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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024
or

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

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

FIRST HORIZON CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

*Shares of Series D Preferred Stock, along with the related Series D Depositary Shares, were outstanding on March 31, 2024. All shares of Series D Preferred Stock were redeemed on May 1, 2024, which resulted in the redemption of the Series D Depositary Shares. The New York Stock Exchange suspended the Series D Depositary Shares from trading on May 1, 2024 and is expected to delist the securities on May 13, 2024.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding on April 30, 2024
Common Stock, $.625 par value	546,867,683

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Glossary of Acronyms and Terms

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

ACL	Allowance for credit losses
AFS	Available for sale
AIR	Accrued interest receivable
ALCO	Asset/Liability Committee
ALLL	Allowance for loan and lease losses
ALM	Asset/liability management
AOCI	Accumulated other comprehensive income
ASC	FASB Accounting Standards Codification
Associate	Person employed by FHN
ASU	Accounting Standards Update
Bank	First Horizon Bank
BOLI	Bank-owned life insurance
C&I	Commercial, financial, and industrial loan portfolio
CBF	Capital Bank Financial
CECL	Current expected credit loss
CEO	Chief Executive Officer
CMO	Collateralized mortgage obligations
CODM	Chief Operating Decision-Maker
Company	First Horizon Corporation
Corporation	First Horizon Corporation
CRE	Commercial Real Estate
CRMC	Credit Risk Management Committee
DTA	Deferred tax asset
DTL	Deferred tax liability
EAD	Exposure as default
EPS	Earnings per share
Fannie Mae	Federal National Mortgage Association
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Federal Reserve	Federal Reserve Board
Fed	Federal Reserve Board
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHN	First Horizon Corporation
FHNF	FHN Financial; FHN's fixed income division
FICO	Fair Isaac Corporation
First Horizon	First Horizon Corporation
FRB	Federal Reserve Bank or the Federal Reserve Board
Freddie Mac	Federal Home Loan Mortgage Corporation
FTE	Fully taxable equivalent
GAAP	Generally accepted accounting principles (U.S.)
GHG	Greenhouse Gas
GNMA	Government National Mortgage Association or Ginnie Mae
GSE	Government sponsored enterprises, in this report references Fannie Mae and Freddie Mac
HELOC	Home equity line of credit
HFS	Held for Sale
HTC	Historic tax credit
HTM	Held to maturity
IBKC	IBERIABANK Corporation
IBKC merger	FHN's merger of equals with IBKC that closed July 2020
ISDA	International Swap and Derivatives Association
IRS	Internal Revenue Service
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LIHTC	Low Income Housing Tax Credit
LLC	Limited Liability Company
LMC	Loans to mortgage companies
LOCOM	Lower of cost or market
LRRD	Loan Rehab and Recovery Department
LTV	Loan-to-value
MBS	Mortgage-backed securities
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
NAICS	North American Industry Classification System
NII	Net interest income
NM	Not meaningful
NMTC	New Market Tax Credit
NPA	Nonperforming asset
Non-PCD	Non-Purchased Credit Deteriorated Financial Assets
NPL	Nonperforming loan
OREO	Other Real Estate Owned
PAM	Proportional amortization method
PCAOB	Public Company Accounting Oversight Board
PCD	Purchased credit deteriorated financial assets
PCI	Purchased credit impaired
PD	Probability of default
PM	Portfolio managers

PPP	Paycheck Protection Program
PSU	Performance Stock Unit
RE	Real estate
RM	Relationship managers
ROA	Return on assets
RPL	Reasonably possible loss
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SOFR	Secure Overnight Funding Rate
SVaR	Stressed Value-at-Risk
TD	The Toronto-Dominion Bank
TD Merger Agreement	Merger agreement between FHN, TD, and certain TD subsidiaries, which the parties mutually terminated on May 4, 2023
TD Transaction	The merger transactions contemplated by the TD Merger Agreement
TDR	Troubled Debt Restructuring
TRUP	Trust preferred loan
UPB	Unpaid principal balance
USDA	United States Department of Agriculture
VaR	Value-at-Risk
VIE	Variable Interest Entities
we / us / our	First Horizon Corporation

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Forward-Looking Statements

This report, including materials incorporated into it, 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 our 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;
- the financial condition of borrowers and other counterparties;
- competition within and outside the financial services industry;
- the occurrence of natural or man-made disasters, global pandemics, conflicts, or terrorist attacks, or other adverse external events;
- effectiveness and cost-efficiency of FHN’s hedging practices;
- fraud, theft, or other incursions through conventional, electronic, or other means directly or indirectly affecting FHN or its clients, business counterparties, or competitors;
- the ability to adapt products and services to changing industry standards and client preferences;
- risks inherent in originating, selling, servicing, and holding loans and loan-based assets, including prepayment risks, pricing concessions, fluctuation in U.S. housing and other real estate prices, fluctuation of collateral values, and changes in client profiles;
- the changes in the regulation of the U.S. financial services industry;
- changes in laws, regulations, and administrative actions, including executive orders, whether or not specific to the financial services industry;
- changes in accounting policies, standards, and interpretations;
- evolving capital and liquidity standards under applicable regulatory rules;
- accounting policies and processes that require management to make estimates about matters that are uncertain;
- reputational risk and potential adverse reactions or changes to business or employee relationships; and
- other factors that may affect future results of FHN.

FHN assumes no obligation to update or revise any forward-looking statements that are made in this report or in any other statement, release, report, or filing from time to time. Actual results could differ and expectations could change, possibly materially, because of one or more factors, including those factors listed above or presented elsewhere in this report, or in those factors listed in material incorporated by reference into this report. In evaluating forward-looking statements and assessing our prospects, readers of this report should carefully consider the factors mentioned above along with the additional risk factors discussed in Item 1A of Part II of this report and in the forepart, and in Items 1, 1A, and 7, of FHN’s most recent Annual Report on Form 10-K, among others.

Non-GAAP Information

Certain measures included in this report are “non-GAAP,” meaning they are not presented in accordance with U.S. GAAP and also are not codified in U.S. banking regulations currently applicable to FHN. Although other entities may use calculation methods that differ from those used by FHN for non-GAAP measures, FHN’s management believes such measures are relevant to understanding the financial condition, capital position, and financial results of FHN and its business segments. Non-GAAP measures are reported to FHN’s management and Board of Directors through various internal reports.

The non-GAAP measures presented in this report are: pre-provision net revenue, return on average tangible common equity, tangible common equity to tangible assets, adjusted tangible common equity to risk-weighted assets, and tangible book value per common share. Table I.2.23 appearing in the MD&A (Item 2 of Part I) of this report provides a reconciliation of non-GAAP items presented in this report to the most comparable GAAP presentation.

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

PART I. FINANCIAL INFORMATION

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CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except per share amounts)	*(Unaudited)* **March 31, 2024**	December 31, 2023
Assets		
Cash and due from banks	**$ 749**	$ 1,012
Interest-bearing deposits with banks	**1,885**	1,328
Federal funds sold and securities purchased under agreements to resell	**817**	719
Trading securities	**1,161**	1,412
Securities available for sale at fair value	**8,148**	8,391
Securities held to maturity (fair value of $ 1,131 and $ 1,161 , respectively)	**1,311**	1,323
Loans held for sale (including $ 84 and $ 68 at fair value, respectively)	**395**	502
Loans and leases	**61,753**	61,292
Allowance for loan and lease losses	**(787)**	(773)
Net loans and leases	**60,966**	60,519
Premises and equipment	**586**	590
Goodwill	**1,510**	1,510
Other intangible assets	**175**	186
Other assets	**4,096**	4,169
Total assets	**$ 81,799**	$ 81,661
Liabilities		
Noninterest-bearing deposits	**$ 16,410**	$ 17,204
Interest-bearing deposits	**49,331**	48,576
Total deposits	**65,741**	65,780
Trading liabilities	**467**	509
Short-term borrowings	**2,703**	2,549
Term borrowings	**1,165**	1,150
Other liabilities	**2,550**	2,382
Total liabilities	**72,626**	72,370
Equity		
Preferred stock, Non-cumulative perpetual, no par value; authorized 5,000,000 shares; issued 26,750 shares	**520**	520
Common stock, $ 0.625 par value; authorized 700,000,000 shares; issued 548,636,986 and 558,838,694 shares, respectively	**343**	349
Capital surplus	**5,214**	5,351
Retained earnings	**4,072**	3,964
Accumulated other comprehensive loss, net	**(1,271)**	(1,188)
FHN shareholders' equity	**8,878**	8,996
Noncontrolling interest	**295**	295
Total equity	**9,173**	9,291
Total liabilities and equity	**$ 81,799**	$ 81,661

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
(Dollars in millions, except per share data; shares in thousands) (Unaudited)	**2024**	2023
Interest income		
Interest and fees on loans and leases	**$ 952**	$ 806
Interest and fees on loans held for sale	**9**	11
Interest on investment securities	**60**	62
Interest on trading securities	**20**	20
Interest on other earning assets	**32**	21
Total interest income	**1,073**	920
Interest expense		
Interest on deposits	**398**	171
Interest on trading liabilities	**5**	3
Interest on short-term borrowings	**28**	38
Interest on term borrowings	**17**	20
Total interest expense	**448**	232
Net interest income	**625**	688
Provision for credit losses	**50**	50
Net interest income after provision for credit losses	**575**	638
Noninterest income		
Fixed income	**52**	39
Deposit transactions and cash management	**44**	42
Brokerage, management fees and commissions	**24**	22
Card and digital banking fees	**19**	20
Other service charges and fees	**13**	13
Trust services and investment management	**11**	11
Mortgage banking income	**9**	5
Other income	**22**	19
Total noninterest income	**194**	171
Noninterest expense		
Personnel expense	**301**	271
Net occupancy expense	**31**	31
Computer software	**30**	28
Deposit insurance expense	**24**	12
Operations services	**21**	22
Legal and professional fees	**14**	8
Contract employment and outsourcing	**13**	12
Amortization of intangible assets	**11**	12
Equipment expense	**11**	11
Advertising and public relations	**8**	14
Communications and delivery	**8**	9
Other expense	**43**	48
Total noninterest expense	**515**	478
Income before income taxes	**254**	331
Income tax expense	**57**	76
Net income	**$ 197**	$ 255
Net income attributable to noncontrolling interest	**5**	4
Net income attributable to controlling interest	**$ 192**	$ 251
Preferred stock dividends	**8**	8
Net income available to common shareholders	**$ 184**	$ 243

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CONSOLIDATED STATEMENTS OF INCOME (continued)

Basic earnings per common share	**$**	**0.33**	$	0.45
Diluted earnings per common share	**$**	**0.33**	$	0.43
Weighted average common shares		**554,977**		536,938
Diluted average common shares		**557,873**		571,991

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31,	
(Dollars in millions) (Unaudited)	**2024**	2023
Net income	**$ 197**	$ 255
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities available for sale	**(55)**	114
Net unrealized gains (losses) on cash flow hedges	**(30)**	44
Net unrealized gains (losses) on pension and other postretirement plans	**2**	2
Other comprehensive income (loss)	**(83)**	160
Comprehensive income (loss)	**114**	415
Comprehensive income attributable to noncontrolling interest	**5**	4
Comprehensive income (loss) attributable to controlling interest	**$ 109**	$ 411
Income tax expense (benefit) of items included in other comprehensive income:		
Net unrealized gains (losses) on securities available for sale	**$ (18)**	$ 36
Net unrealized gains (losses) on cash flow hedges	**(10)**	14
Net unrealized gains (losses) on pension and other postretirement plans	**1**	1

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Three Months Ended March 31, 2024

	Preferred Stock		Common Stock						
(Dollars in millions, except per share data; shares in thousands) (unaudited)	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (a)	Noncontrolling Interest	Total
Balance, December 31, 2023	26,750	$ 520	558,839	$ 349	$ 5,351	$ 3,964	$ (1,188)	$ 295	$ 9,291
Adjustment to reflect adoption of ASU 2023-02	—	—	—	—	—	8	—	—	8
Net income	—	—	—	—	—	192	—	5	197
Other comprehensive income (loss)	—	—	—	—	—	—	(83)	—	(83)
Cash dividends declared:									
Preferred stock	—	—	—	—	—	(8)	—	—	(8)
Common stock ($ 0.15 per share)	—	—	—	—	—	(84)	—	—	(84)
Common stock repurchased (b)	—	—	(11,052)	(7)	(152)	—	—	—	(159)
Excise tax on share repurchases	—	—	—	—	(2)	—	—	—	(2)
Common stock issued for:									
Stock options exercised and restricted stock awards	—	—	850	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	1	17	—	—	—	18
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(5)	(5)
Balance, March 31, 2024	**26,750**	**$ 520**	**548,637**	**$ 343**	**$ 5,214**	**$ 4,072**	**$ (1,271)**	**$ 295**	**$ 9,173**

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

(b) Includes $ 154 million repurchased under our general purchase program .

Three Months Ended March 31, 2023

	Preferred Stock		Common Stock						
(Dollars in millions, except per share data; shares in thousands) (unaudited)	Shares	Amount	Shares	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (a)	Noncontrolling Interest	Total
Balance, December 31, 2022	31,686	$ 1,014	537,101	$ 336	$ 4,840	$ 3,430	$ (1,368)	$ 295	$ 8,547
Adjustment to reflect adoption of ASU 2022-02	—	—	—	—	—	4	—	—	4
Net income	—	—	—	—	—	251	—	4	255
Other comprehensive income	—	—	—	—	—	—	160	—	160
Cash dividends declared:									
Preferred stock	—	—	—	—	—	(8)	—	—	(8)
Common stock ($ 0.15 per share)	—	—	—	—	—	(82)	—	—	(82)
Common stock repurchased	—	—	(159)	—	(4)	—	—	—	(4)
Common stock issued for:									
Stock options exercised and restricted stock awards	—	—	677	—	5	—	—	—	5
Stock-based compensation expense	—	—	—	—	22	—	—	—	22
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(4)	(4)
Balance, March 31, 2023	31,686	$ 1,014	537,619	$ 336	$ 4,863	$ 3,595	$ (1,208)	$ 295	$ 8,895

(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.

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions) (Unaudited)	Three months ended March 31, 2024	2023
Operating Activities		
Net income	**$ 197**	$ 255
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	**50**	50
Deferred income tax expense (benefit)	**(57)**	6
Depreciation and amortization of premises and equipment	**14**	14
Amortization of intangible assets	**11**	12
Net other amortization and accretion	**1**	4
Net (increase) decrease in trading securities	**591**	375
Net (increase) decrease in derivatives	**4**	(266)
Stock-based compensation expense	**18**	22
Loans held for sale:		
Purchases and originations	**(608)**	(477)
Gross proceeds from settlements and sales	**379**	293
(Gain) loss due to fair value adjustments and other	**(6)**	2
Other operating activities, net	**244**	(359)
Total adjustments	**641**	(324)
Net cash provided by (used in) operating activities	**838**	(69)
Investing Activities		
Proceeds from maturities of securities available for sale	**183**	244
Purchases of securities available for sale	**(21)**	(221)
Proceeds from prepayments of securities held to maturity	**13**	10
Purchases of premises and equipment	**(10)**	(5)
Net (increase) decrease in loans and leases	**(488)**	(949)
Net (increase) decrease in interest-bearing deposits with banks	**(557)**	(1,103)
Other investing activities, net	**4**	2
Net cash provided (used in) by investing activities	**(876)**	(2,022)
Financing Activities		
Common stock:		
Stock options exercised	**—**	5
Cash dividends paid	**(85)**	(83)
Repurchase of shares	**(159)**	(4)
Preferred stock:		
Cash dividends paid - preferred stock - noncontrolling interest	**(5)**	(4)
Cash dividends paid - preferred stock	**(8)**	(8)
Net increase (decrease) in deposits	**(39)**	(2,049)
Net increase (decrease) in short-term borrowings	**154**	3,979
Proceeds from issuance of term borrowings	**11**	—
Increases (decreases) in term borrowings	**4**	8
Net cash provided by (used in) financing activities	**(127)**	1,844
Net increase (decrease) in cash and cash equivalents	**(165)**	(247)
Cash and cash equivalents at beginning of period	**1,731**	1,543
Cash and cash equivalents at end of period	**$ 1,566**	$ 1,296
Supplemental Disclosures		
Total interest paid	**$ 420**	$ 200
Total taxes paid	**3**	3
Total taxes refunded	**—**	2
Transfer from loans to OREO	**1**	2
Transfer from loans HFS to trading securities	**342**	122

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

Note 1— Basis of Presentation and Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and notes necessary for complete financial statements in accordance with GAAP. In the opinion of management, the accompanying unaudited consolidated financial statements contain all significant adjustments, consisting of normal and recurring items, considered necessary for fair presentation. These interim financial statements should be read in conjunction with FHN's audited consolidated financial statements and notes in FHN's Annual Report on Form 10-K for the year ended December 31, 2023. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year.

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

Accounting Changes With Extended Transition Periods

In March 2020, the FASB issued ASU 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting” which provides several optional expedients and exceptions to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The provisions of ASU 2020-04 primarily affect 1) contract modifications (e.g., loans, leases, debt, and derivatives) made in anticipation that a reference rate (e.g., LIBOR) will be discontinued and 2) the application of hedge accounting for existing relationships affected by those modifications. The provisions of ASU 2020-04 were effective upon release and apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Including the adoption of ASU 2022-06 (discussed below), the expedients and exceptions provided by ASU 2020-04 do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship.

FHN identified contracts affected by reference rate reform, developed modification plans for those contracts and implemented those modifications before the last quotation of LIBOR on June 30, 2023. FHN elected to utilize the optional expedients and exceptions provided by ASU 2020-04 for contract modifications that immediately converted the reference rate within each contract. FHN also elected that revisions to contractual fallback provisions, including modifications in accordance with the provisions of Regulation ZZ, did not require evaluation for modification accounting. Additionally, FHN elected that the revisions to derivative contracts implemented by central clearinghouses to convert centrally cleared derivative contracts from LIBOR to SOFR plus an appropriate spread adjustment were not considered changes requiring assessment for modification accounting.

During the transition period, for cash flow hedges that reference 1-Month USD LIBOR, FHN applied expedients related to 1) the assumption of probability of cash flows when reference rates are changed on hedged items 2) avoiding dedesignation when critical terms (i.e., reference rates) change and 3) the allowed assumption of shared risk exposure for hedged items. Additionally, for its cash flow hedges that reference 1-Month Term SOFR, FHN applied expedients related to 1) the allowed assumption of shared risk exposure for hedged items and 2) multiple allowed assumptions of conformity between hedged items and the hedging instrument when assessing effectiveness. FHN continued to utilize these expedients and exceptions through the final cash flows affected by the quotation of LIBOR.

In accordance with the provisions of ASU 2020-04, effective immediately after the end of the transition period for its cash flow hedges (i.e., no more cash flows were affected by LIBOR), FHN elected that the cessation of effectiveness assessments under the transition guidance and subsequent initiation of hedge effectiveness assessments under ASC 815 did not require dedesignation of the hedge relationships.

In December 2022, the FASB issued ASU 2022-06, "Deferral of the Sunset Date of Topic 848" which extends the transition window for ASU 2020-04 from December 31, 2022 to December 31, 2024, consistent with key USD LIBOR tenors continuing to be published through June 30, 2023.

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

Summary of Accounting Changes

ASU 2023-02

In March 2023, the FASB issued ASU 2023-02, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method" which permits investors to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. The proportional amortization method results in the cost of the investment being amortized in proportion to the income tax credits and other income tax benefits received, with the amortization of the investment and the income tax credits being presented net in the income statement as a component of income tax provision (benefit). Prior to ASU 2023-02, the proportional amortization method was only available to qualifying low income housing equity investments. An investor is required to make an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis. An investor that applies the proportional amortization method to qualifying tax equity investments must account for the receipt of the investment tax credits using the flow-through method, even if the entity applies the deferral method for other investment tax credits received. ASU 2023-02 also requires specific disclosures that must be applied to all investments that generate income tax credits and other income tax benefits from a tax credit program for which the entity has elected to apply the proportional amortization method.

ASU 2023-02 was effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Adoption of ASU 2023-02 is applied on either a modified retrospective (cumulative catch up) or a retrospective (restatement of prior years) basis. FHN has assessed the applicability of ASU 2023-02 to its tax credit program equity investments, determined that its New Markets Tax Credit and Historic Tax Credit programs qualified, and made the proportional method election for them. The use of the proportional amortization method continued for FHN's Low-Income Housing Tax Credits program. Upon adoption of ASU 2023-02, FHN recognized a cumulative effect adjustment that increased retained earnings by $ 8 million, net of tax, on January 1, 2024.

The adoption of ASU 2023-02 resulted in a revision to FHN's accounting policy for equity investments in tax credit programs. FHN's election to utilize the deferral method for investments that generate Investment Tax Credits is now made subsequent to the determination of whether a tax credit program will apply the proportional amortization method. This includes both solar and non-qualifying historic tax credit investments. Under the deferral approach the investment tax credits are recorded as an offset to the related investment on the balance sheet. Credit amounts are recognized in earnings over the life of the investment within the same income or expense accounts as used for the investment.

Accounting Changes Issued But Not Currently Effective

ASU 2023-07

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures" that requires public entities to provide disclosures of significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. The ASU requires a public entity to disclose, for each reportable segment, the significant expense categories and amounts that are regularly provided to the chief operating decision-maker (CODM) and included in each reported measure of a segment's profit or loss. ASU 2023-07 also requires disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.

ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and for interim periods beginning after December 15, 2024. Early adoption is permitted. The guidance is applied retrospectively to all periods presented in the financial statements, unless it is impracticable. FHN will adopt ASU 2023-07 as of December 31, 2024 and is currently assessing the effect on its reportable segment disclosures.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures" to enhance transparency and decision usefulness of income tax disclosures. The provisions of this ASU require disaggregated information about a reporting entity's effective tax rate reconciliation in both percentages and reporting currency amounts. Certain categories of reconciling items are required by the ASU with additional categories required if a specified quantitative threshold is met. Reporting entities are also required to provide a qualitative discussion of the primary state and local jurisdictions for income taxes and the type of reconciling categories. ASU 2023-09 also requires disaggregation of income taxes paid by jurisdiction.

For public business entities, ASU 2023-09 is effective for annual periods beginning after December 31, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. FHN is currently assessing the impact of adopting ASU 2023-09 on its income tax disclosures.

SEC Final Rule

In March 2024, the SEC adopted final rules, “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (the “Climate Disclosures Rules”) to require registrants to disclose certain climate-related information in registration statements and annual reports. Information required for inclusion within the footnotes to the financial statements for severe weather events and other natural conditions includes 1) income statement effects before insurance recoveries above 1% of pre-tax income/loss, 2) balance sheet effects above 1% of shareholders’ equity, and 3) certain carbon offsets and renewable energy credits. Qualitative discussion is also required for material impacts on financial estimates and assumptions that are due to severe weather events and other natural conditions or disclosed climate-related targets or transition plans.

In April 2024 the SEC issued a stay of the Climate Disclosures Rules pending the completion of judicial review of various legal challenges. Therefore, the actual timing of the implementation of the Climate Disclosure Rules, if sustained through the judicial process, is uncertain. FHN is assessing the potential effects of the Climate Disclosure Rules on its financial statements .

Note 2— Investment Securities

The following tables summarize FHN’s investment securities as of March 31, 2024 and December 31, 2023:

INVESTMENT SECURITIES AT MARCH 31, 2024

	March 31, 2024			
›llars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
›curities available for sale:				
›vernment agency issued MBS	$ 4,973	$ 1	$ (623)	$ 4,351
›vernment agency issued CMO	2,435	—	(350)	2,085
her U.S. government agencies	1,295	—	(162)	1,133
ates and municipalities	624	2	(47)	579
›tal securities available for sale (a)	**$ 9,326**	**$ 3**	**$ (1,181)**	**$ 8,148**
›curities held to maturity:				
›vernment agency issued MBS	$ 841	$ —	$ (110)	$ 731
›vernment agency issued CMO	470	—	(70)	400
›tal securities held to maturity	**$ 1,311**	**$ —**	**$ (180)**	**$ 1,131**

(a) Includes $ 8.3 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

INVESTMENT SECURITIES AT DECEMBER 31, 2023

	December 31, 2023			
›llars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
›curities available for sale:				
›vernment agency issued MBS	$ 5,061	$ 2	$ (579)	$ 4,484
›vernment agency issued CMO	2,487	—	(341)	2,146
her U.S. government agencies	1,321	2	(151)	1,172
ates and municipalities	627	3	(41)	589
›tal securities available for sale (a)	$ 9,496	$ 7	$ (1,112)	$ 8,391
›curities held to maturity:				
›vernment agency issued MBS	$ 852	$ —	$ (96)	$ 756
›vernment agency issued CMO	471	—	(66)	405
›tal securities held to maturity	$ 1,323	$ —	$ (162)	$ 1,161

(a) Includes $ 8.9 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

The amortized cost and fair value by contractual maturity for the debt securities portfolio as of March 31, 2024 is provided below:

DEBT SECURITIES PORTFOLIO MATURITIES

	Held to Maturity		Available for Sale	
(Dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ —	$ —	$ 49	$ 48
After 1 year through 5 years	—	—	129	120
After 5 years through 10 years	—	—	372	339
After 10 years	—	—	1,369	1,205
Subtotal	—	—	1,919	1,712
Government agency issued MBS and CMO (a)	1,311	1,131	7,407	6,436
Total	**$ 1,311**	**$ 1,131**	**$ 9,326**	**$ 8,148**

(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.

There were no sales of AFS securities for the three months ended March 31, 2024 and 2023.

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of March 31, 2024 and December 31, 2023:

AFS INVESTMENT SECURITIES WITH UNREALIZED LOSSES

	As of March 31, 2024					
	Less than 12 months		12 months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued MBS	$ 59	$ (1)	$ 4,224	$ (621)	$ 4,283	$ (622)
Government agency issued CMO	11	—	2,057	(350)	2,068	(350)
Other U.S. government agencies	216	(4)	874	(158)	1,090	(162)
States and municipalities	34	—	460	(47)	494	(47)
Total	**$ 320**	**$ (5)**	**$ 7,615**	**$ (1,176)**	**$ 7,935**	**$ (1,181)**

	As of December 31, 2023					
	Less than 12 months		12 months or longer		Total	
(Dollars in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued MBS	$ 140	$ (2)	$ 4,231	$ (577)	$ 4,371	$ (579)
Government agency issued CMO	32	—	2,098	(341)	2,130	(341)
Other U.S. government agencies	114	(2)	905	(149)	1,019	(151)
States and municipalities	14	—	465	(41)	479	(41)
Total	$ 300	$ (4)	$ 7,699	$ (1,108)	$ 7,999	$ (1,112)

FHN has evaluated all AFS debt securities that were in unrealized loss positions in accordance with its accounting policy for recognition of credit losses. No AFS debt securities were determined to have credit losses. Total AIR not included in the fair value or amortized cost basis of AFS debt securities was $ 29 million and $ 32 million as of March 31, 2024 and December 31, 2023, respectively. Consistent with FHN's review of the related securities, there were no credit-related write downs of AIR for AFS debt securities during the reporting periods. Additionally, for AFS debt securities with unrealized losses, FHN does not intend to sell them, and it is more likely than not that FHN will not be required to sell them prior to recovery. Therefore, no write downs of these investments to fair value occurred during the reporting periods. There were no transfers to or from AFS or HTM during the three months ended March 31, 2024 and 2023.

For HTM securities, an allowance for credit losses is required to absorb estimated lifetime credit losses. Total AIR not included in the fair value or amortized cost basis of HTM debt securities was $ 3 million as of both March 31, 2024 and December 31, 2023. FHN has assessed the risk of credit loss and has determined that no allowance for credit losses for HTM securities was necessary as of March 31, 2024 and December 31, 2023. The evaluation of credit risk includes consideration of third-party and government guarantees (both explicit and implicit), senior or subordinated status, credit ratings of the issuer, the effects of interest rate changes since purchase and observable market information such as issuer-specific credit spreads.

The carrying amount of equity investments without a readily determinable fair value was $ 92 million and $ 89 million at March 31, 2024 and December 31, 2023, respectively. The year-to-date 2024 and 2023 gross amounts of upward and downward valuation adjustments were not significant.

Unrealized gains of $ 5 million and $ 2 million were recognized in the three months ended March 31, 2024 and 2023, respectively, for equity investments with readily determinable fair values.

Note 3— Loans and Leases

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

The following table provides the amortized cost basis of loans and leases by portfolio segment and class as of March 31, 2024 and December 31, 2023, excluding accrued interest of $ 283 million and $ 287 million, respectively, which is included in other assets in the Consolidated Balance Sheets.

LOANS AND LEASES BY PORTFOLIO SEGMENT

(Dollars in millions)	March 31, 2024	December 31, 2023
Commercial:		
Commercial and industrial (a) (b)	$ **30,545**	$ 30,609
Loans to mortgage companies	**2,366**	2,024
Total commercial, financial, and industrial	**32,911**	32,633
Commercial real estate	**14,426**	14,216
Consumer:		
HELOC	**2,145**	2,219
Real estate installment loans	**11,500**	11,431
Total consumer real estate	**13,645**	13,650
Credit card and other (c)	**771**	793
Loans and leases	$ **61,753**	$ 61,292
Allowance for loan and lease losses	**(787)**	(773)
Net loans and leases	$ **60,966**	$ 60,519

(a) Includes equipment financing leases of $ 1.3 billion and $ 1.2 billion for March 31, 2024 and December 31, 2023, respectively.
(b) Includes PPP loans fully guaranteed by the SBA of $ 23 million and $ 29 million as of March 31, 2024 and December 31, 2023, respectively.
(c) Includes $ 181 million and $ 180 million of commercial credit card balances as of March 31, 2024 and December 31, 2023, respectively.

Restrictions

Loans and leases with carrying values of $ 50.1 billion and $ 46.1 billion were pledged as collateral for borrowings at March 31, 2024 and December 31, 2023, respectively.

Concentrations of Credit Risk

Most of FHN's business activity is with clients located in the southern United States. FHN's lending activity is concentrated in its market areas within those states. As of March 31, 2024, FHN had loans to mortgage companies of $ 2.4 billion and loans to finance and insurance companies of $ 3.8 billion. As a result, 19 % of the C&I portfolio is sensitive to impacts on the financial services industry.

Credit Quality Indicators

FHN employs a dual grade commercial risk grading methodology to assign an estimate for the probability of default and the loss given default for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16 . This credit grading system is intended to identify and measure the credit quality of the loan and lease portfolio by analyzing the migration between grading categories. It is also integral to the estimation methodology utilized in determining the ALLL since an allowance is established for pools of commercial loans based on the credit grade assigned. Each PD grade corresponds to an estimated one-year default probability percentage. PD grades are continually evaluated but require a formal scorecard annually.

PD 1 through PD 12 are “pass” grades. PD grades 13-16 correspond to the regulatory-defined categories of special mention (13), substandard (14), doubtful (15), and loss (16). Special mention loans and leases have potential weaknesses that, if left uncorrected, may result in deterioration of FHN's credit position at some future date. Substandard commercial loans and leases have well-defined weaknesses and are characterized by the distinct possibility that FHN will sustain some loss if the deficiencies are not corrected. Doubtful commercial loans and leases have the same weaknesses as substandard loans and leases with the added characteristics that the probability of loss is high, and collection of the full amount is improbable.

The following tables provide the amortized cost basis of the commercial loan portfolio by year of origination and credit quality indicator as of March 31, 2024 and December 31, 2023:

C&I PORTFOLIO

	March 31, 2024									
(Dollars in millions)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior to 2020**	**LMC (a)**	**Revolving Loans**	**Revolving Loans Converted to Term Loans**	**Total**
Credit Quality Indicator:										
Pass (PD grades 1 through 12) (b)	**$ 703**	**$ 3,885**	**$ 5,346**	**$ 3,328**	**$ 1,537**	**$ 4,874**	**$ 2,362**	**$ 8,999**	**$ 309**	**$ 31,343**
Special Mention (PD grade 13)	**1**	**127**	**73**	**87**	**69**	**167**	**—**	**332**	**2**	**858**
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	**2**	**44**	**136**	**93**	**48**	**183**	**4**	**163**	**37**	**710**
Total C&I loans	**$ 706**	**$ 4,056**	**$ 5,555**	**$ 3,508**	**$ 1,654**	**$ 5,224**	**$ 2,366**	**$ 9,494**	**$ 348**	**$ 32,911**

	December 31, 2023									
(Dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	LMC (a)	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:										
Pass (PD grades 1 through 12) (b)	$ 4,008	$ 5,637	$ 3,506	$ 1,636	$ 1,665	$ 3,448	$ 2,019	$ 9,087	$ 327	$ 31,333
Special Mention (PD grade 13)	75	60	64	56	101	57	—	186	—	599
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	41	135	94	51	39	100	5	187	49	701
Total C&I loans	$ 4,124	$ 5,832	$ 3,664	$ 1,743	$ 1,805	$ 3,605	$ 2,024	$ 9,460	$ 376	$ 32,633

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

(b) Balances include PPP loans.

CRE PORTFOLIO

	March 31, 2024								
(Dollars in millions)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior to 2020**	**Revolving Loans**	**Revolving Loans Converted to Term Loans**	**Total**
Credit Quality Indicator:									
Pass (PD grades 1 through 12)	**$ 104**	**$ 955**	**$ 3,611**	**$ 3,513**	**$ 1,107**	**$ 3,869**	**$ 337**	**$ 156**	**$ 13,511**
Special Mention (PD grade 13)	**—**	**1**	**76**	**182**	**86**	**239**	**4**	**—**	**588**
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	**—**	**2**	**6**	**10**	**50**	**256**	**3**	**—**	**327**
Total CRE loans	**$ 104**	**$ 958**	**$ 3,693**	**$ 3,705**	**$ 1,243**	**$ 4,364**	**$ 344**	**$ 156**	**$ 14,426**

	December 31, 2023								
(Dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
Credit Quality Indicator:									
Pass (PD grades 1 through 12)	$ 853	$ 3,473	$ 3,518	$ 1,162	$ 1,216	$ 2,853	$ 393	$ 18	$ 13,486
Special Mention (PD grade 13)	5	1	129	86	175	82	—	—	478
Substandard, Doubtful, or Loss (PD grades 14,15, and 16)	—	2	5	11	175	59	—	—	252
Total CRE loans	$ 858	$ 3,476	$ 3,652	$ 1,259	$ 1,566	$ 2,994	$ 393	$ 18	$ 14,216

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

The following table reflects the amortized cost basis by year of origination and refreshed FICO scores for consumer real estate loans as of March 31, 2024 and December 31, 2023. Within consumer real estate, classes include HELOC and real estate installment loans. HELOCs are loans which during their draw period are classified as revolving loans. Once the draw period ends and the loan enters its repayment period, the loan converts to a term loan and is classified as a revolving loan converted to a term loan. All loans classified in the following tables as revolving loans or revolving loans converted to term loans are HELOCs. Real estate installment loans are originated as fixed term loans and are classified below in their vintage year. All loans in the following tables classified in a vintage year are real estate installment loans.

CONSUMER REAL ESTATE PORTFOLIO

	March 31, 2024								
(Dollars in millions)	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving Loans Converted to Term Loans	Total
FICO score 740 or greater	$ 204	$ 1,562	$ 2,080	$ 1,695	$ 717	$ 1,733	$ 1,466	$ 47	$ 9,504
FICO score 720-739	16	203	282	225	106	308	190	14	1,344
FICO score 700-719	15	152	230	189	79	270	159	16	1,110
FICO score 660-699	26	170	193	111	81	332	162	17	1,092
FICO score 620-659	3	11	18	23	22	138	34	6	255
FICO score less than 620	3	18	19	18	18	230	23	11	340
Total	$ 267	$ 2,116	$ 2,822	$ 2,261	$ 1,023	$ 3,011	$ 2,034	$ 111	$ 13,645

	December 31, 2023								
(Dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
FICO score 740 or greater	$ 1,572	$ 2,099	$ 1,720	$ 730	$ 465	$ 1,332	$ 1,522	$ 50	$ 9,490
FICO score 720-739	205	286	227	107	88	230	192	15	1,350
FICO score 700-719	154	232	193	81	52	224	159	17	1,112
FICO score 660-699	170	198	113	83	53	290	168	18	1,093
FICO score 620-659	11	20	23	22	36	106	36	7	261
FICO score less than 620	18	19	15	20	12	225	24	11	344
Total	$ 2,130	$ 2,854	$ 2,291	$ 1,043	$ 706	$ 2,407	$ 2,101	$ 118	$ 13,650

The following tables reflect the amortized cost basis by year of origination and refreshed FICO scores for credit card and other loans as of March 31, 2024 and December 31, 2023.

CREDIT CARD & OTHER PORTFOLIO

	March 31, 2024								
(Dollars in millions)	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Revolving Loans Converted to Term Loans	Total
FICO score 740 or greater	$ 7	$ 50	$ 22	$ 9	$ 5	$ 29	$ 193	$ 5	$ 320
FICO score 720-739	1	5	3	1	1	6	22	1	40
FICO score 700-719	—	4	4	1	1	4	25	—	39
FICO score 660-699	—	4	2	1	1	8	21	—	37
FICO score 620-659	1	1	—	1	—	3	7	—	13
FICO score less than 620	2	13	9	6	7	116	168	1	322
Total	$ 11	$ 77	$ 40	$ 19	$ 15	$ 166	$ 436	$ 7	$ 771

	December 31, 2023								
(Dollars in millions)	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Revolving Loans Converted to Term Loans	Total
FICO score 740 or greater	$ 52	$ 26	$ 10	$ 5	$ 3	$ 27	$ 207	$ 5	$ 335
FICO score 720-739	5	3	1	1	1	5	24	1	41
FICO score 700-719	5	4	1	1	1	4	25	1	42
FICO score 660-699	4	3	1	1	1	8	23	—	41
FICO score 620-659	2	1	1	—	—	3	7	—	14
FICO score less than 620	12	9	6	8	13	103	168	1	320
Total	$ 80	$ 46	$ 20	$ 16	$ 19	$ 150	$ 454	$ 8	$ 793

Nonaccrual and Past Due Loans and Leases

Loans and leases are placed on nonaccrual if it becomes evident that full collection of principal and interest is at risk, impairment has been recognized as a partial charge-off of principal balance due to insufficient collateral value and past due status, or on a case-by-case basis if FHN continues to receive payments but there are other borrower-specific issues. Included in nonaccrual are loans for which FHN continues to receive payments including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy.

Past due loans are loans contractually past due as to interest or principal payments, but which have not yet been put on nonaccrual status.

The following table reflects accruing and non-accruing loans and leases by class on March 31, 2024 and December 31, 2023:

ACCRUING & NON-ACCRUING LOANS AND LEASES

	March 31, 2024								
	Accruing				Non-Accruing				
(Dollars in millions)	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans and Leases
Commercial, financial, and industrial:									
C&I (a)	$ 30,287	$ 55	$ 1	**$ 30,343**	$ 102	$ 30	$ 70	**$ 202**	**$ 30,545**
Loans to mortgage companies	2,362	—	—	**2,362**	4	—	—	**4**	**2,366**
Total commercial, financial, and industrial	32,649	55	1	**32,705**	106	30	70	**206**	**32,911**
Commercial real estate:									
CRE (b)	14,261	8	—	**14,269**	57	28	72	**157**	**14,426**
Consumer real estate:									
HELOC (c)	2,089	12	3	**2,104**	27	4	10	**41**	**2,145**
Real estate installment loans (d)	11,359	39	3	**11,401**	41	13	45	**99**	**11,500**
Total consumer real estate	13,448	51	6	**13,505**	68	17	55	**140**	**13,645**
Credit card and other:									
Credit card	267	2	3	**272**	—	—	—	**—**	**272**
Other	494	3	—	**497**	1	—	1	**2**	**499**
Total credit card and other	761	5	3	**769**	1	—	1	**2**	**771**
Total loans and leases	$ 61,119	$ 119	$ 10	**$ 61,248**	$ 232	$ 75	$ 198	**$ 505**	**$ 61,753**

	December 31, 2023																
	Accruing								Non-Accruing								
(Dollars in millions)		Current		30-89 Days Past Due		90+ Days Past Due		Total Accruing		Current		30-89 Days Past Due		90+ Days Past Due		Total Non-Accruing	Total Loans and Leases
Commercial, financial, and industrial:																	
C&I (a)	$	30,398	$	31	$	1	$	30,430	$	108	$	18	$	53	$	179	$ 30,609
Loans to mortgage companies		2,018		1		—		2,019		5		—		—		5	2,024
Total commercial, financial, and industrial		32,416		32		1		32,449		113		18		53		184	32,633
Commercial real estate:																	
CRE (b)		14,072		8		—		14,080		41		—		95		136	14,216
Consumer real estate:																	
HELOC (c)		2,158		11		4		2,173		30		6		10		46	2,219
Real estate installment loans (d)		11,295		29		13		11,337		43		6		45		94	11,431
Total consumer real estate		13,453		40		17		13,510		73		12		55		140	13,650
Credit card and other:																	
Credit card		271		3		3		277		—		—		—		—	277
Other		512		2		—		514		1		—		1		2	516
Total credit card and other		783		5		3		791		1		—		1		2	793
Total loans and leases	$	60,724	$	85	$	21	$	60,830	$	228	$	30	$	204	$	462	$ 61,292

(a) $ 191 million and $ 178 million of C&I loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance in 2024 and 2023, respectively.
(b) $ 150 million and $ 129 million of CRE loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance in 2024 and 2023, respectively.
(c) $ 4 million of HELOC loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance in both 2024 and 2023, respectively.
(d) $ 9 million and $ 10 million of real estate installment loans are nonaccrual loans that have been specifically reviewed for impairment with no related allowance in 2024 and 2023, respectively.

Collateral-Dependent Loans

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

As of March 31, 2024 and December 31, 2023, FHN had commercial loans with amortized cost of approximately $ 264 million and $ 250 million, respectively, that were based on the value of underlying collateral. Collateral-dependent C&I and CRE loans totaled $ 145 million and $ 119 million, respectively, at March 31, 2024. The collateral for these loans generally consists of business assets including land, buildings, equipment, and financial assets. During the three months ended March 31, 2024, FHN recognized charge-offs of $ 22 million on these loans related to reductions in estimated collateral values.

Consumer HELOC and real estate installment loa ns with amortized cost based on the value of underlying real estate collateral were approximately $ 6 million and $ 26 million, respectively, as of March 31, 2024 and $ 6 million and $ 27 million, respectively, as of December 31, 2023. Charge-offs relating to collateral-dependent consumer loans for the three months ended March 31, 2024 and March 31, 2023 were not significant.

Loan Modifications to Troubled Borrowers

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. Modifications could include extension of the maturity date, reductions of the interest rate, reduction or forgiveness of accrued interest, or principal forgiveness. Combinations of these modifications may also be made for individual loans. Extensions and modifications to loans are made in accordance with internal policies and guidelines which conform to regulatory guidance. Principal reductions may be made in limited circumstances, typically for specific commercial loan workouts, and in the event of borrower bankruptcy. Each occurrence is unique to the borrower and is evaluated separately.

Troubled loans are considered those in which the borrower is experiencing financial difficulty. The assessment of whether a borrower is experiencing financial difficulty can be subjective in nature and management's judgment may be required in making this determination. 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 absent a modification. Many aspects of a borrower's financial situation are assessed when determining whether they are experiencing financial difficulty.

Troubled commercial loans are typically modified through forbearance agreements which could include reduced interest rates, reduced payments, term extension, or entering into short sale agreements. Principal reductions may occur in specific circumstances.

Modifications for troubled consumer loans are generally structured using parameters of U.S. government-sponsored programs. For HELOC and real estate installment loans, troubled loans are typically modified by an interest rate reduction and a possible maturity date extension to reach an affordable housing debt-to-income ratio. Despite the absence of a loan modification by FHN, the discharge of personal liability through bankruptcy proceedings is considered a court-imposed modification.

For the credit card portfolio, troubled loan modifications are typically enacted 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 six months to one year. In the credit card workout program, borrowers are granted a rate reduction to 0% and a term extension for up to five years.

Modifications to Borrowers Experiencing Financial Difficulty

The following tables present the amortized cost basis at the end of the reporting period of loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of modification made, as well as the financial effect of the modifications made as of March 31, 2024:

LOAN MODIFICATIONS TO BORROWERS EXPERIENCING FINANCIAL DIFFICULTY

	Interest Rate Reduction					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
Consumer real estate (a)	$ —	— %	Reduced weighted-average contractual interest rate from 9.95 % to 6.75 %	$ —	— %	N/A
Credit card and other (a)	—	—	Reduced weighted-average contractual interest rate from 20.50 % to 0.00 %	—	—	N/A
Total	$ —	— %		$ —	— %	

(a) Balance less than $1 million.

	Term Extension					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
C&I	$ 64	0.2 %	Added an estimated weighted-average 1.4 years to the life of loans, which reduced monthly payment amounts for the borrowers	$ 63	0.2 %	Added a weighted-average 1 year to the life of loans, which reduced monthly payment amounts for the borrowers
CRE	19	0.1	Added an estimated weighted-average 0.8 years to the life of loans, which reduced monthly payment amounts for the borrowers	32	0.2	Added a weighted-average 0.6 years to the life of loans, which reduced monthly payment amounts for the borrowers
Consumer real estate	—	—	N/A	1	—	Added a weighted-average 14.9 years to the life of loans, which reduced monthly payment amounts for the borrowers
Total	$ 83	0.1 %		$ 96	0.2 %	

	Principal Forgiveness					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
Consumer real estate (a)	$ —	— %	Less than $ 1 million of the principal of consumer loans was legally discharged in bankruptcy during the period and the borrowers have not re-affirmed the debt as of period end	$ —	— %	N/A
Total	$ —	— %		$ —	— %	

(a) Balance less than $1 million

	Payment Deferrals					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
Consumer real estate	$ —	— %	N/A	$ 4	— %	Payment deferral for 11 months, with a balloon payment at the end of the term
Total	$ —	— %		$ 4	— %	

	Combination - Term Extension and Interest Rate Reduction					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
Consumer real estate	$ 1	— %	Added an estimated weighted-average 18.8 years to the life of loans and reduced weighted-average contractual interest rate from 6.43 % to 3.69 %	$ 2	— %	Added a weighted-average 8.8 years to the life of loans and reduced weighted-average contractual interest rate from 5.00 % to 4.90 %
Total	$ 1	— %		$ 2	— %	

	Combination - Principal Forgiveness and Term Extension					
	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023		
(Dollars in millions)	**Balance**	**% of Total Class**	**Financial Effect**	Balance	% of Total Class	Financial Effect
C&I	$ —	— %	N/A	$ 18	0.1 %	Reduced the balance of the loans by $ 2 million and added a weighted-average 6.2 years to the life of the loans
Total	$ —	— %		$ 18	— %	

Loan modifications to borrowers experiencing financial difficulty that had a payment default during the period and were modified in the 12 months before default totaled $ 1 million for the three months ended March 31, 2024 and were insignificant for the three months ended March 31, 2023. FHN closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

The following table depicts the performance of loans that have been modified in the last 12 months:

PERFORMANCE OF LOANS THAT HAVE BEEN MODIFIED IN THE LAST 12 MONTHS

	March 31, 2024			
(Dollars in millions)	Current	30-89 Days Past Due	90+ Days Past Due	Non-Accruing
C&I	$ 100	$ 1	$ —	$ 18
CRE	19	—	—	28
Consumer Real Estate	4	—	—	3
Credit Card and Other	—	—	—	—
Total	$ 123	$ 1	$ —	$ 49

Note 4— Allowance for Credit Losses

Management's estimate of expected credit losses in the loan and lease portfolios is recorded in the ALLL and the reserve for unfunded lending commitments, collectively referred to as the Allowance for Credit Losses, or the ACL. The ALLL and the reserve for unfunded lending commitments are reported on the Consolidated Balance Sheets in the allowance for loan and lease losses and in other liabilities, respectively. Provisions for credit losses related to loans and leases and unfunded lending commitments are reported in the Consolidated Statements of Income as provision for credit losses.

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

The expected loan losses are the product of multiplying FHN's estimates of probability of default (PD), loss given default (LGD), and individual loan level exposure at default (EAD), including amortization and prepayment assumptions, on an undiscounted basis. FHN uses models or assumptions to develop the expected loss forecasts, which incorporate multiple macroeconomic forecasts over a four-year reasonable and supportable forecast period. After the reasonable and supportable forecast period, the Company immediately reverts to its historical loss averages, evaluated over the historical observation period, for the remaining estimated life of the loans. In order to capture the unique risks of the loan portfolio within the PD, LGD, and prepayment models, FHN segments the portfolio into pools, generally incorporating loan grades for commercial loans. As there can be no certainty that actual economic performance will precisely follow any specific macroeconomic forecast, FHN uses qualitative adjustments where current loan characteristics or current or forecasted economic conditions differ from historical periods.

The evaluation of quantitative and qualitative information is performed through assessments of groups of assets that share similar risk characteristics and certain individual loans and leases that do not share similar risk characteristics with the collective group. As described in Note 3 - Loans and Leases, loans are grouped generally by product type and significant loan portfolios are assessed for credit losses using analytical or statistical models. The quantitative component utilizes economic forecast information as its foundation and is primarily based on analytical models that use known or estimated data as of the balance sheet date and forecasted data over the reasonable and supportable period. The ACL is also affected by qualitative factors that FHN considers to reflect current judgment of various events and risks that are not measured in the quantitative calculations, including alternative economic forecasts.

In accordance with its accounting policy elections, FHN does not recognize a separate allowance for expected credit losses for AIR and records reversals of AIR as reductions of interest income. FHN reverses previously accrued but uncollected interest when an asset is placed on nonaccrual status. AIR and the related allowance for expected credit losses is included as a component of other assets. The total amount of interest reversals from loans placed on nonaccrual status and the amount of income recognized on nonaccrual loans during the three months ended March 31, 2024 and 2023 were not material.

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

The increase in the ACL balance as of March 31, 2024 as compared to December 31, 2023 largely reflects an evolving macroeconomic outlook, modest grade migration, and net commercial loan balance increases. In developing credit loss estimates for its loan and lease portfolios, FHN utilized two Moody's forecast scenarios for its macroeconomic inputs. As of March 31, 2024, among other things, FHN's scenario selection process factored in the outlook for production, inflation, interest rates, employment, real estate prices, international conflict, and grade migration. FHN selected one scenario as its base case, which was the Moody's baseline scenario. The heaviest weight was placed on this scenario. A smaller weight was placed on the FHN-selected downside scenario.

Management also made qualitative adjustments to reflect estimated recoveries based on a review of prior charge-off and recovery levels, for default risk associated with large balances with individual borrowers, for estimated loss amounts not reflected in historical factors due to specific portfolio risk, and for instances where limited data for acquired loans is considered to affect modeled results.

The following table provides a rollforward of the ALLL and the reserve for unfunded lending commitments by portfolio type for the three months ended March 31, 2024 and 2023:

ROLLFORWARD OF ALLL & RESERVE FOR UNFUNDED LENDING COMMITMENTS

(Dollars in millions)	Commercial, Financial, and Industrial (a)	Commercial Real Estate	Consumer Real Estate	Credit Card and Other	Total
	Three Months Ended March 31, 2024				
Allowance for loan and lease losses:					
Balance as of January 1, 2024	$ 339	$ 172	$ 233	$ 29	$ 773
Charge-offs	(28)	(12)	—	(6)	(46)
Recoveries	3	—	1	2	6
Provision for loan and lease losses	34	21	(3)	2	54
Balance as of March 31, 2024	**$ 348**	**$ 181**	**$ 231**	**$ 27**	**$ 787**
Reserve for remaining unfunded commitments:					
Balance as of January 1, 2024	$ 49	$ 22	$ 12	$ —	$ 83
Provision for remaining unfunded commitments	—	(4)	—	—	(4)
Balance as of March 31, 2024	**49**	**18**	**12**	**—**	**79**
Allowance for credit losses as of March 31, 2024	**$ 397**	**$ 199**	**$ 243**	**$ 27**	**$ 866**
	Three Months Ended March 31, 2023				
Allowance for loan and lease losses:					
Balance as of January 1, 2023	$ 308	$ 146	$ 200	$ 31	$ 685
Adoption of ASU 2022-02	1	—	(7)	—	(6)
Charge-offs	(14)	(2)	(1)	(5)	(22)
Recoveries	3	—	2	1	6
Provision for loan and lease losses	27	6	15	4	52
Balance as of March 31, 2023	$ 325	$ 150	$ 209	$ 31	$ 715
Reserve for remaining unfunded commitments:					
Balance as of January 1, 2023	$ 55	$ 22	$ 10	$ —	$ 87
Provision for remaining unfunded commitments	(2)	(1)	1	—	(2)
Balance as of March 31, 2023	53	21	11	—	85
Allowance for credit losses as of March 31, 2023	$ 378	$ 171	$ 220	$ 31	$ 800

(a) C&I loans as of March 31, 2024 and 2023 include $ 23 million and $ 53 million in PPP loans, respectively, which due to the government guarantee and forgiveness provisions are considered to have no credit risk and therefore have no allowance for loan and lease losses.

The following table presents gross charge-offs by year of origination for the three months ended March 31, 2024 and 2023:

GROSS CHARGE-OFFS

Dollars in millions)	2024	2023	2022	2021	2020	Prior to 2020	Revolving Loans	Total
C&I	$ —	$ —	$ 7	$ 13	$ 1	$ 6	$ 1	$ 28
CRE	—	—	—	—	—	12	—	12
Consumer Real Estate	—	—	—	—	—	—	—	—
Credit Card and Other	2	—	—	—	—	1	3	6
Total	**$ 2**	**$ —**	**$ 7**	**$ 13**	**$ 1**	**$ 19**	**$ 4**	**$ 46**

	2023	2022	2021	2020	2019	Prior to 2019	Revolving Loans	Total
C&I	$ —	$ 5	$ —	$ 1	$ —	$ 6	$ 2	$ 14
CRE	—	—	—	—	2	—	—	2
Consumer Real Estate	—	—	—	—	—	1	—	1
Credit Card and Other	—	—	—	—	—	3	2	5
Total	$ —	$ 5	$ —	$ 1	$ 2	$ 10	$ 4	$ 22

Note 5— Mortgage Banking Activity

FHN originates mortgage loans for sale into the secondary market. These loans primarily consist of residential first lien mortgages that conform to standards established by GSEs that are major investors in U.S. home mortgages, but can also consist of junior lien and jumbo loans secured by residential property. These loans are primarily sold to private companies that are unaffiliated with the GSEs on a servicing-released basis. Gains and losses on these mortgage loans are included in mortgage banking income on the Consolidated Statements of Income.

At March 31, 2024, FHN had approximately $ 33 million of loans that remained from pre-2009 mortgage business operations of legacy First Horizon. Activity related to the pre-2009 mortgage loans was primarily limited to payments and write-offs in 2024 and 2023, with no new originations or loan sales, and only an insignificant amount of repurchases. These loans are excluded from the disclosure below.

The following table summarizes activity related to residential mortgage loans held for sale as of and for the three months ended March 31, 2024 and the year ended December 31, 2023.

MORTGAGE LOAN ACTIVITY

(Dollars in millions)	**March 31, 2024**	December 31, 2023
Balance at beginning of period	**$ 62**	$ 44
Originations and purchases	**179**	692
Sales, net of gains	**(164)**	(674)
Balance at end of period	**$ 77**	$ 62

Mortgage Servicing Rights

FHN records mortgage servicing rights at the lower of cost or market value and amortizes them over the remaining servicing life of the loans, with consideration given to prepayment assumptions.

Mortgage servicing rights are included in other assets on the Consolidated Balance Sheets. Mortgage servicing rights had the following carrying values as of the periods indicated in the table below.

MORTGAGE SERVICING RIGHTS

	March 31, 2024			December 31, 2023		
(Dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Mortgage servicing rights	**$ 25**	**$ (7)**	**$ 18**	$ 25	$ (7)	$ 18

In addition, there was an insignificant amount of non-mortgage and commercial servicing rights as of March 31, 2024 and December 31, 2023. Total mortgage servicing fees included in mortgage banking income were $ 1 million for the three months ended March 31, 2024 and 2023.

Note 6— Goodwill and Other Intangible Assets

Goodwill

The following is a summary of goodwill by reportable segment included in the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023.

GOODWILL

(Dollars in millions)	Regional Banking	Specialty Banking	Total
December 31, 2022 (a)	$ 825	$ 686	$ 1,511
Additions	—	—	—
Divestitures (b)	—	(1)	(1)
December 31, 2023	$ 825	$ 685	$ 1,510
Additions	—	—	—
Divestitures	—	—	—
March 31, 2024	**$ 825**	**$ 685**	**$ 1,510**

(a) FHN reorganized its internal management structure and reallocated goodwill in its reportable segments effective January 1, 2024. Prior periods have been revised to reflect this reallocation.

(b) Reduction in goodwill is related to the divestiture of FHN Financial Main Street Advisors assets in December 2023.

FHN performed the required annual goodwill impairment test as of October 1, 2023. The annual qualitative impairment test did not indicate impairment in any of FHN's reporting units as of the testing date. Following the testing date, management evaluated the events and circumstances that could indicate that goodwill might be impaired and concluded that it is not more likely than not that goodwill was impaired. If there are any triggering events between annual periods, management will evaluate whether an impairment analysis is warranted. FHN will conduct its annual impairment analysis as of October 1, 2024.

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

Other intangible assets

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

OTHER INTANGIBLE ASSETS

	March 31, 2024			December 31, 2023		
(Dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	**$ 368**	**$ (218)**	**$ 150**	$ 368	$ (208)	$ 160
Client relationships	**32**	**(16)**	**16**	32	(16)	16
Other (a)	**27**	**(18)**	**9**	27	(17)	10
Total	**$ 427**	**$ (252)**	**$ 175**	$ 427	$ (241)	$ 186

(a) Includes non-compete covenants and purchased credit card intangible assets. Also includes state banking licenses which are not subject to amortization.

Note 7— Preferred Stock

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

PREFERRED STOCK

(Dollars in millions)								March 31, 2024	December 31, 2023
	Issuance Date	Earliest Redemption Date (a)	Annual Dividend Rate		Dividend Payments	Shares Outstanding	Liquidation Amount	Carrying Amount	Carrying Amount
Series B	7/2/2020	8/1/2025	6.625 %	(b)	Semi-annually	8,000	$ 80	**$ 77**	$ 77
Series C	7/2/2020	5/1/2026	6.600 %	(c)	Quarterly	5,750	58	**59**	59
Series D	7/2/2020	5/1/2024	6.100 %	(d)	Semi-annually	10,000	100	**94**	94
Series E	5/28/2020	10/10/2025	6.500 %		Quarterly	1,500	150	**145**	145
Series F	5/3/2021	7/10/2026	4.700 %		Quarterly	1,500	150	**145**	145
						26,750	$ 538	**$ 520**	$ 520

(a) Denotes earliest optional redemption date. Earlier redemption is possible, at FHN's election, if certain regulatory capital events occur.
(b) As a result of LIBOR transition, the fixed dividend rate will reset on August 1, 2025 to three-month CME Term SOFR plus 4.52361 % (0.26161 % plus 4.262 %).
(c) As a result of LIBOR transition, the fixed dividend rate will reset on May 1, 2026 to three-month CME Term SOFR plus 5.18161 % (0.26161 % plus 4.920 %).
(d) On April 1, 2024, FHN provided notice of its intent to redeem all outstanding shares of its Series D Preferred Stock on May 1, 2024. The fixed dividend rate was set to convert to three-month CME Term SOFR plus 4.12061 % (0.26161 % plus 3.859 %) on May 1, 2024. See Note 17 — Subsequent Events for more information.

Subsidiary Preferred Stock

First Horizon Bank has issued 300,000 shares of Class A Non-Cumulative Perpetual Preferred Stock (Class A Preferred Stock) with a liquidation preference of $ 1,000 per share. Dividends on the Class A Preferred Stock, if declared, accrue and are payable each quarter, in arrears, at a floating rate equal to the greater of three-month CME Term SOFR plus 1.11161 % (0.26161 % plus 0.85 %) or 3.75 % per annum. These securities qualify fully as Tier 1 capital for both First Horizon Bank and FHN. On March 31, 2024 and December 31, 2023, $ 295 million of Class A Preferred Stock was recognized as noncontrolling interest on the Consolidated Balance Sheets.

FT Real Estate Securities Company, Inc. (FTRESC), an indirect subsidiary of FHN, has issued 50 shares of 9.50 % Cumulative Preferred Stock, Class B (Class B Preferred Shares), with a liquidation preference of $ 1 million per share; of those shares, 47 were issued to nonaffiliates. FTRESC is a real estate investment trust 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. At March 31, 2024 and December 31, 2023, the Class B Preferred Shares qualified as Tier 2 regulatory capital. For all periods presented, these securities are presented in the Consolidated Balance Sheets as term borrowings.

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.

Note 8— Components of Other Comprehensive Income (Loss)

The following table provides the changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended March 31, 2024 and 2023:

ACCUMULATED OTHER COMPREHENSIVE INCOME

(Dollars in millions)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of Jan 1, 2024	$ (836)	$ (80)	$ (272)	$ (1,188)
Net unrealized gains (losses)	(55)	(43)	—	(98)
Amounts reclassified from AOCI	—	13	2	15
Other comprehensive income (loss)	(55)	(30)	2	(83)
Balance as of March 31, 2024	**$ (891)**	**$ (110)**	**$ (270)**	**$ (1,271)**

(Dollars in millions)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of Jan 1, 2023	$ (973)	$ (127)	$ (268)	$ (1,368)
Net unrealized gains (losses)	114	33	—	147
Amounts reclassified from AOCI	—	11	2	13
Other comprehensive income (loss)	114	44	2	160
Balance as of March 31, 2023	$ (859)	$ (83)	$ (266)	$ (1,208)

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

RECLASSIFICATIONS FROM AOCI

(Dollars in millions)	Three Months Ended March 31,		
Details about AOCI	**2024**	2023	**Affected line item in the statement where net income is presented**
Cash Flow Hedges:			
Realized (gains) losses on cash flow hedges	**$ 17**	$ 15	Interest and fees on loans and leases
Tax expense (benefit)	**(4)**	(4)	Income tax expense
	13	11	
Pension and Postretirement Plans:			
Amortization of prior service cost and net actuarial (gain) loss	**3**	3	Other expense
Tax expense (benefit)	**(1)**	(1)	Income tax expense
	2	2	
Total reclassification from AOCI	**$ 15**	$ 13	

Note 9— Earnings Per Share

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

EARNINGS PER SHARE COMPUTATIONS

	Three Months Ended March 31,	
ɔllars in millions, except per share data; shares in thousands)	**2024**	2023
t income	**$ 197**	$ 255
t income attributable to noncontrolling interest	**5**	4
t income attributable to controlling interest	**192**	251
eferred stock dividends	**8**	8
t income available to common shareholders	**$ 184**	$ 243
eighted average common shares outstanding—basic	**554,977**	536,938
ect of dilutive restricted stock, performance equity awards and options	**2,896**	7,541
ect of dilutive convertible preferred stock (a)	**—**	27,512
eighted average common shares outstanding—diluted	**557,873**	571,991
sic earnings per common share	**$ 0.33**	$ 0.45
luted earnings per common share	**$ 0.33**	$ 0.43

(a) On February 28, 2022, FHN issued $ 494 million of Series G Convertible Preferred Stock, which was converted into common stock on June 26, 2023, following the termination of the TD Merger Agreement. Conversion occurred at the rate of 4,000 common shares per Series G preferred share resulting in 19,742,776 additional common shares outstanding. 2023 includes the impact of the Series G preferred shares based on the original maximum conversion rate (prior to the termination of the TD Merger Agreement).

The following table presents average 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:

ANTI-DILUTIVE EQUITY AWARDS

	Three Months Ended March 31,	
(Shares in thousands)	**2024**	2023
Stock options excluded from the calculation of diluted EPS	**1,652**	—
Weighted average exercise price of stock options excluded from the calculation of diluted EPS	**$ 16.53**	$ 24.36
Other equity awards excluded from the calculation of diluted EPS	**8,382**	3,803

Note 10— Contingencies and Other Disclosures

Contingencies

Contingent Liabilities Overview

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

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

Material Loss Contingency Matters

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

FHN reassesses the liability for litigation matters each quarter as the matters progress. At March 31, 2024, the aggregate amount of liabilities established for all such loss contingency matters was $ 2 million. These liabilities are separate from those discussed under the heading *Mortgage Loan Repurchase and Foreclosure Liability* below.

In each material loss contingency matter, except as otherwise noted, there is more than a remote chance that any of the following outcomes will occur: the plaintiff will substantially prevail; the defense will substantially prevail; the plaintiff will prevail in part; or the matter will be settled by the parties. At March 31, 2024, FHN estimates that for all material loss contingency matters, estimable reasonably possible losses in future periods in excess of currently established liabilities could aggregate in a range from zero to less than $ 1 million.

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

Mortgage Loan Repurchase and Foreclosure Liability

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

Based on currently available information and experience to date, FHN has evaluated its loan repurchase, make-whole, foreclosure, and certain related exposures and has accrued for losses of $ 16 million as of both March 31, 2024 and December 31, 2023. Accrued liabilities for FHN’s estimate of these obligations are reflected in other liabilities on the Consolidated Balance Sheets. Charges/expense reversals to increase/decrease the liability are included within other income on the Consolidated Statements of Income. The estimates are based upon currently available information and fact patterns that exist as of each balance sheet date and could be subject to future changes. Changes to any one of these factors could significantly impact the estimate of FHN’s liability.

The most significant outstanding claim associated with FHN's pre-2009 businesses is a servicing indemnification claim asserted by Nationstar Mortgage LLC, currently doing business as “Mr. Cooper.” Nationstar was the purchaser of FHN’s mortgage servicing obligations and assets in 2013 and 2014 and was FHN’s subservicer. Nationstar asserts several categories of indemnity obligations in connection with mortgage loans under the subservicing arrangement and under the purchase transaction. This matter currently is not in litigation, but litigation in the future is possible. FHN is unable to estimate an RPL range for this matter due to significant uncertainties regarding: the exact nature of each of Nationstar’s claims and its position in respect of each; the number of, and the facts underlying, the claimed instances of indemnifiable events; the applicability of FHN’s contractual indemnity covenants to those facts and events; and, in those cases where the facts and events might support an indemnity claim, whether any legal defenses, counterclaims, other counter-positions, or third-party claims might eliminate or reduce claims against FHN or their impact on FHN.

Other Disclosures

Indemnification Agreements and Guarantees

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

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

Note 11— Retirement Plans

FHN sponsors a noncontributory, qualified defined benefit pension plan to employees hired or re-hired on or before September 1, 2007. Pension benefits are based on years of service, average compensation near retirement or other termination, and estimated social security benefits at age 65 . Benefits under the plan are “frozen” so that years of service and compensation changes after 2012 do not affect the benefit owed. Minimum contributions are based upon actuarially determined amounts necessary to fund the total benefit obligation. Decisions to contribute to the plan are based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. FHN made no contributions to the qualified pension plan in 2023. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan in 2024.

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 $ 6 million for 2023. FHN anticipates making benefit payments under the non-qualified plans of $ 5 million in 2024.

Service cost is included in personnel expense in the Consolidated Statements of Income. All other components of net periodic benefit cost are included in other expense.

For more information on FHN's pension plan and other postretirement benefit plans, see Note 17 - Retirement Plans and Other Employee Benefits in FHN's 2023 Annual Report on Form 10-K.

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

COMPONENTS OF NET PERIODIC BENEFIT COST

	Three months ended March 31,	
(Dollars in millions)	**2024**	2023
Components of net periodic benefit cost		
Interest cost	**$ 8**	$ 8
Expected return on plan assets	**(8)**	(8)
Amortization of unrecognized:		
Actuarial (gain) loss	**3**	3
Net periodic benefit cost	**$ 3**	$ 3

Note 12— Business Segment Information

FHN's operating segments are composed of the following:

- ***Regional Banking*** segment offers financial products and services, including traditional lending and deposit taking, to commercial and consumer clients primarily in the southern U.S. and other selected markets. Regional Banking also provides investment, wealth management, financial planning, trust and asset management services for consumer clients.

- ***Specialty Banking*** segment consists of lines of business that deliver product offerings and services with specialized industry knowledge. Specialty Banking's lines of business include asset-based lending, mortgage warehouse lending, commercial real estate, franchise finance, correspondent banking, equipment finance, and mortgage. In addition to traditional lending and deposit taking, Specialty Banking also delivers treasury management solutions, loan syndications, and international banking. Additionally, Specialty Banking has a line of business focused on fixed income securities sales, trading, underwriting, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory services, and derivative sales.

- ***Corporate*** segment consists primarily of corporate support functions including risk management, audit, accounting, finance, executive office, and corporate communications. Shared support services such as human resources, properties, technology, credit risk and bank operations are allocated to the activities of Regional Banking, Specialty Banking and Corporate. Additionally, the Corporate segment includes centralized management of capital and funding to support the business activities of the company including management of wholesale funding, liquidity, and capital management and allocation. The Corporate segment also includes the revenue and expense associated with run-off businesses such as pre-2009 mortgage banking elements, run-off consumer and trust preferred loan portfolios, and other exited businesses.

Periodically, FHN adapts its segments to reflect managerial or strategic changes. FHN may also modify its methodology of allocating expenses and equity among segments which could change historical segment results. During the first quarter of 2024, FHN made organizational changes in its internal management structure, and accordingly, its segment reporting structure. Prior period segment information has been reclassified to conform to the current period presentation. 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 tables present financial information for each reportable business segment for the three months ended March 31, 2024 and 2023:

SEGMENT FINANCIAL INFORMATION

	Three Months Ended March 31, 2024			
(Dollars in millions)	**Regional Banking**	**Specialty Banking**	**Corporate**	**Consolidated**
Net interest income (expense)	**$ 532**	**$ 153**	**$ (60)**	**$ 625**
Provision for credit losses	**28**	**23**	**(1)**	**50**
Noninterest income	**105**	**72**	**17**	**194**
Noninterest expense (a)	**324**	**104**	**87**	**515**
Income (loss) before income taxes	**285**	**98**	**(129)**	**254**
Income tax expense (benefit)	**67**	**24**	**(34)**	**57**
Net income (loss)	**$ 218**	**$ 74**	**$ (95)**	**$ 197**
Average assets	**$ 43,131**	**$ 23,712**	**$ 14,400**	**$ 81,243**

	Three Months Ended March 31, 2023			
(Dollars in millions)	Regional Banking	Specialty Banking	Corporate	Consolidated
Net interest income (expense)	$ 561	$ 151	$ (24)	$ 688
Provision for credit losses	37	14	(1)	50
Noninterest income	104	56	11	171
Noninterest expense (a)	313	100	65	478
Income (loss) before income taxes	315	93	(77)	331
Income tax expense (benefit)	74	23	(21)	76
Net income (loss)	$ 241	$ 70	$ (56)	$ 255
Average assets	$ 41,292	$ 22,623	$ 14,926	$ 78,841

(a) 2024 includes $ 5 million of restructuring costs and an FDIC special assessment of $ 10 million in the Corporate segment. 2023 includes $ 21 million in merger and integration expenses related to the TD Transaction in the Corporate segment.

The following tables reflect a disaggregation of FHN’s noninterest income by major product line and reportable segment for the three months ended March 31, 2024 and 2023:

NONINTEREST INCOME DETAIL BY SEGMENT

	Three months ended March 31, 2024			
(Dollars in millions)	**Regional Banking**	**Specialty Banking**	**Corporate**	**Consolidated**
Noninterest income:				
Fixed income (a)	**$ —**	**$ 52**	**$ —**	**$ 52**
Deposit transactions and cash management	**39**	**3**	**2**	**44**
Brokerage, management fees and commissions	**24**	**—**	**—**	**24**
Card and digital banking fees	**16**	**1**	**2**	**19**
Other service charges and fees	**6**	**7**	**—**	**13**
Trust services and investment management	**11**	**—**	**—**	**11**
Mortgage banking income	**—**	**9**	**—**	**9**
Other income (b)	**9**	**—**	**13**	**22**
Total noninterest income	**$ 105**	**$ 72**	**$ 17**	**$ 194**

	Three months ended March 31, 2023			
(Dollars in millions)	Regional Banking	Specialty Banking	Corporate	Consolidated
Noninterest income:				
Fixed income (a)	$ —	$ 39	$ —	$ 39
Deposit transactions and cash management	37	3	2	42
Brokerage, management fees and commissions	22	—	—	22
Card and digital banking fees	17	1	2	20
Other service charges and fees	6	7	—	13
Trust services and investment management	11	—	—	11
Mortgage banking income	—	5	—	5
Other income (b)	11	1	7	19
Total noninterest income	$ 104	$ 56	$ 11	$ 171

(a) 2024 and 2023 include $ 10 million of underwriting, portfolio advisory, and other noninterest income in scope of ASC 606, "Revenue From Contracts With Customers."

(b) Includes letter of credit fees and insurance commissions in scope of ASC 606.

Note 13— Variable Interest Entities

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

Consolidated Variable Interest Entities

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

The following table summarizes the carrying value of assets and liabilities associated with rabbi trusts used for deferred compensation plans which are consolidated by FHN as of March 31, 2024 and December 31, 2023:

CONSOLIDATED VIEs

(Dollars in millions)	**March 31, 2024**	December 31, 2023
Assets:		
Other assets	**$ 186**	$ 177
Liabilities:		
Other liabilities	**$ 160**	$ 150

Nonconsolidated Variable Interest Entities

Tax Credit Investments

Through designated wholly-owned subsidiaries, First Horizon Bank makes equity investments as a limited partner in various partnerships that sponsor affordable housing projects utilizing the LIHTC. Through designated subsidiaries, First Horizon Bank periodically makes equity investments as a non-managing member in various LLCs that sponsor community development projects utilizing the NMTC. First Horizon Bank also makes equity investments as a limited partner or non-managing member in entities that receive historic tax credits. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN's community reinvestment initiatives. These entities are considered VIEs as First Horizon Bank's subsidiaries represent the holders of the equity investment at risk, but do not have the ability to direct the activities that most significantly affect the performance of the entities. FHN is therefore not the primary beneficiary of any of these entities. Accordingly, FHN does not consolidate these VIEs and accounts for these investments in other assets on the Consolidated Balance Sheets.

FHN accounts for qualifying LIHTC investments under the proportional amortization method (PAM). Effective for periods after 2023, all LIHTC investments qualify for the PAM. Commencing in 2024, FHN has determined that its equity investments in NMTC and historic tax credit entities qualify for the PAM and has made the election to apply the PAM for these programs. Under this method an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance as a component of income tax expense. Prior to 2024, LIHTC investments that did not qualify for the PAM were accounted for using the equity method. Expenses associated with non-qualifying LIHTC investments were not material for the three months ended March 31, 2024 and 2023.

The following table summarizes the impact to income tax expense on the Consolidated Statements of Income for the three months ended March 31, 2024 and 2023 for investments accounted for under the PAM. The impact of these investments is Included in other operating activities, net in the Consolidated Statements of Cash Flows.

TAX CREDIT IMPACTS ON TAX EXPENSE

	Three Months Ended March 31,	
(Dollars in millions)	**2024**	2023
Income tax expense (benefit):		
Amortization of qualifying investments	**$ 15**	$ 13
Tax credits	**(17)**	(14)
Other tax benefits related to qualifying investments	**(2)**	(3)

Small Issuer Trust Preferred Holdings

First Horizon Bank holds variable interests in trusts which have issued mandatorily redeemable preferred capital securities ("trust preferreds") for smaller banking and insurance enterprises. First Horizon Bank has no voting rights for the trusts' activities. The trusts' only assets are junior subordinated debentures of the issuing enterprises. The creditors of the trusts hold no recourse to the assets of First Horizon Bank. Since First Horizon Bank is solely a holder of the trusts' securities, it has no rights which would give it the power to direct the activities that most significantly impact the trusts' economic performance and thus it is not considered the primary beneficiary of the trusts. First Horizon Bank has no contractual requirements to provide financial support to the trusts.

On-Balance Sheet Trust Preferred Securitization

In 2007, First Horizon Bank executed a securitization of certain small issuer trust preferreds for which the underlying trust meets the definition of a VIE as the holders of the equity investment at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the entity's economic performance. Since First Horizon Bank did not retain servicing or other decision-making rights, First Horizon Bank is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the trust's economic performance. Accordingly, First Horizon Bank has accounted for the funds received through the securitization as a term borrowing in its Consolidated Balance Sheets. First Horizon Bank has no contractual requirements to provide financial support to the trust.

Holdings in Agency Mortgage-Backed Securities

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

Commercial Loan Modifications to Borrowers Experiencing Financial Difficulty

For certain troubled commercial loans, First Horizon Bank modifies the terms of the borrower's debt in an effort to increase the probability of receipt of amounts contractually due. Following a modification to borrowers experiencing financial difficulty, 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.

Proprietary Trust Preferred Issuances

In conjunction with its acquisitions, FHN acquired junior subordinated debt underlying multiple issuances of trust preferred debt. All of the trusts are considered VIEs because the ownership interests from the capital contributions to these trusts are not considered "at risk" in evaluating whether the holders of the equity investments at risk in the trusts have the ability to direct the activities that most significantly impact the entities' economic performance. Thus, FHN cannot be the trusts' primary beneficiary because its ownership interests in the trusts are not considered variable interests as they are not considered “at risk”. Consequently, none of the trusts are consolidated by FHN. The following tables summarize FHN’s nonconsolidated VIEs as of March 31, 2024 and December 31, 2023:

NONCONSOLIDATED VIEs AT MARCH 31, 2024

(Dollars in millions)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 574	$ 202	(a)
Other tax credit investments (b)	88	75	Other assets
Small issuer trust preferred holdings (c)	171	—	Loans and leases
On-balance sheet trust preferred securitization	26	88	(d)
Holdings of agency mortgage-backed securities (c)	8,003	—	(e)
Commercial loan modifications to borrowers experiencing financial difficulty (f)	166	—	Loans and leases
Proprietary trust preferred issuances (g)	—	167	Term borrowings

(a) Maximum loss exposure represents $ 372 million of current investments and $ 202 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events and are also recognized in other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2024.
(b) Maximum loss exposure represents the value of current investments.
(c) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts’ securities.
(d) Includes $ 113 million classified as loans and leases and $ 2 million classified as trading securities, which are offset by $ 88 million classified as term borrowings.
(e) Includes $ 256 million classified as trading securities, $ 1.3 billion classified as held to maturity, and $ 6.4 billion classified as securities available for sale.
(f) Maximum loss exposure represents $ 166 million of current receivables with no additional contractual funding commitments on loans related to commercial loan modifications to borrowers experiencing financial difficulty.
(g) No exposure to loss due to nature of FHN's involvement.

NONCONSOLIDATED VIEs AT DECEMBER 31, 2023

(Dollars in millions)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 587	$ 223	(a)
Other tax credit investments (b)	79	64	Other assets
Small issuer trust preferred holdings (c)	173	—	Loans and leases
On-balance sheet trust preferred securitization	26	88	(d)
Holdings of agency mortgage-backed securities (c)	8,402	—	(e)
Commercial loan modifications to borrowers experiencing financial difficulty (f)	129	—	Loans and leases
Proprietary trust preferred issuances (g)	—	167	Term borrowings

(a) Maximum loss exposure represents $ 364 million of current investments and $ 223 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events and are also recognized in other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2024.
(b) Maximum loss exposure represents current investments.
(c) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts’ securities.
(d) Includes $ 113 million classified as loans and leases and $ 2 million classified as trading securities, which are offset by $ 88 million classified as term borrowings.
(e) Includes $ 450 million classified as trading securities, $ 1.3 billion classified as held to maturity, and $ 6.6 billion classified as securities available for sale.
(f) Maximum loss exposure represents $ 129 million of current receivables with no additional contractual funding commitments on loans related to commercial loan modifications to borrowers experiencing financial difficulty.
(g) No exposure to loss due to nature of FHN's involvement.

Note 14— Derivatives

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

Credit risk represents the potential loss that may occur if a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. FHN manages credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties, and by using mutual margining and master netting agreements whenever possible to limit potential exposure. FHN also maintains collateral posting requirements with certain counterparties to limit credit risk. Daily margin posted or received with central clearinghouses is considered a legal settlement of the related derivative contracts which results in a net presentation for each contract in the Consolidated Balance Sheets. Treatment of daily margin as a settlement has no effect on hedge accounting or gains/losses for the applicable derivative contracts. On March 31, 2024 and December 31, 2023, respectively, FHN had $ 665 million and $ 406 million of cash receivables and $ 27 million and $ 33 million of cash payables related to collateral posting under master netting arrangements, inclusive of collateral posted related to contracts with adjustable collateral posting thresholds and over-collateralized positions, with derivative counterparties. With exchange-traded contracts, the credit risk is limited to the clearinghouse used. For non-exchange traded instruments, credit risk may occur when there is a gain in the fair value of the financial instrument and the counterparty fails to perform according to the terms of the contract and/or when the collateral proves to be of insufficient value. See additional discussion regarding master netting agreements and collateral posting requirements later in this note under the heading "Master Netting and Similar Agreements." Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates or the prices of debt instruments. FHN manages market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. FHN continually measures this risk through the use of models that measure value-at-risk and earnings-at-risk.

Derivative Instruments

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

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

Trading Activities

FHNF trades U.S. Treasury, U.S. Agency, government-guaranteed loan, mortgage-backed, corporate and municipal fixed income securities, and other securities for distribution to clients. When these securities settle on a delayed basis, they are considered forward contracts. FHNF also enters into interest rate contracts, including caps, swaps, and floors, for its clients. In addition, FHNF enters into futures and option contracts to economically hedge interest rate risk associated with a portion of its securities inventory. These transactions are measured at fair value, with changes in fair value recognized in noninterest income. Related assets and liabilities are recorded on the Consolidated Balance Sheets as derivative assets and derivative liabilities within other assets and other liabilities. The FHNF Risk Committee and the Credit Risk Management Committee collaborate to mitigate credit risk related to these transactions. Credit risk is controlled through credit approvals, risk control limits, and ongoing monitoring procedures. Total trading revenues were $ 45 million and $ 27 million for the three months ended March 31, 2024 and 2023, respectively.

Trading revenues are inclusive of both derivative and non-derivative financial instruments and are included in fixed income on the Consolidated Statements of Income.

The following table summarizes derivatives associated with FHNF's trading activities as of March 31, 2024 and December 31, 2023:

DERIVATIVES ASSOCIATED WITH TRADING

	March 31, 2024		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Customer interest rate contracts	**$ 4,173**	**$ 9**	**$ 232**
Offsetting upstream interest rate contracts	**4,380**	**166**	**10**
Forwards and futures purchased	**1,629**	**4**	**1**
Forwards and futures sold	**1,576**	**1**	**3**

	December 31, 2023		
(Dollars in millions)	Notional	Assets	Liabilities
Customer interest rate contracts	$ 4,067	$ 22	$ 197
Offsetting upstream interest rate contracts	4,273	135	23
Forwards and futures purchased	777	9	—
Forwards and futures sold	912	—	9

Interest Rate Risk Management

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

The following table summarizes FHN’s derivatives associated with interest rate risk management activities as of March 31, 2024 and December 31, 2023:

DERIVATIVES ASSOCIATED WITH INTEREST RATE RISK MANAGEMENT

	March 31, 2024		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	**$ 8,290**	**$ 7**	**$ 465**
Offsetting upstream interest rate contracts	**8,290**	**462**	**8**

	December 31, 2023		
(Dollars in millions)	Notional	Assets	Liabilities
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	$ 8,375	$ 21	$ 392
Offsetting upstream interest rate contracts	8,375	389	22

The following table summarizes gains (losses) on FHN's derivatives associated with interest rate risk management activities for the three months ended March 31, 2024 and 2023:

DERIVATIVE GAINS (LOSSES) ASSOCIATED WITH INTEREST RATE RISK MANAGEMENT

	Three Months Ended March 31,	
	2024	2023
(Dollars in millions)	**Gains (Losses)**	Gains (Losses)
Customer Interest Rate Contracts Hedging		
Hedging Instruments and Hedged Items:		
Customer interest rate contracts (a)	**$ (86)**	$ 160
Offsetting upstream interest rate contracts (a)	**86**	(160)

(a) Gains (losses) included in other expense within the Consolidated Statements of Income.

Cash Flow Hedges

Prior to 2021, FHN entered into pay floating, receive fixed interest rate swaps designed to manage its exposure to the variability in cash flows related to interest payments on debt instruments. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments that historically were based on 1-month LIBOR. In second quarter 2023, the remaining hedge was revised to reference 1-month Term SOFR after the cessation of LIBOR-based cash flows. This hedge matured in first quarter 2024. In conjunction with the IBKC merger, FHN acquired interest rate contracts (floors and collars) which were re-designated as cash flow hedges. The debt instruments associated with these hedges also primarily consisted of held-to-maturity commercial loans that had variable interest payments that were based on 1-month LIBOR. The last hedge acquired in conjunction with the IBKC merger matured in second quarter 2023.

In 2022, FHN entered into interest rate contracts (floors and swaps) which have been designated as cash flow hedges. These hedges reference 1-month Term SOFR and FHN made certain elections under ASU 2020-04 to facilitate qualification for hedge accounting during the time that hedged items transitioned away from 1-Month LIBOR.

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

The following tables summarize FHN's derivative activities associated with cash flow hedges as of March 31, 2024 and December 31, 2023:

DERIVATIVES ASSOCIATED WITH CASH FLOW HEDGES

	March 31, 2024		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Cash Flow Hedges			
Hedging Instruments:			
Interest rate contracts	**$ 5,000**	**$ —**	**$ 76**
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	**N/A**	**$ 5,000**	**N/A**

	December 31, 2023		
(Dollars in millions)	Notional	Assets	Liabilities
Cash Flow Hedges			
Hedging Instruments:			
Interest rate contracts	$ 5,200	$ —	$ 32
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	N/A	$ 5,200	N/A

The following table summarizes gains (losses) on FHN's derivatives associated with cash flow hedges for the three months ended March 31, 2024 and 2023:

DERIVATIVE GAINS (LOSSES) ASSOCIATED WITH CASH FLOW HEDGES

	Three Months Ended March 31,	
	2024	2023
(Dollars in millions)	**Gains (Losses)**	Gains (Losses)
Cash Flow Hedges		
Hedging Instruments:		
Interest rate contracts (a)	**$ (39)**	$ 53
Gain (loss) recognized in other comprehensive income (loss)	**(43)**	33
Gain (loss) reclassified from AOCI into interest income	**13**	11

(a) Approximately $ 20 million of pre-tax losses are expected to be reclassified into earnings in the next twelve months.

Other Derivatives

FHN has mortgage banking operations that include the origination and sale of loans into the secondary market. As part of the origination of loans, FHN enters into interest rate lock commitments with borrowers. Additionally, FHN enters into forward sales contracts with buyers for delivery of loans at a future date. Both of these contracts qualify as freestanding derivatives and are recognized at fair value through earnings. The notional and fair values of these contracts are presented in the table below.

DERIVATIVES ASSOCIATED WITH MORTGAGE BANKING HEDGES

	March 31, 2024		
(Dollars in millions)	**Notional**	**Assets**	**Liabilities**
Mortgage Banking Hedges			
Option contracts written	**$ 102**	**$ 2**	**$ —**
Forward contracts written	**158**	**—**	**1**

	December 31, 2023		
(Dollars in millions)	Notional	Assets	Liabilities
Mortgage Banking Hedges			
Option contracts written	$ 55	$ 1	$ —
Forward contracts written	93	—	1

The following table summarizes gains (losses) on FHN's derivatives associated with mortgage banking activities for the three months ended March 31, 2024 and 2023:

DERIVATIVE GAINS (LOSSES) ASSOCIATED WITH MORTGAGE BANKING HEDGES

	Three Months Ended March 31,	
	2024	2023
(Dollars in millions)	**Gains (Losses)**	Gains (Losses)
Mortgage Banking Hedges		
Option contracts written	**$ (1)**	$ (1)
Forward contracts written	**—**	(1)

In conjunction with pre-2020 sales of Visa Class B shares, FHN entered into derivative transactions whereby FHN will make or receive cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. As of March 31, 2024 and December 31, 2023, the derivative liabilities associated with the sales of Visa Class B shares were $ 20 million and $ 23 million, respectively. FHN recognized $ 15 million in derivative valuation adjustments related to prior sales of Visa Class B shares for the year ended December 31, 2023. See Note 16 - Fair Value of Assets and Liabilities for discussion of the valuation inputs and processes for these Visa-related derivatives.

FHN utilizes cross currency swaps and cross currency interest rate swaps to economically hedge its exposure to foreign currency risk and interest rate risk associated with non-U.S. dollar denominated loans. As of March 31, 2024 and December 31, 2023, these loans were valued at $ 22 million and $ 17 million, respectively. The balance sheet amount and the gains/losses associated with these derivatives were not significant.

Related to its loan participation/syndication activities, FHN enters into risk participation agreements, under which it assumes exposure for, or receives indemnification for, borrowers' performance on underlying interest rate derivative contracts. FHN's counterparties in these contracts are other lending institutions involved in the loan participation/syndication arrangements for which the underlying interest rate derivative contract is intended to hedge interest rate risk for the borrower. FHN will make (other institution is the lead bank) or receive (FHN is the lead bank) payments for risk participations if the borrower defaults on its obligation to perform under the terms of its interest rate derivative agreement with the lead bank in the participation.

As of March 31, 2024 and December 31, 2023, the notional values of FHN's risk participations were $ 364 million and $ 351 million of derivative assets and $ 872 million and $ 874 million of derivative liabilities, respectively. The notional value for risk participation/syndication agreements is consistent with the percentage of participation in the lending arrangement. FHN's maximum exposure or benefit in the risk participation agreements is contingent on the fair value of the underlying interest rate derivative contracts for which the borrower is in a liability position at the time of default. FHN monitors the credit risk associated with the borrowers to which the risk participations relate through the same credit risk assessment process utilized for establishing credit loss estimates for its loan portfolio. These credit risk estimates are included in the determination of fair value for the risk participations. Assuming all underlying third-party customers referenced in the swap contracts defaulted at March 31, 2024 and December 31, 2023, the exposure from these agreements would not be material based on the fair value of the underlying swaps.

FHN holds certain certificates of deposit with the rate of return based on an equity index which is considered an embedded derivative as a written option that must be separately recognized. The risks of the written option are offset by purchasing an option with terms that mirror the written option, which is also carried at fair value on the Company's Consolidated Balance Sheets. As of March 31, 2024 and December 31, 2023, FHN had recognized an insignificant amount of assets and liabilities associated with these contracts.

Master Netting and Similar Agreements

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

Interest rate derivatives are subject to agreements consistent with standard agreement forms of the ISDA. Currently, all interest rate derivative contracts are entered into as over-the-counter transactions and collateral posting requirements are based on the net asset or liability position with each respective counterparty. For contracts that require central clearing, novation to a counterparty with access to a clearinghouse occurs and initial margin is posted.

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

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

Interest rate derivatives with larger financial institutions 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 $ 5 million of assets and $ 228 million of liabilities on March 31, 2024, and $ 12 million of assets and $ 188 million of liabilities on December 31, 2023. As of March 31, 2024 and December 31, 2023, FHN had received collateral of $ 88 million and $ 95 million and posted collateral of $ 99 million and $ 83 million, respectively, in the normal course of business related to these agreements.

Certain agreements also contain accelerated termination provisions, inclusive of the right of offset, if a counterparty's credit rating falls below a specified level. If a counterparty's debt rating (including FHN's and First Horizon Bank's) were to fall below these minimums, these provisions would be triggered, and the counterparties could terminate the agreements and require immediate settlement of all derivative contracts under the agreements. The net fair value, determined by individual counterparty, of all interest rate derivative instruments with credit-risk-related contingent accelerated termination provisions was $ 5 million of assets and $ 228 million of liabilities on March 31, 2024, and $ 12 million of assets and $ 188 million of liabilities on December 31, 2023. As of March 31, 2024 and December 31, 2023, FHN had received collateral of $ 88 million and $ 95 million and posted collateral of $ 99 million and $ 83 million, respectively, in the normal course of business related to these contracts.

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

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

The following table provides details of derivative assets and collateral received as presented on the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023:

DERIVATIVE ASSETS & COLLATERAL RECEIVED

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheets	Net amounts of assets presented in the Balance Sheets (a)	Derivative liabilities available for offset	Collateral received	Net amount
Derivative assets:						
March 31, 2024						
Interest rate derivative contracts	**$ 645**	**$ —**	**$ 645**	**$ (76)**	**$ (553)**	**$ 16**
Forward contracts	**5**	**—**	**5**	**(2)**	**—**	**3**
	$ 650	**$ —**	**$ 650**	**$ (78)**	**$ (553)**	**$ 19**
December 31, 2023						
Interest rate derivative contracts	$ 567	$ —	$ 567	$ (75)	$ (486)	$ 6
Forward contracts	9	—	9	(4)	(3)	2
	$ 576	$ —	$ 576	$ (79)	$ (489)	$ 8

(a) Included in other assets on the Consolidated Balance Sheets. As of March 31, 2024 and December 31, 2023, $ 1 million and $ 1 million, respectively, of derivative assets have been excluded from these tables because they are generally not subject to master netting or similar agreements.

The following table provides details of derivative liabilities and collateral pledged as presented on the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023:

DERIVATIVE LIABILITIES & COLLATERAL PLEDGED

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheets	Net amounts of liabilities presented in the Balance Sheets (a)	Derivative assets available for offset	Collateral pledged	Net amount
Derivative liabilities:						
March 31, 2024						
Interest rate derivative contracts	**$ 791**	**$ —**	**$ 791**	**$ (76)**	**$ (38)**	**$ 677**
Forward contracts	**4**	**—**	**4**	**(2)**	**(1)**	**1**
	$ 795	**$ —**	**$ 795**	**$ (78)**	**$ (39)**	**$ 678**
December 31, 2023						
Interest rate derivative contracts	$ 666	$ —	$ 666	$ (75)	$ (164)	$ 427
Forward contracts	9	—	9	(4)	(5)	—
	$ 675	$ —	$ 675	$ (79)	$ (169)	$ 427

(a) Included in other liabilities on the Consolidated Balance Sheets. As of March 31, 2024 and December 31, 2023, $ 21 million and $ 24 million, respectively, of derivative liabilities (primarily Visa-related derivatives) have been excluded from these tables because they are generally not subject to master netting or similar agreements.

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

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

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

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

The following table provides details of securities purchased under agreements to resell and collateral pledged by counterparties as of March 31, 2024 and December 31, 2023:

SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheets	Net amounts of assets presented in the Balance Sheets	Offsetting securities sold under agreements to repurchase	Securities collateral (not recognized on FHN's Balance Sheets)	Net amount
Securities purchased under agreements to resell:						
March 31, 2024	**$ 453**	**$ —**	**$ 453**	**$ —**	**$ (450)**	**$ 3**
December 31, 2023	519	—	519	—	(516)	3

The following table provides details of securities sold under agreements to repurchase and collateral pledged by FHN as of March 31, 2024 and December 31, 2023:

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

				Gross amounts not offset in the Balance Sheets		
(Dollars in millions)	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheets	Net amounts of liabilities presented in the Balance Sheets	Offsetting securities purchased under agreements to resell	Securities/ government guaranteed loans collateral	Net amount
Securities sold under agreements to repurchase:						
March 31, 2024	**$ 1,828**	**$ —**	**$ 1,828**	**$ —**	**$ (1,828)**	**$ —**
December 31, 2023	1,921	—	1,921	—	(1,921)	—

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 table provides details, by collateral type, of the remaining contractual maturity of securities sold under agreements to repurchase as of March 31, 2024 and December 31, 2023:

MATURITIES OF SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	March 31, 2024		
(Dollars in millions)	**Overnight and Continuous**	**Up to 30 Days**	**Total**
Securities sold under agreements to repurchase:			
Government agency issued MBS	**$ 1,655**	**$ —**	**$ 1,655**
Government agency issued CMO	**118**	**—**	**118**
Other U.S. government agencies	**55**	**—**	**55**
Total securities sold under agreements to repurchase	**$ 1,828**	**$ —**	**$ 1,828**

	December 31, 2023		
(Dollars in millions)	Overnight and Continuous	Up to 30 Days	Total
Securities sold under agreements to repurchase:			
Government agency issued MBS	$ 1,717	$ —	$ 1,717
Government agency issued CMO	161	—	161
Other U.S. government agencies	43	—	43
Total securities sold under agreements to repurchase	$ 1,921	$ —	$ 1,921

Note 16— 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.

Recurring Fair Value Measurements

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023:

BALANCES OF ASSETS & LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

	March 31, 2024			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Trading securities:				
U.S. treasuries	$ —	$ 6	$ —	$ 6
Government agency issued MBS	—	78	—	78
Government agency issued CMO	—	178	—	178
Other U.S. government agencies	—	233	—	233
States and municipalities	—	21	—	21
Corporate and other debt	—	626	—	626
Interest-only strips (elected fair value)	—	—	19	19
Total trading securities	—	1,142	19	1,161
Loans held for sale (elected fair value)	—	70	14	84
Securities available for sale:				
Government agency issued MBS	—	4,351	—	4,351
Government agency issued CMO	—	2,085	—	2,085
Other U.S. government agencies	—	1,133	—	1,133
States and municipalities	—	579	—	579
Total securities available for sale	—	8,148	—	8,148
Other assets:				
Deferred compensation mutual funds	107	—	—	107
Equity, mutual funds, and other	34	—	—	34
Derivatives, forwards and futures	5	—	—	5
Derivatives, interest rate contracts	—	645	—	645
Total other assets	146	645	—	791
Total assets	$ 146	$ 10,005	$ 33	$ 10,184
Trading liabilities:				
U.S. treasuries	$ —	$ 379	$ —	$ 379
Corporate and other debt	—	88	—	88
Total trading liabilities	—	467	—	467
Other liabilities:				
Derivatives, forwards and futures	4	—	—	4
Derivatives, interest rate contracts	—	791	—	791
Derivatives, other	—	1	20	21
Total other liabilities	4	792	20	816
Total liabilities	$ 4	$ 1,259	$ 20	$ 1,283

	December 31, 2023			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Trading securities:				
U.S. treasuries	$ —	$ 3	$ —	$ 3
Government agency issued MBS	—	114	—	114
Government agency issued CMO	—	336	—	336
Other U.S. government agencies	—	152	—	152
States and municipalities	—	17	—	17
Corporate and other debt	—	777	—	777
Interest-only strips (elected fair value)	—	—	13	13
Total trading securities	—	1,399	13	1,412
Loans held for sale (elected fair value)	—	42	26	68
Securities available for sale:				
Government agency issued MBS	—	4,484	—	4,484
Government agency issued CMO	—	2,146	—	2,146
Other U.S. government agencies	—	1,172	—	1,172
States and municipalities	—	589	—	589
Total securities available for sale	—	8,391	—	8,391
Other assets:				
Deferred compensation mutual funds	102	—	—	102
Equity, mutual funds, and other	34	—	—	34
Derivatives, forwards and futures	9	—	—	9
Derivatives, interest rate contracts	—	568	—	568
Total other assets	145	568	—	713
Total assets	$ 145	$ 10,400	$ 39	$ 10,584
Trading liabilities:				
U.S. treasuries	$ —	$ 426	$ —	$ 426
Government agency issued MBS	—	1	—	1
Corporate and other debt	—	82	—	82
Total trading liabilities	—	509	—	509
Other liabilities:				
Derivatives, forwards and futures	10	—	—	10
Derivatives, interest rate contracts	—	666	—	666
Derivatives, other	—	—	23	23
Total other liabilities	10	666	23	699
Total liabilities	$ 10	$ 1,175	$ 23	$ 1,208

Changes in Recurring Level 3 Fair Value Measurements

The changes in Level 3 assets and liabilities measured at fair value for the three months ended March 31, 2024 and 2023 on a recurring basis are summarized as follows:

CHANGES IN LEVEL 3 ASSETS & LIABILITIES MEASURED AT FAIR VALUE

	Three Months Ended March 31, 2024		
(Dollars in millions)	Interest-only strips	Loans held for sale	Net derivative liabilities
Balance on January 1, 2024	$ 13	$ 26	$ (23)
Total net gains (losses) included in net income	(1)	—	—
Purchases	—	1	—
Sales	(2)	(13)	—
Settlements	—	—	3
Net transfers into (out of) Level 3	9 (b)	—	—
Balance on March 31, 2024	$ 19	$ 14	$ (20)
Net unrealized gains (losses) included in net income	$ (1) (c)	$ — (a)	$ — (d)

	Three Months Ended March 31, 2023		
(Dollars in millions)	Interest-only strips	Loans held for sale	Net derivative liabilities
Balance on January 1, 2023	$ 25	$ 22	$ (27)
Total net gains (losses) included in net income	(3)	—	—
Purchases	—	1	—
Sales	(3)	(2)	—
Settlements	—	—	6
Net transfers into (out of) Level 3	9 (b)	—	—
Balance on March 31, 2023	$ 28	$ 21	$ (21)
Net unrealized gains (losses) included in net income	$ (1) (c)	$ — (a)	$ — (d)

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

There were no net unrealized gains (losses) for Level 3 assets and liabilities included in other comprehensive income as of March 31, 2024 and 2023.

Nonrecurring Fair Value Measurements

From time to time, FHN may be required to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or market (LOCOM) accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis which were still held on the Consolidated Balance Sheets at March 31, 2024, and December 31, 2023, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the related carrying value.

LEVEL OF VALUATION ASSUMPTIONS FOR ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

	Carrying value at March 31, 2024			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale—SBAs and USDA	$ —	$ 284	$ —	$ 284
Loans and leases (a)	—	—	244	244
OREO (b)	—	—	4	4

	Carrying value at December 31, 2023			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale—SBAs and USDA	$ —	$ 406	$ —	$ 406
Loans and leases (a)	—	—	245	245
OREO (b)	—	—	4	4
Other assets (c)	—	—	90	90

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

For assets measured on a nonrecurring basis which were still held on the Consolidated Balance Sheets at period end, the following table provides information about the fair value adjustments recorded during the three months ended March 31, 2024 and 2023:

FAIR VALUE ADJUSTMENTS ON ASSETS MEASURED ON A NONRECURRING BASIS

	Net gains (losses) Three Months Ended March 31,	
(Dollars in millions)	**2024**	2023
Loans held for sale—SBAs and USDA	**$ —**	$ (2)
Loans and leases (a)	**(31)**	(12)
Other assets (b)	**—**	(1)
	$ (31)	$ (15)

(a) Write-downs on these loans are recognized as part of provision for credit losses.
(b) Represents tax credit investments accounted for under the equity method.

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

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

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

Fixed asset and leased asset impairments were immaterial for the three months ended March 31, 2024 and 2023.

Level 3 Measurements

The following table provides information regarding the unobservable inputs utilized in determining the fair value of Level 3 recurring and non-recurring measurements as of March 31, 2024 and December 31, 2023:

UNOBSERVABLE INPUTS USED IN LEVEL 3 FAIR VALUE MEASUREMENTS

(Dollars in millions)				Values Utilized	
Level 3 Class	Fair Value at March 31, 2024	Valuation Techniques	Unobservable Input	Range	Weighted Average (c)
Trading securities - SBA interest-only strips	$ 19	Discounted cash flow	Constant prepayment rate	14 % - 20 %	14 %
			Bond equivalent yield	16 % - 20 %	19 %
Loans held for sale - residential real estate	$ 14	Discounted cash flow	Prepayment speeds - First mortgage	2 % - 6 %	3 %
			Foreclosure losses	63 % - 67 %	65 %
			Loss severity trends - First mortgage	0 % - 2 % of UPB	1 %
Derivative liabilities, other	$ 20	Discounted cash flow	Visa covered litigation resolution amount	$ 5.7 billion - $ 6.7 billion	$ 6.3 billion
			Probability of resolution scenarios	10 % - 25 %	18 %
			Time until resolution	3 - 33 months	22 months
Loans and leases (a)	$ 244	Appraisals from comparable properties	Marketability adjustments for specific properties	0 % - 25 % of appraisal	NM
		Other collateral valuations	Borrowing base certificates liquidation adjustment	25 % - 50 % of gross value	NM
			Financial Statements liquidation adjustment	50 % - 100 % of reported value	NM
			Auction appraisals marketability adjustment	0 % - 10 % of reported value	NM
OREO (b)	$ 4	Appraisals from comparable properties	Adjustment for value changes since appraisal	0 % - 10 % of appraisal	NM

NM - Not meaningful

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

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

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

(Dollars in millions)

Level 3 Class	Fair Value at December 31, 2023	Valuation Techniques	Unobservable Input	Values Utilized Range	Values Utilized Weighted Average (d)
Trading securities - SBA interest-only strips	$ 13	Discounted cash flow	Constant prepayment rate	14 % - 15 %	14 %
			Bond equivalent yield	18 % - 21 %	18 %
Loans held for sale - residential real estate	$ 26	Discounted cash flow	Prepayment speeds - First mortgage	2 % - 7 %	3 %
			Foreclosure losses	64 % - 68 %	65 %
			Loss severity trends - First mortgage	0% - 3 % of UPB	2 %
Derivative liabilities, other	$ 23	Discounted cash flow	Visa covered litigation resolution amount	$ 5.7 billion - $ 6.7 billion	$ 6.3 billion
			Probability of resolution scenarios	10 % - 25 %	18 %
			Time until resolution	6 - 36 months	24 months
Loans and leases (a)	$ 245	Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25 % of appraisal	NM
		Other collateral valuations	Borrowing base certificates liquidation adjustment	25 % - 50 % of gross value	NM
			Financial Statements liquidation adjustment	50 % - 100 % of reported value	NM
			Auction appraisals marketability adjustment	0 % - 10 % of reported value	NM
OREO (b)	$ 4	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10 % of appraisal	NM
Other assets (c)	$ 90	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15 % adjustment to yield	NM
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25 % of appraisal	NM

NM - Not meaningful
(a) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral less estimated costs to sell. Write-downs on these loans are recognized as part of provision for credit losses.
(b) Represents the fair value of foreclosed properties that were measured subsequent to their initial classification as OREO. Balance excludes OREO related to government insured mortgages.
(c) Represents tax credit investments accounted for under the equity method.
(d) Weighted averages are determined by the relative fair value of the instruments or the relative contribution to an instrument's fair value.

Trading Securities - SBA interest-only strips

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 pre-2020 sales of Visa Class B shares, FHN and the purchasers entered into derivative transactions whereby FHN will make, or receive, cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. FHN uses a discounted cash flow methodology in order to estimate the fair value of FHN's derivative liabilities associated with its prior sales of Visa Class B shares. The methodology includes estimation of both the resolution amount for Visa's Covered Litigation matters as well as the length of time until the resolution occurs. Significant increases (decreases) in either of these inputs in isolation would result in significantly higher (lower) fair value measurements for the derivative liabilities. Additionally, FHN performs a probability weighted multiple resolution scenario to calculate the estimated fair value of these derivative liabilities. Assignment of higher (lower) probabilities to the larger potential resolution scenarios would result in an increase (decrease) in the estimated fair value of the derivative liabilities. Since this estimation process requires application of judgment in developing significant unobservable inputs used to determine the possible outcomes and the probability weighting assigned to each scenario, these derivatives have been classified within Level 3 in fair value measurements disclosures.

Loans and leases and Other Real Estate Owned

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

Other assets – tax credit investments

Prior to 2024, the estimated fair value of tax credit investments accounted for under the equity method was generally determined in relation to the yield (i.e., future tax credits to be received) an acquirer of these investments expected in relation to the yields experienced on current new issue and/or secondary market transactions. Thus, as tax credits were recognized, the future yield to a market participant was reduced, resulting in consistent impairment of the individual investments. Individual investments were reviewed for impairment quarterly, which included the consideration of additional marketability discounts related to specific investments which typically included consideration of the underlying property's appraised value.

Fair Value Option

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

Repurchased loans relating to mortgage banking operations conducted prior to the IBKC merger are recognized within loans held for sale at fair value at 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 table reflects 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.

DIFFERENCES BETWEEN FAIR VALUE CARRYING AMOUNTS AND CONTRACTUAL AMOUNTS OF RESIDENTIAL REAL ESTATE LOANS REPORTED AT FAIR VALUE

	March 31, 2024		
(Dollars in millions)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held for sale reported at fair value:			
Total loans	**$ 84**	**$ 89**	**$ (5)**
Nonaccrual loans	**2**	**5**	**(3)**

	December 31, 2023		
(Dollars in millions)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held for sale reported at fair value:			
Total loans	$ 68	$ 73	$ (5)
Nonaccrual loans	2	5	(3)
Loans 90 days or more past due and still accruing	1	1	—

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

CHANGES IN FAIR VALUE RECOGNIZED IN NET INCOME

	Three Months Ended March 31,	
(Dollars in millions)	**2024**	2023
Changes in fair value included in net income:		
Mortgage banking noninterest income		
Loans held for sale	**$ 1**	$ 1

For the three months ended March 31, 2024 and 2023, the amount for residential real estate loans held for sale included an insignificant amount of gains in pre-tax 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.

Determination of Fair Value

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

Short-term financial assets

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

Trading securities and trading liabilities

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

Trading securities - SBA interest-only strips

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

Securities available for sale and held to maturity

Valuations of debt securities are performed using observable inputs obtained from market transactions in similar securities. Typical inputs include benchmark yields, consensus prepayment speeds, and credit spreads. Trades from similar securities and broker quotes are used to support these valuations.

Loans held for sale

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

Fair value of residential real estate loans held for sale determined using a discounted cash flow model incorporates both observable and unobservable inputs. Inputs in the discounted cash flow model include current mortgage rates for similar products, estimated prepayment rates, foreclosure losses, and various loan performance measures (delinquency, LTV, credit score). Adjustments for delinquency and other differences in loan characteristics are typically reflected in the model's discount rates. Loss severity trends and the value of underlying collateral are also considered in assessing the appropriate fair value for severely delinquent loans and loans in foreclosure. The valuation of HELOCs also incorporates estimated cancellation rates for loans expected to become delinquent.

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

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

Mortgage loans held for investment at fair value option

The fair value of mortgage loans held for investment at fair value option is determined by a third party using a discounted cash flow model using various assumptions about future loan performance (constant prepayment rate, constant default rate and loss severity trends) and market discount rates.

Loans held for investment

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

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

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

Derivative assets and liabilities

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

Valuations of other derivatives (primarily interest rate contracts) are based on inputs observed in active markets for similar instruments. Typical inputs include benchmark yields, option volatility and option skew. Centrally cleared derivatives are discounted using SOFR as required by clearinghouses. In measuring the fair value of these derivative assets and liabilities, FHN has elected to consider credit risk based on the net exposure to individual counterparties. Credit risk is mitigated for these instruments through the use of mutual margining and master netting agreements as well as collateral posting requirements. For derivative contracts with daily cash margin requirements that are considered settlements, the daily margin amount is netted within derivative assets or liabilities. Any remaining credit risk related to interest rate derivatives is considered in determining fair value through evaluation of additional factors such as client loan grades and debt ratings. Foreign currency related derivatives also utilize observable exchange rates in the determination of fair value. The determination of fair value for FHN's derivative liabilities associated with its prior sales of Visa Class B shares are classified within Level 3 in the fair value measurements disclosure as previously discussed in the unobservable inputs discussion.

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

OREO

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

Other assets

For disclosure purposes, other assets consist of tax credit investments, FRB and FHLB Stock, deferred compensation mutual funds and equity investments (including other mutual funds) with readily determinable fair values. For periods prior to 2024, tax credit investments accounted for under the equity method were written down to estimated fair value quarterly based on the estimated value of the associated tax credits which incorporated estimates of required yield for hypothetical investors. Subsequent to 2023, the fair value of tax credit investments is estimated using recent transaction information with adjustments for differences in individual investments. Deferred compensation mutual funds are recognized at fair value, which is based on quoted prices in active markets. Investments in the stock of the Federal Reserve Bank and Federal Home Loan Banks are recognized at historical cost in the Consolidated Balance Sheets which is considered to approximate fair value. Investments in mutual funds are measured at the funds' reported closing net asset values. Investments in equity securities are valued using quoted market prices when available.

Defined maturity deposits

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

Short-term financial liabilities

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

Loan commitments

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

Other commitments

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

The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, reduces the comparability of fair value disclosures between financial institutions. Due to market illiquidity, the fair values for loans and leases, loans held for sale, and term borrowings as of March 31, 2024 and December 31, 2023, involve the use of significant internally-developed pricing assumptions for certain components of these line items. The assumptions and valuations utilized for this disclosure are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. The valuations of legacy assets, particularly consumer loans and TRUPS loans within the

Corporate segment, are influenced by changes in economic conditions since origination and risk perceptions of the financial sector. These considerations affect the estimate of a potential acquirer's cost of capital and cash flow volatility assumptions from these assets and the resulting fair value measurements may depart significantly from FHN's internal estimates of the intrinsic value of these assets.

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

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023:

BOOK VALUE AND ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

	March 31, 2024				
	Book	Fair Value			
(Dollars in millions)	Value	Level 1	Level 2	Level 3	Total
Assets:					
Loans and leases, net of allowance for loan and lease losses					
Commercial:					
Commercial, financial and industrial	$ 32,563	$ —	$ —	$ 31,961	$ 31,961
Commercial real estate	14,245	—	—	13,968	13,968
Consumer:					
Consumer real estate	13,414	—	—	12,536	12,536
Credit card and other	744	—	—	708	708
Total loans and leases, net of allowance for loan and lease losses	60,966	—	—	59,173	59,173
Short-term financial assets:					
Interest-bearing deposits with banks	1,885	1,885	—	—	1,885
Federal funds sold	364	—	364	—	364
Securities purchased under agreements to resell	453	—	453	—	453
Total short-term financial assets	2,702	1,885	817	—	2,702
Trading securities (a)	1,161	—	1,142	19	1,161
Loans held for sale:					
Mortgage loans (elected fair value) (a)	84	—	70	14	84
USDA & SBA loans - LOCOM	284	—	284	—	284
Mortgage loans - LOCOM	27	—	—	27	27
Total loans held for sale	395	—	354	41	395
Securities available for sale (a)	8,148	—	8,148	—	8,148
Securities held to maturity	1,311	—	1,131	—	1,131
Derivative assets (a)	650	5	645	—	650
Other assets:					
Tax credit investments	662	—	—	652	652
Deferred compensation mutual funds	107	107	—	—	107
Equity, mutual funds, and other (b)	268	34	—	234	268
Total other assets	1,037	141	—	886	1,027
Total assets	$ 76,370	$ 2,031	$ 12,237	$ 60,119	$ 74,387
Liabilities:					
Defined maturity deposits	$ 6,297	$ —	$ 6,333	$ —	$ 6,333
Trading liabilities (a)	467	—	467	—	467
Short-term financial liabilities:					
Federal funds purchased	309	—	309	—	309
Securities sold under agreements to repurchase	1,828	—	1,828	—	1,828
Other short-term borrowings	566	—	566	—	566
Total short-term financial liabilities	2,703	—	2,703	—	2,703
Term borrowings:					
Real estate investment trust-preferred	47	—	—	47	47
Term borrowings—new market tax credit investment	76	—	—	71	71
Secured borrowings	6	—	—	6	6
Junior subordinated debentures	150	—	—	150	150
Other long-term borrowings	886	—	843	—	843
Total term borrowings	1,165	—	843	274	1,117
Derivative liabilities (a)	816	4	792	20	816
Total liabilities	$ 11,448	$ 4	$ 11,138	$ 294	$ 11,436

(a) Classes are detailed in the recurring and nonrecurring measurement tables.

(b) Level 1 primarily consists of mutual funds with readily determinable fair values. Level 3 includes restricted investments in FHLB-Cincinnati stock of $ 31 million and FRB stock of $ 203 million.

	December 31, 2023				
	Book Value	Fair Value			
(Dollars in millions)		Level 1	Level 2	Level 3	Total
Assets:					
Loans and leases, net of allowance for loan and lease losses					
Commercial:					
Commercial, financial and industrial	$ 32,294	$ —	$ —	$ 31,673	$ 31,673
Commercial real estate	14,044	—	—	13,831	13,831
Consumer:					
Consumer real estate	13,417	—	—	12,605	12,605
Credit card and other	764	—	—	742	742
Total loans and leases, net of allowance for loan and lease losses	60,519	—	—	58,851	58,851
Short-term financial assets:					
Interest-bearing deposits with banks	1,328	1,328	—	—	1,328
Federal funds sold	200	—	200	—	200
Securities purchased under agreements to resell	519	—	519	—	519
Total short-term financial assets	2,047	1,328	719	—	2,047
Trading securities (a)	1,412	—	1,399	13	1,412
Loans held for sale:					
Mortgage loans (elected fair value) (a)	68	—	42	26	68
USDA & SBA loans - LOCOM	406	—	407	—	407
Mortgage loans - LOCOM	28	—	—	28	28
Total loans held for sale	502	—	449	54	503
Securities available for sale (a)	8,391	—	8,391	—	8,391
Securities held to maturity	1,323	—	1,161	—	1,161
Derivative assets (a)	577	9	568	—	577
Other assets:					
Tax credit investments	665	—	—	653	653
Deferred compensation mutual funds	102	102	—	—	102
Equity, mutual funds, and other (b)	261	34	—	227	261
Total other assets	1,028	136	—	880	1,016
Total assets	$ 75,799	$ 1,473	$ 12,687	$ 59,798	$ 73,958
Liabilities:					
Defined maturity deposits	$ 6,804	$ —	$ 6,851	$ —	$ 6,851
Trading liabilities (a)	509	—	509	—	509
Short-term financial liabilities:					
Federal funds purchased	302	—	302	—	302
Securities sold under agreements to repurchase	1,921	—	1,921	—	1,921
Other short-term borrowings	326	—	326	—	326
Total short-term financial liabilities	2,549	—	2,549	—	2,549
Term borrowings:					
Real estate investment trust-preferred	47	—	—	47	47
Term borrowings—new market tax credit investment	65	—	—	60	60
Secured borrowings	3	—	—	3	3
Junior subordinated debentures	150	—	—	150	150
Other long-term borrowings	885	—	824	—	824
Total term borrowings	1,150	—	824	260	1,084
Derivative liabilities (a)	699	10	666	23	699
Total liabilities	$ 11,711	$ 10	$ 11,399	$ 283	$ 11,692

(a) Classes are detailed in the recurring and nonrecurring measurement tables.

(b) Level 1 primarily consists of mutual funds with readily determinable fair values. Level 3 includes restricted investments in FHLB-Cincinnati stock of $ 24 million and FRB stock of $ 203 million.

The following table presents the contractual amount and fair value of unfunded loan commitments and standby and other commitments as of March 31, 2024 and December 31, 2023:

UNFUNDED COMMITMENTS

	Contractual Amount		Fair Value	
(Dollars in millions)	**March 31, 2024**	December 31, 2023	**March 31, 2024**	December 31, 2023
Unfunded Commitments:				
Loan commitments	**$ 23,227**	$ 24,579	**$ 1**	$ 1
Standby and other commitments	**780**	746	**7**	8

Note 17— Subsequent Events

On May 1, 2024 (the "Redemption Date"), FHN redeemed all outstanding shares of its 6.10 % Fixed to Floating Non-Cumulative Perpetual Preferred Stock, Series D (the "Series D Preferred Stock"), and all related outstanding depositary shares, each representing a 1/400th interest in a share of the Series D Preferred Stock ("the Series D Depositary Shares"). After the redemptions, no shares of Series D Preferred Stock, and no Series D Depositary Shares, remain outstanding.

The redemption price was $ 25.00 per Series D Depository Share, corresponding to $ 10,000 per share of Series D Preferred Stock. Accrued dividends were not included in either redemption price because the Redemption Date was also a dividend payment date. The regular Series D semi-annual dividend, which was declared in January, was paid separately in the customary manner on May 1, 2024 to shareholders of record at the close of business on April 16, 2024.

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

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Introduction

First Horizon Corporation (NYSE common stock trading symbol "FHN") is a financial holding company headquartered in Memphis, Tennessee. FHN's principal subsidiary, and only banking subsidiary, is First Horizon Bank. Through the Bank and other subsidiaries, FHN offers commercial, private banking, consumer, small business, wealth and trust management, retail brokerage, capital markets, fixed income, and mortgage banking services.

At March 31, 2024, FHN had over 450 business locations in 24 states, including over 400 banking centers in 12 states, and employed approximately 7,300 associates.

This MD&A should be read in conjunction with the accompanying unaudited Consolidated Financial Statements and Notes to Consolidated Financial Statements in Part I, Item 1, as well as other information contained in this document and FHN's 2023 Annual Report on Form 10-K.

Executive Overview

Significant Events and Transactions

FDIC Special Assessment

In November 2023, the FDIC approved a final rule to implement a special assessment on banks to replenish the deposit insurance fund following the failures of Silicon Valley Bank and Signature Bank. FHN recognized an estimated expense of $68 million for the special assessment in the fourth quarter of 2023. In February 2024, the FDIC indicated that it now expects a larger loss to the deposit insurance fund than originally estimated and that it plans to provide institutions with an updated estimate of their total special assessment amount with its first quarter 2024 special assessment invoice, to be released in June 2024. This updated special assessment total resulted in $10 million in additional estimated FDIC expense recorded in first quarter 2024.

Preferred Stock Redemption

On May 1, 2024, FHN redeemed all outstanding shares of its Series D Preferred Stock with a carrying value of $94 million. The Series D Preferred Stock did not qualify as Tier 1 capital because the earliest redemption date was less than five years from the issuance date. Therefore, the redemption did not impact FHN's regulatory capital ratios. See Note 17 — Subsequent Events for more information.

Financial Performance Summary

FHN reported first quarter 2024 net income available to common shareholders of $184 million, or $0.33 per diluted share, compared to $175 million, or $0.31 per diluted share, in fourth quarter 2023 and $243 million, or $0.43 per diluted share, in first quarter 2023.

Net interest income of $625 million increased $8 million compared to fourth quarter 2023 from the benefit of loan and deposit repricing. Net interest income declined $63 million compared to first quarter 2023 driven by the impact of higher funding costs partially offset by higher yields on earning assets.

Provision for credit losses of $50 million remained unchanged compared to fourth quarter 2023 and first quarter 2023.

Noninterest income of $194 million increased $11 million compared to fourth quarter 2023 and $23 million compared to first quarter 2023, largely driven by higher fixed income production.

Noninterest expense of $515 million decreased $58 million from fourth quarter 2023, largely reflecting the impact of the estimated FDIC special assessment which was $10 million in first quarter 2024 and $68 million in fourth quarter 2023. Compared with first quarter 2023, noninterest expense increased $37 million, or 8%, largely attributable to higher personnel and deposit insurance expense.

Period-end loans and leases of $61.8 billion increased $461 million, or 1%, from December 31, 2023 as commercial loan growth of $488 million was driven by growth in loans to mortgage companies and CRE loans.

Period-end deposits of $65.7 billion remained stable compared to December 31, 2023. Interest-bearing deposits increased $755 million and noninterest-bearing deposits decreased $794 million.

Tier 1 risk-based capital and total risk-based capital ratios at March 31, 2024 were 12.33% and 13.93%, down from 12.42% and 13.96% at December 31, 2023, respectively. The CET1 ratio was 11.31% at March 31, 2024 compared to 11.40% at December 31, 2023.

The following portions of this MD&A focus in more detail on the results of operations for the three months ended March 31, 2024, the three months ended December 31, 2023, and the three months ended March 31, 2023 and on information about FHN's financial condition, loan and lease portfolio, liquidity, funding sources, capital and other matters.

Table I.2.1

KEY PERFORMANCE INDICATORS

(Dollars in millions, except per share data)	As of or for the three months ended **March 31, 2024**	December 31, 2023	March 31, 2023
Pre-provision net revenue (a)	**$ 304**	$ 228	$ 381
Diluted earnings per common share	**$ 0.33**	$ 0.31	$ 0.43
Return on average assets (b)	**0.97 %**	0.91 %	1.32 %
Return on average common equity (c)	**8.76 %**	8.60 %	13.34 %
Return on average tangible common equity (a) (d)	**10.95 %**	10.89 %	17.43 %
Net interest margin (e)	**3.37 %**	3.27 %	3.88 %
Noninterest income to total revenue (f)	**23.72 %**	23.33 %	19.90 %
Efficiency ratio (g)	**62.92 %**	71.14 %	55.67 %
Allowance for loan and lease losses to total loans and leases	**1.27 %**	1.26 %	1.21 %
Net charge-offs (recoveries) to average loans and leases (annualized)	**0.27 %**	0.23 %	0.11 %
Total period-end equity to period-end assets	**11.21 %**	11.38 %	11.02 %
Tangible common equity to tangible assets (a)	**8.33 %**	8.48 %	7.41 %
Cash dividends declared per common share	**$ 0.15**	$ 0.15	$ 0.15
Book value per common share	**$ 15.23**	$ 15.17	$ 14.11
Tangible book value per common share (a)	**$ 12.16**	$ 12.13	$ 10.89
Common equity Tier 1	**11.31 %**	11.40 %	10.36 %
Market capitalization	**$ 8,449**	$ 7,913	$ 9,559

(a) Represents a non-GAAP measure which is reconciled in the non-GAAP to GAAP reconciliation in Table I.2.23.

(b) Calculated using annualized net income divided by average assets.

(c) Calculated using annualized net income available to common shareholders divided by average common equity.

(d) Calculated using annualized net income available to common shareholders divided by average tangible common equity.

(e) Net interest margin is computed using total net interest income adjusted to an FTE basis assuming a statutory federal income tax rate of 21% and, where applicable, state income taxes.

(f) Ratio is noninterest income excluding securities gains (losses) to total revenue excluding securities gains (losses).

(g) Ratio is noninterest expense to total revenue excluding securities gains (losses).

Results of Operations

Net Interest Income

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

The following tables present the major components of net interest income and net interest margin:

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Table I.2.2

AVERAGE BALANCES, NET INTEREST INCOME & YIELDS/RATES

	Three Months Ended								
(Dollars in millions)	**March 31, 2024**			December 31, 2023			March 31, 2023		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Assets:									
Loans and leases:									
Commercial loans and leases	**$ 46,756**	**$ 782**	**6.73 %**	$ 46,731	$ 784	6.65 %	$ 44,848	$ 668	6.04 %
Consumer loans	**14,396**	**173**	**4.80**	14,466	171	4.71	13,226	141	4.26
Total loans and leases	**61,152**	**955**	**6.28**	61,197	955	6.19	58,074	809	5.64
Loans held for sale	**454**	**9**	**7.80**	547	11	8.34	596	11	7.08
Investment securities	**9,590**	**61**	**2.54**	9,394	62	2.62	10,263	63	2.45
Trading securities	**1,245**	**20**	**6.48**	1,225	20	6.63	1,284	20	6.21
Federal funds sold	**73**	**1**	**5.63**	133	2	5.62	47	1	5.19
Securities purchased under agreements to resell	**471**	**6**	**5.09**	396	5	5.22	344	3	4.23
Interest-bearing deposits with banks	**1,793**	**25**	**5.46**	2,556	35	5.46	1,468	17	4.60
Total earning assets / Total interest income	**$ 74,778**	**$ 1,077**	**5.78 %**	$ 75,448	$ 1,090	5.74 %	$ 72,076	$ 924	5.18 %
Cash and due from banks	**948**			994			1,035		
Goodwill and other intangible assets, net	**1,691**			1,702			1,738		
Premises and equipment, net	**587**			589			607		
Allowance for loan and lease losses	**(789)**			(772)			(692)		
Other assets	**4,028**			4,352			4,077		
Total assets	**$ 81,243**			$ 82,313			$ 78,841		
Liabilities and Shareholders' Equity:									
Interest-bearing deposits:									
Savings	**$ 25,390**	**$ 206**	**3.27 %**	$ 25,799	$ 222	3.42 %	$ 21,824	$ 97	1.79 %
Other interest-bearing deposits	**16,735**	**119**	**2.86**	16,344	116	2.81	14,790	58	1.59
Time deposits	**6,628**	**73**	**4.42**	7,372	82	4.42	3,336	16	1.96
Total interest-bearing deposits	**48,753**	**398**	**3.28**	49,515	420	3.37	39,950	171	1.73
Federal funds purchased	**339**	**5**	**5.50**	325	5	5.48	460	5	4.65
Securities sold under agreements to repurchase	**1,675**	**16**	**3.98**	1,657	17	4.12	1,047	7	2.61
Trading liabilities	**462**	**5**	**4.31**	386	4	4.59	324	3	3.83
Other short-term borrowings	**537**	**7**	**5.43**	437	6	5.41	2,188	26	4.79
Term borrowings	**1,156**	**17**	**5.71**	1,156	17	5.75	1,602	20	4.98
Total interest-bearing liabilities / Total interest expense	**$ 52,922**	**$ 448**	**3.40 %**	$ 53,476	$ 469	3.48 %	$ 45,571	$ 232	2.06 %
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	**16,626**			17,347			22,274		
Other liabilities	**2,444**			2,585			2,289		
Total liabilities	**71,992**			73,408			70,134		
Shareholders' equity	**8,956**			8,610			8,412		
Noncontrolling interest	**295**			295			295		
Total shareholders' equity	**9,251**			8,905			8,707		
Total liabilities and shareholders' equity	**$ 81,243**			$ 82,313			$ 78,841		
Net earnings assets / Net interest income (TE) / Net interest spread	**$ 21,856**	**$ 629**	**2.38 %**	$ 21,972	$ 621	2.26 %	$ 26,505	$ 692	3.12 %
Taxable equivalent adjustment		**(4)**	**0.99**		(4)	1.01		(4)	0.76
Net interest income / Net interest margin (a)		**$ 625**	**3.37 %**		$ 617	3.27 %		$ 688	3.88 %

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

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First Quarter 2024 versus Fourth Quarter 2023

Net interest income of $625 million in first quarter 2024 increased $8 million from fourth quarter 2023 and the net interest margin increased 10 basis points to 3.37% from the benefit of loan and deposit repricing. Loan yield increased 9 basis points and the cost of interest-bearing deposits decreased 9 basis points.

Average earning assets of $74.8 billion in first quarter 2024 decreased $670 million from fourth quarter 2023 largely due to a $763 million decrease in average interest-bearing deposits with banks partially offset by a $196 million increase in average investment securities. Average loans and leases were relatively flat compared to the prior quarter. Average interest-bearing liabilities decreased $554 million largely reflecting a $762 million decrease in interest-bearing deposits partially offset by a $100 million increase in other short-term borrowings.

First Quarter 2024 versus First Quarter 2023

Net interest income decreased $63 million from first quarter 2023 and the net interest margin decreased 51 basis points from 3.88% in first quarter 2023, driven by the impact of higher funding costs partially offset by higher yields on earning assets. Funding costs increased 134 basis points while yields on earning assets increased 60 basis points.

Average earning assets increased $2.7 billion from first quarter 2023 largely driven by a $3.1 billion increase in loans and leases and a $325 million increase in average interest-bearing deposits with banks partially offset by a $673 million decrease in investment securities. Average interest-bearing liabilities increased $7.4 billion largely driven by a $8.8 billion increase in interest-bearing deposits.

Noninterest Income

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

Table I.2.3

NONINTEREST INCOME

	Three Months Ended			1Q24 vs. 4Q23		1Q24 vs. 1Q23	
(Dollars in millions)	**March 31, 2024**	December 31, 2023	March 31, 2023	$ Change	% Change	$ Change	% Change
Noninterest income:							
Fixed income	**$ 52**	$ 37	$ 39	$ 15	41 %	$ 13	33 %
Deposit transactions and cash management	**44**	46	42	(2)	(4)	2	5
Brokerage, management fees and commissions	**24**	25	22	(1)	(4)	2	9
Card and digital banking fees	**19**	16	20	3	19	(1)	(5)
Other service charges and fees	**13**	13	13	—	—	—	—
Trust services and investment management	**11**	11	11	—	—	—	—
Mortgage banking income	**9**	5	5	4	80	4	80
Securities gains (losses), net	**—**	(5)	—	5	100	—	—
Other income	**22**	35	19	(13)	(37)	3	16
Total noninterest income	**$ 194**	$ 183	$ 171	$ 11	6 %	$ 23	13 %

First Quarter 2024 versus Fourth Quarter 2023

Noninterest income of $194 million increased $11 million, or 6%, from fourth quarter 2023, largely driven by higher fixed income production.

Fixed income of $52 million increased $15 million from the prior quarter. Fixed income average daily revenue of $731 thousand increased 58% from $463 thousand in fourth quarter 2023, driven by the market's expectation that short-term rates have peaked as well as improved liquidity conditions in the banking sector.

Mortgage banking income of $9 million increased $4 million driven by higher origination volume and improvement in gain-on-sale spreads.

Other income decreased $13 million largely driven by a $9 million gain on an FHN Financial asset disposition in fourth quarter 2023 and a $3 million decrease in FHLB dividends.

First Quarter 2024 versus First Quarter 2023

Noninterest income for first quarter 2024 increased $23 million, or 13%, compared to first quarter 2023, primarily driven by higher fixed income.

Fixed income of $52 million increased $13 million from first quarter 2023, largely reflecting more favorable market conditions.

Mortgage banking income of $9 million increased $4 million driven by higher origination volume and improvement in gain-on-sale spreads.

Noninterest Expense

The following tables present the significant components of noninterest expense for each of the periods presented:

Table I.2.4

NONINTEREST EXPENSE

	Three Months Ended			1Q24 vs. 4Q23		1Q24 vs. 1Q23	
(Dollars in millions)	**March 31, 2024**	December 31, 2023	March 31, 2023	$ Change	% Change	$ Change	% Change
Noninterest expense:							
Personnel expense	**$ 301**	$ 279	$ 271	$ 22	8 %	$ 30	11 %
Net occupancy expense	**31**	31	31	—	—	—	—
Computer software	**30**	29	28	1	3	2	7
Deposit insurance expense	**24**	82	12	(58)	(71)	12	100
Operations services	**21**	22	22	(1)	(5)	(1)	(5)
Legal and professional fees	**14**	16	8	(2)	(13)	6	75
Contract employment and outsourcing	**13**	14	12	(1)	(7)	1	8
Amortization of intangible assets	**11**	12	12	(1)	(8)	(1)	(8)
Equipment expense	**11**	11	11	—	—	—	—
Advertising and public relations	**8**	24	14	(16)	(67)	(6)	(43)
Communications and delivery	**8**	8	9	—	—	(1)	(11)
Other expense	**43**	45	48	(2)	(4)	(5)	(10)
Total noninterest expense	**$ 515**	$ 573	$ 478	$ (58)	(10) %	$ 37	8 %

First Quarter 2024 versus Fourth Quarter 2023

Noninterest expense of $515 million decreased $58 million, or 10%, compared with fourth quarter 2023, largely driven by lower deposit insurance expense. FHN recognized $10 million in FDIC special assessment expense compared to $68 million in the prior quarter. Personnel expense increased $22 million largely reflecting the impact of annual merit adjustments, seasonality in employee benefits, and higher incentive-based compensation from improved fixed income revenue. Advertising and public relations expense decreased $16 million largely attributable to elevated levels of expense from deposit and brand marketing campaigns in the prior quarter.

First Quarter 2024 versus First Quarter 2023

Noninterest expense of $515 million increased $37 million, or 8%, from first quarter 2023. Personnel expense increased $30 million largely attributable to annual merit adjustments, higher incentive-based compensation, and higher deferred compensation expense. Deposit insurance expense increased $12 million reflecting an increase in the estimated FDIC special assessment. The $6 million increase in legal and professional fees was largely attributable to strategic investment initiatives in first quarter 2024. The $6 million decrease in advertising and public relations expense was largely attributable to strategy and timing differences for various advertising campaigns when comparing the periods.

Provision for Credit Losses

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

Provision for credit losses remained unchanged at $50 million for the first quarter 2024 compared to both the prior quarter and first quarter 2023. For additional information about general asset quality trends, refer to the Asset Quality section in this MD&A.

Income Taxes

FHN recorded income tax expense of $57 million in first quarter 2024 compared to an income tax benefit of $11 million in fourth quarter 2023 and income tax expense of $76 million in first quarter 2023.

The effective tax rate was approximately 22.5%, -6.2%, and 22.7% for the three months ended March 31, 2024, December 31, 2023, and March 31, 2023, respectively.

FHN’s effective tax rate is favorably affected by recurring items such as bank-owned life insurance, tax-exempt income, and tax credits and other tax benefits from tax credit investments. The effective rate is unfavorably affected by the non-deductible portions of FDIC premium, executive compensation and merger expenses. FHN’s effective tax rate also may be affected by items that may occur in any given period but are not consistent from period to period, such as changes in unrecognized tax benefits. The rate also may be affected by items resulting from business combinations. For the three months ended December 31, 2023, the reduction in the rate was primarily related to the benefit from the settlement of uncertain tax positions related to prior merger-related items.

A deferred tax asset or deferred tax liability is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax consequence is calculated by applying current enacted statutory tax rates to these temporary differences in future years. As of March 31, 2024, FHN’s gross DTA and gross DTL were $792 million and $488 million, respectively, resulting in a net DTA of $304 million at March 31, 2024, compared with a net DTA of $215 million at December 31, 2023.

As of March 31, 2024, FHN had deferred tax asset balances related to federal and state income tax carryforwards of $29 million and $3 million, respectively, which will expire at various dates.

Based on current analysis, FHN believes that its ability to realize the 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.

Business Segment Results

FHN's reportable segments include Regional Banking, Specialty Banking and Corporate. See Note 12 - Business Segment Information for additional disclosures related to FHN's segments.

Regional Banking

The Regional Banking segment generated pre-tax income of $285 million for first quarter 2024, a decrease of $7 million compared to fourth quarter 2023, largely driven by a decrease in net interest income, partially offset by a decrease in noninterest expense. Net interest income of $532 million decreased $16 million driven by a decline in noninterest-bearing deposits and thus lower earnings credit under the fund transfer pricing methodology. The provision for credit losses of $28 million remained unchanged from the prior quarter. Noninterest income decreased $1 million compared to the prior quarter. Noninterest expense decreased $11 million compared to fourth quarter 2023 largely from a reduction in outside services.

Pre-tax income for first quarter 2024 decreased $30 million compared to $315 million for first quarter 2023. Net interest income decreased $29 million from first quarter 2023 driven by the impact of higher funding costs partially offset by higher yields on earning assets. The provision for credit losses decreased $9 million. Noninterest expense increased $11 million compared to first quarter 2023 largely due to higher personnel expense. Results also reflect a $1 million increase in noninterest income compared to first quarter 2023.

Specialty Banking

Pre-tax income in the Specialty Banking segment of $98 million for first quarter 2024 increased $12 million compared to fourth quarter 2023, driven by a $7 million increase in revenue and an $8 million decrease in provision for credit losses, offset by a $4 million increase in noninterest expense.

Fixed income of $52 million increased $15 million, driven by the market's expectation that short-term rates have peaked as well as improved liquidity conditions in the banking sector. Mortgage banking income of $9 million increased $4 million driven by higher origination volume and improvement in gain-on-sale spreads. Other noninterest income decreased $10 million, primarily from a $9 million gain on an FHN Financial asset disposition in fourth quarter 2023.

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Pre-tax income in the Specialty Banking segment increased $5 million compared to first quarter 2023 driven by higher revenue of $18 million, offset by higher provision for credit losses of $9 million and higher noninterest expense of $4 million. The increase in revenue was primarily attributable to higher fixed income and mortgage banking income. The increase in noninterest expense was largely driven by higher incentive-based compensation expense tied to the improvement in fixed income.

Corporate

Pre-tax loss for the Corporate segment was $129 million for first quarter 2024 compared to $200 million for fourth quarter 2023, largely reflecting a $30 million increase in revenue and a $50 million decrease in noninterest expense. The increase in revenue was largely driven by a $25 million increase in net interest income. The decline in noninterest expense was largely attributable to lower deposit insurance expense partially offset by higher personnel expense. Results for first quarter 2024 also reflect $5 million in restructuring costs, primarily related to personnel initiatives which will contribute to operational efficiencies.

Pre-tax loss for the Corporate segment was $129 million compared to $77 million for first quarter 2023, largely reflecting a $36 million decline in net interest income tied to the impact of funds transfer pricing and a $22 million increase in noninterest expense tied to higher personnel and deposit insurance expense. Personnel expense of $103 million increased $20 million reflecting annual merit adjustments, higher incentive-based compensation, and higher deferred compensation expense. Deposit insurance expense increased $11 million, primarily from the FDIC special assessment. Noninterest income increased $6 million compared to the first quarter 2023, largely reflecting higher deferred compensation income.

Analysis of Financial Condition

Total period-end assets were $81.8 billion as of March 31, 2024 compared to $81.7 billion at December 31, 2023.

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

Loans and Leases

Period-end loans and leases of $61.8 billion as of March 31, 2024 increased $461 million, or 1%, compared to December 31, 2023. Year-to-date loan growth included a $488 million increase in commercial loans and leases primarily from growth in loans to mortgage companies and commercial real estate loans, offset by a $27 million decrease in consumer loans primarily from a decline in credit card and other loans.

The following table provides detail regarding FHN's loans and leases as of March 31, 2024 and December 31, 2023.

Table I.2.5

LOANS & LEASES

	As of March 31, 2024		As of December 31, 2023		
(Dollars in millions)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Commercial:					
Commercial, financial, and industrial (a)	**$ 32,911**	**53 %**	$ 32,633	53 %	1 %
Commercial real estate	**14,426**	**24**	14,216	23	1
Total commercial	**47,337**	**77**	46,849	76	1
Consumer:					
Consumer real estate	**13,645**	**22**	13,650	23	—
Credit card and other	**771**	**1**	793	1	(3)
Total consumer	**14,416**	**23**	14,443	24	—
Total loans and leases	**$ 61,753**	**100 %**	$ 61,292	100 %	1 %

(a) Includes equipment financing loans and leases.

Loans Held for Sale

Loans held for sale primarily consists of government guaranteed loans under SBA and USDA lending programs. Smaller amounts of other consumer and home equity loans are also included in loans HFS. Additionally, FHN's mortgage banking operations includes origination and servicing of residential first lien mortgages that conform to standards established by GSEs that are major investors in U.S. home mortgages but can also consist of junior lien and jumbo loans secured by residential property. These non-conforming loans are primarily sold to private companies that are unaffiliated with the GSEs on a servicing-released basis. For further detail, see Note 5 - Mortgage Banking Activity.

On March 31, 2024 and December 31, 2023, loans HFS were $395 million and $502 million, respectively. Held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure totaled $2 million for both March 31, 2024 and December 31, 2023.

Asset Quality

Loan and Lease Portfolio Composition

FHN groups its loans into portfolio segments based on internal classifications reflecting the manner in which the ALLL is established and how credit risk is measured, monitored, and reported. From time to time, and if conditions are such that certain subsegments are uniquely affected by economic or market conditions or are experiencing greater deterioration than other components of the loan portfolio, management may determine the ALLL at a more granular level. Commercial loans and leases are composed of C&I loans and leases and CRE loans. Consumer loans are composed of consumer real estate loans and credit card and other loans. FHN has a concentration of residential real estate loans of 22% and 23% of total loans at March 31, 2024 and December 31, 2023, respectively. Industry concentrations are discussed under the C&I heading below.

Credit underwriting guidelines are outlined in Item 7 of FHN’s Annual Report on Form 10-K for the year ended December 31, 2023 in the Asset Quality Section within the Analysis of Financial Condition discussion. FHN’s credit underwriting guidelines and loan product offerings as of March 31, 2024 are generally consistent with those reported and disclosed in FHN’s Form 10-K for the year ended December 31, 2023.

Commercial Loan and Lease Portfolios

C&I

C&I loans are the largest component of the loan and lease portfolio, comprising 53% of total loans as of both March 31, 2024 and December 31, 2023. The C&I portfolio increased $278 million to $32.9 billion as of March 31, 2024 compared to $32.6 billion at December 31, 2023. The C&I portfolio is comprised of loans and leases used for general business purposes. Products offered in the C&I portfolio include term loan financing of owner-occupied real estate and fixed assets, direct financing and sales-type leases, working capital lines of credit, and trade credit enhancement through letters of credit.

The increase in C&I loans from December 31, 2023 was largely driven by growth in loans to mortgage companies and the wholesale trade portfolio, offset by a decline in the finance and insurance portfolio. The largest geographical concentrations of balances in the C&I portfolio as of March 31, 2024 were in Tennessee (20%), Florida (13%), Texas (11%), North Carolina (7%), Louisiana (7%), California (5%), and Georgia (5%). No other state represented more than 5% of the portfolio.

The following table provides the composition of the C&I portfolio by industry as of March 31, 2024, and December 31, 2023. 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 I.2.6

C&I PORTFOLIO BY INDUSTRY

(Dollars in millions)	March 31, 2024 Amount	March 31, 2024 Percent	December 31, 2023 Amount	December 31, 2023 Percent
Industry:				
Real estate and rental and leasing (a)	**$ 3,838**	**12 %**	$ 3,858	12 %
Finance and insurance	**3,830**	**12**	4,083	12
Health care and social assistance	**2,673**	**8**	2,676	8
Loans to mortgage companies	**2,366**	**7**	2,024	6
Wholesale trade	**2,361**	**7**	2,147	7
Accommodation and food service	**2,323**	**7**	2,288	7
Manufacturing	**2,315**	**7**	2,267	7
Retail trade	**1,801**	**5**	1,866	6
Transportation and warehousing	**1,552**	**5**	1,580	5
Energy	**1,325**	**4**	1,293	4
Other (professional, construction, education, etc.) (b)	**8,527**	**26**	8,551	26
Total C&I loan portfolio	**$ 32,911**	**100 %**	$ 32,633	100 %

(a) Leasing, rental of real estate, equipment, and goods.

(b) Industries in this category each comprise less than 5% as of March 31, 2024.

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. Loans to mortgage companies and borrowers in the finance and insurance industry were 19% and 18% of FHN's C&I loan portfolio as of March 31, 2024 and December 31, 2023, respectively, and as a result could be affected by items that uniquely impact the financial services industry. Loans to borrowers in the real estate and rental and leasing industry were 12% of FHN's C&I portfolio as of both March 31, 2024 and December 31, 2023. As of March 31, 2024, FHN did not have any other concentrations of C&I loans in any single industry of 10% or more of total loans.

Loans to Mortgage Companies

Loans to mortgage companies were 7% and 6% of the C&I portfolio as of March 31, 2024 and December 31, 2023, respectively. This portfolio 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. Balances in this portfolio generally fluctuate with mortgage rates and seasonal factors. Generally, new loan originations to mortgage lenders increase when there is a decline in mortgage rates and decrease when rates rise. In periods of economic uncertainty, this trend may not occur even if interest rates are declining. In first quarter 2024, 80% of the loan originations were home purchases and 20% were refinance transactions.

Finance and Insurance

The finance and insurance component represented 12% of the C&I portfolio as of both March 31, 2024 and December 31, 2023, and includes TRUPs (i.e., long-term unsecured loans to bank and insurance-related businesses), loans to bank holding companies, and asset-based lending to consumer finance companies. As of March 31, 2024, asset-based lending to consumer finance companies represented approximately $1.9 billion of the finance and insurance component.

Real Estate and Rental and Leasing

Loans to borrowers in the real estate and rental and leasing industry were 12% of FHN's C&I portfolio as of both March 31, 2024 and December 31, 2023. This portfolio primarily consists of equipment financing loans and leases to clients across FHN's footprint in a broad range of industries and asset types. This portfolio also includes a smaller balance of loans and leases for solar and wind generating facilities.

Commercial Real Estate

The CRE portfolio totaled $14.4 billion as of March 31, 2024 and $14.2 billion as of December 31, 2023. The CRE portfolio includes financings for both commercial construction and non-construction loans. This portfolio contains loans, draws on lines, and letters of credit to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate.

The largest geographical concentrations of CRE loan balances as of March 31, 2024 were in Florida (27%), Texas (13%), North Carolina (12%), Georgia (10%), Tennessee (9%), and Louisiana (8%). No other state represented more than 5% of the portfolio. The following table represents subcategories of CRE loans by property type:

Table I.2.7

CRE PORTFOLIO BY PROPERTY TYPE

	March 31, 2024		December 31, 2023	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent
Property Type:				
Multi-family	**$ 4,701**	**33 %**	$ 4,409	31 %
Office	**2,770**	**19**	2,782	20
Industrial	**2,320**	**16**	2,236	16
Retail	**2,269**	**16**	2,310	16
Hospitality	**1,413**	**10**	1,467	10
Land/land development	**268**	**2**	307	2
Other CRE (a)	**685**	**4**	705	5
Total CRE loan portfolio	**$ 14,426**	**100 %**	$ 14,216	100 %

(a) Property types in this category each comprise less than 5%.

Consumer Loan Portfolios

Consumer Real Estate

The consumer real estate portfolio totaled $13.6 billion and $13.7 billion as of March 31, 2024 and December 31, 2023, respectively, and is primarily composed of home equity lines and installment loans. The largest geographical concentrations of balances as of March 31, 2024 were in Florida (29%), Tennessee (22%), Texas (11%), Louisiana (8%), North Carolina (7%), Georgia (5%), and New York (5%). No other state represented more than 5% of the portfolio.

As of March 31, 2024, approximately 89% of the consumer real estate portfolio was in a first lien position. At origination, the weighted average FICO score of this portfolio was 759 and the refreshed FICO scores averaged 756 as of March 31, 2024, no change from FICO scores as of December 31, 2023. Generally, performance of this portfolio is affected by life events that affect borrowers' finances, the level of unemployment, and home prices.

As of March 31, 2024 and December 31, 2023, FHN had held-for-investment consumer mortgage loans secured by real estate that were in the process of foreclosure totaling $30 million and $29 million, respectively.

HELOCs comprised $2.1 billion and $2.2 billion of the consumer real estate portfolio as of March 31, 2024 and December 31, 2023, respectively. FHN's HELOCs typically have a 5 or 10 year draw period followed by a 10 or 20 year repayment period, respectively. During the draw period, a borrower is able to draw on the line and is only required to make interest payments. The line is frozen if a borrower becomes past due on payments. Once the draw period has ended, the line is closed and the borrower is required to make both principal and interest payments monthly until the loan matures. The principal payment generally is fully amortizing, but payment amounts will adjust when variable rates reset to reflect changes in the prime rate.

As of March 31, 2024, approximately 95% of FHN's HELOCs were in the draw period compared to 94% at December 31, 2023. It is expected that $572 million, or 28%, of HELOCs currently in the draw period will enter the repayment period during the next 60 months, based on current terms. Generally, delinquencies for HELOCs that have entered the repayment period are initially higher than HELOCs still in the draw period because of the increased minimum payment requirement. However, over time, performance of these loans usually begins to stabilize. HELOCs nearing the end of the draw period are closely monitored.

The following table presents HELOCs currently in the draw period, broken down by months remaining in the draw period.

Table I.2.8

HELOC DRAW TO REPAYMENT SCHEDULE

	March 31, 2024		December 31, 2023	
(Dollars in millions)	Repayment Amount	Percent	Repayment Amount	Percent
Months remaining in draw period:				
0-12	**$ 38**	**2 %**	$ 30	1 %
13-24	**89**	**4**	90	4
25-36	**115**	**6**	110	5
37-48	**165**	**8**	163	8
49-60	**165**	**8**	178	9
>60	**1,464**	**72**	1,530	73
Total	**$ 2,036**	**100 %**	$ 2,101	100 %

Credit Card and Other

The credit card and other consumer loan portfolio totaled $771 million as of March 31, 2024 and $793 million as of December 31, 2023. This portfolio primarily consists of consumer-related credits, including home equity and other personal consumer loans, credit card receivables, and automobile loans. The $22 million decrease was driven by net repayments in the overall portfolio.

Allowance for Credit Losses

The ACL is maintained at a level sufficient to provide appropriate reserves to absorb estimated future credit losses in accordance with GAAP. For additional information regarding the ACL, see Note 4 of this Report and "Critical Accounting Policies and Estimates" and Note 4 in FHN's 2023 Form 10-K.

The ALLL increased to $787 million as of March 31, 2024 from $773 million as of December 31, 2023. The increase in the ALLL balance as of March 31, 2024 reflects an evolving macroeconomic outlook, modest grade migration, and net commercial loan balance increases. The ALLL to total loans and leases ratio increased 1 basis point to 1.27% compared to 1.26% as of December 31, 2023. The ACL to total loans and leases ratio remained steady at 1.40% as of March 31, 2024 and December 31, 2023.

Consolidated Net Charge-offs

Net charge-offs in first quarter 2024 were $40 million, or an annualized 27 basis points of total loans and leases, compared to net charge-offs of $16 million, or 11 basis points of total loans and leases, in first quarter 2023. The $24 million increase in net charge-offs was driven by higher charge-offs in the commercial portfolio.

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Table I.2.9

ANALYSIS OF ALLOWANCE FOR CREDIT LOSSES AND CHARGE-OFFS

(Dollars in millions)	**March 31, 2024**	December 31, 2023	March 31, 2023
Allowance for loan and lease losses			
C&I	**$ 348**	$ 339	$ 325
CRE	**181**	172	150
Consumer real estate	**231**	233	209
Credit card and other	**27**	29	31
Total allowance for loan and lease losses	**$ 787**	$ 773	$ 715
Reserve for remaining unfunded commitments			
C&I	**$ 49**	$ 49	$ 53
CRE	**18**	22	21
Consumer real estate	**12**	12	11
Total reserve for remaining unfunded commitments	**$ 79**	$ 83	$ 85
Allowance for credit losses			
C&I	**$ 397**	$ 388	$ 378
CRE	**199**	194	171
Consumer real estate	**243**	245	220
Credit card and other	**27**	29	31
Total allowance for credit losses	**$ 866**	$ 856	$ 800
Period-end loans and leases			
C&I	**$ 32,911**	$ 32,633	$ 32,172
CRE	**14,426**	14,216	13,398
Consumer real estate	**13,645**	13,650	12,668
Credit card and other	**771**	793	807
Total period-end loans and leases	**$ 61,753**	$ 61,292	$ 59,045
ALLL / loans and leases %			
C&I	**1.06 %**	1.04 %	1.01 %
CRE	**1.26**	1.21	1.12
Consumer real estate	**1.69**	1.71	1.65
Credit card and other	**3.57**	3.63	3.86
Total ALLL / loans and leases %	**1.27 %**	1.26 %	1.21 %
ACL / loans and leases %			
C&I	**1.21 %**	1.19 %	1.17 %
CRE	**1.39**	1.36	1.28
Consumer real estate	**1.78**	1.79	1.74
Credit card and other	**3.57**	3.63	3.86
Total ACL / loans and leases %	**1.40 %**	1.40 %	1.35 %
Quarter-to-date net charge-offs (recoveries)			
C&I	**$ 25**	$ 29	$ 11
CRE	**12**	2	2
Consumer real estate	**(1)**	—	(1)
Credit card and other	**4**	5	4
Total net charge-offs (recoveries)	**$ 40**	$ 36	$ 16

Average loans and leases			
C&I	**$ 32,389**	$ 32,520	$ 31,558
CRE	**14,367**	14,211	13,290
Consumer real estate	**13,615**	13,664	12,401
Credit card and other	**781**	802	825
Total average loans and leases	**$ 61,152**	$ 61,197	$ 58,074
Charge-off % (annualized)			
C&I	**0.31 %**	0.36 %	0.15 %
CRE	**0.35**	0.06	0.05
Consumer real estate	**(0.03)**	—	(0.05)
Credit card and other	**1.98**	2.36	1.93
Total charge-off %	**0.27 %**	0.23 %	0.11 %
ALLL / annualized net charge-offs			
C&I	**345 %**	292 %	683 %
CRE	**364**	2,201	2,152
Consumer real estate	**NM**	NM	NM
Credit card and other	**178**	152	197
Total ALLL / net charge-offs	**485 %**	543 %	1,115 %

NM - not meaningful

Nonperforming Assets

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

Total NPAs (including NPLs HFS) increased to $512 million as of March 31, 2024 from $469 million as of December 31, 2023, largely driven by an increase in commercial loans placed on non-accrual. The nonperforming loans and leases ratio increased 7 basis points to 0.82% as of March 31, 2024 compared to year-end 2023.

Table I.2.10

NONACCRUAL/NONPERFORMING LOANS, FORECLOSED ASSETS, & OTHER DISCLOSURES

(Dollars in millions)

Nonperforming loans and leases	March 31, 2024	December 31, 2023
C&I	$ 206	$ 184
CRE	157	136
Consumer real estate	140	140
Credit card and other	2	2
Total nonperforming loans and leases (a)	$ 505	$ 462
Nonperforming loans held for sale (a)	$ 3	$ 3
Foreclosed real estate and other assets (b)	4	4
Total nonperforming assets (a) (b)	$ 512	$ 469
Nonperforming loans and leases to total loans and leases		
C&I	0.63 %	0.57 %
CRE	1.09	0.96
Consumer real estate	1.02	1.02
Credit card and other	0.20	0.30
Total NPL %	0.82 %	0.75 %
ALLL / NPLs		
C&I	168 %	184 %
CRE	115	126
Consumer real estate	165	167
Credit card and other	1,766	1,202
Total ALLL / NPLs	156 %	167 %

(a) Excludes loans and leases that are 90 or more days past due and still accruing interest.

(b) Excludes government-insured foreclosed real estate. There were no foreclosed real estate balances from GNMA loans at March 31, 2024 and December 31, 2023.

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The following table provides nonperforming assets by business segment:

Table I.2.11

NONPERFORMING ASSETS BY SEGMENT

(Dollars in millions)

Nonperforming loans and leases (a) (b)	March 31, 2024	December 31, 2023
Regional Banking	$ 320	$ 323
Specialty Banking	162	116
Corporate	23	23
Consolidated	$ 505	$ 462
Foreclosed real estate (c)		
Regional Banking	$ 1	$ 1
Specialty Banking	3	3
Corporate	—	—
Consolidated	$ 4	$ 4
Nonperforming Assets (a) (b) (c)		
Regional Banking	$ 321	$ 324
Specialty Banking	165	119
Corporate	23	23
Consolidated	$ 509	$ 466
Nonperforming loans and leases to loans and leases		
Regional Banking	0.79 %	0.74 %
Specialty Banking	0.79	0.68
Corporate	5.72	4.87
Consolidated	0.82 %	0.75 %
NPA % (d)		
Regional Banking	0.79 %	0.74 %
Specialty Banking	0.80	0.70
Corporate	5.88	4.96
Consolidated	0.82 %	0.76 %

(a) Excludes loans and leases that are 90 or more days past due and still accruing interest.

(b) Excludes loans classified as held for sale.

(c) Excludes foreclosed real estate and receivables related to government-insured mortgages. There were no foreclosed real estate balances from GNMA loans at March 31, 2024 and December 31, 2023.

(d) Ratio is non-performing assets to total loans and leases plus foreclosed real estate.

Past Due Loans and Potential Problem Assets

Past due loans are loans co ntractually past due as to interest or principal payments, but which have not yet been put on nonaccrual status.

Loans 90 days or more past due and still accruing were $10 million as of March 31, 2024 compared to $21 million as of December 31, 2023. Loans 30 to 89 days past due and still accruing increased to $119 million as of March 31, 2024 compared to $85 million as of December 31, 2023, largely driven by an increase of $23 million in C&I loans and an increase of $11 million in consumer real estate loans.

Table I.2.12

ACCRUING DELINQUENCIES & OTHER CREDIT DISCLOSURES

(Dollars in millions)

Accruing loans and leases 30+ days past due	March 31, 2024	December 31, 2023
C&I	$ 56	$ 32
CRE	8	8
Consumer real estate	57	57
Credit card and other	8	8
Total accruing loans and leases 30+ days past due	$ 129	$ 105
Accruing loans and leases 30+ days past due %		
C&I	0.17 %	0.10 %
CRE	0.06	0.06
Consumer real estate	0.42	0.42
Credit card and other	0.99	1.03
Total accruing loans and leases 30+ days past due %	0.21 %	0.17 %
Accruing loans and leases 90+ days past due (a) (b) (c):		
C&I	$ 1	$ 1
Consumer real Estate	6	17
Credit card and other	3	3
Total accruing loans and leases 90+ days past due	$ 10	$ 21
Loans held for sale		
30 to 89 days past due	$ 15	$ 12
30 to 89 days past due - guaranteed portion (d)	12	8
90+ days past due	16	9
90+ days past due - guaranteed portion (d)	10	4

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

Potential problem assets represent those assets where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower's ability to comply with present repayment terms and includes loans past due 90 days or more and still accruing. This definition is believed to be substantially consistent with the standards established by Federal banking regulators for loans classified as substandard. Potential problem assets in the loan portfolio were $712 million on March 31, 2024 and $666 million on December 31, 2023. The current expectation of losses from potential problem assets has been included in management's analysis for assessing the adequacy of the allowance for loan and lease losses.

Modifications to Borrowers Experiencing Financial Difficulty

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. 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. See Note 1 - Basis of Presentation and Accounting Policies, Note 3 - Loans and Leases, and Note 4 - Allowance for Credit Losses for further discussion regarding troubled loan modifications.

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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 individually reviewed for expected credit losses, 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, term extensions or entering into short sale agreements. Principal forgiveness may be granted in specific workout circumstances.

The individual expected credit loss assessments completed on commercial loans are used in evaluating the appropriateness of qualitative adjustments to quantitatively modeled loss expectations for loans that are not considered collateral dependent. If a loan is collateral dependent, the carrying amount of a loan is written down to the net realizable value of the collateral. Each assessment considers any modified terms and is comprehensive to ensure appropriate assessment of expected credit losses.

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.

Within the HELOC and real estate installment loans classes of the consumer portfolio segment, troubled loans are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 1% 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% per year until the original interest rate prior to modification is achieved.

Permanent mortgage troubled loans are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2% 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, troubled loans 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, clients are granted a rate reduction to 0% and term extensions for up to 5 years to pay off the remaining balance.

Consumer loans may also be modified through court-imposed principal reductions in bankruptcy proceedings, which FHN is required to honor unless a borrower reaffirms the related debt.

Investment Securities

FHN’s investment securities portfolio consists principally of debt securities available for sale. FHN maintains a highly-rated securities portfolio consisting primarily of government agency issued mortgage-backed securities and collateralized mortgage obligations. The securities portfolio provides a source of income and liquidity and is an important tool used to balance the interest rate risk of the loan and deposit portfolios. The securities portfolio is periodically evaluated in light of established ALM objectives, changing market conditions that could affect the profitability of the portfolio, the regulatory environment, and the level of interest rate risk to which FHN is exposed. These evaluations may result in steps taken to adjust the overall balance sheet positioning.

Investment securities were $9.5 billion and $9.7 billion on March 31, 2024 and December 31, 2023, respectively, representing 12% of total assets for both periods. See Note 2 - Investment Securities for more information about the securities portfolio.

Deposits

Total deposits of $65.7 billion as of March 31, 2024 were stable compared to December 31, 2023. Interest-bearing deposits increased $755 million and noninterest-bearing deposits decreased $794 million. FHN continues to focus on building and deepening relationships to retain new clients obtained from the 2023 promotional campaigns.

FHN continues to maintain a well-diversified and stable funding mix across its footprint and specialty lines of business.

At March 31, 2024, commercial deposits were $36.2 billion, or 55% of total deposits and consumer deposits were $29.5 billion, or 45% of total deposits. At December 31, 2023, commercial deposits were $35.9 billion, or 55% of total deposits and consumer deposits were $29.9 billion, or 45% of total deposits.

At March 31, 2024, 38% of deposits were associated with Tennessee, 18% with Florida, 13% with North Carolina, and 12% with Louisiana, with no other state above 10%. This mix remained consistent with December 31, 2023.

Total estimated uninsured deposits were $27.4 billion and $26.8 billion as of March 31, 2024 and December 31, 2023, representing 42% and 41% of total deposits, respectively. Of the uninsured deposits at March 31, 2024, $5.5 billion, or 8% of total deposits, were collateralized. At December 31, 2023, collateralized deposits were $5.3 billion, or 8% of total deposits.

See Table I.2.2 - Average Balances, Net Interest Income and Yields/Rates in this Report for information on average deposits including average rates paid.

The following table summarizes the major components of deposits as of March 31, 2024 and December 31, 2023.

Table I.2.13

DEPOSITS

	March 31, 2024		December 31, 2023			
(Dollars in millions)	**Amount**	**Percent of total**	Amount	Percent of total	Change	Percent
Savings	**$ 25,848**	**39 %**	$ 25,082	38 %	$ 766	3 %
Time deposits	**6,297**	**10**	6,804	10	(507)	(7)
Other interest-bearing deposits	**17,186**	**26**	16,690	26	496	3
Total interest-bearing deposits	**49,331**	**75**	48,576	74	755	2
Noninterest-bearing deposits	**16,410**	**25**	17,204	26	(794)	(5)
Total deposits	**$ 65,741**	**100 %**	$ 65,780	100 %	$ (39)	— %

Short-Term Borrowings

Short-term borrowings include federal funds purchased, securities sold under agreements to repurchase, trading liabilities, and other short-term borrowings. Total short-term borrowings were $3.2 billion as of March 31, 2024 compared to $3.1 billion as of December 31, 2023.

Short-term borrowings balances fluctuate largely based on the level of FHLB borrowing as a result of loan demand, deposit levels and balance sheet funding strategies.

Trading liabilities fluctuate based on various factors, including levels of trading securities and hedging strategies. Federal funds purchased fluctuates depending on the amount of excess funding of FHN's correspondent bank customers. Balances of securities sold under agreements to repurchase fluctuate based on cost attractiveness relative to FHLB borrowing levels and the ability to pledge securities toward such transactions.

Term Borrowings

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Total term borrowings were $1.2 billion as of both March 31, 2024 and December 31, 2023.

Capital

Management's objectives are to provide capital sufficient to cover the risks inherent in FHN's businesses, to maintain excess capital to well-capitalized standards, and to assure ready access to the capital markets.

Total equity was $9.2 billion at March 31, 2024 and $9.3 billion at December 31, 2023. Significant changes included net income of $197 million offset by $159 million in common stock repurchases and $92 million in common and preferred dividends.

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

Table I.2.14

REGULATORY CAPITAL DATA

(Dollars in millions)	**March 31, 2024**	December 31, 2023
Shareholders' equity	**$ 8,878**	$ 8,996
Modified CECL transitional amount (a)	**28**	57
FHN non-cumulative perpetual preferred stock	**(520)**	(520)
Common equity tier 1 before regulatory adjustments	**$ 8,386**	$ 8,533
Regulatory adjustments:		
Disallowed goodwill and other intangibles	**(1,607)**	(1,617)
Net unrealized (gains) losses on securities available for sale	**891**	836
Net unrealized (gains) losses on pension and other postretirement plans	**271**	273
Net unrealized (gains) losses on cash flow hedges	**109**	79
Disallowed deferred tax assets	**(1)**	—
Common equity tier 1	**$ 8,049**	$ 8,104
FHN non-cumulative perpetual preferred stock (b)	**426**	426
Qualifying noncontrolling interest— First Horizon Bank preferred stock	**295**	295
Tier 1 capital	**$ 8,770**	$ 8,825
Tier 2 capital	**1,144**	1,097
Total regulatory capital	**$ 9,914**	$ 9,922
Risk-Weighted Assets		
First Horizon Corporation	**$ 71,145**	$ 71,074
First Horizon Bank	**70,485**	70,635
Average Assets for Leverage		
First Horizon Corporation	**81,084**	82,540
First Horizon Bank	**80,336**	81,898

Table I.2.15

REGULATORY RATIOS & AMOUNTS

	March 31, 2024		December 31, 2023	
	Ratio	Amount	Ratio	Amount
Common Equity Tier 1				
First Horizon Corporation	**11.31 %**	**$ 8,049**	11.40 %	$ 8,104
First Horizon Bank	**11.28**	**7,949**	11.40	8,055
Tier 1				
First Horizon Corporation	**12.33**	**8,770**	12.42	8,825
First Horizon Bank	**11.70**	**8,244**	11.82	8,350
Total				
First Horizon Corporation	**13.93**	**9,914**	13.96	9,922
First Horizon Bank	**13.11**	**9,243**	13.17	9,303
Tier 1 Leverage				
First Horizon Corporation	**10.82**	**8,770**	10.69	8,825
First Horizon Bank	**10.26**	**8,244**	10.20	8,350
Other Capital Ratios				
Total period-end equity to period-end assets	**11.21**		11.38	
Tangible common equity to tangible assets (c)	**8.33**		8.48	
Adjusted tangible common equity to risk-weighted assets (c)	**10.63**		10.72	

(a) The modified CECL transitional amount includes the impact to retained earnings from the initial adoption of CECL plus 25% of the change in the adjusted allowance for credit losses since FHN's initial adoption of CECL through December 31, 2021. For March 31, 2024 and December 31, 2023, 25% and 50%, respectively, of the full amount is phased out and not included in Common Equity Tier 1 capital.

(b) The $94 million carrying value of the Series D preferred stock does not qualify as Tier 1 capital because the earliest redemption date is less than five years from the issuance date.

(c) Tangible common equity to tangible assets and adjusted tangible common equity to risk-weighted assets are non-GAAP measures and are reconciled to total equity to total assets (GAAP) in the Non-GAAP to GAAP Reconciliation - Table I.2.23.

Banking regulators define minimum capital ratios for bank holding companies and their bank subsidiaries. Based on the capital rules and definitions prescribed by the banking regulators, should any depository institution's capital ratios decline below predetermined levels, it would become subject to a series of increasingly restrictive regulatory actions.

The system categorizes a depository institution's capital position into one of five categories ranging from well-capitalized to critically under-capitalized. For an institution the size of FHN to qualify as well-capitalized, Common Equity Tier 1, Tier 1 Capital, Total Capital, and Leverage capital ratios must be at least 6.50%, 8.00%, 10.00%, and 5.00%, respectively. Furthermore, a capital conservation buffer of 50 basis points above these levels must be maintained on the Common Equity Tier 1, Tier 1 Capital and Total Capital ratios to avoid restrictions on dividends, share repurchases and certain discretionary bonuses.

As of March 31, 2024, both FHN and First Horizon Bank had sufficient capital to qualify as well-capitalized institutions and to meet the capital conservation buffer requirement. Capital ratios for both FHN and First Horizon Bank are calculated under the final rule issued by the banking regulators in 2020 to delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period.

For both FHN and First Horizon Bank, the risk-based regulatory capital ratios decreased in first quarter 2024 relative to year-end 2023 primarily from the impact of common share repurchases and net income less dividends. The Tier 1 Leverage ratio for both FHN and First Horizon Bank increased from year-end 2023 largely as a result of a decrease in average assets.

During 2024, capital ratios are expected to remain above well-capitalized standards plus the required capital conservation buffer.

Common Stock Purchases

FHN may purchase shares of its common stock from time to time, subject to legal and regulatory restrictions. FHN's Board has authorized the common stock purchase program described below. FHN's Board has not authorized a preferred stock purchase program.

2024 General Purchase Program

On January 23, 2024, FHN announced that its Board of Directors approved a new $650 million common share purchase program that is scheduled to expire on January 31, 2025. Purchases may be made in the open market or through privately negotiated transactions, including under Rule 10b5-1 plans as well as accelerated share repurchase and other structured transactions. The timing and exact amount of common share repurchases are subject to various factors, including FHN's capital position, financial performance, expected capital impacts of strategic initiatives, market conditions, business conditions, and regulatory considerations. Absent a Rule 10b5-1 plan, FHN does not purchase shares under this program during blackout periods when senior executives are prohibited from purchasing FHN stock on the open market.

As of March 31, 2024, $154 million in purchases had been made life-to-date under the 2024 program at an average price per share of $14.39, or $14.37 excluding commissions. Program purchases made during the quarter ended March 31, 2024 are summarized in the following table.

Table I.2.16

COMMON STOCK PURCHASES—2024 PROGRAM

(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
2024				
January 1 to January 31	100	$ 14.76	100	$ 648,524
February 1 to February 29	5,045	14.05	5,045	577,632
March 1 to March 31	5,587	14.69	5,587	495,591
Total	**10,732**	**$ 14.39**	**10,732**	

(a) Represents total costs including commissions paid. Average price paid does not reflect the one percent excise tax charged on public company share repurchases.

Stock Award Purchases

As authorized by the Board's Compensation Committee, FHN makes automatic stock purchases by withholding stock-based award shares to cover tax obligations associated with those awards. Those limited, off-market purchases are not associated with an announced purchase program and are made any time an associated tax obligation arises, whether or not a blackout period is in effect. Tax withholding purchases made during the quarter ended March 31, 2024 are summarized in the following table.

Table I.2.17

COMMON STOCK PURCHASES—TAX WITHHOLDING FOR STOCK AWARDS

(Dollar values and 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
2024				
January 1 to January 31	49	$ 14.60	N/A	N/A
February 1 to February 29	1	13.93	N/A	N/A
March 1 to March 31	270	14.33	N/A	N/A
Total	**320**	**$ 14.37**	**N/A**	

Risk Management

There have been no significant changes to FHN's risk management practices as described under "Risk Management" included in Item 7 of FHN's 2023 Annual Report on Form 10-K.

Market Risk Management

Value-at-Risk and Stress Testing

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

A summary of FHN's VaR and SVaR measures for 1-day and 10-day time horizons is presented in the following table:

Table I.2.18

VaR & SVaR MEASURES

	Three Months Ended March 31, 2024			As of March 31, 2024
(Dollars in millions)	**Mean**	**High**	**Low**	
1-day				
VaR	**$ 2**	**$ 3**	**$ 2**	**$ 2**
SVaR	**5**	**6**	**4**	**6**
10-day				
VaR	**7**	**10**	**6**	**7**
SVaR	**25**	**29**	**21**	**28**

	Three Months Ended March 31, 2023			As of March 31, 2023
(Dollars in millions)	Mean	High	Low	
1-day				
VaR	$ 3	$ 4	$ 3	$ 3
SVaR	5	7	4	4
10-day				
VaR	9	11	8	9
SVaR	25	30	20	20

	Year Ended December 31, 2023			As of December 31, 2023
(Dollars in millions)	Mean	High	Low	
1-day				
VaR	$ 3	$ 4	$ 2	$ 3
SVaR	6	8	3	6
10-day				
VaR	8	11	4	10
SVaR	24	34	12	28

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

Table I.2.19

SCHEDULE OF RISKS INCLUDED IN VaR

	As of March 31, 2024		As of March 31, 2023		As of December 31, 2023	
(Dollars in millions)	**1-day**	**10-day**	1-day	10-day	1-day	10-day
Interest rate risk	**$ 1**	**$ 1**	$ 1	$ 4	$ 1	$ 2
Credit spread risk	**1**	**1**	1	1	1	1

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

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

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

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

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

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

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

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

Model Validation

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

Interest Rate Risk Management

Net Interest Income Simulation Analysis

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

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

Based on a static balance sheet as of March 31, 2024, NII expo sures over the next 12 months assuming rate shocks of plus/minus 25 basis points, plus/minus 50 basis points, plus/minus 100 basis points, and plus/minus 200 basis points are estimated to have variances as shown in the table below.

Table I.2.20

INTEREST RATE SENSITIVITY

Shifts in Interest Rates (in bps)	% Change in Projected Net Interest Income
-200	(5.0)%
-100	(2.7)%
-50	(1.3)%
-25	(0.6)%
+25	0.5%
+50	0.9%
+100	1.7%
+200	1.7%

A steepening yield curve scenario, where long-term rates increase by 50 basis points and short-term rates are static, results in a favorable NII variance of 0.4%. A flattening yield curve scenario, where long-term rates decrease by 50 basis points and short-term rates are static, results in an unfavorable NII variance of 0.5%. 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.

Short-term interest rates have reached their highest levels in 15 years, which coupled with market disruption from recent high profile bank failures, has increased competitive pressures on deposit costs.

The yield curve was inverted for much of the last half of 2022, throughout 2023, and during the first quarter 2024. The inverted yield curve indicates market expectations that short-term rates have likely peaked and then could decline in future periods. Market participants are now projecting a few rate cuts in 2024 while the December 2023 Fed Dot plot has indicated three 25 basis point cuts in 2024. FHN continues to monitor current economic trends and potential exposures closely. For additional information, see *Yield Curve* within *Market Uncertainties and Prospective Trends* below.

Liquidity Risk Management

Among other things, ALCO is responsible for liquidity management: the funding of assets with liabilities of appropriate duration, while mitigating the risk of unexpected cash needs. ALCO and the Board of Directors have adopted a Liquidity Policy of which the objective is to ensure that FHN meets its cash and collateral obligations promptly, in a cost-effective manner and with the highest degree of reliability. After the banking crisis in the first half of 2023, ALCO and the Board examined the liquidity risk management framework and policies to ensure alignment with evolving regulatory expectations, industry best practices, and the company's risk appetite. The maintenance of adequate levels of asset and liability liquidity should provide FHN with the ability to meet both expected and unexpected cash and collateral needs. Key liquidity ratios, asset liquidity levels, and the amount available from funding sources are reported to ALCO on a regular basis. FHN's Liquidity Policy establishes liquidity limits that are deemed appropriate for FHN's risk profile.

In accordance with the Liquidity Policy, ALCO manages FHN's exposure to liquidity risk through a dynamic, real time forecasting methodology. Base liquidity forecasts are reviewed by ALCO and are updated as financial conditions dictate. In addition to the baseline liquidity reports, robust stress testing of assumptions and funds availability are periodically reviewed. FHN maintains a contingency funding plan that may be executed should unexpected difficulties arise in accessing funding that affects FHN, the industry, or both. As of March 31, 2024, available liquidity sources included cash, incremental borrowing capacity at the FHLB, access to Federal Reserve Bank borrowings through the discount window, and unencumbered securities. Additional sources of liquidity included dealer and commercial customer repurchase agreements, access to the overnight and term Federal Funds markets, brokered deposits, loan sales, and syndications. The FRB Bank Term Funding Program expired on March 11, 2024. The table below details FHN's sources of available liquidity at March 31, 2024.

Table I.2.21

AVAILABLE LIQUIDITY

as of March 31, 2024

(Dollars in millions)	Total Capacity	Outstanding Borrowings	Available Liquidity
Cash on deposit with FRB (a)	$ 1,732	$ —	$ 1,732
FHLB	9,241	—	9,241
Discount Window	24,249	—	24,249
Unencumbered securities (b)	1,136	—	1,136
Total Available Liquidity			$ 36,358

(a) Included in interest-bearing deposits with banks on the Consolidated Balance Sheets.
(b) Subject to market haircuts on collateral.

Generally, a primary source of funding for a bank is core deposits from the bank's client base. The period-end loans-to-deposits ratio was 94% as of March 31, 2024 and 93% as of December 31, 2023.

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

Both FHN and First Horizon Bank have the ability to generate liquidity by issuing senior or subordinated unsecured debt, preferred equity, and common equity, subject to market conditions and compliance with applicable regulatory requirements. As of March 31, 2024, FHN had outstanding $797 million in senior and subordinated unsecured debt and $520 million in non-cumulative perpetual preferred stock. On April 1, 2024,

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FHN provided notice of its intent to redeem all outstanding shares of its Series D Non-Cumulative Perpetual Preferred Stock, effective May 1, 2024. Following the redemption on May 1, 2024, no shares of Series D Preferred Stock remain outstanding. Refer to Note 17 - Subsequent Events for additional information. As of March 31, 2024, First Horizon Bank and subsidiaries had outstanding preferred shares of $295 million, which are reflected as noncontrolling interest on the Consolidated Balance Sheets.

Parent company liquidity is primarily provided by cash flows stemming from dividends and interest payments collected from subsidiaries. These sources of cash represent the primary sources of funds to pay cash dividends to shareholders and principal and interest to debt holders of FHN. Applying the dividend restrictions imposed under applicable federal and state rules, the Bank's total amount available for dividends was $1.1 billion as of April 1, 2024.

In March 2022, FHN agreed to suspend the Dividend Reinvestment Plan in connection with the TD Transaction. During the suspension period, dividend payments of FHN are not automatically reinvested in additional shares of FHN common stock and participants in the Plan are not able to purchase shares of FHN common stock through optional cash investments under the Plan.

First Horizon Bank declared and paid a common dividend to the parent company in the amount of $310 million and $150 million in first and second quarter 2024, respectively. Total common dividends of $220 million were declared and paid to the parent company in 2023. First Horizon Bank declared preferred dividends in first quarter of 2024 and declared and paid preferred dividends in each quarter of 2023. Additionally, First Horizon Bank declared preferred dividends in second quarter 2024, payable in July 2024.

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 (including capital conservation buffer requirements) and availability of funds to FHN through a dividend from First Horizon Bank. Additionally, banking regulators generally require insured banks and bank holding companies to pay cash dividends only out of current operating earnings. Consequently, the decision of whether FHN will pay future dividends and the amount of dividends will be affected by current operating results.

FHN paid a cash dividend of $0.15 per common share on April 1, 2024. FHN paid cash dividends of $1,625 per Series E preferred share and $1,175 per Series F preferred share on April 10, 2024 and $165 per Series C preferred share and $305 per Series D preferred share on May 1, 2024. In addition, in April 2024, the Board approved cash dividends per share in the following amounts:

Table I.2.22

CASH DIVIDENDS APPROVED BUT NOT PAID

	Dividend/Share		Record Date	Payment Date
Common Stock	$	0.15	06/14/2024	07/01/2024
Preferred Stock				
Series B	$	331.25	07/17/2024	08/01/2024
Series C	$	165.00	07/17/2024	08/01/2024
Series E	$	1,625.00	06/25/2024	07/10/2024
Series F	$	1,175.00	06/25/2024	07/10/2024

Off-Balance Sheet Arrangements

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

Repurchase Obligations

Prior to September 2008, legacy First Horizon originated loans through its pre-2009 mortgage business, primarily first lien home loans, with the intention of selling them. FHN's principal remaining exposures for those activities relate to (i) indemnification claims by underwriters, loan purchasers, and other parties which assert that FHN-originated loans caused or contributed to losses which FHN is legally obliged to indemnify, and (ii) indemnification or other claims related to FHN's servicing of pre-2009 mortgage loans.

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

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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

As discussed in Note 10 - Contingencies and Other Disclosures, FHN's repurchase and foreclosure liability, primarily related to its pre-2009 mortgage origination, sale, securitization, and servicing businesses, is comprised of accruals to cover estimated loss content in the active pipeline, estimated future inflows, and estimated loss content related to certain known claims not currently included in the active pipeline. The active pipeline consists of mortgage loan repurchase and make-whole demands from loan purchasers or securitization participants, foreclosure/servicing demands from borrowers, and certain related exposures. 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 cancellation 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 total repurchase and foreclosure liability, which includes both the legacy pre-2009 business and the current mortgage business, was $16 million as of both March 31, 2024 and December 31, 2023.

Market Uncertainties and Prospective Trends

FHN's future results could be affected both positively and negatively by several known trends. Key among those are changes in the U.S. and global economy and outlook, government actions affecting interest rates, and government actions and proposals which could have positive or negative impacts on the economy at large or on certain businesses, industries, or sectors. Additional risks relate to political uncertainty, changes in federal policies (including those publicly discussed, formally proposed, or recently implemented) and the potential impacts of those changes on our businesses and clients, and whether FHN's strategic initiatives will succeed.

In addition to trends and events noted elsewhere in this MD&A, FHN believes the following trends and events are noteworthy at this time.

Inflation, Recession, and Federal Reserve Policy

Economic Overview

The post-COVID economy in the U.S. has been marked by: strong inflation, which began in 2021, peaked in 2022, and abated, though not fully, starting in 2023; the Federal Reserve "tightening" in 2022 and the first half of 2023 to contain inflation by rapidly increasing short-term interest rates and ending asset purchases; low unemployment rates; moderate economic growth; and a profoundly inverted yield curve. Key aspects were:

- Although the U.S. economy flirted with recession in 2022, it did not officially enter one. In 2023 recession expectations moderated significantly. Early in 2024, recession expectations for the rest of this year generally are low.
- The rise in short-term interest rates by the Federal Reserve in 2022 was both rapid and substantial, taking the overnight Fed Funds rate from 0.20% in March 2022 to 4.65% a year later. Hikes after that were much more modest and infrequent.
- In response to 2022's extremely rapid and vigorous tightening of monetary policy, the inflation rate in the U.S. now is well below 2022's levels. However, measures of inflation generally remain higher than the Federal Reserve's stated long-term goal of 2%.
- The Federal Reserve has signaled that hikes have ended and that a short term rate cut might become appropriate. No policy or timing commitments have been made. Future actions continue to depend upon future data.
- In first quarter 2024, inflation measures rose modestly, reversing a slow down-trend in 2023 and ending most expectations of a rate cut in the near term.

- Monetary tightening often creates yield curve inversion for a time. In the current cycle, traditional inversion (when ten-year treasury rates are below two-year rates) has been both very deep and unusually sustained, with the current inversion having begun in the summer of 2022.
- Many factors likely contributed to the current sustained inversion. The immediate cause, of course, is that demand for long-term treasury debt has remained high, depressing yields, even though short yields are higher. The underlying causes of that demand imbalance likely are complex and open to debate.
- A short-term rate cut by the Federal Reserve should lessen inversion, but only if long-term rates do not likewise drop.

Key events and circumstances are noted in the following discussions.

Federal Reserve and Rates

The Federal Reserve raised short-term rates several times in 2022 and in the first part of 2023. All but one of the raises in 2022 were 75 and 50 basis points each—aggressive by historical standards—while the 2023 raises were the more-typical 25 basis points each. The Federal Reserve has expressed its intent to bring inflation under control even at the risk of creating or deepening an economic recession. The Federal Reserve has indicated that future decisions will be heavily impacted by economic data, especially inflation-rate and -trend data, available at each decision point. Most recently the Federal Reserve has indicated an expectation that its next action, at an unspecified future point, will be a rate cut rather than a rate hike.

FHN cannot predict exactly when or how much short-term rates will be changed, how market-driven long-term rates will behave, nor how those actions may affect financial markets, during the rest of 2024.

Yield Curve

Unusual yield curve effects, including inversion, are common when monetary policy changes. A traditional measure of inversion occurs when the two-year U.S. Treasury rate is higher than the ten-year rate. Traditional inversion has been sustained continuously since the summer of 2022, an unusually long period. The degree of inversion has varied during that period, but generally has been much deeper than is typical. Sustained traditional yield curve inversion is viewed, with statistical support, as a harbinger of economic recession, but recession has not yet occurred and the U.S. economy currently does not appear close to entering one.

The most recent period with deep and longer-lasting inversion was over 40 years ago. That 4-5 year period was marked by stagflation (low economic growth coupled with high inflation), followed by extremely robust interest rate hikes and a severe recession.

Yield curve flattening and inversion generally reduces the profit FHN can make from lending by compressing FHN's net interest margin, and also generally reduces FHN's revenues from bond trading. Refer to *Interest Rate & Yield Curve Risks* , located in *Item 1A. Risk Factors* of FHN's Annual Report on Form 10-K for the year ended December 31, 2023, for a discussion of the risks to FHN associated with flattening and inversion.

Recession

The U.S. economy contracted (experienced negative growth) during the first two quarters of 2022, in both cases modestly. Although two consecutive quarters of contraction often coincides with recession, in 2022 it did not. The economy expanded in each quarter since then.

Recession expectations in the U.S. were high in 2022 and early 2023. They moderated significantly after that. Current recession expectations generally are low.

Banking Crisis

In March 2023, two large regional U.S. banks failed after sudden large deposit outflows, and a major Swiss bank was acquired by another bank at the behest of regulators. In the aftermath of the two U.S. failures, bank investors and clients across the U.S. became more focused on deposit mix, funding risk management, and other safety-soundness concerns. The market values of virtually all U.S. bank stocks fell quickly and strongly in March, with a few falling about 90%.

Following these failures, the media published stories about actual and possible bank runs by depositors. Most U.S. banks saw net outflows of deposits in 2022 and early 2023 as the impacts of COVID-19 crisis programs faded and rates available from non-bank-account investments improved. According to Federal Reserve data, starting in mid-March, the two failures triggered an abrupt and substantial net deposit outflow from all but the largest U.S. banks. The March crisis shock was short-lived, however. During the final week of March both large and small U.S. banks collectively experienced net inflows of deposits, roughly mirroring the first week of March, before the crisis emerged.

The two U.S. bank failures resulted in Congressional calls for higher regulation of mid-sized regional banks, especially for those with $100 billion or more of assets.

In early May a third large regional U.S. bank failed after experiencing very large deposit outflows in March. Although this failure was widely anticipated, volatility in regional bank stocks reappeared in May. By June bank-stock volatility had abated again, but with regional bank prices well below pre-crisis levels.

The three failed U.S. banks had a few characteristics that FHN believes were significant negative factors contributing to loss of confidence by depositors, in addition to having an unusual customer mix: well-above-median levels of deposits not covered by FDIC insurance;

significant portions of the 2020-21 pandemic deposit inflows invested in longer-term fixed-rate debt securities; and very high (in relation to regulatory capital) market value losses on those investments when rates rose in 2022 and early 2023. These factors made those banks unusually susceptible to a cascade of negative effects when deposit levels diminished, for the entire industry, starting in 2022 as customers sought better returns in the rising rate environment.

Market Volatility & Valuations

As a result of the prospects for recession, coupled with the uncertainties associated with war in eastern Europe, financial markets world-wide were volatile during much of 2022. Volatility overall moderated somewhat in 2023, but volatile episodes have continued. War in the Middle East that started in October 2023 had a much more muted financial market impact than was true in 2022.

Financial asset values broadly fell in 2022, especially during the second and third quarters. By mid-year 2023, broad stock indices largely had recovered from 2022's low points, but longer-term fixed-rate debt investments remained well below previous values. By year-end 2023, stock values in most (but not all) sectors had recouped much of their earlier losses, and debt investment values generally improved somewhat from their lows when long-term rates fell in anticipation of possible short-term rate cuts in 2024 by the Federal Reserve. Those late-2023 trends generally have continued into 2024.

Impacts on FHN

In 2022, FHN benefited significantly from rising rates as the rise in lending rates outpaced the rise in deposit and other funding rates. In the first quarter of 2023, that outpacing ended, and FHN's net interest margin started to compress. FHN was able to reverse the compression during the year fueled in part by using increased deposits and capital to reduce borrowings. Moderate margin expansion continued in first quarter 2024, though it remained well below the same quarter in 2023.

In 2022 and early 2023, FHN experienced a normalization of deposit levels since first quarter 2020 as it allowed surge deposits resulting from COVID-driven stimulus programs to move off its balance sheet. Net deposit outflows ranged from roughly $2.0 to $4.0 billion in each of the last three quarters of 2022, and fell again by roughly $2.5 billion in first quarter 2023. That outflow trend ended in second quarter as FHN had net deposit inflows of $4.0 billion. For the year 2023, net deposits increased over $2 billion. However, FHN increased deposit rates appreciably in 2023, particularly in May and June. Rates paid abated somewhat in first quarter 2024 as 2023's promotional rates have reverted to market norms. Deposits at the end of first quarter 2024 were roughly unchanged from year-end 2023.

In addition, some of FHN's businesses have been negatively impacted by higher rates and inversion. Rate increases have pushed home mortgage rates in the U.S. much higher than in early 2022, reducing demand. FHN's direct mortgage lending and lending to mortgage companies saw business decline significantly in 2022 and 2023. Moreover, FHN's revenues from bond trading and related activities fell significantly in 2022 and 2023 due to rising rates coupled with elevated market volatility. In first quarter 2024, bond trading revenues and mortgage activity improved. Bond revenues likely benefited from the market's expectation that short-term rates have peaked along with improved liquidity conditions in the banking sector. Recent inflation data likely have reduced current market expectations of rate cuts. A change in market expectations for fewer cuts or rate hikes may be a moderating factor in bond trading revenues in future quarters.

A recession, if one were to occur, likely would have a negative impact on FHN's businesses overall. Demand for loans likely would fall, loan losses and provision expense likely would rise, many commercial activities that generate fee income likely would decline, and competition for clients likely would sharpen. The deeper or longer a recession lasts, the more significant these negative impacts are likely to be for FHN. As mentioned above, recessionary expectations have abated substantially since early 2023 and remain low currently. However, just as expectations in early 2023 proved to be wrong, current expectations may be just as incorrect.

Other Regulatory Proposals

In 2023 the Board of Governors of the Federal Reserve and other regulators proposed regulatory changes that would, if implemented, significantly increase regulatory constraints and costs on all U.S. banks with assets over $100 billion. A few new requirements would apply to banks, like FHN, with assets over $50 billion, but by far the main impacts would fall on banks greater than $100 billion in assets.

The proposals touch upon many regulatory requirements, including debt and equity capital requirements, credit risk standards, asset risk-weighting, and resolution planning.

The increased requirements also would entail additional compliance costs.

The triggering of significant cost increases based on a single threshold financial measure—$100 billion in assets—has been in place for many years and has impacted the U.S. banking industry. Compliance restrictions and costs increase as the threshold is approached but a step-up pattern remains. Banks near the threshold may be likely to slow or even halt asset growth, at least for a period, and start to implement the higher-level compliance systems. Banks modestly over the threshold, in contrast, may be

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likely to expand their asset base as quickly as possible to generate additional revenues to cover those costs. Those effects have added to the incentives for banks to consolidate, and the proposed new rules are likely to enhance that.

It appears likely that, if adopted as proposed, significant parts of the proposals will be challenged in court as being inconsistent with legislation enacted by Congress in 2018. Such a challenge would be technical and complex, and likely would take many years to resolve. Moreover, even if a challenge of that sort were successful, many parts of the proposals likely would remain intact and others might be modified without being rescinded.

Greenhouse Gas (GHG) Reporting Regimes

In October 2023 the state of California enacted laws which, taken together, will require most larger companies doing business in California to report annually their greenhouse gas ("GHG") emissions, with an external assurance requirement, and to report biennially their climate-related financial risks and risk-mitigation measures. The California laws include multi-year phase in periods and encompass Scope 1, Scope 2, and Scope 3 GHG emissions. The California governor stated in 2023 that the new laws are likely to be subjected to technical amendments in 2024 or later.

In March 2024 the U.S. Securities and Exchange Commission ("SEC") adopted rules that would require all U.S. companies with publicly-traded securities to report annually their Scope 1 and 2 GHG emissions and related risk management processes, along with a related financial statement and audit requirement. Refer to "Accounting Changes" below for additional information. The SEC rules also have a lengthy phase-in period.

Europe also has adopted a GHG reporting regime. It is not applicable to FHN and is not further discussed here.

Three GHG Scopes

Scope 1 GHG emissions are those from a source the company owns or controls directly, such as a manufacturing plant. Scope 2 emissions are indirect emissions from company activities, such as from power consumed by company operations. Scope 1 and 2 emissions generally can be measured or estimated using information a company normally can obtain without significant external inquiry.

Scope 3 GHG emissions are those from sources and activities that a company neither owns nor controls. Scope 3 emissions are from a wide range of sources that touch upon a company, such as: vendors; employees (commuting, business travel, etc.); and customers. Scope 3 information generally is unknown to a company without significant external inquiry and/or estimation.

Potential Business Impacts

Direct compliance costs will include creating systems to measure or estimate and capture relevant data, staffing, and engagement of vendors, including a firm to provide required assurances (somewhat analogous to a financial statement auditor).

Potentially of more significance: California may require inquiry of customers rather than merely estimation about them. If FHN is allowed merely to estimate emissions from customers, that process may be costly but would not interfere with our business relationships. If, however, FHN is required to support Scope 3 reporting by obtaining GHG-related information from customers, including customers that are not public companies and that do no business in California, then the California disclosure laws could interfere with FHN's business. In that case, effectively FHN would be required to impose costs and/or inconveniences on its customers. Other banks in FHN's markets, particularly those that are private and not doing business in California, could provide financial services without those requirements, putting FHN at a competitive disadvantage.

Legal Challenges

The California laws, especially the application of those laws to companies outside of California, have been challenged in court. Challengers assert that the laws, among other things, unconstitutionally burden interstate commerce, are pre-empted by federal law, and unconstitutionally compel or burden speech. Challenges could take many years to resolve. A key practical question will be whether the courts impose a legal stay (a moratorium) on these laws nationwide while challenges are pending.

The SEC rules likewise are being challenged in court. Challengers assert, among other things, that the SEC lacks explicit Congressional authorization to create a regulatory reporting regime pertaining to GHG emissions. The several challenges have been consolidated in the U.S. (federal) 8th Circuit. Possibly anticipating a court-ordered stay, the SEC has suspended the effectiveness of its rules while the court challenges are pending.

Assuming that the various legal challenges leave the SEC's rules entirely or largely intact, the California laws might be further challenged by public companies as having been pre-empted by the SEC rules.

Coastal Market Growth and Rising Costs

FHN's principal markets are in the southern and southeastern United States, including most of the major gulf coast markets and several markets on the southern Atlantic seacoast. Many of FHN's markets have experienced significant population growth over at least the past twenty years, outpacing the growth rate for the U.S. as a whole. That population growth generally has been accompanied by economic growth.

Many of FHN's fastest growing markets, including most significantly those in Florida, can be impacted significantly by hurricanes and other severe coastal weather events. As those markets grow, FHN's economic commitment to them grows, as does FHN's financial exposure to those events.

In 2023 and this year it has been widely reported that the economic costs of hurricane events in the U.S. gulf and southern Atlantic coastal areas have been rising significantly. FHN believes that rising costs are directly related to growth in those areas.

For example, much of the growth in Florida has been along the coast moving out from older cities. A gulf coast hurricane 50 or 60 years ago had a fair chance of making landfall in a relatively unpopulated area. Now, the chances of directly hitting a population center are much higher, the average population in that center is much higher, and the average value per building is much higher.

The reported significant increase in casualty risks and costs is being reflected in property insurance practices which currently are in significant flux. The insurance industry is being forced to revise its risk assessment and premium pricing practices in coastal areas as loss experience has deviated from earlier predictions, sometimes badly. In Florida, for example, some smaller carriers have failed, some larger carriers have left markets, and remaining carriers have significantly increased the premiums of hurricane-related insurance, narrowed coverage, or both.

Coastal states such as Florida and Louisiana have created last-resort insurance pools for residents who cannot obtain or afford private property insurance. However, as the costs borne by those pools increase, either the premiums will have to rise or general taxation will have to cover the difference. In addition, those programs generally do not help business clients.

State and local building and water-control codes are being revised, but often unevenly and often not retroactive to pre-existing structures and developments. The current transition period could be lengthy.

The availability, reliability, and cost of adequate property insurance is a significant concern for FHN as well as FHN's clients in affected markets. Instability in property insurance has made, and continues to make, FHN's business decisions more difficult. That instability increases FHN's risks of loan loss and business downturn.

More fundamentally, elevated insurance and casualty costs blunt a key factor driving growth in many of these high-growth markets: lower costs of living. If market growth slows, FHN's business will be impacted.

Critical Accounting Policies and Estimates

FHN has made no significant changes in its critical accounting policies and estimates from those disclosed in its 2023 Annual Report on Form 10-K.

Accounting Changes

In March 2024, the SEC adopted final rules, “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (the “Climate Disclosures Rules”) to require registrants to disclose certain climate-related information in registration statements and annual reports. Information required for inclusion within the footnotes to the financial statements for severe weather events and other natural conditions includes 1) income statement effects before insurance recoveries above 1% of pre-tax income/loss, 2) balance sheet effects above 1% of shareholders’ equity, and 3) certain carbon offsets and renewable energy credits. Qualitative discussion is also required for material impacts on financial estimates and assumptions that are due to severe weather events and other natural conditions or disclosed climate-related targets or transition plans.

Disclosures within registration statements that are outside the financial statements include 1) Scope 1 and Scope 2 GHG emissions, if material, 2) how the Board of Directors oversees the assessment and management of climate-related risks, 3) management’s role in assessing and managing climate-related risks if the risks are material, 4) climate-related risks that have had or are reasonably likely to have a material effect on its business strategy, results of operations, or financial condition, including whether the risks are expected to manifest in the short term (i.e., next 12 months) and, separately, in the long term (i.e., beyond the next 12 months), 5) if a registrant has adopted a plan to manage material climate transition risks the plan should be described and updated annually to specify its progress toward completing the transition plan, including any actions taken under the plan and how those actions have affected the registrant's business, results of operations, or financial condition, 6) if a registrant has adopted a plan to manage material climate transition risks the plan should be described and updated annually to specify its progress toward completing the transition plan, including any actions taken under the plan and how those actions have affected the registrant's business, results of operations, or financial condition, 7) if a registrant uses an internal carbon price (e.g., a monetary cost assigned to carbon emissions for budgeting, forecasting, or performance management) and this use is material to how it evaluates material climate-related risks, 8) if a registrant uses a scenario analysis to assess its business in the context of climate-related risks and, on the basis of that analysis, determines that a climate-related risk is reasonably likely to have a material impact, the registrant must describe each scenario, including the parameters, assumptions, and projected financial impacts, 9) a registrant is required to disclose its processes for "identifying, assessing and managing" material climate-related risks, 10) registrants must disclose information about their publicly announced or internal climate-related targets or goals if they materially affect or are reasonably likely to materially affect the business, results of operations, or financial condition (e.g., expenditures or operational changes needed to meet the targets or goals) and 12) registrants must describe quantitatively and qualitatively the material expenditures incurred and material impacts on financial estimates and assumptions that, in management's assessment, directly result from activities to mitigate or adapt to material climate-related risks.

In April 2024, the SEC issued a stay of the Climate Disclosures Rules pending the completion of judicial review of various legal challenges. Therefore, the actual timing of the implementation of the Climate Disclosure Rules, if sustained through the judicial process, is uncertain. FHN is assessing the potential effects of the Climate Disclosure Rules on its registration statements and financial statements.

Refer to Note 1 – Basis of Presentation and Accounting Policies f or a detail of accounting changes with extended transition periods, accounting changes adopted in the current year and accounting changes issued but not currently effective, which section is incorporated into MD&A by this reference.

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Non-GAAP Information

Table I.2.23

NON-GAAP TO GAAP RECONCILIATION

	Three Months Ended		
(Dollars in millions; shares in thousands)	**March 31, 2024**	December 31, 2023	March 31, 2023
Pre-provision Net Revenue (Non-GAAP)			
Net interest income (GAAP)	**$ 625**	$ 617	$ 688
Plus: Noninterest income (GAAP)	**194**	183	171
Total revenues (GAAP)	**819**	800	859
Less: Noninterest expense (GAAP)	**515**	572	478
Pre-provision net revenue (Non-GAAP)	**$ 304**	$ 228	$ 381
Average Tangible Common Equity (Non-GAAP)			
Average total equity (GAAP)	**$ 9,251**	$ 8,905	$ 8,707
Less: Average noncontrolling interest (a)	**295**	295	295
Less: Average preferred stock (a)	**520**	520	1,014
(A) Total average common equity	**$ 8,436**	$ 8,090	$ 7,398
Less: Average goodwill and other intangible assets (GAAP)(b)	**1,691**	1,702	1,738
(B) Average tangible common equity (Non-GAAP)	**$ 6,745**	$ 6,388	$ 5,660
Net Income Available to Common Shareholders			
(C) Net income available to common shareholders (annualized) (GAAP)	**$ 739**	$ 695	$ 987
Tangible Common Equity (Non-GAAP)			
(D) Total equity (GAAP)	**$ 9,173**	$ 9,291	$ 8,895
Less: Noncontrolling interest (a)	**295**	295	295
Less: Preferred stock (a)	**520**	520	1,014
(E) Total common equity	**$ 8,358**	$ 8,476	$ 7,586
Less: Goodwill and other intangible assets (GAAP)(b)	**1,685**	1,696	1,733
(F) Tangible common equity (Non-GAAP)	**6,673**	6,780	5,853
Less: Unrealized gains (losses) on AFS securities, net of tax	**(891)**	(836)	(859)
(G) Adjusted tangible common equity (Non-GAAP)	**$ 7,564**	$ 7,616	$ 6,712
Tangible Assets (Non-GAAP)			
(H) Total assets (GAAP)	**$ 81,799**	$ 81,661	$ 80,729
Less: Goodwill and other intangible assets (GAAP) (b)	**1,685**	1,696	1,733
(I) Tangible assets (Non-GAAP)	**$ 80,114**	$ 79,965	$ 78,996
Risk-Weighted Assets			
(J) Risk-weighted assets (c)	**$ 71,145**	$ 71,074	$ 69,510
Period-end Shares Outstanding			
(K) Period-end shares outstanding	**548,637**	558,839	537,619
Ratios			
(C)/(A) Return on average common equity (GAAP)	**8.76 %**	8.60 %	13.34 %
(C)/(B) Return on average tangible common equity (Non-GAAP)	**10.95**	10.89	17.43
(D)/(H) Total period-end equity to period-end assets (GAAP)	**11.21**	11.38	11.02
(F)/(I) Tangible common equity to tangible assets (Non-GAAP)	**8.33**	8.48	7.41
(G)/(J) Adjusted tangible common equity to risk-weighted assets (Non-GAAP)	**10.63**	10.72	9.66
(E)/(K) Book value per common share (GAAP)	**$ 15.23**	$ 15.17	$ 14.11
(F)/(K) Tangible book value per common share (Non-GAAP)	**$ 12.16**	$ 12.13	$ 10.89

(a) Included in total equity on the Consolidated Balance Sheets.

(b) Includes goodwill and other intangible assets, net of amortization.

(c) Defined by and calculated in conformity with bank regulations applicable to FHN.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information called for by this item is contained in

(a) Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 2 of Part I of this report, including in particular the section entitled "Risk Management" beginning on page 89 of this report and the subsections entitled "Market Risk Management" beginning on page 89 and "Interest Rate Risk Management" beginning on page 91 of this report, and

(b) Note 14 to the Consolidated Financial Statements appearing on pages 43-49 of this report, all of which materials are incorporated herein by reference. For additional information concerning market risk and our management of it, refer to: Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2023, including in particular the section entitled "Risk Management" beginning on page 81 of that Report and the subsections entitled "Market Risk Management" beginning on page 82 and "Interest Rate Risk Management" beginning on page 84 of that Report; and Note 21 to the Consolidated Financial Statements appearing on pages 178-184 of Item 8 to FHN's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. Controls and Procedures

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The “Contingencies” section of Note 10 to the Consolidated Financial Statements beginning on page 34 of this Report is incorporated into this Item by reference.

Item 1A. Risk Factors

Material changes from risk factor disclosures in FHN's Annual Report on Form 10-K for the year ended December 31, 2023:

Not applicable.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

(a) Unregistered Equity Securities Sold

Not applicable

(b) Use of Proceeds If Rule 463 is Applicable

Not applicable

(c) Equity Repurchases

The "Common Stock Purchases” section including tables I.2.16 and I.2.17 and explanatory discussions included in Item 2 of Part I of this report under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” beginning on page 88 of this report, is incorporated herein by reference.

Items 3. and 4.

Not applicable

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Item 5. Other Information

(a) Previously Unreported 8-K Disclosures

Not applicable

(b) Change in Nomination Procedures

Not applicable

(c) Trading Arrangement Disclosures

During the first quarter of 2024, the following directors or executive officers (those officers who are required to file stock ownership reports on SEC Forms 3, 4, and 5) adopted, modified, or terminated the Rule 10b5-1 trading arrangements, and the non-Rule 10b5-1 trading arrangements, as shown in Table II.5c below.

Unless otherwise explicitly indicated in a footnote to the Table, each arrangement marked in the Table as "10b5-1" under the "Arrangement Type" column is intended by its maker, as reported to FHN, to satisfy the affirmative defense requirements of SEC Rule 10b5-1(c).

If "Not applicable" appears in the Table, then for the first quarter of 2024 no director or executive officer of FHN adopted , modified, or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement.

Table II.5c

TRADING ARRANGEMENTS CREATED, MODIFIED, OR TERMINATED MOST RECENT QUARTER

	Arrangement Type		Type of Action Taken During Quarter	Date Action Taken	Duration or Expiration Date	Total Shares to be	
Name & Title	10b5-1	non-10b5-1				Bought	Sold
Not applicable							

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Item 6. Exhibits

10-Q EXHIBIT TABLE

Exh. No.	Description of Exhibit to this Report	Filed Here	Mngt Exh	Furn-ished	Incorporated by Reference to		
					Form	Exh. No.	Filing Date
3.1	Amended and Restated Charter of First Horizon Corporation				8-K	3.1	7/30/2021
3.2	Articles of Amendment of the Restated Charter of FHN, related to the Series G Preferred Stock				8-K	3.1	3/03/2022
3.3	Bylaws of First Horizon Corporation, as amended and restated effective January 22, 2024				8-K	3.1	1/23/2024
4.1	FHN agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument defining the rights of the holders of the senior and subordinated long-term debt of FHN and its consolidated subsidiaries						
10.1	2021 Incentive Plan (as amended February 25, 2024)		X		Proxy 2024	App. A	3/11/2024
10.2	Amendment No. 5 to the First Horizon Corporation Pension Restoration Plan	X	X				
10.3	Amendment No. 3 to the First Horizon Corporation Savings Restoration Plan	X	X				
31(a)	Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)	X					
31(b)	Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)	X					
32(a)	18 USC 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)	X		X			
32(b)	18 USC 1350 Certifications of CFO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)	X		X			
	XBRL Exhibits						
101	The following financial information from First Horizon Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets at March 31, 2024 and December 31, 2023; (ii) Consolidated Statements of Income for the Three Months Ended March 31, 2024 and 2023; (iii) Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2024 and 2023; (iv) Consolidated Statements of Changes in Equity for the Three Months Ended March 31, 2024 and 2023; (v) Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023; and (vi) Notes to the Consolidated Financial Statements.	X					
101. INS	XBRL Instance Document -- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						
101. SCH	Inline XBRL Taxonomy Extension Schema	X					
101. CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	X					
101. LAB	Inline XBRL Taxonomy Extension Label Linkbase	X					
101. PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	X					
101. DEF	Inline XBRL Taxonomy Extension Definition Linkbase	X					
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)	X					

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In the Exhibit Table: the “Filed Here” column denotes each exhibit which is filed or furnished (as applicable) with this report; the “Mngt Exh” column denotes each exhibit that represents a management contract or compensatory plan or arrangement required to be identified as such; the “Furnished” column denotes each exhibit that is “furnished” pursuant to 18 U.S.C. Section 1350 or otherwise, and is not “filed” as part of this Report or as a separate disclosure document; and the phrase “2023 named executive officers” refers to those executive officers whose 2023 compensation was described in our 2024 Proxy Statement.

In many agreements filed as exhibits, each party makes representations and warranties to other parties. Those representations and warranties are made only to and for the benefit of those other parties in the context of a business contract. Exceptions to such representations and warranties may be partially or fully waived by such parties, or not enforced by such parties, in their discretion. No such representation or warranty may be relied upon by any other person for any purpose.

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Signatures

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

FIRST HORIZON CORPORATION
(Registrant)

Date: May 3, 2024	By:	/s/ Hope Dmuchowski
	Name:	Hope Dmuchowski
	Title:	Senior Executive Vice President and Chief Financial Officer *(Duly Authorized Officer and Principal Financial Officer)*

AMENDMENT No. 5 TO THE

FIRST HORIZON CORPORATION PENSION RESTORATION PLAN

WHEREAS, First Horizon Corporation (the "Corporation") previously adopted the First Horizon Corporation Pension Restoration Plan (the "Plan") reserving the right to amend the Plan; and

WHEREAS, Article 4 of the Plan provides for payment of benefits under the Plan, including a required payment on a Change in Control; and

WHEREAS, the Corporation has determined that it is in the best interest of the Corporation and the Participants in the Plan to remove the requirement for payment upon a Change in Control but to allow any Participant who is not vested to vest upon a Change in Control; and

WHEREAS, except to the extent permitted under regulations or other regulatory guidance issued under Code Section 409A, this Amendment shall be effective on the day that is twelve months after the date this Amendment is executed.

NOW, THEREFORE, the Plan is amended January 25, 2024, effective January 25, 2025, as follows:

1. Sections 4.3(a), 4.3(b) and 4.3(c) are hereby deleted in their entireties.

2. Section 4.3(a) is replaced with the following language:

"(a) Notwithstanding anything herein to the contrary, the benefits payable under the Plan (both benefits that have accrued at the time of a Change in Control and those that accrue thereafter) may not be reduced or terminated after a Change in Control for any individual who was a participant in the Plan at the time of the Change in Control. Further, any Participant who is not fully vested in his or her accrued benefit at the time of a Change in Control shall become fully vested upon the Change in Control."

3. Section 4.3(b) is replaced with the following language:

"(b) All benefits accrued and vested at the time of a Change in Control shall continue to be accrued and vested after such Change in Control for any individual who was a participant in the Plan at the time of the Change in Control."

DATED, THE 25th DAY OF January, 2024;

EMPLOYER:

ATTEST FIRST HORIZON CORPORATION

By: /s/ Karen K. Sones By: /s/ Kim Anderson

Title: SVP, HR Strategic Projects Title: VP, Benefit Consulting & Compliance

AMENDMENT No. 3 TO THE

FIRST HORIZON CORPORATION SAVINGS RESTORATION PLAN

WHEREAS, First Horizon Corporation (the "Corporation") previously adopted the First Horizon Corporation Savings Restoration Plan (the "Plan") reserving the right to amend the Plan; and

WHEREAS, Article 4 of the Plan provides for payment of benefits under the Plan, including a required payment on a Change in Control; and

WHEREAS, the Corporation has determined that it is in the best interest of the Corporation and the Participants in the Plan to remove the requirement for payment upon a Change in Control; and

WHEREAS, except to the extent permitted under regulations or other regulatory guidance issued under Code Section 409A, this Amendment shall be effective on the day that is twelve months after the date this Amendment is executed.

NOW, THEREFORE, the Plan is amended January 25, 2024, effective January 25, 2025, as follows:

1. Section 4.3(b) is hereby deleted in its entirety and replaced by the following language:

   "(b) In the event of a Change in Control, each Participant's Account shall be treated as fully vested without regard to Years of Service."

DATED, THE 25th DAY OF January, 2024;

EMPLOYER:

ATTEST FIRST HORIZON CORPORATION

By: /s/ Karen K. Sones By: /s/ Kim Anderson

Title: SVP, HR Strategic Projects Title: VP, Benefit Consulting & Compliance

Exhibit 31(a)

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

CERTIFICATIONS

I, D. Bryan Jordan, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 3, 2024

/s/ D. Bryan Jordan

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

Exhibit 31(b)

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

CERTIFICATIONS

I, Hope Dmuchowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Horizon Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2024

/s/ Hope Dmuchowski

Hope Dmuchowski
Senior Executive Vice President and Chief Financial Officer

Exhibit 32(a)

CERTIFICATION OF PERIODIC REPORT
18 USC 1350 CERTIFICATIONS OF CEO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
As Codified at 18 U.S.C. Section 1350

I, the undersigned D. Bryan Jordan, Chairman of the Board, President, and Chief Executive Officer of First Horizon Corporation (“Corporation”), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, as follows:

1. The Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 3, 2024

/s/ D. Bryan Jordan

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

Exhibit 32(b)

CERTIFICATION OF PERIODIC REPORT
18 USC 1350 CERTIFICATIONS OF CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
As Codified at 18 U.S.C. Section 1350

I, the undersigned Hope Dmuchowski, Senior Executive Vice President and Chief Financial Officer of First Horizon Corporation ("Corporation"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, as follows:

1. The Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 3, 2024

/s/ Hope Dmuchowski

Hope Dmuchowski
Senior Executive Vice President and Chief Financial Officer