



# First Horizon National Corporation

Goldman Sachs U.S. Financial Services Conference

*December 7, 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 information. 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 factors or to publicly announce the result of any revisions to any of the forward-looking statements included herein or therein to reflect future events or developments.*

# Successfully Executing on Key Priorities

## *FHN Is Well Positioned For Attractive Long-Term Earnings Power*

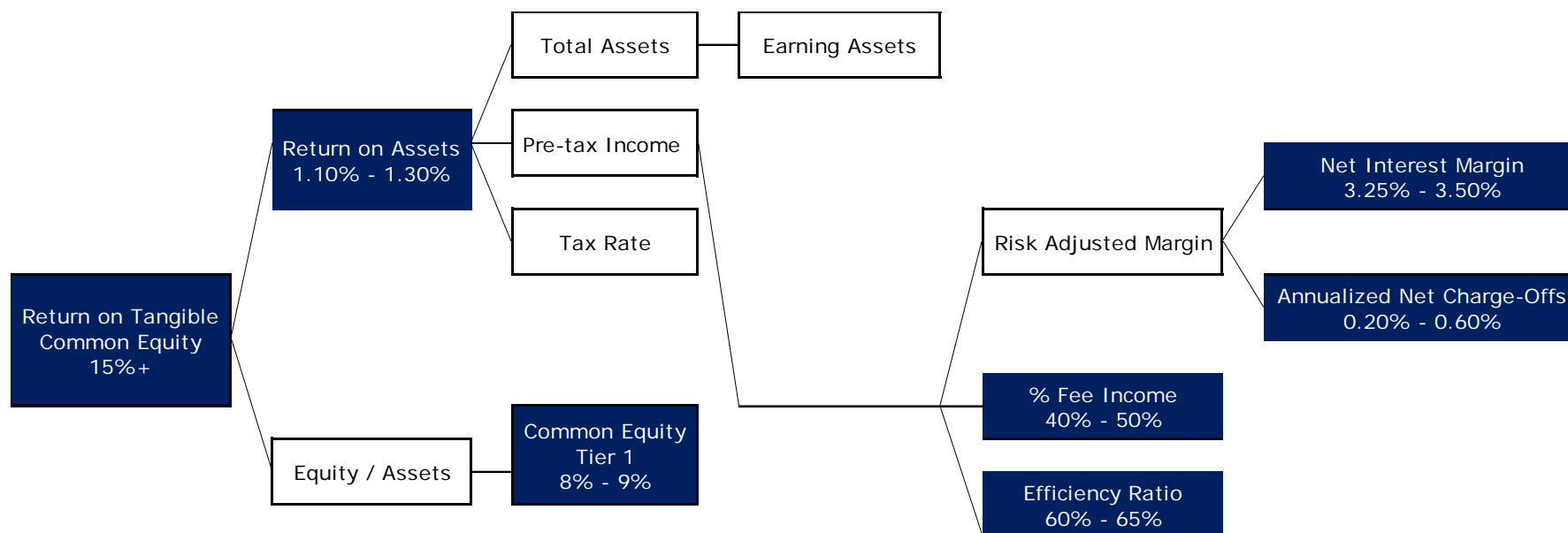
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- Proven execution capabilities
- Unique size, scope, and strengths
- Focused on efficiency, productivity, economic profitability, and growth opportunities
- Organizational alignment to achieve long-term bonefish profitability
- Breadth and depth of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

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

# 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*



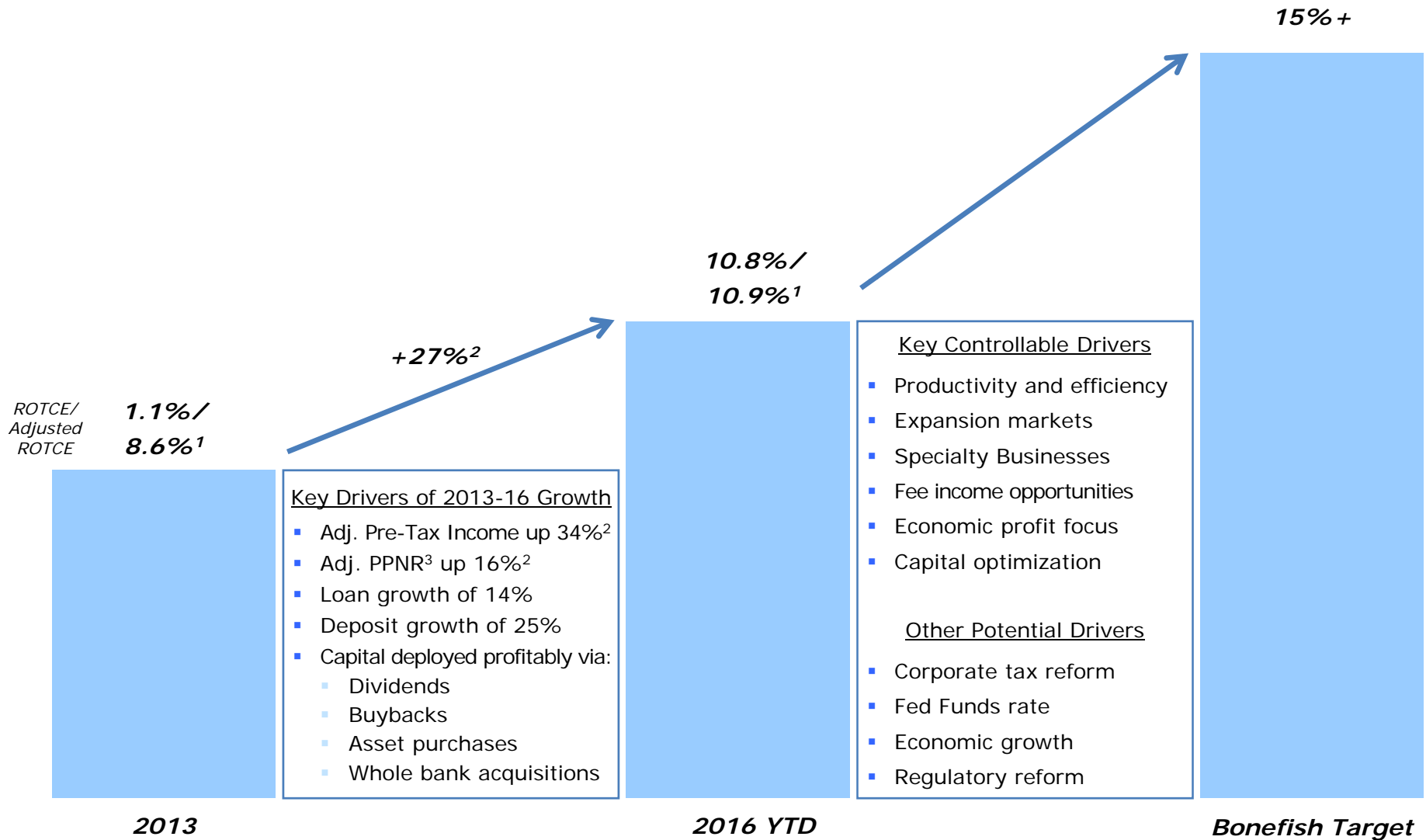
3Q16	Consolidated	Long-Term Targets
ROTCE <sup>1</sup>	11.9%	15.0%+
ROA <sup>1</sup>	0.97%	1.10 – 1.30%
CET1 <sup>2</sup>	9.8%	8.0 – 9.0%
NIM <sup>1</sup>	2.96%	3.25 – 3.50%
NCO / Average Loans <sup>1</sup>	0.05%	0.20 - 0.60%
Fee Income / Revenue	45%	40 - 50%
Efficiency Ratio	70%	60 - 65%

## FHN Has Achieved Low-Rate Environment Bonefish Targets

Metric	Investor Day 2013	2013	2016 YTD
	Low-Rate Environment Targets		
ROTCE <sup>1</sup> /Adjusted ROTCE <sup>2</sup>	8% - 12%	1.1%/8.6%	10.8%/10.9%
CET1	10%-11%	10.7%	9.8%
Average Asset Growth <sup>3</sup>	0% - 2%	(3)%	4%
Payout Ratio <sup>4</sup>	30% - 100%	NM	~85%
Buybacks (\$/shares)		\$88mm/8.0mm	\$93mm/7.4mm
Dividends Declared		\$0.20	\$0.21 <sup>5</sup>

# Strong Execution in Low-Rate Environment Has Led to Significant Improvement in Returns

*Current Trends and Potential Tailwinds Support Path to Bonefish Targets*



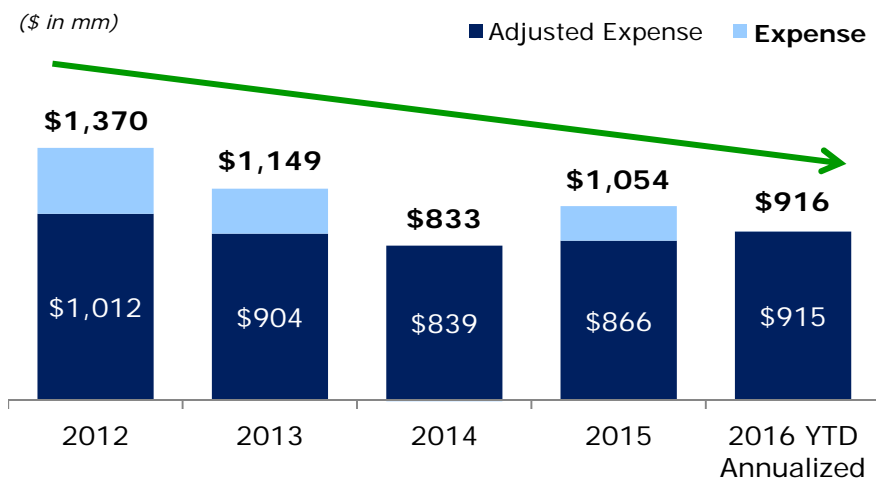
# Improving Productivity and Efficiency

## Proven Expense Control, With Continued Investment in Revenue-Supported Areas

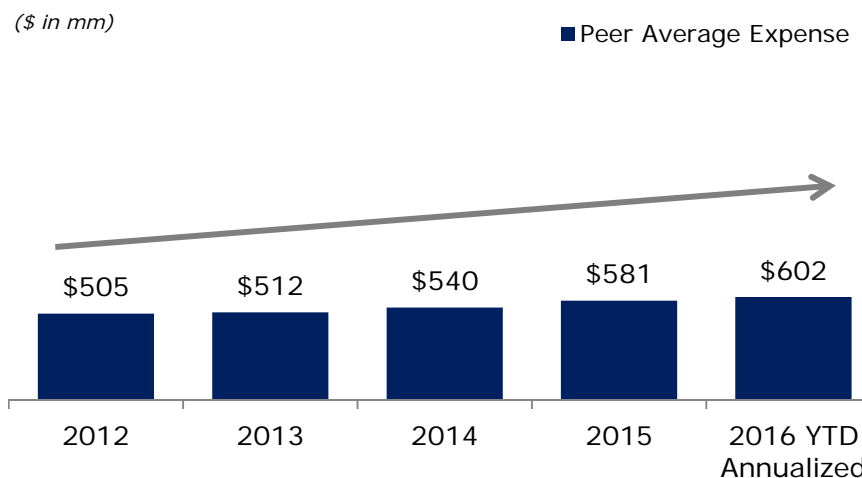
### 2016 Expense Priorities

- Focused on positive operating leverage
  - Revenue up 16% YOY vs expense increase of 8%; Pretax income up 33% YOY
  - Fixed income ADR up ~25%; \$983k YTD in 2016 vs \$757k in 2015
- Major expense efficiency efforts include:
  - Wind-down of non-strategic costs
  - Branch network and non-branch real estate optimization
    - Financial centers declined ~10% from 177 to 162 in 2016 YTD
  - End-to-end process improvements
- Ongoing investments in strategic hires, technology and growth markets (professionals added)
  - Franchise Finance – 10; Specialty Healthcare – 6; Equipment Finance – 5; Music Industry – 3

### Expense Down 33%, Adjusted Expense<sup>1</sup> Down 10%



### Peer<sup>2</sup> Expense Up 19% since 2012

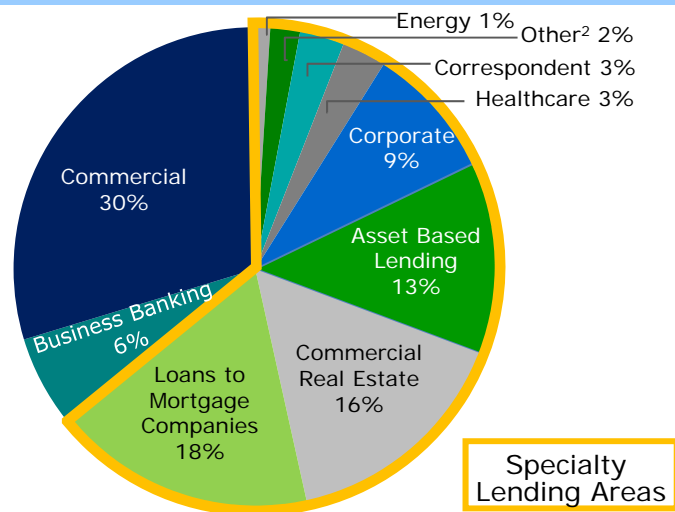


# Regional Bank Growth Opportunities:

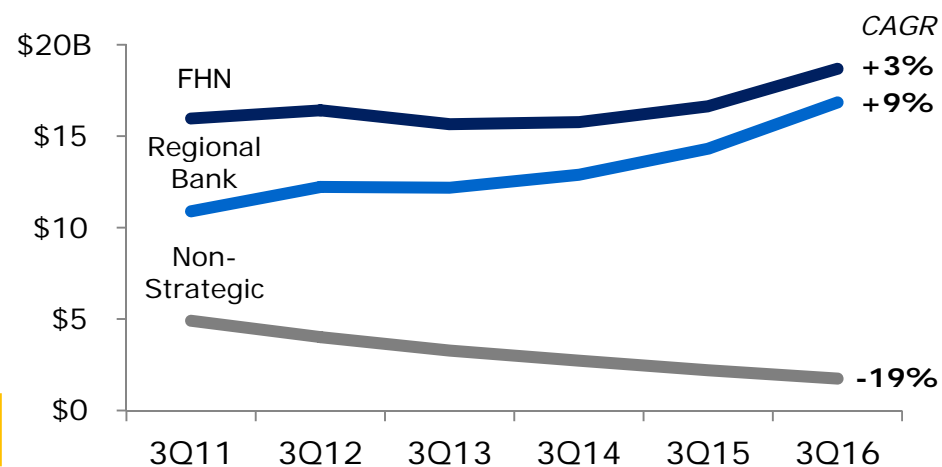
## *Executing on Economically Profitable Growth Opportunities*

- Continued shift toward commercially-oriented businesses with greater economic profitability
  - Loans in specialty lines of business +13% CAGR
  - Established Franchise Finance lending area after purchase of restaurant franchise loan portfolio in 3Q16
- Tennessee remains the cornerstone of our regional banking business
  - Loans in Middle TN market +7% CAGR
- Mid-Atlantic: +21% CAGR
  - TrustAtlantic acquisition
  - Strategic hires within the Richmond, Raleigh, Charleston and Jacksonville markets
- Houston market continues to build out C&I, Energy, CRE and Private Banking business lines

**3Q16 Average Commercial Loans**



**Strong Regional Banking Loan Growth Offsets Significant Reduction in Non-Strategic Loans**



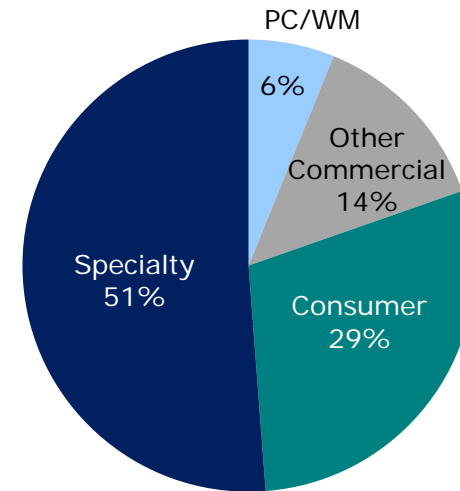


# Economic Profit Focus Delivering Tangible Results

## Cultural Benefits of Return/EP Focus

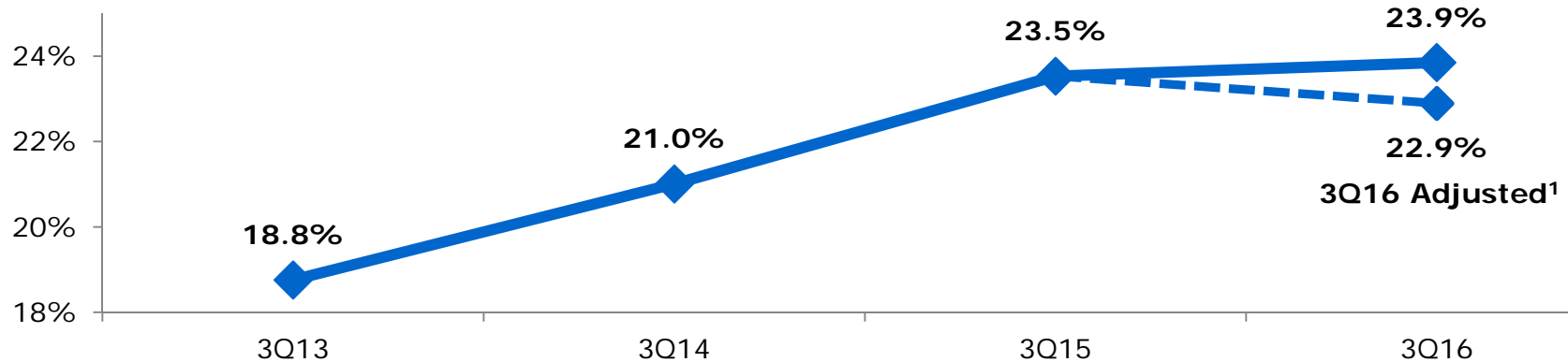
- High organizational awareness of profit drivers
- Business mix shift to more profitable activities and larger, deeper relationships
- Higher focus on risk-adjusted profitability and capital usage, particularly for lending activities
- Better identification of new business opportunities (franchise finance, specialty healthcare, etc)
- Materially improved capital allocation

## 3Q16 Regional Banking Economic Profit Breakdown



## Profitability Modeling Rollout Aligns with ROE Improvement from 3Q13-3Q16

### Regional Banking ROE



# Optimizing Our Use of Excess Capital

*Proven Record of Successful Capital Deployment With a Long-Term View*

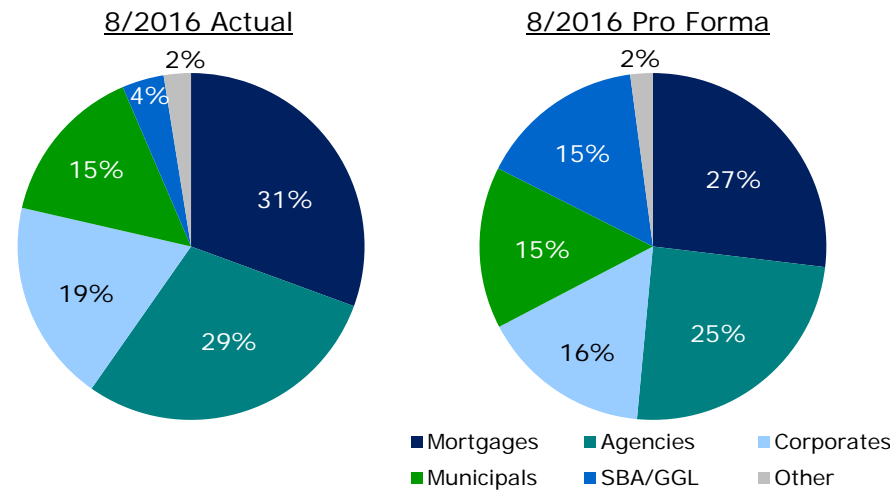
Capital Deployment Alternatives	<u>Invest Internally</u>	<u>Repatriate to Shareholders</u>	<u>Invest Externally</u>
Criteria	<ul style="list-style-type: none"> <li>+14% loan growth since 2013</li> <li>Established new specialty LOBs                             <ul style="list-style-type: none"> <li>Energy – 2014</li> <li>Franchise Finance – 2016</li> <li>Equipment Finance – 2016</li> <li>Specialty Healthcare – 2016</li> <li>Music – 2016</li> </ul> </li> <li>Technology infrastructure                             <ul style="list-style-type: none"> <li>Platform built for 2x scale</li> </ul> </li> <li>Non-Strategic businesses exit                             <ul style="list-style-type: none"> <li>Consumer MSR sale – 2013</li> <li>DOJ/HUD resolution - 2015</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Cash dividend                             <ul style="list-style-type: none"> <li>Increased 40% since 2013</li> </ul> </li> <li>Share buyback                             <ul style="list-style-type: none"> <li>12.5mm shares since 2013 at average price of \$12.86</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Traditional bank M&amp;A                             <ul style="list-style-type: none"> <li>Mountain National Bank — 2013</li> <li>Branch Acquisitions — 2014</li> <li>TrustAtlantic Bank — 2015</li> </ul> </li> <li>Product/business enhancements                             <ul style="list-style-type: none"> <li>Franchise loan portfolio — 2016</li> <li>Coastal Securities — Anticipated closing in early 2017</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Risk adjusted return on capital (RAROC)</li> <li>Economic profit opportunity</li> <li>Prioritization based on need to support core businesses</li> </ul>	<ul style="list-style-type: none"> <li>Return capital to shareholders while maintaining an adequate capital buffer in stress scenarios</li> <li>IRR analysis, taking into account factors such as cost of capital, intrinsic value, P/TBV, and other deployment alternatives</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Fit                             <ul style="list-style-type: none"> <li>Attractive markets and scale</li> </ul> </li> <li>Financial Fit                             <ul style="list-style-type: none"> <li>TBV dilution/earnback period</li> <li>EPS accretion/dilution</li> <li>Disciplined pricing</li> </ul> </li> <li>Cultural Fit                             <ul style="list-style-type: none"> <li>Social &amp; regulatory issues</li> </ul> </li> </ul>

**Disciplined capital planning process will remain dynamic and take into account both macroeconomic environment and capital deployment opportunities**

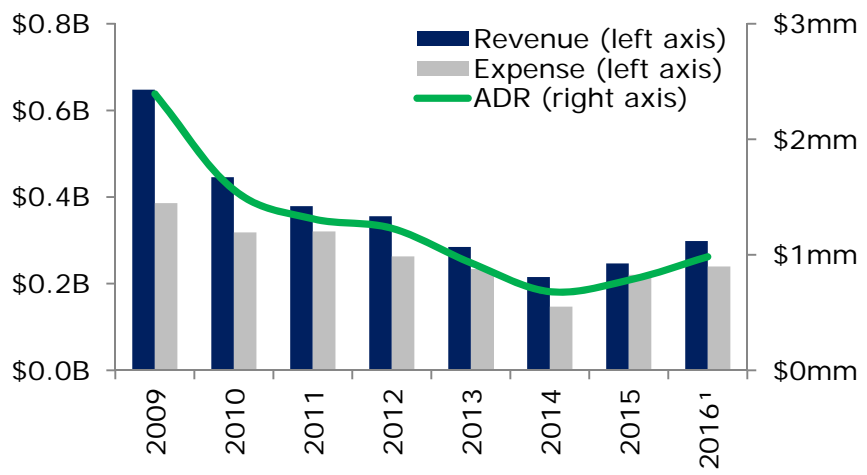
# FTN Financial: Unique Business Model with Strong Returns

- Differentiated fixed income business model focused on sales and distribution
- Ancillary businesses provide additional sources of revenues and complement fixed income business
- Agreed to acquire Coastal Securities
  - Establishes 5<sup>th</sup> major trading desk
  - Government Guaranteed Loan (GGL) products
  - Immediately accretive to EPS, ROA and ROTCE
- Focused on investing in extensive fixed income distribution platform
- Fixed income business model highly adaptable to various market conditions

## Coastal Securities Acquisition Enhances Fixed Income Product Mix



## FTN Financial Revenue and Expense



## Key Drivers of Fixed Income Average Daily Revenue

Lower Revenue	Factor	Higher Revenue
Up	Direction of rates	Down
Low	Market volatility	High
Flat	Shape of yield curve	Steep
Positive	State of economy and outlook	Negative
Less Certain	Expected future market environment	More Certain

## Positioned for Growth

### *Executing on Blue Chip Priorities*

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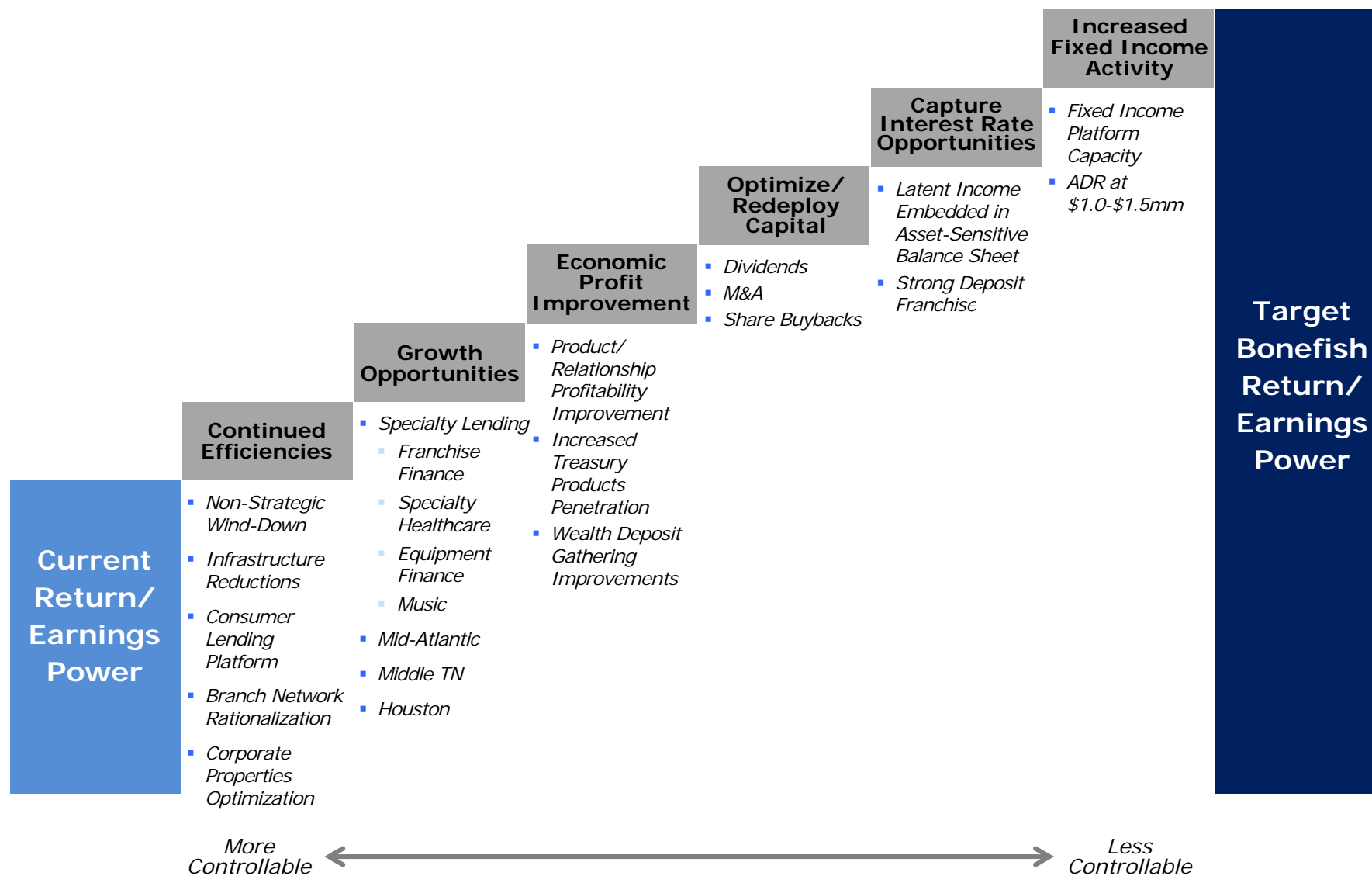
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- Being easy to do business with
  - Providing differentiated customer service
  - Using the Bonefish to drive profitability
- Revenue growth drives the majority of future earnings improvement, though expense efficiency efforts will continue to yield savings
  - Strategic investments, particularly in Middle Tennessee, should improve business mix and franchise value
  - Several profitable growth opportunities exist across multiple markets and businesses
  - Impactful use of economic profitability data in decision-making, resource allocation, and incentives across products, businesses, and relationships will drive higher returns on capital
  - Capital deployment – through a combination of share repurchases, dividends, and acquisitions – should improve return profile

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# APPENDIX

# Building Blocks Provide Path to Bonefish Targets

## Building a Foundation for Long-Term Earnings Power



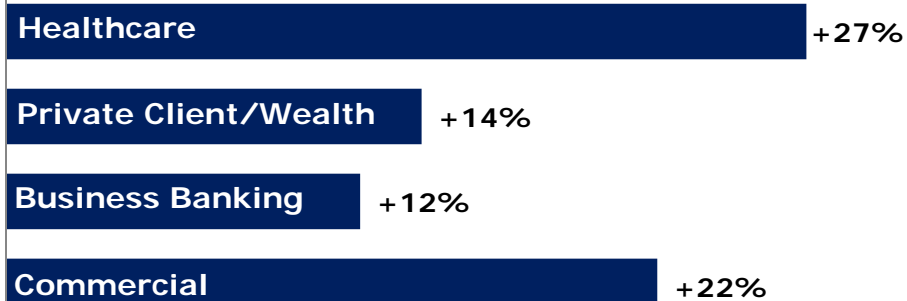
# Regional Bank Growth Opportunities

## Strong Year Over Year Loan Growth From Multiple Business Lines

- Loan portfolio geographically diverse, evenly split inside and outside of Tennessee
- A majority of Specialty Lending relationships are outside Tennessee, while Commercial, Business, Private Client, and Consumer Retail are primarily Tennessee-based
- Disciplined underwriting
  - Governance by line leaders and credit risk managers at the market/specialty business level
  - Quarterly review of portfolio limits/exception levels
  - Extensive use of RAROC model

### 3Q15 – 3Q16 Regional Banking Loan Growth

- Regional Banking average loans up 18%



### Geographic Dispersion of Loans by Lending Area

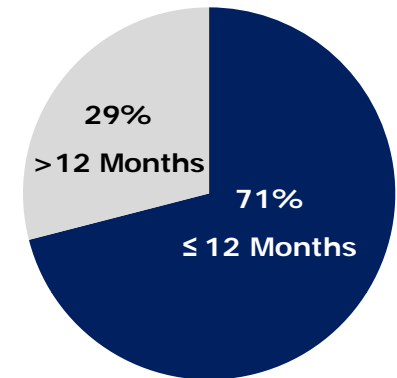
	Inside Footprint <sup>1</sup>	Outside Footprint <sup>1</sup>	Loan Growth Since 2012
Private Client	99%	1%	+47%
Business Banking	98%	2%	+29%
Consumer Retail	97%	3%	-4%
Commercial	96%	4%	+43%
Healthcare	88%	12%	+62%
Energy	88%	12%	NM
Commercial Real Estate	84%	16%	+97%
Asset Based Lending	83%	17%	+42%
Corporate	76%	24%	-13%
Franchise Finance	76%	24%	NM
Correspondent	62%	38%	+35%
Loans to Mortgage Companies	19%	81%	+45%
Total Regional Banking	80%	20%	+36%

# Asset Sensitivity Overview

- Loan portfolio comprised of 69% floating rate loans
  - ~72% are tied to 1 month LIBOR
  - ~4% are tied to 3 month LIBOR
  - ~24% are tied to Prime
- Securities portfolio comprises 15% of total assets with an estimated effective duration of 2.5 years
- Total period-end deposits increased 14% vs 3Q15
  - Strong DDA mix with emphasis on core deposit gathering
- Reduced reliance on interest rate sensitive wholesale funds

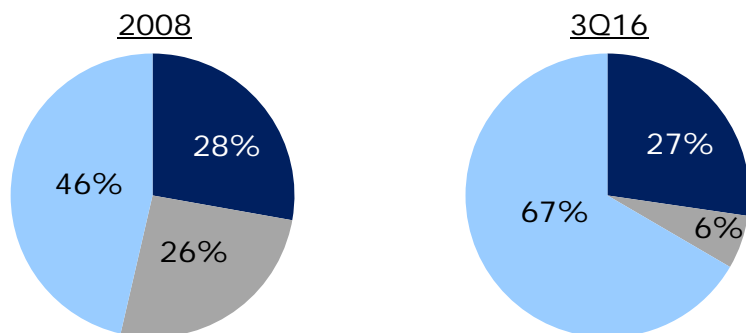
## Asset Repricing Profile Levered to Short-Term Rate Increases

- Floating rate assets at 100% beta
- Liabilities more closely managed
- +\$3.4B short-term re-pricing gap



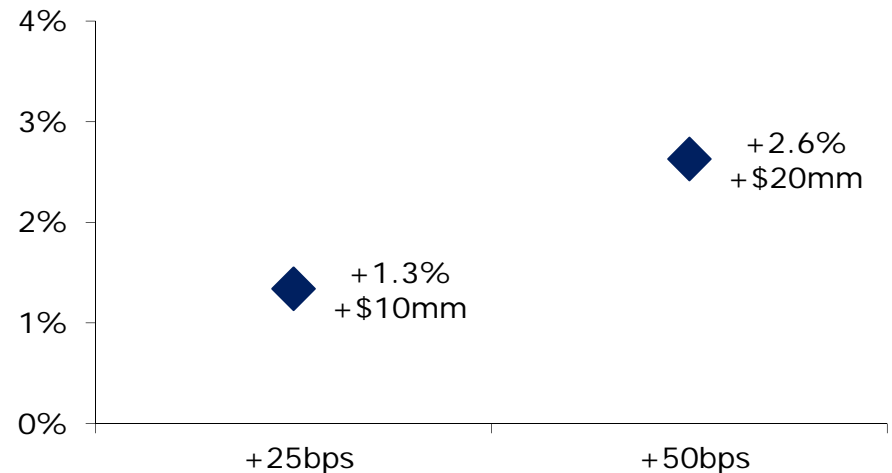
## Deposit Mix Trends

■ Noninterest Bearing ■ Time Deposits ■ Other Interest Bearing



- Stable DDA mix
- Migration from Time Deposits to MMDA & Savings

## Net Interest Income Sensitivity Impact<sup>1</sup>





# Asset Quality

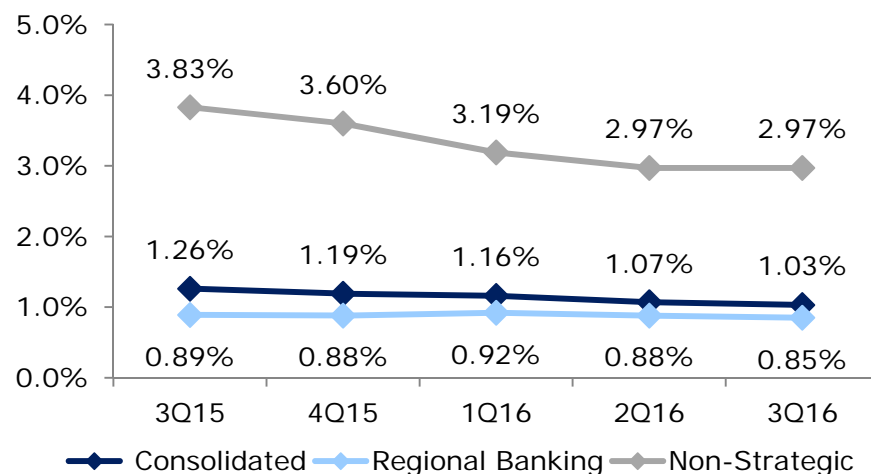
## Stable Credit Trends Reflect Strong Underwriting Discipline

- 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

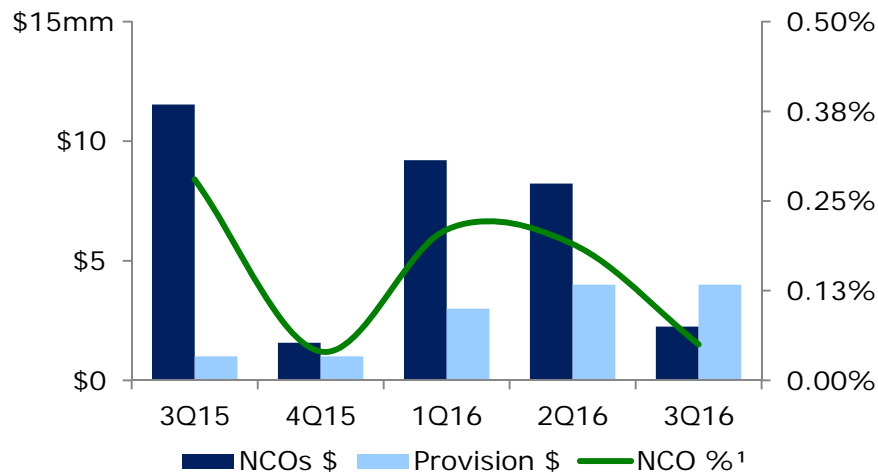
### Asset Quality Highlights

(\$ 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



## 3Q16 Credit Quality Summary by Portfolio

(\$ in millions)	Regional Banking					Corporate <sup>5</sup>	Non-Strategic				FHNC Consol
	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

## Notable Items

	2014 Notable Item	2014 Pre-Tax Amount
1Q	Previously Unrecognized Servicing Fees Associated with the MSR Sale	\$20.0mm
	Securities Gain on an Equity Investment	\$5.6mm
	Lease Abandonment & Other Restructuring Charges	(\$5.7)mm
	Net Impact from Resolution/ Collapse of On-Balance Sheet Consumer Securitizations	(\$6.4)mm
2Q	Litigation Expense Recovery	\$47.1mm
	Held-for-Sale (Primarily NPL) Portfolio Valuation Adjustment	\$8.2mm
3Q	Gains on Sales of Held-for-Sale Loans in Non-Strategic Portfolio	\$39.7mm
	Loss Accruals Related to Legal Matters	\$(50.0)mm
	Litigation Expense Recovery	\$15.0mm
	Net Loss Accruals Related to Legal Matters	\$(35.0)mm
4Q	None	

## 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		

## Reconciliation to GAAP Financials

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

(\$ in millions)				'13 - '16 YTD
Return on Tangible Common Equity	2013	2016 YTD <sup>1</sup>	3Q16	% Change
Average Total Equity (GAAP)	\$2,519	\$2,673	\$2,718	
Less: Average Noncontrolling Interest (GAAP)	\$295	\$295	\$295	
Less: Preferred Stock (GAAP)	\$88	\$96	\$96	
Average Common Equity (GAAP) (a)	\$2,136	\$2,282	\$2,327	
Less: Average Intangible Assets (GAAP)	\$162	\$216	\$214	
Average Tangible Common Equity (Non-GAAP) (b)	\$1,974	\$2,066	\$2,113	
Annualized Net Income Available to Common (GAAP) (c)	\$21	\$224	\$251	
Annualized Return on Average Common Equity (GAAP) (c/a)	1.0%	9.8%	10.8%	
Annualized Return on Average Tangible Common Equity (Non-GAAP) (c/b)	1.1%	10.8%	11.9%	NM
<b>Adjusted Return on Tangible Common Equity</b>				
Annualized Net Income Available to Common (GAAP) (c)	\$21	\$224		
Plus: Notable Items (GAAP)	\$244	\$1		
Less: Incremental Tax Impact for Notable Items <sup>2</sup> (GAAP)	\$95	\$0		
Adjusted Net Income Available to Common (Non-GAAP) (d)	\$170	\$225		
Adjusted Return on Average Tangible Common Equity (Non-GAAP) (d/b)	8.6%	10.9%		27%
<b>Adjusted Regional Banking Return on Equity</b>				
Regional Banking Average Allocated Equity (GAAP) (a)			\$1,085	
Regional Banking Net Income (GAAP) (b)			\$65	
Less: Litigation Accrual Reversal (GAAP)			\$4	
Plus: Incremental Tax Impact for Litigation Accrual Reversal (GAAP) <sup>2</sup>			\$2	
Adjusted Regional Banking Net Income (Non-GAAP) (c)			\$62	
Annualized Regional Banking Return on Equity (GAAP) (b/a)			23.9%	
Adjusted Annualized Regional Banking Return on Equity (Non-GAAP) (c/a)			22.9%	

## Reconciliation to GAAP Financials

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

Adjusted Pre-Tax Income	2013	2016 YTD <sup>1</sup>	% Change		
Pre-Tax Income (GAAP)	\$18	\$351	NM		
Less: Notable Items <sup>2</sup> (GAAP)	-\$244	-\$1			
Adjusted Pre-Tax Income (Non-GAAP)	\$263	\$352	34%		
Adjusted Pre-Provision Net Revenue					
Pre-Provision Net Revenue <sup>3</sup>	\$72	\$364	NM		
Less: Notable Items <sup>2</sup> (GAAP)	-\$244	-\$1			
Adjusted Pre-Provision Net Revenue	\$316	\$365	16%		
Adjusted Noninterest Expense	2012	2013	2014	2015	2016 YTD <sup>1</sup>
Noninterest Expense (GAAP)	\$1,370	\$1,149	\$833	\$1,054	\$916
Less: Notable Expense Items <sup>2</sup> (GAAP)	\$357	\$244	-\$6	\$188	\$1
Adjusted Annualized Noninterest Expense (Non-GAAP)	\$1,012	\$904	\$839	\$866	\$915

Peer group includes the following: ASB, BOH, BOKF, BXS, CBSH, CFR, FCNCA, FULT, HBHC, IBKC, ONB, PB, SNV, TCB, TCBI, TRMK, UBSI, UMBF, UMPQ, VLY, WBS, WTFC.