First Horizon National Corporation
Annual Report 2019

Dear Fellow Shareholders:

The past year has been transformative and successful for First Horizon. We remained focused on the execution of our strategic priorities. We continued to build our business from a position of strength as we enhanced the products and services we provided for our customers. Our strong performance was demonstrated by steady earnings growth, solid returns, balance sheet flexibility, significant operating leverage and improved profitability.

In the midst of this positive activity, in October 2019, we unified our family of companies under the First Horizon name and renewed our brand promise, committing to meeting customers' needs while adapting to the changing banking environment.

We are excited to bring all our organizations together under the First Horizon name and look forward to the benefits a consistent brand will deliver.

Importantly, our team achieved these remarkable results in a year in which we also announced the transformative merger of equals with IBERIABANK Corporation. Once completed, we will create a leading regional financial services company with significant scale at over $75 billion in assets, accelerate our growth and deliver lasting shareholder value. Following the close of the merger, First Horizon will have an expansive 11-state reach in high-growth, attractive markets across the combined footprint with the scale and earnings power to invest in advanced technologies and innovation to deliver a more extraordinary customer-focused experience.

In addition to our merger with IBERIABANK, we announced the acquisition of 30 branches in North Carolina, Virginia, and Georgia, improving and extending our footprint into additional attractive and stable markets.

Our progress solidifies our position as one of the leading financial services companies in the South, and we are soon to be one of the top 25 banks in the U.S. in deposits. The achievements of 2019 prove our continued power in delivering value for our shareholders, employees, customers and communities.

In addition to significant operational and strategic milestones, we achieved financial success. Due to strong performance across the franchise, our 2019 financial results included higher returns, increased profitability, improved efficiency, balance sheet growth, and stable asset quality.

- **2019 EPS/Adjusted EPS[1] at $1.38/$1.66** (2018 EPS/Adjusted EPS[1] was $1.65/$1.41 largely due to a pre-tax gain of $212.9 million from the sale of Visa stock)
  - **2019 ROCE/Adjusted ROCE[1] at 9.60%/11.59%** (2018 ROCE /Adjusted ROCE[1] was 12.75%/10.90%)
  - **2019 ROTCE[1]/Adjusted ROTCE[1] at 14.71%/17.60%** (2018 ROTCE[1]/Adjusted ROTCE[1] was 20.28%/17.65%)
  - **2019 ROA/Adjusted ROA[1] at 1.08%/1.30%** (2018 ROA/Adjusted ROA[1] was 1.38%/1.19%)
  - **2019 Efficiency Ratio/Adjusted Efficiency Ratio[1] at 66.07%/59.94%** (2018 Efficiency Ratio/ Adjusted Efficiency Ratio[1] was 70.63%/64.48%)

    [1] Adjusted EPS, Adjusted ROCE, ROTCE, Adjusted ROTCE, Adjusted ROA, and Adjusted Efficiency Ratio are non-GAAP figures and are reconciled in the table following this letter.
- Balance Sheet Growth:
  - Total loans up 7% from 2018 to 2019
  - Total deposits up 5% from 2018 to 2019
- Stable credit quality:
  - Net charge-off ratio of 0.09%

Our Growth Strategy Delivers Results.

Our strategic priorities serve as our roadmap to deliver strong performance. In 2019, we achieved the financial targets we announced at our 2018 Investor Day, with higher returns, improved efficiency, profitable growth in key markets and specialty areas, and effective capital deployment.

Last year was the first full year of growing the business we acquired from Capital Bank. We optimized our funding mix by increasing customer deposits by 6% year-over-year in key markets such as South Florida, Middle Tennessee and Texas. In 2019, we grew specialty lending by 31% over 2018, putting our deposit growth to work.

We remain committed to a prudent capital deployment strategy and continue to take steps to deliver value for shareholders. In 2019, we deployed capital effectively, including repurchasing shares and distributing dividends, generating a total payout ratio of 70%.

While we faced a challenging interest rate environment in 2019, our countercyclical businesses – such as fixed income trading and lending to mortgage companies – significantly offset the impact of declining rates. Specifically, the fixed income segment's net income grew from $9 million in 2018 to $52 million in 2019 as the business benefited from decreased interest rates and increased market volatility. Loans to mortgage companies grew 133% year-over-year due to higher home purchasing and refinance activity, as well as market share growth.

The successful integration of Capital Bank helped establish a solid foundation for our 2019 performance. We realized merger cost savings of $85 million, 30% greater than initially targeted, allowing our team to reinvest into strategic hires and technology upgrades. Our experience with the Capital Bank merger prepares us for a successful merger with IBERIABANK.

Our Transformation and Innovation Continue to Create Value.

Since our founding in 1864, we have embraced the need to evolve to serve our customers with an emphasis on innovation, growth and customer-obsessed service. The Capital Bank merger expanded our geographical footprint and provided us with a tremendous opportunity to drive growth and create value. And, we have converted our subsidiary bank from a national bank into a Tennessee state-chartered bank to better align with our strategic priorities.

During the past few years, shifts in customer banking preferences and technological innovations have transformed our industry. Change in our industry is occurring at an unprecedented rate, compelling us to continuously reinvent and reinvest in ourselves. Our merger with IBERIABANK will position us to capitalize on these changes and increase our customer base through greater scale, strategic investments in advanced technologies and expanded product offerings.

We are becoming more data-centric and agile as our customer interactions become more digital every day. Our focus on customer experience – what we call our CX transformation – is working. Earlier this year, we launched our "customer labs," and we use them to co-create solutions with our customers.

Our customers asked for additional mobile banking capabilities, and we responded with an improved consumer platform with a streamlined checking account product suite and the addition of peer-to-peer payment tools. This commitment to adapt and expand our abilities in response to customer feedback will deepen our relationships with customers and allow us to continue to exceed their needs and expectations.

Our Future Opportunities are Significant.

As 2020 begins, we are excited about the opportunities ahead, including organic growth and the expected benefits of our merger of equals with IBERIABANK, which include:

- **Enhanced Scale to Drive Growth** – The combined company will be a significant player throughout the Southern U.S., with $75+ billion in assets. This combination increases our ability to invest in advanced technologies and innovation to strengthen the business and create a competitive advantage in a dynamic market environment.
- **Complementary Market Presence** – The combination strengthens our competitive position in high-growth, demographically attractive Southern markets that are among the top 25% fastest-growing economies in the country. Our post-merger bank branch footprint will be located in 15 of the top 20 Southern markets by population and in 11 states.
- **Diversified Business Mix** – The combined company will have a well-diversified revenue mix, with earnings streams from unique lending capabilities and distinct fee income businesses across a broader customer base. The combined organization will offer a more comprehensive suite of products and services for commercial, consumer and small-business customers, who will benefit from our larger balance sheet capacity.
- **Significant EPS and Earnings Accretion** – The transaction is projected to deliver approximately 16% EPS accretion to First Horizon by year-end 2021.

- **Substantial Cost Synergies** – The transaction is expected to deliver approximately $170 million in pre-tax cost synergies, primarily driven by annual run-rate cost savings such as redundancies in overhead, occupancy operations and computer services.
- **Peer-Leading Profitability** – The combined company will be well positioned to achieve peer-leading profitability and operating metrics.
- **Industry-Leading Operating Metrics** – The franchise is expected to deliver top-tier operating and return metrics with cost savings on a fully phased-in basis, including:
  - Return on Average Tangible Common Equity of approximately 18%,
  - Return on Average Assets of approximately 1.4%, and
  - Efficiency Ratio of approximately 51%.

The management team of the combined company has the skills and experience to successfully integrate these two organizations to ensure that the combined company is best positioned to deliver profitable growth and create value for you – our shareholders.

Last year, we also announced that we will purchase 30 bank branches in North Carolina, Virginia, and Georgia, and as a result:

- First Horizon will assume approximately $2.4 billion in deposits at an average cost of deposits at 0.54% and purchase approximately $410 million in loans;
- The company will enhance its presence in key North Carolina growth markets such as Durham, Chapel Hill and Winston-Salem; and
- The branch acquisition is a financially compelling transaction that is immediately accretive to earnings.

Our existing markets in the Southeast remain economically strong and vibrant. Our regional customers are financially sound and positioned to expand. While some borrowers are cautious because of uncertainty regarding tariffs, the impact of COVID-19, and the political outlook, our customer base remains reasonably optimistic about growth prospects. And, we will take steps to ensure that we continue to support the growth of our customers.

Our Steadfast Commitment to Communities and Employees is Making a Difference.

At the core of all our efforts are the communities we serve, our employees and customers. We remain committed to making their lives better and helping them prosper. We continue to strengthen our efforts to be a company that is **Here for Good.**

I have often said that we never lose sight of why we are here or what we must do to make a difference as a good corporate citizen, and that commitment remains strong. Corporate social responsibility is ingrained in our DNA, and providing better opportunities for our stakeholders has been one of our guiding principles since the company was founded.

In 2019, our giving – from both our Foundation and Community Reinvestment Act commitments – totaled nearly $11 million across more than 650 nonprofit organizations in the following areas: arts and culture, education and leadership, environment, financial literacy, and health and human services. Additionally, our employees contributed significantly to the work we do in the communities, and they contributed their personal time by volunteering at 675 charities and 85 events across the markets we serve.

We continued our work to financially empower the communities that we serve through our partnership with Operation HOPE, a nonprofit organization that provides financial literacy empowerment and economic education. Together, we opened nine new HOPE Inside locations, bringing us to our committed 30 locations across our footprint. Through this alliance with Operation HOPE, First Horizon Bank offers free financial empowerment workshops at our HOPE Inside locations in Florida, North Carolina, South Carolina, Tennessee and Mississippi. HOPE Inside locations have served 32,783 clients, and 217 new small businesses have been created.

Last year, we reaffirmed our commitment to corporate social responsibility (CSR) and introduced our inaugural CSR and Environmental, Social and Governance (ESG) Report. We formed a cross-functional CSR/ESG committee, composed of more than 20 senior leaders at First Horizon. In its first year, the committee designed our framework for reporting and investing in sustainable programs and helped establish our corporate position statements on human rights, privacy and cybersecurity, diversity and inclusion, and anti-corruption, among other things.

I am proud of the work we are doing and honored that First Horizon was recognized by Forbes and JUST Capital as one of America's most JUST companies. First Horizon was also recognized as a best place to work by:

- Forbes' America's Best Large Employers List
- Forbes' World's Best Banks List
- Fortune's Best Workplaces in Finance and Insurance List
- National Association for Female Executives – Top 50 Companies for Executive Women
- Dave Thomas' Adoption-Friendly Workplaces
- Diversity Best Practices Inclusion List
- Bloomberg 2019 Gender-Equality Index

First Horizon is committed to hiring and retaining the best people and ensuring that our employees have opportunities for professional growth and advancement. By equipping our workforce with the appropriate support and resources through training programs, we are better able to provide our customers the best-in-class service they have come to expect from First Horizon.

Our company's recognition by these organizations is affirmation that financial performance and positive contributions to society can go hand in hand. We will continue to build on these commitments in 2020.

Our Shared Horizon Remains Strong and Robust.

I am grateful for our outstanding employees, whose talent and commitment have resulted in a highly profitable year and ensure our continued growth. Their tireless work accelerated our momentum and enabled us to improve the way we do business and serve our customers.

We are consistently executing and refining a business model that drives growth and creates lasting shareholder value. We are taking steps to position First Horizon ahead of the competition in a rapidly changing industry. Complacency has no place in our culture. We remain focused, driving results and meeting the evolving needs of our customers. I thank you all for your confidence in our company and for joining us on this journey.

Sincerely,

D. Bryan Jordan
Chairman of the Board,
President and Chief Executive Officer

IMPORTANT OTHER INFORMATION
In connection with First Horizon's proposed merger-of-equals transaction with IBERIABANK Corporation, First Horizon has filed with the SEC a registration statement on Form S-4 (No. 333-235757) to register the shares of First Horizon's capital stock to be issued in connection with the proposed transaction. When effective, the registration statement will include a joint proxy statement of First Horizon and IBERIABANK which will be sent to the shareholders of First Horizon and IBERIABANK seeking their approval of the proposed transaction.

This communication does not constitute an offer to sell or a solicitation of an offer to buy any securities or a solicitation of any vote or approval. INVESTORS AND SHAREHOLDERS OF FIRST HORIZON AND IBERIABANK ARE URGED TO READ, AS FILED TO DATE AND AS AMENDED IN THE FUTURE, THE REGISTRATION STATEMENT ON FORM S-4, THE JOINT PROXY STATEMENT/ PROSPECTUS INCLUDED WITHIN THE REGISTRATION STATEMENT ON FORM S-4 AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED TRANSACTION, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT FIRST HORIZON, IBERIABANK AND THE PROPOSED TRANSACTION.

Investors and shareholders will be able to obtain a free copy of the registration statement, including the joint proxy statement/prospectus, as well as other relevant documents filed with the SEC containing information about First Horizon and IBERIABANK, without charge, at the SEC's website (http://www.sec.gov). Copies of the registration statement, including the joint proxy statement/prospectus, and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, without charge, by directing a request to Clyde A. Billings Jr., First Horizon, 165 Madison, Memphis, TN 38103, telephone (901) 523-5679, or Jefferson G. Parker, IBERIABANK, 200 West Congress Street, Lafayette, LA 70501, telephone (504) 310-7314.

PARTICIPANTS IN THE SOLICITATION
First Horizon, IBERIABANK and certain of their respective directors, executive officers and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction under the rules of the SEC. Information regarding First Horizon's directors and executive officers is available in its definitive proxy statement, which was filed with the SEC on March 11, 2019, and certain of its Current Reports on Form 8-K. Information regarding IBERIABANK's directors and executive officers is available in its definitive proxy statement, which was filed with SEC on March 28, 2019, and certain of its Current Reports on Form 8-K. Other information regarding the participants in the solicitation of proxies in respect of the proposed transaction and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC. Free copies of these documents, when available, may be obtained as described in the preceding paragraph.

FHN Non-GAAP to GAAP Reconciliation

Unaudited

(Dollars and shares in thousands, except per share data)

Adjusted Diluted EPS		**2019**	**2018**
Net income available to common ("NIAC") (GAAP)	a	**$434,708**	$538,842
Plus Tax effected notable items (Non-GAAP) (a)		**$90,220**	$(78,183)
Adjusted NIAC (Non-GAAP)	b	**$524,928**	$460,659
Diluted Shares (GAAP)	c	**315,657**	327,445
Diluted EPS (GAAP)	**a/c**	**$1.38**	$1.65
Adjusted diluted EPS (Non-GAAP)	**b/c**	**$1.66**	$1.41
Adjusted Return on Assets ("ROA")		**2019**	**2018**
Net Income ("NI") (GAAP)		**$452,373**	$556,507
Plus Tax effected notable items (Non-GAAP) (a)		**$90,220**	$(78,183)
Adjusted NI (Non-GAAP)		**$542,593**	$478,324
NI (GAAP)	d	**$452,373**	$556,507
Adjusted NI (Non-GAAP)	e	**$542,593**	$478,324
Average Assets (GAAP)	f	**$41,744,264**	$40,225,459
ROA (GAAP)	**d/f**	**1.08%**	1.38%
Adjusted ROA (Non-GAAP)	**e/f**	**1.30%**	1.19%
Adjusted Return on Average Common Equity ("ROCE")/ Return on Average Tangible Common Equity ("ROTCE")		**2019**	**2018**
NIAC (GAAP)		**$434,708**	$538,842
Plus Tax effected notable items (Non-GAAP) (a)		**$90,220**	$(78,183)
Adjusted NIAC (Non-GAAP)		**$524,928**	$460,659
NIAC (GAAP)	g	**$434,708**	$538,842
Adjusted NIAC (Non-GAAP)	h	**$524,928**	$460,659
Average Common Equity (GAAP)	i	**$4,529,844**	$4,226,474
Less: Average Intangible Assets (GAAP) (b)		**$1,575,338**	$1,569,987
Average Tangible Common Equity (Non-GAAP)	j	**$2,954,506**	$2,656,487
Plus Equity Adjustment (c)		**$27,897**	$(46,200)
Adjusted Average Tangible Common Equity (non-GAAP)	k	**$2,982,403**	$2,610,287
ROCE (GAAP)	**g/i**	**9.60%**	12.75%
Adjusted ROCE (Non-GAAP)	**h/i**	**11.59%**	10.90%
ROTCE (Non-GAAP)	**g/j**	**14.71%**	20.28%
Adjusted ROTCE (Non-GAAP)	**h/k**	**17.60%**	17.65%
Adjusted Efficiency Ratio		**2019**	**2018**
Noninterest expense (GAAP)	l	**$1,231,603**	$1,221,996
Plus notable items (GAAP) (a)		**$(114,259)**	$(101,691)
Adjusted noninterest expense (Non-GAAP)	m	**$1,117,344**	$1,120,305
Revenue excluding securities gains/losses (GAAP)	n	**$1,864,093**	$1,730,157
Plus notable items (GAAP) (a)		**-**	$7,238
Adjusted revenue excluding esecurities gains/losses (Non-GAAP)	o	**$1,864,093**	$1,737,395
Efficiency ratio (GAAP)	**l/n**	**66.07%**	70.63%
Adjusted efficiency ratio (Non-GAAP)	**m/o**	**59.94%**	64.48%

(a) 2019 includes $39.8 million of pre-tax restructuring-related expenses associated with efficiency initiatives, $39.0 million of pre-tax acquisition-related expenses primarily associated with the pending merger of equals with IBKC and the CBF acquisition, $21.3 million of pre-tax rebranding expenses, $11.0 million of pre-tax expense related to charitable contributions, $4.0 million of pre-tax negative valuation adjustments associated with derivatives related to prior sales of Visa Class B shares, and a net $(.9) million pre-tax expense reversal related to the settlements of litigation matters; 2018 includes a $(212.9) million gain from the sale of Visa Class B Shares, $99.4 million of pre-tax acquisition-related items primarily associated with the CBF acquisition, a $(3.3) million gain on sale of a building, a $4.1 million of valuation adjustments associated with derivatives related to prior sales of Visa Class B shares, and an $8.7 million pre-tax adjustment related the return on excess fees received from Capital Bank debit card transactions, and have been adjusted using an incremental tax rate of approximately 21 percent in 2019 and 24 percent in 2018.
(b) Includes goodwill and other intangible assets, net of amortization.
(c) Includes the average after-tax impact of $27.9 million and $(46.2) million of notable items recognized in 2019 and 2018, respectively.

About First Horizon National Corporation

Headquartered in Memphis, Tennessee, First Horizon National Corp. (NYSE:FHN) provides financial services through First Horizon Bank, First Horizon Advisors, and FHN Financial businesses. The banking subsidiary was founded in 1864 and has the largest deposit market share in Tennessee. The company operates approximately 270 bank locations across the Southeast U.S. and 29 FHN Financial offices across the U.S. First Horizon Advisors wealth management group has more than 300 financial professionals and approximately $4.8 billion in assets under management. FHN Financial is a capital markets industry leader in fixed income sales, trading and strategies for institutional customers in the U.S. and abroad.

Our Commitment

First Horizon is committed to our customers, our people, our communities and our shareholders.

We demonstrate this long-standing commitment through our financial performance and corporate responsibility. This approach strengthens our long-term focus to generate value for our shareholders.

In 2019, First Horizon had a transformative year and delivered a strong performance.

First Horizon Delivers Strong Performance in 2019

- With solid earnings
- Profitable balance sheet growth
- Countercyclical business benefit
- Effective capital deployment

FHN Financial:
Fixed Income Platform with Countercyclical Strength

FHN Financial, a unit of First Horizon Bank, offers an extensive fixed income sales and trading platform, along with other complementary products and services.

FHN Financial's customer base consists of over 4,400 institutional accounts across the depository (banks and credit unions) and nondepository sectors (municipalities, money managers, insurance companies, etc.). These accounts are located throughout the United States, in addition to over 40 countries worldwide.

Beyond sales and trading, FHN Financial is a trusted source for comprehensive strategy, analytics, and timely commentary. An example of this leadership is the economics team led by Chief Economist Chris Low. One of FHN Financial's most valuable assets, Chris has been recognized multiple times by Bloomberg as the most accurate forecaster of the 10-year Treasury note. His daily, weekly, and monthly commentary garners wide readership because of his ability to take complex economic data and translate it into pertinent narrative.

As the financial markets continue to change, so does FHN Financial. The business continues to evolve based on customer needs by diversifying product offerings and investing in new services. Recent examples include establishing the Public Finance group, adding the Small Business Administration desk with the Coastal Securities Inc. acquisition, and developing debt capital markets capabilities.

FHN Financial is an important part of First Horizon's business model, as it provides unique, countercyclical benefits that complement our approach to managing our company for soundness and profitability throughout shifts in the economy.

Key highlights

- Transacts business with 50% of all U.S. banks with portfolios over $100 million
- Conducts between 1,500 to 2,000 institutional trades daily
- Maintains an average daily inventory of over $1 billion
- Settles approximately $5 billion in transactions daily

FIRST HORIZON

FIRST HORIZON ADVISORS

FHN FINANCIAL

Our Core Businesses/Family of Brands

Regional Banking

With a network of approximately 270 bank locations across the Southeast, **the regional bank's business is committed to helping our customers at every stage of their financial life** – from their first checking account to the loan they will need to build a home or business.

In 2019, regional banking saw an average deposit growth of 7% year-over-year, driven by our strategic focus on increasing customer deposits and continued momentum in key markets and specialty areas. Total average year-over-year loan growth was strong as well at 13%, and specialty areas now comprise 44% of our regional banking loan portfolio.

Our highly profitable specialty lines of business include Asset-Based Lending, Commercial Real Estate, Corporate Banking, Correspondent Banking, Energy, Franchise Finance, Healthcare, and Loans to Mortgage Companies.

In addition to strong financial performance, our regional banking continues to earn top honors from business customers. We were the only bank to score A+ honors in 18 categories of the Phoenix-Hecht 2019 Middle Market Quality Index.

Wealth Management

With 38 trust officers, 87 financial advisors, 12 financial planning professionals, and $35 billion in assets under administration, **First Horizon Advisors' mission is to provide customers with access to a range of resources that can help them build the financial future they deserve**.

Every product, every service, and every person in our organization is dedicated to helping customers maximize their financial potential and reach their investment goals. Whether customers need advice and guidance with investments, trusts, financial planning, or other topics, our advisors have the expertise to provide peace of mind and clear direction.

Fixed Income

FHN Financial is an industry leader in fixed income sales, trading, and strategies for institutional customers in the United States and abroad. The company also provides investment services and balance sheet management solutions. **FHN Financial is an important part of First Horizon's business model, as it provides unique, countercyclical benefits that complement our approach to managing our company for soundness and profitability through shifts in the economy.**

With an average daily trading volume of $5+ billion, FHN Financial transacts business with more than 4,400 institutional investors in over 40 countries, including approximately 50% of all U.S. banks with portfolios of more than $100 million.

FHN Financial achieved strong operating performance in 2019. For the year, FHN Financial generated revenues of $304 million, composed of fixed income average daily revenue of $914K, a record level of revenues from Other Products of $50 million and a solid NII contribution of $26 million. This revenue performance, combined with FHN Financial's continued aggressive efficiency actions, resulted in 2019 pretax income of $68 million and a return on allocated equity of 26%.

FHN Financial is composed of six entities: FHN Financial Capital Markets, FHN Financial Securities Corp., FHN Financial Capital Assets Corp., FHN Financial Portfolio Advisors, FHN Financial Municipal Advisors, and FHN Financial Main Street Advisors. Based in Memphis, Tennessee, FHN Financial has nearly 30 offices throughout the United States.

Through our Regional Banking, Wealth Management, and Fixed Income businesses, **our goal is to be easy to do business with and to be the best at serving customers, one opportunity at a time.** We offer a full range of products, and convenient locations and hours.

Above all, our knowledgeable employees strive to be proactive and help customers manage their money and make sound financial decisions for the future. This approach adds up to a differentiated customer experience – our competitive advantage.

More information is available at FirstHorizon.com or FHNFinancial.com.

Feature Story

Proven Results Across a Wide Variety of Businesses.

First Horizon has a uniquely diversified lending portfolio that includes profitable specialty and core commercial lines of business. With nine specialty businesses in total, First Horizon provides lending solutions for specialized business needs across a nationwide footprint. **Guided by seasoned leaders with deep industry experience, our bankers understand the industries we finance while providing award-winning differentiated service to our customers.** Our specialty business model is proving successful: Specialty areas now represent 44% of our Regional Bank loan portfolio.

The inside of a Universal Kidney facility.

Our Healthcare specialty line of business serves healthcare providers and professionals from a range of disciplines – from internal medicine to dentistry to veterinary medicine – who are looking to grow and invest in their practice. Our teams' knowledge and focus on personal relationships helps entrepreneurs like Delilah and Angelo Bartolome, founders and owners of Universal Kidney Centers, achieve their goals.

Delilah and her brother Angelo moved from the Philippines to Florida to pursue their American dream of financial prosperity. A registered nurse, Delilah began working for one of the largest national dialysis centers in Florida, climbing the ranks to become manager of the facility. Angelo became a medical administrator.

After helping thousands of patients, Delilah approached Angelo with the idea of starting their own dialysis and kidney treatment facilities to meet the ever-growing needs of the Broward County community. They opened their first center in Fort Lauderdale, FL in 1997 and continued to open facilities in strategic locations throughout the southeast region of the state.

As their business expanded and grew increasingly complex, the Bartolomes outgrew their community bank's service offerings and limited understanding of medical lending. So they turned to First Horizon.

First Horizon's team of experienced healthcare leaders created a financing structure that allowed Delilah and Angelo to update and expand their facilities by:

- **Refinancing mortgages, saving the business owners thousands of dollars in interest that could then be reinvested in their company**
- **Providing an additional line of credit**
- **Securing funding for new equipment**

In addition, First Horizon's Treasury Management Services team helped the Bartolomes plan a more stable revenue cycle within the practice administration.

"First Horizon is a wonderful bank to work with. Our bankers helped us free up cash flow by refinancing the real estate where each facility was housed. First Horizon lowered our rate, saving us a significant amount of interest," said Angelo. "The additional cash flow from our lower interest payment has allowed us to open our Orlando office as well as improve the revenue cycle of all the other facilities. It was a very smooth process, and we found the team to be amazing."

Now thriving business owners, the Bartolomes have realized their dreams while helping thousands of individuals with end-stage renal failure.

"Our seasoned team of bankers is ready to help other entrepreneurs like Delilah and Angelo reach their goals, no matter how complex the business," said Jeff Jackson, First Horizon's Florida regional president. "The vast experience of our relationship managers – which includes a medical practice board certification – allows our bank to provide the highest level of service for emerging businesses."

Our Culture, Our People

Firstpower Culture

At First Horizon, we are committed to fostering a strong and vibrant company culture that we call Firstpower. Introduced in 1991, our Firstpower culture has evolved with our company. **It is a combination of our vision and our philosophy of putting employees first**. It is also how we do business, and what sets us apart from our competition. **Our values – accountability, adaptability, integrity and relationships – are the pillars that define Firstpower.**

It is in no small part due to our company culture that First Horizon is repeatedly recognized as a top organization to work for.

Our Firstpower Pillars:

- **Accountability** – We ask questions, raise issues, and see things to completion with a sense of urgency.
- **Adaptability** – We champion changes because we must evolve to succeed.
- **Integrity** – We do the right thing, and we do things the right way.
- **Relationships** – We work inclusively with colleagues to serve customers, strengthen communities, and reward shareholders.

Our People

At First Horizon, we believe in putting our employees first. We continually evaluate our company culture and benefits to make sure our offerings will attract, develop and retain talented leaders. Among benefits like health insurance coverage and a 401(k) savings plan, our competitive compensation package also includes adoption reimbursement, an employee mentoring initiative, and much more.

By attracting the best people and empowering them to build enduring relationships with those they serve, we can make a positive impact on our customers and communities.

Diversity and Inclusion

First Horizon recognizes that success for diversity and inclusion is best achieved when it is integrated into the daily operations of business. We seek to continuously incorporate diversity and inclusion into our overall culture and all business units to drive companywide impact.

Our formula, Diversity + Affinity = Inclusion, forms the foundation of our Affinity Strategy for diversity and inclusion. Long-term success requires that we appreciate our differences but focus more on what we have in common. Our strategy is focused on three key aspects of our organization: workforce, workplace and marketplace.

Our Diversity Networking Association ERG hosted a special Lunar New Year celebration at our Memphis, TN headquarters.

Members of our Women's Initiative ERG in Chattanooga, TN went ice skating as part of a networking event.

The Workforce – Increasing, Developing and Promoting Multicultural Talent

We believe in hiring, mentoring and promoting a diverse workforce that reflects national diversity as well as the customers and constituencies we serve.

From 2016 to 2019, the percentage of white women and people of color hired and promoted in the top three salary levels of the company grew from 38% to 46%. As of 2019 year end, white women and people of color composed 40% of the top three salary levels of our organization. Our focus on hiring and promoting diverse talent goes hand in hand with their representation in leadership roles. Our increase in external hires and promotions for people of color results in greater representation at the top of our organization.

We've also created a Strategic Hire Initiative to attract and develop diverse talent for customer-facing, revenue-generating roles. The initiative provides highly talented individuals with mentors, customized development plans and on-the-job training to accelerate their progression and proficiency in their role. **Since 2017, 94% of strategic hires have completed their development program and we have experienced a 71% retention rate.**

The Workplace – Embedding Diversity and Inclusion into the Fabric of Our Company Culture

Our Employee Resource Groups (ERGs) drive leader and employee engagement and provide a support system that fosters awareness, respect and inclusion in the workplace. Our ERGs also act as sounding boards for First Horizon's diversity and inclusion objectives.

The ERGs provide opportunities for networking, education, community outreach and professional development. In 2019, our ERGs engaged employees through an array of activities. A few highlights include:

- Our **Women's Initiative** ERG, which celebrated its 20th anniversary in 2019, collected business attire and monetary donations for Dress for Success, a nonprofit organization that empowers women to achieve economic independence and career readiness.
- Our **Diversity Networking Association** ERG hosted a special Lunar New Year-themed celebration where employees were able to see a traditional Dragon Dance, watch a martial arts performance, sample Asian cuisine, learn Mandarin calligraphy and understand the deeper meaning behind traditional customs.
- Our **Alliance and Allies** ERG members volunteered at, and participated in, Pride parades and events across our footprint.

Our Women and Wealth practice hosts financial empowerment sessions for community members across our footprint.

The Marketplace – Acquiring Multicultural Customers, Vendors and Community Partners

Our Affinity Strategy ensures that we customize our approach to be more inclusive and reach more customers of all economic levels. To address the unique financial needs of female clients, we created Women and Wealth, a Private Client practice dedicated to empowering women's financial lives.

As of year-end 2019, Women and Wealth produced approximately $220 million in closed business and is continuing to reach new clients across our footprint. In 2019, Women and Wealth launched in three strategic Mid-Atlantic markets: Charleston, SC, Charlotte, NC, and Winston-Salem, NC.

To foster awareness on how to better serve our multicultural customers, we formed a Multicultural Customer Council in our Mid-South market. This council is composed of diverse leaders across industries and serves to inform both our executive leadership and our strategy.

Additionally, through our supplier diversity initiative, we seek business opportunities for minority-, women-, or disabled-veteran-owned business enterprises to provide goods and services to our company. Utilizing robust reporting, we track our results year-over-year to better inform our decisions and selection process.

We believe that the best way to be truly inclusive is to have diverse talent, customers and vendors, while equipping our teams to be inclusive and find commonalities with diverse individuals.

Volunteerism

First Horizon believes that as corporate citizens, we must take an active role to make the world a better place. We are rooted in the places we call home and work to support the vibrant communities for the long term. Each year, our employees volunteer thousands of hours for the organizations that are meaningful to them and the company. It is a way of engaging, developing ourselves as individuals, understanding the needs of others and also having fun – it is the cornerstone of our community involvement.

These programs also foster leadership, communication and collaboration skills and serve as a strong source of company pride.

In 2019, our employee volunteers dedicated their time to approximately 675 charities, including 85 events, and donated nearly $200,000 to organizations across the markets we serve. The causes that matter most to our employees range from human and health services to education and the arts.

Corporate Social Responsibility

First Horizon believes that corporate social responsibility goes hand in hand with financial performance: Both are required to drive value and create sustainable growth.

In 2019, we deepened our commitment to corporate responsibility by forming a Corporate Social Responsibility (CSR)/Environmental, Social and Governance (ESG) committee.

The committee's 20-plus members span various areas of expertise, and they are working to make recommendations and deliver tangible results focused on four key areas:

Signature Program • Policies and Positions
Reporting Measurements • Business Opportunities

In its first year, the committee evolved our framework for reporting and investing in sustainable programs and helped establish our corporate position statements on anti-corruption, cybersecurity and data privacy, diversity and inclusion, and human rights, among other topics.

Community Benefits Agreement

In 2018, First Horizon announced a five-year, $3.95 billion Community Benefits Agreement to increase access to financial resources within low- to moderate-income and underserved communities across our footprint. The Agreement is consistent with First Horizon's commitment to drive community, economic, and small-business development in the communities we serve. Our commitments in the Agreement to be met by 2022 and progress to date are listed below.

Goals to reach by December 2022	**$515 million** to increase homeownership	**$1.9 billion** toward building small businesses	**$1.5 billion** fostering community development	**$40 million** in grants and applications	**3 – 6%** of spend to support supplier diversity
Progress as of December 2019	**$268 million**	**$707 million**	**$806 million**	**$18 million**	**4.13%**

*Data is from January 2018 through December 2019 and is an approximation.

First Horizon colleagues in Bristol, TN volunteered by landscaping the grounds at the Bristol Recovery Road for Women.

First Horizon Foundation

Founded in 1993, First Horizon Foundation is the philanthropic arm of First Horizon National Corporation, which supports the nonprofit organizations in the communities we serve.

Previously, the Foundation operated as First Tennessee Foundation in Tennessee and Texas and most recently as Capital Bank Foundation in Florida, North Carolina and South Carolina. Our corporation unified its brand in 2019, and we now operate as First Horizon Foundation across our footprint.

Since inception, more than $100 million has been distributed to nonprofit organizations that respond inclusively to needs, while promoting progress and prosperity across our communities.

The Foundation supports philanthropic efforts in the following areas:

- Arts and Culture
- Education and Leadership
- Environmental Sustainability
- Financial Literacy
- Health and Human Services Development

Community Development Efforts

Other ways in which First Horizon is supporting our low- to moderate-income communities is by focusing contributions, through our organization, to improve health, affordable housing, small-business development and revitalization, and stabilization of inner-city areas.

In the last few years, more than $10 million has been distributed and continues to support critical needs in our low- to moderate-income communities throughout the First Horizon footprint.

The community development contributions focus on:

- Affordable Housing – Helping People Achieve Dreams of Homeownership
- Community Revitalization and Stabilization – Revitalizing Neighborhoods
- Community Services targeted to Low-Moderate Income Communities and Families – Improving the Quality of Lives of the Communities We Serve
- Economic and Small-Business Development – Building Up Small Businesses

In 2019, Community Development grants were strategically focused on causes in support of adult financial literacy, small-business education and strategy, affordable housing, and workforce development.

Environmental

First Horizon constantly strives to be good stewards of our natural resources.

To reduce our carbon footprint, we utilize energy management systems in our buildings to monitor, control, conserve and reduce our energy consumption. We also embrace sustainability initiatives including recycling, harnessing clean, renewable energy and adopting energy-efficient technology such as LED lightbulbs and autosensor faucets.

In 2019, our company's paper recycling program helped recycle more than a million pounds of paper, which conserved approximately:

- 10,000 trees
- 2 million kilowatts of energy
- 250,000 gallons of oil
- 4 million gallons of water

We also embrace clean energy. Our operations center utilizes a solar photovoltaic system that currently produces 34,100 kilowatt hours of clean electricity per year – enough to power four homes' electricity use for one year.

Our new banking centers will be built to conform with most Leadership in Energy and Environmental Design (LEED) standards, an internationally recognized green building certification system.

Operation HOPE

A good credit score can change lives and help individuals achieve the American dream: employment, access to financing, even insurance rates can all be affected by this number. This reality is one reason why First Horizon has been intentional in providing resources to encourage economic empowerment and why our continued partnership with Operation HOPE is integral to achieving these goals.

Operation HOPE is a national nonprofit organization that provides community-based financial literacy resources in our bank branches and other accessible community centers to teach community members how to raise their credit score, buy a home, build a small business, and more to help transform financial mindsets.

In 2019, we opened nine new HOPE Inside locations, bringing our total to 30. The locations span our footprint – Tennessee, Florida, North Carolina, South Carolina, Mississippi and Texas – and offer clients opportunities through purpose-driven projects. In Memphis, aspiring entrepreneurs can attend free evening classes at the COGIC headquarters.

"Our evening classes are full. I have 52 people in the entrepreneurial training class this session!" said Trudy Morrison, Operation HOPE Financial Wellbeing Coach. "The COGIC Urban Initiative, Inc. has been such a huge help with the expansion of these classes. I am honored to be teaching in this historic structure that is making such an important impact on our city."

One recent notable graduate is Derravia Rich of Black Seeds Urban Garden. What started as a private project for her husband Bobby has become an opportunity to make real change in communities that need it.

Firefighter Bobby Rich was using his green thumb to cultivate vegetables and herbs for family and friends when Derravia noted how many pounds of vegetables were actually leaving their home for the firehouse.

"I watched him pack up more and more produce and herb-infused oils to take to work. His colleagues were using the vegetables for team meals, and they had a real interest in the oils that he was extracting from the herbs that he grew," said Derravia. "I knew we had an opportunity to put more products out and to monetize helping others do the same."

Enter Operation HOPE and the Community Redevelopment Agency.

The Rich family, founders of Black Seeds Urban Garden.

Derravia continued: "I graduated from the Operation HOPE entrepreneurship classes with a new awareness on how we could build a working community garden and farm, and create a space where the entire community could come to have a little piece of zen and sanctuary, access organic foods and learn how to turn their backyards into their own gardens."

Black Seeds is a part of a billion-dollar real estate development at the north end of Downtown Memphis, TN in the Pinch district. Located in the heart of the Greenlaw Community, the farm will break ground in spring 2020.

Key Environmental, Social and Governance Highlights

2019 Highlights

At First Horizon, we view the consideration of environmental, social and governance factors as important drivers for how we conduct our business.

Governance:

- Board of Directors
  - o 12 independent directors
  - o More than 20% female representation
  - o More than 35% diverse representation
- Executive Management Committee
  - o 19 corporate executives
  - o More than 30% are female

Customers:

- Approximately 270 banking centers
- More than 450 ATMs
- More than 800,000 consumer and commercial customers served

Sustainability:

- More than 1 million pounds of paper recycled in 2019
- 34,000+ kilowatt hours of clean electricity produced this year

Employees:

- Approximately 5,051 employees
  - o 62% of employees are female
  - o 29% ethnically diverse employees
- We conduct an annual employee engagement survey
- Employees average 26 training hours annually
- Comprehensive succession planning and development programs
- Tuition assistance programs

Community:

- $3.95 billion, five-year, community benefit plan to increase access to financial resources within low- to moderate-income communities
- $11 million in philanthropic dollars distributed in 2019
- $100 million distributed by First Horizon Foundation since 1993
- Approximately 650 organizations reached/supported
- 30 HOPE Inside financial empowerment center locations

As of 12/31/2019

FINANCIAL INFORMATION AND DISCUSSION

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SELECTED FINANCIAL AND OPERATING DATA

(Dollars in millions except per share data)	**2019**	2018	2017	2016	2015
Net income	**$ 452.4**	$ 556.5	$ 177.0	$ 238.5	$ 97.3
Income available to common shareholders	**434.7**	538.8	159.3	220.8	79.7
Common Stock Data					
Earnings per common share	**$ 1.39**	$ 1.66	$ 0.66	$ 0.95	$ 0.34
Diluted earnings per common share	**1.38**	1.65	0.65	0.94	0.34
Cash dividends declared per common share	**0.56**	0.48	0.36	0.28	0.24
Book value per common share	**15.04**	13.79	12.82	9.90	9.42
Closing price of common stock per share:					
High	**17.28**	20.61	20.76	20.61	16.20
Low	**13.37**	12.40	16.05	11.62	12.31
Year-end	**16.56**	13.16	19.99	20.01	14.52
Cash dividends per common share/year-end closing price	**3.4%**	3.6%	1.8%	1.4%	1.7%
Cash dividends per common share/diluted earnings per common share	**40.6%**	29.1%	55.4%	29.8%	70.6%
Year-end price/earnings ratio	**12.0x**	8.0x	30.8x	21.3x	42.7x
Market capitalization	**$ 5,157.9**	$ 4,192.4	$ 6,531.5	$ 4,674.8	$ 3,464.3
Average shares (thousands)	**313,637**	324,375	241,436	232,700	234,189
Average diluted shares (thousands)	**315,657**	327,445	244,453	235,292	236,266
Period-end shares outstanding (thousands)	**311,469**	318,573	326,736	233,624	238,587
Volume of shares traded (thousands)	**824,843**	898,276	790,153	574,196	562,553
Selected Average Balances					
Total assets	**$41,744.3**	$40,225.5	$29,924.8	$27,427.2	$25,636.0
Total loans, net of unearned income	**29,188.6**	27,213.8	20,104.0	18,303.9	16,624.4
Securities available-for-sale	**4,500.1**	4,718.3	4,021.6	4,002.1	3,692.3
Earning assets	**37,165.5**	35,676.6	27,461.0	25,180.1	23,456.2
Total deposits	**32,403.0**	30,903.1	23,072.1	20,898.8	18,753.7
Total term borrowings	**1,117.0**	1,211.9	1,077.3	1,130.2	1,557.2
Common equity	**4,529.8**	4,226.5	2,579.3	2,300.4	2,190.1
Total equity	**4,920.9**	4,617.5	2,970.3	2,691.5	2,581.2
Selected Period-End Balances					
Total assets	**$43,310.9**	$40,832.3	$41,423.4	$28,555.2	$26,192.6
Total loans, net of unearned income	**31,061.1**	27,535.5	27,658.9	19,589.5	17,686.5
Securities available-for-sale	**4,445.4**	4,626.5	5,170.3	3,943.5	3,929.8
Earning assets	**38,572.1**	36,201.0	36,953.5	26,280.2	23,971.5
Total deposits	**32,429.5**	32,683.0	30,620.4	22,672.4	19,967.5
Total term borrowings	**791.4**	1,171.0	1,218.1	1,040.7	1,312.7
Common equity	**4,685.0**	4,394.3	4,189.4	2,314.0	2,248.5
Total equity	**5,076.0**	4,785.4	4,580.5	2,705.1	2,639.6
Selected Ratios					
Return on average common equity (a)	**9.60%**	12.75%	6.18%	9.60%	3.64%
Return on average tangible common equity (b) (c)	**14.71**	20.28	7.23	10.59	3.97
Return on average assets (d)	**1.08**	1.38	0.59	0.87	0.38
Net interest margin (e)	**3.28**	3.45	3.12	2.94	2.83
Allowance for loan losses to loans	**0.64**	0.66	0.69	1.03	1.19
Net charge-offs to average loans	**0.09**	0.06	0.06	0.10	0.19
Total period-end equity to period-end assets	**11.72**	11.72	11.06	9.47	10.08
Tangible common equity to tangible assets (c)	**7.48**	7.15	6.57	7.42	7.82
Common equity tier 1 ratio	**9.20**	9.77	8.88	9.94	10.45

See accompanying notes to consolidated financial statements.

Numbers may not add due to rounding.
N/A - Not applicable
(a) Calculated using net income/(loss) available to common shareholders divided by average common equity.
(b) Calculated using net income/(loss) available to common shareholders divided by average tangible common equity.
(c) Represents a non-GAAP measure which is reconciled in the non-GAAP to GAAP reconciliation in table 32.
(d) Calculated using net income divided by average assets.
(e) Net interest margin is computed using total net interest income adjusted to a FTE basis assuming a statutory federal income tax rate of 21 percent in 2019 and 2018 and 35 percent in 2017, and, where applicable, state income taxes.

FIRST HORIZON NATIONAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL INFORMATION

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

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

FHN is composed of the following operating segments:

- Regional banking segment offers financial products and services, including traditional lending and deposit taking, to consumer and commercial customers primarily in the southeast U.S. and other selected markets. Regional banking also provides investments, wealth management, financial planning, trust services and asset management, mortgage banking, credit card, and cash management. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking related services to other financial institutions nationally.

- Fixed income segment consists of fixed income securities sales, trading, underwriting, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory services, and derivative sales.

- Corporate segment consists of unallocated corporate expenses, expense on subordinated debt issuances, bank-owned life insurance, unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, tax credit investment activities, derivative valuation adjustments related to prior sales of Visa Class B shares, gain/(loss) on extinguishment of debt, acquisition- and integration-related costs, expenses associated with rebranding initiatives, and various charges related to restructuring, repositioning, and efficiency efforts.

- Non-strategic segment consists of run-off consumer lending activities, pre-2009 mortgage banking elements, and the associated ancillary revenues and expenses related to these businesses. Non-strategic also includes the wind-down trust preferred loan portfolio and exited businesses.

On November 4, 2019, FHN and IBERIABANK Corporation ("IBKC") announced that they had entered into an agreement and plan of merger under which IBKC will merge with FHN in a merger-of-equals transaction. IBKC, headquartered in Lafayette, Louisiana, has 319 offices in 12 states, mostly in the southern and southeastern U.S., and has reported $31.7 billion of total assets, $24.0 billion in loans, and $25.2 billion in deposits, at December 31, 2019. IBKC's common stock is listed on The NASDAQ Stock Market, LLC under the symbol IBKC. Under the merger agreement, each share of IBKC common stock will be converted into 4.584 shares of FHN common stock. After closing, FHN expects IBKC common shares will be converted into approximately 44 percent of the then-outstanding shares of FHN common stock. The merger agreement requires FHN to expand its board of directors to seventeen persons; after closing, eight board positions will be held by current IBKC directors, and nine will be held by current FHN directors. FHN expects the transaction to close in mid-2020, subject to regulatory approvals, approval by the shareholders of FHN and of IBKC, and other customary closing conditions.

On November 8, 2019, FHN announced an agreement for First Horizon Bank to purchase 30 branches from SunTrust Bank in conjunction with SunTrust Banks, Inc.'s merger with BB&T Corporation, which created Truist Financial Corp. As part of the agreement, FHN will assume approximately $2.4 billion of branch deposits for a 3.40 percent deposit premium and purchase approximately $410 million of branch loans. The branches are in communities in North Carolina (20 branches), Virginia (8 branches), and Georgia (2 branches). FHN expects the purchase to close in second quarter 2020, subject to customary closing conditions.

On November 30, 2017, FHN completed its merger with Capital Bank Financial Corporation ("CBF") for an aggregate of 92,042,232 shares of FHN common stock and $423.6 million in cash in a transaction valued at $2.2 billion. In second quarter 2018, FHN canceled 2,373,220 FHN common shares which had been issued but set aside for certain CBF shareholders who had commenced a dissenter appraisal process.

In first quarter 2018, FHN divested two branches, including approximately $30 million of deposits and $2 million of loans. The branches, both in Greeneville, Tennessee, were divested in connection with First Horizon's agreement with the U.S. Department of Justice and commitments to the Board of Governors of the Federal Reserve System, which were entered into in connection with a customary review of FHN's merger with CBF.

In second quarter 2018, FHN sold approximately $120 million UPB of its subprime auto loans. These loans, originally acquired as part of the CBF acquisition, did not fit within FHN's risk profile.

In second quarter 2019, FHN sold a subsidiary acquired as part of the CBF acquisition, that did not fit within FHN's risk profile. The sale resulted in the removal of approximately $25 million UPB of subprime consumer loans from Loans held-for-sale on FHN's Consolidated Statements of Condition.

On April 3, 2017, FHN Financial acquired substantially all of the assets and assumed substantially all of the liabilities of Coastal Securities, Inc. ("Coastal"), a national leader in the trading, securitization, and analysis of Small Business Administration ("SBA") loans, for approximately $131 million in cash. Coastal, which was based in Houston, TX, also traded United States Department of Agriculture ("USDA") loans and fixed income products and provided municipal underwriting and municipal advisory services to its clients. Coastal's government-guaranteed loan products were combined with FHN Financial's existing SBA trading activities to establish an additional major product sector for FHN Financial.

In relation to all acquisitions, FHN's operating results include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date. Refer to Note 2 - Acquisitions and Divestitures for additional information.

For the purpose of this management's discussion and analysis ("MD&A"), earning assets have been expressed as averages, unless otherwise noted, and loans have been disclosed net of unearned income. The following financial discussion should be read with the accompanying audited Consolidated Financial Statements and Notes in this report.

ADOPTION OF ACCOUNTING UPDATES

Effective January 1, 2019, FHN adopted the provisions of ASU 2016-02 *"Leases"* and related ASUs on a prospective basis which resulted in the recognition of approximately $185 million of lease assets and approximately $204 million of lease liabilities. See Note 1 – Summary of Significant Accounting Policies for additional information.

Non-GAAP Measures

Certain measures are included in the narrative and tables in this MD&A that are "non-GAAP", meaning (under U.S. financial reporting rules) they are not presented in accordance with generally accepted accounting principles ("GAAP") in the U.S. and also are not codified in U.S. banking regulations currently applicable to FHN. Although other entities may use calculation methods that differ from those used by FHN for non-GAAP measures, FHN's management believes such measures are relevant to understanding the capital position or financial results of FHN. Non-GAAP measures are reported to FHN's management and Board of Directors through various internal reports.

Presentation of regulatory measures, even those which are not GAAP, provide a meaningful base for comparability to other financial institutions subject to the same regulations as FHN, as demonstrated by their use by banking regulators in reviewing capital adequacy of financial institutions. Although not GAAP terms, these regulatory measures are not considered "non-GAAP" under U.S. financial reporting rules as long as their presentation conforms to regulatory standards. Regulatory measures used in this MD&A include: common equity tier 1 capital, generally defined as common equity less goodwill, other intangibles, and certain other required regulatory deductions; tier 1 capital, generally defined as the sum of core capital (including common equity and instruments that cannot be redeemed at the option of the holder) adjusted for certain items under risk based capital regulations; and risk-weighted assets ("RWA"), which is a measure of total on- and off-balance sheet assets adjusted for credit and market risk, used to determine regulatory capital ratios.

The non-GAAP measures presented in this filing are return on average tangible common equity ("ROTCE"), tangible common equity to tangible assets and adjusted tangible common equity to risk-weighted assets. Refer to table 32 for a reconciliation of the non-GAAP to GAAP measures and presentation of the most comparable GAAP items.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to FHN's beliefs, plans, goals, expectations, and estimates. Forward-looking statements are not a representation of historical information but instead pertain to future operations, strategies, financial results, or other developments. The words "believe," "expect," "anticipate," "intend," "estimate," "should," "is likely," "will," "going forward," and other expressions that indicate future events and trends identify forward-looking statements.

Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond FHN's control, and many of which, with respect to future business decisions and actions (including acquisitions and divestitures), are subject to change. Examples of uncertainties and contingencies include, among other important factors: global, general and local economic and business conditions, including economic recession or depression; the stability or volatility of values and activity in the residential housing and commercial real estate markets; potential requirements for FHN to repurchase, or compensate for losses from, previously sold or securitized mortgages or securities based on such mortgages; 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; 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; inflation or deflation; customer, investor, competitor, regulatory, and legislative responses to any or all of these conditions; the financial condition of borrowers and other counterparties; competition within and outside the financial services industry; geopolitical developments including possible terrorist activity; natural disasters; effectiveness and cost-efficiency of FHN's hedging practices; technological changes; fraud, theft, or other incursions through conventional, electronic, or other means directly or indirectly affecting FHN or its customers, business counterparties or competitors; demand for FHN's product offerings; new products and services in the industries in which FHN operates; the increasing use of new technologies to interact with customers and others; and critical accounting estimates. Other factors are those inherent in originating, selling, servicing, and holding loans and loan-based assets, including prepayment risks, pricing concessions, fluctuation in U.S. housing and other real estate prices, fluctuation of collateral values, and changes in customer profiles. Additionally, the actions of the Securities and Exchange Commission ("SEC"), the Financial Accounting Standards Board ("FASB"), the Tennessee Department of Financial Institutions ("TDFI") and its Commissioner, the Board of Governors of the Federal Reserve System ("Federal Reserve" or "Fed"), the Federal Deposit Insurance Corporation ("FDIC"), the Financial Industry Regulatory Authority ("FINRA"), the U.S. Department of the Treasury ("U.S. Treasury"), the Municipal Securities Rulemaking Board ("MSRB"), the Consumer Financial Protection Bureau ("CFPB"), the Office of the Comptroller of the Currency ("OCC"), the Financial Stability Oversight Council ("Council"), the Public Company Accounting Oversight Board ("PCAOB"), and other regulators and agencies; pending, threatened, or possible future regulatory, administrative, and judicial outcomes, actions, and proceedings; current or future Executive orders; changes in laws and regulations applicable to FHN; and FHN's success in executing its business plans and strategies and managing the risks involved in the foregoing, could cause actual results to differ, perhaps materially, from those contemplated by the forward-looking statements.

FHN assumes no obligation to update or revise any forward-looking statements that are made in this Annual Report to Shareholders for the period ended December 31, 2019 of which this MD&A is a part or otherwise from time to time. Actual results could differ and expectations could change, possibly materially, because of one or more factors, including those presented in this Forward-Looking Statements section, in other sections of this MD&A, in other parts of this Annual Report to Shareholders, or in FHN's Annual Report on Form 10-K for the period ended December 31, 2019 into which this MD&A has been incorporated, and in exhibits to and documents incorporated into the Form 10-K.

FINANCIAL SUMMARY – 2019 COMPARED TO 2018

FHN reported net income available to common shareholders of $434.7 million, or $1.38 per diluted share, compared to net income of $538.8 million, or $1.65 per diluted share in 2018. In 2019, operating results were impacted by a modest decrease in net interest income and lower noninterest income compared to the prior year. In 2018, operating results were favorably impacted by a $212.9 million pre-tax gain from the sale of FHN's remaining Visa Class B shares. In 2019, FHN invested in strategic initiatives, which led to restructuring, rebranding and acquisition-related expenses. Various factors that significantly impacted reported earnings in 2019 included the steady economic environment, efficiency initiatives, prudent investments in key markets as well as strength in our countercyclical fixed income business. Strategic transactions are expected to boost growth, returns and profitability.

While the economic environment remained relatively strong in 2019, with GDP growth throughout the year, low unemployment rates, and muted inflation, actions by the Federal Reserve, including three interest rate cuts during 2019, placed pressure on FHN's net interest income ("NII") and net interest margin ("NIM"). Profitable balance sheet growth and strong loan and deposit pricing disciplines helped defend FHN's NII and NIM in this challenging interest rate environment. Additionally, FHN effectively leveraged its key countercyclical fixed income business, capitalizing on lower interest rates and market volatility which led to higher profits within fixed income positively impacting fee income in 2019.

FHN continued to execute on strategic priorities in 2019 by focusing on higher returns, profitable balance sheet growth in key markets and specialty areas, transforming the customer experience, and optimizing the expense base. Beginning in 2019, FHN initiated a company-wide review of business practices with the goal of optimizing its expense base to improve profitability which resulted in $39.8 million of restructuring charges. FHN invested in technology and infrastructure with enhanced mobile banking and an improved consumer platform, and enhanced its presence with strategic talent in growth markets. Additionally, FHN's enhanced focus on efficiency and expense discipline created broad-based cost savings across multiple expense line items. In 2019, management successfully deployed capital through organic loan growth, share repurchases and a dividend increase.

In fourth quarter 2019, FHN unified the legacy business and Capital Bank brands under the First Horizon name. Additionally, capitalizing on strength and balance sheet capacity from the execution of the CBF acquisition, FHN announced a merger of equals with IBERIABANK Corporation, as well as, an agreement for First Horizon Bank to purchase 30 branches from SunTrust Bank. These actions led to the recognition of $21.3 million and $39.0 million, respectively of rebranding and acquisition-related charges in 2019, compared with $97.5 million of acquisition expenses in 2018.

Asset quality trends remained steady in 2019 reflecting steady economic conditions and continued strong credit risk management. The allowance for loan losses increased 11 percent from $180.4 million on December 31, 2018 to $200.3 million on December 31, 2019, primarily driven by commercial loan growth and grade migration. The ratio of annual net charge-offs to average loans were .09 percent for 2019, up slightly from .06 percent for 2018, and the ratio of 30+ delinquencies to total loans declined from .27 percent to .19 percent.

Return on average common equity ("ROCE") and ROTCE for 2019 were 9.60 percent and 14.71 percent, respectively, compared to 12.75 percent and 20.28 percent in 2018. Return on average assets ("ROA") was 1.08 percent in 2019 compared to 1.38 percent in 2018. The 2018 metrics were favorably impacted by the third quarter 2018 gain on the sale of FHN's remaining Visa Class B shares. The tangible common equity to tangible assets ratio was 7.48 percent in 2019 compared to 7.15 percent in 2018. Common equity tier 1, Tier 1, Total capital, and Leverage ratios were 9.20 percent, 10.15 percent, 11.22 percent, and 9.04 percent on December 31, 2019, compared to 9.77 percent, 10.80 percent, 11.94 percent, and 9.09 percent, respectively, on December 31, 2018. Total period-end assets increased to $43.3 billion on December 31, 2019 from $40.8 billion on December 31, 2018. Total period-end equity was $5.1 billion on December 31, 2019, up from $4.8 billion on December 31, 2018.

BUSINESS LINE REVIEW – 2019 COMPARED TO 2018

Regional Banking

Pre-tax income within the regional banking segment increased 2 percent to $671.1 million in 2019 from $658.3 million in 2018. The increase in pre-tax income was primarily driven by an increase in fee income and lower expenses, somewhat offset by an increase in loan loss provision expense.

Total revenue increased $16.9 million to $1.5 billion in 2019 driven by an increase in noninterest income. Noninterest income in 2019 increased 6 percent to $329.8 million from $311.8 million in 2018. The increase in noninterest income was largely driven by increases in fees from derivative sales, other service charges, and ATM interchange fees. The increase in ATM interchange fees was primarily driven by the conversion of CBF debit cards to Visa in first quarter 2019. These increases were somewhat offset by lower fees from deposit transactions and cash management activities in 2019 as a result of a decline in NSF fee income and lower cash management fees driven by changes in consumer behavior. NII was flat in 2019 at $1.2 billion.

Provision expense was $66.1 million and $24.6 million in 2019 and 2018, respectively. The increase in provision expense for 2019 was primarily the result of increased reserves due to commercial loan growth, grade migration, three charge-offs, and a relationship that was downgraded in first quarter 2019.

Noninterest expense decreased 5 percent to $789.0 million in 2019 from $826.3 million in 2018. The decrease in expense was primarily driven by broad-based cost savings across multiple expense categories driven by strategic focus on expense optimization, lower personnel-related expenses and lower FDIC premium expense which decreased in 2019 primarily due to the end of an FDIC assessment surcharge starting with fourth quarter 2018.

Fixed Income

Pre-tax income in the fixed income segment was $67.8 million in 2019 compared to $11.1 million in 2018. The improvement in results in 2019 was driven by higher noninterest income which outpaced an increase in expenses and lower NII.

Noninterest income increased 69 percent, or $113.7 million, to $278.4 million in 2019 from $164.8 million in 2018. Fixed income product revenue increased to $228.4 million in 2019 from $132.3 million in 2018, as average daily revenue ("ADR") increased to $914 thousand in 2019 from $531 thousand in the prior year. The increase in ADR was largely due to declining interest rates and increased market volatility. Other product revenue increased to $50.0 million in 2019 from $32.5 million in 2018, driven by higher fees from derivative and loan sales and an increase in fees for portfolio advisory services. NII was $26.0 million and $35.8 million in 2019 and 2018, respectively. The decline in NII was due in large part to lower spreads on inventory positions coupled with lower average balances of trading securities compared to the prior year.

Noninterest expense increased 25 percent, or $47.3 million, to $236.7 million in 2019 from $189.4 million in 2018. The expense increase during 2019 was primarily due to higher variable compensation associated with an increase in fixed income product revenue and a $7.5 million net impact related to the resolution of legal matters recognized in 2019.

Corporate

The pre-tax loss for the corporate segment was $195.1 million and $2.9 million for 2019 and 2018, respectively. In third quarter 2018, FHN recognized a $212.9 million pre-tax gain from the sale of Visa Class B shares which positively impacted noninterest income for 2018.

Net interest expense was $40.8 million in 2019 compared to $64.2 million in 2018. Net interest expense was favorably impacted in 2019 by a reduction of market-indexed deposits due to strong lower cost deposit growth in Regional Banking and higher average balances of cash, somewhat offset by lower average balances of investment securities. Noninterest income (including securities gain/losses) was $41.4 million and $239.3 million in 2019 and 2018, respectively. The decrease in noninterest income in 2019 was driven by the previously mentioned $212.9 million gain from the sale of FHN's remaining Visa shares recognized in 2018. Additionally lower dividend income recognized in 2019 compared to 2018 and a $1.8 million decrease in gains on sales of properties also contributed to the decline in noninterest income. These decreases were partially mitigated by higher deferred compensation income driven by equity market valuations.

Noninterest expense increased to $195.7 million in 2019 from $177.9 million in 2018. The increase in expense for 2019 was primarily driven by $39.8 million of restructuring costs associated with efficiency initiatives, $21.3 million in rebranding expenses, and a $16.1 million increase in deferred compensation expense. Additionally, charitable contributions of $11.0 million made in 2019 also contributed to the overall expense increase in 2019. These increases were somewhat offset by a $58.5 million decrease in acquisition- and integration-related expenses as well as broad-based cost savings driven by strategic-focus on expense optimization compared to the prior year.

Non-Strategic

The non-strategic segment had pre-tax income of $41.9 million in 2019 compared to $47.5 million in 2018. The decrease in pre-tax income was primarily driven by lower revenues, somewhat offset by lower expenses relative to the prior year.

Total revenue decreased to $33.1 million in 2019 from $58.3 million in 2018. NII decreased 44 percent to $28.6 million in 2019, primarily due to continued run-off of the loan portfolios. Noninterest income decreased to $4.5 million in 2019 from $7.0 million in 2018. In 2018, FHN recognized $4.1 million of gains on the reversals of previous valuation adjustments related to the sales and payoff of TRUPS loans recognized within the non-strategic segment compared to $1.1 million of gains on the sale and payoff of TRUPS loans in 2019.

The provision for loan losses within the non-strategic segment was a provision credit of $19.1 million in 2019 compared to a provision credit of $17.6 million in the prior year. Overall, the non-strategic segment continued to reflect stable performance combined with lower loan balances resulting in a $9.8 million decline in reserves to $17.6 million on December 31, 2019. Losses remain historically low as the non-strategic segment had net recoveries of $9.2 million in 2019 compared to net recoveries of $7.2 million a year ago.

Noninterest expense was $10.2 million in 2019, down from $28.4 million in 2018. The decline in noninterest expense relative to the prior year was primarily the result of an $8.3 million pre-tax expense reversal related to the settlement of litigation matters in 2019. Additionally, lower personnel expenses and legal fees also contributed to the overall decrease in noninterest expense compared to the prior year.

INCOME STATEMENT REVIEW – 2019 COMPARED TO 2018; 2018 COMPARED TO 2017

Total consolidated revenue was $1.9 billion, a 4 percent decrease from the prior year, driven by a decrease in noninterest income and lower net interest income. Total consolidated expenses were $1.2 billion, a 1 percent increase from 2018, primarily driven by restructuring and rebranding expense and higher fixed income variable compensation expense, somewhat offset by lower acquisition- and integration-related expenses and broad-based cost savings across multiple line items driven by strategic focus on expense optimization.

In 2018, total consolidated revenue increased 46 percent, or $610.6 million to $1.9 billion in 2018, driven by a 45 percent increase in NII due to the full-year inclusion of Capital Bank and rate increases and a 47 percent increase in noninterest income primarily due to the gain on the sale of Visa Class B shares. Total consolidated expenses increased 19 percent to $1.2 billion in 2018 from $1.0 billion in 2017. The expense increase was primarily driven by a full-year inclusion of Capital Bank and an increase in acquisition- and integration-related expenses associated with the CBF acquisition.

NET INTEREST INCOME

Net interest income was $1.2 billion in 2019, a 1 percent decrease from 2018. On a fully taxable equivalent ("FTE") basis, NII also decreased 1 percent to $1.2 billion in 2019 compared to 2018. As detailed in Table 1 – Analysis of Changes in Net Interest Income, as an increase in deposit costs and lower loan accretion were mitigated with strong commercial loan and deposit growth and higher loan yields. Average earning assets increased 4 percent to $37.2 billion in 2019 from $35.7 billion in 2018. The increase in average earning assets in 2019 was primarily driven by loan growth. To a much lesser extent an increase in interest-bearing cash also increased average earning assets in 2019, but these increases were somewhat offset by a smaller available-for-sale ("AFS") securities portfolio, a decrease in loans held-for-sale ("HFS") and declines in other earning assets in 2019 relative to the prior year.

Net interest income increased 45 percent to $1.2 billion in 2018 from $842.3 million in 2017. On a FTE basis, NII increased 44 percent to $1.2 billion in 2018 from $855.9 million in 2017. The increase in NII was largely due to loans added through the CBF acquisition including CBF loan accretion. Additionally, the favorable impact of higher interest rates on loans and higher average balances of available-for-sale securities and trading securities also contributed to the increase in NII, but were somewhat offset by the negative impact of higher market interest rates on deposits and other funding sources. Average earning assets increased 30 percent to $35.7 billion in 2018 from $27.5 billion in 2017. The increase in average earning assets in 2018 was primarily due to the full-year inclusion of Capital Bank, organic loan growth within FHN's regional banking activities, a larger securities portfolio, higher average balances of fixed income trading securities and increases in loans HFS. These increases were somewhat offset by continued run-off of the Non-strategic loan portfolios.

Table 1 – Analysis of Changes in Net Interest Income

(Fully taxable equivalent ("FTE")) (Dollars in thousands)	2019 Compared to 2018 Increase / (Decrease) Due to (a) Rate (b)	Volume (b)	Total	2018 Compared to 2017 Increase / (Decrease) Due to (a) Rate (b)	Volume (b)	Total
Interest income – FTE:						
Loans	**$12,877**	**$ 94,753**	**$107,630**	$140,951	$324,564	$465,515
Loans held-for-sale	**(5,620)**	**(8,361)**	**(13,981)**	6,901	20,690	27,591
Investment securities:						
U.S. government agencies	**(6,789)**	**(6,618)**	**(13,407)**	5,392	21,921	27,313
States and municipalities	**(50)**	**1,225**	**1,175**	(91)	430	339
Corporates and other debt	**58**	**(341)**	**(283)**	(9)	2,157	2,148
Other	**138**	**2,769**	**2,907**	(3,431)	(1,014)	(4,445)
Total investment securities	**(3,669)**	**(5,939)**	**(9,608)**	6,345	19,010	25,355
Trading securities	**(5,519)**	**(6,627)**	**(12,146)**	8,992	14,014	23,006
Other earning assets:						
Federal funds sold	**63**	**259**	**322**	280	206	486
Securities purchased under agreements to resell	**2,203**	**(3,454)**	**(1,251)**	7,039	(45)	6,994
Interest-bearing cash	**2,001**	**5,182**	**7,183**	6,685	(4,314)	2,371
Total other earning assets	**5,027**	**1,227**	**6,254**	13,357	(3,506)	9,851
Total change in interest income – earning assets – FTE			**$ 78,149**			$551,318
Interest expense:						
Interest-bearing deposits:						
Savings	**$32,924**	**$ 3,679**	**$ 36,603**	$ 53,109	$ 12,120	$ 65,229
Time Deposits	**21,644**	**9,287**	**30,931**	11,479	28,505	39,984
Other interest-bearing deposits	**20,094**	**3,037**	**23,131**	22,039	9,187	31,226
Total interest-bearing deposits	**77,073**	**13,592**	**90,665**	98,135	38,304	136,439
Federal funds purchased	**832**	**6,854**	**7,686**	3,425	(481)	2,944
Securities sold under agreements to repurchase	**3,395**	**(180)**	**3,215**	4,693	1,154	5,847
Trading liabilities	**(2,193)**	**(4,664)**	**(6,857)**	3,958	(67)	3,891
Other short-term borrowings	**4,451**	**(10,927)**	**(6,476)**	3,839	8,118	11,957
Term borrowings	**4,545**	**(4,329)**	**216**	12,103	4,906	17,009
Total change in interest expense - interest-bearing liabilities			**$ 88,449**			$178,087
Net interest income – FTE			**$ (10,300)**			$373,231

(a) The changes in interest due to both rate and volume have been allocated to change due to rate and change due to volume in proportion to the absolute and amounts of the changes in each.
(b) Variances are computed on a line-by-line basis and are non-additive.

For purposes of computing yields and the net interest margin, FHN adjusts net interest income to reflect tax exempt income on an equivalent pre-tax basis which provides comparability of net interest income arising from both taxable and tax-exempt sources. The consolidated net interest margin was 3.28 percent in 2019 compared to 3.45 percent in 2018. The net interest spread was 2.90 percent in 2019 compared to 3.15 percent in 2018, and the impact of free funding was 38 basis points and 30 basis points in 2019 and 2018, respectively. The decrease in NIM in 2019 relative to 2018 was largely driven by an unfavorable rate environment and lower loan accretion.

In 2018, the consolidated net interest margin improved to 3.45 percent from 3.12 percent in 2017, largely driven by the result of CBF loan accretion, the positive impact of higher market rates and an increase in average deposits which allowed for reduction in higher cost funding.

The activity levels and related funding for FHN's fixed income activities affect the net interest margin. Generally, fixed income activities compress the margin, especially where there are elevated levels of trading inventory, because of the strategy to reduce market risk by economically hedging a portion of its inventory on the balance sheet. As a result, FHN's consolidated margin cannot be readily compared to that of other bank holding companies. Table 2 – Net Interest Margin details the computation of the net interest margin for the past three years.

Table 2 – Net Interest Margin

	2019	2018	2017
Assets:			
Earning assets:			
Loans, net of unearned income:			
Commercial loans	**4.87%**	4.84%	4.08%
Consumer loans	**4.57**	4.51	4.23
Total loans, net of unearned income	**4.80**	4.76	4.12
Loans held-for-sale	**5.39**	6.23	4.73
Investment securities:			
U.S. government agencies	**2.55**	2.70	2.56
States and municipalities	**3.62**	4.03	9.36
Corporates and other debt	**4.53**	4.42	4.98
Other (a)	**34.33**	31.65	3.49
Total investment securities	**2.69**	2.77	2.62
Trading securities	**3.33**	3.70	3.04
Other earning assets:			
Federal funds sold	**2.63**	2.47	1.63
Securities purchased under agreements to resell	**1.96**	1.63	0.69
Interest bearing cash	**2.18**	1.89	0.96
Total other earning assets	**2.11**	1.77	0.85
Interest income / total earning assets	**4.39%**	4.36%	3.65%
Liabilities:			
Interest-bearing liabilities:			
Interest-bearing deposits:			
Savings	**1.24%**	0.95%	0.47%
Other interest-bearing deposits	**0.94**	0.70	0.40
Time deposits	**1.97**	1.44	0.90
Total interest-bearing deposits	**1.27**	0.95	0.48
Federal funds purchased	**2.08**	1.89	1.06
Securities sold under agreements to repurchase	**1.89**	1.40	0.72
Fixed income trading liabilities	**2.48**	2.83	2.26
Other short-term borrowings	**2.34**	1.82	1.28
Term borrowings	**4.77**	4.38	3.35
Interest expense / total interest-bearing liabilities	**1.49**	1.21	0.74
Net interest spread	**2.90%**	3.15%	2.91%
Effect of interest-free sources used to fund earning assets	**0.38**	0.30	0.21
Net interest margin (b)	**3.28%**	3.45%	3.12%

(a) 2018 increase driven by the adoption of ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" which resulted in the reclassification of interest and dividend income on equity securities to noninterest income on a prospective basis. The remaining balance is primarily comprised of higher-yielding SBA IO strips.
(b) Calculated using total net interest income adjusted for FTE assuming a statutory federal income tax rate of 21 percent in 2019 and 2018 and 35 percent in 2017, and where applicable, state income taxes.

FHN's net interest margin is primarily impacted by its balance sheet mix including the levels of fixed and floating rate loans, rate sensitive and non-rate sensitive liabilities, cash levels, trading inventory levels as well as loan fees and cash basis income. FHN's balance sheet is positioned to benefit from a rise in short-term interest rates. For 2020, NIM will also depend on the extent of Federal Reserve interest rate increases, loan accretion levels, and the competitive pricing environment for core deposits.

PROVISION FOR LOAN LOSSES

The provision for loan losses is the charge to earnings that management determines to be necessary to maintain the ALLL at a sufficient level reflecting management's estimate of probable incurred losses in the loan portfolio. The provision for loan losses was $47.0 million in 2019 compared to $7.0 million in 2018 and $0 million in 2017. The increase in provision expense for 2019 was primarily the result of increased reserves due to commercial loan growth and grade migration. For 2019, FHN's asset quality metrics remained stable. Year-to-date net charge-offs as a percentage of average loans were .09 percent and .06 percent for the years ended December 31, 2019 and 2018, respectively. The ALLL increased $19.9 million from year-end 2018 to $200.3 million as of December 31, 2019. For additional information about the provision for loan losses refer to the Regional Banking and Non-Strategic sections of the Business Line Review section in this MD&A. For additional information about general asset quality trends refer to Asset Quality – Trend Analysis of 2019 Compared to 2018 in this MD&A.

NONINTEREST INCOME

Noninterest income (including securities gains/(losses)) was $654.1 million in 2019 compared to $722.8 million in 2018 and $490.2 million in 2017. Noninterest income was 35 percent of total revenue in 2019 compared to 37 percent of total revenue in 2018 and 2017. Noninterest income in 2019 was primarily driven by higher fixed income product revenue. Additionally, market-driven increases in deferred compensation income, increases in derivative sales within the Regional Banking and Fixed Income segments, and higher bank fees relative to 2018 also contributed to noninterest income levels in 2019. For 2018, the increase in noninterest income was primarily driven by a gain on the sale of FHN's remaining Visa Class B shares in third quarter 2018, partially offset by a decrease in fixed income sales revenue. To a lesser extent, the full-year inclusion of Capital Bank in 2018 and a $14.3 million loss from the repurchase of equity securities previously included in a financing transaction recognized in 2017 also contributed to the year-over-year increase in noninterest income. The increase was partially offset by a decrease in fixed income sales revenue in 2018. FHN's noninterest income for the last three years is provided in Table 3 - Noninterest Income. The discussion following provides additional information about various line items reported in the following table.

Table 3 – Noninterest Income

				Compound Annual Growth Rates	
(Dollars in thousands)	**2019**	2018	2017	19/18	19/17
Noninterest income:					
Fixed income	**$278,789**	$167,882	$216,625	66%	13%
Deposit transactions and cash management	**131,663**	133,281	110,592	(1)%	9%
Brokerage, management fees and commissions	**55,467**	54,803	48,514	1%	7%
Trust services and investment management	**29,511**	29,806	28,420	(1)%	2%
Bankcard income	**28,308**	29,304	26,435	(3)%	3%
Bank-owned life insurance ("BOLI")	**19,210**	18,955	15,124	1%	13%
Debt securities gains/(losses), net	**(267)**	52	483	NM	NM
Equity securities gains/(losses), net (a)	**441**	212,896	109	NM	NM
All other income and commissions:					
Other service charges	**20,986**	15,122	12,532	39%	29%
ATM and interchange fees	**16,539**	13,354	12,425	24%	15%
Deferred compensation (b)	**11,223**	(3,224)	6,322	NM	33%
Mortgage banking	**10,055**	10,587	4,649	(5)%	47%
Dividend income (c)	**7,186**	10,555	-	(32)%	NM
Letter of credit fees	**5,582**	5,298	4,661	5%	9%
Electronic banking fees	**4,927**	5,134	5,082	(4)%	(2)%
Insurance commissions	**2,125**	2,096	2,514	1%	(8)%
Gain/(loss) on extinguishment of debt	**58**	(15)	(14,329)	NM	NM
Other	**32,277**	16,902	10,061	91%	79%
Total all other income and commissions	**110,958**	75,809	43,917	46%	59%
Total noninterest income	**$654,080**	$722,788	$490,219	(10)%	16%

NM - Not meaningful

(a) Equity securities gains/(losses) for 2018 relates to the gain on the sale of FHN's remaining Visa Class B shares.

(b) Amounts are driven by market conditions and are mirrored by changes in deferred compensation expense which is included in employee compensation expense.

(c) Effective January 1, 2018, FHN adopted ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" and began recording dividend income from FRB and FHLB holdings in Other income. Prior to 2018, these amounts were included in Interest income on the Consolidated Statements of Income.

Fixed Income Noninterest Income

The major component of fixed income revenue is generated from the purchase and sale of fixed income securities as both principal and agent. Other noninterest revenues within this line item consist principally of fees from loan sales, portfolio advisory services, and derivative sales. Securities inventory positions are procured for distribution to customers by the sales staff. Fixed income noninterest income increased 66 percent or $110.9 million, to $278.8 million in 2019 from $167.9 million in 2018, largely due to declining interest rates and increased market volatility. Revenue from other products increased 41 percent, or $14.8 million, to $50.4 million in 2019, largely driven by higher fees from derivative and loan sales, as well as an increase in fees for portfolio advisory services.

Fixed income noninterest income decreased 23 percent in 2018 to $167.9 million from $216.6 million in 2017, reflecting lower activity due to challenging market conditions (expected interest rate increases, a flattening yield curve, and low levels of market volatility). Revenue from other products decreased 17 percent, or $7.1 million, to $35.6 million from $42.7 million in 2017, largely driven by a decline in fee income from loan sales, somewhat offset by $4.1 million of gains on the sales and payoff of TRUPS loans in the Non-strategic segment and increases in fees from derivative sales.

Table 4 – Fixed Income Noninterest Income

				Compound Annual Growth Rates	
(Dollars in thousands)	**2019**	2018	2017	19/18	19/17
Noninterest income:					
Fixed income	**$228,423**	$132,283	$173,910	73%	15%
Other product revenue	**50,366**	35,599	42,715	41%	9%
Total fixed income noninterest income	**$278,789**	$167,882	$216,625	66%	13%

Deposit Transactions and Cash Management

Fees from deposit transactions and cash management activities include fees for services related to consumer and commercial deposit products (such as service charges on checking accounts), cash management products and services such as electronic transaction processing (Automated Clearing House and Electronic Data Interchange), account reconciliation services, cash vault services, lockbox processing, and information reporting to large corporate clients. Deposit transactions and cash management activities decreased to $131.7 million in 2019 from $133.3 million in 2018. Lower NSF fee income and cash management fees contributed to the year-over-year decrease in fees from deposit transactions and cash management activities in 2019 compared to the prior year. In 2018, deposit transactions and cash management income increased to $133.3 million from $110.6 million in 2017, largely associated with the inclusion of Capital Bank. Fees from deposit transactions and cash management activities were negatively impacted in first quarter 2017 due to changes in consumer behavior and a modification of billing practices, which further contributed to the year-over-year increase in 2018.

Brokerage, Management Fees and Commissions

Brokerage, management fees and commissions include fees for portfolio management, trade commissions, and annuity and mutual funds sales. Noninterest income from brokerage, management fees and commissions increased to $55.5 million in 2019 and $54.8 million in 2018, up from $48.5 million in 2017. The increase was due in large part to the continued growth of FHN's advisory business and favorable market conditions. An increase in the sales of structured products also contributed to the increase in 2018.

Bank-owned Life Insurance

Income from bank-owned life insurance ("BOLI") increased to $19.2 million and $19.0 million in 2019 and 2018, respectively, from $15.1 million in 2017. The increases in 2018 and 2019 were driven by higher BOLI policy gains recognized in 2018 and 2019.

Securities Gains/(Losses)
Net securities gain/(losses) were not material in 2019 and 2017 compared to $212.9 million in 2018. The 2018 net gain was primarily related to FHN's sale of its remaining holdings of Visa Class B shares.

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

Revenue from all other income and commissions increased 46 percent or $35.1 million to $111.0 million in 2019 from $75.8 million in 2018. The increase in all other income and commissions was largely due to a $14.4 million increase in deferred compensation income driven by changes in equity market valuations and increases from derivative sales within the Regional Banking segment. Additionally, increases in other service charges and ATM interchange fees also contributed to the increase in all other income and commissions for 2019. Deferred compensation income fluctuates with changes in the market value of the underlying investments and are mirrored by changes in deferred compensation expense which is included in employee compensation expense. These increases were somewhat offset by a $3.4 million decrease in dividend income and a $2.5 million decrease of gains on sales of properties relative to the prior year.

Revenue from all other income and commissions increased to $75.8 million in 2018 from $43.9 million in 2017. In 2017, FHN recognized a $14.3 million loss from the repurchase of equity securities previously included in a financing transaction which contributed to the year-over-year increase in other noninterest income in 2018. Additionally, effective January 1, 2018, FHN adopted ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" and began recording dividend income from FRB and FHLB holdings in other income which also contributed to the increase in other noninterest income in 2018 relative to the prior year, as previously these amounts were included in Interest income. Increases in mortgage banking income and other service charges related to the full-year inclusion of Capital Bank, $5.5 million in collections from CBF loans that were fully charged off prior to acquisition, and $5.0 million of gains on the sales of properties recognized in 2018 also contributed to the increase in other noninterest income. For 2018, all other income and commissions was unfavorably impacted by a $9.5 million decrease in deferred compensation income.

NONINTEREST EXPENSE
Total noninterest expense increased 1 percent, or $9.6 million, to $1.2 billion in 2019. The slight increase in noninterest expenses in 2019 was largely driven by restructuring and rebranding expenses and higher fixed income variable compensation. These increases were somewhat offset by lower acquisition-and integration-related expenses compared to 2018 and broad-based cost saving across multiple line items driven by strategic focus on expense optimization.

Total noninterest expense increased 19 percent, or $198.3 million, to $1.2 billion in 2018 from $1.0 billion in 2017. The increase in noninterest expenses in 2018 was primarily due to the full-year inclusion of Capital Bank expenses compared to one month of expenses included in 2017. Higher acquisition- and integration-related expenses primarily associated with the CBF acquisition, higher personnel-related expenses, and a smaller repurchase and foreclosure provision expense reversal related to the settlement of certain repurchase claims in 2018 relative to 2017, also contributed to the expense increase in 2018. A decrease in loss accruals related to legal matters in 2018 favorably impacted expense relative to 2017, offsetting a portion of the overall expense increase.

FHN's noninterest expense for the last three years is provided in Table 5 - Noninterest Expense. The discussion following provides additional information about various line items reported in the following table.

Table 5 – Noninterest Expense

(Dollars in thousands)	**2019**	2018	2017	Compound Annual Growth Rates 19/18	Compound Annual Growth Rates 19/17
Noninterest expense:					
Employee compensation, incentives and benefits	**$ 695,351**	$ 658,223	$ 587,465	6%	9%
Occupancy	**80,271**	85,009	54,646	(6)%	21%
Computer software	**60,721**	60,604	48,234	*	12%
Professional fees	**55,218**	45,799	47,929	21%	7%
Operations services	**46,006**	56,280	43,823	(18)%	2%
Advertising and public relations	**34,359**	24,752	19,214	39%	34%
Equipment rentals, depreciation and maintenance	**33,998**	39,132	29,543	(13)%	7%
Communications and courier	**25,080**	30,032	17,624	(16)%	19%
Amortization of intangible assets	**24,834**	25,855	8,728	(4)%	69%
FDIC premium expense	**19,890**	31,642	26,818	(37)%	(14)%
Legal fees	**16,880**	11,149	12,076	51%	18%
Contract employment and outsourcing	**12,865**	18,522	14,954	(31)%	(7)%
All other expense:					
Travel and entertainment	**12,119**	16,442	11,462	(26)%	3%
Other insurance and taxes	**10,179**	9,684	9,686	5%	3%
Customer relations	**9,098**	5,583	5,750	63%	26%
Supplies	**6,918**	6,917	4,106	*	30%
Employee training and dues	**5,141**	7,218	5,551	(29)%	(4)%
Miscellaneous loan costs	**4,128**	3,732	2,751	11%	22%
Litigation and regulatory matters	**2,923**	644	40,517	NM	(73)%
Non-service components of net periodic pension and post-retirement cost	**2,304**	5,251	2,144	(56)%	4%
Tax credit investments	**1,809**	4,712	3,468	(62)%	(28)%
OREO	**1,479**	2,630	1,006	(44)%	21%
Repurchase and foreclosure provision/(provision credit)	**(1,007)**	(1,039)	(22,527)	(3)%	NM
Other	**71,039**	73,223	48,693	(3)%	21%
Total all other expense	**126,130**	134,997	112,607	(7)%	6%
Total noninterest expense	**$1,231,603**	$1,221,996	$1,023,661	1%	10%

NM - Not Meaningful
* Amount is less than one percent.

Employee Compensation, Incentives, and Benefits

Employee compensation, incentives, and benefits (personnel expense), the largest component of noninterest expense, increased 6 percent, or $37.1 million, to $695.4 million in 2019 from $658.2 million in 2018. The increase in personnel expense was primarily driven by an increase in variable compensation associated with higher fixed income sales revenue and severance-related costs associated with restructuring, repositioning, and efficiency initiatives recognized in 2019. Additionally, a $15.7 million increase in deferred compensation expense driven by equity market valuations also contributed to the increase in personnel expense in 2019. These expense increases were somewhat offset by a $6.2 million decrease in acquisition- and integration-related expenses and a reduction in headcount relative to the prior year.

Personnel expense increased 12 percent, or $70.8 million, to $658.2 million in 2018 from $587.5 million in 2017, primarily due to a 30 percent increase in headcount in connection with the CBF acquisition. Within the regional banking segment, personnel expense increased due to a $15 hourly wage floor, strategic hires in expansion markets and specialty areas, and higher incentive expense associated with loan and deposit growth. Personnel expense within the fixed income segment decreased in 2018, largely driven by lower variable compensation associated with lower fixed income sales revenue relative to 2017. Additionally, a $10.3 million decrease in deferred compensation expense in 2018 as well as decreases in special performance, acquisition, and integration-related personnel expenses also offset a portion of the increase in personnel expense in 2018 relative to 2017.

Occupancy

Occupancy expense decreased to $80.3 million in 2019, from $85.0 million in 2018. The decrease in occupancy expense in 2019 was primarily due to lower lease abandonment expense associated with acquisition- and integration-related expenses in 2019 relative to the prior year. Occupancy expense increased to $85.0 million in 2018 from $54.6 million in 2017, primarily driven by higher rental expense due to the full-year inclusion of Capital Bank. Additionally, FHN recognized $5.3 million of acquisition- and integration-related expenses primarily associated with lease abandonment expense in 2018.

Computer Software

Computer software expense was $60.7 million and $60.6 million in 2019 and 2018, respectively. Computer software increased $12.4 million in 2018 to $60.6 million from $48.2 million in 2017. The increase in computer software expense in 2018 was the result of the inclusion of a full-year of Capital Bank (compared to one month in 2017), as well as FHN's focus on technology-related projects. To a lesser extent, acquisition- and integration-related expenses primarily associated with the CBF acquisition also contributed to the increase in computer software expense for 2018.

Professional Fees

Professional fees increased $9.4 million to $55.2 million in 2019 from $45.8 million in 2018. In 2019, the increase in professional fees was primarily driven by higher restructuring costs associated with the identification of efficiency opportunities within the organization, strategic initiatives and rebranding expenses recognized in 2019, somewhat offset by lower acquisition- and integration-related expenses relative to 2018. Professional fees decreased to $45.8 million in 2018 from $47.9 million in 2017. In 2018, the decrease in professional fees was due to lower acquisition- and integration-related expenses primarily associated with the CBF acquisition relative to 2017, somewhat offset by strategic investments to analyze growth potential and product mix for new markets.

Operations Services

Operations services expense decreased 18 percent, or $10.3 million to $46.0 million in 2019 from $56.3 million in 2018, primarily driven by vendor consolidation following the completion of integration of the CBF merger. Additionally, lower acquisition- and integration-related expenses also contributed to the decrease in 2019 compared to the prior year. Operations services expense was $56.3 million in 2018 compared $43.8 million in 2017. The increase in operations services expense was primarily related to an increase in third party fees associated with the inclusion of Capital Bank operating expenses, as well as higher acquisition- and integration-related expenses primarily related to the CBF acquisition.

Advertising and Public Relations

Expenses associated with advertising and public relations increased to $34.4 million from $24.8 million in 2018 and $19.2 million in 2017. In 2019, FHN recognized higher advertising expense due in large part to FHN's rebranding initiative, as well as promotional branding campaigns and target marketing in new markets. The increase in 2018 relative to 2017 was due in large part to promotional branding campaigns and targeted marketing in new markets.

Equipment Rentals, Depreciation, and Maintenance

Equipment rentals, depreciation, and maintenance expense decreased 13 percent, or $5.1million, to $34.0 million for 2019, from $39.1 million in 2018. The decrease in equipment rentals, depreciation, and maintenance expense in both periods was due in large part to branch optimization, consolidation efforts and planned CBF merger synergies. Equipment rentals, depreciation, and maintenance expense was $39.1 million in 2018 compared to $29.5 million in 2017. The increase in equipment rentals, depreciation, and maintenance expense in was due in large part to the full-year inclusion of Capital Bank in 2018 and higher acquisition- and integration-related expenses primarily related to the CBF acquisition.

Communication and Courier

Expenses associated with communications and courier decreased 16 percent, or $5.0 million, to $25.1 million in 2019 from $30.0 million in 2018, primarily driven by branch optimization, vendor consolidation efforts and planned CBF merger synergies. Additionally, a $1.2 million decrease in acquisition- and integration-related expenses also contributed to the expense decrease in 2019. Expenses associated with communication and courier increased to $30.0 million in 2018 from $17.6 million in 2017, primarily driven by the full-year inclusion of Capital Bank in 2018. To a lesser extent, an increase in acquisition- and integration-related expenses also contributed to the expense increase in 2018.

Amortization of Intangible Assets

Amortization expense was $24.8 million in 2019, compared to $25.9 million in 2018 and $8.7 million in 2017. The increase in amortization expense from 2017 was primarily due to the full-year inclusion of intangibles related to the Capital Bank acquisition in 2018.

FDIC Premium Expense

FDIC premium expense decreased 37 percent, or $11.8 million from $31.6 million in 2018 to $19.9 million in 2019. The decrease in FDIC premium expense is primarily due to the end of an FDIC assessment surcharge starting with fourth quarter 2018. FDIC premium expense increased to $31.6 million in 2018 from $26.8 million in 2017 primarily due to the CBF acquisition, as well as organic growth. In fourth quarter 2018, the FDIC assessment surcharge initiated in third quarter 2016 expired offsetting a portion of the overall increase in FDIC premium expense for 2018.

Legal Fees

Legal fees increased to $16.9 million in 2019 from $11.1 million in 2018 and $12.1 million in 2017. Legal fees fluctuate primarily based on the status, timing, type, and composition of cases or other projects.

Contract Employment and Outsourcing

Expenses associated with contract employment and outsourcing decreased 31 percent, or $5.7 million to $12.9 million in 2019. The decrease was primarily driven by the completion of acquisition- and integration-related projects primarily associated with the CBF acquisition. Expenses associated with contract employment and outsourcing increased 24 percent, or $3.6 million, to $18.5 million in 2018 compared to $15.0 million in 2017, primarily driven by acquisition- and integration-related projects primarily associated with the CBF acquisition.

Other Noninterest Expense

Other expense includes travel and entertainment expense, other insurance and tax expense, customer relations expense, supplies, employee training and dues, miscellaneous loan costs, losses from litigation and regulatory matters, expenses associated with the non-service components of net periodic pension and post-retirement cost, tax credit investments, expenses associated with OREO, expenses/expense reversals associated with FHN’s repurchase and foreclosure provision, and various other expenses.

All other expense decreased $8.9 million to $126.1 million in 2019 from $135.0 in 2018, primarily due to a $38.3 million decrease in acquisition- and integration-related expenses. FHN’s strategic focus on expense optimization also contributed to the overall decline in other noninterest expense in 2019, but was somewhat offset by a $23.1 million increase in costs associated with restructuring and rebranding initiatives primarily related to assets impairments. Additionally, a $10.8 million increase in charitable contributions, as well as increases in customer relations and loss accruals related to legal matters, somewhat offset a portion of the overall expense decline in 2019.

All other expense was $135.0 million in 2018 compared to $112.6 million in 2017. The increase was primarily due to a $35.8 million increase of acquisition- and integration-related costs primarily associated with the CBF acquisition, including contract termination charges, costs of shareholder matters and asset impairments related to the integration, as well as other miscellaneous expenses. A smaller pre-tax expense reversal of mortgage repurchase and foreclosure provision in 2018 compared to 2017 also contributed to the increase in all other expense in 2018. Additionally, a $4.1 million increase in Visa derivative valuation adjustments recognized in 2018, higher expenses associated with travel and entertainment, supplies, and employee training and dues largely due to the inclusion of Capital Bank, higher pension expense and an increase in the reserve for unfunded commitments also contributed to the increase in other noninterest expense relative to the prior year. These expense increases were largely offset by a $39.9 million net decrease in loss accruals related to legal matters and $8.8 million of charitable contributions made to FHN's foundation in 2017.

INCOME TAXES

FHN recorded an income tax provision of $133.3 million in 2019, compared to $157.6 million in 2018 and $131.9 million in 2017. The effective tax rates for 2019, 2018, and 2017 were approximately 22.8 percent, 22.1 percent, and 42.7 percent, respectively.

The increase in the effective tax rates in 2019 compared to 2018 was related to a $5.1 million decrease in net discrete tax benefits realized during 2019. The larger discrete tax benefit in 2018 was primarily related to trailing benefits from the reduction in the federal corporate income tax rate under the Tax Cuts and Jobs Act "Tax Act," which lowered the statutory rate to 21 percent from 35 percent effective January 1, 2018.

The decrease in the effective tax rates in 2018 compared to 2017 was primarily driven by the reduction in the federal corporate income tax rate under the Tax Act. The tax rate in 2017 was adversely affected by approximately $82 million of tax expense primarily related to the revaluation of the net deferred tax asset based on a 21 percent tax rate as a result of the passage of the Tax Act in 2017. This was partially offset by the reversal of a capital loss valuation allowance which decreased federal and state taxes by $40.4 million.

The company'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 affordable housing investments. The company's effective tax rate also may be affected by items that may occur in any given period but are not consistent from period to period, such as changes in unrecognized tax benefits.

A deferred tax asset ("DTA") or deferred tax liability ("DTL") is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax consequence is calculated by applying enacted statutory tax rates, applicable to future years, to these temporary differences. As of December 31, 2019, FHN's net DTA was $69.0 million compared with $127.9 million at December 31, 2018 and $221.8 million at December 31, 2017.

As of December 31, 2019, FHN had deferred tax asset balances related to federal and state income tax carryforwards of $43.8 million and $1.2 million, which will expire at various dates. Refer to Note 15 – Income Taxes for additional information.

FHN's gross DTA after valuation allowance was $250.6 million and $254.6 million as of December 31, 2019 and 2018, respectively. Based on current analysis, FHN believes that its ability to realize the remaining DTA is more likely than not. FHN monitors its DTA and the need for a valuation allowance on a quarterly basis. A significant adverse change in FHN's taxable earnings outlook could result in the need for a valuation allowance.

FHN and its eligible subsidiaries are included in a consolidated federal income tax return. FHN files separate returns for subsidiaries that are not eligible to be included in a consolidated federal income tax return. Based on the laws of the applicable states where it conducts business operations, FHN either files consolidated, combined, or separate returns. FHN's federal consolidated tax returns are currently under audit for 2013 through 2015 and the statutes for those years have been extended through December 31, 2020. Federal tax refund claims for Capital Bank Financial Corporation for 2010 - 2012 are under examination by the IRS. Several of FHN's state returns are currently under examination. See Note 15 – Income Taxes for additional information.

RESTRUCTURING, REPOSITIONING, AND EFFICIENCY INITIATIVES

Beginning in first quarter 2019, FHN initiated a company-wide review of business practices with the goal of optimizing its expense base to improve profitability and create capacity to reinvest savings into technology and revenue production activities. The net charges for restructuring, repositioning, and efficiency initiatives were $39.8 million in 2019, primarily associated with professional fees, asset impairments, and severance and other employee costs. Due to the broad nature of the actions being taken, many components of expense are expected to benefit from the current efficiency initiatives. See Note 25 - Restructuring, Repositioning, and Efficiency for additional information.

STATEMENT OF CONDITION REVIEW – 2019 COMPARED TO 2018

Total period-end assets were $43.3 billion on December 31, 2019, up 6 percent from $40.8 billion on December 31, 2018. Average assets increased 4 percent to $41.7 billion in 2019 from $40.2 billion in 2018. The increase in period-end assets was primarily driven by strong loan growth. Additionally, an increase in securities purchased under agreement to resell and a net increase in non-earning assets (including right-of-use ("ROU") assets) also contributed to the increase in period-end assets. These increases were somewhat offset by a net decrease in other earning assets (primarily interest-bearing cash), AFS securities, and loans HFS. The increase in average assets was also primarily driven by strong loan growth, somewhat offset by decreases in AFS securities, loans HFS, and a net decrease in other earning assets. Effective January 1, 2019, FHN adopted ASU 2016-02, "*Leases*" and all related ASUs and began recording ROU lease assets and lease liabilities in Other assets and Other liabilities which contributed to the increase in period-end and average assets and liabilities in 2019 relative to the prior year.

Total period-end liabilities were $38.2 billion on December 31, 2019, a 6 percent increase from $36.0 billion on December 31, 2018, driven by a net increase in short-term borrowings (primarily other short-term borrowings) and lease liabilities, somewhat offset by decreases in term borrowings and deposits. Average liabilities increased 3 percent to $36.8 billion in 2019, from $35.6 billion in 2018. The increase in average liabilities was largely driven by higher deposit levels in 2019 and the addition of lease liabilities, somewhat offset by a net decrease in short-term borrowings in 2019 relative to the prior year.

EARNING ASSETS

Earning assets consist of loans, investment securities, other earning assets such as trading securities, interest-bearing cash, and loans HFS. Average earning assets increased to $37.2 billion in 2019 from $35.7 billion in 2018. A more detailed discussion of the major line items follows.

Loans

Period-end loans were $31.1 billion on December 31, 2019, up from $27.5 billion on December 31, 2018. Average loans increased $2.0 billion to $29.2 billion in 2019 from $27.2 billion in 2018. The increase in period-end and average loan balances compared to the prior year was primarily due to strong loan growth within the Regional Banking portfolios.

In third quarter 2019, FHN corrected a previous mis-classification of commercial loans and reclassified approximately $410 million of market investor CRE loans from the C&I portfolio to the CRE portfolio. These loans were identified during an internal review and assessment by management of certain loan populations, a portion of which relate to loans acquired as part of the Capital Bank merger. The reclassification of these loan balances between regional banking portfolios did not have an impact on FHN's consolidated period-end or average balance sheet and had an immaterial effect on the allowance for loan losses. No adjustments were made to prior periods as the impact of the reclassification, including the effect on the allowance for loan losses was deemed to be immaterial in all periods.

The following table provides detail regarding FHN's average loans.

Table 6 – Average Loans

(Dollars in thousands)	**2019**	**Percent of total**	**2019 Growth Rate**	2018	Percent of total	2018 Growth Rate	2017 (a)	Percent of total	2017 Growth Rate
Commercial:									
Commercial, financial, and industrial	**$18,282,655**	**63%**	**15%**	$15,872,929	58%	28%	$12,367,420	61%	13%
Commercial real estate	**4,102,065**	**14**	**(2)**	4,206,206	16	78	2,365,763	12	22
Total commercial	**22,384,720**	**77**	**11**	20,079,135	74	36	14,733,183	73	14
Consumer:									
Consumer real estate (b)	**6,103,091**	**21**	**(4)**	6,328,936	23	35	4,678,569	23	*
Permanent mortgage	**195,735**	**1**	**(23)**	253,122	1	(20)	317,816	2	(20)
Credit card and other	**505,092**	**1**	**(9)**	552,635	2	48	374,474	2	4
Total consumer	**6,803,918**	**23**	**(5)**	7,134,693	26	33	5,370,859	27	(1)
Total loans, net of unearned income	**$29,188,638**	**100%**	**7%**	$27,213,828	100%	35%	$20,104,042	100%	10%

* Amount is less than one percent.
(a) 2017 includes the average impact of one month of balances related to the CBF acquisition.
(b) 2019, 2018 and 2017 include $12.4 million, $19.3 million, and $29.3 million of restricted and secured real estate loans, respectively.

C&I loans are the largest component of the loan portfolio comprising 63 percent of total loans in 2019 and 58 percent in 2018. C&I loans increased 15 percent, or $2.4 billion, from 2018, largely driven by strong loan growth within the mortgage warehouse lending and commercial portfolios of Regional Banking. Growth in other specialty lending areas within Regional Banking, such as energy and healthcare also meaningfully contributed to the overall growth in average C&I loans in 2019 compared to 2018. Commercial real estate loans experienced a net decrease of 2 percent to $4.1 billion in 2019, primarily driven by loan payoffs and strategic run-off.

Average consumer loans declined 5 percent, or $.3 billion, from 2018 to $6.8 billion in 2019, largely driven by declines in real estate installment loans and home equity lines of credit within the Regional Banking segment, and continued wind-down of portfolios within the Non-strategic segment.

The following table provides a detail of contractual maturities of commercial loans on December 31, 2019.

Table 7 – Contractual Maturities of Commercial Loans on December 31, 2019

(Period-end) (Dollars in thousands)	Within 1 Year	After 1 Year Within 5 Years	After 5 Years Within 10 Years	After 10 Years	Total
Commercial, financial, and industrial	$7,585,357	$ 9,276,468	$2,178,626	$1,010,640	$20,051,091
Commercial real estate	899,229	2,583,227	738,183	116,378	4,337,017
Total commercial loans	$8,484,586	$11,859,695	$2,916,809	$1,127,018	$24,388,108
For maturities over one year:					
Interest rates - floating		$ 8,764,153	$1,615,535	$ 812,593	$11,192,281
Interest rates - fixed		3,095,542	1,301,274	314,425	4,711,241
Total maturities over one year		$11,859,695	$2,916,809	$1,127,018	$15,903,522

Because of various factors, the contractual maturities of consumer loans are not indicative of the actual lives of such loans. A significant component of FHN's loan portfolio consists of consumer real estate loans – a majority of which are home equity lines of credit and home equity installment loans. Typical home equity lines originated by FHN are variable rate 5/15, 10/10, or 10/20 lines. In a 5/15 line, a borrower may draw on the loan for 5 years and pay interest only during that period ("the draw period"), and for the next 15 years the customer pays principal and interest and may no longer draw on that line. A 10/10 loan has a 10 year draw period followed by a 10-year principal-and-interest repayment period, and a 10/20 loan has a 10 year draw period followed by a 20-year principal-and-interest repayment period. Therefore, the contractual maturity for 5/15 and 10/10 home equity lines is 20 years and the contractual maturity for 10/20 home equity lines is 30 years. Numerous factors can contribute to the actual life of a home equity line or installment loan. As a result, the actual average life of home equity lines and loans is difficult to predict and changes in any of these factors could result in changes in projections of average lives.

Investment Securities

FHN's investment portfolio consists principally of debt securities including government agency issued mortgage-backed securities ("MBS") and government agency issued collateralized mortgage obligations ("CMO"), substantially all of which are classified as AFS. FHN utilizes the securities portfolio as a source of income, liquidity and collateral for repurchase agreements, for public funds, and as a tool for managing risk of interest rate movements. Table 8 - Contractual Maturities of Investment Securities on December 31, 2019 (Amortized Cost) shows information pertaining to the composition, yields, and contractual maturities of the investment portfolio. Investment securities were $4.5 billion and $4.6 billion on December 31, 2019 and 2018, respectively. Average investment securities were $4.5 billion and $4.7 billion in 2019 and 2018, representing 12 percent and 13 percent of average earning assets in 2019 and 2018, respectively. The decrease in period-end and average investment securities was driven by FHN's reinvestment strategy in 2019. A portion of this decrease was somewhat offset by unrealized gains within the securities portfolio driven by lower interest rates in 2019 relative to the prior year. FHN manages the size and mix of the investment portfolio to assist in asset liability management, provide liquidity, and optimize risk adjusted returns.

Government agency issued MBS, CMO, and other agencies averaged $4.4 billion and $4.6 billion in 2019 and 2018, respectively. U.S. treasury securities and corporate and municipal bonds averaged $102.4 million in 2019 compared to $76.5 million in 2018. On December 31, 2019, AFS investment securities had $41.3 million of net unrealized gains compared to $100.6 million of net unrealized losses on December 31, 2018. See Note 3 - Investment Securities for additional detail.

Table 8 – Contractual Maturities of Investment Securities on December 31, 2019 (Amortized Cost)

(Period-end)	Within 1 year		After 1 year Within 5 years		After 5 years Within 10 years		After 10 years	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Securities available-for-sale:								
Government agency issued MBS and CMO (a)	$ -	-%	$177,643	2.49%	$335,886	2.93%	$3,470,625	2.45%
U.S. treasuries	-	-	100	1.51	-	-	-	-
Other U.S. government agencies	34,922	2.48	168,949	2.74	-	-	99,592	2.15
States and municipalities	-	-	-	-	755	3.82	56,477	3.69
Corporates and other debt	-	-	40,054	4.61	-	-	-	-
Total securities available-for-sale	$34,922	2.48%	$386,746	2.82%	$336,641	2.93%	$3,626,694	2.46%
Securities held-to-maturity:								
Corporate bonds	$ -	-%	$ -	-%	$ 10,000	5.25%	$ -	-%
Total securities held-to-maturity	$ -	-%	$ -	-%	$ 10,000	5.25%	$ -	-%

(a) Represents government agency-issued mortgage-backed securities and collateralized mortgage obligations which, when adjusted for early pay downs, have an estimated average life of 4.3 years.

Loans Held-for-Sale

Loans HFS consists of small business, other consumer loans, the mortgage warehouse, USDA, student, and home equity loans. The average balance of loans HFS decreased to $578.0 million in 2019 from $724.0 million in 2018. On December 31, 2019, loans HFS were $593.8 million compared to $679.1 million on December 31, 2018. The decrease in period-end and average loans HFS was primarily driven by decreases in small business loans, somewhat offset by increases in USDA loans. In second quarter 2019, the sale of a subsidiary resulted in the removal of approximately $25 million UPB of subprime consumer loans which also contributed to the decrease in both period-end and average balances, but was somewhat offset by the remaining UPB related to a mortgage lending relationship that converted to the underlying collateral during third quarter 2019.

Other Earning Assets

Other earning assets include trading securities, securities purchased under agreements to resell ("asset repos"), federal funds sold ("FFS"), and interest-bearing deposits with the Federal Reserve and other financial institutions. Other earning assets averaged $2.9 billion and $3.0 billion in 2019 and 2018, respectively, as decreases in asset repos and fixed income trading securities were largely offset by an increase in interest-bearing cash. Asset repos are used in fixed income trading activity and generally fluctuate with the level of fixed income trading liabilities (short-positions) as securities collateral from asset repo transactions are used to fulfill trades. Fixed income's trading inventory fluctuates daily based on customer demand. Other earning assets were $2.5 billion and $3.3 billion on December 31, 2019 and 2018, respectively. The decline in other earning assets on a period-end basis was primarily driven by decreases in interest-bearing cash and federal funds sold, somewhat offset by an increase in asset repos. The decrease in interest-bearing cash at year-end 2019 was primarily driven by strong loan growth and balance sheet funding strategies.

The following table summarizes FHN's average other earning assets for 2019, 2018, and 2017.

Table 9 – Average Other Earning Assets

(Dollars in thousands)	**2019**	**Percent of Total**	**2019 Growth Rate**	2018	Percent of Total	2018 Growth Rate	2017 (a)	Percent of Total	2017 Growth Rate
Other earning assets									
Trading securities	**$1,415,242**	**49%**	**(12)%**	$1,603,767	53%	34%	$1,195,442	41%	(1)%
Interest-bearing cash	**870,725**	**30**	**40**	623,583	21	(36)	978,958	33	46
Securities purchased under agreements to resell	**555,264**	**19**	**(26)**	745,519	25	(1)	752,063	25	(9)
Federal funds sold	**47,552**	**2**	**27**	37,587	1	38	27,225	1	16
Total other earning assets	**$2,888,783**	**100%**	**(4)%**	$3,010,456	100%	2%	$2,953,688	100%	8%

(a) 2017 includes the average impact of one month of balances related to the CBF acquisition.

Non-earning assets

Period-end non-earning assets increased to $4.7 billion on December 31, 2019 from $4.6 billion on December 31, 2018. The increase was due to the recognition of ROU assets associated with the adoption of ASU 2016-02, "*Leases*," and increases in derivative assets and LIHTC investments, partially offset by decreases in cash and net deferred tax assets.

Deposits

Average deposits were $32.4 billion during 2019, up 5 percent from $30.9 billion during 2018. The increase in average deposits was largely due to FHN's strategic focus on growing deposits. As noted in the table below, the composition of deposits remained relatively consistent in 2019, with interest-bearing deposits comprising 75 percent of total deposits. Market-indexed deposits as a percentage of total deposits decreased from 15 percent in 2018 to 13 percent in 2019, while commercial interest deposits increased as a percentage of total deposits.

Period-end deposits were $32.4 billion on December 31, 2019, down 1 percent from $32.7 billion on December 31, 2018. The decline was primarily due to a decrease in market-indexed deposits which more than offset an influx of consumer interest deposits and non-interest bearing deposits. The following table summarizes FHN's average deposits for 2019, 2018 and 2017.

Table 10 – Average Deposits

(Dollars in thousands)	**2019**	**Percent of Total**	**2019 Growth Rate**	2018	Percent of Total	2018 Growth Rate	2017 (a)	Percent of Total	2017 Growth Rate
Interest-bearing deposits:									
Consumer interest	**$13,595,470**	**42%**	**7%**	$12,700,135	41%	34%	$ 9,467,518	41%	11%
Commercial interest	**6,409,769**	**20**	**13**	5,660,480	18	78	3,187,034	14	13
Market-indexed (b)	**4,265,234**	**13**	**(6)**	4,541,835	15	14	3,986,095	17	5
Total interest-bearing deposits	**24,270,473**	**75**	**6**	22,902,450	74	38	16,640,647	72	10
Noninterest-bearing deposits	**8,132,575**	**25**	**2**	8,000,642	26	24	6,431,489	28	12
Total deposits	**$32,403,048**	**100%**	**5%**	$30,903,092	100%	34%	$23,072,136	100%	10%

(a) 2017 includes the average impact of one month of balances related to the CBF acquisition.
(b) Market-indexed deposits are tied to an index not administered by FHN and are comprised of insured network deposits, correspondent banking deposits, and trust/sweep deposits.

Short-Term Borrowings

Short-term borrowings (federal funds purchased ("FFP")), securities sold under agreements to repurchase, trading liabilities, and other short-term borrowings) averaged $2.5 billion in 2019 and $2.8 billion in 2018. As noted in the table below, the decrease in short-term borrowings was largely due to decreases in other short-term borrowings and trading liabilities. Other short-term borrowings balances fluctuate largely based on the level of FHLB borrowing as a result of loan demand, deposit levels and balance sheet funding strategies. Trading liabilities fluctuate based on levels of trading securities and hedging strategies. Federal funds purchases increased in 2019, as an additional source of wholesale funding for FHN's balance sheet activities. Period-end short-term borrowings were $4.0 billion on December 31, 2019 and $1.5 billion on December 31, 2018. The increase in period-end short-term borrowings was primarily due to an increase in FHLB borrowings. Additionally, increases in FFP and trading liabilities also contributed to the increase in short-term borrowings on December 31, 2019. FFP fluctuates depending on the amount of excess funding of FHN's correspondent bank customers. See Note 9 – Short-Term Borrowings for additional information.

The following table summarizes FHN's average short-term borrowings for 2019, 2018 and 2017.

Table 11 – Average Short-Term Borrowings

(Dollars in thousands)	**2019**	**Percent of Total**	**2019 Growth Rate**	2018	Percent of Total	2018 Growth Rate	2017 (a)	Percent of Total	2017 Growth Rate
Short-term borrowings									
Federal funds purchased	**$ 737,715**	**30%**	**82%**	$ 405,110	14%	(9)%	$ 447,137	20%	(24)%
Securities sold under agreements to repurchase	**701,164**	**28**	**(2)**	713,841	25	23	578,666	26	36
Trading liabilities	**503,302**	**20**	**(26)**	682,943	24	*	685,891	30	(11)
Other short-term borrowings	**538,249**	**22**	**(49)**	1,046,585	37	89	554,502	24	NM
Total short-term borrowings	**$2,480,430**	**100%**	**(13)%**	$2,848,479	100%	26%	$2,266,196	100%	14%

NM – Not meaningful
* Amount is less than one percent
(a) 2017 includes the average impact of one month of balances related to the CBF acquisition.

Term Borrowings

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Average term borrowings were $1.1 billion in 2019 and $1.2 billion in 2018. Term borrowings were $.8 billion on December 31, 2019, down from $1.2 billion on December 31, 2018. The decrease in period-end and average term borrowings was primarily driven by the redemption of $400.0 million senior debt in fourth quarter 2019. See Note 10 – Term Borrowings for additional information.

Other Liabilities

Period-end other liabilities were $1.0 billion on December 31, 2019, up from $.7 billion on December 31, 2018. The increase was primarily due to the recognition of lease liabilities associated with the adoption of ASU 2016-02, "*Leases*" and an increase in fixed income payables, somewhat offset by a decrease in derivative liabilities.

CAPITAL – 2019 COMPARED TO 2018

Management's objectives are to provide capital sufficient to cover the risks inherent in FHN's businesses, to maintain excess capital to well-capitalized standards, and to assure ready access to the capital markets. Period-end equity increased to $5.1 billion on December 31, 2019 from $4.8 billion on December 31, 2018. Average equity increased to $4.9 billion in 2019 from $4.6 billion in 2018. The increase in period-end and average equity was due to net income recognized in 2019, somewhat offset by common and preferred dividends paid and share repurchases (mentioned below). A decrease in accumulated other comprehensive income ("AOCI") also contributed to the increase in period-end and average equity and was largely the result of a decrease in unrealized losses associated with AFS debt securities.

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

Table 12 – Regulatory Capital and Ratios

(Dollars in thousands)	**December 31, 2019**	December 31, 2018
Shareholders' equity	**$ 4,780,577**	$ 4,489,949
FHN non-cumulative perpetual preferred	**(95,624)**	(95,624)
Common equity	**$ 4,684,953**	$ 4,394,325
Regulatory adjustments:		
Disallowed goodwill and other intangibles	**(1,505,971)**	(1,529,532)
Net unrealized (gains)/losses on securities available-for-sale	**(31,079)**	75,736
Net unrealized (gains)/losses on pension and other postretirement plans	**273,914**	288,768
Net unrealized (gains)/losses on cash flow hedges	**(3,227)**	12,112
Disallowed deferred tax assets	**(8,610)**	(17,637)
Other deductions from common equity tier 1	**(1,044)**	(70)
Common equity tier 1	**$ 3,408,936**	$ 3,223,702
FHN non-cumulative perpetual preferred	**95,624**	95,624
Qualifying noncontrolling interest – First Horizon Bank preferred stock	**255,890**	246,047
Tier 1 capital	**$ 3,760,450**	$ 3,565,373
Tier 2 capital	**394,435**	374,744
Total regulatory capital	**$ 4,154,885**	$ 3,940,117
Risk-Weighted Assets		
First Horizon National Corporation	**$37,045,782**	$33,002,595
First Horizon Bank	**36,626,993**	32,592,577
Average Assets for Leverage		
First Horizon National Corporation	**41,583,446**	39,221,755
First Horizon Bank	**40,867,365**	38,381,985

	December 31, 2019		December 31, 2018	
	Ratio	**Amount**	Ratio	Amount
Common Equity Tier 1				
First Horizon National Corporation	**9.20%**	**$3,408,936**	9.77%	$3,223,702
First Horizon Bank	**9.38**	**3,433,867**	9.81	3,197,725
Tier 1				
First Horizon National Corporation	**10.15**	**3,760,450**	10.80	3,565,373
First Horizon Bank	**10.18**	**3,728,683**	10.72	3,492,541
Total				
First Horizon National Corporation	**11.22**	**4,154,885**	11.94	3,940,117
First Horizon Bank	**10.77**	**3,944,613**	11.32	3,689,180
Tier 1 Leverage				
First Horizon National Corporation	**9.04**	**3,760,450**	9.09	3,565,373
First Horizon Bank	**9.12**	**3,728,683**	9.10	3,492,541
Other Capital Ratios				
Total period-end equity to tangible assets	**11.72**		11.72	
Tangible common equity to tangible assets (a)	**7.48**		7.15	
Adjusted tangible common equity to risk weighted assets (a)	**8.34**		8.73	

(a) 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 32.

Banking regulators define minimum capital ratios for bank holding companies and their bank subsidiaries. Based on the capital rules and definitions prescribed by the banking regulators, should any depository institution's capital ratios decline below predetermined levels, it would become subject to a series of increasingly restrictive regulatory actions. The system categorizes a depository institution's capital position into one of five categories ranging from well-capitalized to critically under-capitalized. For an institution the size of FHN to qualify as well-capitalized, Common Equity Tier 1, Tier 1 Capital, Total Capital, and Leverage capital ratios must be at least 6.5 percent, 8 percent, 10 percent, and 5 percent, respectively. Furthermore, beginning January 1, 2019, a capital conservation buffer of 50 basis points above these levels must be maintained on the Common Equity Tier 1, Tier 1 Capital and Total Capital ratios to avoid restrictions on dividends, share repurchases and certain discretionary bonuses. As of December 31, 2019, each of FHN and First Horizon Bank had sufficient capital to qualify as well-capitalized institutions and to meet the capital conservation buffer requirement. For both FHN and First Horizon Bank, the risk-based regulatory capital ratios decreased in 2019 relative to 2018 primarily due to increased risk-weighted assets driven by loan growth which was partially offset by the impact of net income less dividends and share repurchases during in 2019. The Tier 1 leverage ratio was relatively flat for both FHNC and First Horizon Bank as average assets for leverage in fourth quarter of 2019 increased relative to fourth quarter of 2018. During 2020, capital ratios are expected to remain above well-capitalized standards.

Stress Testing

The Economic Growth, Regulatory Relief, and Consumer Protection Act, along with an interagency regulatory statement effectively exempted both FHN and FTBNA from Dodd-Frank Act ("DFA") stress testing requirements starting with 2018.

For 2019, even though no longer required, FHN and First Horizon Bank completed a stress test using DFA scenarios and requirements previously in effect. Results of these tests indicate that both FHN and First Horizon Bank would be able to maintain capital well in excess of Basel III Adequately Capitalized standards under the hypothetical severe global recession of the 2019 DFA Severely Adverse scenario. A summary of those results was posted in the "News & Events-Stress Testing Results" section on FHN's investor relations website on December 6, 2019. Neither FHN's stress test posting, nor any other material found on FHN's website generally, is part of this report or incorporated herein.

First Horizon will continue performing an annual enterprise wide stress test as part of its capital and risk management process. Results of this test will be presented to executive management and the board.

The disclosures in this "Stress Testing" section include forward-looking statements. Please refer to "Forward-Looking Statements" for additional information concerning the characteristics and limitations of statements of that type.

Common Stock Purchase Programs

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

Table 13a – Issuer Purchases of Common Stock - General Authority

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

(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
2019				
October 1 to October 31	-	N/A	-	$270,654
November 1 to November 30	-	N/A	-	$270,654
December 1 to December 31	-	N/A	-	$270,654
Total	**-**	**N/A**	**-**	

(a) Represents total costs including commissions paid
N/A – Not applicable

Table 13b – Issuer Purchase of Common Stock - Compensation Authority

A consolidated compensation plan share purchase program was announced on August 6, 2004. This program consolidated into a single share purchase program all of the previously authorized compensation plan share programs as well as the renewal of the authorization to purchase shares for use in connection with two compensation plans for which the share purchase authority had expired. The total amount authorized under this consolidated compensation plan share purchase program, inclusive of a program amendment on April 24, 2006, is 29.6 million shares calculated before adjusting for stock dividends distributed through January 1, 2011. The authorization has been reduced for that portion which relates to compensation plans for which no options remain outstanding. The shares may be purchased over the option exercise period of the various compensation plans on or before December 31, 2023. Purchases may be made in the open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions. As of December 31, 2019, the maximum number of shares that may be purchased under the program was 24.5 million shares. Management currently does not anticipate purchasing a material number of shares under this authority during 2020.

(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
2019				
October 1 to October 31	-	N/A	-	24,884
November 1 to November 30	-	N/A	-	24,884
December 1 to December 31	48	$15.94	48	24,457
Total	**48**	**$15.94**	**48**	

N/A – Not applicable

ASSET QUALITY – TREND ANALYSIS OF 2019 COMPARED TO 2018

Loan Portfolio Composition

FHN groups its loans into portfolio segments based on internal classifications reflecting the manner in which the ALLL is established and how credit risk is measured, monitored, and reported. From time to time, and if conditions are such that certain subsegments are uniquely affected by economic or market conditions or are experiencing greater deterioration than other components of the loan portfolio, management may determine the ALLL at a more granular level. Commercial loans are composed of commercial, financial, and industrial ("C&I") and commercial real estate ("CRE"). Consumer loans are composed of consumer real estate; permanent mortgage; and credit card and other. FHN has a concentration of residential real estate loans (20 percent of total loans), the majority of which is in the consumer real estate portfolio (19 percent of total loans). Industry concentrations are discussed under the heading C&I below.

Underwriting Policies and Procedures

The following sections describe each portfolio as well as general underwriting procedures for each. As economic and real estate conditions develop, enhancements to underwriting and credit policies and procedures may be necessary or desirable. Loan policies and procedures for all portfolios are reviewed by credit risk working groups and management risk committees comprised of business line managers and credit administration professionals as well as by various other reviewing bodies within FHN. Policies and procedures are approved by key executives and/or senior managers leading the applicable credit risk working groups as well as by management risk committees. The credit risk working groups and management risk committees strive to ensure that the approved policies and procedures address the associated risks and establish reasonable underwriting criteria that appropriately mitigate risk. Policies and procedures are reviewed, revised and re-issued periodically at established review dates or earlier if changes in the economic environment, portfolio performance, the size of portfolio or industry concentrations, or regulatory guidance warrant an earlier review. For example, in 2017 FHN expanded its borrower limits in association with the expansion of its overall portfolio through the acquisition of CBF and revised its Portfolio Concentration, Country Exposure, and Automated Clearing House limits to more appropriately align with its overall risk appetite and to provide more granularity into some of its portfolio sub segments. Additionally, in 2019 FHN expanded borrower limits within certain portfolios (such as loans to mortgage companies) to support FHN's strategic plan. These changes were approved by management risk committees and the Executive and Risk Committee of the Board in order to enhance and support loan growth while also minimizing incremental credit risk.

COMMERCIAL LOAN PORTFOLIOS

FHN's commercial loan approval process grants lending authority based upon job description, experience, and performance. The lending authority is delegated to the business line (Market Managers, Departmental Managers, Regional Presidents, Relationship Managers ("RM") and Portfolio Managers ("PM")) and to Credit Risk Managers. While individual limits vary, the predominant amount of approval authority is vested with the Credit Risk Management function. Portfolio, industry, and borrower concentration limits for the various portfolios are established by executive management and approved by the Executive and Risk Committee of the Board.

FHN's commercial lending process incorporates an RM and a PM for most commercial credits. The RM is primarily responsible for communications with the customer and maintaining the relationship, while the PM is responsible for assessing the credit quality of the borrower, beginning with the initial underwriting and continuing through the servicing period. Other specialists and the assigned RM/PM are organized into units called deal teams. Deal teams are constructed with specific job attributes that facilitate FHN's ability to identify, mitigate, document, and manage ongoing risk. PMs and credit analysts provide enhanced analytical support during loan origination and servicing, including monitoring of the financial condition of the borrower and tracking compliance with loan agreements. Loan closing officers and the construction loan management unit specialize in loan documentation and the management of the construction lending process. FHN strives to identify problem assets early through comprehensive policies and guidelines, targeted portfolio reviews, more frequent servicing on lower rated borrowers, and an emphasis on frequent grading. For smaller commercial credits, generally $3 million or less, FHN utilizes a centralized underwriting unit in order to originate and grade small business loans more efficiently and consistently.

FHN may utilize availability of guarantors/sponsors to support commercial lending decisions during the credit underwriting process and when determining the assignment of internal loan grades. Reliance on the guaranty as a viable secondary source of repayment is a function of an analysis proving capability to pay, factoring in, among other things, liquidity and direct/indirect cash flows. FHN also considers the volume and amount of guaranties provided for all global indebtedness and the likelihood of realization. FHN presumes a guarantor's willingness to perform until there is any current or prior indication or future expectation that the guarantor may not willingly and voluntarily perform under the terms of the guaranty. In FHN's risk grading approach, it is deemed that financial support becomes necessary generally at a point when the loan would otherwise be graded substandard, reflecting a well-defined weakness. At that point, provided willingness and capacity to support are appropriately demonstrated, a strong, legally enforceable guaranty can mitigate the risk of default or loss, justify a less severe rating, and consequently reduce the level of allowance or charge-off that might otherwise be deemed appropriate.

C&I

The C&I portfolio was $20.1 billion on December 31, 2019, and is comprised of loans used for general business purposes. Typical products include working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, and trade credit enhancement through letters of credit. The largest geographical concentrations of balances as of December 31, 2019, are in Tennessee (31 percent), North Carolina (10 percent), California (9 percent), Texas (6 percent), Florida (6 percent), Georgia (4 percent), and South Carolina (3 percent), with no other state representing more than 3 percent of the portfolio.

C&I loans are underwritten in accordance with a well-defined credit origination process. This process includes applying minimum underwriting standards as well as separation of origination and credit approval roles on transaction sizes over PM authorization limits. Underwriting typically includes due diligence of the borrower and the applicable industry of the borrower, analysis of the borrower's available financial information, identification and analysis of the various sources of repayment and identification of the primary risk attributes. Stress testing the borrower's financial capacity, adherence to loan documentation requirements, and assigning credit risk grades using internally developed scorecards are also used to help quantify the risk when appropriate. Underwriting parameters also include loan-to-value ratios ("LTVs") which vary depending on collateral type, use of guaranties, loan agreement requirements, and other recommended terms such as equity requirements, amortization, and maturity. Approval decisions also consider various financial ratios and performance measures of the borrowers, such as cash flow and balance sheet leverage, liquidity, coverage of fixed charges, and working capital. Additionally, approval decisions consider the capital structure of the borrower, sponsorship, and quality/value of collateral. Generally, guideline and policy exceptions are identified and mitigated during the approval process. Pricing of C&I loans is based upon the determined credit risk specific to the individual borrower. These loans typically have variable rates tied to the London Inter-Bank Offered Rate ("LIBOR") or the prime rate of interest plus or minus the appropriate margin.

The following table provides the composition of the C&I portfolio by industry as of December 31, 2019 and 2018. 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 14 – C&I Loan Portfolio by Industry

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	**Amount**	**Percent**	Amount	Percent
Industry:				
Loans to mortgage companies	**$ 4,410,883**	**22%**	$ 2,023,746	12%
Finance & insurance	**2,778,411**	**14**	2,766,041	17
Health care & social assistance	**1,499,178**	**8**	1,309,983	8
Real estate rental & leasing (a)	**1,454,336**	**7**	1,548,903	9
Wholesale trade	**1,372,147**	**7**	1,166,590	7
Accommodation & food service	**1,364,833**	**7**	1,171,333	7
Manufacturing	**1,150,701**	**6**	1,245,230	8
Other (transportation, education, arts, entertainment, etc) (b)	**6,020,602**	**29**	5,282,502	32
Total C&I loan portfolio	**$20,051,091**	**100%**	$16,514,328	100%

(a) Leasing, rental of real estate, equipment, and goods.
(b) Industries in this category each comprise less than 5 percent for 2019.

Industry Concentrations

Loan concentrations are considered to exist for a financial institution when there are loans to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. 36 percent of FHN's C&I portfolio (Finance and insurance plus Loans to mortgage companies) could be affected by items that uniquely impact the financial services industry. Except "Loans to Mortgage Companies" and "Finance and Insurance", as discussed below, on December 31, 2019, FHN did not have any other concentrations of C&I loans in any single industry of 10 percent or more of total loans.

Loans to Mortgage Companies

The balance of loans to mortgage companies was 22 percent of the C&I portfolio as of December 31, 2019, and 12 percent of the C&I portfolio as of December 31, 2018, and includes balances related to both home purchase and refinance activity. This portfolio class, which generally fluctuates with mortgage rates and seasonal factors, includes commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower's sale of those mortgage loans to third party investors. Generally, lending to mortgage lenders increases when there is a decline in mortgage rates and decreases when rates rise. The increase in loans to mortgage companies year over year was due to higher home purchasing and refinance activity, as well as market share growth. In 2019, 60 percent of the loans funded were home purchases and 40 percent were refinance transactions.

Finance and Insurance

The finance and insurance component represents 14 percent of the C&I portfolio 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 December 31, 2019, 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. During second quarter 2018, FHN revised the grading approach associated with the TRUPS portfolio to align with its scorecard grading methodologies which resulted in upgrades to a majority of this portfolio. 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 December 31, 2018, one TRUP relationship was on interest deferral. This relationship returned to accrual in fourth quarter 2019.

As of December 31, 2019, the UPB of trust preferred loans totaled $238.4 million ($177.7 million of bank TRUPS and $60.7 million of insurance TRUPS) with the UPB of other bank-related loans totaling $304.6 million. Inclusive of a valuation allowance on TRUPS of $19.1 million, total reserves (ALLL plus the valuation allowance) for TRUPS and other bank-related loans were $19.4 million or 4 percent of outstanding UPB.

C&I Asset Quality Trends

Overall, the C&I portfolio trends remained strong in 2019, continuing in line with recent historical performance. The C&I ALLL increased $23.5 million from December 31, 2018, to $122.5 million as of December 31, 2019. The allowance as a percentage of period-end loans increased to .61 percent as of December 31, 2019, from .60 percent as of December 31, 2018. Nonperforming C&I loans increased $34.5 million from December 31, 2018, to $74.3 million on December 31, 2019, primarily driven by three credits which were partially offset by payments, returns to accrual status, or other resolutions. The nonperforming loan ("NPL") ratio increased 13 basis points from December 31, 2018, to .37 percent of C&I loans as of December 31, 2019. The 30+ delinquency ratio decreased to .05 percent as of December 31, 2019, from .06 percent as of December 31, 2018. Net charge-offs were $27.0 million in 2019 compared to $11.3 million in 2018, primarily driven by two credits. The following table shows C&I asset quality trends by segment.

Table 15 – C&I Asset Quality Trends by Segment

	December 31				
(Dollars in thousands)	**2019**	2018	2017	2016	2015
Regional Bank					
Period-end loans	**$19,721,457**	$16,148,242	$15,639,060	$11,728,160	$10,014,752
Nonperforming loans	**74,312**	36,888	28,086	28,619	22,793
Allowance for loan losses as of January 1	**$ 97,617**	$ 96,850	$ 88,010	$ 72,213	$ 61,998
Charge-offs	**(33,750)**	(15,492)	(17,657)	(18,196)	(17,994)
Recoveries	**6,706**	4,151	4,516	6,719	11,969
Provision/(provision credit) for loan losses	**51,853**	12,108	21,981	27,274	16,240
Allowance for loan losses as of December 31	**$ 122,426**	$ 97,617	$ 96,850	$ 88,010	$ 72,213
Accruing restructured loans	**$ 9,949**	$ 13,001	$ 14,186	$ 20,151	$ 4,358
Nonaccruing restructured loans	**32,250**	23,738	3,484	14,183	14,284
Total troubled debt restructurings	**$ 42,199**	$ 36,739	$ 17,670	$ 34,334	$ 18,642
30+ Delinq. % (a)	**0.05%**	0.06%	0.19%	0.08%	0.08%
NPL %	**0.38**	0.23	0.18	0.24	0.23
Net charge-offs %	**0.15**	0.07	0.11	0.11	0.07
Allowance / loans %	**0.62%**	0.60%	0.62%	0.75%	0.72%
Allowance / net charge-offs	**4.53x**	8.61x	7.37x	7.67x	11.99x
Non-Strategic					
Period-end loans	**$ 329,634**	$ 366,086	$ 418,213	$ 419,927	$ 421,638
Nonperforming loans	**-**	2,888	3,067	4,117	3,520
Allowance for loan losses as of January 1	**$ 1,330**	$ 1,361	$ 1,388	$ 1,424	$ 5,013
Charge-offs	**(28)**	-	-	(264)	(4,412)
Recoveries	**38**	50	52	76	1,370
Provision/(provision credit) for loan losses	**(1,280)**	(81)	(79)	152	(547)
Allowance for loan losses as of December 31	**$ 60**	$ 1,330	$ 1,361	$ 1,388	$ 1,424
30+ Delinq. % (a)	**-%**	0.47%	-%	-%	0.02%
NPL %	**-**	0.79	0.73	0.98	0.83
Net charge-offs %	**NM**	NM	NM	0.04	0.69
Allowance / loans %	**0.02%**	0.36%	0.33%	0.33%	0.34%
Allowance / net charge-offs	**NM**	NM	NM	7.39x	0.47x
Consolidated					
Period-end loans	**$20,051,091**	$16,514,328	$16,057,273	$12,148,087	$10,436,390
Nonperforming loans	**74,312**	39,776	31,153	32,736	26,313
Allowance for loan losses as of January 1	**$ 98,947**	$ 98,211	$ 89,398	$ 73,637	$ 67,011
Charge-offs	**(33,778)**	(15,492)	(17,657)	(18,460)	(22,406)
Recoveries	**6,744**	4,201	4,568	6,795	13,339
Provision/(provision credit) for loan losses	**50,573**	12,027	21,902	27,426	15,693
Allowance for loan losses as of December 31	**$ 122,486**	$ 98,947	$ 98,211	$ 89,398	$ 73,637
Accruing restructured loans	**$ 9,949**	$ 13,001	$ 14,186	$ 20,151	$ 4,358
Nonaccruing restructured loans	**32,250**	23,738	3,484	14,183	14,284
Total troubled debt restructurings	**$ 42,199**	$ 36,739	$ 17,670	$ 34,334	$ 18,642
30+ Delinq. % (a)	**0.05%**	0.06%	0.19%	0.08%	0.08%
NPL %	**0.37**	0.24	0.19	0.27	0.25
Net charge-offs %	**0.15**	0.07	0.11	0.11	0.10
Allowance / loans %	**0.61%**	0.60%	0.61%	0.74%	0.71%
Allowance / net charge-offs	**4.53x**	8.76x	7.50x	7.66x	8.12x

Certain previously reported amounts have been reclassified to agree with current presentation.
NM - Not meaningful
Loans are expressed net of unearned income.
(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Commercial Real Estate

The CRE portfolio was $4.3 billion on December 31, 2019. The CRE portfolio includes both financings for commercial construction and nonconstruction loans. The largest geographical concentrations of balances as of December 31, 2019, are in North Carolina (29 percent), Tennessee (21 percent), Florida (12 percent), Texas (9 percent), South Carolina (8 percent), and Georgia (6 percent), with no other state representing more than

3 percent of the portfolio. This portfolio is segregated between the income-producing CRE and residential CRE classes. The income-producing CRE class contains loans and draws on lines and letters of credit to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate. Subcategories of income CRE consist of office (28 percent), multi-family (20 percent), retail (19 percent), industrial (14 percent), hospitality (11 percent), land/land development (2 percent) and other (6 percent).

The residential CRE class includes loans to residential builders and developers for the purpose of constructing single-family homes, condominiums, and town homes, and on a limited basis, for developing residential subdivisions. Subsequent to the Capital Bank merger completed in 2017, active residential CRE lending is now primarily focused in certain core markets. Nearly all new originations are to “strategic” clients. FHN considers a “strategic” residential CRE borrower as a homebuilder who demonstrates the ability to withstand cyclical downturns, maintains active development and investment activities providing for regular financing opportunities, and is fundamentally sound as evidenced by a prudent loan structure, appropriate covenants and recourse, and capable and willing sponsors in markets with positive homebuilding and economic dynamics.

Income CRE loans are underwritten in accordance with credit policies and underwriting guidelines that are reviewed at least annually and revised as necessary based on market conditions. Loans are underwritten based upon project type, size, location, sponsorship, and other market-specific data. Generally, minimum requirements for equity, debt service coverage ratios (“DSCRs”), and level of pre-leasing activity are established based on perceived risk in each subcategory. Loan-to-value (value is defined as the lower of cost or market) limits are set below regulatory prescribed ceilings and generally range between 50 and 80 percent depending on underlying product set. Term and amortization requirements are set based on prudent standards for interim real estate lending. Equity requirements are established based on the quality and liquidity of the primary source of repayment. For example, more equity would be required for a speculative construction project or land loan than for a property fully leased to a credit tenant or a roster of tenants. Typically, a borrower must have at least 15 percent of cost invested in a project before FHN will fund loan dollars. Income properties are required to achieve a DSCR greater than or equal to 125 percent at inception or stabilization of the project based on loan amortization and a minimum underwriting interest rate. Some product types that possess a greater risk profile require a higher level of equity, as well as a higher DSCR threshold. A proprietary minimum underwriting interest rate is used to calculate compliance with underwriting standards. Generally, specific levels of pre-leasing must be met for construction loans on income properties. A global cash flow analysis is performed at the sponsor level. The majority of the portfolio is on a floating rate basis tied to appropriate spreads over LIBOR.

The credit administration and ongoing monitoring consists of multiple internal control processes. Construction loans are closed and administered by a centralized control unit. Underwriters and credit approval personnel stress the borrower’s/project’s financial capacity utilizing numerous attributes such as interest rates, vacancy, and discount rates. Key information is captured from the various portfolios and then stressed at the aggregate level. Results are utilized to assist with the assessment of the adequacy of the ALLL and to steer portfolio management strategies.

CRE Asset Quality Trends

The CRE portfolio had continued stable performance as of December 31, 2019. The allowance increased $4.8 million from December 31, 2018, to $36.1 million as of December 31, 2019, driven by organic loan growth. Allowance as a percentage of loans increased 5 basis points from December 31, 2018, to .83 percent as of December 31, 2019. Nonperforming loans decreased $1.2 million from December 31, 2018, to $1.8 million as of December 31, 2018. Nonperforming loans as a percentage of total CRE loans decreased 3 basis points from 2018 to .04 percent as of December 31, 2019. Accruing delinquencies as a percentage of period-end loans decreased to .02 percent as of December 31, 2019, from .06 percent as of December 31, 2018. FHN recognized net charge-offs of $.7 million in 2019 compared $.4 million in 2018. The following table shows commercial real estate asset quality trends by segment.

Table 16 – Commercial Real Estate Asset Quality Trends by Segment

	December 31				
(Dollars in thousands)	**2019**	2018	2017	2016	2015
Regional Bank					
Period-end loans	**$4,292,199**	$3,955,237	$4,214,695	$2,135,523	$1,674,871
Nonperforming loans	**1,825**	2,991	1,393	2,776	8,684
Allowance for loan losses as of January 1	**$ 28,248**	$ 28,427	$ 33,852	$ 25,159	$ 18,158
Charge-offs	**(1,181)**	(783)	(195)	(1,371)	(3,441)
Recoveries	**489**	312	915	1,816	1,450
Provision/(provision credit) for loan losses	**6,173**	292	(6,145)	8,248	8,992
Allowance for loan losses as of December 31	**$ 33,729**	$ 28,248	$ 28,427	$ 33,852	$ 25,159
Accruing restructured loans	**$ 608**	$ 1,076	$ 1,125	$ 1,736	$ 5,039
Nonaccruing restructured loans	**592**	429	1,282	1,388	3,969
Total troubled debt restructurings	**$ 1,200**	$ 1,505	$ 2,407	$ 3,124	$ 9,008
30+ Delinq. % (a)	**0.02%**	0.06%	0.15%	0.01%	0.27%
NPL %	**0.04**	0.08	0.03	0.13	0.52
Net charge-offs %	**0.02**	0.01	NM	NM	0.14
Allowance / loans %	**0.79%**	0.71%	0.67%	1.59%	1.50%
Allowance / net charge-offs	**48.69x**	60.00x	NM	NM	12.63x
Non-Strategic					
Period-end loans	**$ 44,818**	$ 75,633	$ -	$ -	$ 64
Nonperforming loans	**-**	-	-	-	-
Allowance for loan losses as of January 1	**$ 3,063**	$ -	$ -	$ -	$ 416
Charge-offs	**-**	-	-	-	(109)
Recoveries	**-**	27	51	111	426
Provision/(provision credit) for loan losses	**(680)**	3,036	(51)	(111)	(733)
Allowance for loan losses as of December 31	**$ 2,383**	$ 3,063	$ -	$ -	$ -
Accruing restructured loans	**$ -**	$ -	$ -	$ -	$ -
Nonaccruing restructured loans	**-**	-	-	-	-
Total troubled debt restructurings	**$ -**	$ -	$ -	$ -	$ -
30+ Delinq. % (a)	**-%**	-%	-%	-%	-%
NPL %	**-**	-	-	-	-
Net charge-offs %	**NM**	NM	NM	NM	NM
Allowance / loans %	**5.32%**	4.05%	-%	-%	-%
Allowance / net charge-offs	**NM**	NM	NM	NM	NM
Consolidated					
Period-end loans	**$4,337,017**	$4,030,870	$4,214,695	$2,135,523	$1,674,935
Nonperforming loans	**1,825**	2,991	1,393	2,776	8,684
Allowance for loan losses as of January 1	**$ 31,311**	$ 28,427	$ 33,852	$ 25,159	$ 18,574
Charge-offs	**(1,181)**	(783)	(195)	(1,371)	(3,550)
Recoveries	**489**	339	966	1,927	1,876
Provision/(provision credit) for loan losses	**5,493**	3,328	(6,196)	8,137	8,259
Allowance for loan losses as of December 31	**$ 36,112**	$ 31,311	$ 28,427	$ 33,852	$ 25,159
Accruing restructured loans	**$ 608**	$ 1,076	$ 1,125	$ 1,736	$ 5,039
Nonaccruing restructured loans	**592**	429	1,282	1,388	3,969
Total troubled debt restructurings	**$ 1,200**	$ 1,505	$ 2,407	$ 3,124	$ 9,008
30+ Delinq. % (a)	**0.02%**	0.06%	0.15%	0.01%	0.27%
NPL %	**0.04**	0.07	0.03	0.13	0.52
Net charge-offs %	**0.02**	0.01	NM	NM	0.12
Allowance / loans %	**0.83%**	0.78%	0.67%	1.59%	1.50%
Allowance / net charge-offs	**52.13x**	70.47x	NM	NM	15.03x

Certain previously reported amounts have been reclassified to agree with current presentation.
NM – Not meaningful
Loans are expressed net of unearned income.
(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

CONSUMER LOAN PORTFOLIOS

Consumer Real Estate

The consumer real estate portfolio was $6.0 billion on December 31, 2019, and is primarily composed of home equity lines and installment loans. The largest geographical concentrations of balances as of December 31, 2019, are in Tennessee (54 percent), North Carolina (15 percent), Florida (13 percent), and California (3 percent), with no other state representing more than 3 percent of the portfolio. As of December 31, 2019, approximately 83 percent of the consumer real estate portfolio was in a first lien position. As of December 31, 2019, the weighted average FICO score at origination of this portfolio was 755 and the refreshed FICO scores averaged 753, compared to 753 and 752, respectively, as of December 31, 2018. As of December 31, 2019, approximately $.9 billion, or 15 percent, of the consumer real estate portfolio consisted of stand-alone second liens while $.1 billion, or 2 percent, were second liens whose first liens are owned or serviced by FHN. FHN obtains first lien performance information from third parties and through loss mitigation activities, and places a stand-alone second lien loan on nonaccrual if we discover that there are performance issues with the first lien loan. Generally, performance of this portfolio is affected by life events that affect borrowers' finances, the level of unemployment, and home prices.

Home equity lines of credit ("HELOCs") comprise $1.3 billion of the consumer real estate portfolio as of December 31, 2019. FHN's HELOCs typically have a 5 or 10 year draw period followed by a 10 or 20 year repayment period, respectively. During the draw period, a borrower is able to draw on the line and is only required to make interest payments. The line is automatically frozen if a borrower becomes 45 days or more past due on payments. Once the draw period has concluded, the line is closed and the borrower is required to make both principal and interest payments monthly until the loan matures. The principal payment generally is fully amortizing, but payment amounts will adjust when variable rates reset to reflect changes in the prime rate.

As of December 31, 2019, approximately 76 percent of FHN's HELOCs were in the draw period compared to 72 percent as of December 31, 2018. Based on when draw periods are scheduled to end per the line agreement, it is expected that $315.1 million, or 32 percent of HELOCs currently in the draw period, will enter the repayment period during the next 60 months. 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, after some seasoning, performance of these loans usually begins to stabilize. The home equity lines of the consumer real estate portfolio are monitored closely for those nearing the end of the draw period and borrowers are initially contacted at least 24 months before the repayment period begins to remind the customer of the terms of their agreement and to inform them of options. The following table shows the HELOCs currently in the draw period and expected timing of conversion to the repayment period.

Table 17 – HELOC Draw To Repayment Schedule

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	**Repayment Amount**	**Percent**	Repayment Amount	Percent
Months remaining in draw period:				
0-12	**$ 47,455**	**5%**	$ 67,523	6%
13-24	**58,843**	**6**	69,154	6
25-36	**65,833**	**7**	75,074	7
37-48	**67,692**	**7**	86,308	8
49-60	**75,246**	**7**	90,018	8
>60	**666,001**	**68**	715,390	65
Total	**$981,070**	**100%**	$1,103,467	100%

Underwriting

For the majority of loans in this portfolio, underwriting decisions are made through a centralized loan underwriting center. To obtain a consumer real estate loan, the loan applicant(s) in most cases must first meet a minimum qualifying FICO score. Minimum FICO score requirements are established by management for both loans secured by real estate as well as non-real estate loans. Management also establishes maximum loan amounts, loan-to-value ratios, and Debt-to-Income ("DTI") ratios for each consumer real estate product. Applicants must have the financial capacity (or available income) to service the debt by not exceeding a calculated DTI ratio. The amount of the loan is limited to a percentage of the lesser of the current value or sales price of the collateral. Identified guideline and policy exceptions require established mitigating factors that have been approved for use by Credit Risk Management.

HELOC interest rates are variable and adjust with movements in the index rate stated in the loan agreement. Such loans can have elevated risks of default, particularly in a rising interest rate environment, potentially stressing borrower capacity to repay the loan at the higher interest rate. FHN's current underwriting practice requires HELOC borrowers to qualify based on a fully indexed, fully amortized payment methodology. FHN's underwriting guidelines require borrowers to qualify at an interest rate that is 200 basis points above the note rate. This mitigates risk to FHN in the event of a sharp rise in interest rates over a relatively short time horizon.

HELOC Portfolio Risk Management

FHN performs continuous HELOC account review processes in order to identify higher-risk home equity lines and initiate preventative and corrective actions. The reviews consider a number of account activity patterns and characteristics such as the number of times delinquent within recent periods, changes in credit bureau score since origination, score degradation, performance of the first lien, and account utilization. In accordance with FHN's interpretation of regulatory guidance, FHN may block future draws on accounts in order to mitigate risk of loss to FHN.

Consumer Real Estate Asset Quality Trends

Overall, performance of the consumer real estate portfolio remained strong in 2019 despite deterioration in the non-strategic segment of some metrics compared to prior year. The non-strategic segment is a run-off portfolio and while the absolute dollars of nonaccruals declined compared to December 31, 2018, nonperforming loans ratios deteriorated. That trend of increasing deterioration of ratios in the non-strategic segment is likely to continue and may become more skewed as the portfolio shrinks unevenly, with stronger borrowers exiting the portfolio more rapidly than others. The ALLL decreased $6.8 million from December 31, 2018, to $19.6 million as of December 31, 2019, with the majority of the decline attributable to the non-strategic segment. The balance of nonperforming loans decreased $11.3 million to $71.3 million on December 31, 2019. Loans delinquent 30 or more days and still accruing decreased from $46.5 million as of December 31, 2018, to $36.6 million as of December 31, 2019. The portfolio realized net recoveries of $9.2 million in 2019 compared to net recoveries of $10.3 million in 2018. The following table shows consumer real estate asset quality trends by segment.

Table 18 – Consumer Real Estate Asset Quality Trends by Segment

	December 31				
(Dollars in thousands)	**2019**	2018	2017	2016	2015
Regional Bank					
Period-end loans	**$5,734,800**	$5,844,778	$5,885,953	$3,713,321	$3,528,126
Nonperforming loans	**36,806**	39,080	22,678	18,865	23,935
Allowance for loan losses as of January 1	**$ 14,479**	$ 18,859	$ 20,077	$ 29,156	$ 32,180
Charge-offs	**(4,189)**	(4,609)	(3,491)	(5,346)	(8,414)
Recoveries	**4,864**	4,026	4,342	4,863	4,660
Provision/(provision credit) for loan losses	**(1,925)**	(3,797)	(2,069)	(8,596)	730
Allowance for loan losses as of December 31	**$ 13,229**	$ 14,479	$ 18,859	$ 20,077	$ 29,156
Accruing restructured loans	**$ 29,277**	$ 30,146	$ 31,970	$ 36,784	$ 36,912
Nonaccruing restructured loans	**16,079**	17,334	12,405	10,694	13,723
Total troubled debt restructurings	**$ 45,356**	$ 47,480	$ 44,375	$ 47,478	$ 50,635
30+ Delinq. % (a)	**0.50%**	0.58%	0.40%	0.48%	0.52%
NPL %	**0.64**	0.67	0.39	0.51	0.68
Net charge-offs %	**NM**	0.01	NM	0.01	0.11
Allowance / loans %	**0.23%**	0.25%	0.32%	0.54%	0.83%
Allowance / net charge-offs	**NM**	24.77x	NM	41.63x	7.77x
Non-Strategic					
Period-end loans	**$ 271,949**	$ 404,738	$ 593,289	$ 880,858	$1,251,059
Nonperforming loans	**34,507**	43,568	48,809	63,947	87,157
Allowance for loan losses as of January 1	**$ 11,960**	$ 20,964	$ 31,347	$ 51,506	$ 80,831
Charge-offs	**(3,592)**	(4,748)	(9,665)	(16,647)	(21,654)
Recoveries	**12,136**	15,640	18,381	18,856	19,235
Provision/(provision credit) for loan losses	**(14,109)**	(19,896)	(19,099)	(22,368)	(26,906)
Allowance for loan losses as of December 31	**$ 6,395**	$ 11,960	$ 20,964	$ 31,347	$ 51,506
Accruing restructured loans	**$ 29,798**	$ 41,125	$ 54,702	$ 68,217	$ 67,942
Nonaccruing restructured loans	**25,499**	29,829	29,818	37,765	47,107
Total troubled debt restructurings	**$ 55,297**	$ 70,954	$ 84,520	$ 105,982	$ 115,049
30+ Delinq. % (a)	**3.01%**	3.07%	3.06%	2.76%	2.34%
NPL %	**12.69**	10.76	8.23	7.26	6.97
Net charge-offs %	**NM**	NM	NM	NM	0.17
Allowance / loans %	**2.35%**	2.95%	3.53%	3.56%	4.12%
Allowance / net charge-offs	**NM**	NM	NM	NM	21.29x
Consolidated					
Period-end loans	**$6,006,749**	$6,249,516	$6,479,242	$4,594,179	$4,779,185
Nonperforming loans	**71,313**	82,648	71,487	82,812	111,092
Allowance for loan losses as of January 1	**$ 26,439**	$ 39,823	$ 51,424	$ 80,662	$ 113,011
Charge-offs	**(7,781)**	(9,357)	(13,156)	(21,993)	(30,068)
Recoveries	**17,000**	19,666	22,723	23,719	23,895
Provision/(provision credit) for loan losses	**(16,034)**	(23,693)	(21,168)	(30,964)	(26,176)
Allowance for loan losses as of December 31	**$ 19,624**	$ 26,439	$ 39,823	$ 51,424	$ 80,662
Accruing restructured loans	**$ 59,075**	$ 71,271	$ 86,672	$ 105,001	$ 104,854
Nonaccruing restructured loans	**41,578**	47,163	42,223	48,459	60,830
Total troubled debt restructurings	**$ 100,653**	$ 118,434	$ 128,895	$ 153,460	$ 165,684
30+ Delinq. % (a)	**0.61%**	0.74%	0.64%	0.92%	1.00%
NPL %	**1.19**	1.32	1.10	1.80	2.32
Net charge-offs %	**NM**	NM	NM	NM	0.13
Allowance / loans %	**0.33%**	0.42%	0.61%	1.12%	1.69%
Allowance / net charge-offs	**NM**	NM	NM	NM	13.07x

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

Permanent Mortgage

The permanent mortgage portfolio was $.2 billion on December 31, 2019. This portfolio is primarily composed of jumbo mortgages and one-time-close ("OTC") completed construction loans in the non-strategic segment that were originated through pre-2009 mortgage businesses. The corporate segment includes loans that were previously included in off-balance sheet proprietary securitization trusts. These loans were brought back into the loan portfolios at fair value through the execution of cleanup calls due to the relatively small balances left in the securitization and should continue to run-off. Approximately 27 percent of loan balances as of December 31, 2019, are in California, but the remainder of the portfolio is somewhat geographically diverse. Non-strategic and corporate segment run-off primarily contributed to the $52.1 million decrease in permanent mortgage period-end balances from December 31, 2018, to December 31, 2019.

Permanent Mortgage Asset Quality Trends

The permanent mortgage portfolios within the non-strategic and corporate segments are run-off portfolios. As a result, asset quality metrics are becoming skewed as the portfolios shrink and some of the stronger borrowers payoff or refinance elsewhere. The ALLL decreased $2.2 million as of December 31, 2019, from $11 million as of December 31, 2018. TDR reserves (which are estimates of losses for the expected life of the loan) comprise 88 percent of the ALLL for the permanent mortgage portfolio as of December 31, 2019. Consolidated accruing delinquencies decreased $.8 million from December 31, 2018 to $6.3 million as of December 31, 2019. Nonperforming loans decreased $7.4 million from December 31, 2018, to $14.3 million as of December 31, 2019. The portfolio experienced net recoveries of $2.8 million in 2019 compared to net recoveries of $.9 million in 2018. The following table shows permanent mortgage asset quality trends by segment.

Table 19 – Permanent Mortgage Asset Quality Trends by Segment

(Dollars in thousands)	**2019**	2018	2017	2016	2015
	December 31				
Regional Bank					
Period-end loans	**$ 3,655**	$ 3,988	$ 5,427	$ 6,546	$ 8,495
Nonperforming loans	**208**	346	427	393	443
Allowance for loan losses as of January 1	**$ 76**	$ 80	$ 148	$ 92	$ 167
Charge-offs	**-**	-	-	-	(14)
Recoveries	**-**	-	-	-	-
Provision/(provision credit) for loan losses	**35**	(4)	(68)	56	(61)
Allowance for loan losses as of December 31	**$ 111**	$ 76	$ 80	$ 148	$ 92
Accruing restructured loans	**$ 496**	$ 684	$ 615	$ 563	$ 720
Nonaccruing restructured loans	**179**	249	326	315	364
Total troubled debt restructurings	**$ 675**	$ 933	$ 941	$ 878	$ 1,084
30+ Delinq. % (a)	**6.79%**	7.32%	7.62%	8.43%	5.17%
NPL %	**5.71**	8.69	7.86	6.00	5.21
Net charge-offs %	**NM**	-	-	-	0.15
Allowance / loans %	**3.02%**	1.90%	1.48%	2.25%	1.08%
Allowance / net charge-offs	**NM**	NM	NM	NM	6.54x
Corporate					
Period-end loans	**$ 31,473**	$ 39,221	$ 53,556	$ 71,380	$ 97,450
Nonperforming loans	**1,327**	1,707	2,157	1,186	1,677
Allowance for loan losses as of December 31 (b)	**N/A**	N/A	N/A	N/A	N/A
Accruing restructured loans	**$ 2,457**	$ 2,557	$ 3,637	$ 3,792	$ 3,992
Nonaccruing restructured loans	**-**	-	-	-	-
Total troubled debt restructurings	**$ 2,457**	$ 2,557	$ 3,637	$ 3,792	$ 3,992
30+ Delinq. % (a)	**5.29%**	4.37%	3.98%	4.37%	2.92%
NPL %	**4.22**	4.35	4.03	1.66	1.72
Allowance / loans % (b)	**N/A**	N/A	N/A	N/A	N/A
Non-Strategic					
Period-end loans	**$135,262**	$179,239	$228,837	$274,772	$335,511
Nonperforming loans	**12,846**	19,657	23,806	25,602	29,532
Allowance for loan losses as of January 1	**$ 10,924**	$ 13,033	$ 15,074	$ 18,807	$ 18,955
Charge-offs	**(393)**	(477)	(2,179)	(1,591)	(3,127)
Recoveries	**3,148**	1,421	2,509	2,403	1,687
Provision/(provision credit) for loan losses	**(4,971)**	(3,053)	(2,371)	(4,545)	1,292
Allowance for loan losses as of December 31	**$ 8,708**	$ 10,924	$ 13,033	$ 15,074	$ 18,807
Accruing restructured loans	**$ 48,132**	$ 53,240	$ 64,102	$ 71,896	$ 78,719
Nonaccruing restructured loans	**10,329**	14,116	16,114	17,360	18,666
Total troubled debt restructurings	**$ 58,461**	$ 67,356	$ 80,216	$ 89,256	$ 97,385
30+ Delinq. % (a)	**3.28%**	2.87%	2.12%	2.29%	1.88%
NPL %	**9.50**	10.97	10.40	9.32	8.80
Net charge-offs %	**NM**	NM	NM	NM	0.40
Allowance / loans %	**6.44%**	6.10%	5.70%	5.49%	5.61%
Allowance / net charge-offs	**NM**	NM	NM	NM	13.07x
Consolidated					
Period-end loans	**$170,390**	$222,448	$287,820	$352,698	$441,456
Nonperforming loans	**14,381**	21,710	26,390	27,181	31,652
Allowance for loan losses as of January 1	**$ 11,000**	$ 13,113	$ 15,222	$ 18,899	$ 19,122
Charge-offs	**(393)**	(477)	(2,179)	(1,591)	(3,141)
Recoveries	**3,148**	1,421	2,509	2,403	1,687
Provision/(provision credit) for loan losses	**(4,936)**	(3,057)	(2,439)	(4,489)	1,231
Allowance for loan losses as of December 31	**$ 8,819**	$ 11,000	$ 13,113	$ 15,222	$ 18,899
Accruing restructured loans	**$ 51,085**	$ 56,481	$ 68,354	$ 76,251	$ 83,431
Nonaccruing restructured loans	**10,508**	14,365	16,440	17,675	19,030
Total troubled debt restructurings	**$ 61,593**	$ 70,846	$ 84,794	$ 93,926	$102,461
30+ Delinq. % (a)	**3.72%**	3.21%	2.57%	2.83%	2.17%
NPL %	**8.44**	9.76	9.17	7.71	7.17
Net charge-offs %	**NM**	NM	NM	NM	0.30
Allowance / loans %	**5.18%**	4.95%	4.56%	4.32%	4.28%
Allowance / net charge-offs	**NM**	NM	NM	NM	13.00x

NM - Not meaningful

Loans are expressed net of unearned income.

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

(b) An allowance has not been established for these loans as the valuation adjustment taken upon exercise of clean-up calls included expected losses.

Credit Card and Other

The credit card and other portfolio, which is primarily within the regional banking segment, was $.5 billion as of December 31, 2019, and primarily includes automobile loans, credit card receivables, and other consumer-related credits. The allowance increased to $13.3 million as of December 31, 2019, from $12.7 million as of December 31, 2018. Loans 30 days or more delinquent and accruing decreased $3.9 million from December 31, 2018, to $4.6 million as of December 31, 2019. In 2019, FHN recognized $11.4 million of net charge-offs in the credit card and other portfolio, compared to net charge-offs of $15.6 million in 2018. The following table shows credit card and other asset quality trends by segment.

Table 20 – Credit Card and Other Asset Quality Trends by Segment

	December 31				
(Dollars in thousands)	**2019**	2018	2017 (b)	2016	2015
Regional Bank					
Period-end loans	**$460,742**	$432,529	$439,745	$351,198	$344,405
Nonperforming loans	**36**	34	75	-	620
Allowance for loan losses as of January 1	**$ 12,595**	$ 9,894	$ 11,995	$ 10,966	$ 14,310
Charge-offs	**(12,502)**	(14,143)	(12,736)	(13,983)	(15,542)
Recoveries	**3,224**	3,227	2,905	3,297	3,555
Provision/(provision credit) for loan losses	**9,918**	13,617	7,730	11,715	8,643
Allowance for loan losses as of December 31	**$ 13,235**	$ 12,595	$ 9,894	$ 11,995	$ 10,966
Accruing restructured loans	**$ 615**	$ 658	$ 564	$ 274	$ 314
Nonaccruing restructured loans	**-**	-	-	-	-
Total troubled debt restructurings	**$ 615**	$ 658	$ 564	$ 274	$ 314
30+ Delinq. % (a)	**0.69%**	0.89%	0.76%	1.16%	1.07%
NPL %	**0.01**	0.01	0.02	-	0.18
Net charge-offs %	**2.08**	2.55	2.67	3.05	3.51
Allowance / loans %	**2.87%**	2.91%	2.25%	3.42%	3.18%
Allowance / net charge-offs	**1.43x**	1.15x	1.01x	1.12x	0.91x
Non-Strategic					
Period-end loans	**$ 35,122**	$ 85,841	$180,154	$ 7,835	$ 10,131
Nonperforming loans	**298**	590	121	142	737
Allowance for loan losses as of January 1	**$ 132**	$ 87	$ 177	$ 919	$ 420
Charge-offs	**(3,098)**	(5,545)	(471)	(241)	(1,149)
Recoveries	**1,011**	812	210	324	298
Provision/(provision credit) for loan losses	**1,986**	4,778	171	(825)	1,350
Allowance for loan losses as of December 31	**$ 31**	$ 132	$ 87	$ 177	$ 919
Accruing restructured loans	**$ 38**	$ 37	$ 29	$ 32	$ 63
Nonaccruing restructured loans	**-**	-	-	-	-
Total troubled debt restructurings	**$ 38**	$ 37	$ 29	$ 32	$ 63
30+ Delinq. % (a)	**4.05%**	5.35%	2.41%	1.73%	1.47%
NPL %	**0.85**	0.69	0.07	1.82	7.28
Net charge-offs %	**3.60**	3.78	3.82	NM	7.75
Allowance / loans %	**0.09%**	0.15%	0.05%	2.26%	9.07%
Allowance / net charge-offs	**0.01x**	0.03x	0.33x	NM	1.08x
Consolidated					
Period-end loans	**$495,864**	$518,370	$619,899	$359,033	$354,536
Nonperforming loans	**334**	624	196	142	1,357
Allowance for loan losses as of January 1	**$ 12,727**	$ 9,981	$ 12,172	$ 11,885	$ 14,730
Charge-offs	**(15,600)**	(19,688)	(13,207)	(14,224)	(16,691)
Recoveries	**4,235**	4,039	3,115	3,621	3,853
Provision/(provision credit) for loan losses	**11,904**	18,395	7,901	10,890	9,993
Allowance for loan losses as of December 31	**$ 13,266**	$ 12,727	$ 9,981	$ 12,172	$ 11,885
Accruing restructured loans	**$ 653**	$ 695	$ 593	$ 306	$ 377
Nonaccruing restructured loans	**-**	-	-	-	-
Total troubled debt restructurings	**$ 653**	$ 695	$ 593	$ 306	$ 377
30+ Delinq. % (a)	**0.93%**	1.63%	1.24%	1.17%	1.08%
NPL %	**0.07**	0.12	0.03	0.04	0.38
Net charge-offs %	**2.25**	2.83	2.69	2.95	3.64
Allowance / loans %	**2.68%**	2.46%	1.61%	3.39%	3.35%
Allowance / net charge-offs	**1.17x**	0.81x	0.99x	1.15x	0.93x

NM - Not meaningful

Loans are expressed net of unearned income.

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

(b) In 3Q18, the acquired CBF indirect auto portfolio was retrospectively re-classed through 4Q17 from the Regional Banking segment to the Non-Strategic segment.

Allowance for Loan Losses
Management's policy is to maintain the ALLL at a level sufficient to absorb estimated probable incurred losses in the loan portfolio. The total allowance for loan losses increased to $200.3 million on December 31, 2019, from $180.4 million on December 31, 2018. The ALLL as of December 31, 2019, reflects strong asset quality with the consumer real estate portfolio continuing to stabilize, historically low levels of net charge-offs, and declining non-strategic balances. The ratio of allowance for loan losses to total loans, net of unearned income, decreased to .64 percent on December 31, 2019, from .66 percent on December 31, 2018.

The provision for loan losses is the charge to (or release of) earnings necessary to maintain the ALLL at a sufficient level reflecting management's estimate of probable incurred losses in the loan portfolio. Provision expense was $47.0 million in 2019 compared to $7.0 million in 2018. The increase in provision expense was primarily the result of increased reserves due to commercial loan growth, grade migration, two charge-offs, and a relationship that was downgraded in first quarter 2019.

FHN expects asset quality trends to remain relatively stable for the near term if the growth of the economy continues. The C&I portfolio is expected to continue to show stable trends but short-term variability (both positive and negative) is possible, primarily due to the size of the credits within this portfolio. The CRE portfolio metrics should be relatively consistent as FHN expects stable property values over the near term; however, oversupply of any CRE product type, changes in the lending environment, or economic uncertainty could result in decreased property values (which could happen abruptly). The remaining non-strategic consumer real estate and permanent mortgage portfolios should continue to steadily wind down. Asset quality metrics within non-strategic are becoming skewed as the portfolios continue to shrink, with stronger credits exiting the portfolios more rapidly than others. Continued stabilization in performance of the consumer real estate portfolio assumes an ongoing positive economic outlook as consumer delinquency and loss rates are correlated with life events that affect borrowers' finances, unemployment trends, and strength of the housing market.

Effective January 1, 2020, FHN adopted the provisions of ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," and related ASUs. Refer to Note 1 – Summary of Significant Accounting Policies for additional information about the standard and its impact on FHN.

Consolidated Net Charge-offs
Net charge-offs were $27.1 million in 2019 compared to $16.1 million in 2018.

The commercial portfolio experienced $27.7 million of net charge-offs in 2019 compared to $11.7 million in 2018. Commercial charge-offs were driven by a $9.2 million partial charge-off on an energy credit and a $7.8 million partial charge-off on a healthcare credit. In addition, the consumer portfolio experienced $.6 million of net recoveries in 2019 compared to $4.4 million of net charge-offs in 2018. The net decrease in consumer portfolio net charge-offs was driven by the credit card and other portfolio.

The following table provides consolidated asset quality information for the years 2015 through 2019:

Table 21 – Analysis of Allowance for Loan Losses and Charge-offs

(Dollars in thousands)	**2019**	2018	2017	2016	2015
Allowance for loan losses:					
Beginning balance	**$ 180,424**	$ 189,555	$ 202,068	$ 210,242	$ 232,448
Provision for loan losses	**47,000**	7,000	-	11,000	9,000
Charge-offs:					
Commercial, financial, and industrial	**33,778**	15,492	17,657	18,460	22,406
Commercial real estate	**1,181**	783	195	1,371	3,550
Consumer real estate	**7,781**	9,357	13,156	21,993	30,068
Permanent mortgage	**393**	477	2,179	1,591	3,141
Credit card and other	**15,600**	19,688	13,207	14,224	16,691
Total charge-offs	**58,733**	45,797	46,394	57,639	75,856
Recoveries:					
Commercial, financial, and industrial	**6,744**	4,201	4,568	6,795	13,339
Commercial real estate	**489**	339	966	1,927	1,876
Consumer real estate	**17,000**	19,666	22,723	23,719	23,895
Permanent mortgage	**3,148**	1,421	2,509	2,403	1,687
Credit card and other	**4,235**	4,039	3,115	3,621	3,853
Total recoveries	**31,616**	29,666	33,881	38,465	44,650
Net charge-offs	**27,117**	16,131	12,513	19,174	31,206
Ending balance	**$ 200,307**	$ 180,424	$ 189,555	$ 202,068	$ 210,242
Reserve for unfunded commitments	**6,101**	7,618	5,079	5,312	5,926
Total of allowance for loan losses and reserve for unfunded commitments	**$ 206,408**	$ 188,042	$ 194,634	$ 207,380	$ 216,168
Loans and commitments:					
Total period end loans, net of unearned income	**$31,061,111**	$27,535,532	$27,658,929	$19,589,520	$17,686,502
Remaining unfunded commitments	**$12,355,220**	$10,884,975	$10,678,485	$ 8,744,649	$ 7,903,294
Average loans, net of unearned income	**$29,188,638**	$27,213,828	$20,104,042	$18,303,870	$16,624,439
Reserve Rates					
Total commercial loans					
Allowance/loans % (a)	**0.65%**	0.63%	0.62%	0.86%	0.82%
Period end loans % of total loans	**79**	74	73	73	68
Consumer real estate					
Allowance/loans % (a)	**0.33**	0.42	0.61	1.12	1.69
Period end loans % of total loans	**19**	23	23	23	27
Permanent mortgage					
Allowance/loans %	**5.18**	4.95	4.56	4.32	4.28
Period end loans % of total loans	**1**	1	1	2	2
Credit card and other					
Allowance/loans % (a)	**2.68**	2.46	1.61	3.39	3.35
Period end loans % of total loans	**2**	2	2	2	2
Allowance and net charge-off ratios					
Allowance to total loans % (a)	**0.64**	0.66	0.69	1.03	1.19
Net charge-offs to average loans %	**0.09**	0.06	0.06	0.10	0.19
Allowance to net charge-offs	**7.39x**	11.18x	15.15x	10.54x	6.74x

Numbers may not add due to rounding.

(a) 2017 decrease in allowance to loans reflects the addition of loans acquired from CBF at fair value which includes an estimate of life of loan credit losses.

Nonperforming Assets

Nonperforming loans are loans placed on nonaccrual if it becomes evident that full collection of principal and interest is at risk, impairment has been recognized as a partial charge-off of principal balance due to insufficient collateral value and past due status, or on a case-by-case basis if FHN continues to receive payments but there are other borrower-specific issues. Included in nonaccruals are loans that FHN continues to receive payments including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy, and second liens, regardless of delinquency status, behind first liens that are 90 or more days past due, are bankruptcies, or are TDRs. These, along with OREO, excluding OREO from government insured mortgages, represent nonperforming assets ("NPAs").

Total nonperforming assets (including NPLs HFS) increased to $181.9 million on December 31, 2019, from $175.5 million on December 31, 2018. The nonperforming assets ratio (nonperforming assets excluding NPLs HFS to total period-end loans plus OREO and other assets) was .57 percent as of December 31, 2019, compared to .62 percent as of December 31, 2018.

The ratio of the ALLL to NPLs in the loan portfolio was 1.24 times as of December 31, 2019, compared to 1.22 times as of December 31, 2018. Certain nonperforming loans in both the commercial and consumer portfolios are deemed collateral-dependent and are charged down to an estimate of collateral value less costs to sell. Because loss content has been recognized through a partial charge-off, typically reserves are not recorded.

Table 22 – Nonaccrual/Nonperforming Loans, Foreclosed Assets, and Other Disclosures (a)

	December 31				
(Dollars in thousands)	**2019**	2018	2017	2016	2015
Commercial:					
Commercial, financial, and industrial (b)	**$ 74,312**	$ 39,776	$ 31,153	$ 32,736	$ 26,313
Commercial real estate	**1,825**	2,991	1,393	2,776	8,684
Total commercial	**76,137**	42,767	32,546	35,512	34,997
Consumer:					
Consumer real estate	**71,313**	82,648	71,487	82,812	111,092
Permanent mortgage	**14,381**	21,710	26,390	27,181	31,652
Credit card & other	**334**	624	196	142	1,357
Total consumer	**86,028**	104,982	98,073	110,135	144,101
Total nonperforming loans (c) (d)	**162,165**	147,749	130,619	145,647	179,098
Nonperforming loans held-for-sale (d)	**4,047**	5,328	6,971	7,741	7,846
Foreclosed real estate and other assets	**15,660**	22,387	39,566	11,235	24,977
Foreclosed real estate from GNMA loans	**2,178**	2,903	3,816	5,002	8,086
Total foreclosed real estate and other assets	**17,838**	25,290	43,382	16,237	33,063
Total nonperforming assets (d) (e)	**$181,872**	$175,464	$177,156	$164,623	$211,921
Troubled debt restructurings (f):					
Accruing restructured loans	**$121,370**	$142,524	$170,930	$203,445	$198,059
Nonaccruing restructured loans (d) (g)	**84,928**	85,695	63,429	81,705	98,113
Total troubled debt restructurings (f)	**$206,298**	$228,219	$234,359	$285,150	$296,172
Ratios:					
Allowance to nonperforming loans in the loan portfolio (d)	**1.24x**	1.22x	1.45x	1.39x	1.17x

(a) Balances do not include PCI loans even though the customer may be contractually past due. PCI loans were recorded at fair value upon acquisition and accrete interest income over the remaining life of the loan.
(b) 2019 increase driven by three relationships transferring to nonaccrual.
(c) Under the original terms of the loans, estimated interest income would have been approximately $11 million, $9 million, and $10 million during 2019, 2018 and 2017, respectively.
(d) Excludes loans that are 90 or more days past due and still accruing interest.
(e) Balances do not include PCI loans or government-insured foreclosed real estate.
(f) Excludes TDRs that are classified as held-for-sale nearly all of which are accounted for under the fair value option.
(g) Amounts also included in nonperforming loans above.

The following table provides nonperforming assets by business segment:

Table 23 – Nonperforming Assets by Segment

(Dollars in thousands)	December 31				
	2019	2018	2017	2016	2015
Nonperforming loans (a) (b)					
Regional bank	**$114,514**	$ 81,046	$ 54,816	$ 51,839	$ 58,152
Non-strategic	**47,651**	66,703	75,803	93,808	120,946
Consolidated	**$162,165**	$147,749	$130,619	$145,647	$179,098
Foreclosed real estate (c)					
Regional bank	**$ 12,347**	$ 18,535	$ 34,679	$ 5,081	$ 16,298
Non-strategic	**3,313**	3,852	4,887	6,154	8,679
Consolidated	**$ 15,660**	$ 22,387	$ 39,566	$ 11,235	$ 24,977
Nonperforming Assets (a) (b) (c)					
Regional bank	**$126,861**	$ 99,581	$ 89,495	$ 56,920	$ 74,450
Non-strategic	**50,964**	70,555	80,690	99,962	129,625
Consolidated	**$177,825**	$170,136	$170,185	$156,882	$204,075
NPL %					
Regional bank	**0.38%**	0.31%	0.21%	0.29%	0.37%
Non-strategic	**5.83%**	6.00%	5.34%	5.92%	5.99%
Consolidated	**0.52%**	0.54%	0.47%	0.74%	1.01%
NPA % (d)					
Regional bank	**0.42%**	0.38%	0.34%	0.32%	0.48%
Non-strategic	**6.21%**	6.33%	5.66%	6.29%	6.39%
Consolidated	**0.57%**	0.62%	0.61%	0.80%	1.15%

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Excludes loans 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 $10.4 million, $3.1 million, $5.2 million, $6.6 million, and $9.0 million during 2019, 2018, 2017, 2016, and 2015, respectively.
(d) Ratio is non-performing assets related to the loan portfolio to total loans plus foreclosed real estate and other assets.

The following table provides an activity rollforward of OREO balances for December 31, 2019 and 2018. The balance of OREO, exclusive of inventory from government insured mortgages, decreased to $15.7 million as of December 31, 2019, from $22.4 million as of December 31, 2018, driven by the sale of OREO, primarily those acquired from CBF. Moreover, property values have stabilized which also affects the balance of OREO.

Table 24 – Rollforward of OREO

(Dollars in thousands)	**2019**	2018
Beginning balance, January 1	**$ 22,387**	$ 39,566
Valuation adjustments	**(927)**	(2,599)
New foreclosed property	**8,550**	12,148
Disposals	**(14,350)**	(26,728)
Ending balance, December 31 (a)	**$ 15,660**	$ 22,387

(a) Excludes OREO and receivables related to government insured mortgages of $10.4 million and $3.1 million as of December 31, 2019 and 2018, respectively.

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

$21.9 million on December 31, 2019, compared to $32.5 million on December 31, 2018. Loans 30 to 89 days past due decreased to $36.1 million on December 31, 2019, from $42.7 million on December 31, 2018.

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 the Federal banking regulators for loans classified as substandard. Potential problem assets in the loan portfolio were $346.9 million on December 31, 2019, compared to $317.0 million on December 31, 2018. The increase year-over-year in potential problem assets was due to a net increase in classified commercial loans within the C&I portfolio. The current expectation of losses from potential problem assets has been included in management's analysis for assessing the adequacy of the allowance for loan losses.

Table 25 – Accruing Delinquencies and Other Credit Disclosures

	December 31				
(Dollars in thousands)	**2019**	2018	2017	2016	2015
Loans past due 90 days or more and still accruing (a) (b):					
Commercial:					
Commercial, financial, and industrial	**$ 2,035**	$ 1,775	$ 19,654	$ 257	$ 1,083
Commercial real estate	**95**	1,752	2,051	-	161
Total commercial	**2,130**	3,527	21,705	257	1,244
Consumer:					
Consumer real estate	**14,083**	22,246	14,433	16,110	16,668
Permanent mortgage	**4,032**	4,562	3,460	5,428	3,991
Credit card & other	**1,614**	2,126	1,970	1,590	1,398
Total consumer	**19,729**	28,934	19,863	23,128	22,057
Total loans past due 90 days or more and still accruing (a) (b)	**$ 21,859**	$ 32,461	$ 41,568	$ 23,385	$ 23,301
Loans 30 to 89 days past due	**$ 36,052**	$ 42,703	$ 50,884	$ 42,570	$ 50,896
Loans 30 to 89 days past due – guaranteed (c)	**-**	82	85	89	-
Loans held-for-sale 30 to 89 days past due (b)	**3,732**	5,790	13,419	6,462	7,133
Loans held-for-sale 30 to 89 days past due – guaranteed portion (b) (c)	**3,424**	4,848	5,975	6,248	7,133
Loans held-for-sale 90 days past due (b)	**6,484**	7,368	10,885	14,868	17,230
Loans held-for-sale 90 days past due – guaranteed portion (b) (c)	**6,417**	7,237	9,451	14,657	17,131
Potential problem assets (d)	**$346,896**	$316,952	$327,214	$290,354	$208,706

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

Troubled Debt Restructuring and Loan Modifications

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

Commercial Loan Modifications

As part of FHN's credit risk management governance processes, the Loan Rehab and Recovery Department ("LRRD") is responsible for managing most commercial relationships with borrowers whose financial condition has deteriorated to such an extent that the credits are being considered for impairment, classified as substandard or worse, placed on nonaccrual status, foreclosed or in process of foreclosure, or in active or contemplated litigation. LRRD has the authority and responsibility to enter into workout and/or rehabilitation agreements with troubled commercial borrowers in order to mitigate and/or minimize the amount of credit losses recognized from these problem assets. While every circumstance is different, LRRD will generally use forbearance agreements (generally 6-12 months) as an element of commercial loan workouts, which might include reduced interest rates, reduced payments, release of guarantor, or entering into short sale agreements.

The individual impairment assessments completed on commercial loans in accordance with the Accounting Standards Codification Topic related to Troubled Debt Restructurings ("ASC 310-40") include loans classified as TDRs as well as loans that may have been modified yet not classified as TDRs by management. For example, a modification of loan terms that management would generally not consider to be a TDR could be a temporary extension of maturity to allow a borrower to complete an asset sale whereby the proceeds of such transaction are to be paid to satisfy the outstanding debt. Additionally, a modification that extends the term of a loan but does not involve reduction of principal or accrued interest, in which the interest rate is adjusted to reflect current market rates for similarly situated borrowers, is not considered a TDR. Nevertheless, each assessment will take into account any modified terms and will be comprehensive to ensure appropriate impairment assessment. If individual impairment is identified, management will either hold specific reserves on the amount of impairment, or, if the loan is collateral dependent, write down the carrying amount of the asset to the net realizable value of the collateral.

Consumer Loan Modifications

FHN does not currently participate in any of the loan modification programs sponsored by the U.S. government but does generally structure modified consumer loans using the parameters of the former Home Affordable Modification Program ("HAMP"). Generally, a majority of loans modified under any such proprietary programs are classified as TDRs.

Within the HELOC and R/E installment loans classes of the consumer portfolio segment, TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 1 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate generally returns to the original interest rate prior to modification; for certain modifications, the modified interest rate increases 2 percent per year until the original interest rate prior to modification is achieved. Permanent mortgage TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate steps up 1 percent every year until it reaches the Federal Home Loan Mortgage Corporation Weekly Survey Rate cap. Contractual maturities may be extended to 40 years on permanent mortgages and to 30 years for consumer real estate loans. Within the credit card class of the consumer portfolio segment, TDRs are typically modified through either a short-term credit card hardship program or a longer-term credit card workout program. In the credit card hardship program, borrowers may be granted rate and payment reductions for 6 months to 1 year. In the credit card workout program, customers are granted a rate reduction to 0 percent and term extensions for up to 5 years to pay off the remaining balance.

Following classification as a TDR, modified loans within the consumer portfolio, which were previously evaluated for impairment on a collective basis determined by their smaller balances and homogenous nature, become subject to the impairment guidance in ASC 310-10-35, which requires individual evaluation of the debt for impairment. However, as applicable accounting guidance allows, FHN may aggregate certain smaller-balance homogeneous TDRs and use historical statistics, such as aggregated charge-off amounts and average amounts recovered, along with a composite effective interest rate to measure impairment when such impaired loans have risk characteristics in common.

On December 31, 2019 and December 31, 2018, FHN had $206.3 million and $228.2 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $19.7 million and $27.7 million, or 10 and 12 percent of TDR balances, as of December 31, 2019 and December 31, 2018, respectively. Additionally, FHN had $51.1 million and $57.8 million of HFS loans classified as TDRs as of December 31, 2019 and December 31, 2018, respectively. Total held-to-maturity TDRs decreased by $21.9 million with the decline attributable to consumer real estate and permanent mortgage partially offset by an increase in commercial.

The following table provides a summary of TDRs for the periods ended December 31, 2019 and 2018:

Table 26 – Troubled Debt Restructurings

(Dollars in thousands)	**As of December 31, 2019**	As of December 31, 2018
Held-to-maturity:		
Permanent mortgage:		
Current	**$ 49,086**	$ 54,114
Delinquent	**1,999**	2,367
Non-accrual (a)	**10,508**	14,365
Total permanent mortgage	**61,593**	70,846
Consumer real estate:		
Current	**56,439**	68,960
Delinquent	**2,635**	2,311
Non-accrual (b)	**41,579**	47,163
Total consumer real estate	**100,653**	118,434
Credit card and other:		
Current	**615**	665
Delinquent	**38**	30
Non-accrual	**-**	-
Total credit card and other	**653**	695
Commercial loans:		
Current	**10,558**	13,246
Delinquent	**-**	831
Non-accrual	**32,841**	24,167
Total commercial loans	**43,399**	38,244
Total held-to-maturity	**$206,298**	$228,219
Held-for-sale:		
Current	**$ 39,014**	$ 42,574
Delinquent	**8,008**	10,041
Non-accrual	**4,106**	5,209
Total held-for-sale	**51,128**	57,824
Total troubled debt restructurings	**$257,426**	$286,043

(a) Balances as of December 31, 2019 and 2018, include $2.3 million and $3.6 million, respectively, of discharged bankruptcies.
(b) Balances as of December 31, 2019 and 2018, include $10.3 million and $13.0 million, respectively, of discharged bankruptcies.

RISK MANAGEMENT

FHN derives revenue from providing services and, in many cases, assuming and managing risk for profit which exposes the Company to business strategy and reputational, interest rate, liquidity, market, capital adequacy, operational, compliance, and credit risks that require ongoing oversight and management. FHN has an enterprise-wide approach to risk governance, measurement, management, and reporting including an economic capital allocation process that is tied to risk profiles used to measure risk-adjusted returns. Through an enterprise-wide risk governance structure and a statement of risk tolerance approved by the Board, management continually evaluates the balance of risk/return and earnings volatility with shareholder value.

FHN's enterprise-wide risk governance structure begins with the Board. The Board, working with the Executive & Risk Committee of the Board, establishes the Company's risk tolerance by approving policies and limits that provide standards for the nature and the level of risk the Company is willing to assume. The Board regularly receives reports on management's performance against the Company's risk tolerance primarily through the Board's Executive & Risk and Audit Committees.

To further support the risk governance provided by the Board, FHN has established accountabilities, control processes, procedures, and a management governance structure designed to align risk management with risk-taking throughout the Company. The control procedures are aligned with FHN's four components of risk governance: (1) Specific Risk Committees; (2) the Risk Management Organization; (3) Business Unit Risk Management; and (4) Independent Assurance Functions.

1. Specific Risk Committees: The Board has delegated authority to the Chief Executive Officer ("CEO") to manage Business Strategy and Reputation Risk, and the general business affairs of the Company under the Board's oversight. The CEO utilizes the executive management team and the Executive Risk Management Committee to carry out these duties and to analyze existing and emerging strategic and reputation risks and determines the appropriate course of action. The Executive Risk Management Committee is comprised of the CEO and certain officers designated by the CEO. The Executive Risk Management Committee is supported by a set of specific risk committees focused on unique risk types (e.g. liquidity, credit, operational, etc). These risk committees provide a mechanism that assembles the necessary expertise and perspectives of the management team to discuss emerging risk issues, monitor the Company's risk-taking activities, and evaluate specific transactions and exposures. These committees also monitor the direction and trend of risks relative to business strategies and market conditions and direct management to respond to risk issues.

2. The Risk Management Organization: The Company's risk management organization, led by the Chief Risk Officer and Chief Credit Officer, provides objective oversight of risk-taking activities. The risk management organization translates FHN's overall risk tolerance into approved limits and formal policies and is supported by corporate staff functions, including the Corporate Secretary, Legal, Finance, Human Resources, and Technology. Risk management also works with business units and functional experts to establish appropriate operating standards and monitor business practices in relation to those standards. Additionally, risk management proactively works with business units and senior management to focus management on key risks in the Company and emerging trends that may change FHN's risk profile. The Chief Risk Officer has overall responsibility and accountability for enterprise risk management and aggregate risk reporting.

3. Business Unit Risk Management: The Company's business units are responsible for identifying, acknowledging, quantifying, mitigating, and managing all risks arising within their respective units. They determine and execute their business strategies, which puts them closest to the changing nature of risks and they are best able to take the needed actions to manage and mitigate those risks. The business units are supported by the risk management organization that helps identify and consider risks when making business decisions. Management processes, structure, and policies are designed to help ensure compliance with laws and regulations as well as provide organizational clarity for authority, decision-making, and accountability. The risk governance structure supports and promotes the escalation of material items to executive management and the Board.

4. Independent Assurance Functions: Internal Audit, Credit Assurance Services ("CAS"), and Model Validation provide an independent and objective assessment of the design and execution of the Company's internal control system, including management processes, risk governance, and policies and procedures. These groups' activities are designed to provide reasonable assurance that risks are appropriately identified and communicated; resources are safeguarded; significant financial, managerial, and operating information is complete, accurate, and reliable; and employee actions are in compliance with the Company's policies and applicable laws and regulations. Internal Audit and CAS report to the Chief Audit Executive, who is appointed by and reports to the Audit Committee of the Board. Internal Audit reports quarterly to the Audit Committee of the Board, while CAS reports quarterly to the Executive & Risk Committee of the Board. Model Validation reports to the Chief Risk Officer and reports annually to the Audit Committee of the Board.

MARKET RISK MANAGEMENT

Market risk is the risk that changes in market conditions will adversely impact the value of assets or liabilities, or otherwise negatively impact FHN's earnings. Market risk is inherent in the financial instruments associated with FHN's operations, primarily trading activities within FHN's fixed income segment, but also through non-trading activities which are primarily affected by interest rate risk that is managed by the Asset Liability Committee ("ALCO") within FHN.

FHN is exposed to market risk related to the trading securities inventory and loans held-for-sale maintained by its Fixed Income division in connection with its fixed income distribution activities. Various types of securities inventory positions are procured for distribution to customers by the sales staff. When these securities settle on a delayed basis, they are considered forward contracts. Refer to the "Determination of Fair Value - Trading securities and trading liabilities" section of Note 24 - Fair Value of Assets and Liabilities, which section is incorporated into this MD&A by this reference.

FHN's market risk appetite is approved by the Executive & Risk Committee of the Board of Directors and executed through management policies and procedures of ALCO and the FHN Financial Risk Committee. These policies contain various market risk limits including, for example, overall balance sheet size limits for Fixed Income, VaR limits for the trading securities inventory, and individual position limits and sector limits for products with credit risk, among others. Risk measures are computed and reviewed on a daily basis to ensure compliance with market risk management policies.

VaR and Stress Testing

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

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

Table 27 – VaR and SVaR Measures

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

(Dollars in thousands)	Year Ended December 31, 2018 Mean	High	Low	As of December 31, 2018
1-day				
VaR	$ 1,728	$ 2,660	$ 1,148	$ 1,878
SVaR	9,191	11,918	6,576	8,881
10-day				
VaR	3,735	5,124	2,601	3,258
SVaR	24,762	32,343	16,257	21,621

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

Table 28 – Schedule of Risks Included in VaR

	As of December 31, 2019		As of December 31, 2018	
(Dollars in thousands)	**1-day**	**10-day**	1-day	10-day
Interest rate risk	**$693**	**$3,929**	$618	$1,514
Credit spread risk	**417**	**828**	394	596

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

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

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

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

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

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

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

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

Model Validation

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

INTEREST RATE RISK MANAGEMENT

Interest rate risk is the risk to earnings or capital arising from movement in interest rates. ALCO is responsible for overseeing the management of existing and emerging interest rate risk in the company within risk tolerances established by the Board. FHN primarily manages interest rate risk by structuring the balance sheet to maintain a desired level of associated earnings and to protect the economic value of FHN's capital.

Net interest income and the value of equity are affected by changes in the level of market interest rates because of the differing repricing characteristics of assets and liabilities, the exercise of prepayment options held by loan customers, the early withdrawal options held by deposit customers, and changes in the basis between and changing shapes of the various yield curves used to price assets and liabilities. To isolate the repricing, basis, option, and yield curve components of overall interest rate risk, FHN employs Gap, Earnings at Risk, and Economic Value of Equity analyses generated by a balance sheet simulation model.

Net Interest Income Simulation Analysis

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

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

Based on a static balance sheet as of December 31, 2019, 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 .5 percent, .8 percent, 2.1 percent, and 3.5 percent, respectively compared to base NII. A steepening yield curve scenario where long-term rates increase by 50 basis points and short-term rates are static, results in a favorable NII variance of .7 percent. A flattening yield curve scenario where long-term rates decrease by 50 basis points and short-term rates are static, results in an unfavorable NII variance of 1.1 percent. Rate shocks of minus 25 basis points and 50 basis points result in unfavorable NII variances of 1.0 percent and 2.7 percent. These hypothetical scenarios are used to create a risk measurement framework, and do not necessarily represent management's current view of future interest rates or market developments.

During the past few years, the movement of short term interest rates higher after a prolonged period of very low interest rates has had an overall positive effect on FHN's NII and NIM. More recently, the Federal Reserve has lowered short term interest rates. However, competitive pressures have caused FHN's deposit costs to fall slower than the long term "through the cycle" assumptions made in its simulation model. Of the many assumptions made in its simulation model, deposit pricing and deposit mix are two that can have a meaningful impact on measured results. For example, in the analysis presented above, interest bearing deposit rates are assumed to decrease by

25 basis points in the -50 basis point scenario. If interest bearing deposit costs were to decline 5 percent less than currently assumed in the -50 basis point scenario, the 2.7 percent unfavorable variance in NII disclosed above for that scenario would deteriorate to a 2.9 percent unfavorable variance.

Fair Value Shock Analysis

Interest rate risk and the slope of the yield curve also affect the fair value of Fixed Income's trading inventory that is reflected in Fixed Income's noninterest income.

Generally, low or declining interest rates with a positively sloped yield curve tend to increase Fixed Income's income through higher demand for fixed income products. Additionally, the fair value of Fixed Income's trading inventory can fluctuate as a result of differences between current interest rates and the interest rates of fixed income securities in the trading inventory.

Derivatives

In the normal course of business, FHN utilizes various financial instruments (including derivative contracts and credit-related agreements) to manage the risk of loss arising from adverse changes in the fair value of certain financial instruments generally caused by changes in interest rates including Fixed Income's securities inventory, certain term borrowings, and certain loans. Additionally, Fixed Income or Regional Banking may enter into derivative contracts in order to meet customers' needs. However, such derivative contracts are typically offset with a derivative contract entered into with an upstream counterparty in order to mitigate risk associated with changes in interest rates.

The simulation models and related hedging strategies discussed above exclude the dynamics related to how fee income and noninterest expense may be affected by actual changes in interest rates or expectations of changes. See Note 22 – Derivatives for additional discussion of these instruments.

CAPITAL RISK MANAGEMENT AND ADEQUACY

The capital management objectives of FHN 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. The Capital Management Committee, chaired by the Senior Vice President and Corporate Treasurer, reports to ALCO and is responsible for capital management oversight and provides a forum for addressing management issues related to capital adequacy. This committee reviews sources and uses of capital, key capital ratios, segment economic capital allocation methodologies, and other factors in monitoring and managing current capital levels, as well as potential future sources and uses of capital. The Capital Management Committee also recommends capital management policies, which are submitted for approval to ALCO and the Executive & Risk Committee and the Board as necessary.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss from inadequate or failed internal processes, people, or systems or from external events including data or network security breaches of FHN or of third parties affecting FHN or its customers. This risk is inherent in all businesses. Operational risk is divided into the following risk areas, which have been established at the corporate level to address these risks across the entire organization:

- Business Continuity Planning/Records Management
- Compliance/Legal
- Program Governance
- Fiduciary
- Financial Crimes (including Bank Secrecy Act, know your customer, security, and fraud)

- Financial (including disclosure controls and procedures)
- Information Technology (including cybersecurity)
- Vendor

Management, measurement, and reporting of operational risk are overseen by the Operational Risk, Fiduciary, Financial Governance, FHN Financial Risk, and Investment Rationalization Board Committees. Key representatives from the business segments, operating units, and supporting units are represented on these committees as appropriate. These governance committees manage the individual operational risk types across the Company by setting standards, monitoring activity, initiating actions, and reporting exposures and results. Key Committee activities and decisions are reported to the appropriate governance committee or included in the Enterprise Risk Report, a quarterly analysis of risk within the organization that is provided to the Executive and Risk Committee. Emphasis is dedicated to refinement of processes and tools to aid in measuring and managing material operational risks and providing for a culture of awareness and accountability.

COMPLIANCE RISK MANAGEMENT

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of failure to comply with laws, regulations, rules, self-regulatory organization standards, and codes of conduct applicable to FHN's activities. Management, measurement, and reporting of compliance risk are overseen by the Operational Risk Committee. Key executives from the business segments, legal, risk management, and service functions are represented on the Committee. Summary reports of Committee activities and decisions are provided to the appropriate governance committees. Reports include the status of regulatory activities, internal compliance program initiatives, and evaluation of emerging compliance risk areas.

CREDIT RISK MANAGEMENT

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

FHN assesses and manages credit risk through a series of policies, processes, measurement systems, and controls. The Credit Risk Management Committee ("CRMC") is responsible for overseeing the management of existing and emerging credit risks in the company within the broad risk tolerances established by the Board. The CRMC reports through the Executive Risk Management Committee. The Credit Risk Management function, led by the Chief Credit Officer, provides strategic and tactical credit leadership by maintaining policies, overseeing credit approval, assessing new credit products, strategies and processes, and managing portfolio composition and performance.

While the Credit Risk function oversees FHN's credit risk management, there is significant coordination between the business lines and the Credit Risk function in order to manage FHN's credit risk and maintain strong asset quality. The Credit Risk function recommends portfolio, industry/sector, and individual customer limits to the Executive & Risk Committee of the Board for approval. Adherence to these approved limits is vigorously monitored by Credit Risk which provides recommendations to slow or cease lending to the business lines as commitments near established lending limits. Credit Risk also ensures subject matter experts are providing oversight, support and credit approvals, particularly in the specialty lending areas where industry-specific knowledge is required. Management emphasizes general portfolio servicing such that emerging risks are able to be spotted early enough to correct potential deficiencies, prevent further credit deterioration, and mitigate credit losses.

The Credit Risk Management function assesses the asset quality trends and results, as well as lending processes, adherence to underwriting guidelines (portfolio-specific underwriting guidelines are discussed further in the Asset Quality Trends section), and utilizes this information to inform management regarding the current state of credit quality and as a factor of the estimation process for determining the allowance for loan losses. The CRMC reviews on a periodic basis various reports issued by assurance functions which provide an independent assessment of the adequacy of loan servicing, grading accuracy, and other key functions. Additionally, CRMC is presented with and discusses various portfolios, lending activity and lending-related projects.

All of the above activities are subject to independent review by FHN's Credit Assurance Services Group. CAS reports to the Chief Audit Executive, who is appointed by and reports to the Audit Committee of the Board, and provides quarterly reports to the Executive & Risk Committee of the Board. CAS is charged with providing the Executive & Risk Committee of the Board and executive management with independent, objective, and timely assessments of FHN's portfolio quality, credit policies, and credit risk management processes.

LIQUIDITY RISK MANAGEMENT

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

In accordance with the Liquidity Policy, ALCO manages FHN's exposure to liquidity risk through a dynamic, real time forecasting methodology. Base liquidity forecasts are reviewed by ALCO and are updated as financial conditions dictate. In addition to the baseline liquidity reports, robust stress testing of assumptions and funds availability are periodically reviewed. FHN maintains a contingency funding plan that may be executed, should unexpected difficulties arise in accessing funding that affects FHN, the industry as a whole, or both. Subject to market conditions and compliance with applicable regulatory requirements from time to time, funds are available from a number of sources including the available-for-sale securities portfolio, dealer and commercial customer repurchase agreements, access to the overnight and term Federal Funds markets, incremental borrowing capacity at the FHLB ($3.4 billion was available at December 31, 2019), brokered deposits, loan sales, syndications, and access to the Federal Reserve Banks.

Core deposits are a significant source of funding and have historically been a stable source of liquidity for banks. Generally, core deposits represent funding from a financial institution's customer base which provide inexpensive, predictable pricing. The Federal Deposit Insurance Corporation insures these deposits to the extent authorized by law. Generally, these limits are $250 thousand per account owner for interest bearing and non-interest bearing accounts. The ratio of total loans, excluding loans HFS and restricted real estate loans, to core deposits was 98 percent on December 31, 2019 compared to 100 percent on December 31, 2018.

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

Both FHN and First Horizon Bank may access the debt markets in order to provide funding through the issuance of senior or subordinated unsecured debt subject to market conditions and compliance with applicable regulatory requirements. In 2014, First Horizon Bank issued $400 million of fixed rate senior notes due in December 2019. In October 2015, FHN issued $500 million of fixed rate senior notes due in December 2020. First Horizon Bank early redeemed the $400 million senior debt on November 1, 2019.

Both FHN and First Horizon Bank have the ability to generate liquidity by issuing preferred equity, and (for FHN) by issuing common equity, subject to market conditions and compliance with applicable regulatory requirements. In January 2013, FHN issued $100 million of Non-Cumulative Perpetual Preferred Stock, Series A. As of December 31, 2019, First Horizon Bank and subsidiaries had outstanding preferred shares of $295.4 million, which are reflected as noncontrolling interest on the Consolidated Statements of Condition.

Parent company liquidity is primarily provided by cash flows stemming from dividends and interest payments collected from subsidiaries. These sources of cash represent the primary sources of funds to pay cash dividends to shareholders and principal and interest to debt holders of FHN. The amount paid to the parent company through First Horizon Bank common dividends is managed as part of FHN's overall cash management process, subject to applicable regulatory restrictions. Certain regulatory restrictions exist regarding the ability of First Horizon Bank to transfer funds to FHN in the form of cash, common dividends, loans, or advances. At any given time, the pertinent portions of those regulatory restrictions allow First Horizon Bank to declare preferred or common dividends without prior regulatory approval in an aggregate amount equal to First Horizon Bank's retained net income for the two most recent completed years plus the current year to date. For any period, First Horizon Bank's 'retained net income' generally is equal to First Horizon Bank's regulatory net income reduced by the preferred and common dividends declared by First Horizon Bank. Applying the dividend restrictions imposed under applicable federal and state rules as outlined above, the Bank's total amount available for dividends was $331.2 million as of January 1,

2020. Consequently, on that date the Bank could pay common dividends up to that amount to its sole common stockholder, FHN, or to its preferred shareholders without prior regulatory approval. First Horizon Bank declared and paid common dividends to the parent company in the amount of $345.0 million in 2019 and $420.0 million in 2018. In January 2020, First Horizon Bank declared and paid a common dividend to the parent company in the amount of $65 million. During 2019 and 2018, First Horizon Bank declared and paid dividends on its preferred stock quarterly. Additionally, First Horizon Bank declared preferred dividends in first quarter 2020 payable in April 2020.

Payment of a dividend to shareholders of FHN is dependent on several factors which are considered by the Board. These factors include FHN's current and prospective capital, liquidity, and other needs, applicable regulatory restrictions, and also availability of funds to FHN through a dividend from First Horizon Bank. Beginning January 1, 2019, FHN and First Horizon Bank each must maintain a capital conservation buffer or else face dividend restrictions. The buffer is an extra one-half percent above well-capitalized levels (equal to an extra 2.5 percent above minimum levels) for each of three capital ratios: Common Equity Tier 1, Tier 1, and Total Capital. The restrictions would apply to FHN or First Horizon Bank if the buffer is not met for any of those ratios. 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 $.14 per common share on January 2, 2020, and in January 2020 the Board approved a $.15 per common share cash dividend payable on April 1, 2020, to shareholders of record on March 13, 2020. FHN paid a cash dividend of $1,550.00 per preferred share on January 10, 2020, and in January 2020 the Board approved a $1,550.00 per preferred share cash dividend payable on April 10, 2020, to shareholders of record on March 26, 2020.

CREDIT RATINGS

FHN is currently able to fund a majority of the balance sheet through core deposits, which are generally not as sensitive to FHN's credit ratings as other types of funding. However, maintaining adequate credit ratings on debt issues and preferred stock is critical to liquidity should FHN need to access funding from other sources, including from long-term debt issuances and certain brokered deposits, at an attractive rate. The availability and cost of funds other than core deposits is also dependent upon marketplace perceptions of the financial soundness of FHN, which include such factors as capital levels, asset quality, and reputation. The availability of core deposit funding is stabilized by federal deposit insurance, which can be removed only in extraordinary circumstances, but may also be influenced to some extent by the same factors that affect other funding sources. FHN's credit ratings are also referenced in various respects in agreements with certain derivative counterparties as discussed in Note 22 – Derivatives.

The following table provides FHN's most recent credit ratings:

Table 29 – Credit Ratings

	Moody's (a)	Fitch (b)
First Horizon National Corporation		
Overall credit rating: Long-term/Short-term/Outlook	Baa3/Stable	BBB/F2/Stable
Long-term senior debt	Baa3	BBB
Subordinated debt (c)	Baa3	BBB-
Junior subordinated debt (c)	Ba1	BB-
Preferred stock	Ba2	B+
First Horizon Bank		
Overall credit rating: Long-term/Short-term/Outlook	Baa3/P-2/Stable	BBB/F2/Stable
Long-term/short-term deposits	A3/P-2	BBB+/F2
Long-term/short-term senior debt	Baa3/P-2	BBB/F2
Subordinated debt (c)	Baa3	BBB-
Preferred stock	Ba2	B+
FT Real Estate Securities Company, Inc.		
Preferred stock	Ba1	

A rating is not a recommendation to buy, sell, or hold securities and is subject to revision or withdrawal at any time and should be evaluated independently of any other rating.

(a) Last change in ratings was on May 14, 2015; ratings/outlook affirmed on November 5, 2019.

(b) Last change in ratings was on May 20, 2019; ratings/outlook affirmed on November 5, 2019.

(c) Ratings are preliminary/implied.

CASH FLOWS

The Consolidated Statements of Cash Flows provide information on cash flows from operating, investing, and financing activities for the years ended December 31, 2019, 2018, and 2017. The level of cash and cash equivalents decreased $138.4 million during 2019 compared to a decrease of $46.7 million during 2018 and an increase of $414.3 million in 2017.

Net cash used by investing activities was $2.4 billion in 2019, largely driven by an increase in loan balances somewhat offset by a decrease in interest-bearing cash and a net decrease in AFS debt securities, as maturities and sales outpaced purchases. Net cash provided by financing activities was $1.4 billion in 2019, primarily driven by an increase in short-term borrowings somewhat offset by a decrease in term borrowings, deposits, share repurchases and cash dividends paid during 2019. The increase in short-term borrowings was primarily the result of an increase in FHLB borrowings, which fluctuate largely based on loan demand, deposit levels and balance sheet funding strategies. The decrease in term borrowing was primarily the result of FHN's redemption of $400 million of senior debt during fourth quarter 2019. Net cash provided by operating activities was $830.3 million in 2019 due in large part to net cash inflows of $1.4 billion related to a decrease in fixed income trading securities and favorably driven cash-related net income items. Cash outflows of $1.3 billion related to loans HFS negatively impacted operating cash flows during 2019 as purchases of government guaranteed loans outpaced sales, including the sale of approximately $25 million UPB of subprime consumer loans in 2019.

Net cash used in financing activities was $761.4 million in 2018, driven by a decrease in short-term borrowings and to a lesser extent cash dividends paid and share repurchases, somewhat offset by an increase in deposits. The decrease in short-term borrowings was primarily the result of a decline in FHLB borrowings. The increase in deposits was due in large part to increases in savings and time deposits as a result of FHN's strategic focus on growing deposits. Net cash provided by investing activities was $480.4 million in 2018, driven by proceeds from the sales of FHN's remaining Visa Class B shares and net decreases in the AFS and loan portfolios. Proceeds from the sales and payoffs of TRUPS loans and OREO during 2018 also favorably impacted cash flows in 2018. A decrease in interest-bearing cash, cash paid associated with the cancellation of common shares in connection with CBF dissenting shareholders, and cash paid related to the divestiture of two branches negatively impacted investing cash flows during 2018. Net cash provided by operating cash flows was $234.3 million in 2018. A $1.0 billion net decrease in fixed income trading activities and favorably driven cash-related net income items positively impacted operating cash flows in 2018, but were somewhat offset by cash outflows of $1.4 billion related to a net increase in loans HFS, as purchases of government guaranteed loans outpaced sales, including the sale of approximately $120 million of subprime auto loans.

Net cash provided by financing activities was $1.8 billion in 2017, largely driven by cash inflows of $2.1 billion related to an increase in short-term borrowings, primarily FHLB borrowings used to fund loan growth; however these were somewhat offset by a decrease in deposit balances and cash dividends. Net cash used by investing activities was $1.3 billion in 2017 primarily driven by increases in loan balances and interest-bearing cash of $808.4 million and $121.4 million, respectively, as well as $336.6 million of net cash payments associated with the CBF and Coastal acquisitions. Net cash used by operating activities was $28.8 million in 2017 as operating cash flows were negatively impacted by a net increase in loans HFS within the fixed income segment as well as cash outflows of $384.2 million related to fixed income activities, but were favorably impacted by cash-related net income items and a $223.8 million net decrease in operating assets and liabilities.

REPURCHASE OBLIGATIONS, OFF-BALANCE SHEET ARRANGEMENTS, AND OTHER CONTRACTUAL OBLIGATIONS

Obligations from Pre-2009 Mortgage Businesses

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

From these pre-2009 activities, FHN has incurred substantial losses stemming from obligations to repurchase loans, pay make-whole amounts, or otherwise resolve claims that loans which FHN originated, or FHN's servicing of those loans, were deficient in a manner for which FHN was liable. Many years ago, FHN established a repurchase and foreclosure liability, or reserve, in connection with those claims. FHN has settled many claims, and the reserve is reduced each time a claim is settled. As discussed in Note 17 – Contingencies and Other Disclosures, FHN's principal remaining exposures for those activities relate to (i) indemnification claims by underwriters, loan purchasers, and other parties which assert that FHN-originated loans caused or contributed to losses which FHN is legally obliged to indemnify, and (ii) indemnification or other claims related to FHN's servicing of pre-2009 mortgage loans.

Servicing Obligations

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

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

As mentioned in Note 17 – Contingencies and Other Disclosures – FHN has received a notice of indemnification claims from its 2011 subservicer, Nationstar Mortgage LLC, currently doing business as "Mr. Cooper." The notice asserts several categories of indemnity obligations by FHN to Nationstar in connection with mortgage loans under the subservicing arrangement and under the purchase transaction. This matter currently is not in formal litigation, but litigation in the future is possible.

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

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

Repurchase and Foreclosure Liability
The repurchase and foreclosure liability is comprised of accruals to cover estimated loss content in the active pipeline (consisting of mortgage loan repurchase, make-whole, foreclosure/servicing demands and certain related exposures), estimated future inflows, and estimated loss content related to certain known claims not currently included in the active pipeline. The liability contemplates repurchase/make-whole and damages obligations and estimates for probable incurred losses associated with loan populations excluded from the settlements with the GSEs, as well as other whole loans sold, mortgage insurance cancellations rescissions, and loans included in bulk servicing sales effected prior to the settlements with the GSEs. FHN compares the estimated probable incurred losses determined under the applicable loss estimation approaches for the respective periods with current reserve levels. Changes in the estimated required liability levels are recorded as necessary through the repurchase and foreclosure provision. The repurchase and foreclosure liability decreased to $14.5 million on December 31, 2019 from $32.3 million on December 31, 2018, primarily driven by a $12.6 million payment related to a complete settlement with a single party during second quarter 2019.

Other Contractual Obligations
Pension obligations are funded by FHN to provide current and future benefits to participants in FHN's noncontributory, defined benefit pension plan. On December 31, 2019, the annual measurement date, pension obligations (representing the present value of estimated future benefit payments), including obligations of the unfunded plans, were $835.9 million with $826.1 million of assets (measured at current fair value) in the qualified plan's trust to fund the qualified plan's obligations. The discount rate for 2019 of 3.31 percent for the qualified pension plan and 3.08 percent for the nonqualified supplemental executive retirement plan was determined by using a hypothetical AA yield curve represented by a series of annualized individual discount rates from one-half to thirty years. The discount rates for the pension and nonqualified supplemental executive retirement plans are selected based on data specific to FHN's plans and participant populations. See Note 18 – Pension, Savings, and Other Employee Benefits for additional information. As of December 31, 2019, the plan assets exceeded the projected benefit obligation and the accumulated benefit obligation for the qualified pension plan. Decisions to contribute to the plan are based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. FHN made no contributions to the qualified pension plan in 2019 and 2017, and made an insignificant contribution to the qualified pension plan in 2018. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan in 2020.

The nonqualified pension plans and other postretirement benefit plans, excluding the retiree medical plan, are unfunded. Benefit payments under the non-qualified plans were $5.2 million in 2019. FHN anticipates 2020 benefit payments to be $5.2 million.

FHN has various other financial obligations which may require future cash payments. The following table sets forth contractual obligations representing required and potential cash outflows as of December 31, 2019. Purchase obligations represent obligations under agreements to purchase goods or services that are enforceable and legally binding on FHN and that specify all significant terms, including fixed or minimum quantities to be purchased;

fixed, minimum, or variable price provisions; and the approximate timing of the transaction. In addition, FHN enters into commitments to extend credit to borrowers, including loan commitments, standby letters of credit, and commercial letters of credit. These commitments do not necessarily represent future cash requirements in that these commitments often expire without being drawn upon and are not included in the table.

Table 30 – Contractual Obligations as of December 31, 2019

	Payments due by period (a)				
(Dollars in thousands)	Less than 1 year	1 year - < 3 years	3 years - < 5 years	After 5 years	Total
Contractual obligations:					
Time deposit maturities (b) (c)	$2,824,792	$641,798	$133,059	$ 18,688	$3,618,337
Term borrowings (b) (d)	500,000	236	-	316,661	816,897
Annual rental commitments under noncancelable leases (b) (e)	26,594	48,180	44,911	156,524	276,209
Purchase obligations	92,844	63,796	24,383	3,976	184,999
Total contractual obligations	$3,444,230	$754,010	$202,353	$495,849	$4,896,442

(a) Excludes a $24.4 million liability for unrecognized tax benefits as the timing of payment cannot be reasonably estimated.
(b) Amounts do not include interest.
(c) See Note 8 – Time Deposit Maturities for further details.
(d) See Note 10 – Term Borrowings for further details.
(e) See Note 6 – Premises, Equipment and Leases for further details.

MARKET UNCERTAINTIES AND PROSPECTIVE TRENDS

FHN's future results could be affected both positively and negatively by several known trends. Key among those are FHN's strategic initiatives, changes in the U.S. and global economy and outlook, government actions affecting interest rates, political uncertainty, and potential changes in federal policies including changes to the government's approach to tariffs and the potential impact to our customers. In addition, pre-2009 mortgage business matters in the Non-strategic segment could continue to impact FHN's quarterly results in ways which are both difficult to predict and unrelated to current operations.

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

Performance by FHN, and the entire U.S. financial services industry, is affected considerably by the overall health of the U.S. and global economy and outlook. Furthermore, FHN may be indirectly impacted by global events that impact our customers and their businesses. The most recent recession ended in 2009. During the U.S. economic expansion since 2009, growth was muted compared to earlier recoveries. In the past several years, growth has been more robust and more volatile, impacted (up or down) by several significant events such as U.S. tax and regulatory reform, protracted U.S. tariffs and trade negotiations with major foreign trading partners, and, in 2019, an abrupt change in U.S. interest rate policy. Because few expansions last longer than ten years, it is uncertain how much longer the current expansion will continue even though, currently, indications of impending weakness are modest and mixed.

In 2018, the Federal Reserve raised short-term interest rates by .25 percent four times following similar, but less frequent, raises starting in 2015. These actions, along with a decline in long-term interest rates, flattened the yield curve. Early in 2019, the Federal Reserve signaled the possibility of pausing further increases in short-term interest rates while economic trends were evaluated. The Federal Reserve implemented .25 percent cuts to short-term interest rates three times during 2019. This volatility in 2019 contributed to improved performance in mortgage warehouse lending in the Regional Banking segment and FHN's Fixed Income segment. In 2020, lowered rates will put downward pressure on FHN's net interest margin, and 2019's volatility may abate. However, current expectations that rates are stable, at current (relatively low) levels, appear to have benefited the economy by, at a minimum, removing 2018's threat of rising rate.

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London InterBank Offered Rate ("LIBOR"), announced that it intends to halt persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, LIBOR as currently operated may not continue after 2021. FHN is not currently able to predict the impact that the transition from LIBOR will have on the Company; however, because FHN has instruments with floating rate terms based on LIBOR, FHN may experience increases in interest, dividends, and other costs relative to these instruments subsequent to 2021. Additionally, the transition from LIBOR could impact or change FHN's hedge accounting practices. FHN has initiated efforts to 1) develop an inventory of affected loans, securities, and derivatives, 2) evaluate and draft modifications as needed to address loans outstanding at the time of LIBOR retirement, 3) obtain an understanding of the potential effects for applicable securities and derivatives and 4) assess revisions to product pricing structures based on alternative reference rates. Both the FASB and IRS have released proposals that are intended to facilitate the transition of existing contracts from LIBOR to new reference rates without triggering modification accounting for those contracts. Each proposal contains specific guidance that must be met in order to qualify for the beneficial transition approach and FHN is considering this guidance in its transition plans.

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

Foreclosure Practices

FHN retains exposure for potential deficiencies in servicing related to its pre-2009 mortgage servicing business and subservicing arrangements. Further details regarding these matters are provided in "Obligations from Pre-2009 Mortgage Businesses – Servicing Obligations" under "Repurchase Obligations, Off-Balance Sheet Arrangements, and Other Contractual Obligations."

CRITICAL ACCOUNTING POLICIES

ALLOWANCE FOR LOAN LOSSES

Management's policy is to maintain the ALLL at a level sufficient to absorb estimated probable incurred losses in the loan portfolio. Management performs periodic and systematic detailed reviews of its loan portfolio to identify trends and to assess the overall collectability of the loan portfolio. Accounting standards require that loan losses be recorded when management determines it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Management believes the accounting estimate related to the ALLL is a "critical accounting estimate" as: (1) changes in it can materially affect the provision for loan losses and net income, (2) it requires management to predict borrowers' likelihood or capacity to repay, often under uncertain economic conditions, and (3) it requires management to distinguish between losses incurred as of a balance sheet date and losses expected to be incurred in the future. Accordingly, this is a highly subjective process and requires significant judgment since it is often difficult to determine when specific loss events may actually occur. The ALLL is increased by the provision for loan losses and recoveries and is decreased by charged-off loans. Principal loan amounts are charged off against the ALLL in the period in which the loan or any portion of the loan is deemed to be uncollectible. This critical accounting estimate applies to the regional banking, non-strategic, and corporate segments. A management committee comprised of representatives from Risk Management, Finance, Credit, and Treasury performs a quarterly review of the assumptions used in FHN's ALLL analytical models, makes qualitative assessments of the loan portfolio, and determines if qualitative adjustments should be recommended to the modeled results. On a quarterly basis, as a part of Enterprise Risk reporting and discussion, management addresses credit reserve adequacy and credit losses with the Executive and Risk Committee of FHN's Board of Directors.

FHN believes that the critical assumptions underlying the accounting estimates made by management include: (1) the commercial loan portfolio has been properly risk graded based on information about borrowers in specific industries and specific issues with respect to single borrowers; (2) borrower specific information made available to FHN is current and accurate; (3) the loan portfolio has been segmented properly and individual loans have similar credit risk characteristics and will behave similarly; (4) known significant loss events that have occurred were considered by management at the time of assessing the adequacy of the ALLL; (5) the adjustments for economic conditions utilized in the allowance for loan losses estimate represent actual incurred losses; (6) the period of history used for historical loss factors are most reflective of the current environment; (7) the estimate of the time it takes for a loss event to occur and loss to be recognized (the loss emergence period) is most reflective of the current environment; and (8) the reserve rates, as well as other adjustments estimated by management for current events, trends, and conditions, utilized in the process reflect an estimate of losses that have been incurred as of the date of the financial statements.

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

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

INCOME TAXES

FHN is subject to the income tax laws of the U.S. and the states and jurisdictions in which it operates. FHN accounts for income taxes in accordance with ASC 740, Income Taxes. Significant judgments and estimates are required in the determination of the consolidated income tax expense. FHN income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid.

Income tax expense consists of both current and deferred taxes. Current income tax expense is an estimate of taxes to be paid or refunded for the current period and includes income tax expense related to uncertain tax positions. A DTA or a DTL is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred taxes can be affected by changes in tax rates applicable to future years, either as a result of statutory changes or business changes that may change the jurisdictions in which taxes are paid. Additionally, DTAs are subject to a "more likely than not" test to determine whether the full amount of the DTAs should be realized in the financial statements. FHN evaluates the likelihood of realization of the DTA based on both positive and negative evidence available at the time, including (as appropriate) scheduled reversals of DTLs, projected future taxable income, tax planning strategies, and recent financial performance. Realization is dependent on generating sufficient taxable income prior to the expiration of the carryforwards attributable to or generated with respect to the DTA. In projecting future taxable income, FHN incorporates assumptions including the amount of future state and federal pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates used to manage the underlying business. If the "more likely than not" test is not met, a valuation allowance must be established against the DTA.

The income tax laws of the jurisdictions in which FHN operate are complex and subject to different interpretations by the taxpayer and the relevant government taxing authorities. In establishing a provision for income tax expense, FHN must make judgments and interpretations about the application of these inherently complex tax laws. Interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. FHN attempts to resolve disputes that may arise during the tax examination and audit process. However, certain disputes may ultimately be resolved through the federal and state court systems.

FHN monitors relevant tax authorities and revises estimates of accrued income taxes on a quarterly basis. Changes in estimates may occur due to changes in income tax laws and their interpretation by the courts and regulatory authorities. Revisions of estimates may also result from income tax planning and from the resolution of income tax controversies. Such revisions in estimates may be material to operating results for any given period.

See also Note 15 – Income Taxes for additional information.

CONTINGENT LIABILITIES

A liability is contingent if the amount or outcome is not presently known, but may become known in the future as a result of the occurrence of some uncertain future event. FHN estimates its contingent liabilities based on management's estimates about the probability of outcomes and their ability to estimate the range of exposure. Accounting standards require that a liability be recorded if management determines that it is probable that a loss has occurred and the loss can be reasonably estimated. In addition, it must be probable that the loss will be confirmed by some future event. As part of the estimation process, management is required to make assumptions about matters that are by their nature highly uncertain.

The assessment of contingent liabilities, including legal contingencies, involves the use of critical estimates, assumptions, and judgments. Management's estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events, such as court decisions or decisions of arbitrators, will not differ from management's assessments. Whenever practicable, management consults with third-party experts (e.g., attorneys, accountants, claims administrators, etc.) to assist with the gathering and evaluation of information related to contingent liabilities. Based on internally and/or externally prepared evaluations, management makes a determination whether the potential exposure requires accrual in the financial statements.

See Note 17 – Contingencies and Other Disclosures for additional information.

ACCOUNTING CHANGES ISSUED BUT NOT CURRENTLY EFFECTIVE

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

Table 31 – Summary of Quarterly Financial Information

(Dollars in millions except per share data)	2019				2018			
	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Summary income information:								
Interest income	**$404.1**	**$407.5**	**$412.1**	**$400.6**	$401.2	$393.7	$387.8	$363.4
Interest expense	**92.7**	**106.8**	**108.5**	**106.1**	98.7	88.0	76.9	62.2
Provision/(provision credit) for loan losses	**10.0**	**15.0**	**13.0**	**9.0**	6.0	2.0	-	(1.0)
Noninterest income	**183.3**	**171.7**	**158.0**	**141.0**	110.3	349.0	127.5	136.0
Noninterest expense	**327.4**	**307.7**	**300.4**	**296.1**	281.9	294.0	332.8	313.3
Net income/(loss)	**121.3**	**113.9**	**113.7**	**103.4**	100.8	274.7	86.0	95.0
Income/(loss) available to common shareholders	**$116.8**	**$109.5**	**$109.3**	**$ 99.0**	$ 96.3	$270.3	$ 81.6	$ 90.6
Earnings/(loss) per common share	**$ 0.38**	**$ 0.35**	**$ 0.35**	**$ 0.31**	$ 0.30	$ 0.83	$ 0.25	$ 0.28
Diluted earnings/(loss) per common share	**0.37**	**0.35**	**0.35**	**0.31**	0.30	0.83	0.25	0.27
Common stock information:								
Closing price per share:								
High	**$17.28**	**$16.69**	**$15.21**	**$15.77**	$17.51	$18.85	$19.56	$20.61
Low	**15.41**	**14.66**	**13.41**	**13.37**	12.40	17.03	17.84	18.35
Period-end	**16.56**	**16.20**	**14.93**	**13.98**	13.16	17.26	17.84	18.83
Cash dividends declared per share	**0.14**	**0.14**	**0.14**	**0.14**	0.12	0.12	0.12	0.12

NON-GAAP INFORMATION

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

Table 32 – Non-GAAP to GAAP Reconciliation

(Dollars in thousands)	**2019**	2018	2017	2016	2015
Tangible Common Equity (Non-GAAP)					
(A) Total equity (GAAP)	**$ 5,076,008**	$ 4,785,380	$ 4,580,488	$ 2,705,084	$ 2,639,586
Less: Noncontrolling interest (a)	**295,431**	295,431	295,431	295,431	295,431
Less: Preferred stock (a)	**95,624**	95,624	95,624	95,624	95,624
Total common equity	**4,684,953**	4,394,325	4,189,433	2,314,029	2,248,531
Less: Intangible assets (GAAP) (b)	**1,562,987**	1,587,822	1,571,242	212,388	217,522
(B) Tangible common equity (Non-GAAP)	**3,121,966**	2,806,503	2,618,191	2,101,641	2,031,009
Less: Unrealized gains/(losses) on AFS securities, net of tax	**31,079**	(75,736)	(21,997)	(17,232)	3,394
(C) Adjusted tangible common equity (Non-GAAP)	**$ 3,090,887**	$ 2,882,239	$ 2,640,188	$ 2,118,873	$ 2,027,615
Tangible Assets (Non-GAAP)					
(D) Total assets (GAAP)	**$43,310,900**	$40,832,258	$41,423,388	$28,555,231	$26,192,637
Less: Intangible assets (GAAP) (b)	**1,562,987**	1,587,822	1,571,242	212,388	217,522
(E) Tangible assets (Non-GAAP)	**$41,747,913**	$39,244,436	$39,852,146	$28,342,843	$25,975,115
Average Tangible Common Equity (Non-GAAP)					
Average total equity (GAAP)	**$ 4,920,899**	$ 4,617,529	$ 2,970,308	$ 2,691,478	$ 2,581,187
Less: Average noncontrolling interest (a)	**295,431**	295,431	295,431	295,431	295,431
Less: Average preferred stock (a)	**95,624**	95,624	95,624	95,624	95,624
(F) Total average common equity	**$ 4,529,844**	$ 4,226,474	$ 2,579,253	$ 2,300,423	$ 2,190,132
Less: Average intangible assets (GAAP) (b)	**1,575,338**	1,569,987	376,306	214,915	183,127
(G) Average tangible common equity (Non-GAAP)	**$ 2,954,506**	$ 2,656,487	$ 2,202,947	$ 2,085,508	$ 2,007,005
Net Income Available to Common Shareholders					
(H) Net income available to common shareholders	**$ 434,708**	$ 538,842	$ 159,315	$ 220,846	$ 79,679
Risk Weighted Assets					
(I) Risk weighted assets (c)	**$37,045,782**	$33,002,595	$33,373,877	$23,914,158	$21,812,015
Ratios					
(A)/(D) Total period-end equity to period-end assets (GAAP)	**11.72%**	11.72%	11.06%	9.47%	10.08%
(B)/(E) Tangible common equity to tangible assets ("TCE/TA") (Non-GAAP) (d)	**7.48**	7.15	6.57	7.42	7.82
(C)/(I) Adjusted tangible common equity to risk weighted assets ("TCE/RWA") (Non-GAAP) (d)	**8.34**	8.73	7.91	8.86	9.30
(H)/(F) Return on average common equity ("ROCE") (GAAP) (d)	**9.60**	12.75	6.18	9.60	3.64
(H)/(G) Return on average tangible common equity ("ROTCE") (Non-GAAP) (d)	**14.71**	20.28	7.23	10.59	3.97

(a) Included in Total equity on the Consolidated Statements of Condition.
(b) Includes Goodwill and other intangible assets, net of amortization.
(c) Defined by and calculated in conformity with bank regulations applicable to FHN.
(d) See Glossary of Terms for definition of ratio.

GLOSSARY OF SELECTED FINANCIAL TERMS

Adjusted Tangible Common Equity to Risk Weighted Assets ("TCE/RWA") – Common equity excluding intangible assets and unrealized gains/(losses) on available-for-sale securities divided by risk weighted assets.

Allowance for Loan Losses ("ALLL") – Valuation reserve representing the amount considered by management to be adequate to cover estimated probable incurred losses in the loan portfolio.

Agencies – In this annual report, Agencies are collectively GSEs plus GNMA.

Basis Point – The equivalent of one-hundredth of one percent. One hundred basis points equals one percent. This unit is generally used to measure spreads and movements in interest yields and rates and in measures based on interest yields and rates.

Book Value Per Common Share – A ratio determined by dividing common equity at the end of a period by the number of common shares outstanding at the end of that period.

Commercial and Standby Letters of Credit – Commercial letters of credit are issued or confirmed by an entity to ensure the payment of its customers' payables and receivables. Standby letters of credit are issued by an entity to ensure its customers' performance in dealing with others.

Commitment to Extend Credit ("Unfunded Commitments") – Agreements to make or acquire a loan or lease as long as agreed-upon terms (e.g., expiration date, covenants, or notice) are met. Generally these commitments have fixed expiration dates or other termination clauses and may require payment of a fee.

Common Equity Tier 1 – A measure of a company's capital position under U.S. Basel III capital rules, which includes common equity less goodwill, other intangibles and certain other required regulatory deductions as defined in those rules.

Core Businesses – Management treats regional banking, fixed income, and corporate as FHN's core businesses. Non-strategic has significant pre-2009 mortgage businesses assets and operations that are being wound down.

Core Deposits – Core deposits consist of all interest-bearing and noninterest-bearing deposits, except brokered deposits and certificates of deposit over $250,000. They include checking interest deposits, money market deposit accounts, time and other savings, plus demand deposits.

Derivative Financial Instrument – A contract or agreement whose value is derived from changes in interest rates, foreign exchange rates, prices of securities or commodities, or financial or commodity indices.

Diluted Earnings/(Loss) Per Common Share ("Diluted EPS") – Net income/(loss) available to common shareholders, divided by weighted average shares outstanding plus the effect of common stock equivalents that have the potential to be converted into common shares.

Discharged Bankruptcies – Residential real estate secured loans where the borrower has been discharged from personal liability through bankruptcy proceedings. Such loans that have not been reaffirmed by the borrower are charged down to estimated collateral value less disposition costs (net realizable value) and are reported as nonaccruing TDRs.

Discounted Cash Flow ("DCF Method") – A valuation method based on the present value of expected future payments discounted at the loan's effective interest rate.

Earning Assets – Assets that generate interest or dividend income or yield-related fee income, such as loans and investment securities.

Earnings/(Loss) Per Common Share ("EPS") – Net income/(loss) available to common shareholders, divided by the weighted average number of common shares outstanding.

GLOSSARY OF SELECTED FINANCIAL TERMS (continued)

Fully Taxable Equivalent ("FTE") – Reflects the amount of tax-exempt income adjusted to a level that would yield the same after-tax income had that income been subject to taxation.

Forward Contracts – Contracts representing commitments either to purchase or sell at a specified future date a specified security or financial instrument at a specified price, and may be settled in cash or through delivery.

Government Sponsored Entities ("GSEs") – In this annual report, the term "GSEs" includes Fannie Mae and Freddie Mac.

Individually Impaired Loans – Generally, commercial loans over $1 million that are not expected to pay all contractually due principal and interest, and consumer loans that have experienced a troubled debt restructuring and are individually evaluated for impairment.

Interest Rate Caps and Floors – Contracts with notional principal amounts that require the seller, in exchange for a fee, to make payments to the purchaser if a specified market interest rate exceeds a fixed upper "capped" level or falls below a fixed lower "floor" level on specified future dates.

Interest Rate Option – A contract that grants the holder (purchaser), for a fee, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer (seller) of the option.

Interest Rate Swap – An agreement in which two entities agree to exchange, at specified intervals, interest payment streams calculated on an agreed-upon notional principal amount with at least one stream based on a floating rate index.

Interest Rate Swaptions – 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.

Leverage Ratio – Ratio consisting of Tier 1 capital divided by quarterly average assets adjusted for certain unrealized gains/(losses) on available-for-sale securities less certain regulatory disallowances applied to Common Equity Tier 1 capital and Tier 1 capital including goodwill, certain other intangible assets, the disallowable portion of deferred tax assets and other disallowed assets, and other regulatory adjustments.

Lower of Cost or Market ("LOCOM") – A method of accounting for certain assets by recording them at the lower of their historical cost or their current market value.

Market Capitalization – Market value of a company. Computed by multiplying the number of shares outstanding by the current stock price.

Market-Indexed Deposits – Deposits with pricing tied to an index not administered by FHN. For FHN these are comprised of insured network deposits, correspondent banking deposits, and trust/sweep deposits.

Mortgage Backed Securities ("MBS") – Investment securities backed by a pool of mortgages or trust deeds. Principal and interest payments on the underlying mortgages are used to pay principal and interest on the securities.

Mortgage Warehouse – Mortgage loans that have been closed and funded and are awaiting sale and delivery into the secondary market. Also includes loans that management does not have the intent to hold for the foreseeable future.

Mortgage Servicing Rights ("MSR") – The right to service mortgage loans, generally owned by someone else, for a fee. Loan servicing includes collecting payments; remitting funds to investors, insurance companies, and taxing authorities; collecting delinquent payments; and foreclosing on properties when necessary.

GLOSSARY OF SELECTED FINANCIAL TERMS (continued)

Net Interest Margin ("NIM") – Expressed as a percentage, net interest margin is a ratio computed by dividing a day-weighted fully taxable equivalent net interest income by average earning assets.

Net Interest Spread – The difference between the average yield earned on earning assets on a fully taxable equivalent basis and the average rate paid for interest-bearing liabilities.

Nonaccrual or Nonperforming Loans ("NPLs") – Loans on which interest accruals have been discontinued due to the borrower's financial difficulties. Interest income on these loans is generally reported on a cash basis as it is collected after recovery of principal.

Non-GAAP – Certain measures contained within MD&A are not formally defined by GAAP or codified in the federal banking regulations. A reconciliation of these Non-GAAP measures may be found in table 32 of MD&A.

Nonperforming Assets ("NPAs") – Interest-earning assets on which interest income is not being accrued, real estate properties acquired through foreclosure and other assets obtained through the foreclosure process.

Non-Purchased Credit Deteriorated ("Non-PCD") Financial Assets – Acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that, as of the date of acquisition, do not have a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment.

Origination Fees – A fee charged to the borrower by the lender to originate a loan. Usually stated as a percentage of the face value of the loan.

Provision for Loan Losses – The periodic charge to earnings for inherent losses in the loan portfolio.

Purchased Credit-Impaired ("PCI") Loans – Acquired loans that have exhibited deterioration of credit quality between origination and the time of acquisition and for which the timely collection of the interest and principal is no longer reasonably assured.

Purchased Credit Deteriorated ("PCD") Financial Assets – Acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment.

Purchase Obligation – An agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Restricted Real Estate Loans and Secured Borrowings – Includes restricted loans that are assets of a consolidated variable interest entity ("VIE") that can be used only to settle obligations of the consolidated VIE and loans from nonconsolidated VIE in which the securitization did not qualify for sale treatment per GAAP. These loans secure long-term borrowings of the respective VIE.

Return on Average Assets ("ROA") – A measure of profitability that is calculated by dividing net income by total average assets.

Return on Average Common Shareholders' Equity ("ROCE") – A measure of profitability that indicates what an institution earned on its shareholders' investment. ROCE is calculated by dividing net income available to common shareholders by total average common equity.

Return on Average Tangible Common Equity ("ROTCE") – A Non-GAAP measure of profitability that is calculated by dividing net income available to common shareholders by average tangible common equity.

Risk-Weighted Assets – A regulatory risk-based calculation that takes into account the broad differences in risks among a banking organization's assets and off-balance sheet financial instruments.

GLOSSARY OF SELECTED FINANCIAL TERMS (continued)

Tangible Common Equity to Tangible Assets ("TCE/TA") – A ratio which may be used to evaluate a company's capital position. TCE/TA includes common equity less goodwill and other intangible assets over tangible assets. Tangible assets includes a company's total assets less goodwill and other intangible assets.

Tier 1 Capital Ratio – Ratio consisting of shareholders' equity adjusted for certain unrealized gains/(losses) on available-for-sale securities, reduced by goodwill, certain other intangible assets, the disallowable portion of mortgage servicing rights and other disallowed assets divided by risk-weighted assets.

Total Capital Ratio – Ratio consisting of Tier 1 capital plus the allowable portion of the allowance for loan losses and qualifying subordinated debt divided by risk-weighted assets.

Troubled Debt Restructuring ("TDR") – A loan is identified and reported as a TDR when FHN has granted an economic concession to a borrower experiencing financial difficulty.

ACRONYMS

ADR	Average daily revenue
AFS	Available-for-sale
ALCO	Asset/Liability Committee
ALLL	Allowance for loan losses
AOCI	Accumulated Other Comprehensive Income
ASC	FASB Accounting Standards Codification
ASU	Accounting Standards Update
BOLI	Bank-owned life insurance
C&I	Commercial, financial, and industrial loan portfolio
CAS	Credit Assurance Services
CBF	Capital Bank Financial
CD	Certificate of deposit
CECL	Current Expected Credit Loss
CEO	Chief Executive Officer
CFPB	Consumer Financial Protection Bureau
CMO	Collateralized mortgage obligations
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
CRMC	Credit Risk Management Committee
DFA	Dodd-Frank Act
DRA	Definitive resolution agreement
DSCR	Debt service coverage ratios
DTA	Deferred tax asset
DTI	Debt-to-income
DTL	Deferred tax liability
ECP	Equity Compensation Plan
EPS	Earnings per share
ESOP	Employee stock ownership plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FFP	Federal funds purchased
FFS	Federal funds sold
FH	First Horizon
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation or Freddie Mac
FHN	First Horizon National Corporation
FICO	Fair Isaac Corporation
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association or Fannie Mae
FRB	Federal Reserve Bank or the Fed
FTBNA	First Tennessee Bank National Association
FTE	Fully taxable equivalent
FTHC	First Tennessee Housing Corporation
FTNF	FTN Financial
FTNMC	First Tennessee New Markets Corporation

ACRONYMS (continued)

FTRESC	FT Real Estate Securities Company, Inc.
GAAP	Generally accepted accounting principles
GNMA	Government National Mortgage Association or Ginnie Mae
GSE	Government sponsored enterprises, in this filing references Fannie Mae and Freddie Mac
HAMP	Home Affordable Modification Program
HELOC	Home equity lines of credit
HFS	Held-for-sale
HTM	Held-to-maturity
HUD	Department of Housing and Urban Development
IBKC	IBERIABANK Corporation
IPO	Initial public offering
ISDA	International Swap and Derivatives Association
IRS	Internal Revenue Service
LEP	Loss emergence period
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LIHTC	Low Income Housing Tax Credit
LLC	Limited Liability Company
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
MI	Private mortgage insurance
MSR	Mortgage servicing rights
MSRB	Municipal Securities Rulemaking Board
NAICS	North American Industry Classification System
NII	Net interest income
NIM	Net interest margin
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

ACRONYMS (continued)

PSU	Performance Stock Unit
R/E	Real estate
REIT	Real estate investment trust
RM	Relationship managers
ROA	Return on assets
ROCE	Return on average common shareholders' equity
ROTCE	Return on tangible common equity
RPL	Reasonably Possible Loss
RSU	Restricted stock unit
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
UTB	Unrecognized tax benefit
VaR	Value-at-Risk
VIE	Variable Interest Entities

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management at First Horizon National Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. First Horizon National Corporation's internal control over financial reporting is a process designed 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.

Even effective internal controls, no matter how well designed, have inherent limitations such as the possibility of human error or of circumvention or overriding of controls, and consideration of cost in relation to benefit of a control. Moreover, effectiveness must necessarily be considered according to the existing state of the art of internal control. Further, because of changes in conditions, the effectiveness of internal controls may diminish over time.

Management assessed the effectiveness of First Horizon National Corporation's internal control over financial reporting as of December 31, 2019. This assessment was based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment and those criteria, management believes that First Horizon National Corporation maintained effective internal control over financial reporting as of December 31, 2019.

First Horizon National Corporation's independent auditors have issued an attestation report on First Horizon National Corporation's internal control over financial reporting. That report appears on the following page.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
First Horizon National Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited First Horizon National Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of condition of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 27, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Memphis, Tennessee
February 27, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
First Horizon National Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of condition of First Horizon National Corporation and subsidiaries' (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses related to loans collectively evaluated for impairment

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company's allowance for loan losses related to loans collectively evaluated for impairment (Collective ALLL) was $172,426 thousand of the total allowance for loan losses of $200,307 thousand at December 31, 2019. The Company estimated the Collective ALLL using historical net loss factors by grade level, loan product, and business segment for commercial loans; and segmented roll-rate models that incorporate various factors that include historical delinquency trends, experienced loss frequencies, and experienced loss severities for consumer loans. The Company subjected the historical net loss factors to qualitative adjustments to reflect current events, trends, and conditions (including economic considerations and trends), which are not fully captured in the historical net loss factors.

We identified the assessment of the Collective ALLL as a critical audit matter because there is a high degree of subjectivity in performing procedures over key factors and assumptions used in the Collective ALLL methodology which included (1) the average amount of time it takes for a loss to be confirmed after a loss event has occurred (loss emergence period), (2) the historical data period used to estimate loss rates, and (3) the internal commercial loan grades. The loss emergence period, historical data period used to estimate loss rates, and internal commercial loan grades were challenging to test as the Collective ALLL is sensitive to changes in those assumptions. The assessment of internal commercial loan grades required the use of significant judgment as well as industry knowledge and experience. There was a high level of subjectivity in performing test procedures related to internal and external factors used to estimate the qualitative adjustments. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's Collective ALLL process, including controls to (1) develop and approve the Collective ALLL methodology, (2) determine the key factors and assumptions, (3) develop the qualitative factors, and (4) evaluate the estimate in total. We involved credit risk professionals with specialized skills and knowledge who assisted in:

- performing a methodology assessment and to evaluate that the Company's methodology is sufficiently structured, transparent, and repeatable to produce a U.S. generally accepted accounting principles compliant estimate;
- evaluating the key factors and assumptions, specifically the loss emergence period, historical data period used to estimate loss rates, and internal and external factors;
- performing credit file evaluations on a selection of loans to assess the commercial loan grades;
- evaluating the methodology and metrics used by the Company to assess internal and external factors related to qualitative adjustments; and
- performing sensitivity analyses over the effect of internal and external factors to assess their impact on the qualitative component of the Collective ALLL.

We evaluated the cumulative results of the procedures performed to assess the sufficiency of the audit evidence obtained related to the Collective ALLL.

KPMG LLP

We have served as the Company's auditor since 2002.

Memphis, Tennessee
February 27, 2020

CONSOLIDATED STATEMENTS OF CONDITION

	December 31	
(Dollars in thousands, except per share amounts)	**2019**	2018
Assets:		
Cash and due from banks	**$ 633,728**	$ 781,291
Federal funds sold	**46,536**	237,591
Securities purchased under agreements to resell (Note 23)	**586,629**	386,443
Total cash and cash equivalents	**1,266,893**	1,405,325
Interest-bearing cash	**482,405**	1,277,611
Trading securities	**1,346,207**	1,448,168
Loans held-for-sale (a)	**593,790**	679,149
Securities available-for-sale (Note 3)	**4,445,403**	4,626,470
Securities held-to-maturity (Note 3)	**10,000**	10,000
Loans, net of unearned income (Note 4) (b)	**31,061,111**	27,535,532
Less: Allowance for loan losses (Note 5)	**200,307**	180,424
Total net loans	**30,860,804**	27,355,108
Goodwill (Note 7)	**1,432,787**	1,432,787
Other intangible assets, net (Note 7)	**130,200**	155,034
Fixed income receivables	**40,114**	38,861
Premises and equipment, net (December 31, 2019 and 2018 include $9.7 million and $19.6 million, respectively, classified as held-for-sale) (Note 6)	**455,006**	494,041
Other real estate owned ("OREO") (c)	**17,838**	25,290
Derivative assets (Note 22)	**183,115**	81,475
Other assets	**2,046,338**	1,802,939
Total assets	**$43,310,900**	$40,832,258
Liabilities and equity:		
Deposits:		
Savings	**$11,664,906**	$12,064,072
Time deposits, net	**3,618,337**	4,105,777
Other interest-bearing deposits	**8,717,341**	8,371,826
Interest-bearing	**24,000,584**	24,541,675
Noninterest-bearing	**8,428,951**	8,141,317
Total deposits	**32,429,535**	32,682,992
Federal funds purchased (Note 9)	**548,344**	256,567
Securities sold under agreements to repurchase (Note 9 and Note 23)	**716,925**	762,592
Trading liabilities (Note 9)	**505,581**	335,380
Other short-term borrowings (Note 9)	**2,253,045**	114,764
Term borrowings (Note 10)	**791,368**	1,170,963
Fixed income payables	**49,535**	9,572
Derivative liabilities (Note 22)	**67,480**	133,713
Other liabilities	**873,079**	580,335
Total liabilities	**38,234,892**	36,046,878
Equity:		
First Horizon National Corporation Shareholders' Equity:		
Preferred stock – Series A, non-cumulative perpetual, no par value, liquidation preference of $100,000 per share – (shares authorized – 1,000; shares issued – 1,000 on December 31, 2019 and 2018) (Note 11)	**95,624**	95,624
Common stock – $.625 par value (shares authorized – 400,000,000; shares issued – 311,469,056 on December 31, 2019 and 318,573,400 on December 31, 2018)	**194,668**	199,108
Capital surplus	**2,931,451**	3,029,425
Undivided profits	**1,798,442**	1,542,408
Accumulated other comprehensive loss, net (Note 14)	**(239,608)**	(376,616)
Total First Horizon National Corporation Shareholders' Equity	**4,780,577**	4,489,949
Noncontrolling interest (Note 11)	**295,431**	295,431
Total equity	**5,076,008**	4,785,380
Total liabilities and equity	**$43,310,900**	$40,832,258

See accompanying notes to consolidated financial statements.

(a) December 31, 2019 and 2018 include $6.8 million and $8.4 million, respectively, of held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure.

(b) December 31, 2019 and 2018 include $18.8 million and $28.6 million, respectively, of held-to-maturity consumer mortgage loans secured by residential real estate in process of foreclosure.

(c) December 31, 2019 and 2018 include $9.2 million and $9.7 million, respectively, of foreclosed residential real estate.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars and shares in thousands except per share data, unless otherwise noted)	Year Ended December 31		
	2019	2018	2017
Interest income:			
Interest and fees on loans	**$1,394,442**	$1,286,470	$ 816,806
Interest on investment securities available-for-sale	**120,558**	130,376	105,019
Interest on investment securities held-to-maturity	**525**	525	591
Interest on loans held-for-sale	**31,127**	45,108	17,517
Interest on trading securities	**46,576**	58,684	34,991
Interest on other earning assets	**31,112**	24,858	15,006
Total interest income	**1,624,340**	1,546,021	989,930
Interest expense:			
Interest on deposits:			
Savings	**144,350**	107,748	42,519
Time deposits	**84,027**	53,096	13,111
Other interest-bearing deposits	**78,839**	55,707	24,481
Interest on trading liabilities	**12,502**	19,359	15,468
Interest on short-term borrowings	**41,172**	36,747	16,000
Interest on term borrowings	**53,263**	53,047	36,037
Total interest expense	**414,153**	325,704	147,616
Net interest income	**1,210,187**	1,220,317	842,314
Provision/(provision credit) for loan losses	**47,000**	7,000	-
Net interest income after provision/(provision credit) for loan losses	**1,163,187**	1,213,317	842,314
Noninterest income:			
Fixed income	**278,789**	167,882	216,625
Deposit transactions and cash management	**131,663**	133,281	110,592
Brokerage, management fees and commissions	**55,467**	54,803	48,514
Trust services and investment management	**29,511**	29,806	28,420
Bankcard income	**28,308**	29,304	26,435
Bank-owned life insurance ("BOLI")	**19,210**	18,955	15,124
Debt securities gains/(losses), net (Note 3 and Note 14)	**(267)**	52	483
Equity securities gains/(losses), net (Note 3)	**441**	212,896	109
All other income and commissions (Note 13)	**110,958**	75,809	43,917
Total noninterest income	**654,080**	722,788	490,219
Adjusted gross income after provision/(provision credit) for loan losses	**1,817,267**	1,936,105	1,332,533
Noninterest expense:			
Employee compensation, incentives, and benefits	**695,351**	658,223	587,465
Occupancy	**80,271**	85,009	54,646
Computer software	**60,721**	60,604	48,234
Professional fees	**55,218**	45,799	47,929
Operations services	**46,006**	56,280	43,823
Advertising and public relations	**34,359**	24,752	19,214
Equipment rentals, depreciation, and maintenance	**33,998**	39,132	29,543
Communications and courier	**25,080**	30,032	17,624
Amortization of intangible assets	**24,834**	25,855	8,728
FDIC premium expense	**19,890**	31,642	26,818
Legal fees	**16,880**	11,149	12,076
Contract employment and outsourcing	**12,865**	18,522	14,954
All other expense (Note 13)	**126,130**	134,997	112,607
Total noninterest expense	**1,231,603**	1,221,996	1,023,661
Income/(loss) before income taxes	**585,664**	714,109	308,872
Provision/(benefit) for income taxes (Note 15)	**133,291**	157,602	131,892
Net income/(loss)	**$ 452,373**	$ 556,507	$ 176,980
Net income attributable to noncontrolling interest	**11,465**	11,465	11,465
Net income/(loss) attributable to controlling interest	**$ 440,908**	$ 545,042	$ 165,515
Preferred stock dividends	**6,200**	6,200	6,200
Net income/(loss) available to common shareholders	**$ 434,708**	$ 538,842	$ 159,315
Basic earnings/(loss) per share (Note 16)	**$ 1.39**	$ 1.66	$ 0.66
Diluted earnings/(loss) per share (Note 16)	**$ 1.38**	$ 1.65	$ 0.65
Weighted average common shares (Note 16)	**313,637**	324,375	241,436
Diluted average common shares (Note 16)	**315,657**	327,445	244,453
Cash dividends declared per common share	**$ 0.56**	$ 0.48	$ 0.36

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 thousands)	Year Ended December 31 **2019**	2018	2017
Net income/(loss)	**$452,373**	$556,507	$176,980
Other comprehensive income/(loss), net of tax:			
Net unrealized gains/(losses) on securities available-for-sale	**106,815**	(48,897)	(4,765)
Net unrealized gains/(losses) on cash flow hedges	**15,339**	(4,142)	(5,101)
Net unrealized gains/(losses) on pension and other postretirement plans	**14,854**	(541)	(7,759)
Other comprehensive income/(loss)	**137,008**	(53,580)	(17,625)
Comprehensive income	**589,381**	502,927	159,355
Comprehensive income attributable to noncontrolling interest	**11,465**	11,465	11,465
Comprehensive income attributable to controlling interest	**$577,916**	$491,462	$147,890
Income tax expense/(benefit) of items included in Other comprehensive income:			
Net unrealized gains/(losses) on securities available-for-sale	**$ 35,062**	$ (16,054)	$ (2,955)
Net unrealized gains/(losses) on cash flow hedges	**5,035**	(1,360)	(3,163)
Net unrealized gains/(losses) on pension and other postretirement plans	**4,876**	(177)	(832)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars and shares in thousands, except per share data)	Common Shares	Total	Preferred Stock	Common Stock	Capital Surplus	Undivided Profits	Accumulated Other Comprehensive Income/(Loss) (a)	Noncontrolling Interest
Balance, December 31, 2016	233,624	$2,705,084	$95,624	$146,015	$1,386,636	$1,029,032	$(247,654)	$295,431
Adjustment to reflect adoption of ASU 2016-09	-	-	-	-	230	(230)	-	-
Beginning balance, as adjusted	233,624	2,705,084	95,624	146,015	1,386,866	1,028,802	(247,654)	295,431
Net income/(loss)	-	176,980	-	-	-	165,515	-	11,465
Other comprehensive income/(loss)	-	(17,625)	-	-	-	-	(17,625)	-
Comprehensive income/(loss)	-	159,355	-	-	-	165,515	(17,625)	11,465
Cash dividends declared:								
Preferred stock ($6,200 per share)	-	(6,200)	-	-	-	(6,200)	-	-
Common stock ($.36 per share)	-	(85,174)	-	-	-	(85,174)	-	-
Common stock repurchased	(297)	(5,554)	-	(185)	(5,369)	-	-	-
Common stock issued for:								
Stock options and restricted stock – equity awards	1,107	6,092	-	692	5,400	-	-	-
Equity issued for acquisitions	92,302	1,797,723	-	57,689	1,740,034	-	-	-
Stock-based compensation expense	-	20,627	-	-	20,627	-	-	-
Dividends declared – noncontrolling interest of subsidiary preferred stock	-	(11,465)	-	-	-	-	-	(11,465)
Other	-	-	-	-	55	(55)	-	-
Balance, December 31, 2017	326,736	4,580,488	95,624	204,211	3,147,613	1,102,888	(265,279)	295,431
Adjustment to reflect adoption of ASU 2018-02	-	-	-	-	-	57,546	(57,546)	-
Balance, December 31, 2017, as adjusted	326,736	4,580,488	95,624	204,211	3,147,613	1,160,434	(322,825)	295,431
Adjustment to reflect adoption of ASU 2016-01 and 2017-12	-	67	-	-	-	278	(211)	-
Beginning balance, as adjusted	326,736	4,580,555	95,624	204,211	3,147,613	1,160,712	(323,036)	295,431
Net income/(loss)	-	556,507	-	-	-	545,042	-	11,465
Other comprehensive income/(loss)	-	(53,580)	-	-	-	-	(53,580)	-
Comprehensive income/(loss)	-	502,927	-	-	-	545,042	(53,580)	11,465
Cash dividends declared:								
Preferred stock ($6,200 per share)	-	(6,200)	-	-	-	(6,200)	-	-
Common stock ($.48 per share)	-	(157,146)	-	-	-	(157,146)	-	-
Common stock repurchased (b)	(6,708)	(104,768)	-	(4,192)	(100,576)	-	-	-
Common stock issued for:								
Stock options and restricted stock – equity awards	926	4,480	-	578	3,902	-	-	-
Acquisition equity adjustment (c)	(2,374)	(46,041)	-	(1,484)	(44,557)	-	-	-
Stock-based compensation expense	-	23,171	-	-	23,171	-	-	-
Dividends declared – noncontrolling interest of subsidiary preferred stock	-	(11,465)	-	-	-	-	-	(11,465)
Other	(7)	(133)	-	(5)	(128)	-	-	-
Balance, December 31, 2018	318,573	4,785,380	95,624	199,108	3,029,425	1,542,408	(376,616)	295,431
Adjustment to reflect adoption of ASU 2016-02	-	(1,011)	-	-	-	(1,011)	-	-
Beginning balance, as adjusted	318,573	4,784,369	95,624	199,108	3,029,425	1,541,397	(376,616)	295,431
Net income/(loss)	-	452,373	-	-	-	440,908	-	11,465
Other comprehensive income/(loss)	-	137,008	-	-	-	-	137,008	-
Comprehensive income/(loss)	-	589,381	-	-	-	440,908	137,008	11,465
Cash dividends declared:								
Preferred stock ($6,200 per share)	-	(6,200)	-	-	-	(6,200)	-	-
Common stock ($.56 per share)	-	(177,663)	-	-	-	(177,663)	-	-
Common stock repurchased (b)	(9,100)	(134,813)	-	(5,687)	(129,126)	-	-	-
Common stock issued for:								
Stock options and restricted stock – equity awards	1,996	9,669	-	1,247	8,422	-	-	-
Stock-based compensation expense	-	22,730	-	-	22,730	-	-	-
Dividends declared – noncontrolling interest of subsidiary preferred stock	-	(11,465)	-	-	-	-	-	(11,465)
Balance, December 31, 2019	311,469	$5,076,008	$95,624	$194,668	$2,931,451	$1,798,442	$(239,608)	$295,431

See accompanying notes to consolidated financial statements.

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

(b) 2019 and 2018 include $129.9 million and $99.4 million, respectively, repurchased under share repurchase programs.

(c) See Note 2 - Acquisitions and Divestitures for additional information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Dollars in thousands)	First Horizon National Corporation		
		Year Ended December 31		
		2019	2018	2017
Operating Activities	Net income/(loss)	**$ 452,373**	$ 556,507	$ 176,980
	Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:			
	Provision/(provision credit) for loan losses	**47,000**	7,000	-
	Provision/(benefit) for deferred income taxes	**14,357**	103,557	121,001
	Depreciation and amortization of premises and equipment	**43,785**	47,232	34,703
	Amortization of intangible assets	**24,834**	25,855	8,728
	Net other amortization and accretion	**(3,380)**	(13,962)	27,493
	Net (increase)/decrease in derivatives	**(134,009)**	41,687	(26,662)
	Fair value adjustment on interest-only strips	**4,725**	398	(1,021)
	Repurchase and foreclosure provision/(provision credit)	**-**	-	(20,000)
	(Gains)/losses and write-downs on OREO, net	**624**	(626)	(61)
	Litigation and regulatory matters	**(8,443)**	(836)	40,250
	Stock-based compensation expense	**22,730**	23,171	20,627
	Gain on sale and pay down of held-to-maturity loans	**(1,105)**	(3,777)	-
	Equity securities (gains)/losses, net	**(441)**	(212,896)	(109)
	Debt securities (gains)/losses, net	**267**	(52)	(483)
	(Gain)/loss on extinguishment of debt	**(58)**	15	14,329
	Net (gains)/losses on sale/disposal of fixed assets	**22,172**	(1,320)	6,657
	Qualified pension plan contributions	**(509)**	(353)	(5,100)
	(Gain)/loss on BOLI	**(4,978)**	(4,217)	(9,012)
	Loans held-for-sale:			
	Purchases and originations	**(2,075,042)**	(2,345,030)	(2,001,708)
	Gross proceeds from settlements and sales	**817,863**	919,187	1,780,047
	(Gain)/loss due to fair value adjustments and other (a)	**(7,196)**	19,932	(6,624)
	Net (increase)/decrease in:			
	Trading securities	**1,422,617**	1,356,797	(381,057)
	Fixed income receivables	**(1,253)**	29,832	(11,282)
	Interest receivable	**4,546**	(15,372)	(34,352)
	Other assets	**(116,888)**	32,950	240,629
	Net increase/(decrease) in:			
	Trading liabilities	**170,201**	(303,135)	76,667
	Fixed income payables	**39,963**	(39,424)	(68,495)
	Interest payable	**339**	15,165	5,934
	Other liabilities	**95,200**	(3,980)	(16,877)
	Total adjustments	**377,921**	(322,202)	(205,778)
	Net cash provided/(used) by operating activities	**830,294**	234,305	(28,798)
Investing Activities	Available-for-sale securities:			
	Sales	**191,681**	20,751	936,958
	Maturities	**800,147**	675,526	583,014
	Purchases	**(629,649)**	(473,205)	(1,558,990)
	Proceeds from sale of equity investment	**1,440**	-	-
	Held-to-maturity securities:			
	Prepayments and maturities	**-**	-	4,740
	Premises and equipment:			
	Sales	**20,058**	30,464	3,416
	Purchases	**(49,159)**	(47,986)	(53,046)
	Proceeds from sale of Visa Class B shares	**-**	240,206	-
	Proceeds from sales of OREO	**15,824**	30,824	13,468
	Proceeds from sales and pay down of loans classified as held-to-maturity	**20,100**	50,498	-
	Proceeds from BOLI	**14,407**	12,860	11,440
	Net (increase)/decrease in:			
	Loans	**(3,570,386)**	105,267	(808,399)
	Interests retained from securitizations classified as trading securities	**489**	800	865
	Interest-bearing cash	**795,206**	(92,011)	(121,434)
	Cash paid related to divestitures	**-**	(27,599)	-
	Cash (paid)/received for acquisitions, net	**-**	(46,023)	(336,634)
	Net cash provided/(used) by investing activities	**(2,389,842)**	480,372	(1,324,602)
Financing Activities	Common stock:			
	Stock options exercised	**9,665**	4,482	6,132
	Cash dividends paid	**(171,076)**	(138,706)	(79,904)
	Repurchase of shares (b)	**(134,813)**	(104,768)	(5,554)
	Cash dividends paid - preferred stock - noncontrolling interest	**(11,465)**	(11,465)	(11,434)
	Cash dividends paid - Series A preferred stock	**(6,200)**	(6,200)	(6,200)
	Term borrowings:			
	Issuance	**-**	-	121,184
	Payments/maturities	**(405,562)**	(69,025)	(147,413)
	Increases in restricted and secured term borrowings	**9,635**	20,477	7,960
	Net increase/(decrease) in:			
	Deposits	**(253,459)**	2,092,519	(197,158)
	Short-term borrowings	**2,384,391**	(2,548,712)	2,080,039
	Net cash provided/(used) by financing activities	**1,421,116**	(761,398)	1,767,652
	Net increase/(decrease) in cash and cash equivalents	**(138,432)**	(46,721)	414,252
	Cash and cash equivalents at beginning of period	**1,405,325**	1,452,046	1,037,794
	Cash and cash equivalents at end of period	**$ 1,266,893**	$ 1,405,325	$ 1,452,046
Supplemental Disclosures	Total interest paid	**$ 410,883**	$ 307,578	$ 140,373
	Total taxes paid	**70,505**	42,817	54,417
	Total taxes refunded	**27,889**	48,455	8,285
	Transfer from loans to OREO	**8,996**	12,106	6,624
	Transfer from loans HFS to trading securities	**1,321,145**	1,389,420	1,004,416
	Transfer from loans to loans HFS	**31,465**	-	-

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

(a) 2018 includes $107.4 million related to the sale of approximately $120 million UPB of subprime auto loans. See Note 2 – Acquisitions and Divestitures for additional information.

(b) 2019 and 2018 include $129.9 million and $99.4 million, respectively, repurchased under share repurchase programs.

Notes to the Consolidated Financial Statements

Note 1 ❑ Summary of Significant Accounting Policies

Basis of Accounting. The consolidated financial statements of First Horizon National Corporation ("FHN"), including its subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. This preparation requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are based on information available as of the date of the financial statements and could differ from actual results.

Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of FHN and other entities in which it has a controlling financial interest. Variable Interest Entities ("VIEs") for which FHN or a subsidiary has been determined to be the primary beneficiary are also consolidated. Affiliates for which FHN is not considered the primary beneficiary and in which FHN does not have a controlling financial interest are accounted for by the equity method. These investments are included in other assets, and FHN's proportionate share of income or loss is included in noninterest income. All significant intercompany transactions and balances have been eliminated. For purposes of comparability, certain prior period amounts have been reclassified to conform to current year presentation.

Business Combinations. FHN accounts for acquisitions meeting the definition of a business combination in accordance with ASC 805, "Business Combinations," which requires acquired assets and liabilities (other than tax, certain benefit plan balances, and starting in 2019 certain lease-related assets and liabilities) to be recorded at fair value. Business combinations are included in the financial statements from the respective dates of acquisition. Acquisition related costs are expensed as incurred.

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

Following is a discussion of FHN's key revenues within the scope of Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", and all related amendments, except as noted.

Fixed Income. Fixed income includes fixed income securities sales, trading, and strategies, loan sales and derivative sales which are not within the scope of revenue from contracts with customers. Fixed income also includes investment banking fees earned for services related to underwriting debt securities and performing portfolio advisory services. FHN's performance obligation for underwriting services is satisfied on the trade date while advisory services is satisfied over time.

Deposit Transactions and Cash Management. Deposit transactions and cash management activities include fees for services related to consumer and commercial deposit products (such as service charges on checking accounts), cash management products and services such as electronic transaction processing (Automated Clearing House and Electronic Data Interchange), account reconciliation services, cash vault services, lockbox processing, and information reporting to large corporate clients. FHN's obligation for transaction-based services is satisfied at the time of the transaction when the service is delivered while FHN's obligation for service based fees is satisfied over the course of each month.

Brokerage, Management Fees and Commissions. Brokerage, management fees and commissions include fees for portfolio management, trade commissions, and annuity and mutual fund sales. Asset-based management fees are charged based on the market value of the client's assets. The services associated with these revenues, which include investment advice and active management of client assets are generally performed and recognized over a month or quarter. Transactional revenues are based on the size and number of transactions executed at the client's direction and are generally recognized on the trade date.

Trust Services and Investment Management. Trust services and investment management fees include investment management, personal trust, employee benefits, and custodial trust services. Obligations for trust services are generally satisfied over time but may be satisfied at points in time for certain activities that are transactional in nature.

Bankcard Income. Bankcard income includes credit interchange and network revenues and various card-related fees. Interchange income is recognized concurrently with the delivery of services on a daily basis. Card-related fees such as late fees, currency conversion, and cash advance fees are loan-related and excluded from the scope of ASU 2014-09.

Contract Balances. As of December 31, 2019, accounts receivable related to products and services on non-interest income were $8.7 million. For the year ended December 31, 2019, FHN had no material impairment losses on non-interest accounts receivable and there were no material contract assets, contract liabilities or deferred contract costs recorded on the Consolidated Statement of Condition as of December 31, 2019.

Transaction Price Allocated to Remaining Performance Obligations. For the year ended December 31, 2019, revenue recognized from performance obligations related to prior periods was not material. Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less and contracts where revenue is recognized as invoiced, is not material.

Refer to Note 20 – Business Segment Information for a reconciliation of disaggregated revenue by major product line and reportable segment.

Debt Investment Securities. Available-for-sale ("AFS") and held-to-maturity ("HTM") securities are reviewed quarterly for possible other-than-temporary impairment ("OTTI"). The review includes an analysis of the facts and circumstances of each individual investment such as the degree of loss, the length of time the fair value has been below cost, the expectation for that security's performance, the creditworthiness of the issuer and FHN's intent and ability to hold the security. Debt securities that may be sold prior to maturity are classified as AFS and are carried at fair value. The unrealized gains and losses on debt securities AFS, including securities for which no credit impairment exists, are excluded from earnings and are reported, net of tax, as a component of other comprehensive income within shareholders' equity and the Statements of Comprehensive Income. Debt securities which management has the intent and ability to hold to maturity are reported at amortized cost. Interest-only strips that are classified as securities AFS are valued at elected fair value. See Note 24 – Fair Value of Assets and Liabilities for additional information.

Realized gains and losses for investment securities are determined by the specific identification method and reported in noninterest income. Declines in value judged to be other-than-temporary based on FHN's analysis of the facts and circumstances related to an individual investment, including securities that FHN has the intent to sell, are also determined by the specific identification method. For HTM debt securities, OTTI recognized is typically credit-related and is reported in noninterest income. For impaired AFS debt securities that FHN does not intend to sell and will not be required to sell prior to recovery but for which credit losses exist, the OTTI recognized is separated between the total impairment related to credit losses which is reported in noninterest income, and the impairment related to all other factors which is excluded from earnings and reported, net of tax, as a component of other comprehensive income within shareholders' equity and the Statements of Comprehensive Income.

Equity Investment Securities. Equity securities are classified in Other assets.

National banks chartered by the federal government are, and banks organized under state law may apply to be, members of the Federal Reserve System. Each member bank is required to own stock in its regional Federal Reserve Bank ("FRB"). Given this requirement, FRB stock may not be sold, traded, or pledged as collateral for loans. Membership in the Federal Home Loan Bank ("FHLB") network requires ownership of capital stock. Member banks are entitled to borrow funds from the FHLB and are required to pledge mortgage loans as collateral. Investments in the FHLB are non-transferable and, generally, membership is maintained primarily to provide a source of liquidity as needed. FRB and FHLB stock are recorded at cost and are subject to impairment reviews. FHN's subsidiary, First Horizon Bank, was a member bank throughout 2019, initially as a national bank and later as a state member bank.

Other equity investments primarily consist of mutual funds which are marked to fair value through earnings. Smaller balances of equity investments without a readily determinable fair value are recorded at cost minus impairment with adjustments through earnings for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

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

Collateral is valued daily and FHN may require counterparties to deposit additional securities or cash as collateral, or FHN may return cash or securities previously pledged by counterparties, or FHN may be required to post additional securities or cash as collateral, based on the contractual requirements for these transactions.

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

Loans Held-for-Sale. Loans originated or purchased for which management lacks the intent to hold are included in loans held-for-sale in the Consolidated Statements of Condition. FHN has elected the fair value option on a prospective basis for certain mortgage loans held-for-sale and repurchased loans that are not governmentally insured. Such loans are carried at fair value, with changes in the fair value recognized in the other income section of the Consolidated Statements of Income. For mortgage loans originated for sale for which the fair value option was elected, loan origination fees were recorded by FHN when earned and related direct loan origination costs are recognized when incurred. See Note 24 – Fair Value of Assets and Liabilities for additional information. FHN accounts for all other loans held-for-sale at the lower of cost or market value ("LOCOM").

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

Nonaccrual and Past Due Loans. Generally, loans are placed on nonaccrual status 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.

- The accrual status policy for commercial troubled debt restructurings ("TDRs") follows the same internal policies and procedures as other commercial portfolio loans.

- Residential real estate secured loans discharged in bankruptcy that have not been reaffirmed by the borrower ("discharged bankruptcies") are placed on nonaccrual regardless of delinquency status and are reported as TDRs.

- Current second lien residential real estate loans that are junior to first liens are placed on nonaccrual status if the first lien is 90 or more days past due, is a bankruptcy, or is a troubled debt restructuring.

- Consumer real estate (HELOC and residential real estate installment loans), if not already on nonaccrual per above situations, are placed on nonaccrual if the loan is 30 or more days delinquent at the time of modification and is also determined to be a TDR.

- Government guaranteed/insured residential mortgage loans remain on accrual (even if the loan falls into one of the above categories) because the collection of principal and interest is reasonably assured.

For commercial and consumer loans within each portfolio segment and class that have been placed on nonaccrual status, accrued but uncollected interest is reversed and charged against interest income when the loan is placed on nonaccrual status. Management may elect to continue the accrual of interest when the estimated net realizable value of collateral is sufficient to recover the principal balance and accrued interest. Interest payments received on nonaccrual loans are normally applied to outstanding principal first. Once all principal has been received, additional interest payments are recognized on a cash basis as interest income.

Generally, commercial and consumer loans within each portfolio segment and class that have been placed on nonaccrual status can be returned to accrual status if all principal and interest is current and FHN expects full repayment of the remaining contractual principal and interest. This typically requires that a borrower make payments in accordance with the contractual terms for a sustained period of time (generally for a minimum of six months) before being returned to accrual status. For TDRs, FHN may also consider a borrower's sustained historical repayment performance for a reasonable time prior to the restructuring in assessing whether the borrower can meet the restructured terms, as it may indicate whether the borrower is capable of servicing the level of debt under the modified terms.

Residential real estate loans discharged through Chapter 7 bankruptcy and not reaffirmed by the borrower are not returned to accrual status. For current second liens that have been placed on nonaccrual because the first lien is 90 or more days past due or is a TDR or bankruptcy, the second lien may be returned to accrual upon pay-off or cure of the first lien.

Charge-offs. For all commercial and consumer loan portfolio segments, all losses of principal are charged to the allowance for loan losses ("ALLL") in the period in which the loan is deemed to be uncollectible.

For consumer loans, the timing of a full or partial charge-off generally depends on the loan type and delinquency status. Generally, for the consumer real estate and permanent mortgage portfolio segments, a loan will be either partially or fully charged-off when it becomes 180 days past due. At this time, if the collateral value does not support foreclosure, balances are fully charged-off and other avenues of recovery are pursued. If the collateral value supports foreclosure, the loan is charged-down to net realizable value (collateral value less estimated costs to sell) and is placed on nonaccrual status. For residential real estate loans discharged in Chapter 7 bankruptcy and not reaffirmed by the borrower, the fair value of the collateral position is assessed at the time FHN is made aware of the discharge and the loan is charged down to the net realizable value (collateral value less estimated costs to sell). Within the credit card and other portfolio segment, credit cards and installment loans secured by automobiles are normally charged-off upon reaching 180 days past due while other non-real estate consumer loans are charged-off upon reaching 120 days past due.

Impaired Loans. Impaired loans include nonaccrual commercial loans greater than $1 million and modified consumer and commercial loans that have been classified as a TDR and are individually measured for impairment under the guidance of ASC 310. TDRs are always reported as such unless the TDR has exhibited sustained performance, was reported as a TDR over a year-end, and the modified terms were market-based at the time of modification.

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

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

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

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

The nature of the process by which FHN determines the appropriate ALLL requires the exercise of considerable judgment. See Note 5 – Allowance for Loan Losses for a discussion of FHN's ALLL methodology and a description of the models utilized in the estimation process for the commercial and consumer loan portfolios.

Key components of the estimation process are as follows: (1) commercial loans determined by management to be individually impaired loans are evaluated individually and specific reserves are determined based on the difference between the outstanding loan amount and the estimated net realizable value of the collateral (if collateral dependent), the present value of expected future cash flows or by observable market prices;
(2) individual commercial loans not considered to be individually impaired are segmented based on similar credit risk characteristics and evaluated on a pool basis; (3) reserve rates for the commercial segment are

calculated based on historical net charge-offs and are subject to adjustment by management to reflect current events, trends, and conditions (including economic considerations and trends); (4) management's estimate of probable incurred losses reflects the reserve rates applied against the balance of loans in the commercial segment of the loan portfolio; (5) consumer loans are generally segmented based on loan type; (6) reserve amounts for each consumer portfolio segment are calculated using analytical models based on delinquency trends and net loss experience and are subject to adjustment by management to reflect current events, trends, and conditions (including economic considerations and trends); and (7) the reserve amount for each consumer portfolio segment reflects management's estimate of probable incurred losses in the consumer segment of the loan portfolio.

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

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

Premises and Equipment. Premises and equipment are carried at cost less accumulated depreciation and amortization and include additions that materially extend the useful lives of existing premises and equipment. All other maintenance and repair expenditures are expensed as incurred. Premises and equipment held-for-sale are generally valued at appraised values which reference recent disposition values for similar property types but also consider marketability discounts for vacant properties. The valuations of premises and equipment held-for-sale are reduced by estimated costs to sell. Impairments, and any subsequent recoveries, are recorded in noninterest expense. Gains and losses on dispositions are reflected in noninterest income and expense, respectively.

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets and are recorded as noninterest expense. Leasehold improvements are amortized over the lesser of the lease periods or the estimated useful lives using the straight-line method. Useful lives utilized in determining depreciation for furniture, fixtures and equipment and for buildings are three years to fifteen years and seven years to forty-five years, respectively.

Other Real Estate Owned ("OREO"). Real estate acquired by foreclosure or other real estate-owned 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. At the time acquired, and in conjunction with the transfer from loans to OREO, there is a charge-off against the ALLL if the estimated fair value less costs to sell is less than the loan's cost basis. Subsequent declines in fair value and gains or losses on dispositions, if any, are charged to All other expense on the Consolidated Statements of Income. Properties acquired by foreclosure in compliance with HUD servicing guidelines prior to January 1, 2015, are included in "OREO" and are carried at the estimated amount of the underlying government insurance or guarantee. On December 31, 2019, FHN had $2.2 million of these properties.

Required developmental costs associated with acquired property under construction are capitalized and included in determining the estimated net realizable value of the property, which is reviewed periodically, and any write-downs are charged against current earnings.

Intangible Assets. Intangible assets consist of "Other intangible assets" and "Goodwill." Other intangible assets represent customer lists and relationships, acquired contracts, covenants not to compete and premium on purchased deposits, which are amortized over their estimated useful lives. Intangible assets related to acquired deposit bases are primarily amortized over 10 years using an accelerated method. Management evaluates whether events or circumstances have occurred that indicate the remaining useful life or carrying value of amortizing intangibles should be revised. Goodwill represents the excess of cost over net assets of acquired businesses less identifiable intangible assets. On an annual basis, FHN assesses goodwill for impairment.

Derivative Financial Instruments. FHN accounts for derivative financial instruments in accordance with ASC 815 which requires recognition of all derivative instruments on the balance sheet as either an asset or liability measured at fair value through adjustments to either accumulated other comprehensive income within shareholders' equity or current earnings. Fair value is defined as the price that would be received to sell a derivative asset or paid to transfer a derivative liability in an orderly transaction between market participants on the transaction date. Fair value is determined using available market information and appropriate valuation methodologies. FHN has elected to present its derivative assets and liabilities gross on the Consolidated Statements of Condition. Amounts of collateral posted or received have not been netted with the related derivatives unless the collateral amounts are considered legal settlements of the related derivative positions. See Note 22 – Derivatives for discussion on netting of derivatives.

FHN prepares written hedge documentation, identifying the risk management objective and designating the derivative instrument as a fair value hedge or cash flow hedge as applicable, or as a free-standing derivative instrument entered into as an economic hedge or to meet customers' needs. All transactions designated as ASC 815 hedges must be assessed at inception and on an ongoing basis as to the effectiveness of the derivative instrument in offsetting changes in fair value or cash flows of the hedged item. For a fair value hedge, changes in the fair value of the derivative instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized currently in earnings. For a cash flow hedge, changes in the fair value of the derivative instrument are recorded in accumulated other comprehensive income and subsequently reclassified to earnings as the hedged transaction impacts net income. Prior to 2018, ineffectiveness in debt and cash flow hedges was recorded in noninterest expense. Starting in 2018, for fair value hedges, the entire change in the fair value of the hedging instrument included in the assessment of effectiveness is recorded to the same financial statement line item (e.g., interest expense) used to present the earnings effect of the hedged item. For cash flow hedges, the entire fair value change of the hedging instrument that is included in the assessment of hedge effectiveness is initially recorded in other comprehensive income and later recycled into earnings as the hedged transaction(s) affect net income with the income statement effects recorded in the same financial statement line item used to present the earnings effect of the hedged item (e.g., interest income). For free-standing derivative instruments, changes in fair values are recognized currently in earnings. See Note 22 – Derivatives for additional information.

Cash flows from derivative contracts are reported as operating activities on the Consolidated Statements of Cash Flows.

Leases. At inception, all arrangements are evaluated to determine if they contain a lease, which is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Control is deemed to exist when a lessor has granted and a lessee has received both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset throughout the period of use.

Lessee. As a lessee, FHN recognizes lease (right-of-use) assets and lease liabilities for all leasing arrangements with lease terms that are greater than one year. The lease asset and lease liability are recognized at the present value of estimated future lease payments, including estimated renewal periods, with the discount rate reflecting a fully-collateralized rate matching the estimated lease term. Renewal options are included in the estimated lease term if they are considered reasonably certain of exercise. Periods covered by termination options are included in the lease term if it is reasonably certain they will not be exercised. Additionally, prepaid or accrued lease payments, lease incentives and initial direct costs related to lease arrangements are recognized within the right-of-use asset. Each lease is classified as a financing or operating lease which depends on the relationship of the lessee's rights to the economic value of the leased asset. For finance leases, interest on the lease liability is recognized separately from amortization of the right-of-use asset in earnings, resulting in higher expense in the earlier portion of the lease term. For operating leases, a single lease cost is calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis. Substantially all of FHN's lessee arrangements are classified as operating leases. For leases with a term of 12 months or less, FHN does not to recognize lease assets and lease liabilities and expense is generally recognized on a straight-line basis over the lease term.

Lease assumptions and classification are reassessed upon the occurrence of events that result in changes to the estimated lease term or consideration. Modifications to lease contracts are evaluated to determine 1) if a right to use an additional asset has been obtained, 2) if only the lease term and/or consideration have been revised or 3) if a full or partial termination has occurred. If an additional right-of use-asset has been obtained, the modification is treated as a separate contract and its classification is evaluated as a new lease arrangement. If only the lease term or consideration are changed, the lease liability is revalued with an offset to the lease asset and the lease classification is re-assessed. If a modification results in a full or partial termination of the lease, the lease liability is revalued through earnings along with a proportionate reduction in the value of the related lease asset and subsequent expense recognition is similar to a new lease arrangement.

Lease assets are evaluated for impairment when triggering events occur, such as a change in management intent regarding the continued occupation of the leased space. If a lease asset is impaired, it is written down to the present value of estimated future cash flows and the prospective expense recognition for that lease follows the accelerated expense recognition methodology applicable to finance leases, even if it remains classified as an operating lease.

Sublease arrangements are accounted for consistent with the lessor accounting described below. Sublease arrangements are evaluated to determine if changes to estimates for the primary lease are warranted or if the sublease terms reflect impairment of the related lease asset.

Lease assets are recognized in Other assets and lease liabilities are recognized in Other liabilities in the Consolidated Statements of Condition. Since substantially all of its leasing arrangements relate to real estate, FHN records lease expense, and any related sublease income, within Occupancy expense in the Consolidated Statements of Income.

Lessor. As a lessor, FHN also evaluates its lease arrangements to determine whether a finance lease or an operating lease exists and utilizes the rate implicit in the lease arrangement as the discount rate to calculate the present value of future cash flows. Depending upon the terms of the individual agreements, finance leases represent either sales-type or direct financing leases, both of which require de-recognition of the asset being leased with offsetting recognition of a lease receivable that is evaluated for impairment similar to loans. Currently, all of FHN's lessor arrangements are considered operating leases.

Lease income for operating leases is recognized over the life of the lease, generally on a straight line basis. Lease incentives and initial direct costs are capitalized and amortized over the estimated life of the lease. Lease income is not significant for any reporting periods and is classified as a reduction of Occupancy expense in the Consolidated Statements of Income.

Advertising and Public Relations. Advertising and public relations costs are generally expensed as incurred.

Income Taxes. FHN accounts for income taxes using the asset and liability method pursuant to ASC 740, "Income Taxes," which requires the recognition of deferred tax assets ("DTAs") and liabilities ("DTLs") for the expected future tax consequences of events that have been included in the financial statements. Under this method, FHN's deferred tax assets and liabilities are determined based on differences between financial statement carrying amounts and the corresponding tax basis of certain assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on DTAs and DTLs is recognized in income in the period that includes the enactment date.

Additionally, DTAs are subject to a "more likely than not" test to determine whether the full amount of the DTAs should be recognized in the financial statements. FHN evaluates the likelihood of realization of the DTA based on both positive and negative evidence available at the time, including (as appropriate) scheduled reversals of DTLs, projected future taxable income, tax planning strategies, and recent financial performance. If the "more likely than not" test is not met, a valuation allowance must be established against the DTA. In the event FHN determines that DTAs are realizable in the future in excess of their net recorded amount, FHN would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

FHN records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) it is determined whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority is recognized. FHN's ASC 740 policy is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. Accrued interest and penalties are included within the related tax asset/liability line in the consolidated balance sheet.

FHN and its eligible subsidiaries are included in a consolidated federal income tax return. FHN files separate returns for subsidiaries that are not eligible to be included in a consolidated federal income tax return. Based on the laws of the applicable state where it conducts business operations, FHN either files consolidated, combined, or separate returns. FHN's federal consolidated tax returns are currently under audit for 2013 through 2015 and the statutes for those years have been extended through December 31, 2020. Federal tax refund claims for Capital Bank Financial Corporation for 2010-2012 are under examination by the IRS. Several of FHN's state returns are currently under examination.

Earnings per Share. Earnings per share is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for each period. Diluted earnings per share in net income periods is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding adjusted to include the number of additional common shares that would have been outstanding if the potential dilutive common shares resulting from performance shares and units, restricted shares and units, and options granted under FHN's equity compensation plans and deferred compensation arrangements had been issued. FHN utilizes the treasury stock method in this calculation. Diluted earnings per share does not reflect an adjustment for potentially dilutive shares in periods in which a net loss available to common shareholders exists.

Equity Compensation. FHN accounts for its employee stock-based compensation plans using the grant date fair value of an award to determine the expense to be recognized over the life of the award. Stock options are valued using an option-pricing model, such as Black-Scholes. Restricted and performance shares and share units are valued at the stock price on the grant date. Awards with post-vesting transfer restrictions are discounted using models that reflect market considerations for illiquidity. For awards with service vesting criteria, expense is recognized using the straight-line method over the requisite service period (generally the vesting period). Forfeitures are recognized when they occur. For awards vesting based on a performance measure, anticipated performance is projected to determine the number of awards expected to vest, and the corresponding aggregate expense is adjusted to reflect the elapsed portion of the performance period. If a performance period extends beyond the required service term, total expense is adjusted for changes in estimated achievement through the end of the performance period. Some performance awards include a total shareholder return modifier ("TSR Modifier") that operates after determination of the performance criteria, affecting only the quantity of awards issued if the minimum performance threshold is attained. The effect of the TSR Modifier is included in the grant date fair value of the related performance awards using a Monte Carlo valuation technique. The fair value of equity awards with cash payout requirements, as well as awards for which fair value cannot be estimated at grant date, is remeasured each reporting period through vesting date. Performance awards with pre-grant date achievement criteria are expensed over the period from the start of the performance period through the end of the service vesting term. Awards are amortized using the nonsubstantive vesting methodology which requires that expense associated with awards having only service vesting criteria that continue vesting after retirement be recognized over a period ending no later than an employee's retirement eligibility date.

Repurchase and Foreclosure Provision. The repurchase and foreclosure provision is the charge to earnings necessary to maintain the liability at a level that reflects management's best estimate of losses associated with the repurchase of loans previously transferred in whole loans sales or securitizations, or make whole requests as of the balance sheet date. See Note 17 – Contingencies and Other Disclosures for discussion related to FHN's obligations to repurchase such loans.

Legal Costs. Generally, legal costs are expensed as incurred.Costs related to equity issuances are netted against Capital surplus. Costs related to debt issuances are included in debt issuance costs that are recorded within Term borrowings.

Contingency Accruals. Contingent liabilities arise in the ordinary course of business, including those related to lawsuits, arbitration, mediation, and other forms of litigation. FHN establishes loss contingency liabilities for matters when loss is both probable and reasonably estimable in accordance with ASC 450-20-50 "Contingencies – Accruals for Loss Contingencies". If loss for a matter is probable and a range of possible loss outcomes is the best estimate available, accounting guidance generally requires a liability to be established at the low end of the range. Expected recoveries from insurance and indemnification arrangements are recognized if they are considered equally as probable and reasonably estimable as the related loss contingency up to the recognized amount of the estimated loss. Gain contingencies and expected recoveries from insurance and indemnification arrangements in excess of the associated recorded estimated losses are generally recognized when received. Recognized recoveries are recorded as offsets to the related expense in the Consolidated Statements of Income. The favorable resolution of a gain contingency generally results in the recognition of other income in the Consolidated Statements of Income. Contingencies assumed in business combinations are evaluated through the end of the one-year post-closing measurement period. If the acquisition-date fair value of the contingency can be determined during the measurement period, recognition occurs as part of the acquisition-date fair value of the acquired business. If the acquisition-date fair value of the contingency cannot be determined, but loss is considered probable as of the acquisition date and can be reasonably estimated within the measurement period, then the estimated amount is recorded within acquisition accounting. If the requirements for inclusion of the contingency as part of the acquisition are not met, subsequent recognition of the contingency is included in earnings.

Summary of Accounting Changes. Effective January 1, 2019, FHN adopted the provisions of ASU 2016-02, "Leases," which requires a lessee to recognize in its statement of condition a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 leaves lessor accounting largely unchanged from prior standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. All other leases must be classified as financing or operating leases which depends on the relationship of the lessee's rights to the economic value of the leased asset. For finance leases, interest on the lease liability is recognized separately from amortization of the right-of-use asset in earnings, resulting in higher expense in the earlier portion of the lease term. For operating leases, a single lease cost is calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

Effective January 1, 2019, FHN adopted the provisions of ASU 2018-11, "Leases – Targeted Improvements," which provides an election for a cumulative effect adjustment to retained earnings upon initial adoption of ASU 2016-02. Alternatively, under the initial guidance of ASU 2016-02, lessees and lessors are required to recognize and measure leases at the beginning of the earliest comparative period presented using a modified retrospective approach. Both adoption alternatives include a number of optional practical expedients that entities may elect to apply, which would result in continuing to account for leases that commence before the effective date in accordance with previous requirements (unless the lease is modified) except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous requirements. ASU 2016-02 also requires expanded qualitative and quantitative disclosures to assess the amount, timing, and uncertainty of cash flows arising from lease arrangements. Upon adoption, FHN utilized the cumulative effect transition alternative provided by ASU 2018-11. FHN utilized the lease classification practical expedients and the short-term lease exemption upon adoption. FHN also has elected to determine the discount rate on leases as of the effective date and elected to use hindsight in determining lease terms as well as impairments of lease assets resulting from lease abandonments upon adoption. The table below summarizes the impact of adopting ASU 2016-02 as of January 1, 2019, for line items in the Consolidated Statements of Condition. Lease assets of approximately $185 million are included in Other Assets. Lease liabilities of approximately $204 million are included in Other Liabilities. The after-tax decrease in Undivided Profits reflects the recognition of deferred gains associated with prior sale-leaseback transactions, revisions to the estimated useful lives of leasehold improvements and adjustments of lease expense to reflect revised lease duration estimates.

(Dollars in thousands)	**January 1, 2019**
Loans, net of unearned income	**$ 3,450**
Premises and equipment, net	**2,718**
Other assets	**183,884**
Other liabilities	**(191,010)**
Undivided profits	**1,011**

Effective January 1, 2019, FHN adopted the provisions of ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). Capitalized implemented costs are required to be expensed over the term of the hosting arrangement which includes the non-cancellable period of the arrangement plus periods covered by (1) an option to extend the arrangement if the customer is reasonably certain to exercise that option, (2) an option to terminate the arrangement if the customer is reasonably certain not to exercise the termination option, and (3) an option to extend (or not to terminate) the arrangement in which exercise of the option is in the control of the vendor. ASU 2018-15 also requires application of the impairment guidance applicable to long-lived assets to the capitalized implementation costs. Amortization expense related to capitalized implementation costs must be presented in the same line item in the statement of income as the fees associated with the hosting element (service) of the arrangement and payments for capitalized implementation costs will be classified in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. Capitalized implementation costs will be presented in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. FHN elected early adoption of ASU 2018-15 using the prospective transition method and the effects of adoption were not significant.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which makes several revisions and clarifications to the accounting for these items. The revisions related to ASU 2016-03 (Topic 326) are discussed below. ASU 2019-04 clarifies several aspects of fair hedge accounting, including the application to partial term fair value hedges. ASU 2019-04 provides an election regarding the timing for amortization of basis adjustments to hedged items in fair value hedges, indicating that amortization may, but is not required to, commence prior to the end of the hedge relationship. ASU 2019-04 also provides additional guidance related to the application of the hypothetical derivative method and first-payments-received method in cash flow hedges. Further, ASU 2019-04 indicates that remeasurement of an equity security without a readily determinable fair value when an orderly transaction is identified for an identical or similar investment of the same issuer represents a non-recurring fair value measurement and the related disclosure requirements apply to the remeasurement event. The hedging updates are effective at the beginning of the first annual reporting period after issuance with early adoption permitted. The financial instruments measurement and disclosure changes are effective for fiscal years and interim periods beginning after December 15, 2019 with early adoption permitted. FHN early adopted these portions of ASU 2019-04 in second quarter 2019 and the effects were not significant based on its existing accounting practices.

Accounting Changes Issued but Not Currently Effective

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which revises the measurement and recognition of credit losses for assets measured at amortized cost (e.g., held-to-maturity ("HTM") loans and debt securities) and available-for-sale ("AFS") debt securities. Under ASU 2016-13, for assets measured at amortized cost, the current expected credit loss ("CECL") is measured as the difference between amortized cost and the net amount expected to be collected. This represents a departure from existing GAAP as the "incurred loss" methodology for recognizing credit losses delays recognition until it is probable a loss has been incurred. Under CECL the full amount of expected credit losses will be recognized at the time of loan origination. The measurement of current expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Additionally, current disclosures of credit quality indicators in relation to the amortized cost of financing receivables will be further disaggregated by year of origination. ASU 2016-13 leaves the methodology for measuring credit losses on AFS debt securities largely unchanged, with the maximum credit loss representing the difference between amortized cost and fair value. However, such credit losses will be recognized through an allowance for credit losses, which permits recovery of previously recognized credit losses if circumstances change.

ASU 2016-13 also revises the recognition of credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination ("PCD assets"). For PCD assets, the initial allowance for credit losses is added to the purchase price. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for PCD assets. Interest income for PCD assets will be recognized based on the effective interest rate, excluding the discount embedded in the purchase price that is attributable to the acquirer's assessment of credit losses at acquisition. Currently, credit losses for purchased credit-impaired assets are included in the initial basis of the assets with subsequent declines in credit resulting in expense while subsequent improvements in credit are reflected as an increase in the future yield from the assets. For non-PCD assets, expected credit losses will be recognized through earnings upon acquisition and the entire premium or discount will be accreted to interest income over the remaining life of the loan.

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

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

Based on implementation efforts, FHN expects to incur a decrease to Undivided profits of approximately $100 million as of January 1, 2020, related to an increase in the allowance for loan losses as well as an increase in the reserve for unfunded commitments. A significant portion of this impact relates to increased reserves within the consumer portfolios, given the longer contractual maturities associated with many of these products as well as reserves related to acquired loans. FHN expects the coverage ratio for loans to be approximately 100 basis points at adoption but would expect future coverage to be affected by changes in economic forecasts, portfolio composition and loan terms. The total impact to FHN's regulatory capital ratio CET1 is anticipated to be a decrease of approximately 7 basis points in 2020. Management is in the final stages of documenting the accounting, reporting and governance processes associated with the adoption of ASU 2016-13.

FHN also assessed several asset classes other than loans that are within the scope of CECL and determined that the adoption effects for the change in measurement of credit risk were minimal for these classes. This includes Fed funds sold which have no history of credit losses due to their short (typically overnight) duration and counterparty risk assessment processes. This also includes securities borrowed and securities purchased under agreements to resell which have collateral maintenance agreements that incorporate master netting provisions resulting in minimal uncollateralized positions as of any date as evidenced by the disclosures provided in Note 23 – Master Netting and Similar Agreements-Repurchase, Reverse Repurchase, and Securities Borrowing Transactions. Additionally, FHN has also evaluated the composition of its AFS securities and determined that the changes in ASU 2016-13 will not have a significant effect on the current portfolio.

ASU 2019-04 provides an election to either not measure or measure separately an allowance for credit losses for accrued interest receivable ("AIR"). Entities electing to not measure an allowance for AIR must write off uncollectible interest in a timely manner. Additionally, an election is provided for the write off of uncollectible interest to be recorded either as a reversal of interest income or a charge against the allowance for credit losses or a combination of both. Disclosures are required depending upon which elections are made.

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

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

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

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

Note 1 ❑ Summary of Significant Accounting Policies (continued)

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

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

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

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

Note 2 ❑ Acquisitions and Divestitures

On November 4, 2019, FHN and IBERIABANK Corporation ("IBKC") announced that they had entered into an agreement and plan of merger under which IBKC will merge with FHN in a merger-of-equals transaction. IBKC, headquartered in Lafayette, Louisiana, has 319 offices in 12 states, mostly in the southern and southeastern U.S., and has reported $31.7 billion of total assets, $24.0 billion in loans, and $25.2 billion in deposits, at December 31, 2019. IBKC's common stock is listed on The NASDAQ Stock Market, LLC under the symbol IBKC. Under the merger agreement, each share of IBKC common stock will be converted into 4.584 shares of FHN common stock. After closing, FHN expects IBKC common shares will be converted into approximately 44 percent of the then-outstanding shares of FHN common stock. The merger agreement requires FHN to expand its board of directors to seventeen persons; after closing, eight board positions will be held by current IBKC directors, and nine will be held by current FHN directors. FHN expects the transaction to close mid-2020, subject to regulatory approvals, approval by the shareholders of FHN and of IBKC, and other customary conditions. Merger and integration expenses related to the pending merger of equals with IBKC are recorded in FHN's Corporate segment.

Total merger expenses for the IBKC merger recognized during 2019 were as follows:

(Dollars in thousands)	Year Ended December 31, **2019**
Professional fees (a)	**$ 8,228**
Employee compensation, incentives and benefits (b)	**3,079**
Miscellaneous expense (c)	**64**
Total IBKC merger expense	**$11,371**

(a) Primarily comprised of fees for legal, accounting, investment bankers, and merger consultants.
(b) Primarily comprised of fees for severance and retention.
(c) Primarily comprised of fees for travel and entertainment.

On November 8, 2019, FHN announced an agreement for First Horizon Bank to purchase 30 branches from SunTrust Bank in conjunction with SunTrust Banks, Inc.'s merger with BB&T Corporation, which created Truist Financial Corp. As part of the agreement, FHN will assume approximately $2.4 billion of branch deposits for a 3.40 percent deposit premium and purchase approximately $410 million of branch loans. The branches are in communities in North Carolina (20 branches), Virginia (8 branches), and Georgia (2 branches). FHN expects the purchase to close in second quarter 2020, subject to customary closing conditions.

On November 30, 2017, FHN completed its acquisition of Capital Bank Financial Corporation ("CBF") and its subsidiaries, including Capital Bank Corporation, for an aggregate of 92,042,232 shares of FHN common stock and $423.6 million in cash in a transaction valued at $2.2 billion. In second quarter 2018, FHN canceled 2,373,220 common shares which had been issued but set aside for certain shareholders of CBF who have commenced a dissenters' appraisal process resulting in a reduction in equity consideration and an increase in cash consideration of $46.0 million. In October 2019 this matter was resolved and the financial statement effects were not significant. CBF operated 178 branches in North and South Carolina, Tennessee, Florida and Virginia at the time of closing. In relation to the acquisition, FHN acquired approximately $9.8 billion in assets, including approximately $7.3 billion in loans and $1.2 billion in AFS securities, and assumed approximately $8.1 billion of CBF deposits.

The following schedule details acquired assets and liabilities and consideration paid, as well as adjustments to record the assets and liabilities at their estimated fair values as of November 30, 2017. These fair value measurements are based on third party and internal valuations.

	Capital Bank Financial Corporation			
(Dollars in thousands)	As Acquired (unaudited)	Purchase Accounting/ Fair Value Adjustments (unaudited) 2017	2018 (a)	As recorded by FHN
Assets:				
Cash and cash equivalents	$ 205,999	$ -	$ -	$ 205,999
Trading securities	4,758	(4,758)(b)	-	-
Loans held-for-sale	-	134,003	(11,034)	122,969
Securities available-for-sale	1,017,867	175,526	-	1,193,393
Securities held-to-maturity	177,549	(177,549)	-	-
Loans	7,596,049	(320,372)	867	7,276,544
Allowance for loan losses	(45,711)	45,711	-	-
CBF Goodwill	231,292	(231,292)	-	-
Other intangible assets	24,498	119,302	(2,593)	141,207
Premises and equipment	196,298	37,054	(9,470)	223,882
OREO	43,077	(9,149)	(315)	33,613
Other assets	617,232	41,320(c)	(22,422)(c)	636,130
Total assets acquired	$10,068,908	$(190,204)	$(44,967)	$ 9,833,737
Liabilities:				
Deposits	$ 8,141,593	$ (849)	$ (642)	$ 8,140,102
Securities sold under agreements to repurchase	26,664	-	-	26,664
Other short-term borrowings	390,391	-	-	390,391
Term borrowings	119,486	67,683	-	187,169
Other liabilities	59,995	4,291	1,631	65,917
Total liabilities assumed	8,738,129	71,125	989	8,810,243
Net assets acquired	$ 1,330,779	$(261,329)	$(45,956)	1,023,494
Consideration paid:				
Equity				(1,746,718)
Cash				(469,615)
Total consideration paid				(2,216,333)
Goodwill				$ 1,192,839

(a) Amounts reflect adjustments made to provisional fair value estimates during the measurement period ending November 30, 2018. These adjustments were recorded in FHN's Consolidated Statement of Condition in 2018 with a corresponding adjustment to goodwill.
(b) Amount represents a conformity adjustment to align with FHN presentation.
(c) Amount primarily relates to a net deferred tax asset recorded for the effects of the purchase accounting adjustments and adjustments for acquired tax contingencies.

In relation to the acquisition, FHN recorded goodwill of approximately $1.2 billion, representing the excess of acquisition consideration over the estimated fair value of net assets acquired. All goodwill has been attributed to FHN's Regional Banking segment (refer to Note 7 – Intangible Assets for additional information). This goodwill is the result of 1) the addition of an experienced workforce, 2) expected synergies to be realized within overlapping banking markets, 3) operational efficiencies obtained through integration of back office functions and 4) proportionately lower net operating costs from a larger company scale. $17.0 million of goodwill was determined to be deductible for tax purposes as a result of tax bases carryover resulting from prior CBF acquisitions. FHN's operating results for 2018 and 2017 include the operating results of the assets and liabilities acquired from CBF subsequent to the acquisition on November 30, 2017.

Following is a description of the methods used to determine the fair values of significant assets and liabilities presented above.

Cash and cash equivalents: The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Note 2 ❑ Acquisitions and Divestitures (continued)

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

Loans and loans held-for-sale: Fair values for loans were based on a discounted cash flow methodology that considered factors including the type of loan and related collateral, classification status, fixed or variable interest rate, term of loan, amortization status and current discount rates. Loans were aggregated according to similar characteristics when applying various valuation techniques. The discount rate does not include a factor for credit losses as that has been included as a reduction to the estimated cash flows. Loans held-for-sale were classified according to FHN's intent at closing. The valuation of loans held-for-sale reflects contractual or bid prices.

Intangible assets: Core deposit intangible ("CDI") represents the value of the relationships with deposit customers. The fair value was based on a discounted cash flow methodology that considered expected customer attrition rates, net maintenance cost of the deposit base, alternate costs of funds, and the interest costs associated with customer deposits. The CDI is being amortized over 10 years using an accelerated methodology based upon the period over which estimated economic benefits are estimated to be received. Lease intangibles are valued using a discounted cash flow methodology which compares the current contractual rental payments to estimated current market rents for the property.

Premises and Equipment: Land and buildings held-for-use are valued at appraised values, which reflect considerations of recent disposition values for similar property types with adjustments for characteristics of individual properties. Locations held-for-sale are valued at appraised values which also reference recent disposition values for similar property types but also considers marketability discounts for vacant properties. The valuations of locations held-for-sale are reduced by estimated costs to sell. Other fixed assets are valued using a discounted cash flow methodology which reflects estimates of the future value of the assets to a hypothetical buyer.

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

Deposits: The fair values used for the demand and savings deposits by definition equal the amount payable on demand at the acquisition date. The fair values for time deposits are estimated using a discounted cash flow calculation using the remaining duration of the accounts and reflects the difference in interest rates currently being offered to the contractual interest rates on such time deposits.

Securities sold under agreements to repurchase and Other short-term borrowings: The carrying amount of these liabilities is a reasonable estimate of fair value based on the short-term nature of these liabilities.

Term borrowings: The fair values of long-term debt instruments are estimated based on quoted market prices for the instrument if available, or for similar instruments if not available, or by using discounted cash flow analysis, based on estimated current borrowing rates for similar types of instruments and considers whether the debt is currently callable. Estimated discount rates are determined from the perspective of the post-merger combined entity rather than the acquiree and/or original issuers.

Note 2 ❑ Acquisitions and Divestitures (continued)

The following table presents financial information regarding the former CBF operations included in FHN's Consolidated Statements of Income from the date of acquisition (November 30, 2017) through December 31, 2017. Additionally, the table presents unaudited proforma information as if the acquisition of CBF had occurred on January 1, 2016:

(Dollars in thousands)	Actual from acquisition date through December 31, 2017	Unaudited Pro Forma for Year Ended December 31 2017	2016
Net interest income	$31,253	$1,165,006	$1,033,218
Noninterest income	6,192	563,581	638,493
Pre-tax income	16,534	476,911	458,667
Net income available to common shareholders (a)	NM	274,416	293,981

(a) Net income available to common shareholders is not meaningful for actual CBF results from the acquisition date through December 31, 2017 because of the effect of tax reform.

The pro forma financial information and explanatory notes have been prepared to illustrate the effects of the merger between FHN and CBF under the acquisition method of accounting. The pro forma financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined companies had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined entities. Cost savings and other business synergies related to the acquisition are not reflected in the pro forma amounts.

This unaudited pro forma information combines the historical consolidated results of operations of FHN and CBF for the periods presented and gives effect to the following nonrecurring adjustments:

Fair value adjustments: Pro forma adjustment to net interest income of $34.5 million and $46.5 million for the years ended December 31, 2017 and 2016, respectively, to record estimated amortization of premiums and accretion of discounts on acquired loans, securities, deposits, and term borrowings.

CBF accretion/amortization: Pro forma adjustment to net interest income of $24.4 million and $25.9 million for the years ended December 31, 2017 and 2016, respectively, to eliminate CBF amortization of premiums and accretion of discounts on previously acquired loans, securities, and deposits.

Amortization of acquired intangibles: Pro forma adjustment to noninterest expense of $15.8 million and $18.0 million for the years ended December 31, 2017 and 2016, respectively, to record estimated amortization on acquired CDI and other lease intangibles.

Other adjustments: Pro forma results also include adjustments related to the removal of CBF's intangible amortization expense, amortization of previously acquired lease intangibles, and FHN's merger-related costs. Also includes adjustments to depreciation expense to record estimated fair value marks for CBF tangible assets, as well as income-tax effects of pro forma adjustments.

All expenses related to the merger and integration with CBF are recorded in FHN's Corporate segment. Integration activities were substantially completed in second quarter 2018.

Note 2 ❑ Acquisitions and Divestitures (continued)

Total CBF merger and integration expense recognized for the years ended December 31, 2019, 2018, and 2017 are presented in the table below:

	Years Ended December 31,		
(Dollars in thousands)	**2019**	2018	2017
Professional fees (a)	**$11,221**	$22,337	$28,151
Employee compensation, incentives and benefits (b)	**1,189**	9,613	17,077
Contract employment and outsourcing (c)	**240**	3,681	1,270
Occupancy (d)	**1,453**	5,236	15
Miscellaneous expense (e)	**2,072**	7,652	1,291
All other expense (f)	**6,695**	43,874	8,944
Total	**$22,870**	$92,393	$56,748

(a) Primarily comprised of fees for legal, accounting, investment bankers, and merger consultants.
(b) Primarily comprised of fees for severance and retention.
(c) Primarily relates to fees for temporary assistance for merger and integration activities.
(d) Primarily relates to fees associated with lease exit accruals.
(e) Consists of fees for operations services, communications and courier, equipment rentals, depreciation, and maintenance, supplies, travel and entertainment, computer software, and advertising and public relations.
(f) Primarily relates to contract termination charges, costs of shareholder matters and asset impairments related to the integration, as well as other miscellaneous expenses.

In first quarter 2018, FHN divested two branches, including approximately $30 million of deposits and $2 million of loans. The branches, both in Greeneville, Tennessee, were divested in connection with First Horizon's agreement with the U.S. Department of Justice and commitments to the Board of Governors of the Federal Reserve System, which were entered into in connection with a customary review of FHN's merger with CBF.

In second quarter 2018, FHN sold approximately $120 million UPB of its subprime auto loans. These loans, originally acquired as part of the CBF acquisition, did not fit within FHN's risk profile. Based on the sales price, a measurement period adjustment to the acquisition-date fair value of the subprime auto loans was recorded in second quarter 2018. A measurement period adjustment was made in fourth quarter 2018 for other consumer loans acquired from CBF based on pricing information received from potential buyers.

On April 3, 2017, FHN Financial (formerly FTN Financial or "FTNF") acquired substantially all of the assets and assumed substantially all of the liabilities of Coastal Securities, Inc. ("Coastal"), a national leader in the trading, securitization, and analysis of Small Business Administration ("SBA") loans, for approximately $131 million in cash. Coastal, which was based in Houston, TX, also traded United States Department of Agriculture ("USDA") loans and fixed income products and provided municipal underwriting and advisory services to its clients. Coastal's government-guaranteed loan products, combined with FHN Financial's existing SBA trading activities, have established an additional major product sector for FHN Financial.

Note 2 ❑ Acquisitions and Divestitures (continued)

The following schedule details acquired assets and liabilities and consideration paid, as well as adjustments to record the assets and liabilities at their estimated fair values as of April 3, 2017:

	Coastal Securities, Inc		
(Dollars in thousands)	As Acquired (unaudited)	Purchase Accounting/ Fair Value Adjustments (unaudited)	As recorded by FHN
Assets:			
Cash and cash equivalents	$ 7,502	$ -	$ 7,502
Interest-bearing cash	4,132	-	4,132
Trading securities	423,662	(284,580)	139,082
Loans held-for-sale	-	236,088	236,088
Investment securities	-	1,413	1,413
Other intangible assets, net	-	27,300	27,300
Premises and equipment, net	1,229	-	1,229
Other assets	1,658	14	1,672
Total assets acquired	$438,183	$ (19,765)	$ 418,418
Liabilities:			
Securities sold under agreements to repurchase	$201,595	$ -	$ 201,595
Other short-term borrowings	33,509	-	33,509
Fixed income payables	143,647	(47,158)	96,489
Other liabilities	958	(642)	316
Total liabilities assumed	379,709	(47,800)	331,909
Net assets acquired	$ 58,474	$ 28,035	86,509
Consideration paid:			
Cash			(131,473)
Goodwill			$ 44,964

In relation to the acquisition, FHN has recorded $45.0 million in goodwill, representing the excess of acquisition consideration over the estimated fair value of net assets acquired (refer to Note 7 – Intangible Assets for additional information), and all of which is expected to be deductible for tax purposes. The goodwill is the result of adding an experienced workforce, establishing an additional major product sector for FHN Financial, expected synergies, and other factors. FHN's operating results for 2017 include the operating results of the acquired assets and assumed liabilities of Coastal subsequent to the acquisition on April 3, 2017.

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

Note 3 ❑ Investment Securities

The following tables summarize FHN's investment securities on December 31, 2019 and 2018:

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

(a) SBA-interest only strips are recorded at elected fair value. See Note 24 – Fair Value of Assets and Liabilities for additional information.
(b) Includes $3.8 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

	December 31, 2018			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$ -	$ (2)	$ 98
Government agency issued MBS	2,473,687	4,819	(58,400)	2,420,106
Government agency issued CMO	2,006,488	888	(48,681)	1,958,695
Other U.S. government agencies	149,050	809	(73)	149,786
Corporates and other debt	55,383	388	(461)	55,310
State and municipalities	32,473	314	(214)	32,573
	$4,717,181	**$7,218**	**$(107,831)**	**4,616,568**
AFS securities recorded at fair value through earnings:				
SBA-interest only strips (a)				9,902
Total securities available-for-sale (b)				**$4,626,470**
Securities held-to-maturity:				
Corporates and other debt	$ 10,000	$ -	$ (157)	$ 9,843
Total securities held-to-maturity	**$ 10,000**	**$ -**	**$ (157)**	**$ 9,843**

(a) SBA-interest only strips are recorded at elected fair value. See Note 24 – Fair Value of Assets and Liabilities for additional information.
(b) Includes $3.8 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

Note 3 ❑ Investment Securities (continued)

The amortized cost and fair value by contractual maturity for the available-for-sale and held-to-maturity debt securities portfolios on December 31, 2019 are provided below:

	Held-to-Maturity		Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ -	$ -	$ 35,022	$ 35,211
After 1 year; within 5 years	-	-	209,003	213,108
After 5 years; within 10 years	10,000	10,001	755	3,332
After 10 years	-	-	156,069	174,743
Subtotal	10,000	10,001	400,849	426,394
Government agency issued MBS and CMO (a)	-	-	3,984,154	4,019,009
Total	**$10,000**	**$10,001**	**$4,385,003**	**$4,445,403**

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

The table below provides information on gross gains and gross losses from debt investment securities for the years ended December 31: Equity securities are included in 2017.

	Available-for-Sale		
(Dollars in thousands)	**2019**	2018	2017
Gross gains on sales of securities	**$ -**	$52	$ 2,514
Gross (losses) on sales of securities	**(267)**	-	(1,922)
Net gain/(loss) on sales of securities (a) (b)	**(267)**	52	592

(a) Cash proceeds from the sale of available-for-sale securities during 2019 were $191.7 million and were not material in 2018. Cash proceeds from sales during 2017 were $937.0 million.
(b) 2017 includes a $.4 million gain associated with the call of a $4.4 million held-to-maturity municipal bond.

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of December 31, 2019 and 2018:

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

Note 3 ❑ Investment Securities (continued)

	As of December 31, 2018					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ -	$ -	$ 98	$ (2)	$ 98	$ (2)
Government agency issued MBS	597,008	(12,335)	1,537,106	(46,065)	2,134,114	(58,400)
Government agency issued CMO	290,863	(2,860)	1,560,420	(45,821)	1,851,283	(48,681)
Other U.S. government agencies	29,776	(73)	-	-	29,776	(73)
Corporates and other debt	25,114	(344)	15,008	(117)	40,122	(461)
States and municipalities	17,292	(214)	-	-	17,292	(214)
Total temporarily impaired securities	$960,053	$(15,826)	$3,112,632	$(92,005)	$4,072,685	$(107,831)

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

The carrying amount of equity investments without a readily determinable fair value was $25.6 million and $21.3 million at December 31, 2019 and 2018, respectively. The year-to-date 2019 and 2018 gross amounts of upward and downward valuation adjustments were not significant.

Unrealized gains of $7.0 million and unrealized losses of $1.5 million were recognized during 2019 and 2018, respectively, for equity investments with readily determinable fair values.

In 2018 FHN sold its remaining holdings of Visa Class B Shares resulting in a pre-tax gain of $212.9 million recognized within the Corporate segment. See the Other Derivatives section of Note 22 – Derivatives for more information regarding FHN's Visa shares.

Note 4 ❑ Loans

The following table provides the balance of loans, net of unearned income, by portfolio segment as of December 31, 2019 and 2018:

	December 31	
(Dollars in thousands)	**2019**	2018
Commercial: (a)		
Commercial, financial, and industrial	**$20,051,091**	$16,514,328
Commercial real estate	**4,337,017**	4,030,870
Consumer:		
Consumer real estate (b)	**6,006,749**	6,249,516
Permanent mortgage	**170,390**	222,448
Credit card & other	**495,864**	518,370
Loans, net of unearned income	**$31,061,111**	$27,535,532
Allowance for loan losses	**200,307**	180,424
Total net loans	**$30,860,804**	$27,355,108

(a) In third quarter 2019, FHN corrected a previous mis-classification of commercial loans and reclassified approximately $410 million of market investor CRE loans from the C&I portfolio to the CRE portfolio. These loans were identified during an internal review and assessment by management of certain loan populations, a portion of which relate to loans acquired as part of the Capital Bank merger. The reclassification of these loan balances between regional banking portfolios did not have an impact on FHN's consolidated period-end or average balance sheet and had an immaterial effect on the allowance for loan losses. No adjustments were made to prior periods as the impact of the reclassification, including the effect on the allowance for loan losses was deemed to be immaterial in all periods.

(b) Balance as of December 31, 2018 includes $16.2 million of restricted real estate loans. See Note 21 – Variable Interest Entities for additional information.

COMPONENTS OF THE LOAN PORTFOLIO

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

Concentrations

FHN has a concentration of residential real estate loans (20 percent of total loans), the majority of which is in the consumer real estate segment (19 percent of total loans). Loans to finance and insurance companies total $2.8 billion (14 percent of the C&I portfolio, or 9 percent of the total loans). FHN had loans to mortgage companies totaling $4.4 billion (22 percent of the C&I segment, or 14 percent of total loans) as of December 31, 2019. As a result, 36 percent of the C&I segment is sensitive to impacts on the financial services industry.

Restrictions

On December 31, 2019, $5.2 billion of commercial loans were pledged to secure potential discount window borrowings from the Federal Reserve Bank. As of December 31, 2019 and 2018, FHN pledged all of its first and second lien mortgages, HELOCs, excluding restricted real estate loans, and commercial real estate loans to secure potential borrowings from the FHLB-Cincinnati. Restricted loans secured borrowings associated with consolidated VIEs. See Note 21 – Variable Interest Entities for additional discussion.

Acquisition

Generally, the fair value for acquired loans is estimated using a discounted cash flow analysis with significant unobservable inputs (Level 3) including adjustments for expected credit losses, prepayment speeds, current market rates for similar loans, and an adjustment for investor-required yield given product-type and various risk characteristics.

At acquisition, FHN designated certain loans as PCI with the remaining loans accounted for under ASC 310-20, "Nonrefundable Fees and Other Costs". Of the loans designated as PCI at acquisition, $4.7 million is held-for-sale. For loans accounted for under ASC 310-20, the difference between each loan's book value and the estimated fair value at the time of the acquisition will be accreted into interest income over its remaining contractual life and the subsequent accounting and reporting will be similar to a loan in FHN's originated portfolio.

Purchased Credit-Impaired Loans

The following table presents a rollforward of the accretable yield for the year ended December 31, 2019 and 2018:

	Year Ended December 31	
(Dollars in thousands)	**2019**	2018
Balance, beginning of period	**$13,375**	$15,623
Accretion	**(5,792)**	(9,467)
Adjustment for payoffs	**(2,438)**	(3,896)
Adjustment for charge-offs	**(479)**	(1,115)
Adjustment for pool excess recovery (a)	**-**	(123)
Increase in accretable yield (b)	**5,513**	12,791
Disposals	**(4)**	(240)
Other	**(367)**	(198)
Balance, end of period	**$ 9,808**	$13,375

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

At December 31, 2019, the ALLL related to PCI loans was $2.0 million compared to $4.0 million at December 31, 2018. Net charge-offs related to PCI loans during 2019 were $5.8 million, compared to $6.7 million in 2018. The loan loss provision expense related to PCI loans during 2019 was $1.3 million, compared to $4.8 million during 2018.

The following table reflects the outstanding principal balance and carrying amounts of the acquired PCI loans as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
(Dollars in thousands)	**Carrying value**	**Unpaid balance**	Carrying value	Unpaid balance
Commercial, financial and industrial	**$24,973**	**$25,938**	$38,873	$44,259
Commercial real estate	**5,078**	**5,466**	15,197	17,232
Consumer real estate	**23,681**	**26,245**	30,723	34,820
Credit card and other	**489**	**567**	1,627	1,879
Total	**$54,221**	**$58,216**	$86,420	$98,190

Impaired Loans

The following tables provide information at December 31, 2019 and 2018, by class related to individually impaired loans and consumer TDRs, regardless of accrual status. Recorded investment is defined as the amount of the investment in a loan, excluding any valuation allowance but including any direct write-down of the investment. For purposes of this disclosure, PCI loans and the TRUPS valuation allowance have been excluded.

	December 31, 2019				
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:					
Commercial:					
General C&I	$ 52,672	$ 63,602	$ -	$ 61,382	$ 690
Loans to mortgage companies	-	-	-	9,314	-
Income CRE	1,563	1,563	-	1,620	33
Total	$ 54,235	$ 65,165	$ -	$ 72,316	$ 723
Consumer:					
HELOC (a)	$ 4,940	$ 10,438	$ -	$ 6,582	$ -
R/E installment loans (a)	5,329	6,105	-	5,335	-
Permanent mortgage (a)	2,264	3,949	-	3,017	-
Total	$ 12,533	$ 20,492	$ -	$ 14,934	$ -
Impaired loans with related allowance recorded:					
Commercial:					
General C&I	$ 29,766	$ 31,536	$ 6,196	$ 14,328	$ 4
TRUPS	-	-	-	2,445	-
Income CRE	-	-	-	221	9
Total	$ 29,766	$ 31,536	$ 6,196	$ 16,994	$ 13
Consumer:					
HELOC	$ 55,522	$ 59,122	$ 7,016	$ 61,294	$1,868
R/E installment loans	34,862	35,780	4,521	40,181	1,016
Permanent mortgage	59,329	68,341	7,761	63,630	2,149
Credit card & other	653	653	422	694	18
Total	$150,366	$163,896	$19,720	$165,799	$5,051
Total commercial	$ 84,001	$ 96,701	$ 6,196	$ 89,310	$ 736
Total consumer	$162,899	$184,388	$19,720	$180,733	$5,051
Total impaired loans	$246,900	$281,089	$25,916	$270,043	$5,787

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

Note 4 ❑ Loans (continued)

	December 31, 2018				
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:					
Commercial:					
General C&I	$ 42,902	$ 45,387	$ -	$ 24,186	$ 757
Income CRE	1,589	1,589	-	1,434	51
Residential CRE	-	-	-	374	-
Total	$ 44,491	$ 46,976	$ -	$ 25,994	$ 808
Consumer:					
HELOC (a)	$ 8,645	$ 16,648	$ -	$ 8,723	$ -
R/E installment loans (a)	4,314	4,796	-	4,300	-
Permanent mortgage (a)	3,601	6,003	-	4,392	-
Total	$ 16,560	$ 27,447	$ -	$ 17,415	$ -
Impaired loans with related allowance recorded:					
Commercial:					
General C&I	$ 2,802	$ 2,802	$ 149	$ 16,011	$ -
TRUPS	2,888	3,700	925	2,981	-
Income CRE	377	377	-	348	10
Residential CRE	-	-	-	99	-
Total	$ 6,067	$ 6,879	$ 1,074	$ 19,439	$ 10
Consumer:					
HELOC	$ 66,482	$ 69,610	$11,241	$ 69,535	$2,273
R/E installment loans	38,993	39,851	6,743	40,118	1,024
Permanent mortgage	67,245	78,010	9,419	73,259	2,290
Credit card & other	695	695	337	626	14
Total	$173,415	$188,166	$27,740	$183,538	$5,601
Total commercial	$ 50,558	$ 53,855	$ 1,074	$ 45,433	$ 818
Total consumer	$189,975	$215,613	$27,740	$200,953	$5,601
Total impaired loans	$240,533	$269,468	$28,814	$246,386	$6,419

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

Asset Quality Indicators

FHN employs a dual grade commercial risk grading methodology to assign an estimate for the probability of default ("PD") and the loss given default ("LGD") for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16. This credit grading system is intended to identify and measure the credit quality of the loan portfolio by analyzing the migration of loans between grading categories. It is also integral to the estimation methodology utilized in determining the allowance for loan losses 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; a PD 1 has the lowest expected default probability, and probabilities increase as grades progress down the scale. PD 1 through PD 12 are "pass" grades. PD grades 13-16 correspond to the regulatory-defined categories of special mention (13), substandard (14), doubtful (15), and loss (16). Pass loan grades are required to be reassessed annually or earlier whenever there has been a material change in the financial condition of the borrower or risk characteristics of the relationship. All commercial loans over $1 million and certain commercial loans over $500,000 that are graded 13 or worse are reassessed on a quarterly basis. Loan grading discipline is regularly reviewed internally by Credit Assurance Services to determine if the process continues to result in accurate loan grading across the portfolio. FHN may utilize availability of guarantors/sponsors to support lending decisions during the credit underwriting process and when determining the assignment of internal loan grades. LGD grades are assigned based on a scale of 1-12 and represent FHN's expected recovery based on collateral type in the event a loan defaults. See Note 5 – Allowance for Loan Losses for further discussion on the credit grading system.

The following tables provide the balances of commercial loan portfolio classes with associated allowance, disaggregated by PD grade as of December 31, 2019 and 2018:

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

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

(Dollars in thousands)	General C&I	Loans to Mortgage Companies	TRUPS (a)	Income CRE	Residential CRE	Total	Percentage of Total	Allowance for Loan Losses
	December 31, 2018							
PD Grade:								
1	$ 610,177	$ -	$ -	$ 12,586	$ -	$ 622,763	3%	$ 100
2	835,776	-	-	1,688	29	837,493	4	274
3	782,362	716,971	-	289,594	147	1,789,074	9	315
4	1,223,092	394,862	43,220	563,243	-	2,224,417	11	686
5	1,920,034	277,814	77,751	798,509	14,150	3,088,258	15	8,919
6	1,722,136	365,341	45,609	657,628	33,759	2,824,473	14	8,141
7	2,690,784	96,603	11,446	538,909	26,135	3,363,877	16	16,906
8	1,337,113	53,224	-	265,901	20,320	1,676,558	8	18,545
9	1,472,852	96,292	45,117	455,184	29,849	2,099,294	10	15,454
10	490,795	13,260	18,536	60,803	3,911	587,305	3	8,675
11	311,967	-	-	66,986	788	379,741	2	7,973
12	244,867	9,379	-	82,574	5,717	342,537	2	6,972
13	285,987	-	5,786	55,408	251	347,432	2	10,094
14,15,16	224,853	-	-	28,835	837	254,525	1	23,307
Collectively evaluated for impairment	14,152,795	2,023,746	247,465	3,877,848	135,893	20,437,747	100	126,361
Individually evaluated for impairment	45,704	-	2,888	1,966	-	50,558	-	1,074
Purchased credit-impaired loans	41,730	-	-	12,730	2,433	56,893	-	2,823
Total commercial loans	$14,240,229	$2,023,746	$250,353	$3,892,544	$138,326	$20,545,198	100%	$130,258

(a) Balances presented net of a $20.2 million valuation allowance. In 3Q18, FHN sold $55.5 million of TRUPS loans with a $5.0 million valuation allowance. Upon sale, a gain of $3.8 million was recognized in the Non-Strategic segment within Fixed Income in the Consolidated Statement of Income. An additional TRUPS loan with a principal balance of $3.0 million and a valuation of $.3 million was paid off in fourth quarter 2018.

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

The following table reflects the percentage of balances outstanding by average, refreshed FICO scores for the HELOC, real estate installment, and permanent mortgage classes of loans as of December 31, 2019 and 2018:

	December 31, 2019			December 31, 2018		
	HELOC	**R/E Installment Loans**	**Permanent Mortgage**	HELOC	R/E Installment Loans	Permanent Mortgage
FICO score 740 or greater	**62.0%**	**72.9%**	**44.8%**	61.4%	71.3%	51.8%
FICO score 720-739	**8.6**	**8.3**	**9.7**	8.5	8.8	7.6
FICO score 700-719	**7.6**	**6.1**	**12.3**	7.6	7.0	10.6
FICO score 660-699	**10.8**	**7.7**	**16.3**	10.9	7.6	14.7
FICO score 620-659	**4.7**	**2.6**	**9.7**	5.1	2.8	6.5
FICO score less than 620 (a)	**6.3**	**2.4**	**7.2**	6.5	2.5	8.8
Total	**100.0%**	**100.0%**	**100.0%**	100.0%	100.0%	100.0%

(a) For this group, a majority of the loan balances had FICO scores at the time of the origination that exceeded 620 but have since deteriorated as the loans have seasoned.

Nonaccrual and Past Due Loans

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

	Accruing				Non-Accruing				
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
Commercial (C&I):									
General C&I	$15,314,292	$ 7,155	$ 237	**$15,321,684**	$ 36,564	$14,385	$23,363	**$ 74,312**	**$15,395,996**
Loans to mortgage companies	4,410,883	-	-	**4,410,883**	-	-	-	**-**	**4,410,883**
TRUPS (a)	218,287	-	-	**218,287**	-	-	-	**-**	**218,287**
Purchased credit-impaired loans	23,840	287	1,798	**25,925**	-	-	-	**-**	**25,925**
Total commercial (C&I)	19,967,302	7,442	2,035	**19,976,779**	36,564	14,385	23,363	**74,312**	**20,051,091**
Commercial real estate:									
Income CRE	4,242,044	679	-	**4,242,723**	-	19	1,340	**1,359**	**4,244,082**
Residential CRE	87,487	7	-	**87,494**	-	466	-	**466**	**87,960**
Purchased credit-impaired loans	4,752	128	95	**4,975**	-	-	-	**-**	**4,975**
Total commercial real estate	4,334,283	814	95	**4,335,192**	-	485	1,340	**1,825**	**4,337,017**
Consumer real estate:									
HELOC	1,217,344	9,156	5,669	**1,232,169**	43,007	4,227	7,472	**54,706**	**1,286,875**
R/E installment loans	4,662,783	10,580	5,138	**4,678,501**	13,001	1,005	2,601	**16,607**	**4,695,108**
Purchased credit-impaired loans	18,720	2,770	3,276	**24,766**	-	-	-	**-**	**24,766**
Total consumer real estate	5,898,847	22,506	14,083	**5,935,436**	56,008	5,232	10,073	**71,313**	**6,006,749**
Permanent mortgage	149,663	2,314	4,032	**156,009**	7,709	71	6,601	**14,381**	**170,390**
Credit card & other:									
Credit card	198,917	1,076	1,178	**201,171**	-	-	-	**-**	**201,171**
Other	291,700	1,802	337	**293,839**	101	44	189	**334**	**294,173**
Purchased credit-impaired loans	323	98	99	**520**	-	-	-	**-**	**520**
Total credit card & other	490,940	2,976	1,614	**495,530**	101	44	189	**334**	**495,864**
Total loans, net of unearned income	$30,841,035	$36,052	$21,859	**$30,898,946**	$100,382	$20,217	$41,566	**$162,165**	**$31,061,111**

(a) TRUPS is presented net of the valuation allowance of $19.1 million.

Note 4 ❑ Loans (continued)

The following table reflects accruing and non-accruing loans by class on December 31, 2018:

(Dollars in thousands)	Accruing				Non-Accruing				
	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
Commercial (C&I):									
General C&I	$14,153,275	$ 8,234	$ 102	**$14,161,611**	$ 26,325	$ 5,537	$ 5,026	**$ 36,888**	**$14,198,499**
Loans to mortgage companies	2,023,746	-	-	**2,023,746**	-	-	-	**-**	**2,023,746**
TRUPS (a)	247,465	-	-	**247,465**	-	-	2,888	**2,888**	**250,353**
Purchased credit-impaired loans	39,433	624	1,673	**41,730**	-	-	-	**-**	**41,730**
Total commercial (C&I)	16,463,919	8,858	1,775	**16,474,552**	26,325	5,537	7,914	**39,776**	**16,514,328**
Commercial real estate:									
Income CRE	3,876,229	626	-	**3,876,855**	30	-	2,929	**2,959**	**3,879,814**
Residential CRE	135,861	-	-	**135,861**	32	-	-	**32**	**135,893**
Purchased credit-impaired loans	13,308	103	1,752	**15,163**	-	-	-	**-**	**15,163**
Total commercial real estate	4,025,398	729	1,752	**4,027,879**	62	-	2,929	**2,991**	**4,030,870**
Consumer real estate:									
HELOC	1,443,651	11,653	10,129	**1,465,433**	49,009	3,314	8,781	**61,104**	**1,526,537**
R/E installment loans	4,652,658	10,470	6,497	**4,669,625**	15,146	1,924	4,474	**21,544**	**4,691,169**
Purchased credit-impaired loans	24,096	2,094	5,620	**31,810**	-	-	-	**-**	**31,810**
Total consumer real estate	6,120,405	24,217	22,246	**6,166,868**	64,155	5,238	13,255	**82,648**	**6,249,516**
Permanent mortgage	193,591	2,585	4,562	**200,738**	11,227	996	9,487	**21,710**	**222,448**
Credit card & other:									
Credit card	188,009	2,133	1,203	**191,345**	-	-	-	**-**	**191,345**
Other	320,551	3,570	526	**324,647**	110	60	454	**624**	**325,271**
Purchased credit-impaired loans	746	611	397	**1,754**	-	-	-	**-**	**1,754**
Total credit card & other	509,306	6,314	2,126	**517,746**	110	60	454	**624**	**518,370**
Total loans, net of unearned income	$27,312,619	$42,703	$32,461	**$27,387,783**	$101,879	$11,831	$34,039	**$147,749**	**$27,535,532**

(a) TRUPS is presented net of the valuation allowance of $20.2 million.

Troubled Debt Restructurings

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

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

For all classes within the commercial portfolio segment, TDRs are typically modified through forbearance agreements (generally 6 to 12 months). Forbearance agreements could include reduced interest rates, reduced payments, release of guarantor, or entering into short sale agreements. FHN's proprietary modification programs for consumer loans are generally structured using parameters of U.S. government-sponsored programs such as the former Home Affordable Modification Program ("HAMP"). Within the HELOC and R/E installment loans classes of the consumer portfolio segment, TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 1 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate generally returns to the original interest rate prior to modification; for certain modifications, the modified interest rate increases 2 percent per year until the original interest rate prior to modification is achieved. Permanent mortgage TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate steps up 1 percent every year until it reaches the Federal Home Loan Mortgage Corporation Weekly Survey Rate cap. Contractual maturities may be extended to 40 years on permanent mortgages and to 30 years for consumer real estate loans. Within the credit card class of the consumer portfolio segment, TDRs are typically modified through either a short-term credit card hardship program or a longer-term credit card workout program. In the credit card hardship program, borrowers may be granted rate and payment reductions for 6 months to 1 year. In the credit card workout program, customers are granted a rate reduction to 0 percent and term extensions for up to 5 years to pay off the remaining balance.

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

On December 31, 2019 and 2018, FHN had $206.3 million and $228.2 million of portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $19.7 million, or 10 percent as of December 31, 2019, and $27.7 million, or 12 percent as of December 31, 2018. Additionally, $51.1 million and $57.8 million of loans held-for-sale as of December 31, 2019 and 2018, respectively, were classified as TDRs.

Note 4 ❑ Loans (continued)

The following tables reflect portfolio loans that were classified as TDRs during the year ended December 31, 2019 and 2018:

	2019			2018		
(Dollars in thousands)	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial (C&I):						
General C&I	**4**	**$14,179**	**$14,101**	9	$27,639	$27,190
Total commercial (C&I)	**4**	**14,179**	**14,101**	9	27,639	27,190
Commercial real estate:						
Income CRE	**-**	**-**	**-**	4	643	637
Total commercial real estate	**-**	**-**	**-**	4	643	637
Consumer real estate:						
HELOC	**74**	**8,028**	**7,946**	103	9,406	9,283
R/E installment loans	**96**	**10,408**	**10,445**	92	8,077	7,848
Total consumer real estate	**170**	**18,436**	**18,391**	195	17,483	17,131
Permanent mortgage	**8**	**1,771**	**1,798**	8	1,001	1,184
Credit card & other	**85**	**379**	**358**	132	604	570
Total troubled debt restructurings	**267**	**$34,765**	**$34,648**	348	$47,370	$46,712

The following tables present TDRs which re-defaulted during 2019 and 2018, 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.

	2019		2018	
(Dollars in thousands)	**Number**	**Recorded Investment**	Number	Recorded Investment
Commercial (C&I):				
General C&I	**-**	**$ -**	2	$ 579
Total commercial (C&I)	**-**	**-**	2	579
Consumer real estate:				
HELOC	**7**	**1,141**	6	239
R/E installment loans	**3**	**98**	2	146
Total consumer real estate	**10**	**1,239**	8	385
Permanent mortgage	**1**	**7**	6	749
Credit card & other	**32**	**115**	49	239
Total troubled debt restructurings	**43**	**$1,361**	65	$1,952

Note 5 ❑ Allowance for Loan Losses

As discussed in Note 1 – Summary of Significant Accounting Polices, the ALLL includes the following components: reserves for commercial loans evaluated based on pools of credit graded loans and reserves for pools of smaller-balance homogeneous consumer loans, both determined in accordance with ASC 450-20-50, and to a lesser extent, reserves determined in accordance with ASC 310-10-35 for loans determined by management to be individually impaired and an allowance associated with PCI loans.

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

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

Note 5 ❑ Allowance for Loan Losses (continued)

The following table provides a rollforward of the allowance for loan losses by portfolio segment for December 31, 2019, 2018 and 2017:

(Dollars in thousands)	C&I (a)	Commercial Real Estate (a)	Consumer Real Estate	Permanent Mortgage	Credit Card and Other	Total
Balance as of January 1, 2019	**$ 98,947**	**$ 31,311**	**$ 26,439**	**$ 11,000**	**$ 12,727**	**$ 180,424**
Charge-offs	**(33,778)**	**(1,181)**	**(7,781)**	**(393)**	**(15,600)**	**(58,733)**
Recoveries	**6,744**	**489**	**17,000**	**3,148**	**4,235**	**31,616**
Provision/(provision credit) for loan losses	**50,573**	**5,493**	**(16,034)**	**(4,936)**	**11,904**	**47,000**
Balance as of December 31, 2019	**122,486**	**36,112**	**19,624**	**8,819**	**13,266**	**200,307**
Allowance – individually evaluated for impairment	**6,196**	**-**	**11,537**	**7,761**	**422**	**25,916**
Allowance – collectively evaluated for impairment	**115,442**	**36,112**	**7,001**	**1,058**	**12,813**	**172,426**
Allowance – purchased credit-impaired loans	**848**	**-**	**1,086**	**-**	**31**	**1,965**
Loans, net of unearned as of December 31, 2019:						
Individually evaluated for impairment	**82,438**	**1,563**	**100,653**	**61,593**	**653**	**246,900**
Collectively evaluated for impairment	**19,942,728**	**4,330,479**	**5,881,330**	**108,797**	**494,691**	**30,758,025**
Purchased credit-impaired loans	**25,925**	**4,975**	**24,766**	**-**	**520**	**56,186**
Total loans, net of unearned income	**$20,051,091**	**$4,337,017**	**$6,006,749**	**$170,390**	**$495,864**	**$31,061,111**
Balance as of January 1, 2018	$ 98,211	$ 28,427	$ 39,823	$ 13,113	$ 9,981	$ 189,555
Charge-offs	(15,492)	(783)	(9,357)	(477)	(19,688)	(45,797)
Recoveries	4,201	339	19,666	1,421	4,039	29,666
Provision/(provision credit) for loan losses	12,027	3,328	(23,693)	(3,057)	18,395	7,000
Balance as of December 31, 2018	98,947	31,311	26,439	11,000	12,727	180,424
Allowance – individually evaluated for impairment	1,074	-	17,984	9,419	337	28,814
Allowance – collectively evaluated for impairment	95,050	31,311	7,368	1,581	12,263	147,573
Allowance – purchased credit-impaired loans	2,823	-	1,087	-	127	4,037
Loans, net of unearned as of December 31, 2018:						
Individually evaluated for impairment	48,592	1,966	118,434	70,846	695	240,533
Collectively evaluated for impairment	16,424,006	4,013,741	6,099,272	151,602	515,921	27,204,542
Purchased credit-impaired loans	41,730	15,163	31,810	-	1,754	90,457
Total loans, net of unearned income	$16,514,328	$4,030,870	$6,249,516	$222,448	$518,370	$27,535,532
Balance as of January 1, 2017	$ 89,398	$ 33,852	$ 51,424	$ 15,222	$ 12,172	$ 202,068
Charge-offs	(17,657)	(195)	(13,156)	(2,179)	(13,207)	(46,394)
Recoveries	4,568	966	22,723	2,509	3,115	33,881
Provision/(provision credit) for loan losses	21,902	(6,196)	(21,168)	(2,439)	7,901	-
Balance as of December 31, 2017	98,211	28,427	39,823	13,113	9,981	189,555
Allowance – individually evaluated for impairment	6,044	132	23,175	12,105	311	41,767
Allowance – collectively evaluated for impairment	89,358	28,291	16,293	1,008	9,670	144,620
Allowance – purchased credit-impaired loans	2,809	4	355	-	-	3,168
Loans, net of unearned as of December 31, 2017						
Individually evaluated for impairment	43,024	2,407	128,895	84,794	593	259,713
Collectively evaluated for impairment	15,909,110	4,181,908	6,311,817	203,026	613,806	27,219,667
Purchased credit-impaired loans	105,139	30,380	38,530	-	5,500	179,549
Total loans, net of unearned income	$16,057,273	$4,214,695	$6,479,242	$287,820	$619,899	$27,658,929

(a) In third quarter 2019, FHN corrected a previous mis-classification of commercial loans and reclassified approximately $410 million of market investor CRE loans from the C&I portfolio to the CRE portfolio. These loans were identified during an internal review and assessment by management of certain loan populations, a portion of which relate to loans acquired as part of the Capital Bank merger. The reclassification of these loan balances between regional banking portfolios did not have an impact on FHN's consolidated period-end or average balance sheet and had an immaterial effect on the allowance for loan losses. No adjustments were made to prior periods as the impact of the reclassification, including the effect on the allowance for loan losses was deemed to be immaterial in all periods.

Note 6 ❑ Premises, Equipment, and Leases

Premises and equipment on December 31 are summarized below:

(Dollars in thousands)	2019	2018
Land	**$ 98,804**	$107,864
Buildings	**428,695**	461,665
Leasehold improvements	**50,032**	30,230
Furniture, fixtures, and equipment	**205,493**	196,469
Fixed assets held-for-sale (a)	**9,719**	19,617
Premises and equipment, at cost	**792,743**	815,845
Less accumulated depreciation and amortization	**337,737**	321,804
Premises and equipment, net	**$455,006**	$494,041

(a) Primarily comprised of land and buildings.

In 2019 and 2018, FHN recognized $26.9 million and $3.9 million, respectively, of fixed asset impairments and lease abandonment charges related to branch closures which are included in All other expenses on the Consolidated Statements of Income. In 2018, $1.5 million of impairment recoveries were recorded upon disposition of the associated properties. In 2019 and 2018, FHN had net gains of $2.3 million and $4.3 million, respectively, related to the sales of bank branches which are included in All other income and commissions on the Consolidated Statements of Income.

FHN has operating, financing, and short-term leases for branch locations, corporate offices and certain equipment. Substantially all of these leases are classified as operating leases.

The following table provides a detail of the classification of FHN's right-of-use ("ROU") assets and lease liabilities included in the Consolidated Statement of Conditions.

(Dollars in thousands)		December 31, 2019
Lease Right-of-Use Assets:	**Classification**	
Operating lease right-of use assets	Other assets	$201,873
Finance lease right-of use assets	Other assets	2,037
Total Lease Right-of Use Assets		**$203,910**
Lease Liabilities:		
Operating lease liabilities	Other liabilities	$223,128
Finance lease liabilities	Other liabilities	2,708
Total Lease Liabilities		**$225,836**

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The following table details the weighted average remaining lease term and discount rate for FHN's operating and finance leases as of December 31, 2019.

Weighted Average Remaining Lease Terms	
Operating leases	12.36 years
Finance leases	9.61 years
Weighted Average Discount Rate	
Operating leases	3.24%
Finance leases	4.77%

Note 6 ❑ Premises, Equipment, and Leases (continued)

The following table provides a detail of the components of lease expense and other lease information for the year ended December 31, 2019:

(Dollars in thousands)	**2019**
Lease cost	
Operating lease cost	$24,797
Finance lease cost:	
Amortization of right-of-use assets	114
Interest on lease liabilities	135
Short-term lease cost	98
Sublease income	(366)
Total lease cost	$24,778
Other information	
(Gain)/loss on right-of-use asset impairment-Operating leases	$ 2,551
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	23,053
Operating cash flows from finance leases	135
Financing cash flows from finance leases	142
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	47,735
Finance leases	1,475

The following table provides a detail of the maturities of FHN's operating and finance lease liabilities as of December 31, 2019:

(Dollars in thousands)	**December 31, 2019**
2020	$ 26,594
2021	24,627
2022	23,553
2023	22,687
2024	22,224
2025 and after	156,524
Total lease payments	276,209
Less lease liability interest	(50,373)
Total	$225,836

FHN had aggregate undiscounted contractual obligations totaling $2.6 million for lease arrangements that have not commenced. Payments under these arrangements are expected to occur from 2020 through 2030.

Minimum future lease payments for noncancelable operating leases, primarily on premises, on December 31, 2018 are shown below.

(Dollars in thousands)	December 31, 2018
2019	$ 27,524
2020	24,722
2021	20,954
2022	16,518
2023	13,174
2024 and after	42,370
Total minimum lease payments	$145,262

Note 7 ❑ Intangible Assets

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

(Dollars in thousands)	**December 31, 2019**			December 31, 2018		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	**$157,150**	**$ (47,372)**	**$109,778**	$157,150	$(28,150)	$129,000
Customer relationships	**77,865**	**(60,150)**	**17,715**	77,865	(55,597)	22,268
Other (a)	**5,622**	**(2,915)**	**2,707**	5,622	(1,856)	3,766
Total	**$240,637**	**$(110,437)**	**$130,200**	$240,637	$(85,603)	$155,034

(a) Balance primarily includes noncompete covenants, as well as $.3 million related to state banking licenses not subject to amortization.

Amortization expense was $24.8 million, $25.9 million, and $8.7 million for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019 the estimated aggregated amortization expense is expected to be:

(Dollars in thousands)

Year	**Amortization**
2020	$21,159
2021	19,547
2022	17,412
2023	16,117
2024	14,679

Gross goodwill, accumulated impairments, and accumulated divestiture related write-offs were determined beginning January 1, 2002, when a change in accounting requirements resulted in goodwill being assessed for impairment rather than being amortized. Gross goodwill of $200.0 million with accumulated impairments and accumulated divestiture-related write-offs of $114.1 million and $85.9 million, respectively, were previously allocated to the non-strategic segment, resulting in $0 net goodwill allocated to the non-strategic segment as of December 31, 2019, 2018 and 2017. The regional banking and fixed income segments do not have any accumulated impairments or divestiture related write-offs. The following is a summary of goodwill by reportable segment included in the Consolidated Statements of Condition as of December 31, 2019, 2018 and 2017.

(Dollars in thousands)	Regional Banking	Fixed Income	Total
December 31, 2016	$ 93,367	$ 98,004	$ 191,371
Additions (a)	1,150,518	44,964	1,195,482
December 31, 2017	$1,243,885	$142,968	$1,386,853
Additions (a)	45,934	-	45,934
December 31, 2018	$1,289,819	$142,968	$1,432,787
Additions	-	-	-
December 31, 2019	**$1,289,819**	**$142,968**	**$1,432,787**

(a) See Note 2 – Acquisitions and Divestitures for further details regarding goodwill related to acquisitions.

Note 8 ❑ Time Deposit Maturities

Following is a table of maturities for time deposits outstanding on December 31, 2019, which include Certificates of deposit under $100,000, Other time, and Certificates of deposit $100,000 and more. Certificates of deposit in increments of $100,000 or more totaled $2.2 billion on December 31, 2019, of this amount $.9 billion represents Certificates of deposit of $250,000 and more. Time deposits are included in Interest-bearing deposits on the Consolidated Statements of Condition.

(Dollars in thousands)	
2020	$2,824,792
2021	259,290
2022	382,508
2023	90,034
2024	43,025
2025 and after	18,688
Total	$3,618,337

Note 9 ❑ Short-Term Borrowings

Short-term borrowings include federal funds purchased and securities sold under agreements to repurchase, trading liabilities, and other borrowed funds.

Federal funds purchased and securities sold under agreements to repurchase generally have maturities of less than 90 days. Trading liabilities, which represent short positions in securities, are generally held for less than 90 days. Other short-term borrowings have original maturities of one year or less. On December 31, 2019, fixed income trading securities with a fair value of $41.3 million were pledged to secure other short-term borrowings.

The detail of short-term borrowings for the years 2019, 2018 and 2017 is presented in the following table:

(Dollars in thousands)	Federal Funds Purchased	Securities Sold Under Agreements to Repurchase	Trading Liabilities	Other Short-term Borrowings
2019				
Average balance	**$ 737,715**	**$701,164**	**$503,302**	**$ 538,249**
Year-end balance	**548,344**	**716,925**	**505,581**	**2,253,045**
Maximum month-end outstanding	**1,281,853**	**772,092**	**754,220**	**2,276,139**
Average rate for the year	**2.08%**	**1.89%**	**2.48%**	**2.34%**
Average rate at year-end	**1.55**	**1.72**	**2.07**	**2.14**
2018				
Average balance	$ 405,110	$713,841	$682,943	$1,046,585
Year-end balance	256,567	762,592	335,380	114,764
Maximum month-end outstanding	503,138	891,425	890,717	2,229,155
Average rate for the year	1.89%	1.40%	2.83%	1.82%
Average rate at year-end	2.50	1.66	3.21	2.48
2017				
Average balance	$ 447,137	$578,666	$685,891	$ 554,502
Year-end balance	399,820	656,602	638,515	2,626,213
Maximum month-end outstanding	568,490	743,684	896,943	2,626,213
Average rate for the year	1.06%	0.72%	2.26%	1.28%
Average rate at year-end	1.48	0.64	2.22	1.44

Note 10 ❑ Term Borrowings

The following table presents information pertaining to Term Borrowings reported on FHN's Consolidated Statements of Condition on December 31:

(Dollars in thousands)	**2019**	2018
First Horizon Bank:		
Senior capital notes (a)		
Maturity date – December 1, 2019 – 2.95%	**$ -**	$ 395,872
Other collateralized borrowings – Maturity date – December 22, 2037		
2.19% on December 31, 2019 and 3.09% on December 31, 2018 (b)	**80,908**	76,642
Other collateralized borrowings – SBA loans (c)	**21,975**	16,607
First Horizon National Corporation:		
Senior capital notes (a)		
Maturity date – December 15, 2020 – 3.50%	**497,656**	486,739
Junior subordinated debentures (d)		
Maturity date – June 28, 2035 – 3.57% on December 31, 2019 and 4.47% on December 31, 2018	**2,752**	2,730
Maturity date – December 15, 2035 – 3.26% on December 31, 2019 and 4.16% on December 31, 2018	**17,642**	17,456
Maturity date – March 15, 2036 – 3.29% on December 31, 2019 and 4.19% on December 31, 2018	**8,847**	8,757
Maturity date – March 15, 2036 – 3.43% on December 31, 2019 and 4.33% on December 31, 2018	**11,692**	11,587
Maturity date – June 30, 2036 – 3.28% on December 31, 2019 and 4.12% on December 31, 2018	**26,217**	25,931
Maturity date – July 7, 2036 – 3.54% on December 31, 2019 and 3.99% on December 31, 2018	**17,964**	17,803
Maturity date – June 15, 2037 – 3.54% on December 31, 2019 and 4.44% on December 31, 2018	**50,681**	50,278
Maturity date – September 6, 2037 – 3.32% on December 31, 2019 and 4.17% on December 31, 2018	**8,798**	8,713
FT Real Estate Securities Company, Inc.:		
Cumulative preferred stock (e)		
Maturity date – March 31, 2031 – 9.50%	**46,236**	46,168
First Horizon ABS Trusts:		
Other collateralized borrowings (f) (g)		
Maturity date – October 25, 2034		
2.66% on December 31, 2018	**-**	2,981
First Tennessee New Markets Corporation Investments:		
Maturity date – August 08, 2036 – 2.38% (f)	**-**	2,699
Total	**$791,368**	$1,170,963

(a) Changes in the fair value of debt attributable to interest rate risk are hedged. First Horizon Bank early redeemed the senior debt on November 1, 2019. Refer to Note 22 – Derivatives.
(b) Secured by trust preferred loans.
(c) Collateralized borrowings associated with SBA loan sales that did not meet sales criteria. The loans have remaining terms of 3 to 25 years. These borrowings had a weighted average interest rate of 3.95 percent on December 31, 2019 and 2018, respectively.
(d) Acquired in conjunction with the acquisition of CBF. A portion qualifies for Tier 2 capital under the risk-based capital guidelines.
(e) A portion qualifies for Tier 2 capital under the risk-based capital guidelines.
(f) Debt retired during 2019. See Note 21- Variable Interest Entities for additional information.
(g) On December 31, 2018, borrowings secured by $16.2 million of residential real estate loans.

Note 10 ❑ Term Borrowings (continued)

Annual principal repayment requirements as of December 31, 2019 are as follows:

(Dollars in thousands)	
2020	$500,000
2021	-
2022	236
2023	-
2024	-
2025 and after	316,661

In conjunction with the acquisition of CBF, FHN acquired junior subordinated debentures with aggregate par values of $212.4 million. Each of these issuances is held by a wholly owned trust that has issued trust preferred securities to external investors and loaned the funds to FHN, as successor to CBF, as junior subordinated debt. The book value for each issuance represents the purchase accounting fair value as of the closing date less accumulated amortization of the associated discount, as applicable. Through various contractual arrangements FHN assumed a full and unconditional guarantee for each trust's obligations with respect to the securities. While the maturity dates are typically 30 years from the original issuance date, FHN has the option to redeem each of the junior subordinated debentures at par on any future interest payment date, which would trigger redemption of the related trust preferred securities. The junior subordinated debentures are included in the Consolidated Statements of Condition in Term borrowings. A portion of FHN's junior subordinated notes qualify as Tier 2 capital under the risk-based capital guidelines. FHN retired $45.4 million of this debt and the related trust preferred securities in 2018.

Note 11 ❑ Preferred Stock

FHN Preferred Stock

On January 31, 2013, FHN issued 1,000 shares having an aggregate liquidation preference of $100 million of Non-Cumulative Perpetual Preferred Stock, Series A for net proceeds of approximately $96 million. Dividends on the Series A Preferred Stock, if declared, accrue and are payable quarterly, in arrears, at a rate of 6.20 percent per annum. For the issuance, FHN issued depositary shares, each of which represents a 1/4000th fractional ownership interest in a share of FHN's preferred stock. These securities qualify as Tier 1 capital.

Subsidiary Preferred Stock

In 2000 FT Real Estate Securities Company, Inc. ("FTRESC"), an indirect subsidiary of FHN, issued 50 shares of 9.50 percent Cumulative Preferred Stock, Class B ("Class B Preferred Shares"), with a liquidation preference of $1.0 million per share; of those, 47 shares were issued to nonaffiliates. For all periods presented, these securities are presented in the Consolidated Statements of Condition as Term borrowings. FTRESC is a real estate investment trust ("REIT") established for the purpose of acquiring, holding, and managing real estate mortgage assets. Dividends on the Class B Preferred Shares are cumulative and are payable semi-annually.

The Class B Preferred Shares are mandatorily redeemable on March 31, 2031, and redeemable at the discretion of FTRESC in the event that the Class B Preferred Shares cannot be accounted for as Tier 2 regulatory capital or there is more than an insubstantial risk that dividends paid with respect to the Class B Preferred Shares will not be fully deductible for tax purposes. At December 31, 2019 the Class B Preferred Shares partially qualified as Tier 2 regulatory capital. They are not subject to any sinking fund and are not convertible into any other securities of FTRESC, FHN, or any of its subsidiaries. In the event First Horizon Bank becomes undercapitalized, insolvent, or in danger of becoming undercapitalized, the shares are, however, automatically exchanged at the direction of the Federal banking regulators for preferred stock of First Horizon Bank, having substantially the same terms as the Class B Preferred Shares.

Additionally for all periods presented, subsidiaries have also issued $.6 million in aggregate of Cumulative Perpetual Preferred Stock, which has been recognized as Noncontrolling interest on the Consolidated Statements of Condition

Note 11 ❑ Preferred Stock (continued)

and which partially qualifies as Tier 2 capital. Other preferred shares are outstanding but are owned by FHN subsidiaries and are eliminated in consolidation.

In 2005 First Horizon Bank 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 .85 percent or 3.75 percent per annum. These securities qualify fully as Tier 1 capital for First Horizon Bank while for FHN consolidated they qualify partially as Tier 1 capital and partially as Tier 2 capital. On December 31, 2019 and 2018, $294.8 million of Class A Preferred Stock was recognized as Noncontrolling interest on the Consolidated Statements of Condition.

Note 12 ❑ Regulatory Capital and Restrictions

Regulatory Capital. FHN and First Horizon Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on FHN's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of assets, liabilities, and certain derivatives as calculated under regulatory accounting practices must be met. Capital amounts and classification are also subject to qualitative judgment by the regulators such as capital components, asset risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require FHN and First Horizon Bank to maintain minimum amounts and ratios of Total, Tier 1, and Common Equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets ("Leverage"). Management believes that, as of December 31, 2019, FHN and First Horizon Bank met all capital adequacy requirements to which they were subject.

Note 12 ❑ Regulatory Capital and Restrictions (continued)

The actual capital amounts and ratios of FHN and First Horizon Bank are presented in the table below.

	First Horizon National Corporation		First Horizon Bank	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio
On December 31, 2019				
Actual:				
Total Capital	$4,154,885	11.22%	$3,944,613	10.77%
Tier 1 Capital	3,760,450	10.15	3,728,683	10.18
Common Equity Tier 1	3,408,936	9.20	3,433,867	9.38
Leverage	3,760,450	9.04	3,728,683	9.12
Minimum Requirement for Capital Adequacy Purposes:				
Total Capital	2,963,663	8.00	2,930,159	8.00
Tier 1 Capital	2,222,747	6.00	2,197,620	6.00
Common Equity Tier 1	1,667,060	4.50	1,648,215	4.50
Leverage	1,663,338	4.00	1,634,695	4.00
Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions:				
Total Capital			3,662,699	10.00
Tier 1 Capital			2,930,159	8.00
Common Equity Tier 1			2,380,755	6.50
Leverage			2,043,368	5.00
On December 31, 2018				
Actual:				
Total Capital	$3,940,117	11.94%	$3,689,180	11.32%
Tier 1 Capital	3,565,373	10.80	3,492,541	10.72
Common Equity Tier 1	3,223,702	9.77	3,197,725	9.81
Leverage	3,565,373	9.09	3,492,541	9.10
Minimum Requirement for Capital Adequacy Purposes:				
Total Capital	2,640,208	8.00	2,607,406	8.00
Tier 1 Capital	1,980,156	6.00	1,955,555	6.00
Common Equity Tier 1	1,485,117	4.50	1,466,666	4.50
Leverage	1,568,870	4.00	1,535,279	4.00
Minimum Requirement to be Well Capitalized Under Prompt Corrective Action Provisions:				
Total Capital			3,259,258	10.00
Tier 1 Capital			2,607,406	8.00
Common Equity Tier 1			2,118,518	6.50
Leverage			1,919,099	5.00

Restrictions on cash and due from banks. Under the Federal Reserve Act and Regulation D, First Horizon Bank is required to maintain a certain amount of cash reserves. On December 31, 2019 and 2018, First Horizon Bank's net required reserves were $396.1 million and $371.7 million, respectively, after the consideration of $273.7 million in average vault cash. The remaining net reserve requirement for each year was met with Federal Reserve Bank deposits. Vault cash is reflected in Cash and due from banks on the Consolidated Statements of Condition and Federal Reserve Bank deposits are reflected as Interest-bearing cash.

Restrictions on dividends. Cash dividends are paid by FHN from its assets, which are mainly provided by dividends from its subsidiaries. Certain regulatory restrictions exist regarding the ability of First Horizon Bank to transfer funds to FHN in the form of cash, dividends, loans, or advances. As of December 31, 2019, First Horizon Bank had undivided profits of $1.2 billion, of which a limited amount was available for distribution to FHN as dividends without prior regulatory approval. Certain regulatory restrictions exist regarding the ability of First Horizon Bank to transfer funds to FHN in the form of cash, dividends, loans, and advances. At any given time, the pertinent portions of those regulatory restrictions allow First Horizon Bank to declare preferred or common dividends without prior regulatory approval in an amount equal to First Horizon Bank's retained net income for the two most recent completed years plus the current year to date. For any period, First Horizon Bank's 'retained net income' generally is equal to First Horizon Bank's regulatory net income reduced by the preferred and common dividends declared by First Horizon Bank. Applying the dividend restrictions imposed under applicable federal and state rules, First Horizon Bank's total amount available for dividends was $331.2 million at January 1, 2020. First Horizon Bank declared and paid common dividends to the parent company in the amount of $345.0 million in 2019 and $420.0 million in 2018. In January 2020, First Horizon Bank declared and paid a common dividend to the parent company in the amount of $65.0 million. During 2019 and 2018, First Horizon Bank declared and paid dividends on its preferred stock quarterly. Additionally, First Horizon Bank declared preferred dividends in first quarter 2020 payable in April 2020.

The payment of cash dividends by FHN and First Horizon Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. Beginning January 1, 2019, the ability to pay dividends for both FHN and First Horizon Bank is restricted if capital ratios fall below regulatory minimums for Common Equity Tier 1, Tier 1, Total Capital ratios plus a 2.5 percent capital conservation buffer or 50 basis points above the capital ratios required to be considered well-capitalized. Furthermore, the Federal Reserve generally requires insured banks and bank holding companies only to pay dividends 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.

Restrictions on intercompany transactions. Under current Federal banking laws, First Horizon Bank may not enter into covered transactions with any affiliate including the parent company and certain financial subsidiaries in excess of 10 percent of the bank's capital stock and surplus, as defined, or $426.0 million, on December 31, 2019. Covered transactions include a loan or extension of credit to an affiliate, a purchase of or an investment in securities issued by an affiliate and the acceptance of securities issued by the affiliate as collateral for any loan or extension of credit. The equity investment, including retained earnings, in certain of a bank's financial subsidiaries is also treated as a covered transaction. On December 31, 2019, the parent company had covered transactions of $.8 million from First Horizon Bank and two of the bank's financial subsidiaries, FHN Financial Securities Corp. and First Horizon Advisors, Inc., had covered transactions from First Horizon Bank totaling $390.4 million and $34.7 million, respectively. In addition, the aggregate amount of covered transactions with all affiliates, as defined, is limited to 20 percent of the bank's capital stock and surplus, as defined, or $851.9 million, on December 31, 2019. First Horizon Bank's total covered transactions with all affiliates including the parent company on December 31, 2019 were $425.9 million.

Note 13 ❑ Other Income and Other Expense

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

(Dollars in thousands)	**2019**	2018	2017
All other income and commissions:			
Other service charges	**$ 20,986**	$ 15,122	$ 12,532
ATM and interchange fees	**16,539**	13,354	12,425
Deferred compensation (a)	**11,223**	(3,224)	6,322
Mortgage banking	**10,055**	10,587	4,649
Dividend income (b)	**7,186**	10,555	-
Letter of credit fees	**5,582**	5,298	4,661
Electronic banking fees	**4,927**	5,134	5,082
Insurance commissions	**2,125**	2,096	2,514
Gain/(loss) on extinguishment of debt (c)	**58**	(15)	(14,329)
Other	**32,277**	16,902	10,061
Total	**$110,958**	$ 75,809	$ 43,917
All other expense:			
Travel and entertainment	**$ 12,119**	$ 16,442	$ 11,462
Other insurance and taxes	**10,179**	9,684	9,686
Customer relations	**9,098**	5,583	5,750
Supplies	**6,918**	6,917	4,106
Employee training and dues	**5,141**	7,218	5,551
Miscellaneous loan costs	**4,128**	3,732	2,751
Litigation and regulatory matters	**2,923**	644	40,517
Non-service components of net periodic pension and post-retirement cost	**2,304**	5,251	2,144
Tax credit investments	**1,809**	4,712	3,468
OREO	**1,479**	2,630	1,006
Repurchase and foreclosure provision/(provision credit)	**(1,007)**	(1,039)	(22,527)
Other	**71,039**	73,223	48,693
Total	**$126,130**	$134,997	$112,607

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

(a) Amounts are driven by market conditions and are mirrored by changes in deferred compensation expense which is included in employee compensation expense.

(b) Effective January 1, 2018, FHN adopted ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" and began recording dividend income from FRB and FHLB holdings in Other income. Prior to 2018, these amounts were included in Interest income on the Consolidated Statements of Income.

(c) Loss on extinguishment of debt for 2017 relates to the repurchase of equity securities previously included in a financing transaction.

Note 14 ❑ 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 years ended December 31, 2019, 2018, and 2017:

(Dollars in thousands)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of December 31, 2016	$ (17,232)	$ (1,265)	$(229,157)	$(247,654)
Net unrealized gains/(losses)	(4,467)	(2,156)	(13,377)	(20,000)
Amounts reclassified from AOCI	(298)	(2,945)	5,618	2,375
Other comprehensive income/(loss)	(4,765)	(5,101)	(7,759)	(17,625)
Balance as of December 31, 2017	(21,997)	(6,366)	(236,916)	(265,279)
Adjustment to reflect adoption of ASU 2018-02	(4,837)	(1,398)	(51,311)	(57,546)
Balance as of December 31, 2017, as adjusted	(26,834)	(7,764)	(288,227)	(322,825)
Adjustment to reflect adoption of ASU 2016-01 and ASU 2017-12	(5)	(206)	-	(211)
Beginning balance, as adjusted	(26,839)	(7,970)	(288,227)	(323,036)
Net unrealized gains/(losses)	(48,858)	(6,284)	(9,435)	(64,577)
Amounts reclassified from AOCI	(39)	2,142	8,894	10,997
Other comprehensive income/(loss)	(48,897)	(4,142)	(541)	(53,580)
Balance as of December 31, 2018	(75,736)	(12,112)	(288,768)	(376,616)
Net unrealized gains/(losses)	**106,614**	**11,234**	**7,208**	**125,056**
Amounts reclassified from AOCI	**201**	**4,105**	**7,646**	**11,952**
Other comprehensive income/(loss)	**106,815**	**15,339**	**14,854**	**137,008**
Balance as of December 31, 2019	**$ 31,079**	**$ 3,227**	**$(273,914)**	**$(239,608)**

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

(Dollars in thousands)

Details about AOCI	2019	2018	2017	Affected line item in the statement where net income is presented
Securities AFS:				
Realized (gains)/losses on securities AFS	**$ 267**	$ (52)	$ (483)	Debt securities gains/(losses), net
Tax expense/(benefit)	**(66)**	13	185	Provision/(benefit) for income taxes
	201	(39)	(298)	
Cash flow hedges:				
Realized (gains)/losses on cash flow hedges	**5,452**	2,845	(4,771)	Interest and fees on loans
Tax expense/(benefit)	**(1,347)**	(703)	1,826	Provision/(benefit) for income taxes
	4,105	2,142	(2,945)	
Pension and Postretirement Plans:				
Amortization of prior service cost and net actuarial gain/(loss)	**10,156**	11,814	9,101	All other expense
Tax expense/(benefit)	**(2,510)**	(2,920)	(3,483)	Provision/(benefit) for income taxes
	7,646	8,894	5,618	
Total reclassification from AOCI	**$11,952**	$10,997	$ 2,375	

Note 15 ❑ Income Taxes

The aggregate amount of income taxes included in the Consolidated Statements of Income and the Consolidated Statements of Equity for the years ended December 31, were as follows:

(Dollars in thousands)	**2019**	2018	2017
Consolidated Statements of Income:			
Income tax expense/(benefit)	**$133,291**	$157,602	$131,892
Consolidated Statements of Equity:			
Income tax expense/(benefit) related to:			
Net unrealized gains/(losses) on pension and other postretirement plans	**4,876**	(177)	(832)
Net unrealized gains/(losses) on securities available-for-sale	**35,062**	(16,054)	(2,955)
Net unrealized gains/(losses) on cash flow hedges	**5,035**	(1,360)	(3,163)
Total	**$178,264**	$140,011	$124,942

The components of income tax expense/(benefit) for the years ended December 31, were as follows:

(Dollars in thousands)	**2019**	2018	2017
Current:			
Federal	**$105,294**	$ 44,088	$ 10,012
State	**13,640**	9,957	879
Deferred:			
Federal	**5,091**	81,852	114,059
State	**9,266**	21,705	6,942
Total	**$133,291**	$157,602	$131,892

The Tax Cuts and Jobs Act "Tax Act" was signed into law at the end of 2017. The Tax Act reduced the federal statutory tax rate from 35 percent to 21 percent effective January 1, 2018. FHN recorded approximately $82 million of increase in tax expense related to the effects of the Tax Act during 2017 which was primarily related to an adjustment of DTA balances to the lower federal tax rate. In 2018, FHN recorded a tax benefit of $6.7 million related to the finalization of tax items for the 2017 tax return.

A reconciliation of expected income tax expense/(benefit) at the federal statutory rate of 21 percent for 2019 and 2018, respectively, and 35 percent for 2017 to the total income tax expense follows:

(Dollars in thousands)	**2019**	2018	2017
Federal income tax rate	**21%**	21%	35%
Tax computed at statutory rate	**$122,989**	$149,963	$108,105
Increase/(decrease) resulting from:			
State income taxes, net of federal income tax benefit	**15,319**	24,553	4,753
Bank-owned life insurance ("BOLI")	**(4,915)**	(3,626)	(8,401)
401(k) – employee stock ownership plan ("ESOP")	**(764)**	(653)	(904)
Tax-exempt interest	**(6,480)**	(6,538)	(7,890)
Non-deductible expenses	**10,609**	8,301	7,558
LIHTC credits and benefits, net of amortization	**(4,419)**	(7,178)	(5,327)
Other tax credits	**-**	(2,825)	(2,480)
Change in valuation allowance – DTA	**(74)**	(73)	(40,473)
Other changes in unrecognized tax benefits	**4,044**	6,143	46
Effect of Tax Act	**-**	(6,746)	82,027
Other	**(3,018)**	(3,719)	(5,122)
Total	**$133,291**	$157,602	$131,892

Note 15 ❑ Income Taxes (continued)

As of December 31, 2019, FHN had net deferred tax asset balances related to federal and state income tax carryforwards of $43.8 million and $1.2 million, respectively, which will expire at various dates as follows:

(Dollars in thousands)	Expiration Dates	Net Deferred Tax Asset Balance
Losses-federal	2028-2033	$43,774
Net operating losses-states	2020-2022	62
Net operating losses-states	2025-2035	1,124

A deferred tax asset ("DTA") or deferred tax liability ("DTL") is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax consequence is calculated by applying enacted statutory tax rates, applicable to future years, to these temporary differences. In order to support the recognition of the DTA, FHN's management must believe that the realization of the DTA is more likely than not. FHN evaluates the likelihood of realization of the DTA based on both positive and negative evidence available at the time, including (as appropriate) scheduled reversals of DTLs, projected future taxable income, tax planning strategies, and recent financial performance. Realization is dependent on generating sufficient taxable income prior to the expiration of the carryforwards attributable to the DTA. In projecting future taxable income, FHN incorporates assumptions including the estimated amount of future state and federal pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates used to manage the underlying business.

As of December 31, 2019, FHN's net DTA was $69.0 million compared to the $127.9 million at December 31, 2018. At December 31, 2019, FHN's gross DTA (net of a valuation allowance) and gross DTL were $250.6 million and $181.6 million, respectively. Although realization is not assured, FHN believes that it meets the more-likely-than-not requirement with respect to the net DTA after valuation allowance.

Temporary differences which gave rise to deferred tax assets and deferred tax liabilities on December 31, 2019 and 2018 were as follows:

(Dollars in thousands)	**2019**	2018
Deferred tax assets:		
Loss reserves	**$ 58,251**	$ 65,015
Employee benefits	**68,254**	64,843
Accrued expenses	**4,340**	15,763
Lease liability	**55,543**	-
Federal loss carryforwards	**43,774**	49,821
State loss carryforwards	**1,186**	7,225
Investment in debt securities (ASC 320) (a)	**-**	24,863
Other	**19,255**	27,168
Gross deferred tax assets	**250,603**	254,698
Valuation allowance	**-**	(74)
Deferred tax assets after valuation allowance	**$250,603**	$254,624
Deferred tax liabilities:		
Depreciation and amortization	**$ 50,725**	$ 51,519
Investment in debt securities (ASC 320) (a)	**10,154**	-
Equity investments	**3,656**	7,705
Other intangible assets	**56,352**	57,632
Prepaid expenses	**10,024**	9,218
ROU lease asset	**50,151**	-
Other	**540**	683
Gross deferred tax liabilities	**181,602**	126,757
Net deferred tax assets	**$ 69,001**	$127,867

(a) Tax effects of unrealized gains and losses are tracked on a security-by-security basis.

Note 15 ❑ Income Taxes (continued)

The total unrecognized tax benefits ("UTB") at December 31, 2019 and 2018, was $24.4 million and $20.2 million, respectively. To the extent such unrecognized tax benefits as of December 31, 2019 are subsequently recognized, $18.4 million of tax benefits would impact tax expense and FHN's effective tax rate in future periods.

FHN is currently in audit in several jurisdictions. It is reasonably possible that the UTB related to federal and state exposures could decrease by $6.7 million and $.5 million, respectively during 2020 if audits are completed and settled and if the applicable statutes of limitations expire as scheduled.

FHN recognizes interest accrued and penalties related to UTB within income tax expense. FHN had approximately $2.9 million and $1.6 million accrued for the payment of interest as of December 31, 2019 and 2018, respectively. The total amount of interest and penalties recognized in the Consolidated Statements of Income during both 2019 and 2018 was an expense of $1.3 million.

The rollforward of unrecognized tax benefits is shown below:

(Dollars in thousands)	
Balance at December 31, 2017	$ 4,271
Increases related to prior year tax positions	16,695
Increases related to current year tax positions	1,576
Settlements	(2,080)
Lapse of statutes	(278)
Balance at December 31, 2018	$20,184
Increases related to prior year tax positions	**2,522**
Increases related to current year tax positions	**2,170**
Lapse of statutes	**(460)**
Balance at December 31, 2019	**$24,416**

Note 16 ❑ Earnings Per Share

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

(Dollars and shares in thousands, except per share data)	**2019**	2018	2017
Net income/(loss)	**$452,373**	$556,507	$176,980
Net income attributable to noncontrolling interest	**11,465**	11,465	11,465
Net income/(loss) attributable to controlling interest	**440,908**	545,042	165,515
Preferred stock dividends	**6,200**	6,200	6,200
Net income/(loss) available to common shareholders	**$434,708**	$538,842	$159,315
Weighted average common shares outstanding – basic	**313,637**	324,375	241,436
Effect of dilutive securities	**2,020**	3,070	3,017
Weighted average common shares outstanding – diluted	**315,657**	327,445	244,453
Net income/(loss) per share available to common shareholders	**$ 1.39**	$ 1.66	$ 0.66
Diluted income/(loss) per share available to common shareholders	**$ 1.38**	$ 1.65	$ 0.65

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:

(Shares in thousands)	**2019**	2018	2017
Stock options excluded from the calculation of diluted EPS	**2,359**	2,256	2,468
Weighted average exercise price of stock options excluded from the calculation of diluted EPS	**$21.12**	$24.33	$25.62
Other equity awards excluded from the calculation of diluted EPS	**2,224**	608	176

Note 17 ❑ Contingencies and Other Disclosures

CONTINGENCIES

Contingent Liabilities Overview

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

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

Material Loss Contingency Matters

Summary

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

FHN reassesses the liability for litigation matters each quarter as the matters progress. At December 31, 2019, the aggregate amount of liabilities established for all such loss contingency matters was $.7 million. These liabilities are separate from those discussed under the heading "Loan Repurchase and Foreclosure Liability" below.

In each material loss contingency matter, except as otherwise noted, there is more than a remote chance that any of the following outcomes will occur: the plaintiff will substantially prevail; the defense will substantially prevail; the plaintiff will prevail in part; or the matter will be settled by the parties. At December 31, 2019, FHN is unable to estimate any material reasonably possible losses ("RPLs") for contingency matters in future periods in excess of currently established liabilities.

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

Material Matters

FHN was one of multiple defendants in a consolidated putative class action suit: In re GSE Bonds Antitrust Litigation, No. 1:19-cv-01704-JSR (U.S. District Court S.D.N.Y.). The plaintiffs claim that defendants conspired to fix secondary market prices of government-sponsored enterprise ("GSE") bonds from 2009 through 2015. During the third quarter, FHN reached a class settlement with the plaintiffs, subject to court approval, without admitting liability. Though still subject to court approval, the settlement was paid before year-end and therefore is no longer reflected in established liabilities.

On February 26, 2020, a former shareholder of Capital Bank Financial Corp. ("CBF") filed a putative class action suit, Searles v. DeMartini et al, No. 2020-0136 (Del. Chancery), against certain former directors, officers, and shareholders of CBF, alleging, among other things, that defendants breached certain fiduciary duties in connection with CBF's merger with FHN in 2017. Plaintiff claims unspecified damages related to the merger consideration and opportunity loss. FHN is unable to estimate an RPL range for this matter due to significant uncertainties regarding: whether a class will be certified and, if so, the composition of the class; the amount of potential damages that might be awarded, if any; of any such damages amount, the amount that FHN would be obliged to indemnify; the availability of applicable insurance; and the outcome of discovery, which has not yet begun.

Exposures from pre-2009 Mortgage Business

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

FHN also 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, starting in 2011, 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.

Note 17 ❑ Contingencies and Other Disclosures (continued)

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 $14.5 million and $32.3 million as of December 31, 2019 and December 31, 2018, respectively. Accrued liabilities for FHN's estimate of these obligations are reflected in Other liabilities on the Consolidated Statements of Condition. Charges/expense reversals to increase/decrease the liability are included within Repurchase and foreclosure provision/(provision credit) on the Consolidated Statements of Income. The estimates are based upon currently available information and fact patterns that exist as of each balance sheet date and could be subject to future changes. Changes to any one of these factors could significantly impact the estimate of FHN's liability.

OTHER DISCLOSURES

Indemnification Agreements and Guarantees

In the ordinary course of business, FHN enters into indemnification agreements for legal proceedings against its directors and officers and standard representations and warranties for underwriting agreements, merger and acquisition agreements, loan sales, contractual commitments, and various other business transactions or arrangements. The extent of FHN's obligations under these agreements depends upon the occurrence of future events; therefore, it is not possible to estimate a maximum potential amount of payouts that could be required by such agreements.

Note 18 ❑ Pension, Savings, and Other Employee Benefits

Pension plan. FHN sponsors a noncontributory, qualified defined benefit pension plan to employees hired or re-hired on or before September 1, 2007. Pension benefits are based on years of service, average compensation near retirement or other termination, and estimated social security benefits at age 65. Benefits under the plan are "frozen" so that years of service and compensation changes after 2012 do not affect the benefit owed. Minimum contributions are based upon actuarially determined amounts necessary to fund the total benefit obligation. Decisions to contribute to the plan are based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. FHN made no contributions to the qualified pension plan in 2019 and 2017, and made an insignificant contribution to the qualified pension plan in 2018. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan in 2020.

FHN assumed two additional qualified pension plans in conjunction with the CBF acquisition. Both legacy CBF plans were frozen at the time of acquisition. As of December 31, 2018, the aggregate benefit obligation for the plans was $17.1 million and aggregate plan assets were $16.5 million. Benefit payments, expense and actuarial gains/losses related to these plans were insignificant for the first half of 2019 and 2018. In third quarter 2019, FHN settled these plans through the purchase of annuity contracts, making related contributions of $.5 million. Due to the insignificant financial statement impact, these two plans are not included in the disclosures that follow.

FHN also maintains non-qualified plans including a supplemental retirement plan that covers certain employees whose benefits under the qualified pension plan have been limited by tax rules. These other non-qualified plans are unfunded, and contributions to these plans cover all benefits paid under the non-qualified plans. Payments made under the non-qualified plans were $5.2 million for 2019. FHN anticipates making benefit payments under the non-qualified plans of $5.2 million in 2020.

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

FHN also provides "flexible dollars" to assist employees with the cost of annual benefits and/or allow the employee to contribute to his or her qualified savings plan account. These "flexible dollars" are pre-tax contributions and are based upon the employees' years of service and qualified compensation. Contributions made by FHN through the flexible benefits plan and the company matches were $27.7 million for 2019, $29.3 million for 2018, and $23.0 million for 2017.

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

Actuarial assumptions. FHN's process for developing the long-term expected rate of return of pension plan assets is based on capital market exposure as the source of investment portfolio returns. Capital market exposure refers to the plan's allocation of its assets to asset classes, which primarily represent fixed income investments. FHN also considers expectations for inflation, real interest rates, and various risk premiums based primarily on the historical risk premium for each asset class. The expected return is based upon a time horizon of thirty years. Given its funded status, the asset allocation strategy for the qualified pension plan utilizes fixed income instruments that closely match the estimated duration of payment obligations. Consequently, FHN selected a 4.80 percent assumption for 2019 for the qualified defined benefit pension plan and a .05 percent assumption for postretirement medical plan assets dedicated to employees who retired prior to January 1, 1993. FHN selected a 6.85 percent assumption for 2019 for postretirement medical plan assets dedicated to employees who retired after January 1, 1993.

The discount rates for the three years ended 2019 for pension and other benefits were determined by using a hypothetical AA yield curve represented by a series of annualized individual discount rates from one-half to thirty years. The discount rates are selected based upon data specific to FHN's plans and employee population. The bonds used to create the hypothetical yield curve were subjected to several requirements to ensure that the resulting rates were representative of the bonds that would be selected by management to fulfill the company's funding obligations. In addition to the AA rating, only non-callable bonds were included. Each bond issue was required to have at least $300 million par outstanding so that each issue was sufficiently marketable. Finally, bonds more than two standard deviations from the average yield were removed. When selecting the discount rate, FHN matches the duration of high quality bonds with the duration of the obligations of the plan as of the measurement date. For all years presented, the measurement date of the benefit obligations and net periodic benefit costs was December 31.

Note 18 ❑ Pension, Savings, and Other Employee Benefits (continued)

The actuarial assumptions used in the defined benefit pension plans and other employee benefit plans were as follows:

	Benefit Obligations			Net Periodic Benefit Cost		
	2019	2018	2017	**2019**	2018	2017
Discount rate						
Qualified pension	**3.31%**	4.43%	3.76%	**4.43%**	3.75%	4.37%
Nonqualified pension	**3.08%**	4.26%	3.59%	**4.26%**	3.59%	4.07%
Other nonqualified pension	**2.57%**	3.83%	3.19%	**3.83%**	3.19%	3.39%
Postretirement benefits	**2.85% - 3.44%**	4.03% - 4.56%	3.37% - 3.87%	**4.04% - 4.56%**	3.35% - 3.87%	3.68% - 4.57%
Expected long-term rate of return						
Qualified pension/ postretirement benefits	**N/A**	N/A	N/A	**4.80%**	4.20%	4.50%
Postretirement benefit (retirees post January 1, 1993)	**N/A**	N/A	N/A	**6.85%**	5.95%	6.00%
Postretirement benefit (retirees prior to January 1, 1993)	**N/A**	N/A	N/A	**0.05%**	2.15%	2.15%

The rate of compensation increase previously had a significant effect on the actuarial assumptions used for the defined benefit pension plan. However, since the benefits in the pension plan are frozen, the rate of compensation increase has no effect upon qualified pension benefits.

FHN has one pension plan where participants' benefits are affected by interest crediting rates. The plan's projected benefit obligation as of December 31, 2019, 2018 and 2017 and interest crediting rates for the respective years are:

(Dollars in thousands)	**2019**	2018	2017
Projected benefit obligation	**$16,213**	$16,947	$19,115
Interest crediting rate	**9.66%**	10.12%	9.28%

The components of net periodic benefit cost for the plan years 2019, 2018 and 2017 are as follows:

	Total Pension Benefits			Other Benefits		
(Dollars in thousands)	**2019**	2018	2017	**2019**	2018	2017
Components of net periodic benefit cost						
Service cost	**$ 30**	$ 41	$ 37	**$ 94**	$ 133	$ 107
Interest cost	**30,207**	27,877	29,380	**1,413**	1,309	1,305
Expected return on plan assets	**(36,908)**	(32,897)	(36,015)	**(1,136)**	(1,074)	(947)
Amortization of unrecognized:						
Prior service cost/(credit)	**-**	-	52	**32**	-	95
Actuarial (gain)/loss	**9,888**	12,102	9,521	**(493)**	(387)	(567)
Net periodic benefit cost	**3,217**	7,123	2,975	**(90)**	(19)	(7)
ASC 715 settlement expense	**-**	-	43	**194**	99	-
Total periodic benefit costs	**$ 3,217**	$ 7,123	$ 3,018	**$ 104**	$ 80	$ (7)

The long-term expected rate of return is applied to the market-related value of plan assets in determining the expected return on plan assets. FHN determines the market-related value of plan assets using a calculated value that recognizes changes in the fair value of plan assets over five years, as permitted by GAAP.

Note 18 ❑ Pension, Savings, and Other Employee Benefits (continued)

FHN utilizes a spot rate approach which applies duration-specific rates from the full yield curve to estimated future benefit payments for the determination of interest cost.

The following tables set forth the plans' benefit obligations and plan assets for 2019 and 2018:

	Total Pension Benefits		Other Benefits	
(Dollars in thousands)	**2019**	2018	**2019**	2018
Change in benefit obligation				
Benefit obligation, beginning of year	**$765,309**	$840,884	**$ 35,174**	$ 39,562
Service cost	**30**	41	**94**	133
Interest cost	**30,207**	27,877	**1,413**	1,309
Plan Amendments	**-**	-	**408**	-
Actuarial (gain)/loss (a)	**102,775**	(68,724)	**6,848**	(3,648)
Actual benefits paid	**(38,450)**	(34,769)	**(1,641)**	(2,182)
Premium paid for annuity purchase (b)	**(23,997)**	-	**-**	-
Benefit obligation, end of year	**$835,874**	$765,309	**$ 42,296**	$ 35,174
Change in plan assets				
Fair value of plan assets, beginning of year	**$730,953**	$811,244	**$ 17,432**	$ 18,753
Actual return on plan assets	**154,054**	(49,470)	**3,355**	(928)
Employer contributions	**3,510**	3,948	**1,259**	1,789
Actual benefits paid – settlement payments	**-**	-	**(1,641)**	(2,182)
Actual benefits paid – other payments	**(38,450)**	(34,769)	**-**	-
Premium paid for annuity purchase (b)	**(23,997)**	-	**-**	-
Fair value of plan assets, end of year	**$826,070**	$730,953	**$ 20,405**	$ 17,432
Funded (unfunded) status of the plans	**$ (9,804)**	$ (34,356)	**$(21,891)**	$(17,742)
Amounts recognized in the Statements of Condition				
Other assets	**$ 27,433**	$ 1,911	**$ 17,240**	$ 14,356
Other liabilities	**(37,237)**	(36,267)	**(39,131)**	(32,098)
Net asset/(liability) at end of year	**$ (9,804)**	$ (34,356)	**$(21,891)**	$(17,742)

(a) Variances in the actuarial (gain)/loss are due to normal activity such as changes in discount rates, updates to participant demographic information and revisions to life expectancy assumptions.
(b) 2019 amounts represent settlements of certain retired participants in the qualified pension plan that occurred during the year.

The projected benefit obligation for unfunded plans are as follows:

	Total Pension Benefits		Other Benefits	
(Dollars in thousands)	**2019**	2018	**2019**	2018
Projected benefit obligation	**$37,237**	$36,267	**$39,131**	$32,098

The qualified pension plan was overfunded as of December 31, 2019 by $27.4 million. Because of the pension freeze as of the end of 2012, the pension benefit obligation and the accumulated benefit obligation are the same as of December 31, 2019 and 2018. The qualified pension plan was overfunded as of December 31, 2018 by $1.9 million. FHN's funded post retirement plan was also in an overfunded status as of December 31, 2019 and 2018.

Note 18 ❑ Pension, Savings, and Other Employee Benefits (continued)

Unrecognized actuarial gains and losses and unrecognized prior service costs and credits are recognized as a component of accumulated other comprehensive income. Balances reflected in accumulated other comprehensive income on a pre-tax basis for the years ended December 31, 2019 and 2018 consist of:

	Total Pension Benefits		Other Benefits	
(Dollars in thousands)	**2019**	2018	**2019**	2018
Amounts recognized in accumulated other comprehensive income				
Prior service cost/(credit)	**$ -**	$ -	**$ 408**	$ -
Net actuarial (gain)/loss	**362,799**	387,058	**(1,555)**	(6,451)
Total	**$362,799**	$387,058	**$(1,147)**	$(6,451)

The pre-tax amounts recognized in other comprehensive income during 2019 and 2018 were as follows:

	Total Pension Benefits		Other Benefits	
(Dollars in thousands)	**2019**	2018	**2019**	2018
Changes in plan assets and benefit obligation recognized in other comprehensive income				
Net actuarial (gain)/loss arising during measurement period	**$(14,371)**	$ 13,643	**$4,629**	$(1,646)
Prior service cost/(credit) arising during measurement period	**-**	-	**408**	-
Items amortized during the measurement period:				
Prior service credit/(cost)	**-**	-	**(32)**	-
Net actuarial gain/(loss)	**(9,888)**	(12,102)	**299**	288
Total recognized in other comprehensive income	**$(24,259)**	$ 1,541	**$5,304**	$(1,358)

FHN utilizes the minimum amortization method in determining the amount of actuarial gains or losses to include in plan expense. Under this approach, the net deferred actuarial gain or loss that exceeds a threshold is amortized over the average remaining service period of active plan participants. The threshold is measured as the greater of: 10 percent of a plan's projected benefit obligation as of the beginning of the year or 10 percent of the market related value of plan assets as of the beginning of the year. FHN amortizes actuarial gains and losses using the estimated average remaining life expectancy of the remaining participants since all participants are considered inactive due to the freeze.

The following table provides detail on expected benefit payments, which reflect expected future service, as appropriate:

(Dollars in thousands)	Pension Benefits	Other Benefits
2020	$ 38,304	$ 1,675
2021	40,215	1,744
2022	41,152	1,818
2023	42,631	1,897
2024	43,752	1,977
2025-2029	231,267	11,127

Plan assets. FHN's overall investment goal is to create, over the life of the pension plan and retiree medical plan, an adequate pool of sufficiently liquid assets to support the qualified pension benefit obligations to participants, retirees, and beneficiaries, as well as to partially support the medical obligations to retirees and beneficiaries. Thus, the qualified pension plan and retiree medical plan seek to achieve a level of investment return consistent with changes in projected benefit obligations.

Qualified pension plan assets primarily consist of fixed income securities which include U.S. treasuries, corporate bonds of companies from diversified industries, municipal bonds, and foreign bonds. Fixed income investments generally have long durations consistent with the estimated pension liabilities of FHN. This duration-matching strategy is intended to hedge substantially all of the plan's risk associated with future benefit payments. Retiree medical funds are kept in short-term investments, primarily money market funds and mutual funds. On December 31, 2019 and 2018, FHN did not have any significant concentrations of risk within the plan assets related to the pension plan or the retiree medical plan.

The fair value of FHN's pension plan assets at December 31, 2019 and 2018, by asset category classified using the Fair Value measurement hierarchy is shown in the table below. See Note 24–Fair Value of Assets and Liabilities for more details about Fair Value measurements.

	December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and money market funds	$9,300	$ -	$ -	$ 9,300
Fixed income securities:				
U.S. treasuries	-	5,377	-	5,377
Corporate, municipal and foreign bonds	-	514,965	-	514,965
Common and collective funds:				
Fixed income	-	296,428	-	296,428
Total	$9,300	$816,770	$ -	$826,070

	December 31, 2018			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and money market funds	$13,855	$ -	$ -	$ 13,855
Fixed income securities:				
U.S. treasuries	-	28,626	-	28,626
Corporate, municipal and foreign bonds	-	688,472	-	688,472
Total	$13,855	$717,098	$ -	$730,953

The Pension and Savings Investment Committees, comprised of senior managers within the organization, meet regularly to review asset performance and potential portfolio revisions. Adjustments to the qualified pension plan asset allocation primarily reflect changes in anticipated liquidity needs for plan benefits.

The fair value of FHN's retiree medical plan assets at December 31, 2019 and 2018 by asset category are as follows:

	December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and money market funds	$ 130	$ -	$ -	$ 130
Mutual funds:				
Equity mutual funds	13,163	-	-	13,163
Fixed income mutual funds	7,112	-	-	7,112
Total	$20,405	$ -	$ -	$20,405

	December 31, 2018			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents and money market funds	$ 207	$ -	$ -	$ 207
Mutual funds:				
Equity mutual funds	10,387	-	-	10,387
Fixed income mutual funds	6,838	-	-	6,838
Total	$17,432	$ -	$ -	$17,432

Note 19 ❑ Stock Options, Restricted Stock, and Dividend Reinvestment Plans

Equity compensation plans

FHN currently has one plan, its shareholder-approved Equity Compensation Plan ("ECP"), which authorizes the grant of new stock-based awards to employees and directors. Most awards outstanding at year end were granted under the ECP, though older stock options and certain deferred stock units remain outstanding under several plans which no longer are active. The ECP authorizes a broad range of award types, including restricted shares, stock units, and stock options. Stock units may be paid in shares or cash, depending upon the terms of the award. The ECP also authorizes the grant of stock appreciation rights, though no such grants have been made. Unvested awards have service and/or performance conditions which must be met in order for the shares to vest. Awards generally have service-vesting conditions, meaning that the employee must remain employed by FHN for certain periods in order for the award to vest. Some outstanding awards also have performance conditions, and one outstanding award has performance conditions associated with FHN's stock price. FHN operates the ECP by establishing award programs, each of which is intended to cover a specific need. Programs are created, changed, or terminated as needs change. On December 31, 2019, there were 6,350,062 shares available for new awards under the ECP. The ECP imposes a separate limit on full-value (non-option) awards which is included within the overall limit; at December 31, 2019 there were 4,961,854 shares available to be granted as full-value awards.

Service condition full-value awards. Awards may be granted with service conditions only. In recent years, programs using these awards have included annual programs for executives and selected management employees, a mandatory deferral program for executives tied to annual bonuses earned, other mandatory or elective deferral programs, various retention programs, and special hiring-incentive situations. Details of the awards vary by program, but most are settled in shares at vesting rather than cash, and vesting rarely begins earlier than the first anniversary of grant and rarely extends beyond the fifth anniversary of grant. Annual programs tend to use multiple annual vesting dates while retention programs tend to use a single vesting date, but there are exceptions.

Performance condition awards. Under FHN's long-term incentive and corporate performance programs, performance stock units ("PSUs") (executives) and cash units (selected management employees) are granted annually and vest only if predetermined performance measures are met. The measures are changed each year based on goals and circumstances prevailing at the time of grant. In recent years the performance periods have been three years, with service-vesting near the third anniversary of the grant. PSUs granted after 2014 also have a post-vest holding period of two years. Recent annual performance awards require pro-rated forfeiture for performance falling between a threshold level and a maximum. Performance awards sometimes are used to provide a narrow, targeted incentive to a single person or small group; one such award which includes a market performance condition to FHN's Chief Executive Officer ("CEO") is discussed in the next paragraph. Of the annual program awards paid during 2019 or outstanding on December 31, 2019: the 2015 units vested in 2018 and remain in a two year post-vesting holding period; performance conditions related to the 2016 units were met at the 104.2 percent payout level and vested in 2019; the three years performance period of the 2017 units has ended but performance is measured relative to peers and has not yet been determined; and, the three years performance periods for the 2018 and 2019 units have not ended.

Market condition award. In 2016, FHN made a special grant of performance stock units to FHN's CEO which will vest at the end of a performance period of seven years. The award has no provision for pro-rated payment based on partial performance. The award's performance goal is based on achievement of a specific level of total shareholder return during the performance period.

Director awards. Non-employee directors receive cash and annual grants of service-conditioned stock units under a program approved by the board of directors. Director stock units vest in the year following the year of grant, require a payment deferral of two years, and settle in shares after the deferral period. In 2019 and 2018 each director received $65,000 or prorated equivalent of stock units, representing a portion of their annual retainer. Prior to 2005 directors could elect to defer cash compensation in the form of discount-priced stock options, some of which remain outstanding.

Note 19 ❑ Stock Options, Restricted Stock, and Dividend Reinvestment Plans (continued)

Stock and stock unit awards. A summary of restricted and performance stock and unit activity during the year ended December 31, 2019, is presented below:

	Shares/ Units (a)	Weighted average grant date fair value *(per share)* (b)
January 1, 2019	4,089,824	$16.27
Shares/units granted	1,761,343	14.93
Shares/units vested/distributed	(1,042,270)	13.99
Shares/units cancelled	(120,649)	17.43
December 31, 2019	**4,688,248**	**$16.25**

(a) Includes only units that settle in shares and nonvested performance units are included at 100% payout level.
(b) The weighted average grant date fair value for shares/units granted in 2018 and 2017 was $18.70 and $18.83, respectively.

On December 31, 2019, there was $29.5 million of unrecognized compensation cost related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 2.1 years. The total grant date fair value of shares vested during 2019, 2018 and 2017, was $14.6 million, $12.6 million, and $9.9 million, respectively.

Stock option awards. Currently FHN operates only a single option program, calling for annual grants of service-vested options to executives. In the past, however, option programs varied widely in their uses and terms, and many old-program options, granted under the ECP or its predecessor plans, remain outstanding today. Except for substitute options (discussed below), all options granted since 2005 provide for the issuance of FHN common stock at a price fixed at its fair market value on the grant date. Except for substitute options, converted options and a special retention stock option award to the CEO in 2016, all options granted since 2008 vest fully no later than the fourth anniversary of grant, and all such options expire 7 years from the grant date. Substitute options can be issued under the ECP in exchange for options of an acquired company that are canceled in a merger. The price, vesting, expiration, and other terms of the substitute options economically mirror those of the canceled options. Converted options from CBF are all fully vested and expire ten years from grant date. The 2016 retention award vests beginning on the fourth anniversary of grant and extends through the sixth anniversary of grant. A deferral program, which was discontinued in 2005, allowed for foregone compensation plus the exercise price to equal the fair market value of the stock on the date of grant if the grantee agreed to receive the options in lieu of compensation. Deferral options still outstanding expire 20 years from the grant date.

The summary of stock option activity for the year ended December 31, 2019, is shown below:

	Options Outstanding	Weighted Average Exercise Price *(per share)*	Weighted Average Remaining Contractual Term *(years)*	Aggregate Intrinsic Value *(thousands)*
January 1, 2019	5,904,687	$16.16		
Options granted	530,787	15.43		
Options exercised	(895,695)	10.79		
Options expired/cancelled	(607,998)	27.94		
December 31, 2019	**4,931,781**	**15.61**	**3.08**	**$13,385**
Options exercisable	3,347,210	15.76	2.32	10,060
Options expected to vest	1,584,571	15.28	4.68	3,325

The total intrinsic value of options exercised during 2019, 2018 and 2017 was $4.4 million, $3.0 million, and $2.5 million, respectively. On December 31, 2019, there was $1.4 million of unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Note 19 ❑ Stock Options, Restricted Stock, and Dividend Reinvestment Plans (continued)

FHN granted or converted 530,787, 394,296 and 1,483,323 stock options with a weighted average fair value of $2.69, $3.89, and $4.69 per option at grant date in 2019, 2018 and 2017, respectively.

FHN used the Black-Scholes Option Pricing Model to estimate the fair value of stock options granted or converted in 2019, 2018, and 2017 with the following assumptions:

	2019	2018	2017
Expected dividend yield	**3.63%**	2.57%	1.82%
Expected weighted-average lives of options granted	**6.24 years**	6.21 years	6.09 years
Expected weighted-average volatility	**24.76%**	24.61%	26.90%
Expected volatility range	**23.07 – 26.45%**	23.95 – 25.26%	24.36 – 29.44%
Risk-free interest rate	**2.53%**	2.69%	2.07%

Expected lives of options granted are determined based on the vesting period, historical exercise patterns and contractual term of the options. FHN uses a blend of historical and implied volatility in determining expected volatility. A portion of the weighted average volatility rate is derived by compiling daily closing stock prices over a historical period approximating the expected lives of the options. Additionally, because of market volatility due to economic conditions and the impact on stock prices of financial institutions, FHN also incorporates a measure of implied volatility so as to incorporate more recent market conditions in the estimation of future volatility.

Compensation Cost. The compensation cost that has been included in the Consolidated Statements of Income pertaining to stock-based awards was $22.7 million, $23.2 million, and $20.6 million for 2019, 2018, and 2017, respectively. The corresponding total income tax benefits recognized were $5.6 million in 2019, $5.7 million in 2018, and $7.9 million in 2017.

Authorization. Consistent with Tennessee state law, only authorized, but unissued, stock may be utilized in connection with any issuance of FHN common stock which may be required as a result of stock based compensation awards. FHN has obtained authorization from the Board of Directors to repurchase up to certain numbers of shares related to issuance under the ECP and several older stock award plans. These authorizations are automatically adjusted for stock splits and stock dividends. Repurchases are authorized to be made in the open market or through privately negotiated transactions and will be subject to market conditions, accumulation of excess equity, legal and regulatory restrictions, and prudent capital management. FHN does not currently expect to repurchase a material number of shares under the compensation plan-related repurchase program during 2020.

Dividend reinvestment plan. The Dividend Reinvestment and Stock Purchase Plan authorizes the sale of FHN's common stock from stock acquired on the open market to shareholders who choose to invest all or a portion of their cash dividends or make optional cash payments of $25 to $10,000 per quarter without paying commissions. The price of stock purchased on the open market is the average price paid.

Note 20 ❑ Business Segment Information

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

Periodically, FHN adapts its segments to reflect managerial or strategic changes. FHN may also modify its methodology of allocating expenses and equity among segments which could change historical segment results. Business segment revenue, expense, asset, and equity levels reflect those which are specifically identifiable or which are allocated based on an internal allocation method. Because the allocations are based on internally developed assignments and allocations, to an extent they are subjective. Generally, all assignments and allocations have been consistently applied for all periods presented. The following table reflects the amounts of consolidated revenue, expense, tax, and average assets, as well as, depreciation and amortization expense and expenditures for long lived assets for each segment for the years ended December 31:

(Dollars in thousands)	**2019**	2018	2017
Consolidated			
Net interest income	**$ 1,210,187**	$ 1,220,317	$ 842,314
Provision/(provision credit) for loan losses	**47,000**	7,000	-
Noninterest income	**654,080**	722,788	490,219
Noninterest expense	**1,231,603**	1,221,996	1,023,661
Income/(loss) before income taxes	**585,664**	714,109	308,872
Provision/(benefit) for income taxes	**133,291**	157,602	131,892
Net income/(loss)	**$ 452,373**	$ 556,507	$ 176,980
Average assets	**$41,744,264**	$40,225,459	$29,924,813
Depreciation and amortization	**$ 65,239**	$ 59,125	$ 70,924
Expenditures for long-lived assets	**49,159**	38,166	287,642

Note 20 ❑ Business Segment Information (continued)

(Dollars in thousands)	**2019**	2018	2017
Regional Banking			
Net interest income	**$ 1,196,318**	$ 1,197,471	$ 844,439
Provision/(provision credit) for loan losses	**66,059**	24,643	21,451
Noninterest income	**329,834**	311,763	259,546
Noninterest expense	**789,033**	826,262	628,050
Income/(loss) before income taxes	**671,060**	658,329	454,484
Provision/(benefit) for income taxes	**158,148**	154,659	162,348
Net income/(loss)	**$ 512,912**	$ 503,670	$ 292,136
Average assets	**$30,785,775**	$28,366,987	$19,469,287
Depreciation and amortization	**$ 31,719**	$ 31,316	$ 45,734
Expenditures for long-lived assets	**35,207**	36,164	274,992
Fixed Income			
Net interest income	**$ 26,044**	$ 35,753	$ 18,122
Noninterest income	**278,423**	164,769	217,086
Noninterest expense	**236,660**	189,373	206,427
Income/(loss) before income taxes	**67,807**	11,149	28,781
Provision/(benefit) for income taxes	**16,137**	2,097	9,698
Net income/(loss)	**$ 51,670**	$ 9,052	$ 19,083
Average assets	**$ 2,961,655**	$ 3,297,579	$ 2,539,899
Depreciation and amortization	**$ 8,150**	$ 9,603	$ 8,036
Expenditures for long-lived assets	**909**	646	1,877
Corporate			
Net interest income/(expense)	**$ (40,774)**	$ (64,191)	$ (59,261)
Noninterest income (a)	**41,357**	239,263	8,887
Noninterest expense (b) (c) (d)	**195,683**	177,923	144,333
Income/(loss) before income taxes	**(195,100)**	(2,851)	(194,707)
Provision/(benefit) for income taxes	**(51,348)**	(10,889)	(47,967)
Net income/(loss)	**$ (143,752)**	$ 8,038	$ (146,740)
Average assets	**$ 6,951,611**	$ 7,090,069	$ 6,370,951
Depreciation and amortization	**$ 27,649**	$ 23,285	$ 16,764
Expenditures for long-lived assets	**12,560**	308	8,951
Non-Strategic			
Net interest income	**$ 28,599**	$ 51,284	$ 39,014
Provision/(provision credit) for loan losses	**(19,059)**	(17,643)	(21,451)
Noninterest income	**4,466**	6,993	4,700
Noninterest expense	**10,227**	28,438	44,851
Income/(loss) before income taxes	**41,897**	47,482	20,314
Provision/(benefit) for income taxes	**10,354**	11,735	7,813
Net income/(loss)	**$ 31,543**	$ 35,747	$ 12,501
Average assets	**$ 1,045,223**	$ 1,470,824	$ 1,544,676
Depreciation and amortization	**$ (2,279)**	$ (5,079)	$ 390
Expenditures for long-lived assets	**483**	1,048	1,822

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

(a) 2018 includes a $212.9 million pre-tax gain from the sale of Visa Class B shares; 2017 includes a $14.3 million pre-tax loss from the repurchase of equity securities previously included in a financing transaction.

(b) 2019 includes restructuring-related costs associated with efficiency initiatives; refer to Note 25 – Restructuring, Repositioning, and Efficiency for additional information. 2019 and 2018 include acquisition-related expenses; refer to Note 2 – Acquisitions and Divestitures for additional information

(c) 2019 includes $21.3 million, respectively, of asset impairments, professional fees, and other customer-contact and technology-related expenses associated with rebranding initiatives.

(d) 2019 and 2017 include $11.0 million and $8.8 million, respectively, of contributions to FHN's foundation.

Note 20 ❑ Business Segment Information (continued)

The following tables reflect a disaggregation of FHN's noninterest income by major product line and reportable segment for the years ended December 31, 2019, 2018, and 2017:

	December 31, 2019				
(Dollars in thousands)	**Regional Banking**	**Fixed Income**	**Corporate**	**Non-Strategic**	**Consolidated**
Noninterest income:					
Fixed income (a)	**$ 122**	**$277,561**	**$ -**	**$1,106**	**$278,789**
Deposit transactions and cash management	**124,832**	**4**	**6,610**	**217**	**131,663**
Brokerage, management fees and commissions	**55,462**	**-**	**-**	**5**	**55,467**
Trust services and investment management	**29,600**	**-**	**(89)**	**-**	**29,511**
Bankcard income	**28,540**	**11**	**248**	**(491)**	**28,308**
BOLI (b)	**-**	**-**	**19,210**	**-**	**19,210**
Debt securities gains/(losses), net (b)	**-**	**-**	**(267)**	**-**	**(267)**
Equity securities gains/(losses), net (b)	**-**	**-**	**441**	**-**	**441**
All other income and commissions (d)	**91,278**	**847**	**15,204**	**3,629**	**110,958**
Total noninterest income	**$329,834**	**$278,423**	**$41,357**	**$4,466**	**$654,080**

	December 31, 2018				
(Dollars in thousands)	**Regional Banking**	**Fixed Income**	**Corporate**	**Non-Strategic**	**Consolidated**
Noninterest income:					
Fixed income (a)	$ 417	$163,382	$ -	$4,083	$167,882
Deposit transactions and cash management	126,832	12	6,214	223	133,281
Brokerage, management fees and commissions	54,800	-	-	3	54,803
Trust services and investment management	29,852	-	(46)	-	29,806
Bankcard income	29,434	-	226	(356)	29,304
BOLI (b)	-	-	18,955	-	18,955
Debt securities gains/(losses), net (b)	-	-	52	-	52
Equity securities gains/(losses), net (b) (c)	-	-	212,896	-	212,896
All other income and commissions (d)	70,428	1,375	966	3,040	75,809
Total noninterest income	$311,763	$164,769	$239,263	$6,993	$722,788

	December 31, 2017				
(Dollars in thousands)	**Regional Banking**	**Fixed Income**	**Corporate**	**Non-Strategic**	**Consolidated**
Noninterest income:					
Fixed income	$ 430	$216,195	$ -	$ -	$216,625
Deposit transactions and cash management	105,058	3	5,338	193	110,592
Brokerage, management fees and commissions	48,513	-	1	-	48,514
Trust services and investment management	28,491	-	(71)	-	28,420
Bankcard income	25,983	-	225	227	26,435
BOLI	-	-	15,124	-	15,124
Debt securities gains/(losses), net	386	-	97	-	483
Equity securities gains/(losses), net	-	-	109	-	109
All other income and commissions (e)	50,685	888	(11,936)	4,280	43,917
Total noninterest income	$259,546	$217,086	$ 8,887	$4,700	$490,219

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

(a) For years ended 2019 and 2018, includes $33.7 million and $28.9 million, respectively, of underwriting, portfolio advisory, and other noninterest income in scope of Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers." 2019 and 2018 include $1.1 million and $4.1 million, respectively, of gains from the reversal of a previous valuation adjustment due to sales and payoffs of TRUPS loans excluded from the scope of ASC 606 in the Non-strategic segment.

(b) Represents noninterest income excluded from the scope of ASC 606. Amount is presented for informational purposes to reconcile total non-interest income.

(c) Includes a pre-tax gain of $212.9 million from the sale of FHN's remaining holdings of Visa Class B shares.

(d) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commission in scope of ASC 606.

(e) Corporate includes a $14.3 million pre-tax loss from the repurchase of equity securities previously included in a financing transaction.

Note 21 ❑ Variable Interest Entities

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

Consolidated Variable Interest Entities

During much of 2019, FHN held variable interests in a proprietary HELOC securitization trust it established as a source of liquidity for consumer lending operations. Based on its restrictive nature, the trust was considered a VIE as the holders of equity at risk did not have the power through voting rights or similar rights to direct the activities that most significantly impacted the trust's economic performance. The retention of mortgage service rights ("MSR") and a residual interest resulted in FHN potentially absorbing losses or receiving benefits that were significant to the trust. FHN was considered the primary beneficiary, as it was assumed to have the power, as Master Servicer, to most significantly impact the activities of the VIE. Consolidation of the trust resulted in the recognition of the trust proceeds as restricted borrowings since the cash flows on the securitized loans could only be used to settle the obligations due to the holders of trust securities. Through first quarter 2016 the trust experienced a rapid amortization period and FHN was obligated to provide subordinated funding. During the period, cash payments from borrowers were accumulated to repay outstanding debt securities while FHN continued to make advances to borrowers when they drew on their lines of credit. FHN then transferred the newly generated receivables into the securitization trust. FHN was reimbursed for these advances only after other parties in the securitization had received all of the cash flows to which they were entitled. Amounts funded from monoline insurance policies were considered restricted term borrowings in FHN's Consolidated Statements of Condition. Except for recourse due to breaches of representations and warranties made by FHN in connection with the sale of the loans to the trust, the creditors of the trust held no recourse to the assets of FHN. This securitization was resolved in fourth quarter 2019.

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.

Note 21 ❑ Variable Interest Entities (continued)

The following table summarizes VIEs consolidated by FHN as of December 31, 2019 and December 31, 2018:

	December 31, 2019		December 31, 2018	
	On-Balance Sheet Consumer Loan Securitization	**Rabbi Trusts Used for Deferred Compensation Plans**	On-Balance Sheet Consumer Loan Securitization	Rabbi Trusts Used for Deferred Compensation Plans
(Dollars in thousands)	**Carrying Value**	**Carrying Value**	Carrying Value	Carrying Value
Assets:				
Cash and due from banks	**$ -**	**N/A**	$ -	N/A
Loans, net of unearned income	**-**	**N/A**	16,213	N/A
Less: Allowance for loan losses	**-**	**N/A**	-	N/A
Total net loans	**-**	**N/A**	16,213	N/A
Other assets	**-**	**$91,873**	35	$78,446
Total assets	**$ -**	**$91,873**	$16,248	$78,446
Liabilities:				
Term borrowings	**$ -**	**N/A**	$ 2,981	N/A
Other liabilities	**-**	**$70,830**	-	$56,700
Total liabilities	**$ -**	**$70,830**	$ 2,981	$56,700

Nonconsolidated Variable Interest Entities

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

FHN accounts for all qualifying LIHTC investments under the proportional amortization method. Under this method an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense/(benefit). LIHTC investments that do not qualify for the proportional amortization method are accounted for using the equity method. Expenses associated with these investments were $1.3 million, $4.1 million, and $1.8 million during 2019, 2018, and 2017, respectively. The following table summarizes the impact to the Provision/(benefit) for income taxes on the Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017 for LIHTC investments accounted for under the proportional amortization method.

(Dollars in thousands)	**2019**	2018	2017
Provision/(benefit) for income taxes:			
Amortization of qualifying LIHTC investments	**$ 15,482**	$ 10,793	$ 14,037
Low income housing tax credits	**(13,539)**	(10,232)	(11,037)
Other tax benefits related to qualifying LIHTC investments	**(5,677)**	(7,370)	(5,045)

Note 21 ❑ Variable Interest Entities (continued)

Other Tax Credit Investments. First Tennessee New Markets Corporation ("FTNMC"), a wholly-owned subsidiary of First Horizon Bank, periodically makes equity investments through wholly-owned subsidiaries as a non-managing member in various limited liability companies ("LLCs") that sponsor community development projects utilizing the New Market Tax Credit ("NMTC") pursuant to Section 45 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN's community reinvestment initiatives. The activities of the LLCs include providing investment capital for low-income communities within FHN's primary geographic region. A portion of the funding of FTNMC's investment in a NMTC LLC is obtained via a loan from an unrelated third-party that is typically a community development enterprise. The NMTC LLCs are considered VIEs as FTNMC, the holder of the equity investment at risk, does not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. While FTNMC could absorb losses that are significant to the NMTC LLCs as it has a risk of loss for its initial capital contributions, the managing members are considered the primary beneficiaries as managerial functions give them the power to direct the activities that most significantly impact the NMTC LLCs' economic performance and the managing members are exposed to all losses beyond FTNMC's initial capital contributions. A NMTC relationship was resolved in 2019 resulting in a $2.7 million decline in the related debt.

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

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

On-Balance Sheet Trust Preferred Securitization. In 2007, First Horizon Bank executed a securitization of certain small issuer trust preferreds for which the underlying trust meets the definition of a VIE as the holders of the equity investment at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the entity's economic performance. First Horizon Bank could potentially receive benefits or absorb losses that are significant to the trust based on the size and priority of the interests it retained in the securities issued by the trust. However, since First Horizon Bank did not retain servicing or other decision making rights, First Horizon Bank is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the trust's economic performance. Accordingly, First Horizon Bank has accounted for the funds received through the securitization as a term borrowing in its Consolidated Statements of Condition. First Horizon Bank has no contractual requirements to provide financial support to the trust.

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

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

Commercial Loan Troubled Debt Restructurings. For certain troubled commercial loans, First Horizon Bank restructures the terms of the borrower's debt in an effort to increase the probability of receipt of amounts contractually due. Following a troubled debt restructuring, the borrower entity typically meets the definition of a VIE as the initial determination of whether an entity is a VIE must be reconsidered as events have proven that the entity's equity is not sufficient to permit it to finance its activities without additional subordinated financial support or a restructuring of the terms of its financing. As First Horizon Bank does not have the power to direct the activities that most significantly impact such troubled commercial borrowers' operations, it is not considered the primary beneficiary even in situations where, based on the size of the financing provided, First Horizon Bank is exposed to potentially significant benefits and losses of the borrowing entity. First Horizon Bank has no contractual requirements to provide financial support to the borrowing entities beyond certain funding commitments established upon restructuring of the terms of the debt that allows for preparation of the underlying collateral for sale.

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

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

Note 21 ❑ Variable Interest Entities (continued)

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

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

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

The following table summarizes FHN's nonconsolidated VIEs as of December 31, 2018:

(Dollars in thousands)	Maximum Loss Exposure	Liability Recognized	Classification
Type:			
Low income housing partnerships	$ 156,056	$ 80,427	(a)
Other tax credit investments (b) (c)	3,619	-	Other assets
Small issuer trust preferred holdings (d)	270,585	-	Loans, net of unearned income
On-balance sheet trust preferred securitization	37,532	76,642	(e)
Proprietary residential mortgage securitizations	1,524	-	Trading securities
Holdings of agency mortgage-backed securities (d)	4,842,630	-	(f)
Commercial loan troubled debt restructurings (g)	40,590	-	Loans, net of unearned income
Sale-leaseback transaction	16,327	-	(h)
Proprietary trust preferred issuances (i)	-	167,014	Term borrowings

(a) Maximum loss exposure represents $75.6 million of current investments and $80.4 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events, and are also recognized in Other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2020.
(b) A liability is not recognized as investments are written down over the life of the related tax credit.
(c) Maximum loss exposure represents current investment balance. Of the initial investment, $2.7 million was funded through loans from community development enterprises.
(d) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts' securities.
(e) Includes $112.5 million classified as Loans, net of unearned income, and $1.7 million classified as Trading securities which are offset by $76.6 million classified as Term borrowings.
(f) Includes $.5 billion classified as Trading securities and $4.4 billion classified as Securities available-for-sale.
(g) Maximum loss exposure represents $38.2 million of current receivables and $2.3 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.
(h) Maximum loss exposure represents the current loan balance plus additional funding commitments less amounts received from the buyer-lessor.
(i) No exposure to loss due to nature of FHN's involvement.

Note 22 ❑ Derivatives

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

Credit risk represents the potential loss that may occur if a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. FHN manages credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties, and by using mutual margining and master netting agreements whenever possible to limit potential exposure. FHN also maintains collateral posting requirements with certain counterparties to limit credit risk. Daily margin posted or received with central clearinghouses is considered a legal settlement of the related derivative contracts which results in a net presentation for each contract in the Consolidated Statements of Condition. Treatment of daily margin as a settlement has no effect on hedge accounting or gains/losses for the applicable derivative contracts. On December 31, 2019 and 2018, respectively, $136.6 million and $76.0 million of cash receivables and $53.0 million and $34.0 million of cash payables related to collateral posting under master netting arrangements, inclusive of collateral posted related to contracts with adjustable collateral posting thresholds and over-collateralized positions, with derivative counterparties. With exchange-traded contracts, the credit risk is limited to the clearinghouse used. For non-exchange traded instruments, credit risk may occur when there is a gain in the fair value of the financial instrument and the counterparty fails to perform according to the terms of the contract and/or when the collateral proves to be of insufficient value. See additional discussion regarding master netting agreements and collateral posting requirements later in this note under the heading "Master Netting and Similar Agreements." Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates or the prices of debt instruments. FHN manages market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. FHN continually measures this risk through the use of models that measure value-at-risk and earnings-at-risk.

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

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

Trading Activities

FHN's fixed income segment trades U.S. Treasury, U.S. Agency, government-guaranteed loan, mortgage-backed, corporate and municipal fixed income securities, and other securities for distribution to customers. When these securities settle on a delayed basis, they are considered forward contracts. Fixed income also enters into interest rate contracts, including caps, swaps, and floors, for its customers. In addition, fixed income enters into futures and option contracts to economically hedge interest rate risk associated with a portion of its securities inventory. These transactions are measured at fair value, with changes in fair value recognized currently in fixed income noninterest income. Related assets and liabilities are recorded on the Consolidated Statements of Condition as Derivative assets and Derivative liabilities. The FHN Financial Risk Committee and the Credit Risk Management Committee collaborate to mitigate credit risk related to these transactions. Credit risk is controlled through credit approvals, risk control limits, and ongoing monitoring procedures. Total trading revenues were $228.4 million, $132.3 million and $173.9 million for the years ended December 31, 2019, 2018 and 2017, respectively. Trading revenues are inclusive of both derivative and non-derivative financial instruments, and are included in Fixed income noninterest income.

The following tables summarize FHN's derivatives associated with fixed income trading activities as of December 31, 2019 and 2018:

	December 31, 2019		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts	$2,697,522	$65,768	$ 6,858
Offsetting Upstream Interest Rate Contracts	2,697,522	2,583	3,994
Option Contracts Purchased	40,000	131	-
Forwards and Futures Purchased	9,217,350	17,029	3,187
Forwards and Futures Sold	9,403,112	3,611	16,620

	December 31, 2018		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts	$2,271,448	$18,744	$27,768
Offsetting Upstream Interest Rate Contracts	2,271,448	4,014	9,041
Option Contracts Purchased	20,000	25	-
Forwards and Futures Purchased	4,684,177	28,304	181
Forwards and Futures Sold	4,967,454	522	30,055

Interest Rate Risk Management

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

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

Note 22 ❑ Derivatives (continued)

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

The following tables summarize FHN's derivatives associated with interest rate risk management activities as of December 31, 2019 and 2018:

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

	December 31, 2018		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer Interest Rate Contracts	$2,029,162	$20,262	$ 25,880
Offsetting Upstream Interest Rate Contracts	2,029,162	8,154	9,153
Debt Hedging			
Hedging Instruments:			
Interest Rate Swaps	$ 900,000	$ 127	$ 6
Hedged Items:			
Term Borrowings:			
Par	N/A	N/A	$900,000
Cumulative fair value hedging adjustments	N/A	N/A	(15,094)
Unamortized premium/(discount) and issuance costs	N/A	N/A	(2,295)
Total carrying value	N/A	N/A	$882,611

Note 22 ❑ Derivatives (continued)

The following table summarizes gains/(losses) on FHN's derivatives associated with interest rate risk management activities for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31		
	2019	2018	2017
(Dollars in thousands)	Gains/(Losses)	Gains/(Losses)	Gains/(Losses)
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer Interest Rate Contracts (a)	$ 92,497	$ 1,779	(10,703)
Offsetting Upstream Interest Rate Contracts (a)	(92,497)	(1,779)	10,699
Debt Hedging			
Hedging Instruments:			
Interest Rate Swaps (b)	$ 13,240	$(1,648)	$ (7,766)
Hedged Items:			
Term Borrowings (a) (c)	(13,234)	1,622	7,582

(a) Gains/losses included in All other expense within the Consolidated Statements of Income.
(b) Gains/losses included in the Interest expense for 2019 and 2018, and All other expense for 2017 within the Consolidated Statement of Income.
(c) Represents gains and losses attributable to changes in fair value due to interest rate risk as designated in ASC 815-20 hedging relationships.

In first quarter 2016, FHN entered into a pay floating, receive fixed interest rate swap in a hedging strategy to manage its exposure to the variability in cash flows related to the interest payments for the following five years on $250 million principal of debt instruments, which primarily consist of held-to-maturity trust preferred loans that have variable interest payments based on 3-month LIBOR. In first quarter 2017, FHN initiated cash flow hedges of $650 million notional amount that had initial durations between three years and seven years. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments based on 1-month LIBOR. These qualify for hedge accounting as cash flow hedges under ASC 815-20. Subsequent to 2017, all changes in the fair value of these derivatives are recorded as a component of AOCI. Amounts are reclassified from AOCI to earnings as the hedged cash flows affect earnings. Prior to 2018, FHN measured ineffectiveness using the Hypothetical Derivative Method and AOCI was adjusted to an amount that reflected the lesser of either the cumulative change in fair value of the swaps or the cumulative change in the fair value of the hypothetical derivative instruments. To the extent that any ineffectiveness existed in the hedge relationships, the amounts were recorded in current period earnings. Interest paid or received for these swaps is recognized as an adjustment to interest income of the assets whose cash flows are being hedged.

The following tables summarize FHN's derivative activities associated with cash flow hedges as of December 31, 2019 and 2018:

	December 31, 2019		
(Dollars in thousands)	Notional	Assets	Liabilities
Cash Flow Hedges			
Hedging Instruments:			
Interest Rate Swaps	$900,000	N/A	$241
Hedged Items:			
Variability in Cash Flows Related to Debt Instruments (Primarily Loans)	N/A	$900,000	N/A

(Dollars in thousands)	December 31, 2018 Notional	Assets	Liabilities
Cash Flow Hedges			
Hedging Instruments:			
Interest Rate Swaps	$900,000	$ 888	$ 5
Hedged Items:			
Variability in Cash Flows Related to Debt Instruments (Primarily Loans)	N/A	$900,000	N/A

The following table summarizes gains/(losses) on FHN's derivatives associated with cash flow hedges for the years ended December 31, 2019, 2018, and 2017:

	Year Ended December 31		
	2019	2018	2017
(Dollars in thousands)	Gains/(Losses)	Gains/(Losses)	Gains/(Losses)
Cash Flow Hedges			
Hedging Instruments:			
Interest Rate Swaps (a)	**$20,625**	$(5,502)	$(8,264)
Gain/(loss) recognized in Other comprehensive income/(loss)	**11,234**	(6,284)	(2,156)
Gain/(loss) reclassified from AOCI into Interest income	**4,105**	2,142	(2,945)

(a) Approximately $1.0 million of cumulative gains are expected to be reclassified into earnings in the next twelve months.

Other Derivatives

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

The derivative transaction executed in third quarter 2018 includes a contingent accelerated termination clause based on the credit ratings of FHN and First Horizon Bank. FHN has not received or paid collateral related to this contract. As of December 31, 2019 and December 31, 2018, the derivative liabilities associated with the sales of Visa Class B shares were $22.8 million and $31.5 million, respectively. See Note 24 – 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 December 31, 2019 and December 31, 2018, these loans were valued at $18.4 million and $11.0 million, respectively. The balance sheet amount and the gains/losses associated with these derivatives were not significant.

Master Netting and Similar Agreements

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

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

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

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

The net fair value, determined by individual counterparty, of all derivative instruments with adjustable collateral posting thresholds was $63.1 million of assets and $6.4 million of liabilities on December 31, 2019, and $15.0 million of assets and $34.9 million of liabilities on December 31, 2018. As of December 31, 2019 and 2018, FHN had received collateral of $148.5 million and $80.2 million and posted collateral of $18.4 million and $13.3 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 derivative instruments with credit-risk-related contingent accelerated termination provisions was $63.1 million of assets and $10.3 million of liabilities on December 31, 2019, and $19.0 million of assets and $33.2 million of liabilities on December 31, 2018. As of December 31, 2019 and 2018, FHN had received collateral of $148.5 million and $84.5 million and posted collateral of $22.7 million and $15.2 million, respectively, in the normal course of business related to these contracts.

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

Note 22 ❑ Derivatives (continued)

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.

The following table provides details of derivative assets and collateral received as presented on the Consolidated Statements of Condition as of December 31, 2019 and 2018:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition (a)	Derivative liabilities available for offset	Collateral Received	Net amount
Derivative assets:						
December 31, 2019 (b)	**$162,344**	**$ -**	**$162,344**	**$ (5,604)**	**$(143,334)**	**$13,406**
December 31, 2018 (b)	52,562	-	52,562	(12,745)	(39,637)	180

(a) Included in Derivative assets on the Consolidated Statements of Condition. As of December 31, 2019 and 2018, $20.8 million and $28.9 million, respectively, of derivative assets (primarily fixed income forward contracts) have been excluded from these tables because they are generally not subject to master netting or similar agreements.
(b) Amounts are comprised entirely of interest rate derivative contracts.

The following table provides details of derivative liabilities and collateral pledged as presented on the Consolidated Statements of Condition as of December 31, 2019 and 2018:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition (a)	Derivative assets available for offset	Collateral pledged	Net amount
Derivative liabilities:						
December 31, 2019 (b)	**$24,431**	**$ -**	**$24,431**	**$ (5,604)**	**$(18,689)**	**$ 138**
December 31, 2018 (b)	71,853	-	71,853	(12,745)	(54,773)	4,335

(a) Included in Derivative liabilities on the Consolidated Statements of Condition. As of December 31, 2019 and 2018, $43.0 million and $61.9 million, respectively, of derivative liabilities (primarily Visa-related derivatives and fixed income forward contracts) have been excluded from these tables because they are generally not subject to master netting or similar agreements.
(b) Amounts are comprised entirely of interest rate derivative contracts.

Note 23 ❑ 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 Statements of Condition. For liability positions, securities collateral pledged by FHN is generally represented within FHN's trading or available-for-sale securities portfolios.

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

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

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition	Offsetting securities sold under agreements to repurchase	Securities collateral (not recognized on FHN's Statements of Condition)	Net amount
Securities purchased under agreements to resell:						
2019	**$586,629**	**$ -**	**$586,629**	**$(21,004)**	**$(562,702)**	**$2,923**
2018	386,443	-	386,443	(261)	(382,756)	3,426

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

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition	Offsetting securities purchased under agreements to resell	Securities/ government guaranteed loans collateral	Net amount
Securities sold under agreements to repurchase:						
2019	**$716,925**	**$ -**	**$716,925**	**$(21,004)**	**$(695,879)**	**$42**
2018	762,592	-	762,592	(261)	(762,322)	9

Note 23 ❑ Master Netting and Similar Agreements - Repurchase, Reverse Repurchase, and Securities Borrowing Transactions (continued)

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

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

	December 31, 2018		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Securities sold under agreements to repurchase:			
U.S. treasuries	$ 16,321	$ -	$ 16,321
Government agency issued MBS	414,488	5,220	419,708
Government agency issued CMO	36,688	-	36,688
Government guaranteed loans (SBA and USDA)	289,875	-	289,875
Total Securities sold under agreements to repurchase	$757,372	$5,220	$762,592

Note 24 ❑ 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 24 ❑ Fair Value of Assets and Liabilities (continued)

Recurring Fair Value Measurements

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

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

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

	December 31, 2018			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading securities – fixed income:				
U.S. treasuries	$ -	$ 169,799	$ -	$ 169,799
Government agency issued MBS	-	133,373	-	133,373
Government agency issued CMO	-	330,456	-	330,456
Other U.S. government agencies	-	76,733	-	76,733
States and municipalities	-	54,234	-	54,234
Corporates and other debt	-	682,068	-	682,068
Equity, mutual funds, and other	-	(19)	-	(19)
Total trading securities – fixed income	-	1,446,644	-	1,446,644
Trading securities – mortgage banking	-	-	1,524	1,524
Loans held-for-sale (elected fair value)	-	-	16,273	16,273
Securities available-for-sale:				
U.S. treasuries	-	98	-	98
Government agency issued MBS	-	2,420,106	-	2,420,106
Government agency issued CMO	-	1,958,695	-	1,958,695
Other U.S. government agencies	-	149,786	-	149,786
States and municipalities	-	32,573	-	32,573
Corporate and other debt	-	55,310	-	55,310
Interest-only strips (elected fair value)	-	-	9,902	9,902
Total securities available-for-sale	-	4,616,568	9,902	4,626,470
Other assets:				
Deferred compensation mutual funds	37,771	-	-	37,771
Equity, mutual funds, and other	22,248	-	-	22,248
Derivatives, forwards and futures	28,826	-	-	28,826
Derivatives, interest rate contracts	-	52,214	-	52,214
Derivatives, other	-	435	-	435
Total other assets	88,845	52,649	-	141,494
Total assets	$88,845	$6,115,861	$27,699	$6,232,405
Trading liabilities – fixed income:				
U.S. treasuries	$ -	$ 207,739	$ -	$ 207,739
Other U.S. government agencies	-	98	-	98
Corporates and other debt	-	127,543	-	127,543
Total trading liabilities – fixed income	-	335,380	-	335,380
Other liabilities:				
Derivatives, forwards and futures	30,236	-	-	30,236
Derivatives, interest rate contracts	-	71,853	-	71,853
Derivatives, other	-	84	31,540	31,624
Total other liabilities	30,236	71,937	31,540	133,713
Total liabilities	$30,236	$ 407,317	$31,540	$ 469,093

Note 24 ❑ 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 years ended December 31, 2019, 2018 and 2017 on a recurring basis are summarized as follows:

	Year Ended December 31, 2019			
(Dollars in thousands)	Trading securities	Interest-only strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2019	$1,524	$ 9,902	$16,273	$(31,540)
Total net gains/(losses) included in:				
Net income	(285)	(4,725)	1,828	(3,946)
Purchases	-	86	10	-
Sales	-	(47,469)	-	-
Settlements	(298)	-	(4,078)	12,691
Net transfers into/(out of) Level 3	-	61,342(b)	-(d)	-
Balance on December 31, 2019	**$ 941**	**$ 19,136**	**$14,033**	**$(22,795)**
Net unrealized gains/(losses) included in net income	$ (66)(a)	$ (1,984)(c)	$ 1,828(a)	$ (3,946)(e)

	Year Ended December 31, 2018			
(Dollars in thousands)	Trading securities	Interest-only strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2018	$2,151	$ 1,270	$18,926	$ (5,645)
Total net gains/(losses) included in:				
Net income	173	(398)	1,239	(4,677)
Purchases	-	-	62	(28,100)(f)
Sales	-	(16,840)	-	-
Settlements	(800)	-	(3,598)	6,882
Net transfers into/(out of) Level 3	-	25,870(b)	(356)(d)	-
Balance on December 31, 2018	$1,524	$ 9,902	$16,273	$(31,540)
Net unrealized gains/(losses) included in net income	$ 6(a)	$ (1,025)(c)	$ 1,239(a)	$ (4,677)(e)

	Year Ended December 31, 2017			
(Dollars in thousands)	Trading securities	Interest-only strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2017	$2,573	$ -	$21,924	$(6,245)
Total net gains/(losses) included in:				
Net income	448	1,021	1,547	(596)
Purchases	-	1,413	168	-
Sales	(5)	(11,431)	-	-
Settlements	(865)	-	(4,346)	1,196
Net transfers into/(out of) Level 3	-	10,267(b)	(367)(d)	-
Balance on December 31, 2017	$2,151	$ 1,270	$18,926	$(5,645)
Net unrealized gains/(losses) included in net income	$ 303(a)	$ (171)(c)	$ 1,547(a)	$ (596)(e)

(a) Primarily included in mortgage banking 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) Transfers out of loans held-for-sale level 3 measured on a recurring basis generally reflect movements into OREO (level 3 nonrecurring).
(e) Included in Other expense.
(f) Increase related to Visa-related derivatives, see Note 22 - Derivatives.

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

There were no net unrealized gains/(losses) for Level 3 assets and liabilities included in other comprehensive income as of December 31, 2019, 2018 and 2017.

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 balance sheet at December 31, 2019, 2018 and 2017, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment, the related carrying value, and the fair value adjustments recorded during the respective periods.

	Carrying value at December 31, 2019				**Year Ended December 31, 2019**
(Dollars in thousands)	Level 1	Level 2	Level 3	Total	Net gains/(losses)
Loans held-for-sale – SBAs and USDA	$-	$492,595	$ 929	$493,524	$ (1,817)
Loans held-for-sale – first mortgages	-	-	516	516	32
Loans, net of unearned income (a)	-	-	42,208	42,208	(7,341)
OREO (b)	-	-	15,660	15,660	(927)
Other assets (c)	-	-	10,608	10,608	(1,809)
					$(11,862)

	Carrying value at December 31, 2018				Year Ended December 31, 2018
(Dollars in thousands)	Level 1	Level 2	Level 3	Total	Net gains/(losses)
Loans held-for-sale – other consumer	$-	$ 18,712	$ -	$ 18,712	$ (1,809)
Loans held-for-sale – SBAs and USDA	-	577,280	1,011	578,291	(2,541)
Loans held-for-sale – first mortgages	-	-	541	541	13
Loans, net of unearned income (a)	-	-	48,259	48,259	(841)
OREO (b)	-	-	22,387	22,387	(2,599)
Other assets (c)	-	-	8,845	8,845	(4,712)
					$(12,489)

	Carrying value at December 31, 2017				Year Ended December 31, 2017
(Dollars in thousands)	Level 1	Level 2	Level 3	Total	Net gains/(losses)
Loans held-for-sale – SBAs and USDA	$-	$465,504	$ 1,473	$466,977	$(1,629)
Loans held-for-sale – first mortgages	-	-	618	618	36
Loans, net of unearned income (a)	-	-	26,666	26,666	(1,687)
OREO (b)	-	-	39,566	39,566	(996)
Other assets (c)	-	-	26,521	26,521	(3,468)
					$(7,744)

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

In 2019, FHN recognized $4.6 million of impairments and $.7 million of impairment reversals, respectively, related to dispositions of acquired properties and $1.5 million of impairments for lease assets related to continuing acquisition integration efforts associated with reduction of leased office space and branch optimization. Related to its restructuring, repositioning, and efficiency efforts, FHN recognized $14.0 million of impairments and $1.4 million of impairment reversals, respectively, for tangible long-lived assets and lease assets. Related to the

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

In 2018, FHN recognized $3.9 million of impairments of long-lived assets in its Corporate segment primarily related to optimization efforts for its facilities. Also, in 2018, $1.5 million of impairment charges previously recognized in 2017 in the Corporate segment were reversed based on the disposition prices for the applicable locations.

In 2017, FHN recognized $3.0 million and $.8 million of impairments on long-lived assets in its corporate and regional banking segments, respectively, associated with efforts to more efficiently utilize its branch locations, including integration with branches acquired from CBF.

Lease asset impairments recognized in 2019 represent the reduction in value of the right-of-use assets associated with leases that are being exited in advance of the contractual lease expiration. Impairments are measured using a discounted cash flow methodology, which is considered a Level 3 valuation.

For all periods, 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.

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 December 31, 2019 and 2018:

(Dollars in thousands)

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

NM - Not meaningful.

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

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

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

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

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

(Dollars in thousands)

Level 3 Class	Fair Value at December 31, 2018	Valuation Techniques	Unobservable Input	Values Utilized Range	Values Utilized Weighted Average (d)
Available-for-sale – securities SBA-interest only strips	$ 9,902	Discounted cash flow	Constant prepayment rate	11% - 12%	11%
			Bond equivalent yield	14% - 15%	14%
Loans held-for-sale – residential real estate	16,815	Discounted cash flow	Prepayment speeds – First mortgage	2% - 10%	3%
			Prepayment speeds – HELOC	5% - 12%	7.5%
			Foreclosure losses	50% - 66%	63%
			Loss severity trends – First mortgage	2% - 25% of UPB	17%
			Loss severity trends – HELOC	50% - 100% of UPB	50%
Loans held-for-sale – unguaranteed interest in SBA loans	1,011	Discounted cash flow	Constant prepayment rate	8% - 12%	10%
			Bond equivalent yield	9%	9%
Derivative liabilities, other	31,540	Discounted cash flow	Visa covered litigation resolution amount	$5.0 billion - $5.8 billion	$5.6 billion
			Probability of resolution scenarios	10% - 25%	23%
			Time until resolution	18 - 48 months	36 months
Loans, net of unearned income (a)	48,259	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)	22,387	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal	NM
Other assets (c)	8,845	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15% adjustment to yield	NM
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25% of appraisal	NM

NM - Not meaningful.

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

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

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

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

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

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

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

Fair Value Option

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

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

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

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

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

	December 31, 2018		
(Dollars in thousands)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held-for-sale reported at fair value:			
Total loans	$16,273	$23,567	$(7,294)
Nonaccrual loans	4,536	8,128	(3,592)
Loans 90 days or more past due and still accruing	171	281	(110)

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:

	Year Ended December 31		
(Dollars in thousands)	**2019**	2018	2017
Changes in fair value included in net income:			
Mortgage banking noninterest income			
Loans held-for-sale	**$1,828**	$1,239	$1,547

For the years ended December 31, 2019, 2018 and 2017, the amounts for residential real estate loans held-for-sale included gains of $.4 million, $.2 million, and $.5 million, respectively, in pretax earnings that are attributable to changes in instrument-specific credit risk. The portion of the fair value adjustments related to credit risk was determined based on estimated default rates and estimated loss severities. Interest income on residential real estate loans held-for-sale measured at fair value is calculated based on the note rate of the loan and is recorded in the interest income section of the Consolidated Statements of Income as interest on loans held-for-sale.

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

Determination of Fair Value

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

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

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

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

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

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

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

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

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

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

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

Valuations of other derivatives (primarily interest rate related swaps) are based on inputs observed in active markets for similar instruments. Typical inputs include the LIBOR curve, Overnight Indexed Swap ("OIS") curve, option volatility, and option skew. In measuring the fair value of these derivative assets and liabilities, FHN has elected to consider credit risk based on the net exposure to individual counterparties. Credit risk is mitigated for these instruments through the use of mutual margining and master netting agreements as well as collateral posting requirements. For derivative contracts with daily cash margin requirements that are considered settlements, the daily margin amount is netted within derivative assets or liabilities. Any remaining credit risk related to interest rate derivatives is considered in determining fair value through evaluation of additional factors such as customer loan grades and debt ratings. Foreign currency related derivatives also utilize observable exchange rates in the determination of fair value. The determination of fair value for FHN's derivative liabilities associated with its prior sales of Visa Class B shares are classified within Level 3 in the fair value measurements disclosure as previously discussed in the unobservable inputs discussion.

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

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

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

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

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

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

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

The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, reduces the comparability of fair value disclosures between financial institutions. Due to market illiquidity, the fair values for loans, net of unearned income, loans held-for-sale, and term borrowings as of December 31, 2019 and December 31, 2018, involve the use of significant internally-developed pricing assumptions for certain components of these line items. The assumptions and valuations utilized for this disclosure are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. The valuations of legacy assets, particularly consumer loans within the Non-Strategic segment and TRUPS loans, are influenced by changes in economic conditions since origination and risk perceptions of the financial sector. These considerations affect the estimate of a potential acquirer's cost of capital and cash flow volatility assumptions from these assets and the resulting fair value measurements may depart significantly from FHN's internal estimates of the intrinsic value of these assets.

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

Note 24 ❑ 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 Statements of Condition as of December 31, 2019 and December 31, 2018:

	December 31, 2019				
	Book	Fair Value			
(Dollars in thousands)	Value	Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$19,928,605	$ -	$ -	$20,096,397	$20,096,397
Commercial real estate	4,300,905	-	-	4,300,489	4,300,489
Consumer:					
Consumer real estate	5,987,125	-	-	6,153,016	6,153,016
Permanent mortgage	161,571	-	-	181,171	181,171
Credit card & other	482,598	-	-	487,079	487,079
Total loans, net of unearned income and allowance for loan losses	30,860,804	-	-	31,218,152	31,218,152
Short-term financial assets:					
Interest-bearing cash	482,405	482,405	-	-	482,405
Federal funds sold	46,536	-	46,536	-	46,536
Securities purchased under agreements to resell	586,629	-	586,629	-	586,629
Total short-term financial assets	1,115,570	482,405	633,165	-	1,115,570
Trading securities (a)	1,346,207	-	1,345,266	941	1,346,207
Loans held-for-sale		-			
Mortgage loans (elected fair value) (a)	14,033	-	-	14,033	14,033
USDA & SBA loans- LOCOM	493,525	-	495,323	947	496,270
Other consumer loans- LOCOM	5,197	-	5,197	-	5,197
Mortgage loans- LOCOM	81,035	-	-	81,035	81,035
Total loans held-for-sale	593,790	-	500,520	96,015	596,535
Securities available-for-sale (a)	4,445,403	-	4,426,267	19,136	4,445,403
Securities held-to-maturity	10,000	-	-	10,001	10,001
Derivative assets (a)	183,115	20,640	162,475	-	183,115
Other assets:					
Tax credit investments	247,075	-	-	244,755	244,755
Deferred compensation mutual funds	46,815	46,815	-	-	46,815
Equity, mutual funds, and other (b)	229,352	22,643	-	206,709	229,352
Total other assets	523,242	69,458	-	451,464	520,922
Total assets	$39,078,131	$572,503	$7,067,693	$31,795,709	$39,435,905
Liabilities:					
Defined maturity deposits	$ 3,618,337	$ -	$3,631,090	$ -	$ 3,631,090
Trading liabilities (a)	505,581	-	505,581	-	505,581
Short-term financial liabilities:					
Federal funds purchased	548,344	-	548,344	-	548,344
Securities sold under agreements to repurchase	716,925	-	716,925	-	716,925
Other short-term borrowings	2,253,045	-	2,253,045	-	2,253,045
Total short-term financial liabilities	3,518,314	-	3,518,314	-	3,518,314
Term borrowings:					
Real estate investment trust-preferred	46,236	-	-	47,000	47,000
Secured borrowings	21,975	-	-	21,975	21,975
Junior subordinated debentures	144,593	-	-	142,375	142,375
Other long term borrowings	578,564	-	574,287	-	574,287
Total term borrowings	791,368	-	574,287	211,350	785,637
Derivative liabilities (a)	67,480	19,807	24,878	22,795	67,480
Total liabilities	$ 8,501,080	$ 19,807	$8,254,150	$ 234,145	$ 8,508,102

(a) Classes are detailed in the recurring and nonrecurring measurement tables.

(b) Level 1 primarily consists of mutual funds with readily determinable fair value. Level 3 includes restricted investments in FHLB-Cincinnati stock of $76.0 million and FRB stock of $130.7 million.

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

	December 31, 2018				
	Book	Fair Value			
(Dollars in thousands)	Value	Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$16,415,381	$ -	$ -	$16,438,272	$16,438,272
Commercial real estate	3,999,559	-	-	3,997,736	3,997,736
Consumer:					
Consumer real estate	6,223,077	-	-	6,194,066	6,194,066
Permanent mortgage	211,448	-	-	227,254	227,254
Credit card & other	505,643	-	-	507,001	507,001
Total loans, net of unearned income and allowance for loan losses	27,355,108	-	-	27,364,329	27,364,329
Short-term financial assets:					
Interest-bearing cash	1,277,611	1,277,611	-	-	1,277,611
Federal funds sold	237,591	-	237,591	-	237,591
Securities purchased under agreements to resell	386,443	-	386,443	-	386,443
Total short-term financial assets	1,901,645	1,277,611	624,034	-	1,901,645
Trading securities (a)	1,448,168	-	1,446,644	1,524	1,448,168
Loans held-for-sale:					
Mortgage loans (elected fair value) (a)	16,273	-	-	16,273	16,273
USDA & SBA loans- LOCOM	578,291	-	582,476	1,015	583,491
Other consumer loans- LOCOM	25,134	-	6,422	18,712	25,134
Mortgage loans- LOCOM	59,451	-	-	59,451	59,451
Total loans held-for-sale	679,149	-	588,898	95,451	684,349
Securities available-for-sale (a)	4,626,470	-	4,616,568	9,902	4,626,470
Securities held-to-maturity	10,000	-	-	9,843	9,843
Derivative assets (a)	81,475	28,826	52,649	-	81,475
Other assets:					
Tax credit investments	163,300	-	-	159,452	159,452
Deferred compensation mutual funds	37,771	37,771	-	-	37,771
Equity, mutual funds, and other (b)	240,780	22,248	-	218,532	240,780
Total other assets	441,851	60,019	-	377,984	438,003
Total assets	36,543,866	1,366,456	7,328,793	27,859,033	36,554,282
Liabilities:					
Defined maturity deposits	$ 4,105,777	$ -	$4,082,822	$ -	$ 4,082,822
Trading liabilities (a)	335,380	-	335,380	-	335,380
Short-term financial liabilities:					
Federal funds purchased	$ 256,567	$ -	$ 256,567	$ -	$ 256,567
Securities sold under agreements to repurchase	762,592	-	762,592	-	762,592
Other short-term borrowings	114,764	-	114,764	-	114,764
Total short-term financial liabilities	1,133,923	-	1,133,923	-	1,133,923
Term borrowings:					
Real estate investment trust-preferred	46,168	-	-	47,000	47,000
Term borrowings – new market tax credit investment	2,699	-	-	2,664	2,664
Secured borrowings	19,588	-	-	19,588	19,588
Junior subordinated debentures	143,255	-	-	134,266	134,266
Other long term borrowings	959,253	-	960,483	-	960,483
Total term borrowings	1,170,963	-	960,483	203,518	1,164,001
Derivative liabilities (a)	133,713	30,236	71,937	31,540	133,713
Total liabilities	6,879,756	30,236	6,584,545	235,058	6,849,839

(a) Classes are detailed in the recurring and nonrecurring measurement tables.
(b) Level 1 primarity consists of mutual funds with readily determinable fair value. Level 3 includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $130.7 million.

Note 24 ❑ Fair Value of Assets and Liabilities (continued)

	Contractual Amount		Fair Value	
(Dollars in thousands)	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Unfunded Commitments:				
Loan commitments	**$12,355,220**	$10,884,975	**$3,656**	$2,551
Standby and other commitments	**459,268**	446,958	**5,513**	5,043

Note 25 ❑ Restructuring, Repositioning, and Efficiency

In first quarter 2019, FHN initiated a company-wide review of business practices with the goal of optimizing its expense base to improve profitability and create capacity to reinvest savings into technology and revenue production activities. Restructuring, repositioning, and efficiency charges related to these corporate-driven actions were $39.8 million in 2019 and are included in the corporate segment. Significant expenses recognized during 2019 resulted from the following actions:

- Severance and other employee costs of $10.5 million primarily related to efficiency initiatives within corporate and bank services functions which are classified as Employee compensation, incentives and benefits within noninterest expense.

- Expense of $16.0 million largely related to the identification of efficiency opportunities within the organization which is reflected in Professional fees.

- Expense of $12.0 million related to costs associated with asset impairments which is reflected in Other expense.

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

Total expense recognized for the year ended December 31, 2019 is presented in the table below:

Dollars in thousands	**Year Ended December 31, 2019**
Employee compensation, incentives and benefits	**$10,503**
Professional fees	**16,014**
Occupancy	**818**
Other	**12,484**
Total restructuring and repositioning charges	**$39,819**

Note 26 ❑ Parent Company Financial Information

Following are statements of the parent company:

Statements of Condition	December 31	
(Dollars in thousands)	**2019**	2018
Assets:		
Cash	**$ 369,268**	$ 334,485
Notes receivable	**2,716**	2,888
Allowance for loan losses	**-**	(925)
Investments in subsidiaries:		
Bank	**5,038,909**	4,741,105
Non-bank	**17,892**	20,281
Other assets	**171,121**	180,757
Total assets	**$5,599,906**	$5,278,591
Liabilities and equity:		
Accrued employee benefits and other liabilities	**$ 177,080**	$ 158,648
Term borrowings	**642,249**	629,994
Total liabilities	**819,329**	788,642
Total equity	**4,780,577**	4,489,949
Total liabilities and equity	**$5,599,906**	$5,278,591

Statements of Income	Year Ended December 31		
(Dollars in thousands)	**2019**	2018	2017
Dividend income:			
Bank	**$345,000**	$420,000	$250,000
Non-bank	**756**	1,386	1,097
Total dividend income	**345,756**	421,386	251,097
Interest income	**76**	29	-
Other income/(loss)	**965**	83	190
Total income	**346,797**	421,498	251,287
Provision/(provision credit) for loan losses	**(925)**	-	-
Interest expense:			
Term borrowings	**31,224**	31,315	17,936
Total interest expense	**31,224**	31,315	17,936
Compensation, employee benefits and other expense	**52,447**	53,401	43,783
Total expense	**82,746**	84,716	61,719
Income/(loss) before income taxes	**264,051**	336,782	189,568
Income tax(benefit)/expense	**(19,285)**	(38,509)	512
Income/(loss) before equity in undistributed net income of subsidiaries	**283,336**	375,291	189,056
Equity in undistributed net income/(loss) of subsidiaries:			
Bank	**160,257**	170,939	(24,255)
Non-bank	**(2,685)**	(1,188)	714
Net income/(loss) attributable to the controlling interest	**$440,908**	$545,042	$165,515

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

Note 26 ❑ Parent Company Financial Information (Continued)

Statements of Cash Flows	Year Ended December 31		
(Dollars in thousands)	**2019**	2018	2017
Operating activities:			
Net income/(loss)	**$ 440,908**	$ 545,042	$ 165,515
Less undistributed net income/(loss) of subsidiaries	**157,572**	169,751	(23,541)
Income/(loss) before undistributed net income of subsidiaries	**283,336**	375,291	189,056
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation, amortization, and other	**(915)**	15	15
(Gain)/loss on securities	**(317)**	(28)	(109)
Provision for deferred income taxes	**3,648**	3,212	7,727
Stock-based compensation expense	**21,909**	22,398	19,625
Net (increase)/decrease in interest receivable and other assets	**10,170**	18,214	8,605
Net (decrease)/increase in interest payable and other liabilities	**17,736**	(10,702)	13,172
Total adjustments	**52,231**	33,109	49,035
Net cash provided/(used) by operating activities	**335,567**	408,400	238,091
Investing activities:			
Securities:			
Sales and prepayments	**1,457**	65	318
Premises and equipment:			
Sales/(purchases)	**19**	(43)	7
Return on investment in subsidiary	**164**	1,597	1,871
Cash paid for business combination, net	**-**	(39,916)	(126,149)
Net cash provided/(used) by investing activities	**1,640**	(38,297)	(123,953)
Financing activities:			
Preferred stock:			
Cash dividends	**(6,200)**	(6,200)	(6,200)
Common stock:			
Exercise of stock options	**9,665**	4,482	6,132
Cash dividends	**(171,076)**	(138,706)	(79,904)
Repurchase of shares	**(134,813)**	(104,768)	(5,554)
Term borrowings:			
Repayment of term borrowings	**-**	(45,364)	-
Net cash (used)/provided by financing activities	**(302,424)**	(290,556)	(85,526)
Net increase/(decrease) in cash and cash equivalents	**34,783**	79,547	28,612
Cash and cash equivalents at beginning of year	**334,485**	254,938	226,326
Cash and cash equivalents at end of year	**$ 369,268**	$ 334,485	$ 254,938
Total interest paid	**$ 29,169**	$ 29,186	$ 17,321
Income taxes received from subsidiaries	**43,418**	49,056	23,020

CONSOLIDATED HISTORICAL STATEMENTS OF INCOME (Unaudited)

(Dollars in millions except per share data)	**2019**	2018	2017	2016	2015	Growth Rates 19/18	Growth Rates 19/15**
Interest income:							
Interest and fees on loans	**$1,394.4**	$1,286.5	$ 816.8	$ 679.9	$ 600.3	8%	23%
Interest on investment securities available-for-sale	**120.6**	130.4	105.0	96.7	93.6	(8)%	7%
Interest on investment securities held-to-maturity	**0.5**	0.5	0.6	0.8	0.3	(5)%	15%
Interest on loans held-for-sale	**31.1**	45.1	17.5	5.5	5.5	(31)%	55%
Interest on trading securities	**46.6**	58.7	35.0	30.8	35.1	(21)%	7%
Interest on other earning assets	**31.1**	24.9	15.0	4.2	1.7	25%	NM
Total interest income	**1,624.3**	1,546.0	989.9	817.9	736.4	5%	22%
Interest expense:							
Interest on deposits:							
Savings	**144.4**	107.7	42.5	19.6	12.0	34%	86%
Time deposits	**84.0**	53.1	13.1	10.0	8.7	58%	76%
Other interest-bearing deposits	**78.8**	55.7	24.5	10.4	4.5	41%	NM
Interest on trading liabilities	**12.5**	19.4	15.5	15.0	16.0	(36)%	(6)%
Interest on short-term borrowings	**41.2**	36.7	16.0	4.7	3.2	12%	90%
Interest on term borrowings	**53.3**	53.0	36.0	29.1	38.4	1%	9%
Total interest expense	**414.2**	325.7	147.6	88.8	82.7	27%	50%
Net interest income	**1,210.2**	1,220.3	842.3	729.1	653.7	(1)%	17%
Provision for loan losses	**47.0**	7.0	-	11.0	9.0	NM	51%
Net interest income after provision for loan losses	**1,163.2**	1,213.3	842.3	718.1	644.7	(4)%	16%
Noninterest income:							
Fixed income	**278.8**	167.9	216.6	268.6	231.3	66%	5%
Deposit transactions and cash management	**131.7**	133.3	110.6	108.6	112.8	(1)%	4%
Brokerage, management fees and commissions	**55.5**	54.8	48.5	42.9	46.5	1%	5%
Trust services and investment management	**29.5**	29.8	28.4	27.7	27.6	(1)%	2%
Bankcard income	**28.3**	29.3	26.4	25.1	23.3	(3)%	5%
Bank-owned life insurance	**19.2**	19.0	15.1	14.7	14.7	1%	7%
Debt securities gains/(losses), net	**(0.3)**	0.1	0.5	1.5	1.8	NM	NM
Equity securities gains/(losses), net	**0.4**	212.9	0.1	(0.1)	(0.5)	NM	NM
All other income and commissions	**111.0**	75.8	43.9	63.5	59.6	46%	17%
Total noninterest income	**654.1**	722.8	490.2	552.4	517.3	(10)%	6%
Adjusted gross income after provision for loan losses	**1,817.3**	1,936.1	1,332.5	1,270.5	1,162.0	(6)%	12%
Noninterest expense:							
Employee compensation, incentives, and benefits	**695.4**	658.2	587.5	563.8	512.8	6%	8%
Occupancy	**80.3**	85.0	54.6	50.9	51.1	(6)%	12%
Computer software	**60.7**	60.6	48.2	45.1	44.7	*	8%
Professional fees	**55.2**	45.8	47.9	19.2	18.9	21%	31%
Operations services	**46.0**	56.3	43.8	41.9	39.3	(18)%	4%
Advertising and public relations	**34.4**	24.8	19.2	21.6	19.2	39%	16%
Equipment rentals, depreciation, and maintenance	**34.0**	39.1	29.5	27.4	30.9	(13)%	2%
Communications and courier	**25.1**	30.0	17.6	14.3	15.8	(16)%	12%
Amortization of intangible assets	**24.8**	25.9	8.7	5.2	5.3	(4)%	47%
FDIC premium expense	**19.9**	31.6	26.8	21.6	18.0	(37)%	3%
Legal fees	**16.9**	11.1	12.1	21.6	16.3	52%	1%
Contract employment and outsourcing	**12.9**	18.5	15.0	10.1	14.5	(30)%	(3)%
All other expense	**126.1**	135.0	112.6	82.7	267.0	(7)%	(17)%
Total noninterest expense	**1,231.6**	1,222.0	1,023.7	925.2	1,053.8	1%	4%
Income/(loss) before income taxes	**585.7**	714.1	308.9	345.3	108.3	(18)%	53%
Provision/(benefit) for income taxes	**133.3**	157.6	131.9	106.8	10.9	(15)%	87%
Net income/(loss)	**452.4**	556.5	177.0	238.5	97.3	(19)%	47%
Net income attributable to noncontrolling interest	**11.5**	11.5	11.5	11.5	11.4	*	*
Net income/(loss) attributable to controlling interest	**440.9**	545.0	165.5	227.0	85.9	(19)%	51%
Preferred Stock Dividends	**6.2**	6.2	6.2	6.2	6.2	*	*
Net income/(loss) available to common shareholders	**$ 434.7**	$ 538.8	$ 159.3	$ 220.8	$ 79.7	(19)%	53%
Fully taxable equivalent adjustment	**$ 8.6**	$ 8.8	$ 13.6	$ 11.6	$ 10.7	(2)%	(5)%
Basic earnings/(loss) per common share	**$ 1.39**	$ 1.66	$ 0.66	$ 0.95	$ 0.34	(16)%	42%
Diluted earnings/(loss) per common share	**$ 1.38**	$ 1.65	$ 0.65	$ 0.94	$ 0.34	(16)%	42%

Certain previously reported amounts have been reclassified to agree with current presentation.
Numbers may not add to total due to rounding.
NM – not meaningful
* Amount is less than one percent.
** Compound annual growth rate.

CONSOLIDATED AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES (Unaudited)

(Fully taxable equivalent) *(Dollars in millions)*	2019 Average Balance	Interest Income/ Expense	Average Yields/ Rates
Assets:			
Earning assets:			
Loans, net of unearned income (a)	**$29,188.6**	**$1,402.1**	**4.80**%
Loans held-for-sale	**578.0**	**31.1**	**5.39**
Investment securities:			
U.S. government agencies	**4,392.8**	**112.1**	**2.55**
States and municipalities	**44.7**	**1.6**	**3.62**
Corporates and other debt	**57.6**	**2.6**	**4.53**
Other	**15.0**	**5.2**	**34.33**
Total investment securities	**4,510.1**	**121.5**	**2.69**
Trading securities	**1,415.2**	**47.2**	**3.33**
Other earning assets:			
Federal funds sold	**47.5**	**1.2**	**2.63**
Securities purchased under agreements to resell (b)	**555.3**	**10.9**	**1.96**
Interest-bearing cash	**870.7**	**19.0**	**2.18**
Total other earning assets	**1,473.5**	**31.1**	**2.11**
Total earning assets	**37,165.4**	**1,633.0**	**4.39**
Allowance for loan losses	**(190.8)**		
Cash and due from banks	**601.8**		
Fixed income receivables	**68.1**		
Premises and equipment, net	**466.5**		
Other assets	**3,633.2**		
Total assets/Interest income	**$41,744.2**	**$1,633.0**	
Liabilities and shareholders' equity:			
Interest-bearing liabilities:			
Interest-bearing deposits:			
Savings	**$11,663.5**	**$ 144.4**	**1.24**%
Other interest-bearing deposits	**8,345.3**	**78.8**	**0.94**
Time deposits	**4,261.7**	**84.0**	**1.97**
Total interest-bearing deposits	**24,270.5**	**307.2**	**1.27**
Federal funds purchased	**737.7**	**15.4**	**2.08**
Securities sold under agreements to repurchase	**701.2**	**13.2**	**1.89**
Fixed income trading liabilities	**503.3**	**12.5**	**2.48**
Other short-term borrowings	**538.2**	**12.6**	**2.34**
Term borrowings	**1,117.0**	**53.3**	**4.77**
Total interest-bearing liabilities	**27,867.9**	**414.2**	**1.49**
Noninterest-bearing deposits	**8,132.6**		
Fixed income payables	**28.8**		
Other liabilities	**794.1**		
Total liabilities	**36,823.4**		
Shareholders' equity	**4,625.5**		
Noncontrolling interest	**295.4**		
Total equity	**4,920.9**		
Total liabilities and equity/Interest expense	**$41,744.3**	**$ 414.2**	
Net interest income-tax equivalent basis/Yield		**$1,218.8**	**3.28**%
Fully taxable equivalent adjustment		**(8.6)**	
Net interest income		**$1,210.2**	
Net interest spread			**2.90%**
Effect of interest-free sources used to fund earning assets			**0.38**
Net interest margin			**3.28%**

Certain previously reported amounts have been reclassified to agree with current presentation.
Yields and corresponding income amounts are adjusted to a FTE basis assuming a statutory federal income tax rate of 21 percent in 2019 and 2018 and 35 percent in 2017, and, where applicable, state income taxes.
Earning asset yields are expressed net of unearned income. Rates are expressed net of unamortized debenture cost for long-term debt. Net interest margin is computed using total net interest income.

2018			2017			Average Balance Growth	Average Balance Growth
Average Balance	Interest Income/ Expense	Average Yields/ Rates	Average Balance	Interest Income/ Expense	Average Yields/ Rates	19/17	19/17 (b)
$27,213.8	$1,294.5	4.76%	$20,104.0	$ 829.0	4.12%	7%	20%
724.0	45.1	6.23	370.6	17.5	4.73	(20)%	25%
4,644.8	125.4	2.70	3,824.8	98.1	2.56	(5)%	7%
11.0	0.4	4.03	1.1	0.1	9.36	NM	NM
65.5	2.9	4.42	15.0	0.8	4.98	(12)%	96%
7.0	2.3	31.65	191.8	6.7	3.49	NM	(72)%
4,728.3	131.0	2.77	4,032.7	105.7	2.62	(5)%	6%
1,603.8	59.3	3.70	1,195.4	36.3	3.04	(12)%	9%
37.6	0.9	2.47	27.2	0.4	1.63	26%	32%
745.5	12.2	1.63	752.1	5.2	0.69	(26)%	(14)%
623.6	11.8	1.89	979.0	9.4	0.96	40%	(6)%
1,406.7	24.9	1.77	1,758.3	15.0	0.85	5%	(8)%
35,676.6	1,554.8	4.36	27,461.0	1,003.5	3.65	4%	16%
(187.7)			(198.6)			NM	NM
585.4			377.9			3%	26%
55.9			60.1			22%	6%
521.8			310.5			(11)%	23%
3,573.5			1,913.9			2%	38%
$40,225.5	$1,554.8		$29,924.8	$1,003.5		4%	18%
$11,289.2	$ 107.7	0.95%	$ 9,113.9	$ 42.5	0.47%	3%	13%
7,931.6	55.7	0.70	6,062.9	24.5	0.40	5%	17%
3,681.7	53.1	1.44	1,463.8	13.1	0.90	16%	71%
22,902.4	216.5	0.95	16,640.6	80.1	0.48	6%	21%
405.1	7.7	1.89	447.1	4.7	1.06	82%	28%
713.8	10.0	1.40	578.6	4.2	0.72	(2)%	10%
682.9	19.4	2.83	685.9	15.5	2.26	(26)%	(14)%
1,046.6	19.1	1.82	554.5	7.1	1.28	(49)%	(1)%
1,211.9	53.0	4.38	1,077.3	36.0	3.35	(8)%	2%
26,962.9	325.7	1.21	19,984.0	147.6	0.74	3%	18%
8,000.6			6,431.5			2%	12%
20.2			35.3			43%	(10)%
624.3			503.7			27%	26%
35,608.0			26,954.5			3%	17%
4,322.1			2,674.9			7%	31%
295.4			295.4			*	*
4,617.5			2,970.3			7%	29%
$40,225.5	$ 325.7		$29,924.8	$ 147.6		4%	18%
	$1,229.1	3.45%		$ 855.9	3.12%		
	(8.8)			(13.6)			
	$1,220.3			$ 842.3			
		3.15%			2.91%		
		0.30			0.21		
		3.45%			3.12%		

NM – Not meaningful

* Amount is less than one percent.

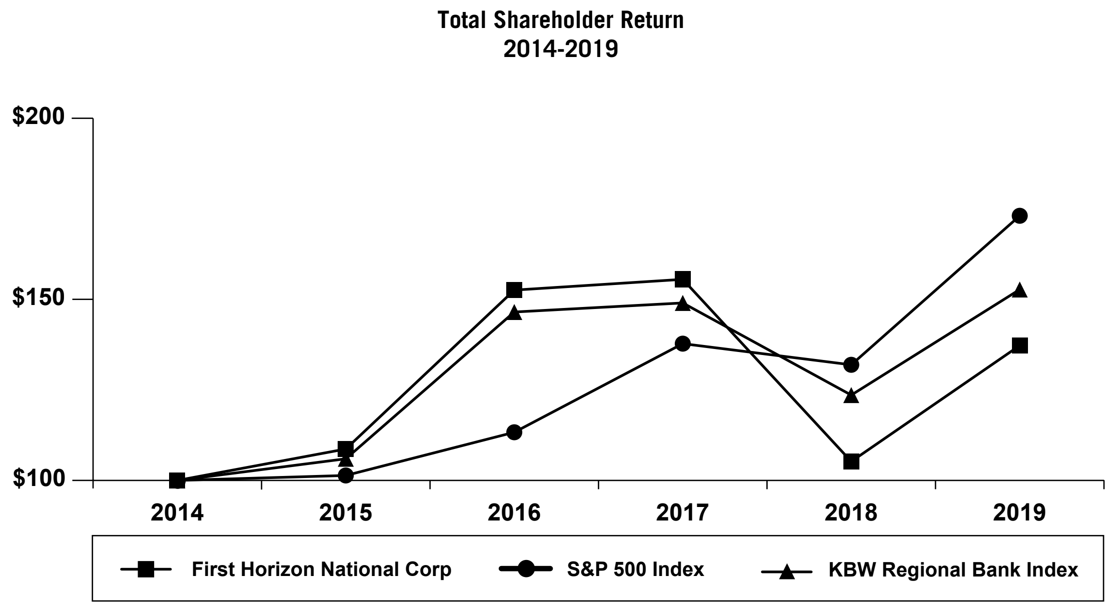
(a) Includes loans on nonaccrual status.

(b) Compound annual growth rate.

Total Shareholder Return Performance Graph

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings by reference, including this annual report in whole or in part, the following Total Shareholder Return Performance Graph shall not be incorporated by reference into any such filings.

The following graph compares the yearly percentage change in our cumulative total shareholder return with returns based on the Standards and Poor's 500 and Keefe, Bruyette & Woods Regional Bank Indices.



Investment Returns	2014	2015	2016	2017	2018	2019
First Horizon National Corp	$100.00	$108.68	$152.56	$155.53	$105.23	$137.26
S&P 500 Index	$100.00	$101.37	$113.30	$137.77	$131.93	$173.08
KBW Regional Bank Index	$100.00	$105.98	$146.51	$149.01	$123.57	$152.72

Source: Bloomberg

The preceding graph assumes $100 is invested on December 31, 2014 and dividends are reinvested. Returns are market-capitalization weighted.

Corporate Officers

As of March 1, 2020

Clyde A. Billings Jr.
Senior Vice President
Assistant General Counsel
and Corporate Secretary

John M. Daniel
Executive Vice President
Chief Human Resources Officer

Jeff L. Fleming
Executive Vice President
Chief Accounting Officer and
Corporate Controller

D. Bryan Jordan
Chairman of the Board, President
and Chief Executive Officer

Michael E. Kisber
President – FHN Financial

William C. Losch III
Executive Vice President
Chief Financial Officer

David T. Popwell
President – Banking

Dane P. Smith
Senior Vice President
Corporate Treasurer

Susan L. Springfield
Executive Vice President
Chief Credit Officer

Charles T. Tuggle Jr.
Executive Vice President
General Counsel

Yousef A. Valine
Executive Vice President
Chief Operating and Risk Officer

Board of Directors

As of March 1, 2020

Kenneth A. Burdick
Executive Vice President,
Products and Markets
Centene Corporation

John C. Compton
Partner
Clayton, Dubilier & Rice, LLC

Wendy P. Davidson
President, Away from Home
Kellogg Company

Mark A. Emkes
Retired Commissioner
Department of Finance
and Administration
State of Tennessee

Peter N. Foss
General Manager
GE/NFL Head Health Program

Corydon J. Gilchrist
Private Investor and
Chartered Financial Analyst

D. Bryan Jordan
Chairman of the Board, President
and Chief Executive Officer
First Horizon National Corp.

Scott M. Niswonger
Retired Chairman
Landair Transport, Inc.

Vicki R. Palmer
President
The Palmer Group, LLC

Colin V. Reed
Chairman of the Board
and Chief Executive Officer
Ryman Hospitality Properties, Inc.

Cecelia D. Stewart
Retired President
U.S. Consumer and
Commercial Banking
Citigroup, Inc.

Rajesh Subramaniam
President and
Chief Operating Officer
FedEx Corp.

R. Eugene Taylor
Vice Chairman of the Board
First Horizon National Corp.

Luke Yancy III
President and
Chief Executive Officer
Yancy Financial Group, Inc.

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