



# First Horizon National Corporation

Third Quarter 2016 Earnings

*October 14, 2016*

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- *Portions of this presentation use non-GAAP financial information. Each of those portions is so noted, and a reconciliation of that non-GAAP information to comparable GAAP information is provided in a footnote or in the appendix at the end of this presentation.*
  - *This presentation contains forward-looking statements, which may include guidance, involving significant risks and uncertainties which will be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “should”, “is likely”, “will”, “going forward” and other expressions that indicate future events and trends and may be followed by or reference cautionary statements. A number of factors could cause actual results to differ materially from those in the forward-looking statements. These factors are outlined in our recent earnings and other press releases and in more detail in the most current 10-Q and 10-K. FHN disclaims any obligation to update any such forward-looking statements or to publicly announce the result of any revisions to any of the forward-looking statements to reflect future events or developments.*

# Third Quarter 2016 Accomplishments

## *Strong Balance Sheet Growth Across Multiple Areas Driving Higher Profitability*

Diluted EPS  
**\$0.27**

ROA<sup>1</sup>  
**0.97%**

ROE / ROTCE<sup>1</sup>  
**10.8% / 11.9%**

CET1<sup>2</sup>  
**9.8%**

**Focus on  
Positive  
Operating  
Leverage**

- Pre-Provision Net Revenue (PPNR)<sup>3</sup> of \$100mm, up 36%
- Consolidated revenues increased 16%; consolidated expenses up 8%
  - Regional Bank revenues increased 12%; expenses increased 7%
  - Fixed Income revenues increased 36%; expenses were flat<sup>4</sup>
- Consolidated net interest income up 13% and net interest margin up 11 bps to 2.96%
- Consolidated efficiency ratio improved 460 bps to 70%
- Consolidated average loans up 12%
- Consolidated average core deposits increased 11%

**Strong  
Balance Sheet  
Growth  
Across  
Multiple Areas**

### Regional Bank:

- PPNR<sup>3</sup> of \$111mm, up 20%
- Average loan growth of 18%, led by increases in specialty lending areas
- Average core deposits up 7%
- Return on assets at 1.47%<sup>1</sup>
- Return on equity at 24%<sup>1</sup>
- Closed franchise finance loan portfolio acquisition of ~\$0.5B in loans

### Fixed Income:

- Fixed income product average daily revenue (ADR) at \$922k, up 37%
- Return on assets at 1.63%<sup>1</sup>
- Return on equity at 27%<sup>1</sup>

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# FINANCIAL RESULTS

## 3Q16 Consolidated Financial Results

<i>\$ in millions</i> Financial Results	Actuals			3Q16 vs	
	3Q16	2Q16	3Q15	2Q16	3Q15
Net Interest Income	<b>\$185</b>	\$176	\$164	+5%	+13%
Fee Income	<b>\$149</b>	\$146	\$125	+2%	+19%
Total Revenue	<b>\$334</b>	\$322	\$289	+4%	+16%
Loan Loss Provision Expense	<b>\$4</b>	\$4	\$1	*	NM
Pretax Income	<b>\$96</b>	\$91	\$72	+6%	+33%
Net Income Available to Common Shareholders (NIAC)	<b>\$63</b>	\$57	\$59	+12%	+7%
EPS	<b>\$0.27</b>	\$0.24	\$0.25	+13%	+8%
Total Average Loans (\$B)	<b>\$18.7</b>	\$17.8	\$16.6	+5%	+12%
Average Core Deposits (\$B)	<b>\$20.6</b>	\$19.7	\$18.5	+4%	+11%

- Diluted EPS of \$0.27 in 3Q16, up 13% LQ and 8% YOY
- Pretax Income up 6% LQ and 33% YOY
- Revenue up 4% LQ and 16% YOY
  - Net interest income increase driven by higher commercial loans in specialty lending areas
  - Fee income up due to increased ADR in Fixed Income and higher fees in the Regional Bank
- Expense LQ and YOY increase driven by technology upgrades and increased personnel and marketing investments in expansion markets
- Loan loss provision reflects overall stability in loan portfolio

# Regional Banking Financial Results

## Strong Year-over-Year Balance Sheet, NII and PPNR Growth

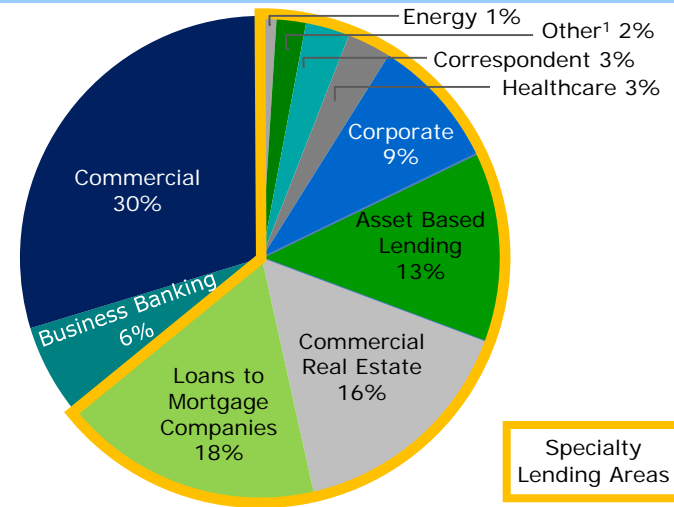
\$ in millions	Actuals			3Q16 vs	
	3Q16	2Q16	3Q15	2Q16	3Q15
<b>Financial Results</b>					
Net Interest Income	\$191	\$178	\$165	+7%	+15%
Fee Income	\$65	\$61	\$63	+6%	+4%
Total Revenue	\$256	\$240	\$228	+7%	+12%
Expense	\$145	\$164	\$136	-12%	+7%
PPNR <sup>1</sup>	\$111	\$75	\$92	+47%	+20%
Loan Loss Provision	\$9	\$11	\$7	-21%	+28%
Pre-Tax Income	\$102	\$64	\$86	+59%	+19%
Net Income	\$65	\$42	\$55	+55%	+19%
Adjusted Expense <sup>2</sup>	\$149	\$142	\$136	+5%	+10%
Adjusted PPNR <sup>1,2</sup>	\$106	\$97	\$92	+9%	+15%
Adjusted Pre-Tax Income <sup>2</sup>	\$98	\$86	\$86	+13%	+14%
Total Average Loans (\$B)	\$16.8	\$15.9	\$14.3	+6%	+18%
Average Core Deposits (\$B)	\$18.1	\$17.9	\$17.0	+1%	+7%

- Revenues up 12% YOY and 7% LQ
  - NII increase driven by commercial loan growth
  - Fee income up from higher swap fees and gain on sale of properties
- Expenses LQ decrease primarily driven by a decline in legal accruals, somewhat offset by increases in personnel, technology, advertising and FDIC expense
- Average loans increased 18% YOY and 6% LQ
  - Continued strong growth in specialty lending areas
- Loan loss provision reflects overall stability in asset quality
  - Net charge-offs of \$3mm in 3Q16, provision effect of commercial loan growth

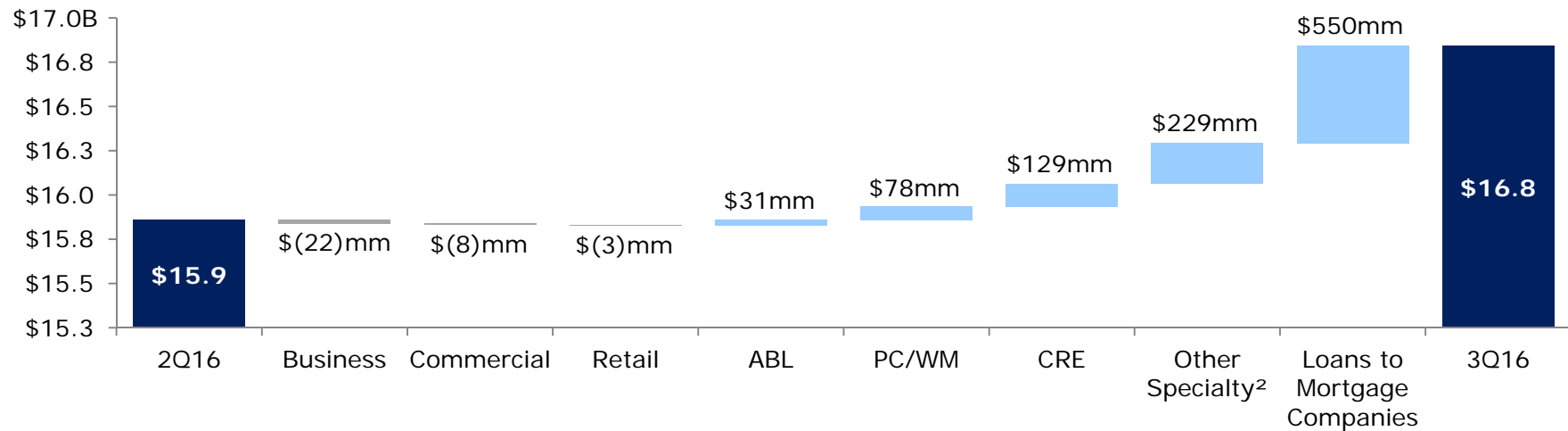
# Profitable Growth Opportunities: Regional Banking

- Regional Banking average loan growth of 18% YOY and 6% LQ
- Average Commercial loans up 22% YOY and 8% LQ
  - Acquired Franchise Finance loans accounted for ~\$90mm of average loans and ~\$535mm of period-end loans within other specialty lending area
- Continued strong loan growth in specialty lending areas and Tennessee markets
  - Middle TN up 8% YOY; West TN up 5% YOY
  - Average Loans to Mortgage Companies up \$0.5B LQ, largely driven by low rates and seasonality
  - CRE growth reflects funding of previous commitments and selective new opportunities

3Q16 Average Regional Bank Commercial Loans



Regional Banking Average Loan Growth by Lending Area

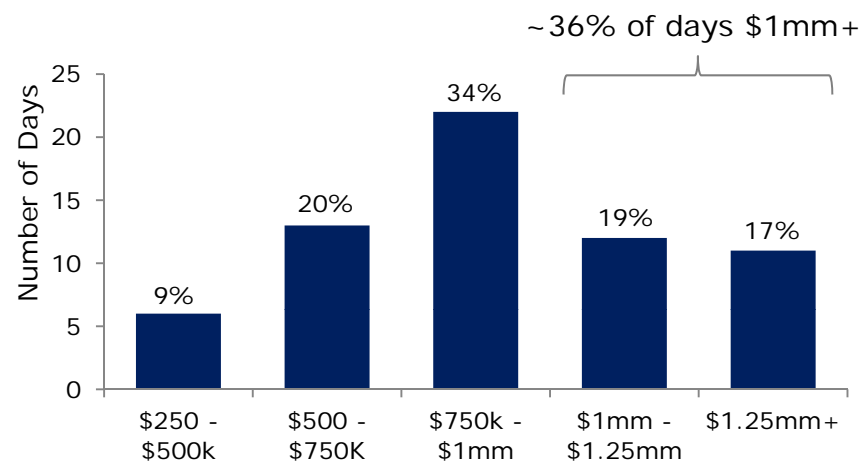


# Fixed Income - FTN Financial

## Solid Financial Results in Shifting Fixed Income Market

- Fixed income product average daily revenue (ADR) remains strong at \$922k in 3Q16 vs \$1.1mm in 2Q16
- Fixed income ADR LQ decrease driven by lower volatility in latter part of 3Q16
- ROA at 1.6% and ROE at 27% in 3Q16<sup>1</sup>
- Focused on investing in extensive fixed income distribution platform:
  - Strategic hires to increase market share
  - Enhancement of municipal products platform and continued development of public finance capability
  - Expanded product set to better serve customer base

3Q16 Daily Fixed Income Product Revenue



Financial Results <i>\$ in millions, except ADR</i>	Actuals			3Q16 vs	
	3Q16	2Q16	3Q15	2Q16	3Q15
NII	\$2	\$3	\$3	-23%	-20%
Fee Income	\$72	\$78	\$52	-8%	+39%
Expense <sup>2</sup>	\$60	\$63	\$60	-5%	*
Pretax Income	\$15	\$18	\$(5)	-19%	NM
Net Income	\$9	\$12	\$(3)	-18%	NM
ADR	\$922k	\$1.1mm	\$671k	-15%	+37%

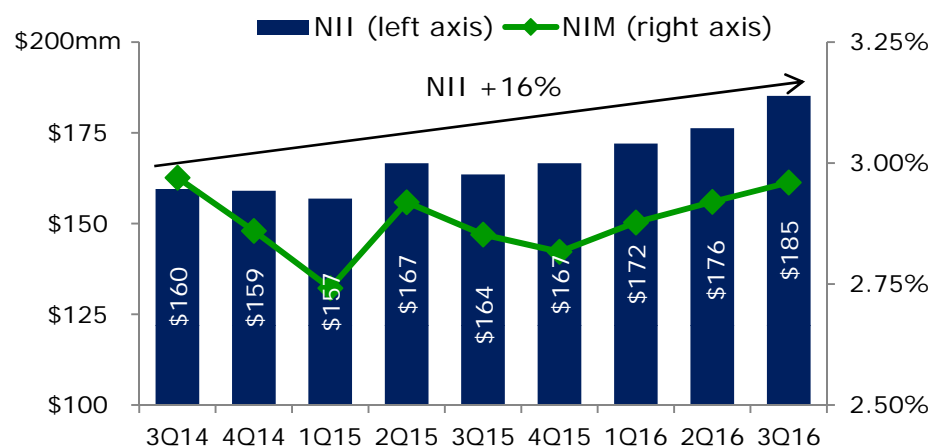


# Consolidated Net Interest Income and Net Interest Margin

## Strong NII Growth and Margin Expansion

- NII up 5% LQ, up \$22mm or 13% YOY
- NIM at 2.96%, up 4 bps LQ and up 11 bps YOY
- Average loan growth of 5% LQ and 12% YOY
- Average core deposits up 4% LQ and 11% YOY
- Regional Banking net interest spread up 2 bps LQ and 13 bps YOY
- Floating rate loans comprise 69% of loan portfolio vs fixed rate loans at 31%

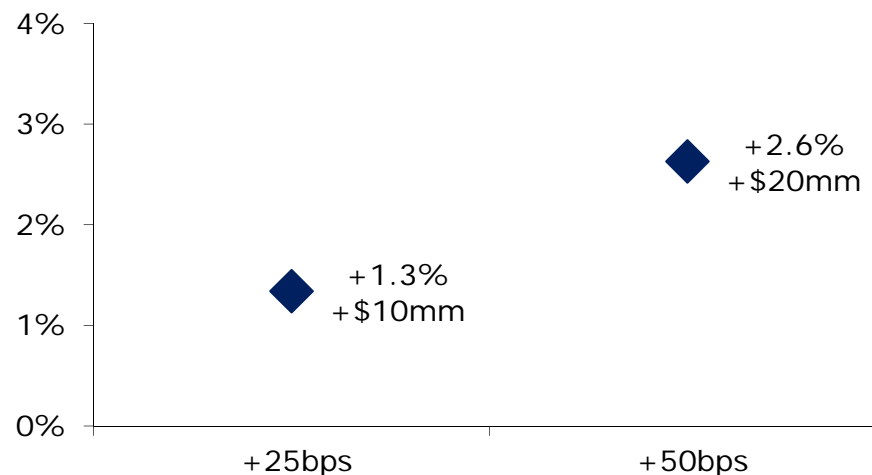
### NIM Stability and Loan Growth Drive NII Increase



### NII and NIM Linked-Quarter Change Drivers

(\$ in millions)	NII	NIM
<b>2Q16</b>	<b>\$176.3</b>	<b>2.92%</b>
Increase in Loans to Mortgage Companies	+\$5.4	+2bp
Loan Fees / Cash Basis	+\$0.4	+1bp
Higher Commercial Loan Volume	+\$2.7	-
Higher Day Count	+\$1.3	-
Other <sup>1</sup>	-\$0.9	+1bp
<b>3Q16</b>	<b>\$185.2</b>	<b>2.96%</b>

### Net Interest Income Sensitivity Impact<sup>2</sup>



# Asset Quality

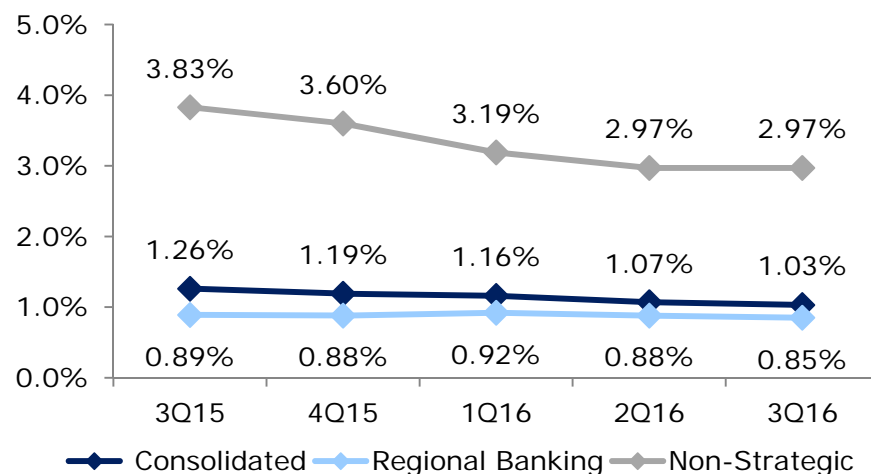
## Stable Credit Trends Reflect Strong Underwriting Discipline

- Net charge-offs improved to \$2mm in 3Q16 vs \$8mm in 2Q16
  - Gross charge-offs down 43% LQ
- Non-Performing Assets down to \$174mm in 3Q16 vs \$199mm in 2Q16
  - Decrease largely driven by improvement in consumer real estate portfolio
- 30+ delinquencies as a percentage of total loans remained stable at 32 bps in 3Q16 and 2Q16
- Non-strategic loans comprise 9% of total average loans at 3Q16, down from 13% a year ago

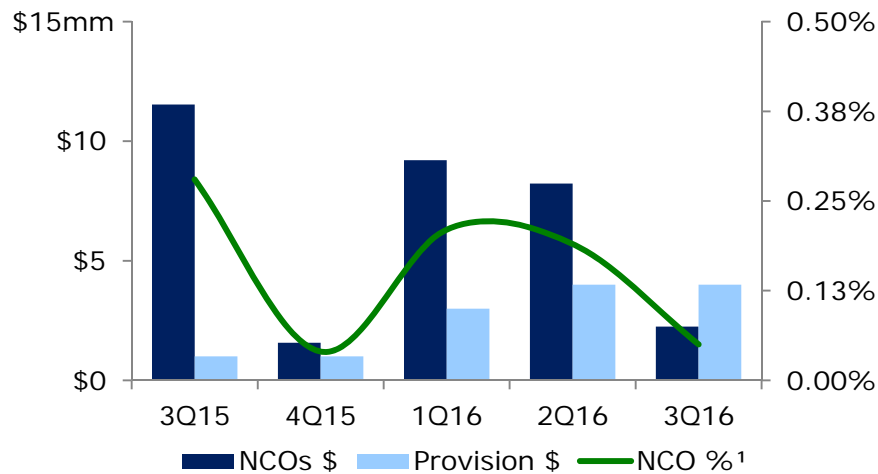
### Asset Quality Highlights

(\$ in mm)	3Q15	4Q15	1Q16	2Q16	3Q16
Provision	\$1	\$1	\$3	\$4	\$4
Charge-offs	\$(22)	\$(17)	\$(18)	\$(18)	\$(10)
Recovery	\$10	\$15	\$8	\$10	\$8

### Allowance to Loans Ratio by Segment

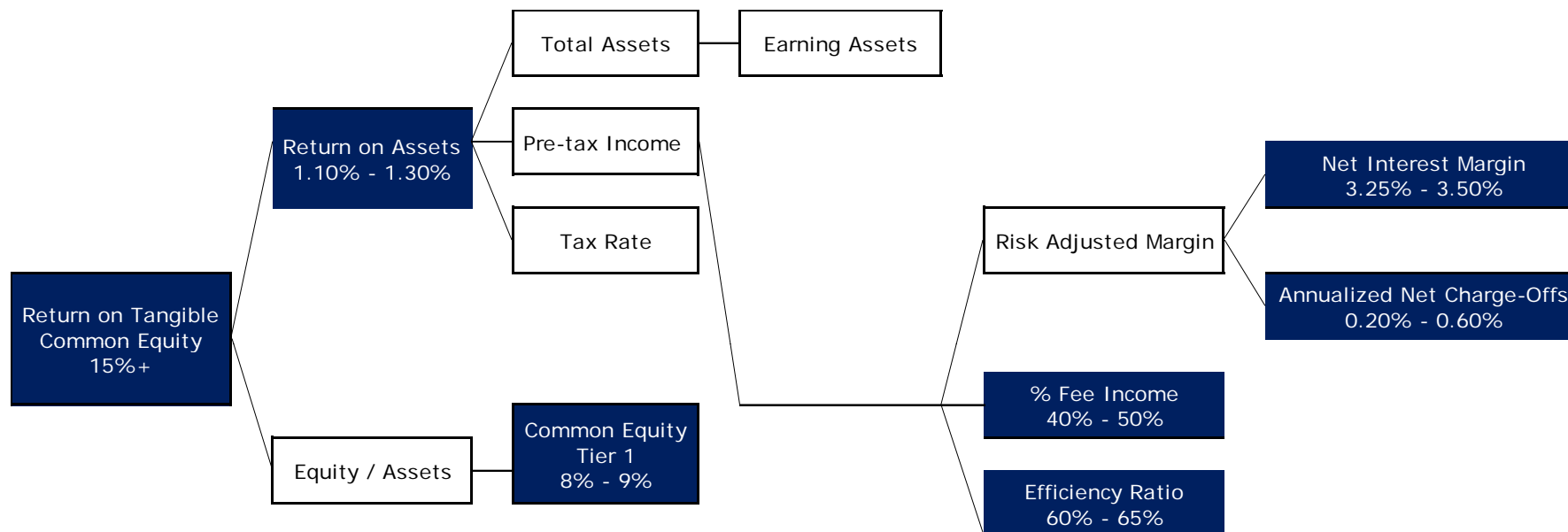


### Net Charge-Offs



# Building Long-Term Earnings Power: Bonefish Targets

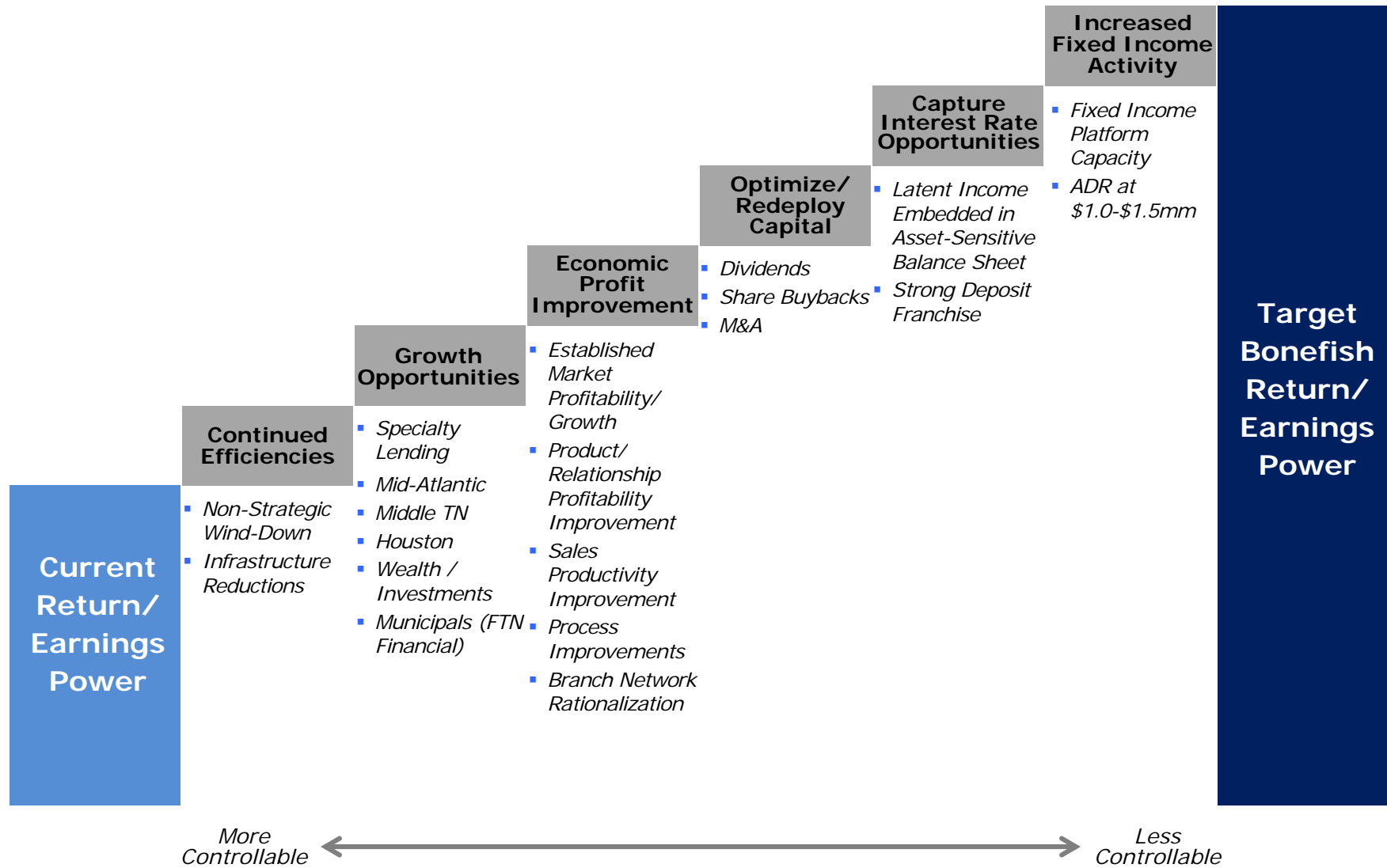
*Focused on Growing Our Company Selectively and Profitably While Positioning Our Balance Sheet for Sustainable, Higher Returns in the Long Term*



3Q16	Consolidated	Long-Term Targets
ROTCE <sup>1</sup>	11.9%	15.0%+
ROA <sup>1</sup>	0.97%	1.10 – 1.30%
CET1 <sup>2</sup>	9.8%	8.0 – 9.0%
NIM <sup>1</sup>	2.96%	3.25 – 3.50%
NCO / Average Loans <sup>1</sup>	0.05%	0.20 - 0.60%
Fee Income / Revenue	45%	40 - 50%
Efficiency Ratio	70%	60 - 65%

# Building Blocks Provide Path to Bonefish Targets

## Building a Foundation for Long-Term Earnings Power



# Successfully Executing on Key Priorities

## *FHN is Well-Positioned for Attractive Long-Term Earnings Power*

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- Proven execution capabilities
- Unique size, scope, and strengths
- Focused on efficiency, productivity, economic profitability, and growth opportunities
- Organizational alignment on the path to achieving long-term bonefish profitability
- Breadth and depth of talent that will be able to profitably run and grow the company

***Building a Foundation for Attractive Long-Term Earnings Power***

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# APPENDIX

## Notable Items

	2015	Pre-Tax Amount	2016	Pre-Tax Amount
1Q	Settlement with DOJ/HUD	\$(162.5)mm	Branch Impairment	\$(3.7)mm
	TrustAtlantic Acquisition Expenses	\$(0.6)mm		
2Q	TrustAtlantic Acquisition Expenses	\$(1.1)mm	Litigation Accrual <sup>3</sup>	\$(26.0)mm
			Valuation Adjustment for Derivatives Related to Prior Sales of Visa Class B Shares	\$(2.5)mm
			Mortgage Repurchase Reserve Release	\$31.4mm
3Q	Retirement of Trust Preferred Debt	\$5.8mm	Gain Primarily Related to Recoveries Associated with Prior Mortgage Servicing Sales	\$4.4mm
	Employee Benefit Plan Amendment	\$8.3mm	Litigation Accrual <sup>2</sup>	\$(4.5)mm
	Litigation Accrual <sup>1</sup>	\$(11.6)mm	Litigation Accrual Reversal <sup>4</sup>	\$4.3mm
	TrustAtlantic Acquisition Expenses	\$(0.6)mm		
4Q	Litigation Accrual <sup>2</sup>	\$(14.2)mm		
	Impairment Related to Tax Credit Investment	\$(2.8)mm		
	TrustAtlantic Acquisition Expenses	\$(2.7)mm		

## 3Q16 Segment Highlights

\$ in millions, except EPS	Net Income <sup>1</sup>			3Q16 Per Share Impact <sup>2</sup>	Drivers and Impacts
	3Q16	2Q16	3Q15		
<b>Regional Banking</b>	\$65	\$42	\$55	\$0.28	<ul style="list-style-type: none"> <li>NII up 15% YOY and 7% LQ</li> <li>Average loans up 18% YOY and 6% LQ</li> <li>Expenses up 7% YOY and down 12% LQ                             <ul style="list-style-type: none"> <li>3Q16 includes +\$4.3mm litigation reversal vs \$22mm litigation expense in 2Q16</li> <li>3Q15 includes pre-tax gain related to an employee benefit plan amendment</li> </ul> </li> <li>Loan loss provision \$9mm in 3Q16 vs \$11mm in 2Q16</li> </ul>
<b>Fixed Income</b>	\$9	\$12	\$(3)	\$0.04	<ul style="list-style-type: none"> <li>Fixed income product ADR of \$922k in 3Q16 vs \$1.1mm in 2Q16</li> <li>3Q15 expense includes \$11.6mm related to resolution of a legal matter</li> </ul>
<b>Corporate<sup>1</sup></b>	\$(16)	\$(19)	\$(2)	\$(0.07)	<ul style="list-style-type: none"> <li>3Q15 included \$5.8mm of pre-tax gain from retirement of Trust Preferred debt</li> <li>3Q15 included \$4.5mm of after-tax benefit related to discrete items and utilization of a capital loss carryover</li> </ul>
<b>Non-Strategic</b>	\$4	\$22	\$9	\$0.02	<ul style="list-style-type: none"> <li>Loan loss provision credit of \$5mm in 3Q16 vs \$7mm credit in 2Q16</li> <li>3Q16 includes \$4.4mm gain primarily related to recoveries associated with prior mortgage servicing sales</li> <li>2Q16 included \$31.4mm mortgage repurchase reserve release</li> <li>3Q16 includes \$4.5mm legal accrual expense vs \$4.0mm in 2Q16</li> </ul>
<b>Total<sup>1</sup></b>	<b>\$63</b>	<b>\$57</b>	<b>\$59</b>	<b>\$0.27</b>	



# #1 Deposit Market Share in Tennessee

*First Tennessee Bank Grew Deposits Faster Than Overall Footprint Market*

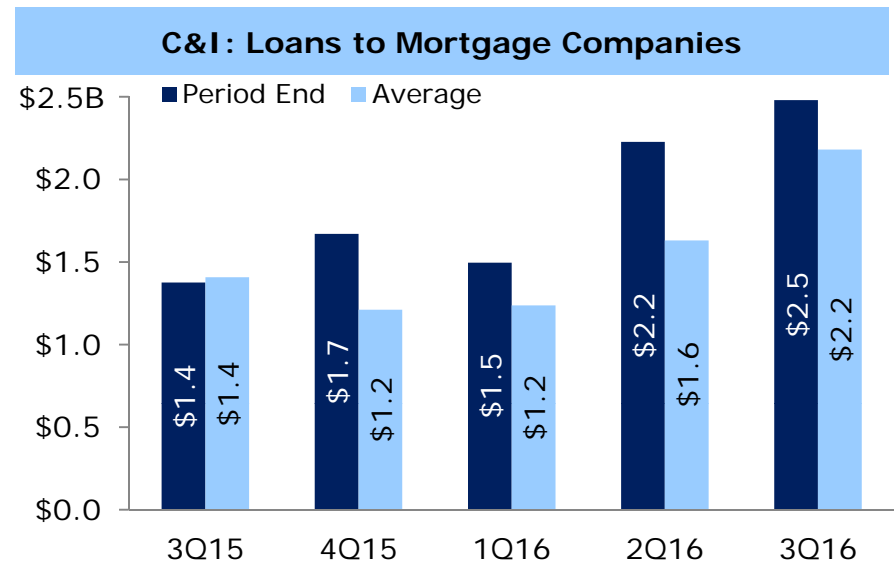
FDIC Deposit Market Share						
Market Rank	Market	FHN Market Share		2016 FHN Deposits	YOY Deposit Growth	
		2016	2015		FHN	Overall Market
#1	Tennessee	14.3%	13.7%	\$19.8B <sup>1</sup>	10.1%	5.3%
#1	West Tennessee	35.7%	31.3%	\$9.8B <sup>1</sup>	19.3%	4.5%
#1	East Tennessee	20.9%	22.1%	\$6.7B <sup>1</sup>	-1.0%	4.6%
#5	Middle Tennessee	7.3%	7.2%	\$3.8B	8.8%	7.7%

## 3Q16 Credit Quality Summary by Portfolio

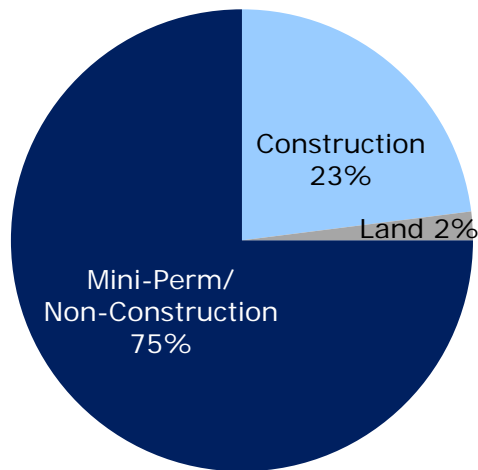
	Regional Banking					Corporate <sup>5</sup>	Non-Strategic				FHNC Consol
(\$ in millions)	Commercial (C&I & Other)	CRE	HE & HELOC	Other <sup>1</sup>	Total	Permanent Mortgage	Commercial (C&I & Other)	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$11,698	\$2,066	\$3,608	\$417	\$17,789	\$79	\$420	\$970	\$290	\$8	\$19,556
30+ Delinquency	0.05%	0.18%	0.46%	0.97%	0.17%	4.37%	-	2.34%	2.36%	1.62%	0.32%
Dollars	\$6	\$4	\$17	\$4	\$30	\$3	-	\$23	\$7	\$0	\$63
NPL <sup>3</sup> %	0.22%	0.17%	0.57%	0.10%	0.28%	1.54%	0.99%	7.09%	9.48%	1.83%	0.78%
Dollars	\$26	\$3	\$21	\$0	\$50	\$1	\$4	\$69	\$27	\$0	\$152
Net Charge-offs <sup>4</sup> %	0.05%	NM	0.01%	2.64%	0.08%	NM	NM	NM	0.18%	NM	0.05%
Dollars	\$1	-\$1	\$0	\$3	\$3	NM	\$0	-\$1	\$0	\$0	\$2
Allowance	\$85	\$32	\$20	\$13	\$151	NM	\$1	\$33	\$16	\$0	\$202
Allowance / Loans %	0.73%	1.57%	0.56%	3.19%	0.85%	NM	0.33%	3.40%	5.36%	2.50%	1.03%
Allowance / Charge-offs	16.76x	NM	57.14x	1.23x	10.88x	NM	NM	NM	29.16x	NM	22.51x

# Select C&I and CRE Portfolio Metrics

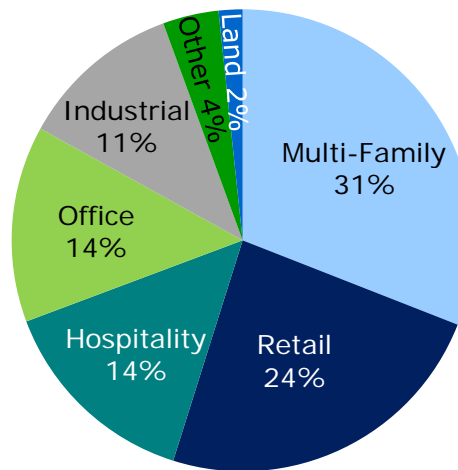
- \$12.1B C&I portfolio, diversified by industry
- \$2.1B CRE portfolio, diversified by geography and product type, comprising 11% of period-end consolidated loans
- Commercial (C&I and CRE) net charge-offs were \$0.7mm for the quarter
  - Gross charge-offs were \$2.0mm with recoveries of \$1.4mm



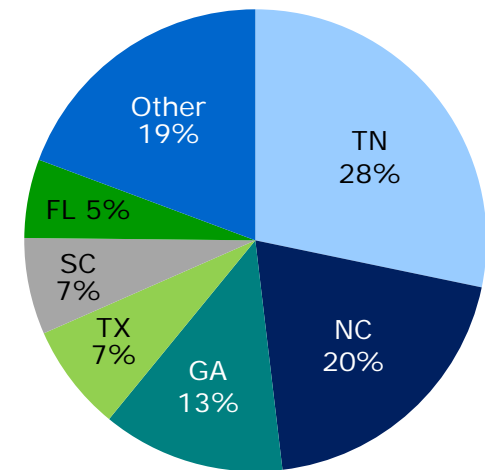
### CRE: Loan Type



### CRE: Collateral Type



### CRE: Geographic Distribution

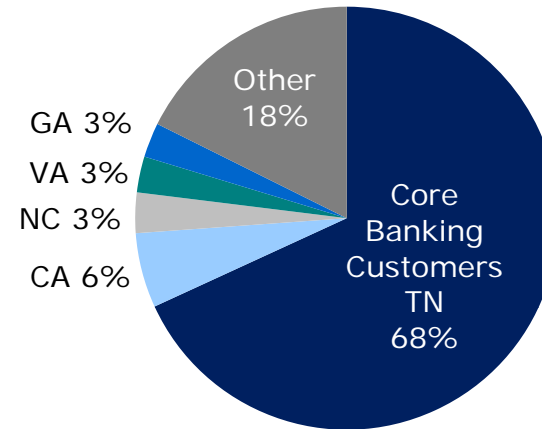


# Consumer Portfolio Overview

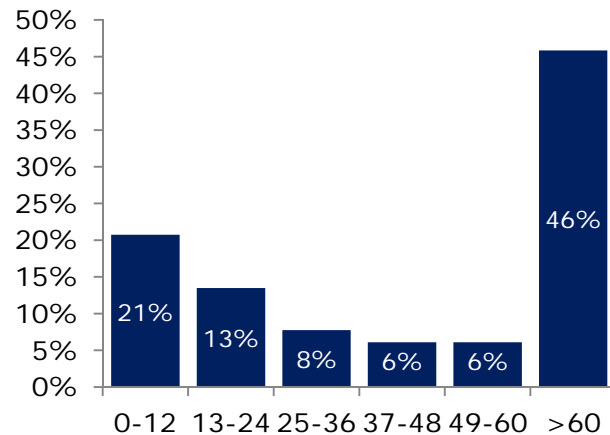
## Home Equity Portfolio Characteristics

	First	Second	Total
Balance	\$3.1B	\$1.5B	\$4.6B
Original FICO	755	736	749
Refreshed FICO	756	726	746
Original CLTV	78%	81%	79%
Full Doc	95%	77%	89%
Owner Occupied	96%	94%	95%
HELOCs	\$0.6B	\$1.2B	\$1.8B
Weighted Average HELOC Utilization	44%	52%	50%

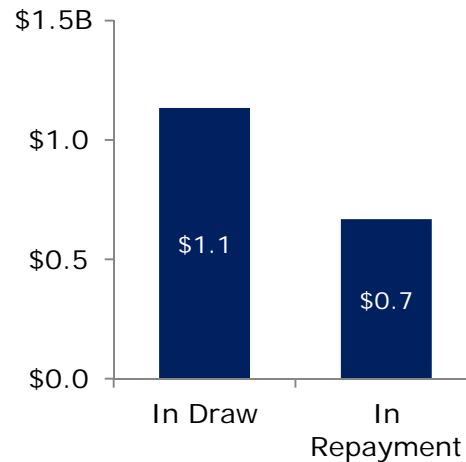
## Home Equity Geographic Distribution



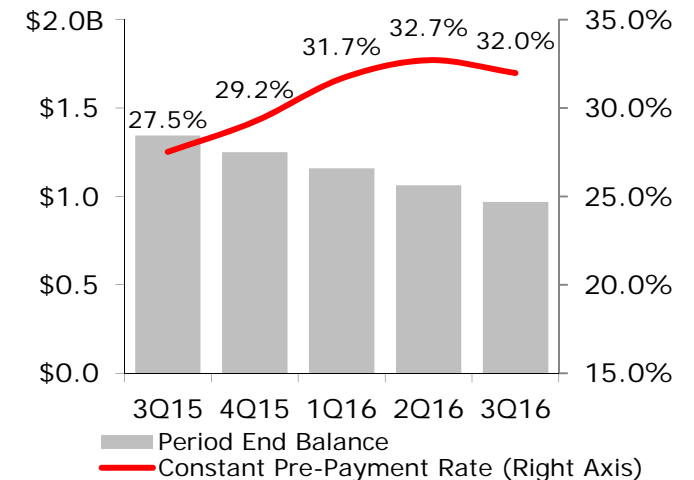
## Percent of Home Equity Portfolio: Months Left in Draw Period



## HELOC Draw vs Repayment Balances



## Non-Strategic Consumer Real Estate Run-Off

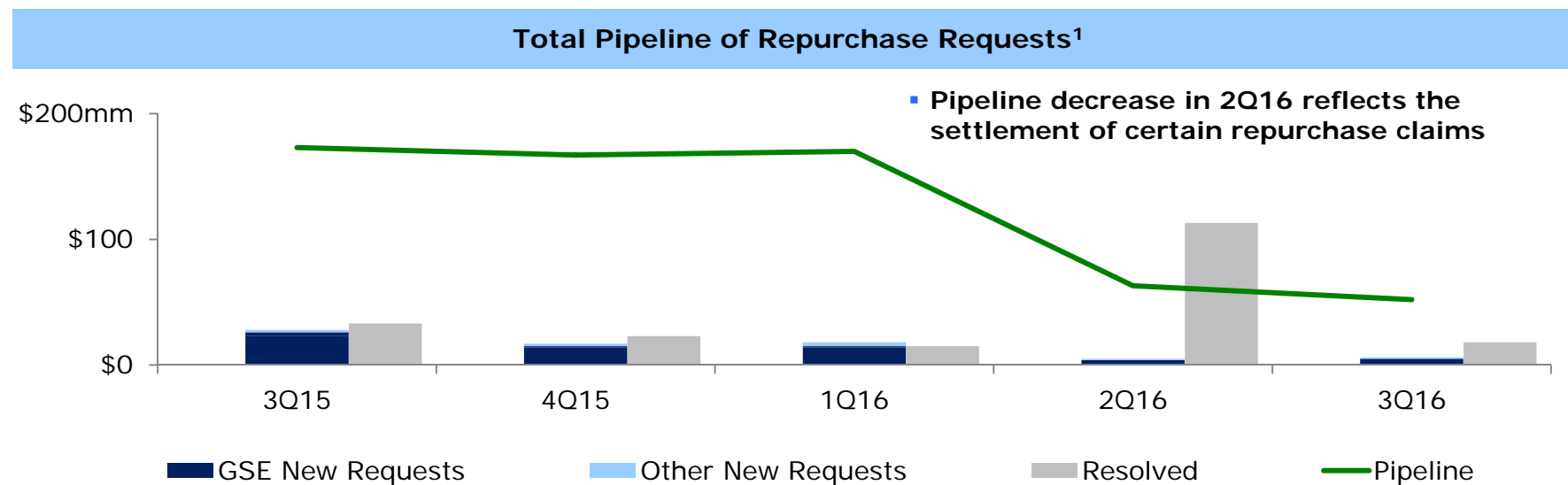


# Agency & Non-Agency Update

## Repurchase Resolution Agreements with Both GSEs

	Mortgage Repurchase Reserve					Other Whole Loan Sales and Non-Agency
(\$ in millions)	3Q15	4Q15	1Q16	2Q16	3Q16	
Beginning Balance	\$117	\$115	\$115	\$114	\$67	<ul style="list-style-type: none"> <li>Represent 82% of all active repurchase/make whole requests in 3Q16 pipeline</li> <li>Some non-Agency FHN loans were bundled with other companies' loans and securitized by the purchasers                             <ul style="list-style-type: none"> <li>A trustee for a bundler has commenced a legal action seeking repurchase of FHN loans</li> <li>Certain purchasers have requested indemnity related to FHN loans included in their securitizations</li> </ul> </li> </ul>
Net Realized Losses	\$(2)	\$(0)	\$(1)	\$(16)	\$0	
Provision	\$0	\$0	\$0	\$(31)	\$(0)	
Ending Balance	\$115	\$115	\$114	\$67	\$67	

Numbers may not add to total due to rounding.



## Reconciliation to GAAP Financials

Slides in this presentation use non-GAAP information of return on tangible common equity, adjusted expense, adjusted pre-provision net revenue and adjusted pre-tax income. That information is not presented according to generally accepted accounting principles (GAAP) and is reconciled to GAAP information below.

(\$ in millions)

<b>Return on Tangible Common Equity</b>		<b>3Q16</b>	
Average Total Equity (GAAP)		\$2,718	
Less: Average Noncontrolling Interest (GAAP)		\$295	
Less: Preferred Stock (GAAP)		\$96	
Average Common Equity (GAAP) (a)		\$2,327	
Less: Average Intangible Assets (GAAP)		\$214	
Average Tangible Common Equity (Non-GAAP) (b)		\$2,113	
Annualized Net Income Available to Common (GAAP) (c)		\$251	
Annualized Return on Average Common Equity (GAAP) (c/a)		10.8%	
Annualized Return on Average Tangible Common Equity (Non-GAAP) (c/b)		11.9%	
<b>Adjusted Regional Banking Noninterest Expense</b>		<b>3Q16</b>	<b>2Q16</b>
Regional Banking Noninterest Expense (GAAP)		\$145	\$164
Less: Regional Banking Legal Accrual/Reversal (GAAP)		-\$4	\$22
Adjusted Regional Banking Noninterest Expense (Non-GAAP)		\$149	\$142
<b>Adjusted Regional Banking Pre-Provision Net Revenue</b>			
Regional Banking Pre-Provision Net Revenue <sup>1</sup>		\$111	\$75
Plus: Regional Banking Legal Accrual/Reversal (GAAP)		-\$4	\$22
Adjusted Regional Banking Pre-Provision Net Revenue		\$106	\$97
<b>Adjusted Regional Banking Pre-Tax Income</b>			
Regional Banking Pre-Tax Income (GAAP)		\$102	\$64
Plus: Regional Banking Legal Accrual/Reversal (GAAP)		-\$4	\$22
Adjusted Regional Banking Pre-Tax Income (Non-GAAP)		\$98	\$86