of a 108 basis point decrease in earning asset yields, as the negative impact of lower short-term interest rates was partially offset by the benefit of purchase accounting accretion and PPP lending. An increase in average excess cash also negatively impacted net interest margin relative to the prior year. Driven by disciplined deposit pricing, the cost of interest-bearing liabilities decreased 71 basis points from first quarter 2020.

Average earning assets increased to $78.7 billion for first quarter 2021 from $38.8 billion for the same quarter of 2020, a $39.9 billion increase primarily driven by the IBKC merger and Truist branch acquisition.

The following table presents the major components of net interest income and net interest margin.

Table 2—Average Balances, Net Interest Income and Yields/Rates

(Dollars in millions)	Three Months Ended								
	March 31, 2021			December 31, 2020			March 31, 2020		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Assets:									
Loans and leases:									
Commercial loans and leases	**$ 45,703**	**$ 382**	**3.39 %**	$ 46,596	$ 405	3.46 %	$ 23,891	$ 257	4.33 %
Consumer loans	**12,519**	**128**	**4.13**	13,224	129	3.89	6,633	71	4.33
Total loans and leases	**58,222**	**510**	**3.55**	59,820	534	3.56	30,524	328	4.33
Loans held for sale	**842**	**7**	**3.16**	1,030	8	3.22	590	7	4.67
Investment securities	**8,321**	**29**	**1.41**	8,213	27	1.29	4,467	28	2.51
Trading securities	**1,418**	**7**	**2.03**	1,292	7	2.05	1,831	13	2.91
Federal funds sold	**45**	**—**	**0.12**	34	—	0.15	10	—	1.05
Securities purchased under agreements to resell (a)	**554**	**—**	**(0.14)**	405	—	0.02	817	2	1.13
Interest-bearing deposits with banks	**9,269**	**2**	**0.10**	6,201	2	0.10	549	2	1.13
Total earning assets / Total interest income	**$ 78,671**	**$ 555**	**2.86 %**	$ 76,995	$ 578	2.99 %	$ 38,788	$ 380	3.94 %
Cash and due from banks	**1,250**			1,204			610		
Goodwill and other intangible assets, net	**1,857**			1,871			1,560		
Allowance for loan and lease losses	**(949)**			(985)			(354)		
Other assets	**4,572**			4,724			2,948		
Total assets	**$ 85,401**			$ 83,809			$ 43,552		
Liabilities and Shareholders' Equity:									
Interest-bearing deposits:									
Savings	**$ 27,370**	**$ 12**	**0.19 %**	$ 27,090	$ 18	0.27 %	$ 12,117	$ 26	0.87 %
Other interest-bearing deposits	**15,491**	**6**	**0.16**	15,057	7	0.18	8,743	14	0.65
Time deposits	**4,836**	**6**	**0.47**	5,387	6	0.44	3,356	14	1.67
Total interest-bearing deposits	**47,697**	**24**	**0.20**	47,534	31	0.26	24,216	54	0.90
Federal funds purchased	**996**	**—**	**0.10**	831	—	0.10	747	2	1.19
Securities sold under agreements to repurchase	**1,145**	**1**	**0.21**	1,140	1	0.23	778	3	1.36
Trading liabilities	**518**	**1**	**0.73**	367	1	0.78	751	3	1.76
Other short-term borrowings	**139**	**—**	**1.01**	142	—	0.98	1,686	5	1.20
Term borrowings	**1,670**	**18**	**4.39**	1,913	20	4.16	791	8	4.01
Total interest-bearing liabilities / Total interest expense	**$ 52,165**	**$ 44**	**0.34 %**	$ 51,927	$ 53	0.40 %	$ 28,969	$ 75	1.05 %
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	**23,284**			22,105			8,666		
Other liabilities	**1,603**			1,568			915		
Total liabilities	**77,052**			75,600			38,550		
Shareholders' equity	**8,054**			7,914			4,707		
Noncontrolling interest	**295**			295			295		
Total shareholders' equity	**8,349**			8,209			5,002		
Total liabilities and shareholders' equity	**$ 85,401**			$ 83,809			$ 43,552		
Net earnings assets / Net interest income (TE) / Net interest spread	**$ 26,506**	**$ 511**	**2.52 %**	$ 25,068	$ 525	2.59 %	$ 9,819	$ 305	2.89 %
Taxable equivalent adjustment		**(3)**	**0.11**		(3)	0.12		(2)	0.27
Net interest income / Net interest margin (b)		**$ 508**	**2.63 %**		$ 522	2.71 %		$ 303	3.16 %

(a) First quarter 2021 yield is driven by negative market rates on reverse repurchase agreements
(b) Calculated using total net interest income adjusted for FTE assuming a statutory federal income tax rate of 21% 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 provision for unfunded lending commitments. The provision for credit losses is the expense necessary to maintain the ALLL and the accrual for unfunded lending commitments 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 benefit of $45 million compared to expense of $1 million in fourth quarter 2020, largely reflecting continued improvement in the overall macroeconomic outlook and a reduction in consumer loans. The provision for credit losses decreased $199 million from first quarter 2020 primarily from an improvement in the overall macroeconomic outlook.

For additional information about general asset quality trends, refer to the Asset Quality section in this MD&A.

Noninterest Income

The following table presents the significant components of noninterest income for each of the periods presented:

Table 3 - Noninterest Income

	Three Months Ended			1Q21 vs. 1Q20		1Q21 vs. 4Q20	
(Dollars in millions)	**March 31, 2021**	December 31, 2020	March 31, 2020	$ Change	% Change	$ Change	% Change
Noninterest income:							
Fixed income	**$ 126**	$ 104	$ 96	$ 30	31 %	$ 22	21 %
Mortgage banking and title income	**53**	57	2	51	NM	(4)	(7) %
Deposit transactions and cash management	**42**	45	30	12	40 %	(3)	(7) %
Brokerage, management fees and commissions	**20**	19	16	4	25 %	1	5 %
Trust services and investment management	**12**	12	7	5	71 %	—	— %
Bankcard income	**11**	12	7	4	57 %	(1)	(8) %
Other income	**34**	39	16	18	NM	(5)	(13) %
Total noninterest income	**$ 298**	$ 288	$ 174	$ 124	71 %	$ 10	3 %

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

The following table summarizes FHN's fixed income noninterest income for each of the periods presented:

Table 4—Fixed Income

	Three Months Ended			1Q21 vs. 1Q20		1Q21 vs. 4Q20	
(Dollars in millions)	**March 31, 2021**	December 31, 2020	March 31, 2020	$ Change	% Change	$ Change	% Change
Noninterest income:							
Fixed income	**$ 115**	$ 94	$ 78	$ 37	47 %	$ 21	22 %
Other product revenue	**11**	10	18	(7)	(39 %)	1	10 %
Total noninterest income	**$ 126**	$ 104	$ 96	$ 30	31 %	$ 22	21 %

First Quarter 2021 versus Fourth Quarter 2020

Compared to fourth quarter 2020, noninterest income increased $10 million, or 3%, primarily reflecting strong fixed income. Fixed income increased $22 million, or 21%, driven by continued elevated liquidity and weak loan demand among fixed income customers, as well as interest rate volatility.This increase was partially offset by decreases in mortgage banking and title income, deposit transaction and cash management fees, deferred compensation and derivative sales.

First Quarter 2021 versus First Quarter 2020

Noninterest income of $298 million for first quarter 2021, increased $124 million, or 71%, compared to first quarter 2020, primarily driven by the impact of the IBKC merger as well as strong fixed income revenue during the quarter. Fixed income increased $30 million, or 31%, from first quarter 2020. Fixed income product revenue of $115 million increased 47%, largely driven by favorable market conditions including market volatility and increased depository liquidity. Revenue from other products of $11 million decreased 39%, primarily driven by lower fees from derivative and loan sales.

Noninterest Expense

The following table presents the significant components of noninterest expense for each of the periods presented:

Table 5 - Noninterest Expense

	Three Months Ended			1Q21 vs. 1Q20		1Q21 vs. 4Q20	
(Dollars in millions)	**March 31, 2021**	December 31, 2020	March 31, 2020	$ Change	% Change	$ Change	% Change
Noninterest expense:							
Personnel expense	**$ 318**	$ 319	$ 183	$ 135	74 %	$ (1)	NM
Net occupancy expense	**37**	36	20	17	85 %	1	3 %
Computer software	**28**	27	16	12	75 %	1	4 %
Legal and professional fees	**14**	19	9	5	56 %	(5)	(26) %
Operations services	**16**	17	12	4	33 %	(1)	(6) %
Equipment expense	**11**	13	9	2	22 %	(2)	(15) %
Amortization of intangible assets	**14**	15	5	9	NM	(1)	(7) %
Other expense	**106**	62	48	58	NM	44	71 %
Total noninterest expense	**$ 544**	$ 508	$ 302	$ 242	80 %	$ 36	7 %

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

First Quarter 2021 versus Fourth Quarter 2020

Compared to fourth quarter 2020, noninterest expense increased $36 million, or 7%, driven by a $36 million increase in merger and acquisition related expense largely tied to IBKC merger integration costs. First quarter 2021 also included $10 million in derivative valuation adjustments related to prior Visa Class-B share sales.

First Quarter 2021 versus First Quarter 2020

Total noninterest expense of $544 million increased $242 million, or 80%, from first quarter 2020 primarily attributable to the impact of the IBKC merger and Truist branch acquisition. In addition to the impact of the merger and branch acquisition, the increase in personnel expense reflects an increase in revenue-based compensation due to increases in fixed income and mortgage banking and an increase in deferred compensation expense driven by equity market valuations. Other expense in first quarter 2021 included $33 million in asset impairments related to IBKC merger integration efforts. Total merger and acquisition expense was $70 million in first quarter 2021 compared to $6 million in first quarter 2020.

Income Taxes

FHN recorded income tax expense of $71 million in first quarter 2021, compared to $56 million in fourth quarter 2020 and $5 million in first quarter 2020. The effective tax rate was approximately 23.2%, 18.7%,

and 22.4% for the three months ended March 31, 2020, December 31, 2020 and March 31, 2020, respectively.

FHN's effective tax rate is favorably affected by recurring items such as bank-owned life insurance, tax-exempt income, and tax credits and other tax benefits from tax credit investments. The effective rate is unfavorably affected by the non-deductibility of a portion of FHN's FDIC premium, executive compensation and merger 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 unrecognized tax benefits. The rate also may be affected by items resulting from business combinations.

A deferred tax asset or deferred tax liability 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 March 31, 2021, FHN's gross DTA and gross DTL were $472 million and $448 million, respectively, resulting in a net DTA of $24 million at March 31, 2021, compared with a net DTA of less than $1 million at December 31, 2020.

As of March 31, 2021, FHN had deferred tax asset balances related to federal and state income tax carryforwards of $39 million and $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.

Business Segment Results

During fourth quarter 2020, FHN reorganized its internal management structure and, accordingly, its segment reporting structure. Historically, FHN's primary business segments were Regional Banking, Fixed Income, Corporate, and Non-strategic. On July 1, 2020, FHN and IBKC closed their merger of equals transaction. This transaction prompted organizational changes to better integrate and execute the combined Company's strategic priorities across all lines of businesses. As a result, FHN revised its reportable segments to include Regional Banking, Specialty Banking and Corporate. Segment results for the first quarter of 2020 have been recast to adjust for the realignment of the segment reporting structure. See Note 13 - Business Segment Information for additional disclosures related to FHN's operating segments.

Regional Banking

The Regional Banking segment generated pre-tax income of $286 million for first quarter 2021 compared to $231 million for fourth quarter 2020 and pre-tax loss of $4 million for first quarter 2020. The increase in first quarter 2021 compared to fourth quarter 2020 was primarily driven by a decrease in noninterest expense and lower provision for credit losses reflecting continued improvement in the overall macroeconomic outlook and a reduction in consumer loans. The increase for the first quarter 2021 compared to first quarter 2020 reflected an increase in revenue offset by an increase in noninterest expense resulting from the IBKC merger and a decrease in the provision for credit losses resulting from improvement in the macroeconomic outlook.

Specialty Banking

The Specialty Banking segment generated pre-tax income of $197 million for first quarter 2021 compared to $194 million for fourth quarter 2020 and $48 million for first quarter 2020. First quarter 2021 results compared to fourth quarter 2020 included an increase in noninterest income and lower provision for credit losses partially offset by lower net interest income and higher noninterest expense. The increase for the first quarter 2021 compared to first quarter 2020 was driven by an increase in revenue offset by an increase in noninterest expense resulting from the IBKC merger and a decrease in the provision for credit losses resulting from improvement in the macroeconomic outlook.

Corporate

The Corporate segment generated pre-tax loss of $176 million for first quarter 2021 compared to $124 million for fourth quarter 2020 and $23 million for first quarter 2020. The increase in pre-tax loss for first quarter 2021 compared to first quarter 2020 reflected an increase in noninterest expense primarily from a $64 million increase in merger and integration-related costs and the impact of the IBKC merger and a decrease in net interest income resulting from the impact of funds transfer pricing, partially offset by an increase in noninterest income primarily resulting from an increase in deferred compensation income

driven by equity market valuations relative to the prior year.

Financial Condition

Total period-end assets were $87.5 billion at March 31, 2021 compared to $84.2 billion at December 31, 2020. Asset growth during first quarter 2021 was driven by an increase in cash from deposit growth and by loan growth, primarily C&I loans from PPP loan originations.

Earning assets consist of loans and leases, loans held for sale, investment securities, 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 $368 million, or 1% to $58.6 billion as of March 31, 2021 from $58.2 billion on December 31, 2020, driven by a $1.0 billion increase in commercial loans primarily tied to PPP loans, offset by a $674 million decrease in consumer loans. Average loans and leases decreased to $58.2 billion in first quarter 2021 compared to $59.8 billion in fourth quarter 2020 and increased from $30.5 billion in first quarter 2020 primarily from acquired loans during third quarter 2020.

The following table provides detail regarding FHN's loans and leases as of March 31, 2021 and December 31, 2020.

Table 6—Loans and Leases

	As of March 31, 2021		As of December 31, 2020		
(Dollars in millions)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Commercial:					
Commercial, financial, and industrial (a)	**$ 33,951**	**58 %**	$ 33,104	57 %	3 %
Commercial real estate	**12,470**	**21**	12,275	21	2
Total commercial	**46,421**	**79**	45,379	78	2
Consumer:					
Consumer real estate	**11,053**	**19**	11,725	20	(6)
Credit card and other	**1,126**	**2**	1,128	2	—
Total consumer	**12,179**	**21**	12,853	22	(5)
Total loans and leases	**$ 58,600**	**100 %**	$ 58,232	100 %	1 %

(a) Includes equipment financing loans and leases.

C&I loans are the largest component of the loan portfolio, comprising 58% of total loans at the end of the first quarter 2021 and 57% at year-end 2020. C&I loans increased 3% from December 31, 2020, largely driven by PPP lending and higher balances within Specialty Banking, primarily from mortgage warehouse lending and growth in both the accommodation and food services and healthcare industries. Commercial real estate loans increased 2% to $12.5 billion in first quarter 2021 driven by growth in Regional Banking and Corporate CRE loans.

Total consumer loans decreased 5% from 2020 to $12.2 billion as of March 31, 2021, largely driven by paydowns in real estate installment loans and home equity lines of credit within the Regional Banking segment.

Loans Held for Sale

In 2020, FHN obtained IBKC's mortgage banking operations, which includes origination and servicing of residential first lien mortgage loans, primarily 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 March 31, 2021 and December 31, 2020, loans HFS were $811 million and $1.0 billion, respectively. The decrease in loans HFS was primarily driven by a

seasonal slowdown in mortgage volume, as well as a reduction in refinance activity impacted by a recent rise in mortgage interest rates. Held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure totaled $2 million at both March 31, 2021 and December 31, 2020.

ASSET QUALITY

Loan and Lease 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 and leases are composed of C&I loans and leases and CRE loans. Consumer loans are composed of consumer real estate loans and credit card and other loans. FHN has a concentration of residential real estate loans (19% of total loans). Industry concentrations are discussed under the heading C&I below.

Credit underwriting guidelines are outlined in Item 7 of FHN's Annual Report on Form 10-K for the year ended December 31, 2020 in the Loan Portfolio Composition discussion in the Asset Quality Section.

FHN's credit underwriting guidelines and loan product offerings as of March 31, 2021 are generally consistent with those reported and disclosed in FHN's Form 10-K for the year ended December 31, 2020.

Commercial Loan and Lease Portfolios

C&I

The C&I portfolio totaled $34.0 billion as of March 31, 2021 and $33.1 billion as of December 31, 2020 and is comprised of loans and leases used for general business purposes. Products offered in the C&I portfolio include term loan financing of owner-occupied real estate and fixed assets, direct financing and sales-type leases, working capital lines of credit, and trade credit enhancement through letters of credit. The largest geographical concentrations of balances in the C&I portfolio as of March 31, 2021 were in Tennessee (21%), Florida (12%), Texas (9%), Louisiana (8%), North Carolina (8%), California (7%), and Georgia (5%). No other state represented more than 5% of the portfolio.

The following table provides the composition of the C&I portfolio by industry as of March 31, 2021, and December 31, 2020. 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 7 — C&I Loan Portfolio by Industry

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent
Industry:				
Loans to mortgage companies	**$ 5,530**	**16 %**	$ 5,404	16 %
Finance and insurance	**3,113**	**9**	3,130	10
Health care and social assistance	**2,832**	**8**	2,689	8
Accommodation and food service	**2,480**	**7**	2,303	7
Real estate rental and leasing (a)	**2,377**	**7**	2,365	7
Wholesale trade	**2,133**	**6**	2,079	6
Manufacturing	**1,968**	**6**	1,907	6
Energy	**1,637**	**5**	1,686	5
Retail trade	**1,566**	**5**	1,531	5
Professional, scientific, and technical	**1,567**	**5**	1,457	4
Other (construction, transportation, etc.) (b)	**8,748**	**26**	8,553	26
Total C&I loan portfolio	**$ 33,951**	**100 %**	$ 33,104	100 %

(a) Leasing, rental of real estate, equipment, and goods.
(b) Industries in this category each comprise less than 5% for 2021.

Industry Concentrations

Loan concentrations exist when there are loans to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. Loans to mortgage companies and borrowers in the finance and insurance industry were 25% of FHN's C&I loan portfolio as of March 31, 2021, and as a result could be affected by items that uniquely impact the financial services industry. As of March 31, 2021, 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

Loans to mortgage companies were 16% of the C&I portfolio as of March 31, 2021 and December 31, 2020. This portfolio generally fluctuates with mortgage rates and seasonal factors and 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, new loan originations 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 first quarter 2021, 33% of the loan originations were home purchases and 67% were refinance transactions.

Finance and Insurance

The finance and insurance component represents 9% of the C&I portfolio as of March 31, 2021 compared to 10% as of December 31, 2020, 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 March 31, 2021, asset-based lending to consumer finance companies represents approximately $1.2 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 March 31, 2021, the unpaid principal balance (UPB) of trust preferred loans totaled $228 million. Including an amortizing discount of $18 million, total reserves (ALLL plus the amortizing discount) for TRUPs and other bank-related loans were $28 million, or 12% of outstanding UPB. As of March 31, 2021, TRUPs loans included $7 million of loans on nonaccrual, which represented a single loan relationship.

Paycheck Protection Program

In 2020, Congress created the 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 is still paid from the program. Congress made revisions to the PPP during first quarter 2021, and may make further revisions in the future.

At March 31, 2021, FHN had 44,717 of PPP loans with an aggregate principal balance of $5.1 billion. For these loans, FHN anticipates being paid net lender fees of approximately $81 million in relation to the PPP loans held at March 31, 2021.

Because 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. As a result, no ALLL is recorded for PPP loans as of March 31, 2021, and FHN has assigned a risk weight of zero to PPP loans for regulatory capital purposes.

Commercial Real Estate

The CRE portfolio totaled $12.5 billion and $12.3 billion as of March 31, 2021 and December 31, 2020, respectively. The CRE portfolio reflects financings for both commercial construction and nonconstruction loans. The largest geographical concentrations of CRE loan balances as of March 31, 2021 were in Florida (28%), Louisiana (11%), Texas (11%), North Carolina (11%), Tennessee (9%), and Georgia (9%). No other state represented 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 the CRE portfolio consist of multi-family (27%), office (22%), retail (18%), industrial (11%), hospitality (11%), land/land development (2%), and other (9%).

Consumer Loan Portfolios

Consumer Real Estate

The consumer real estate portfolio totaled $11.1 billion and $11.7 billion as of March 31, 2021 and December 31, 2020, respectively , and is primarily composed of home equity lines and installment loans. The largest geographical concentrations of balances as of March 31, 2021, were in Florida (32%), Tennessee (25%), Louisiana (10%), North Carolina (8%), and Texas (5%). No other state represented more than 5% of the portfolio.

As of March 31, 2021, approximately 85% of the consumer real estate portfolio was in a first lien position. At origination, the weighted average FICO score of this portfolio was 753 and the refreshed FICO scores averaged 765 as of March 31, 2021, no significant change from FICO scores of 753 and 763, respectively, as of December 31, 2020. Generally, performance of this portfolio is affected by life events that affect borrowers' finances, the level of unemployment, and home prices.

As of March 31, 2021 and December 31, 2020, FHN had held-for-investment consumer mortgage loans secured by real estate that were in the process of foreclosure totaling $34 million and $36 million, respectively.

HELOCs comprised $2.3 billion of the consumer real estate portfolio as of March 31, 2021. 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 frozen if a borrower becomes past due on payments. Once the draw period has ended, 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 both March 31, 2021 and December 31, 2020, approximately 86% of FHN's HELOCs were in the draw period. It is expected that $438 million, or 22% of HELOCs currently in the draw period, will enter the repayment period during the next 60 months, based on current terms. Generally, delinquencies 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, over time, performance of these loans usually begins to stabilize. HELOCs are monitored closely for those nearing the end of the draw period.

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

Table 8—HELOC Draw To Repayment Schedule

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Repayment Amount**	**Percent**	Repayment Amount	Percent
Months remaining in draw period:				
0-12	**$ 65**	**3 %**	$ 73	4 %
13-24	**58**	**3**	66	3
25-36	**54**	**3**	62	3
37-48	**78**	**4**	67	3
49-60	**183**	**9**	187	8
>60	**1,551**	**78**	1,662	79
Total	**$ 1,989**	**100 %**	$ 2,117	100 %

Credit Card and Other

The credit card and other portfolio, which is primarily within the Regional Banking segment, totaled $1.1 billion as of March 31, 2021 and primarily includes consumer-related credits, including home equity and other personal consumer loans, credit card receivables, and automobile loans. There was no significant change in the balance of this portfolio from December 31, 2020.

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 and lease portfolio. The total allowance for loan and lease

losses decreased to $914 million on March 31, 2021 from $963 million on December 31, 2020. The ALLL as of March 31, 2021 reflects the improvement in the economic forecast from year-end 2020. As a result, the ratio of ALLL to total loans and leases decreased 9 basis points from December 31, 2020 to 1.56% on March 31, 2021.

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 and lease portfolio. Provision credit was $41 million in first quarter 2021 compared to a provision expense of $145 million in first quarter 2020. The decrease is primarily attributable to an improving economic forecast, as first quarter 2020 was negatively impacted by the economic uncertainty around the COVID-19 pandemic.

Asset quality trends may continue 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 March 31, 2021 includes $5.1 billion of loans made under the Paycheck Protection Program of the 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 may continue to be impacted by the COVID-19 pandemic due to travel and occupancy restrictions set by state and local governments affecting the hospitality and retail industries. The consumer portfolio may also continue to be impacted by the COVID-19 pandemic if consumer unemployment continues to remain elevated and clients 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.

Consolidated Net Charge-offs

Net charge-offs in first quarter 2021 were $8 million, an annualized charge-off percentage of 0.06% of total loans and leases, consistent with net charge-offs of $8 million in first quarter 2020.

Net charge-offs in first quarter 2021 in the commercial portfolio were $11 million compared to $6 million in first quarter 2020. Net charge-offs were impacted by higher energy charge-offs in the current quarter, as well as a larger commercial portfolio from acquired loans in third quarter 2020.

Net recoveries in the consumer portfolio were $3 million in first quarter 2021, driven by consumer real estate recoveries in the Corporate segment, compared to $2 million in net charge-offs in first quarter 2020.

Table 9—Analysis of Allowance for Loan and Lease Losses and Charge-offs

(Dollars in millions)

Allowance for loan and lease losses (a)	**March 31, 2021**	December 31, 2020	March 31, 2020
C&I	**$ 442**	$ 453	$ 255
CRE	**232**	242	48
Consumer real estate	**222**	242	122
Credit card and other	**18**	26	19
Total allowance for loan and lease losses	**$ 914**	$ 963	$ 444
Period-end loans and leases			
C&I	**$ 33,951**	$ 33,104	$ 22,124
CRE	**12,470**	12,275	4,640
Consumer real estate	**11,053**	11,725	6,119
Credit card and other	**1,126**	1,128	495
Total period-end loans and leases	**$ 58,600**	$ 58,232	$ 33,378
ALLL / loans and leases % (a)			
C&I	**1.30 %**	1.37 %	1.15 %
CRE	**1.86 %**	1.97 %	1.03 %

Consumer real estate	**2.00 %**	2.07 %	2.00 %
Credit card and other	**1.63 %**	2.34 %	3.91 %
Total ALLL / loans and leases %	**1.56 %**	1.65 %	1.33 %
Quarter-to-date net charge-offs (recoveries)			
C&I	**$ 10**	$ 31	$ 6
CRE	**1**	(1)	—
Consumer real estate	**(5)**	(3)	(1)
Credit card and other	**2**	2	3
Total net charge-offs	**$ 8**	$ 29	$ 8
Average loans and leases (b)			
C&I	**$ 33,279**	$ 34,196	$ 19,470
CRE	**12,424**	12,400	4,422
Consumer real estate	**11,400**	12,030	6,134
Credit card and other	**1,119**	1,194	498
Total average loans and leases	**$ 58,222**	$ 59,820	$ 30,524
Charge-off %			
C&I	0.12 %	0.36 %	0.12 %
CRE	0.06 %	NM	— %
Consumer real estate	NM	NM	NM
Credit card and other	0.65 %	0.68 %	2.23 %
Total charge-off %	0.06 %	0.19 %	0.10 %
ALLL / annualized net charge-offs			
C&I	11.47 x	3.67 x	10.89 x
CRE	33.31 x	NM	NM
Consumer real estate	NM	NM	NM
Credit card and other	2.53 x	3.23 x	1.74 x
Total ALLL / net charge-offs	28.14 x	8.41 x	13.80 x
ALLL / NPLs			
C&I	**3.07 x**	3.15 x	2.65 x
CRE	**3.45 x**	4.15 x	21.75 x
Consumer real estate	**1.23 x**	1.33 x	1.34 x
Credit card and other	**7.49 x**	13.13 x	53.69 x
Total ALLL / NPLs	**2.32 x**	2.49 x	2.34 x

NM - not meaningful

(a) The increase in the ALLL from first quarter 2020 was primarily attributable to the allowance recorded on acquired non-PCD loans and the decline in the economic forecast attributable to the COVID-19 pandemic, while the decrease from fourth quarter 2020 was from an improvement in the overall economic forecast.

(b) The increase in period-end and average loans and leases from 1st quarter 2020 is primarily the result of $26.3 billion in acquired loans and leases in third quarter 2020.

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 that FHN continues to receive payments, including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy. NPAs consist of nonperforming loans and OREO (excluding OREO from government insured mortgages).

Total NPAs (including NPLs HFS) increased to $410 million as of March 31, 2021 from $406 million as of December 31, 2020. Despite the marginal increase, the nonperforming assets ratio (nonperforming assets excluding NPLs HFS to total period-end loans plus OREO) was 0.69% as of both March 31, 2021 and December 31, 2020. The ratio of the ALLL to NPLs was 2.3 times as of March 31, 2021 compared to 2.5 times as of December 31, 2020.

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 the estimated loss has been recognized through a partial charge-off, typically an ALLL is not recorded.

Table 10—Nonperforming Assets by Loan Portfolio

(Dollars in millions)	**March 31, 2021**	December 31, 2020
Nonperforming loans and leases		
C&I	**$ 144**	$ 144
CRE	**67**	58
Consumer real estate	**180**	182
Credit card and other	**3**	2
Total nonperforming loans and leases (a)	**$ 394**	$ 386
Nonperforming loans held for sale (a)	**$ 5**	$ 5
Foreclosed real estate and other assets (b)	**11**	15
Total nonperforming assets (a) (c)	**$ 410**	$ 406
Nonperforming loans and leases to total loans and leases		
C&I	**0.42 %**	0.43 %
CRE	**0.54 %**	0.48 %
Consumer real estate	**1.63 %**	1.56 %
Credit card and other	**0.22 %**	0.18 %
Total NPL %	**0.67 %**	0.66 %

(a) Excludes loans and leases that are 90 or more days past due and still accruing interest.
(b) Foreclosed real estate from GNMA loans totaled $2 million at both March 31, 2021 and December 31, 2020.
(c) Balances do not include government-insured foreclosed real estate.

The following table provides nonperforming assets by business segment:

Table 11—Nonperforming Assets by Segment

(Dollars in millions)	March 31, 2021	December 31, 2020
Nonperforming loans and leases (a) (b)		
Regional Banking	**$ 226**	$ 216
Specialty Banking	**111**	117
Corporate	**57**	53
Consolidated	**$ 394**	$ 386
Foreclosed real estate (c)		
Regional Banking	**$ 10**	$ 12
Specialty Banking	**—**	1
Corporate	**1**	2
Consolidated	**$ 11**	$ 15
Nonperforming Assets (a) (b) (c)		
Regional Banking	**$ 236**	$ 228
Specialty Banking	**111**	118
Corporate	**58**	55
Consolidated	**$ 405**	$ 401
Nonperforming loans and leases to loans and leases		
Regional Banking	**0.56 %**	0.54 %
Specialty Banking	**0.64**	0.68
Corporate	**6.20**	5.70
Consolidated	**0.67 %**	0.66 %
NPA % (d)		
Regional Banking	**0.58 %**	0.57 %
Specialty Banking	**0.64**	0.68
Corporate	**6.28**	5.87
Consolidated	**0.69 %**	0.69 %

(a) Excludes loans and leases that are 90 or more days past due and still accruing interest.
(b) Excludes loans classified as held for sale.
(c) Excludes foreclosed real estate and receivables related to government insured mortgages of $4 million and $5 million at March 31, 2021, and December 31, 2020, respectively.
(d) Ratio is non-performing assets to total loans and leases plus foreclosed real estate.

Lending Assistance for Borrowers

In addition to PPP loans, other customer support initiatives in response to the COVID-19 pandemic 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 March 31, 2021.

Table 12 - Customer Deferrals

(Dollars in millions)	As of March 31, 2021
Commercial:	
C&I	$ 51
CRE	178
Total Commercial	$ 229
Consumer:	
HELOC	$ 12
R/E installment loans	138
Credit card and other	6
Total Consumer	156
Total	$ 385

Commercial deferrals were comprised primarily of general commercial (59% or $135 million) and professional commercial real estate (38% or $86 million).

To the extent that loans were past due at March 31, 2021 or December 31, 2020 and had been granted a deferral, they were excluded from loans past due 30 to 89 days and loans past due 90 days or more in the table and discussion below.

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 $13 million on March 31, 2021, compared to $17 million on December 31, 2020. The decrease was primarily driven by consumer real estate loans. Loans 30 to 89 days past due were $81 million on March 31, 2021, compared to $100 million on December 31, 2020. The decrease included a $14 million decrease in consumer real estate loans, a $12 million decrease in CRE loans, and a $4 million decrease in credit card and other consumer loans, partially offset by an increase in C&I loans past due 30 to 89 days.

Table 13—Accruing Delinquencies

(Dollars in millions)	March 31, 2021	December 31, 2020
Accruing loans and leases 30+ days past due		
C&I	**$ 26**	$ 15
CRE	**11**	23
Consumer real estate	**52**	69
Credit card and other	**5**	10
Total 30+ Delinquency	**$ 94**	$ 117
Accruing loans and leases 30+ days past due %		
C&I	**0.08 %**	0.05 %
CRE	**0.09 %**	0.19 %
Consumer real estate	**0.47 %**	0.58 %
Credit card and other	**0.45 %**	0.87 %
Total 30+ Delinquency %	**0.16 %**	0.20 %
Accruing loans and leases 90+ days past due (a) (b) (c):		
C&I	**$ —**	$ —
CRE	**—**	—
Consumer real Estate	**13**	16
Credit card and other	**—**	1
Total accruing loans and leases 90+ days past due	**$ 13**	$ 17
Loans held for sale		
30 to 89 days past due (b)	**7**	6
30 to 89 days past due - guaranteed portion (b) (d)	**6**	5
90+ days past due (b)	**13**	12
90+ days past due - guaranteed portion (b) (d)	**11**	10

(a) Excludes loans classified as held for sale.
(b) Amounts are not included in nonperforming/nonaccrual loans.
(c) Amounts are also included in accruing loans and leases 30+ days past due.
(d) Guaranteed loans include FHA, VA, and GNMA loans repurchased through the GNMA buyout program.

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 $738 million on March 31, 2021 and $718 million on December 31, 2020. The increase in potential problem assets was from a net increase in classified commercial loans within the C&I portfolio from a limited number of customer migrations to substandard loans in the current quarter. 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 Restructurings 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 TDR.

For loan modifications that were made during 2021 and 2020 that met the TDR relief provisions outlined in either the CARES Act, as extended by the CAA, or revised Interagency Guidance, FHN has excluded these modifications from consideration as a TDR, and has excluded loans with these qualifying modifications from designation as a TDR in the information and discussion that follows. See Note 4 – Loans and Leases for further discussion regarding TDRs and loan modifications.

On March 31, 2021 and December 31, 2020, FHN had $288 million and $307 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $11 million and $12 million, or 4% of TDR balances as of both March 31, 2021 and December 31, 2020, respectively. Additionally, FHN had $41 million and $42 million of HFS loans classified as TDRs as of March 31, 2021 and December 31, 2020, respectively.

The following table provides a summary of TDRs for the periods ended March 31, 2021 and December 31, 2020:

Table 14—Troubled Debt Restructurings

(Dollars in millions)	**As of March 31, 2021**	As of December 31, 2020
Held-to-maturity:		
Consumer real estate:		
Current	**$ 71**	$ 77
Delinquent	**2**	2
Non-accrual (a)	**57**	61
Total consumer real estate	**130**	140
Credit card and other:		
Current	**1**	1
Delinquent	**—**	—
Non-accrual	**—**	—
Total credit card and other	**1**	1
Commercial loans:		
Current	**74**	82
Delinquent	**—**	—
Non-accrual	**83**	84
Total commercial loans	**157**	166
Total held-to-maturity	**$ 288**	$ 307
Held-for-sale:		
Current	**$ 35**	$ 36
Delinquent	**5**	5
Non-accrual	**1**	1
Total held-for-sale	**41**	42
Total troubled debt restructurings	**$ 329**	$ 349

(a) Balances as of March 31, 2021 and December 31, 2020, include $13 million and $11 million, respectively, of discharged bankruptcies.

Investment Securities

FHN's investment portfolio consists principally of debt securities, including government agency issued mortgage-backed securities and government agency issued collateralized mortgage obligations, all of which are classified as AFS. The securities portfolio provides a source of income and liquidity and is an important tool used to balance the interest rate risk of the loan and deposit portfolios. The securities portfolio is periodically evaluated in light of established ALM objectives, changing market

conditions that could affect the profitability of the portfolio, the regulatory environment, and the level of interest rate risk to which FHN is exposed.

Investment securities were $8.4 billion on March 31, 2021, up from $8.0 billion on December 31, 2020 and represented approximately 10% of total assets for both periods. See Note 3 - Investment Securities for more information about the securities portfolio, including gross unrealized gains and losses by type of security, contractual maturities, and securities pledged.

Deposits

Total deposits as of March 31, 2021 increased 5% to $73.2 billion from $70.0 billion on December 31, 2020 driven by an increase in non-interest bearing deposits largely reflecting the impact of government stimulus checks and PPP loan funding.

The following table summarizes the major components of deposits as of March 31, 2021 and December 31, 2020.

Table 15— Deposits

	March 31, 2021		December 31, 2020			
(Dollars in millions)	**Amount**	**Percent of total**	Amount	Percent of total	Change	Percent
Savings	**$ 27,023**	**37 %**	$ 27,324	39 %	$ (301)	(1) %
Time deposits	**4,653**	**6**	5,070	7	(417)	(8)
Other interest-bearing deposits	**16,444**	**23**	15,415	22	1,029	7
Interest-bearing deposits	**48,120**	**66**	47,809	68	311	1
Noninterest-bearing deposits	**25,046**	**34**	22,173	32	2,873	13
Total deposits	**$ 73,166**	**100 %**	$ 69,982	100 %	$ 3,184	5 %

Short-Term Borrowings

Total short-term borrowings were $2.2 billion as of March 31, 2021 and December 31, 2020.

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. 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.

Term Borrowings

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Term borrowings were $1.7 billion as of March 31, 2021 and December 31, 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. Total equity was $8.3 billion at both March 31, 2021 and December 31, 2020.

Significant changes included net income of $236 million which was offset by a decrease in AOCI of $101 million, $92 million in common and preferred dividends, and $62 million in common share repurchases.

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 16—Regulatory Capital and Ratios

(Dollars in millions)	**March 31, 2021**	December 31, 2020
Shareholders' equity	**$ 8,012**	$ 8,012
Modified CECL transitional amount (a)	**178**	191
FHN non-cumulative perpetual preferred	**(470)**	(470)
Common equity tier 1 before regulatory adjustments	**$ 7,720**	$ 7,733
Regulatory adjustments:		
Disallowed goodwill and other intangibles	**(1,745)**	(1,757)
Net unrealized (gains) losses on securities available for sale	**(5)**	(108)
Net unrealized (gains) losses on pension and other postretirement plans	**256**	260
Net unrealized (gains) losses on cash flow hedges	**(10)**	(12)
Disallowed deferred tax assets	**(1)**	(5)
Other deductions from common equity tier 1	**(1)**	(1)
Common equity tier 1	**$ 6,214**	$ 6,110
FHN non-cumulative perpetual preferred (b)	**377**	377
Qualifying noncontrolling interest— First Horizon Bank preferred stock	**295**	295
Tier 1 capital	**$ 6,886**	$ 6,782
Tier 2 capital	**1,120**	1,153
Total regulatory capital	**$ 8,006**	$ 7,935
Risk-Weighted Assets		
First Horizon Corporation	**$ 62,339**	$ 63,140
First Horizon Bank	**61,610**	62,508
Average Assets for Leverage		
First Horizon Corporation	**83,959**	82,347
First Horizon Bank	**83,242**	81,709

	March 31, 2021		December 31, 2020	
	Ratio	**Amount**	Ratio	Amount
Common Equity Tier 1				
First Horizon Corporation	**9.97 %**	**$ 6,214**	9.68 %	$ 6,110
First Horizon Bank	**10.72**	**6,606**	10.46	6,537
Tier 1				
First Horizon Corporation	**11.05**	**6,886**	10.74	6,782
First Horizon Bank	**11.20**	**6,901**	10.93	6,832
Total				
First Horizon Corporation	**12.84**	**8,006**	12.57	7,935
First Horizon Bank	**12.75**	**7,855**	12.52	7,827
Tier 1 Leverage				
First Horizon Corporation	**8.20**	**6,886**	8.24	6,782
First Horizon Bank	**8.29**	**6,901**	8.36	6,832
Other Capital Ratios				
Total period-end equity to period-end assets	**9.49**		9.86	
Tangible common equity to tangible assets (c)	**6.64**		6.89	
Adjusted tangible common equity to risk weighted assets (c)	**9.12**		8.82	

(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 since FHN's initial adoption of CECL through March 31, 2021 and December 31, 2020.

(b) The $93 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.

(c) Tangible common equity to tangible assets and Adjusted tangible common equity to risk-weighted assets are non-GAAP measures and are reconciled to total equity to total assets (GAAP) in the Non-GAAP to GAAP Reconciliation - Table 20.

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, 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 March 31, 2021, each of FHN and First Horizon Bank had sufficient capital to qualify as well-capitalized institutions and to meet the capital conservation buffer requirement. Capital ratios for both FHN and First Horizon Bank are calculated under the final rule issued by the banking regulators in 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 first quarter 2021 relative to fourth quarter 2020 primarily from the impact of net income less dividends and share repurchases during the first three months of 2021 and a decrease in risk weighted assets, primarily from loan activity. During 2021, capital ratios are expected to remain above well-capitalized standards plus the required capital conservation buffer.

Common Stock Purchase Programs

General Authority

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. FHN's Board has not authorized a preferred stock purchase program.

On January 27, 2021, FHN announced that its Board of Directors approved a new $500 million common share purchase program that will expire on January 31, 2023. The new program is not tied to any compensation plan, and replaced the previous general share repurchase program, which was terminated by the Board. Purchases may be made in the open market or through privately negotiated transactions, including under Rule 10b5-1 plans as well as accelerated share repurchase and other structured transactions. The timing and exact amount of common share repurchases will be subject to various factors, including FHN's capital position, financial performance, capital impacts of strategic initiatives, market conditions and regulatory considerations.

As of March 31, 2021, $59 million in purchases had been made under this authority at an average price per share of $16.12, or $16.10 excluding commissions.

Table 17a—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
2021				
January 1 to January 31	—	N/A	—	$ 500,000
February 1 to February 28	2,128	15.59	2,128	466,828
March 1 to March 31	1,515	16.88	1,515	441,258
Total	**3,643**	**$ 16.12**	**3,643**	

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 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 various factors including FHN's capital position, financial performance, capital impacts of strategic initiatives, market market conditions and regulatory restrictions. As of March 31, 2021, the maximum number of shares that may be purchased under the program was 23.8 million shares. Management currently does not anticipate purchasing a material number of shares under this authority during 2021.

Table 17b—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
2021				
January 1 to January 31	170	$ 13.54	170	23,861
February 1 to February 28	8	13.97	8	23,854
March 1 to March 31	44	16.69	44	23,810
Total	**221**	**$ 14.18**	**221**	

Risk Management

There have been no significant changes to FHN’s risk management practices as described under “Risk Management” included in Item 7 of FHN’s 2020 Annual Report on Form 10-K.

MARKET RISK MANAGEMENT

Value-at-Risk 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 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 18—VaR and SVaR Measures

	Three Months Ended March 31, 2021			As of March 31, 2021
(Dollars in millions)	**Mean**	**High**	**Low**	
1-day				
VaR	**$ 3**	**$ 4**	**$ 1**	**$ 1**
SVaR	**3**	**4**	**2**	**3**
10-day				
VaR	**12**	**21**	**1**	**4**
SVaR	**15**	**21**	**11**	**13**

	Three Months Ended March 31, 2020			As of March 31, 2020
(Dollars in millions)	Mean	High	Low	
1-day				
VaR	$ 2	$ 7	$ 1	$ 5
SVaR	9	18	5	5
10-day				
VaR	7	25	2	19
SVaR	27	43	16	19

	Year Ended December 31, 2020			As of December 31, 2020
(Dollars in millions)	Mean	High	Low	
1-day				
VaR	$ 3	$ 7	$ 1	$ 2
SVaR	5	18	1	2
10-day				
VaR	13	25	2	10
SVaR	18	43	6	10

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

Table 19—Schedule of Risks Included in VaR

	As of March 31, 2021		As of March 31, 2020		As of December 31, 2020	
(Dollars in millions)	**1-day**	**10-day**	1-day	10-day	1-day	10-day
Interest rate risk	**$ 1**	**$ 2**	$ 1	$ 3	$ 1	$ 2
Credit spread risk	**—**	**1**	2	12	2	6

The potential risk of loss reflected by FHN's VaR measures assumes the trading securities inventory is static. Because FHN Financial procures fixed income securities for purposes of distribution to clients, its trading securities inventory turns over regularly. Additionally, FHNF 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 FHNF 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 FHN Financial 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 independent assurance group charged with oversight responsibility for FHN's model risk management.

INTEREST RATE RISK MANAGEMENT

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 Report.

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 March 31, 2021, NII exposures over the next 12 months assuming rate shocks of plus 25 basis points, 50 basis points, 100 basis points, and 200 basis points are estimated to have favorable variances of 2.5%, 4.7%, 9.3%, and 16.0%, 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 0.7%. 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 0.9%. Rate shocks of minus 25 basis points and 50 basis points result in unfavorable NII variances of 1.7% and 2.0%, 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 and the low rate environment.

The increase in the unemployment rate, client 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.

LIQUIDITY RISK MANAGEMENT

Among other things, ALCO is responsible for 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 of which the objective 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, 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 ($13.9 billion was available as of March 31, 2021), 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 ratio of total loans, excluding loans HFS and restricted real estate loans, to core deposits was 86% for March 31, 2021 and 97% for December 31, 2020.

FHN may also use unsecured short-term borrowings as a source of liquidity. Federal funds purchased from correspondent bank clients 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 consists of securities sold under agreements to repurchase transactions accounted for as secured borrowings with business clients or broker dealer counterparties.

Both FHN and First Horizon Bank have the ability to generate liquidity by issuing senior or subordinated unsecured debt, preferred equity and common equity, subject to market conditions and compliance with applicable regulatory requirements. As of March 31, 2021, FHN had outstanding $1.3 billion in senior and subordinated unsecured debt and $470 million in non-cumulative perpetual preferred stock. As of March 31, 2021, First Horizon Bank and subsidiaries had outstanding preferred shares of $295 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. Applying the dividend restrictions imposed under applicable federal and state rules as outlined above, the Bank's total amount available for dividends was $969 million as of April 1, 2021. First Horizon Bank declared and paid common dividends to the parent company in the amount of $183 million in first quarter 2021 and $65 million in first quarter 2020. First Horizon Bank declared preferred dividends in the first quarter of 2021 which were payable in April 2021 and declared and paid preferred dividends in each quarter of 2020.

Payment of a dividend to shareholders of FHN is dependent on several factors which are considered by the Board. These factors include FHN's current and prospective capital, liquidity, and other needs, applicable regulatory restrictions, and availability of funds to FHN through a dividend from 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 April 1, 2021. FHN paid cash dividends of $1,550 per Series A preferred share and $1,625 per Series E preferred share on April 12, 2021 and $165 per Series C preferred share and $305 per Series D preferred share on May 3, 2021. In addition, in April 2021, the Board approved cash dividends per share in the following amounts:

	Dividend/Share	Record Date	Payment Date
Common Stock	$ 0.15	06/11/2021	07/01/2021
Preferred Stock			
Series A	$ 1,550.00	06/25/2021	07/12/2021
Series C	$ 165.00	07/16/2021	08/02/2021
Series E	$ 1,625.00	06/25/2021	07/12/2021

Repurchase Obligations and Off-Balance Sheet Arrangements

Prior to September 2008, FHN originated loans through its pre-2009 mortgage business, primarily first lien home loans, with the intention of selling them. 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.

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

FHN's repurchase and foreclosure liability, primarily related to its pre-2009 mortgage business, 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 was $16 million as of March 31, 2021 and December 31, 2020.

Off-Balance Sheet Arrangements

In the normal course of business, FHN is a party to a number of activities that contain credit, market and operational risk that are not reflected in whole or in part in the consolidated financial statements. Such activities include traditional off-balance sheet credit-related financial instruments. FHN provides customers with off-balance sheet credit support through loan commitments, lines of credit, and standby letters of credit. Many of the commitments are expected to expire unused or be only partially used; therefore, the total amount of commitments does not necessarily represent future cash requirements. Based on its available liquidity and available borrowing capacity, FHN anticipates it will continue to have sufficient funds to meet its current commitments.

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, and the availability and administration of stimulus relief for the economy. Additional impacts include how the pandemic affects FHN's clients, as well as political uncertainty, potential changes in federal policies and the potential impact to our clients, and FHN's strategic initiatives. 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, was 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 negatively impacted FHN's net interest margin. Amortization of net processing fees related to government relief programs, including the Paycheck Protection Program, has offset a portion of the net interest margin decline.

COVID-19 Pandemic

Government and societal reaction to the COVID-19 pandemic caused extraordinary disruption to the U.S. economy, as well as to the local economies within FHN's footprint, during the final three quarters of 2020 and continuing into the first quarter of 2021. Business activity, especially lending, declined throughout 2020 and into first quarter this year. In certain business lines, FHN reduced or stopped new lending because of the pandemic.

In the fourth quarter of 2020, two extremely effective vaccines were approved in the U.S. Administration of those vaccines began late in 2020, nationwide but on a narrowly targeted basis. In the first quarter of 2021, vaccine production and distribution increased, and a third vaccine was approved in the U.S. Public vaccination in the U.S. has accelerated during the first four months of 2021. In many of FHN's markets, COVID-19 restrictions at least partially were eased by the end of March or during April, and FHN believes further easing is likely in the rest of 2021. COVID-19 restrictions still had a substantial impact on FHN and its clients in the first quarter of 2021, but FHN expects those impacts to diminish over the rest of this year as the vaccinated percentage of the U.S. population continues to climb. Within the U.S. economy, broadly speaking, manufacturing has largely recovered while services continue to lag significantly, especially in hospitality and leisure.

Risk of resurgence remains as new virus variants continue to be identified around the world. As a result, FHN continues to closely monitor the pandemic and its effects on clients, especially credit quality, on FHN's communities, and on the financial markets. FHN continues to reach out to clients to discuss challenges and solutions, to provide line draws and new extensions to existing clients, to provide support for small businesses through the Paycheck Protection Program and other stimulus programs, and to provide lending and deposit assistance through deferrals and waived fees.

LIBOR Reform

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London Inter-Bank Offered Rate (LIBOR), announced that it intends to halt persuading or compelling banks to submit rates for the calculation of LIBOR after 2021.

In March 2021, the United Kingdom's Financial Conduct Authority (the "FCA"), the governmental regulator of the administrator of LIBOR, announced that U.S. Dollar LIBOR will no longer be representative as of:

- One week and two month USD LIBOR after December 31, 2021; and
- All other USD LIBOR tenors (e.g., overnight, 1-month, 3-month, 6-month and 12-month tenors) after June 30, 2023.

The administrator of LIBOR thereafter announced that USD LIBOR will cease to be published immediately after the dates set out above. Previous to these announcements, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued SR 20-27 to encourage banks to transition away from U.S. dollar LIBOR as soon as practicable and noted that entering into new contracts that use LIBOR as a reference rate after December 31, 2021 would create safety and soundness risks. As a result, market participants will be required to transition away from LIBOR beginning in 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 assess modifications as needed to address loans outstanding at the time of LIBOR discontinuance, 3) obtain an understanding of the potential effects for applicable securities and derivatives, 4) assess revisions to systems, processes, and pricing needed to implement alternative reference rates, and 5) update fallback language for all new loans that reference LIBOR.

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. The scope of ASU 2020-04 was expanded with the January 2021 issuance of ASU 2021-01, "Scope". Refer to the Accounting Changes Issued but Not Currently Effective section of Note 1 - Basis of Presentation and Accounting Policies for additional information. Additionally, the IRS has released guidance 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 guidance specifies what must be met in order to qualify for the beneficial transition approach and FHN is considering this guidance in its transition plans.

Limited Data Security Incident

In mid-April, FHN became aware of a data security incident affecting a limited number of customer accounts. Based on its ongoing investigation, FHN determined that an unauthorized party had obtained login credentials from an unknown source and attempted access to client accounts. Using the credentials and exploiting a vulnerability in third-party security software, the unauthorized party gained unauthorized access to under 200 on-line client bank accounts, had access to personal information in those accounts, and fraudulently obtained an aggregate of less than $1 million from some of those accounts. FHN has remediated the software vulnerability, reset the passwords for the identified accounts, is working with the affected clients to close existing accounts and open new ones, has reimbursed clients for the stolen funds, and has notified the appropriate regulators and enforcement authorities. Based on its ongoing assessment of the incident to date, FHN does not believe that this event will have a material adverse effect on its business, results of operations, or financial condition.

Critical Accounting Policies and Estimates

FHN has made no significant changes in its critical accounting policies and estimates from those disclosed in its 2020 Annual Report on Form 10-K.

Accounting Changes With Extended Transition Periods

Refer to Note 1 – Basis of Presentation and Accounting Policies for a detail of accounting changes with extended transition periods, which section is incorporated into MD&A by this reference.

Table 20—Non-GAAP to GAAP Reconciliation

(Dollars in millions; shares in thousands)	Three Months Ended March 31, 2021	December 31, 2020	March 31, 2020
Pre-provision Net Revenue (Non-GAAP)			
Net interest income (GAAP)	**$ 508**	$ 522	$ 303
Plus: Noninterest income (GAAP)	**298**	288	175
Total revenues (GAAP)	**806**	810	478
Less: Noninterest expense (GAAP)	**544**	508	302
Pre-provision net revenue (Non-GAAP)	**$ 262**	$ 302	$ 176
Average Tangible Common Equity (Non-GAAP)			
Average total equity (GAAP)	**$ 8,349**	$ 8,209	$ 5,002
Less: Average noncontrolling interest (a)	**295**	295	295
Less: Average preferred stock (a)	**470**	470	96
(A) Total average common equity	**$ 7,584**	$ 7,444	$ 4,611
Less: Average intangible assets (GAAP) (b)	**1,857**	1,871	1,560
(B) Average Tangible Common Equity (Non-GAAP)	**$ 5,727**	$ 5,573	$ 3,051
Net Income Available to Common Shareholders			
(C) Net income available to common shareholders (annualized) (GAAP)	**$ 911**	$ 933	$ 49
Tangible Common Equity (Non-GAAP)			
(D) Total equity (GAAP)	**$ 8,307**	$ 8,307	$ 5,056
Less: Noncontrolling interest (a)	**295**	295	295
Less: Preferred stock (a)	**470**	470	96
(E) Total common equity	**$ 7,542**	$ 7,542	$ 4,665
Less: Intangible assets (GAAP) (b)	**1,850**	1,865	1,558
(F) Tangible common equity (Non-GAAP)	**5,692**	5,677	3,107
Less: Unrealized gains (losses) on AFS securities, net of tax	**5**	108	119
(G) Adjusted tangible common equity (Non-GAAP)	**$ 5,687**	$ 5,569	$ 2,988
Tangible Assets (Non-GAAP)			
(H) Total assets (GAAP)	**$ 87,513**	$ 84,209	$ 47,197
Less: Intangible assets (GAAP) (b)	**1,850**	1,865	1,558
(I) Tangible assets (Non-GAAP)	**$ 85,663**	$ 82,344	$ 45,639
Risk-Weighted Assets			
(J) Risk-weighted assets (c)	**$ 62,339**	$ 63,140	$ 40,055
Period-end Shares Outstanding			
(K) Period-end shares outstanding	**552,374**	555,031	311,863
Ratios			
(C)/(A) Return on average common equity (GAAP)	**12.01 %**	12.53 %	1.05 %
(C)/(B) Return on average tangible common equity (Non-GAAP)	**15.90**	16.73	1.59
(D)/(H) Total period-end equity to period-end assets (GAAP)	**9.49**	9.86	10.71
(F)/(I) Tangible common equity to tangible assets (Non-GAAP)	**6.64**	6.89	6.81
(G)/(J) Adjusted tangible common equity to risk weighted assets (Non-GAAP)	**9.12**	8.82	7.46
(E)/(K) Book value per common share (GAAP)	**$ 13.65**	$ 13.59	$ 14.96
(F)/(K) Tangible book value per common share (Non-GAAP)	**$ 10.29**	$ 10.23	$ 9.96

(a) Included in Total equity on the Consolidated Balance Sheets.
(b) Includes Goodwill and other intangible assets, net of amortization.
(c) Defined by and calculated in conformity with bank regulations applicable to FHN.

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 91 of this report and the subsections entitled "Market Risk Management" beginning on page 91 and "Interest Rate Risk Management" beginning on page 93 of this report, and

(b) Note 15 to the Consolidated Financial Statements appearing on pages 42-48 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, 2020, including in particular the section entitled "Risk Management" beginning on page 87 of that Report and the subsections entitled "Market Risk Management" beginning on page 88 and "Interest Rate Risk Management" beginning on page 90 of that Report; and Note 22 to the Consolidated Financial Statements appearing on pages 202-209 of Item 8 to FHN's Annual Report on Form 10-K for the year ended December 31, 2020.

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 our internal control over financial reporting during the first fiscal quarter that have materially affected, or are reasonably likely to materially affect, our 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 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The “Contingencies” section of Note 11 to the Consolidated Financial Statements beginning on page 32 of this Report is incorporated into this Item by reference.

Item 1A. Risk Factors

Changes from previous risk factor disclosures:

The following updates and restates the third highlighted topic under "Operational Risks" within Item 1A of FHN's annual report on Form 10-K for the year ended December 31, 2020, which appeared on page 30 of that report.

An information technology security (cybersecurity) breach or other incident can cause significant damage, and can be difficult to detect even after it occurs. Among other things, that damage can occur due to outright theft, loss or extortion of our funds or our clients’ funds, fraud or identity theft perpetrated on clients, loss of confidential or proprietary information, business disruption, or adverse publicity associated with a breach or incident and its potential effects. Perpetrators potentially can be associates, clients, and certain vendors, all of whom legitimately have access to some portion of our systems, as well as outsiders with no legitimate access. For example, in April 2021 we experienced a data security incident affecting a small number of client accounts. An unauthorized party gained access to certain client login credentials from an unknown source. Using those credentials and exploiting a vulnerability in third-party security software, the unauthorized party was able to fraudulently obtain funds from client accounts. Although our monetary loss from that incident was minimal, the incident illustrates that we are at risk for vulnerabilities not fully within our control, in this case related to third-party software and client credentials.

Because of the potential for very serious consequences associated with these risks, our electronic systems and their upgrades need to address internal and external security concerns to a high degree, and our systems must comply with applicable banking and other regulations pertaining to bank safety and client protection. Although many of our defenses are systemic and highly technical, others are much older and more basic. For example, periodically we train all our associates to recognize red flags associated with fraud, theft, and other electronic crimes, and we educate our clients as well through regular and episodic security-oriented communications. We expect our systems and regulatory requirements to continue to evolve as technology and criminal techniques also continue to evolve.

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

(a) & (b) Not Applicable

(c) The "Common Stock Purchase Programs” section including tables 17(a) and 17(b) and explanatory discussions included in Item 2 of Part I of this report under the heading “First Horizon Corporation Management’s Discussion and Analysis of Financial Condition and Results of Operations,” beginning on page 90 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.

EXHIBIT TABLE

Exh No	Description of Exhibit to this Report	Filed Here	Mngt Exh	Furn-ished	Incorporated by Reference to		
					Form	Exh No.	Filing Date
4.10	FHN agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument defining the rights of the holders of the senior and subordinated long-term debt of FHN and its consolidated subsidiaries.						
10.1	Form of Grant Notice for Executive Performance Stock Units [2021]	X	X				
10.2	Form of Grant Notice for Executive Restricted Stock Units [2021]	X	X				
10.3	Form of Grant Notice for Executive Restricted Stock Units – Special Bonus-Driven Award [2021]	X	X				
10.4	Director Compensation Policy, as adopted April 27, 2021	X	X				
10.5	Executive Change in Control Severance Plan		X		8-K	10.1	1/29/2021
10.6	2021 Incentive Plan		X		Proxy 2021	App. A	3/15/2021
31(a)	Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of Sarbanes-Oxley Act of 2002)	X					
31(b)	Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)	X					
32(a)	18 USC 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)	X		X			
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 Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL: (i) Consolidated Balance Sheets at March 31, 2021 and December 31, 2020; (ii) Consolidated Statements of Income for the Three Months Ended March 31, 2021 and 2020; (iii) Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2021 and 2020; (iv) Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2021 and 2020; (v) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2021 and 2020; (vi) Notes to Consolidated Financial Statements.	X					
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					

Exh No	Description of Exhibit to this Report	Filed Here	Mngt Exh	Furn-ished	Incorporated by Reference to		
					Form	Exh No.	Filing Date
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 CORPORATION
(Registrant)

Date: May 6, 2021

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)

FIRST HORIZON NATIONAL CORPORATION

GRANT NOTICE

Performance Stock Units—Core ROTCE/TSR Rank

[Participant Name]

You have been granted Performance Stock Units (PSUs) of First Horizon National Corporation (FHNC):

Grant Date: February 19, 2020	**Governing Plan: Equity Compensation Plan**
Target Number of PSUs Granted:	**ROTCE Performance Period: Three-year period 2020 thru 2022**
Vesting Date: May 12, 2023	**TSR Start Date & Start Value: March 15, 2020 and $13.484/shr**
Payment Date: May 12, 2025	**TSR End Date: March 15, 2023**

This award of PSUs is granted under Section 10 of the Governing Plan, and is governed by the terms and conditions of that Plan and by policies, practices, and procedures ("Procedures") of the Compensation Committee (that administers the Plan) that are in effect during the performance and vesting periods. Also, this award is subject to the terms and restrictions of FHNC's stock ownership guidelines and Compensation Recovery Policy ("Policy") as in effect during the vesting period. Amendments to any of those documents after the Grant Date may apply to this award.

PSUs that have not been forfeited prior to the Vesting Date will satisfy the performance requirement of this award based on the extent to which the performance goals are achieved during the ROTCE Performance Period, all as set forth in Exhibit A to this Notice. Performance for this award in Exhibit A is based on FHNC's ranking of average annual core return on tangible common equity ("C-ROTCE rank"), adjusted as provided in Exhibit A, relative to peers' average annual return on tangible common equity in the ROTCE Performance Period, modified by FHNC's ranking of its TSR ("TSR rank") relative to peers' TSR measured from the TSR Start Date to the TSR End Date. As provided above and in Exhibit A, FHNC's TSR Start Value is a 20-day average price, and FHNC's ending value also will be a 20-day average. The target number of PSUs granted is the number that would be paid if C-ROTCE rank and TSR rank both are achieved at the median rank. Higher rank would result in a higher amount paid; a lesser number would be paid if a lesser rank is achieved; and, all PSUs would forfeit if the minimum C-ROTCE rank in Exhibit A (the bottom of the third quartile) is not achieved. The overall performance percentage is the product of the C-ROTCE and TSR outcomes expressed as percentages. The Committee will make appropriate adjustments of FHNC accounting numbers so that results are comparable across periods and will make final determinations of performance achievement and any final adjustments, all as provided or permitted by Committee action and the Governing Plan. PSUs that do not vest as a result of a failure to achieve C-ROTCE minimum performance level, as determined by the Committee, are forfeited automatically.

This 2020 award is intended to be long-term. It was granted on the special and explicit condition that your employment will not terminate, directly or indirectly, by your action or by FHNC's, in connection with FHNC's currently-pending merger with IBERIABANK Corporation ("IBKC"). If your employment does terminate prior to the Vesting Date in a manner connected with the IBKC merger, then the condition of grant will have failed for this award. In that case, this award will forfeit entirely unless FHNC's CEO or EVP of Human Resources approves pro-rated treatment of this award in writing. If pro-rated treatment is approved, then a portion of this award will remain outstanding after your departure, subject to the performance and other conditions in this award, and only the remainder will forfeit. The portion remaining outstanding will be in proportion to the ratio of (i) the time from January 1, 2020 through your last day of employment, to (ii) the three-calendar-year period 2020-2022. This condition does not apply to any other merger or strategic transaction involving FHNC, and does not affect any earlier executive PSU award you may have been granted.

This award also is subject to possible reduction or forfeiture in advance of vesting in accordance with the Governing Plan, the Procedures, and the Policy. As of the Grant Date, the Procedures provide (among other things) that: (a) forfeiture generally will occur immediately upon termination of employment—you must remain continuously employed by FHNC or one of its subsidiaries through the close of business on the Vesting Date; but (b) if your termination of employment occurs because of your death, permanent disability, or approved retirement (normal or early), the PSUs generally will be forfeited pro-rata in proportion to the part of the ROTCE Performance Period during which you are not employed. The Committee or its delegate will document death or determine whether disability or retirement status has been achieved and apply pro-rationing. PSUs may be suspended pending any such

determinations and approvals. In any of those cases in (b), the non-forfeited PSUs will vest or not vest based on combined achievement of the performance goals over the time periods covered by this award.

Normal retirement occurs at or after age 65 with at least 5 years of service, and early retirement occurs at or after age 55 with at least 15 years of service. In the case of retirement: retirement treatment must be approved by the Committee; the Committee may impose conditions to receiving such treatment; and the Committee may deviate from pro-rationing treatment. The Committee's general requirements to approve retirement are described in the Procedures.

Other forfeiture provisions apply to this award. Currently the Governing Plan and Policy provide for forfeiture of this award or recovery of amounts paid if you engage in certain types of misconduct or if performance data is materially false or misleading and you are substantially responsible for its accuracy. This award is subject to forfeiture or recovery to the extent required by applicable capital conservation rules or other regulatory requirements. Also, this award will be forfeited, whether or not it is vested or paid, if during the restriction period applicable to this award: (1) you are terminated for Cause as defined in the Governing Plan; or (2) you, either on your own behalf or on behalf of any other person or entity, in any manner directly or indirectly solicit, hire, or encourage any person who is then an employee or customer of FHNC or any and all of its subsidiaries or affiliates to leave the employment of, or to end, diminish, or move any of his, her, or its accounts or relationships with, FHNC or any and all of its subsidiaries or affiliates. The restriction period for this award begins on the Grant Date and ends on the second anniversary of the Vesting Date. By accepting this PSU award, you acknowledge that FHNC may reduce or offset other amounts owed to you, including but not limited to wages, bonuses, or commissions owed, among other things, to satisfy any repayment obligation.

PSUs are not shares of stock, have no voting rights, and are not transferable. Each PSU that vests and is paid will result in one share of FHNC common stock being issued to you, subject to withholding for taxes, as provided below. Subject to provisions of the Governing Plan, the Committee may choose to pay all or a portion of vested PSUs in cash, based on the fair market value of FHNC common stock on the Vesting Date. PSUs will accrue cash dividend equivalents to the extent cash dividends are paid on common shares prior to the Payment Date. From the Grant Date until the Payment Date, dividend equivalents accumulate (without interest) as if each PSU were an outstanding share. To the extent that PSUs are paid, the accumulated dividend equivalents associated with those PSUs (accrued through the Payment Date) will be paid in cash as provided below. Dividend equivalents associated with forfeited PSUs likewise are forfeited. Stock splits and stock dividends will result in a proportionate adjustment to the number of PSUs as provided in the Plan and Procedures. If within two years after vesting FHNC discovers an error in any amount vested or paid which, had it been known, would have resulted in a change in the amount of 5% or more: if the error favored FHNC, FHNC will pay you (on the Payment Date) the difference in shares, subject to applicable taxes; or, if the error favored you, FHNC will reduce your shares and dividend equivalents by an amount equal to the pre-tax difference.

This award is not fully vested until the performance and service requirements both are fulfilled. Performance vesting will occur when the Committee makes a final determination of the extent (measured as a percentage of Target) to which the combined performance goals of this award are achieved, as provided above and in Exhibit A. Service vesting—fulfillment of the requirement that you remain continuously employed with FHNC—will occur on the Vesting Date.

Vesting may be accelerated by the Committee as provided in the Governing Plan. If vesting has fully occurred or is accelerated, payment may be accelerated by the Committee. You have no right to any acceleration of vesting or payment by action of the Committee.

Payment of this award will occur on the Payment Date, after a two-year mandatory Deferral Period. During the Deferral Period FHNC will retain the vested units and all vested dividend equivalents, without interest, until the Payment Date. During the Deferral Period neither this award nor any rights associated with it may be transferred in any manner other than by will or the laws of intestacy.

If a Change in Control occurs and you experience a Qualifying Termination (all as defined in the Plan), then vesting and payment will be accelerated as provided in the Plan. The amount paid will be, without pro-rationing: (a) the Target number of PSUs, if the Change in Control occurs before the end of the ROTCE Performance Period or the Committee is unable, for any other reason, to fairly determine actual performance results; or (b) the greater of the Target number of PSUs or the number determined by the Committee based partly on actual C-ROTCE performance results and partly by assuming TSR rank performance of 100%, if the Change in Control occurs after the end of the ROTCE Performance Period and before the Vesting Date and if the Committee determines that it can fairly determine actual performance results. In the case of (b), payment may be reasonably delayed to allow the Committee to obtain information necessary to make its determinations.

If a Change in Control (as defined in the Plan) occurs before the end of the Performance Period and there is no Qualifying Termination, then this award may be modified, converted, or canceled by the Committee or otherwise without your consent. The Committee is permitted to exercise discretion in a Change in Control situation in different ways for different persons, and in different ways for different awards; however, in all cases the Committee will seek in good faith to avoid any significant diminishment or enlargement of value measured at the time of the Change in Control. The following two Change in Control scenarios, (A) and (B), illustrate the Committee's power in various situations. The scenarios illustrate possible outcomes; they do not limit the Committee's authority. In these scenarios the "Deal Value" of an FHNC common share is, as applicable, the dollar value per FHNC share paid to FHNC shareholders in the Change in Control transaction or the dollar value per FHNC share of the consideration received by FHNC shareholders in the Change in Control transaction, measured at the time the Change in Control is consummated.

(A) If a Change in Control occurs before the end of the ROTCE Performance Period, the Committee may cancel this award in exchange for the pro-rated dollar value at that time of the Target number of PSUs, with pro-rationing based on the portion of the ROTCE Performance Period occurring prior to the Change in Control. If so cancelled, the performance goals would be waived with performance presumed at 100% of Target, and all vesting and payment would be accelerated. In that case the pro-rated number of FHNC shares would be paid or credited (subject to withholding taxes) to you shortly or immediately before consummation of the Change in Control transaction so that your award shares will be outstanding at the time of consummation or, alternatively, payment will be made to you in cash at the Deal Value of the pro-rated Target-level award shares.

(B) If a Change in Control occurs before the TSR End Date, if FHNC shares cease to be publicly traded as a result of the Change in Control, and if vesting of this award is not accelerated prior to cessation of public trading, then in that case FHNC agrees to do at least one of the following, in all cases as determined by the Committee in its discretion: (i) convert the potential FHNC shares covered by this award into shares of the acquiring or surviving company based on the conversion or exchange rate provided in the Change in Control transaction, and modify the C-ROTCE performance goal so as provide you with an opportunity to achieve performance based on C-ROTCE rank of the surviving or acquiring company or some other appropriate performance measure based on ROTCE, with TSR performance conclusively assumed to be 100%; or (ii) presume satisfaction of all performance goals at 100% of Target, and convert the FHNC shares which would have been paid at 100% performance into either (1) a dollar amount equal to the Deal Value of those shares, which dollar amount would not accrue interest, or (2) a number of share units of the acquiring or surviving company based on the conversion or exchange rate provided in the Change in Control transaction. In either case under this scenario, this award would continue to require your service through the Vesting Date, and would be paid on the Payment Date.

The discretion provided to the Committee in the foregoing provisions is subordinate to any requirement of the Plan applicable to this award. If, before or after the Grant Date, you and FHNC enter into a written contract explicitly providing for the treatment of this award in connection with your termination or a Change in Control, the provisions of this award are subordinate to those explicit contractual provisions.

Vesting and payment each are taxable events for you. Your withholding and other taxes will depend upon FHNC's stock value on the Vesting and Payment Dates, and the amount of dividends and equivalents paid to you. As of the Grant Date, the Committee's Procedures provide that: at vesting FHNC will withhold shares to in the amount necessary to cover most of the withholding taxes due at that time (and any shortfall will be withheld from your salary); and, at payment, FHNC will withhold additional shares and may withhold cash in the amount necessary to cover your withholding taxes at that time. However, the Procedures may be changed at any time. You are not permitted to make any election in accordance with Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in your gross income for federal income tax purposes the value of the PSUs this year. If you make a Section 83(b) election, this award will forfeit. FHNC reserves the right to further defer payment of PSUs if payment would result in a loss of tax deductibility and deferral is reasonably expected to preserve deductibility.

Questions about your PSU award?

Important information concerning the Governing Plan and this PSU award is contained in a prospectus. Copies of the current prospectus (including all applicable supplements) are delivered separately, and you may request a copy of the Plan or prospectus at any time. If you have questions about your award or need a copy of the Governing Plan, the related prospectus, or the current Procedures, please contact Fidelity Investment's Executive Relationship Officer at _____. For all your personal stock incentive information, you may

view your award and other information on Fidelity's website at _____.



FIRST HORIZON.

GRANT NOTICE

Executive RSUs

[Recipient Name]

Amount of Award: Restricted Stock Units	**Grant Date: , 2021**
Governing Plan:	**Vesting Date: , 2024**

You have been granted a restricted stock unit ("RSU") award by First Horizon Corporation ("FH"). This award of RSUs is granted under the Governing Plan specified above, and is governed by the terms and conditions of that Plan and by policies, practices, and procedures ("Procedures") of the Compensation Committee of FH's board of directors that are in effect from time to time during the vesting period. Also, this award is subject to the terms and restrictions of FH's stock ownership guidelines and Compensation Recovery Policy ("Policy") as in effect during the vesting period. Amendments to any of those documents after the Grant Date may apply to this award.

No part of this award is earned until that part vests. This award is subject to possible reduction or forfeiture in advance of vesting in accordance with the Governing Plan, the Procedures, and the Policy. As of the Grant Date, the Procedures provide (among other things) that: (a) forfeiture generally will occur immediately upon termination of employment—you must remain continuously employed by FH or one of its subsidiaries through the close of business on the Vesting Date; but (b) if your termination of employment occurs because of your death or permanent disability, forfeiture will be avoided and vesting will be accelerated and (c) if your termination occurs because of approved retirement, forfeiture will be avoided and vesting will accelerate to the extent the approval so provides. The Committee or its delegate will document death or determine whether disability or retirement status has been achieved and apply pro-rationing. RSUs may be suspended pending any such determinations and approvals.

To be considered for retirement approval, you must be either (i) at least age 65 with at least 5 years of service, or (ii) at least age 55 with at least 15 years of service. Retirement treatment must be approved by the Committee; the Committee may impose conditions to receiving such treatment; and the Committee may deviate from zero forfeiture and/or full acceleration. The general requirements to approve retirement are described in the Procedures.

Other forfeiture provisions apply to this RSU award. Currently the Governing Plan and Policy provide for forfeiture of this award or recovery of amounts paid if you engage in certain types of misconduct. This award is subject to forfeiture or recovery to the extent required by applicable capital conservation rules or other regulatory requirements. Also, this award will be forfeited, or if already vested you must pay in cash to FH the gross pre-tax value of this award measured at vesting, if during the restriction period applicable to this award: (1) you are terminated for Cause as defined in the Governing Plan; or (2) you, either on your own behalf or on behalf of any other person or entity, in any manner directly or indirectly solicit, hire, or encourage any person who is then an employee or customer of FH or any and all of its subsidiaries or affiliates to leave the employment of, or to end, diminish, or move any of his, her, or its accounts or relationships with, FH or any and all of its subsidiaries or affiliates. The restriction period for this award begins on the Grant Date and ends on the second anniversary of the Vesting Date. By accepting this RSU award, you acknowledge that FH may reduce or offset other amounts owed to you, including but not limited to wages, bonuses, or commissions owed, among other things, to satisfy any repayment obligation.

The Committee reserves the right, in its sole discretion, to waive forfeiture or accelerate vesting in whole or part. You have no right to any such discretionary waiver or acceleration. If a request for a waiver were granted, only the units not covered by the waiver would forfeit.

This award is governed by the substantive laws of Tennessee, without regard to conflicts of laws principles. To the extent applicable to this award and to you, the forfeiture and recovery provisions of this award, and of the Policy and Procedures, may be limited by the laws of another state associated with where you live or work. If a court of competent jurisdiction determines that any of those provisions is unlawful or prohibited by law as applied to this particular award, then those provisions shall be deemed modified, reduced, or otherwise cut back to the minimum extent possible in order to preserve the original provision to the maximum extent possible, consistent with applicable state law as applied to this award and to you.

RSUs are not shares of stock, have no voting rights, and are not transferable. If explicitly permitted by the Committee and FH, you may make a beneficiary designation that will direct FH to treat your beneficiary as the owner of this award after you die. Any such designation, if permitted at all, will be effective only if done in compliance with the Procedures and the rules of FH's administrative vendor for stock awards in effect at the time of designation. Also, the effectiveness of designations will be subject to all conditions and limitations contained in the Procedures and in the rules of that vendor in effect at the time of your death.

Each RSU that vests will result in one share of FH common stock being issued to you, subject to withholding for taxes. Subject to provisions of the Governing Plan, the Committee may choose to pay all or a portion of vested RSUs in cash, based on the fair market value of FH common stock on the Vesting Date.

Your RSUs will accrue cash dividend equivalents to the extent cash dividends are paid on common shares prior to vesting. From the Grant Date until the Vesting Date, dividend equivalents accumulate (without interest) as if each RSU were an outstanding share. To the extent that RSUs vest, the accumulated dividend equivalents associated with vested RSUs will be paid in cash shortly after vesting. Dividend equivalents associated with forfeited RSUs likewise are forfeited.

The number of RSUs will be adjusted proportionately in the event of a stock split or a common stock dividend to avoid any enlargement or dilution of value. Subject to the Governing Plan and Procedures, in each such adjustment RSUs will be rounded down to the nearest whole unit; any fractional RSU will be disregarded.

Vesting is a taxable event for you. Your withholding and other taxes will depend upon FH's stock value on the Vesting Date and the amount of dividend equivalents paid to you. As of the Grant Date, the Committee's Procedures provide that FH will withhold shares and cash at vesting in the amount necessary to cover your withholding taxes; however, the Procedures may be changed at any time.

You are not permitted to make any election under Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in your gross income for federal income tax purposes the value of this award this year. If you make a Section 83(b) election, this award will forfeit.

Questions about your RSU award?

Important information concerning the Governing Plan and this RSU award is contained in a prospectus. Copies of the current prospectus (including all applicable supplements) are delivered separately, and you may request a copy of the Governing Plan or prospectus at any time. If you have questions about your RSU award or need a copy of the Governing Plan, related prospectus, or current Procedures, please contact Fidelity Investment's Executive Relationship Officer at _____. For all your personal stock incentive information, you may view your award and other information on Fidelity's website at _____.

FIRST HORIZON.

GRANT NOTICE

Executive RSUs – Special Bonus-Driven Award

[Recipient Name]

Amount of Award: Restricted Stock Units	**Grant Date: , 2021**
Governing Plan:	**Vesting Date: , 2024**

You have been granted a restricted stock unit ("RSU") award by First Horizon Corporation ("FH"). This award of RSUs is granted under the Governing Plan specified above, and is governed by the terms and conditions of that Plan and by policies, practices, and procedures ("Procedures") of the Compensation Committee of FH's board of directors that are in effect from time to time during the vesting period. Also, this award is subject to the terms and restrictions of FH's stock ownership guidelines and Compensation Recovery Policy ("Policy") as in effect during the vesting period. Amendments to any of those documents after the Grant Date may apply to this award.

No part of this award is earned until that part vests. This award is subject to possible reduction or forfeiture in advance of vesting in accordance with the Governing Plan, the Procedures, and the Policy. As of the Grant Date, the Procedures provide (among other things) that: (a) forfeiture generally will occur immediately upon termination of employment—you must remain continuously employed by FH or one of its subsidiaries through the close of business on the Vesting Date; but (b) if your termination of employment occurs because of your death or permanent disability, forfeiture will be avoided and vesting will be accelerated and (c) if your termination occurs because of approved retirement, forfeiture will be avoided and vesting will accelerate to the extent the approval so provides. The Committee or its delegate will document death or determine whether disability or retirement status has been achieved and apply pro-rationing. RSUs may be suspended pending any such determinations and approvals.

To be considered for retirement approval, you must be either (i) at least age 65 with at least 5 years of service, or (ii) at least age 55 with at least 15 years of service. Retirement treatment must be approved by the Committee; the Committee may impose conditions to receiving such treatment; and the Committee may deviate from zero forfeiture and/or full acceleration. The general requirements to approve retirement are described in the Procedures.

Other forfeiture provisions apply to this RSU award. Currently the Governing Plan and Policy provide for forfeiture of this award or recovery of amounts paid if you engage in certain types of misconduct. This award is subject to forfeiture or recovery to the extent required by applicable capital conservation rules or other regulatory requirements. Also, this award will be forfeited, or if already vested you must pay in cash to FH the gross pre-tax value of this award measured at vesting, if during the restriction period applicable to this award: (1) you are terminated for Cause as defined in the Governing Plan; or (2) you, either on your own behalf or on behalf of any other person or entity, in any manner directly or indirectly solicit, hire, or encourage any person who is then an employee or customer of FH or any and all of its subsidiaries or affiliates to leave the employment of, or to end, diminish, or move any of his, her, or its accounts or relationships with, FH or any and all of its subsidiaries or affiliates. The restriction period for this award begins on the Grant Date and ends on the second anniversary of the Vesting Date. By accepting this RSU award, you acknowledge that FH may reduce or offset other amounts owed to you, including but not limited to wages, bonuses, or commissions owed, among other things, to satisfy any repayment obligation.

In addition, because this award is granted in lieu of bonus under the Management Incentive Plan, this award is subject to possible forfeiture pursuant to that Plan or by operation of the Policy in relation to bonuses under that Plan.

The Committee reserves the right, in its sole discretion, to waive forfeiture or accelerate vesting in whole or part. You have no right to any such discretionary waiver or acceleration. If a request for a waiver were granted, only the units not covered by the waiver would forfeit.

This award is governed by the substantive laws of Tennessee, without regard to conflicts of laws principles. To the extent applicable to this award and to you, the forfeiture and recovery provisions of this award, and of the Policy and Procedures, may be limited by the laws of another state associated with where you live or work. If a court of competent jurisdiction determines that any of those provisions is unlawful or prohibited by law as applied to this particular award, then those provisions shall be deemed modified, reduced, or otherwise cut back to the minimum extent possible in order to preserve the original provision to the maximum extent possible, consistent with applicable state law as applied to this award and to you.

RSUs are not shares of stock, have no voting rights, and are not transferable. If explicitly permitted by the Committee and FH, you may make a beneficiary designation that will direct FH to treat your beneficiary as the owner of this award after you die. Any such designation, if permitted at all, will be effective only if done in compliance with the Procedures and the rules of FH's administrative vendor for stock awards in effect at the time of designation. Also, the effectiveness of designations will be subject to all conditions and limitations contained in the Procedures and in the rules of that vendor in effect at the time of your death.

Each RSU that vests will result in one share of FH common stock being issued to you, subject to withholding for taxes. Subject to provisions of the Governing Plan, the Committee may choose to pay all or a portion of vested RSUs in cash, based on the fair market value of FH common stock on the Vesting Date.

Your RSUs will accrue cash dividend equivalents to the extent cash dividends are paid on common shares prior to vesting. From the Grant Date until the Vesting Date, dividend equivalents accumulate (without interest) as if each RSU were an outstanding share. To the extent that RSUs vest, the accumulated dividend equivalents associated with vested RSUs will be paid in cash shortly after vesting. Dividend equivalents associated with forfeited RSUs likewise are forfeited.

The number of RSUs will be adjusted proportionately in the event of a stock split or a common stock dividend to avoid any enlargement or dilution of value. Subject to the Governing Plan and Procedures, in each such adjustment RSUs will be rounded down to the nearest whole unit; any fractional RSU will be disregarded.

Vesting is a taxable event for you. Your withholding and other taxes will depend upon FH's stock value on the Vesting Date and the amount of dividend equivalents paid to you. As of the Grant Date, the Committee's Procedures provide that FH will withhold shares and cash at vesting in the amount necessary to cover your withholding taxes; however, the Procedures may be changed at any time.

You are not permitted to make any election under Section 83(b) of the Internal Revenue Code of 1986, as amended, to include in your gross income for federal income tax purposes the value of this award this year. If you make a Section 83(b) election, this award will forfeit.

Questions about your RSU award?

Important information concerning the Governing Plan and this RSU award is contained in a prospectus. Copies of the current prospectus (including all applicable supplements) are delivered separately, and you may request a copy of the Governing Plan or prospectus at any time. If you have questions about your RSU award or need a copy of the Governing Plan, related prospectus, or current Procedures, please contact Fidelity Investment's Executive Relationship Officer at _____. For all your personal stock incentive information, you may view your award and other information on Fidelity's website at _____.

BOARD APPROVED POLICY

Director Compensation Policy

Latest revision date

4/27/21

Latest review/approval date

4/27/21

Effective date

04/27/21

Review frequency

Annually

Related policies

- Director Policy

Related documents

- Bylaws (First Horizon Corporation)
- 2021 Incentive Plan

I. General Statement of Policy

Overview

This policy governs the primary aspects of the compensation of directors of First Horizon Corporation (FHN) and First Horizon Bank (the "Bank").

II. Implementation

Inside Directors

Inside (officer/employee) directors will receive no compensation for Board or committee membership or chair status.

Outside Directors—General

Outside (non-employee) directors on the FHN 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 2021.)

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 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. 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. 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

General. The dollar amount of the RSU portion of each director's base retainer, plus any cash elected to be paid as RSUs (as provided below), will be converted into an award of restricted stock units ("RSUs") granted under FHN's 2021 Incentive Plan or any duly adopted successor plan (as applicable, the "Stock Plan"). An RSU represents the right to receive a share of FHN common stock at vesting as provided below. RSU awards for each pay year are to be granted annually in advance effective on the second trading day 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 outside directors: generally will vest on April 22 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. At vesting, 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.

Vesting Date Adjustments if there is a Change in Annual Meeting Date Practice. If the next annual meeting of shareholders following an RSU grant occurs on or before April 22, then vesting of those RSUs will be accelerated to occur immediately before the start of that next annual meeting. If an annual meeting of shareholders occurs in May of a pay year such that April 22 is too early to be permitted by the Stock Plan to be the vesting date for the RSUs granted for that pay year, then the vesting date for those RSUs will be the earliest date that is permitted by that Plan.

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 outside 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 FHN'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 outside 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 FHN.

RSU Administration. The number of RSUs granted after the annual meeting will be determined by dividing the annual dollar amount of the RSU retainer, plus any cash amount elected to be replaced with Additional RSUs, by the average accounting value of FHN's common stock measured during the period of five consecutive trading days ending on the trading day immediately preceding the the grant date. 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. 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 as may be approved by the Board. Perquisites and other benefits for outside 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 outside director grants imposed by the Stock 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 vesting date.

Election to Defer

Each outside director may elect to defer all or any part of his or her total cash compensation into an interest-accruing account of the First Horizon Corporation Non-Qualified Deferred Compensation Plan or any other duly adopted deferral plan, now existing or hereafter approved (collectively, "Deferral Plan"), subject to the terms, conditions, and limitations of the Deferral Plan. As of the regular RSU grant date near the beginning of each pay year, the portion of a director's total cash compensation which is not subject to a deferral election pertaining to that pay year is his or her "non-deferred total cash compensation" for that pay year.

Election to Replace Non-Deferred Total Cash Compensation with Additional RSUs

Each year, not later than the close of business on the RSU grant date provided above, each outside director may elect to replace all or any part of his or her non-deferred total cash compensation with additional RSUs ("Additional RSUs") granted on the same grant date, and with the same terms, as the base retainer RSUs granted for that pay year. Each year, shortly before the annual meeting of shareholders, management will ask each outside director who is nominated for election at that meeting to make a cash replacement election for the new pay year. Unless otherwise instructed by a director in writing, management will assume that: each continuing director who fails to timely make an election intends for his or her most recent prior election to apply to the new pay year; and each new nominee who fails to timely make an election intends no replacement of cash with Additional RSUs.

Effects and Limitations of Combining Deferral and RSU Elections

If an outside director makes a deferral election applicable to a pay year, and also elects to have non-deferred total cash compensation related to that same pay year replaced with Additional RSUs, then:

1) Only *non-deferred* total cash compensation, as determined shortly before the RSU grant date based on deferral elections in place at that time, may be replaced with Additional RSUs. If a director chooses a percentage of his or her total cash compensation to be replaced with Additional RSUs that exceeds what is permitted, that director will be treated as having elected to replace 100% of his or her non-deferred total cash compensation for that pay year.

2) The dollar amount of total cash compensation which is replaced with Additional RSUs is not available for deferral under the Deferral Plan. Once Additional RSUs are granted to a director, a change in the director's deferral elections under the Deferral Plan cannot operate to defer unavailable amounts.

3) To the extent consistent with the Deferral Plan and subject to such administrative limitations as management may impose: a director may defer a specified percentage of total cash compensation for a

pay year, and may replace 100% of the remaining total cash compensation for that year; and, a director may replace a specified percentage of total cash compensation for a pay year, and may defer 100% of the remaining total cash compensation for that year.

4) Management is authorized and directed to apply the principles articulated in this policy to other situations that might arise in order to harmonize application of the deferral and replacement programs.

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 in April 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 outside 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 outside 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. Additional RSUs may be elected prior to the RSU grant date. Cash compensation for the remainder of the pay year will be determined based on the new director's initial committee assignments. However, the vesting date for the part-year RSUs (regular or Additional) will not be April 22; in conformity with the requirements of the Stock Plan, the vesting date of part-year awards will be the first anniversary of grant.

Assignment Change

If an outside 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.

If a director makes a cash replacement election, it is implemented based on expectations at the time of grant and results in a fixed RSU grant. To the extent possible, Additional RSUs, and the cash amount replaced by Additional RSUs, will not be adjusted due to an assignment change. As a result, non-replaced cash will bear the adjustments called for above. Accordingly, if an outside director experiences an assignment change during a pay year for which he or she has been granted Additional RSUs, then:

1. If the assignment change increases his or her total cash compensation for the pay year, the difference will be paid (or deferred) in cash in the normal course and will not result in additional Additional RSUs.

2. If the assignment change decreases his or her total cash compensation for the pay year, the difference will be applied entirely to reduce his or her cash to be paid (or deferred) from and after the effectiveness of the assignment change, and generally will not result in forfeiture of outstanding RSUs (subject to #3 below).

3. If an assignment change decreases a director's total cash compensation for a pay year so substantially that total cash compensation for that pay year is below the dollar amount of the non-deferred total cash compensation that was replaced with Additional RSUs, then the Board may order a corresponding reduction in (partial forfeiture of) those outstanding Additional RSUs; however, absent such an order, cash paid (or deferred) will be reduced to zero for the remainder of the pay year but outstanding RSUs will not be reduced.

Regional Board Service. To improve the directors' knowledge and understanding of FHN and the Bank and their markets, customers, and officers, and to enhance each director's service as a director of FHN, FHN's outside 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 FHN director compensation. Such director shall report back to the FHN Board regarding his or her attendance at Regional Board meetings. Membership by an FHN director on a Regional Board is deemed by FHN's Board of Directors to be part of the FHN director's service as a director of FHN.

III. Delegation of Authority

The Compensation Committee is delegated the authority to interpret and oversee the administration of this Policy, consistent with that Committee's charter. Substantive exceptions are to be acted upon only by the Board.

Corporate Policy Approval Form

Name of Policy	Director Compensation Policy
Business Unit	[Abstract]
Management Oversight Committee	Choose an item.
Management Committee Chair	[Management Committee Chair]
Delegated Authority	Bryan Jordan; Tammy LoCascio; Tanya Hart; John Niemoeller;

Brief description of policy and any revisions subject to approval

If no revisions have occurred since the date of the last approval (i.e., the policy is the same as the version last approved), please check where indicated.

Revision Date	4/27/21
Type of Change Requested	Other Changes
Revision Overview: Revisions have been submitted (see below)	
This is a new Policy, split off from the Director Policy. Compared to the former compensation sections of the Director Policy, the fees/retainers grid is unchanged but directors now may elect to receive additional RSUs instead of cash. Provisions were added to integrate that election with a deferral election (previously allowed and still maintained in the new Policy), and to allow for uniform administration.	

Committee Approvals

The requisite approval authority varies by policy, beginning with approval by Management Committee and escalating to Full Board approval. Insert "N/A" for approval levels not required.

	Name of Committee	**Date Approved**
Management Committee* includes approvals on behalf of delegated authority & committee chair	Choose an item.	[Management Committee Approval Date]
Board Committee	Compensation Committee	7/26/2021
Full Board	true	7/27/2021

*Note - All board policies are approved annually. During the annual review exercise, the policies are reviewed by the appropriate management committee (or delegated authority). Reviewed policies are submitted to the MRC prior to approval by the appropriate board level committee.

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: May 6, 2021

/s/ D. Bryan Jordan

D. Bryan Jordan
President and Chief Executive Officer

Exhibit 31(b)

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

CERTIFICATIONS

I, William C. Losch III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Horizon National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/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 March 31, 2021, (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: May 6, 2021

/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 March 31, 2021, (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: May 6, 2021

/s/ William C. Losch III

William C. Losch III
Senior Executive Vice President and Chief Financial Officer