



# First Horizon National Corporation

First Quarter 2017 Earnings

*April 13, 2017*

- 
- *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.*

# 1Q17 Accomplishments

Diluted EPS <b>\$0.23</b>	ROA <sup>1</sup> <b>0.82%</b>	ROTCE <sup>1</sup> <b>10.3%</b>	CET1 <sup>2</sup> <b>10.2%</b>
------------------------------	----------------------------------	------------------------------------	-----------------------------------

## Moving Toward Bonefish Profitability Targets

- Net income available to common shareholders up 13%, diluted EPS up 15%
- ROTCE<sup>1</sup> at 10.3%, up 89 bps
  - Regional Banking ROA<sup>1</sup> at 1.46% and ROE<sup>1</sup> of 23%
- Net interest income growth of 10%
- Average loans up 9% and average deposits up 14%
  - Regional Banking average loan growth of 13%
- Fixed income product average daily revenue of \$689k

## Positive Operating Leverage

- Efficiency ratio improvement of 198 bps to 72.5%
  - Regional Banking efficiency ratio at 58.7% or 411 bps improvement
- Revenue stable, while expenses declined 2%
  - Regional Banking revenue up 9% vs expense increase of 2%

## Capital Deployment

- Coastal Securities acquisition closed on April 3, 2017
- Increased quarterly common dividend 29%

---

# FINANCIAL RESULTS

# 1Q17 Consolidated Financial Results

<i>\$ in millions</i> Financial Results	Actuals			1Q17 vs	
	1Q17	4Q16	1Q16	4Q16	1Q16
Net Interest Income	<b>\$190</b>	\$196	\$172	-3%	+10%
Fee Income	<b>\$117</b>	\$124	\$134	-6%	-13%
Total Revenue	<b>\$307</b>	\$320	\$306	-4%	*
Loan Loss Provision Expense	<b>\$(1)</b>	\$0	\$3	NM	NM
Pretax Income	<b>\$85</b>	\$82	\$76	+5%	+12%
Net Income Available to Common Shareholders (NIAC)	<b>\$54</b>	\$53	\$48	+1%	+13%
EPS	<b>\$0.23</b>	\$0.23	\$0.20	*	+15%
Average Loans (\$B)	<b>\$18.8</b>	\$19.4	\$17.3	-3%	+9%
Average Deposits (\$B)	<b>\$22.8</b>	\$22.3	\$19.9	+2%	+14%

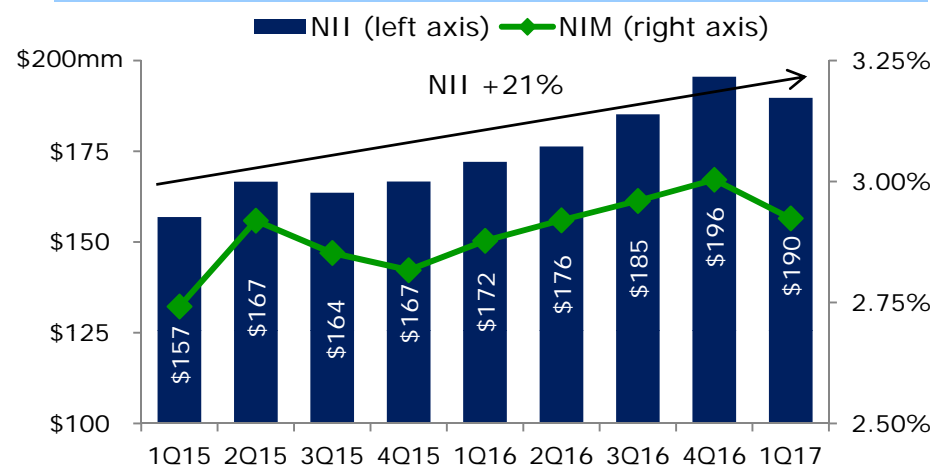
- Diluted EPS of \$0.23 in 1Q17, steady LQ and up 15% YOY
  - Continued strong balance sheet growth and meaningful positive operating leverage in the Regional Bank
  - Fixed Income revenue muted, but remains a substantial source of fee income
  - Continued excellent credit quality
- Pretax income up 5% LQ and up 12% YOY
- Revenue down 4% LQ, flat YOY
  - NII YOY increase due to higher short-term rates and loan growth, LQ decrease from lower balances of loans to mortgage companies and fewer days in 1Q17
- Expense down LQ and YOY from continued expense discipline
- Loan loss provision credit reflects overall stability in loan portfolio and continued run-off of non-strategic loans

# Consolidated Net Interest Income and Net Interest Margin

## Positive Year-over-Year Balance Sheet Trends

- NII up \$18mm or 10% YOY, down 3% LQ
- NIM at 2.92%, up 4 bps YOY, down 8 bps LQ
  - NIM decrease LQ largely related to deposit growth and excess cash held to fund Coastal Securities acquisition
- Average loans up 9% YOY and down 3% LQ
- Floating rate loans comprise 67% of loan portfolio
- Further moderated asset sensitivity via additional receive-fixed portfolio loan swaps

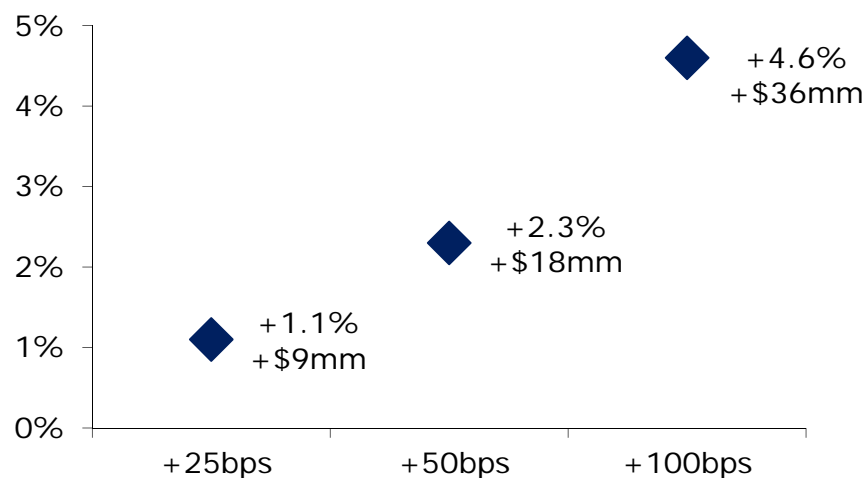
### NIM Stability and Loan Growth Drive NII Increase



### NII and NIM Linked-Quarter Change Drivers

(\$ in millions)	NII	NIM
<b>4Q16</b>	<b>\$195.6</b>	<b>3.00%</b>
Rates/ Asset Sensitivity	+\$5.7	+9bps
Higher Cash Balances	+\$0.1	-16bps
Lower Loans to Mortgage Companies	-\$8.9	-3bps
Higher Commercial Loan Volume	+\$2.3	-1bp
Fewer Days in 1Q	-\$3.2	-
Other <sup>1</sup>	-\$1.8	+3bps
<b>1Q17</b>	<b>\$189.7</b>	<b>2.92%</b>

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



# Regional Banking Financial Results

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

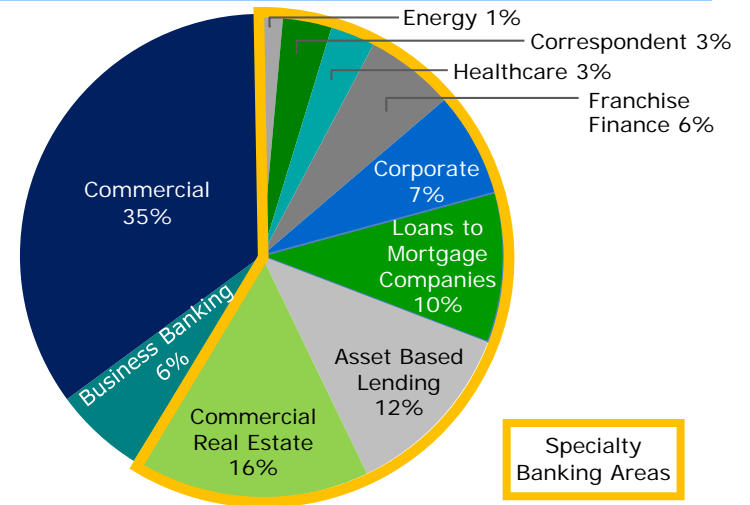
\$ in millions Financial Results	Actuals			1Q17 vs	
	1Q17	4Q16	1Q16	4Q16	1Q16
Net Interest Income	\$193	\$201	\$172	-4%	+12%
Fee Income	\$59	\$63	\$59	-7%	*
Total Revenue	\$252	\$264	\$232	-4%	+9%
Expense	\$148	\$161	\$145	-8%	+2%
PPNR <sup>1</sup>	\$104	\$103	\$86	+1%	+21%
Loan Loss Provision	\$3	\$5	\$15	-34%	-79%
Pre-Tax Income	\$101	\$98	\$71	+3%	+42%
Net Income	\$65	\$63	\$46	+2%	+40%
Average Loans (\$B)	\$17.2	\$17.7	\$15.2	-3%	+13%
Average Deposits (\$B)	\$19.7	\$19.0	\$18.1	+3%	+9%

- PPNR up 1% LQ and up 21% YOY
- Efficiency ratio of 58.7% in 1Q17; improvement of 225 bps LQ and 411 bps YOY
- Total revenue up 9% YOY, down 4% LQ
  - YOY NII growth driven by increase in short-term rates and higher commercial loans, LQ decrease due to lower loans to mortgage companies
- Average loans up 13% YOY from higher commercial loans, down 3% LQ
- Average deposits up 9% YOY and up 3% LQ
- Loan loss provision reflects overall strength and stability in asset quality
  - Net charge-offs of \$1mm in 1Q17 vs \$9mm in 1Q16 and \$2mm in 4Q16

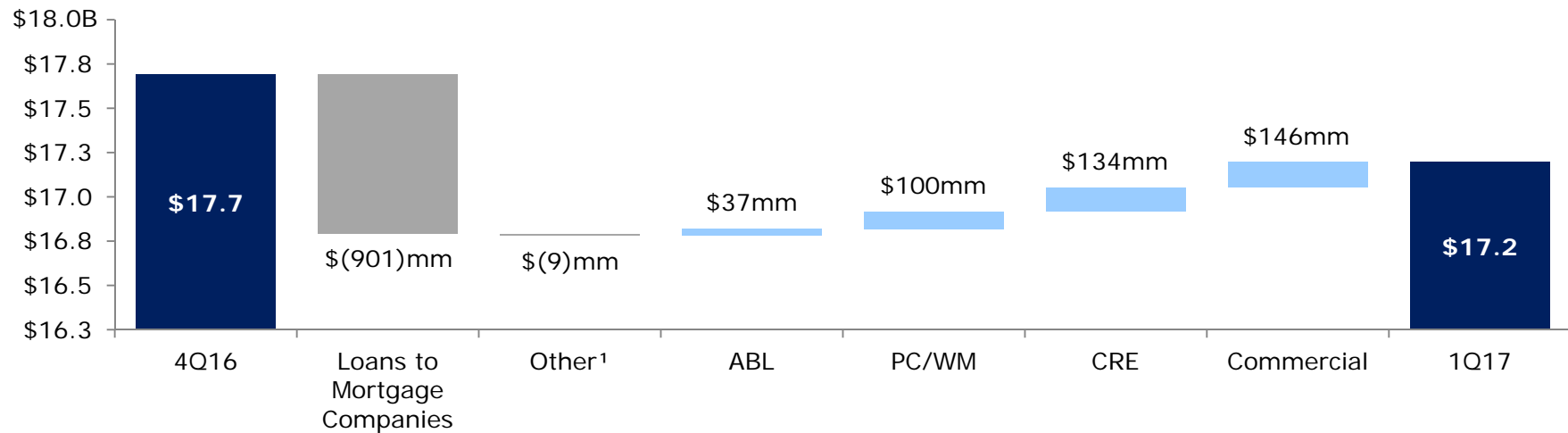
# Profitable Growth Opportunities: Regional Banking

- Regional Banking average loan growth of 13% YOY and decline of 3% LQ
  - Excluding Loans to Mortgage Companies, average loans up 14% YOY and 3% LQ
  - Loans to Mortgage Companies average balance at \$1.3B in 1Q17 vs \$2.2B in 4Q16 and \$1.2B in 1Q16
- Continued strong loan growth in specialty banking areas and growth markets
  - CRE up 7% and ABL up 2% LQ
  - Middle TN up 4% and Houston up 10% LQ

1Q17 Average Regional Bank Commercial Loans



Regional Banking Average Loan Growth by Lending Area





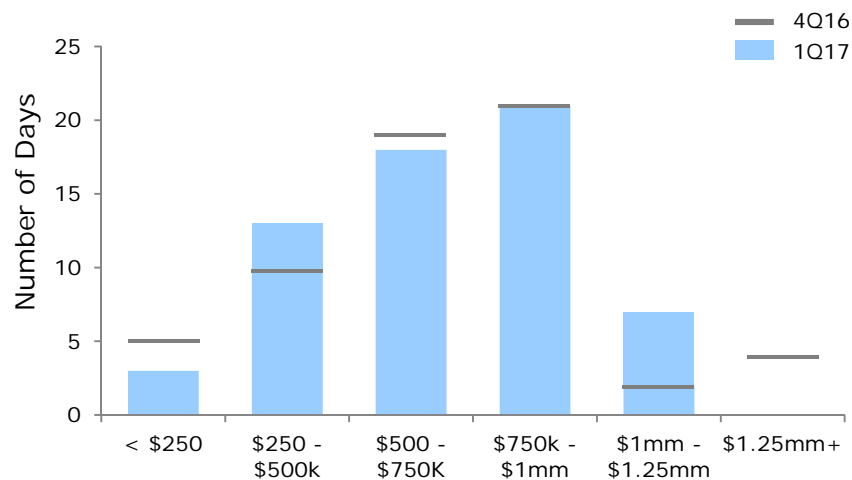
# Fixed Income - FTN Financial

## Solid Fee Income Contribution

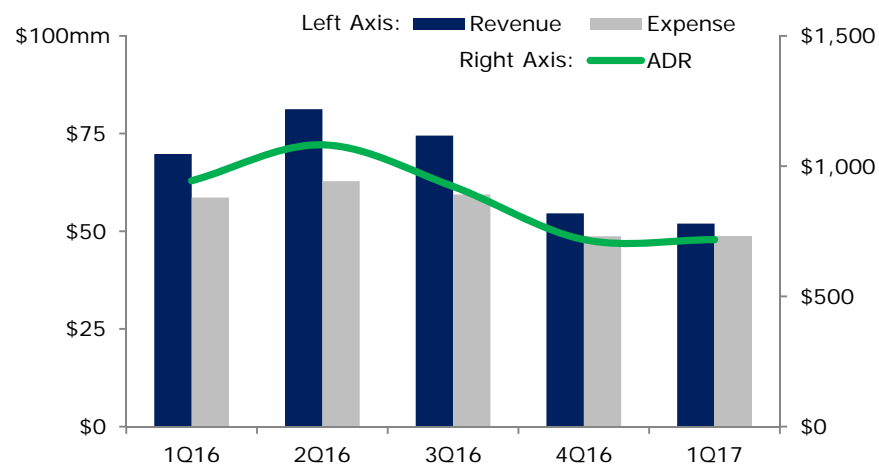
- Fixed income product average daily revenue (ADR) at \$689k in 1Q17 vs \$718k in 4Q16
- Fixed income ADR performance reflects lower activity due to rate increases and relatively low levels of volatility
- Focused on investing in extensive fixed income distribution platform:
  - Acquisition of Coastal Securities in 2Q17 substantially expands government guaranteed loan ("GGL") products (SBA and USDA loans and securities) and contributes to municipal products growth strategy
  - Strategic hires to increase market share

Financial Results	Actuals			1Q17 vs	
	1Q17	4Q16	1Q16	4Q16	1Q16
NII	\$1	\$3	\$3	-55%	-57%
Fee Income	\$51	\$52	\$67	-2%	-24%
Expense	\$49	\$49	\$59	*	-17%
Pretax Income	\$3	\$6	\$11	-44%	-71%
Net Income	\$2	\$4	\$7	-43%	-69%
ADR	\$689k	\$718k	\$944k	-4%	-27%

1Q17 Daily Fixed Income Product Revenue



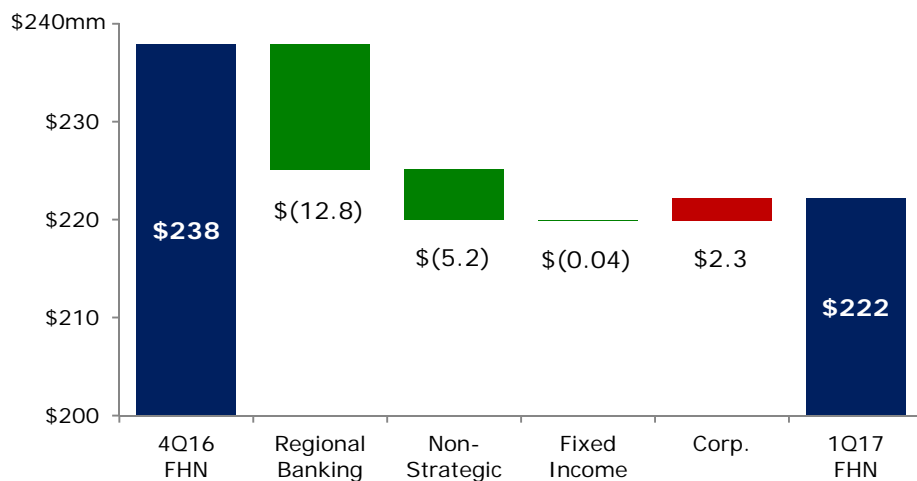
Fixed Income Revenue and Expense



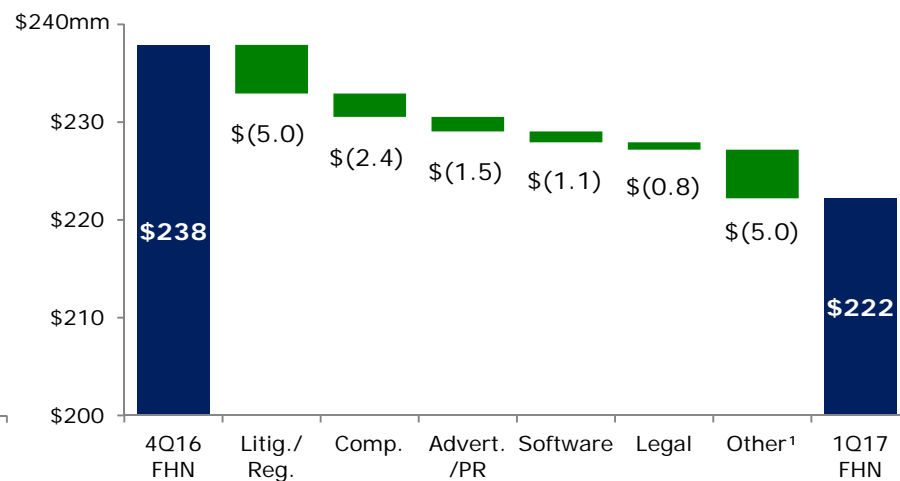
# Improving Productivity & Efficiency

- Focused on positive operating leverage
- Continued expense discipline across the organization
- Expense down LQ due to decrease in legal accruals, lower compensation and other expense items
- Ongoing investments in strategic hires in specialty banking areas, growth markets and technology
- Financial center count down 7% YOY with added emphasis on digital banking

**4Q16 – 1Q17 Consolidated Noninterest Expense by Segment**



**4Q16 – 1Q17 Consolidated Noninterest Expense by Item**



# Asset Quality

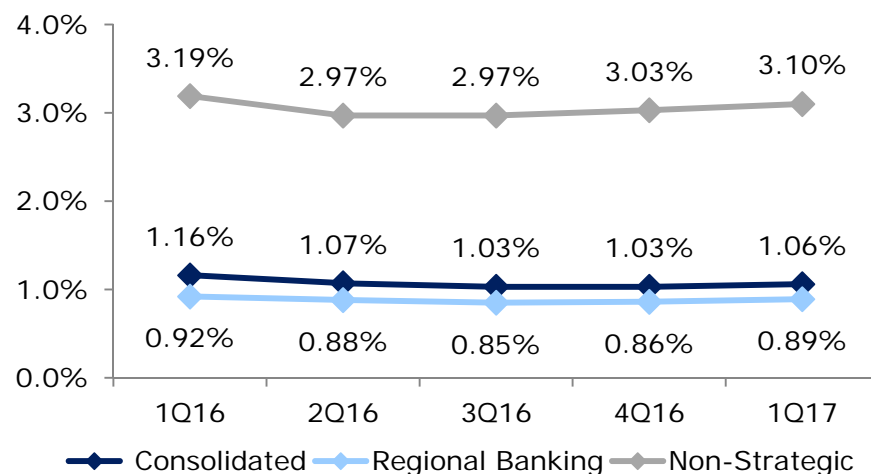
## Stable Credit Trends Reflect Strong Underwriting Discipline

- Net recoveries of ~\$1mm in 1Q17 vs net recoveries of ~\$1mm in 4Q16 and net charge-offs of \$9mm in 1Q16
- Non-performing assets down 27% YOY and down 2% LQ
- 30+ delinquencies as a percentage of total loans at 0.39% on a consolidated basis and 0.24% in the Regional Bank
- Allowance to loan ratio up 3 bps LQ
- Non-Strategic loans comprise 8% of total average loans at 1Q17, down from 11% a year ago

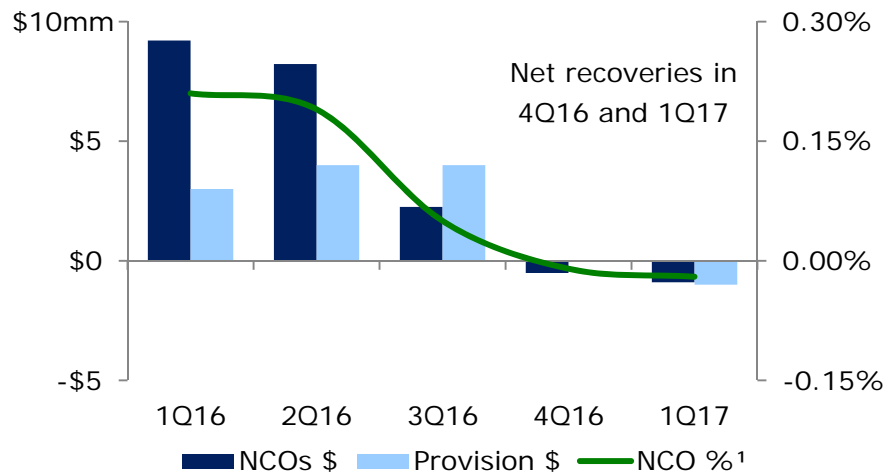
### Asset Quality Highlights

(\$ in mm)	1Q16	2Q16	3Q16	4Q16	1Q17
Provision/ (Credit)	\$3	\$4	\$4	-	\$(1)
Charge-offs	\$18	\$18	\$10	\$11	\$8
Recoveries	\$(8)	\$(10)	\$(8)	\$(12)	\$(9)
Net Charge-Offs/ (Recoveries)	\$9	\$8	\$2	\$(1)	\$(1)

### Allowance to Loans Ratio by Segment

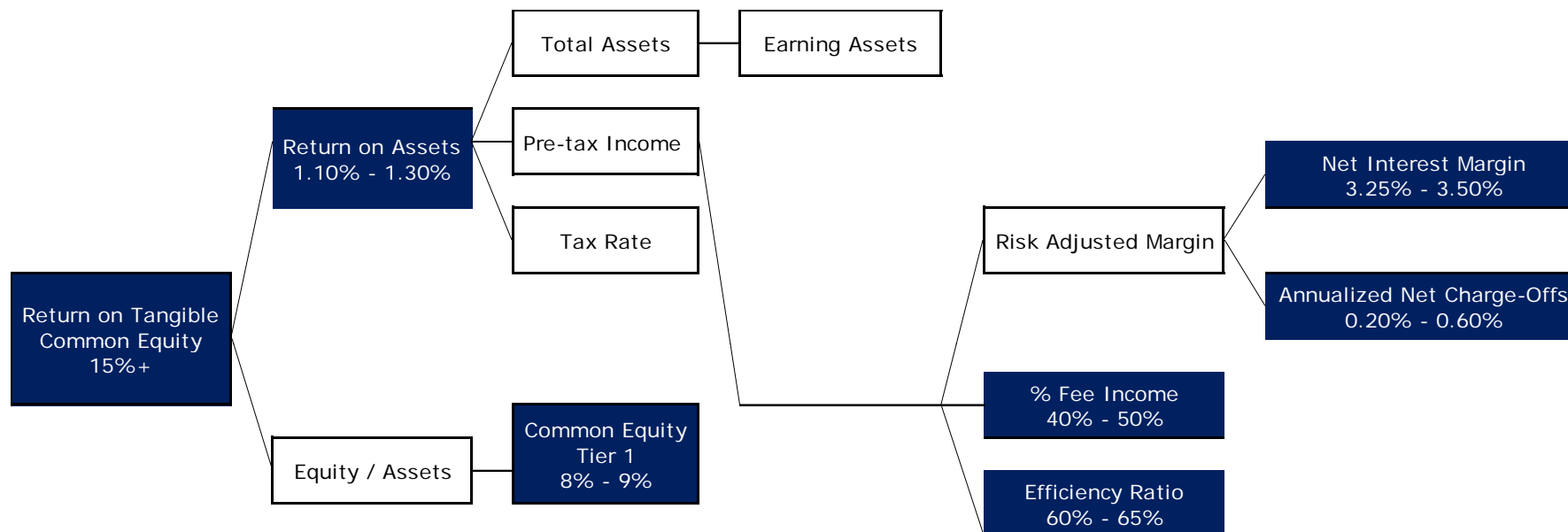


### Net Charge-Offs



# Building Long-Term Earnings Power: Bonefish Targets

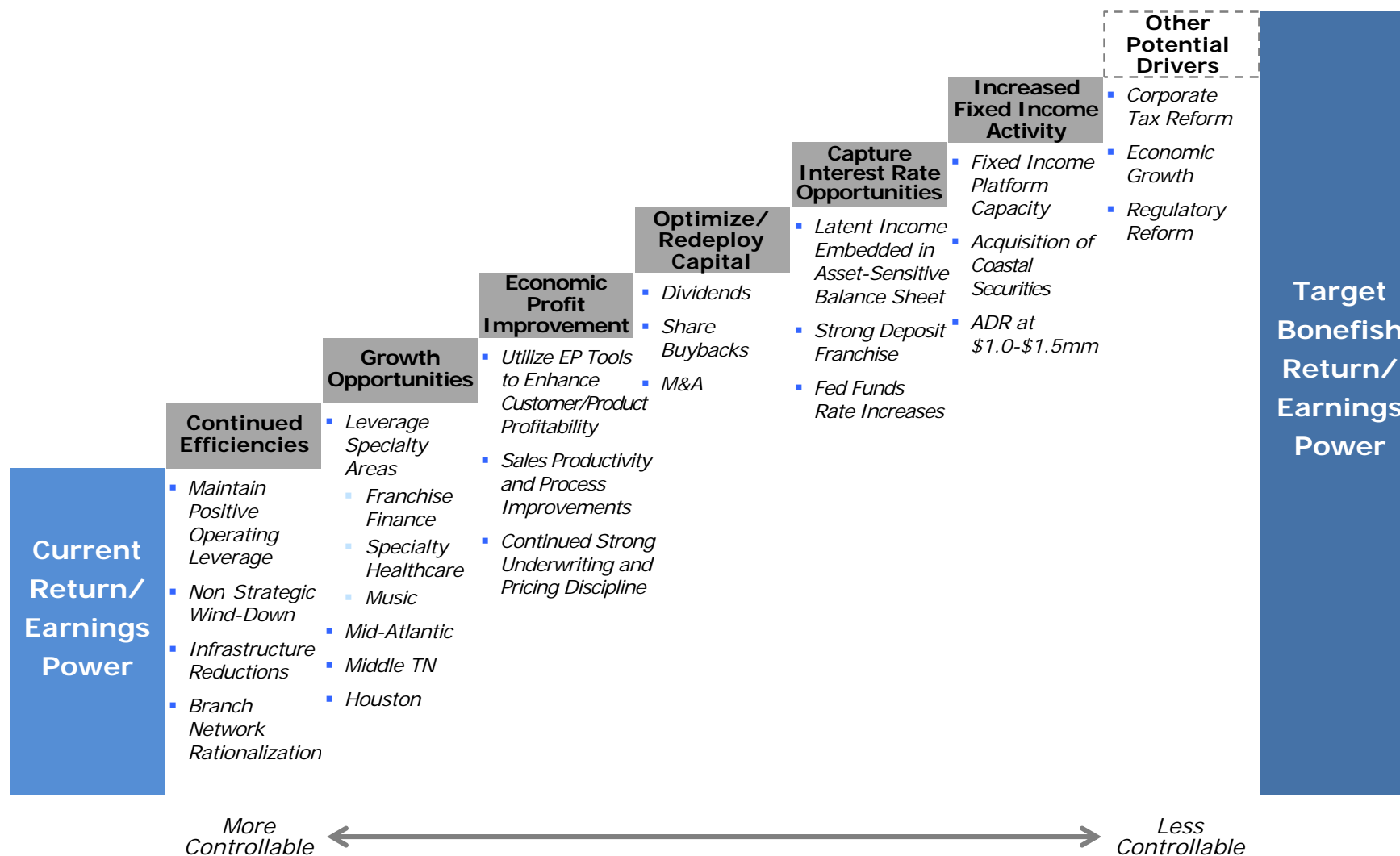
*Focused on Growing Our Company Selectively and Profitably While Positioning Our Balance Sheet for Sustainable, Higher Returns in the Long Term*



1Q17	Consolidated	Long-Term Targets
ROTCE <sup>1</sup>	10.3%	15.0%+
ROA <sup>1</sup>	0.82%	1.10 - 1.30%
CET1 <sup>2</sup>	10.2%	8.0 - 9.0%
NIM <sup>1</sup>	2.92%	3.25 - 3.50%
NCO / Average Loans <sup>1</sup>	NM	0.20 - 0.60%
Fee Income / Revenue	38%	40 - 50%
Efficiency Ratio	72%	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*

---

- 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 to profitably run and grow the company

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



# APPENDIX

## Notable Items

	2016	Pre-Tax Amount	2017	Pre-Tax Amount
1Q	Branch Impairment	\$(3.7)mm	None	-
2Q	Litigation Accrual <sup>1</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	Gain Primarily Related to Recoveries Associated with Prior Mortgage Servicing Sales	\$4.4mm		
	Litigation Accrual <sup>2</sup>	\$(4.5)mm		
	Litigation Accrual Reversal <sup>3</sup>	\$4.3mm		
4Q	Litigation Accrual <sup>1</sup>	\$(4.7)mm		



# 1Q17 Segment Highlights

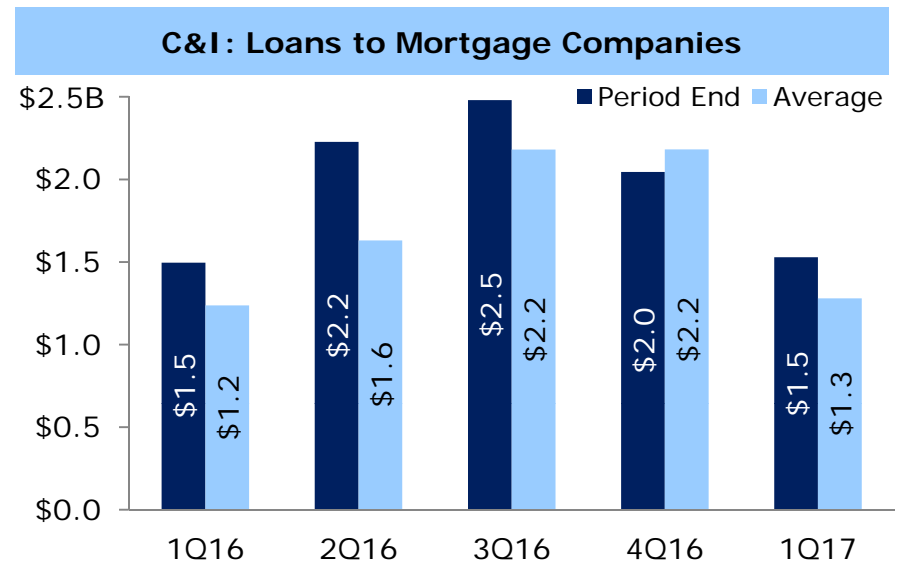
\$ in millions, except EPS	Net Income <sup>1</sup>			1Q17 Per Share Impact <sup>2</sup>	Drivers and Impacts
	1Q17	4Q16	1Q16		
<b>Regional Banking</b>	\$65	\$63	\$46	\$0.27	<ul style="list-style-type: none"> <li>▪ NII up 12% YOY and down 4% LQ</li> <li>▪ Average loans up 13% YOY and down 3% LQ</li> <li>▪ Expenses up 2% YOY and down 8% LQ                             <ul style="list-style-type: none"> <li>▪ 1Q16 includes \$3.7mm branch impairment expense</li> <li>▪ 4Q16 includes \$2.7mm legal accrual expense</li> </ul> </li> <li>▪ Loan loss provision of \$3mm in 1Q17 vs \$5mm in 4Q16</li> </ul>
<b>Fixed Income</b>	\$2	\$4	\$7	\$0.01	<ul style="list-style-type: none"> <li>▪ Fixed income product ADR of \$689k in 1Q17 vs \$718k in 4Q16</li> <li>▪ Expense flat linked quarter due to lower variable compensation offset by FICA reset and increased legal fees</li> </ul>
<b>Corporate<sup>1</sup></b>	\$(17)	\$(17)	\$(15)	\$(0.07)	
<b>Non-Strategic</b>	\$4	\$3	\$10	\$0.02	<ul style="list-style-type: none"> <li>▪ Loan loss provision credit of \$4mm in 1Q17 vs \$5mm credit in 4Q16</li> <li>▪ 4Q16 includes \$2.0mm legal accrual expense</li> </ul>
<b>Total<sup>1</sup></b>	<b>\$54</b>	<b>\$53</b>	<b>\$48</b>	<b>\$0.23</b>	

# 1Q17 Credit Quality Summary by Portfolio

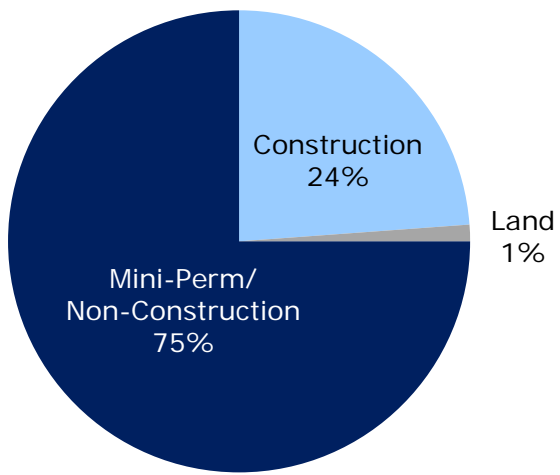
(\$ in millions)	Regional Banking					Corporate <sup>5</sup>	Non-Strategic				FHNC Consol
	Commercial (C&I & Other)	CRE	HE & HELOC	Other <sup>1</sup>	Total	Permanent Mortgage	Commercial (C&I & Other)	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$11,284	\$2,173	\$3,655	\$425	\$17,537	\$67	\$420	\$802	\$258	\$6	\$19,090
30+ Delinquency	0.18%	0.03%	0.48%	0.90%	0.24%	4.25%	-	2.60%	2.78%	1.84%	0.39%
Dollars	\$20	\$1	\$18	\$4	\$42	\$3	-	\$21	\$7	\$0	\$74
NPL <sup>3</sup> %	0.24%	0.11%	0.55%	0.09%	0.28%	2.25%	0.97%	7.65%	10.45%	1.90%	0.75%
Dollars	\$27	\$2	\$20	\$0	\$49	\$2	\$4	\$61	\$27	\$0	\$143
Net Charge-offs <sup>4</sup> %	NM	NM	NM	2.55%	0.03%	NM	NM	NM	NM	NM	NM
Dollars	(\$1)	(\$0)	(\$0)	\$3	\$1	NM	(\$0)	(\$2)	(\$0)	(\$0)	(\$1)
Allowance	\$92	\$31	\$19	\$14	\$156	NM	\$1	\$30	\$14	\$0	\$202
Allowance / Loans %	0.81%	1.42%	0.53%	3.36%	0.89%	NM	0.35%	3.80%	5.45%	0.08%	1.06%
Allowance / Charge-offs	NM	NM	NM	1.33x	31.75x	NM	NM	NM	NM	NM	NM

# Select C&I and CRE Portfolio Metrics

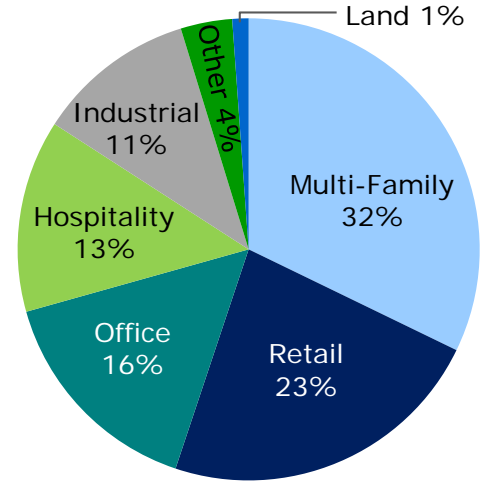
- \$11.7B C&I portfolio, diversified by industry
- \$2.2B CRE portfolio, diversified by geography and product type, comprising 11% of period-end consolidated loans
- Commercial (C&I and CRE) had net recoveries of \$1.3mm for the quarter
  - Gross charge-offs were \$0.6mm with recoveries of \$1.9mm



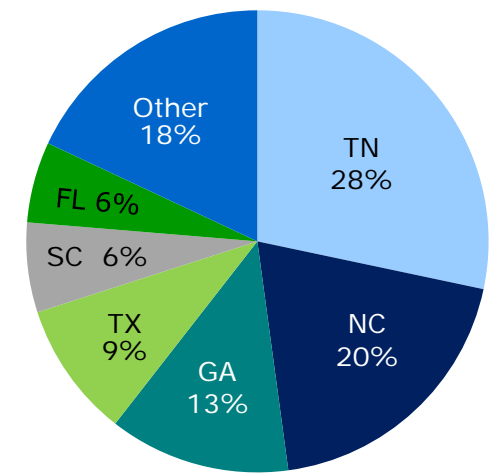
### CRE: Loan Type



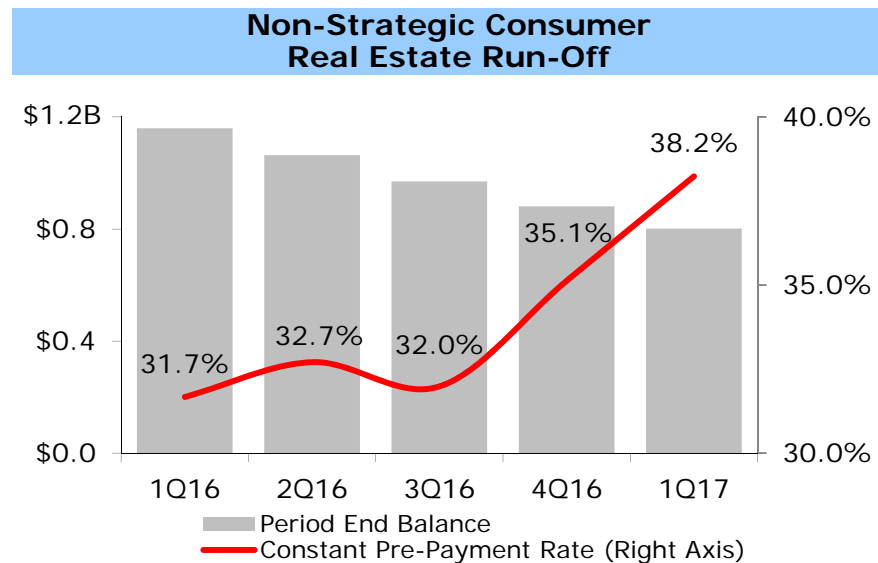
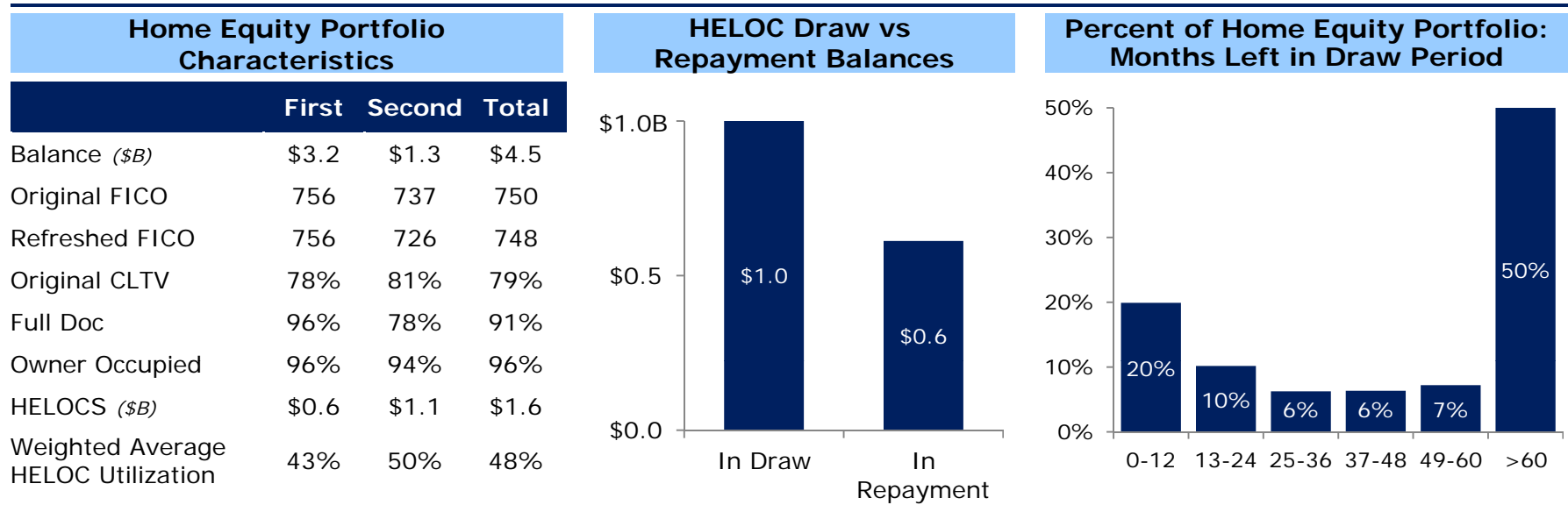
### CRE: Collateral Type



### CRE: Geographic Distribution



# Consumer Portfolio Overview



Mortgage Repurchase Reserve					
	(\$ in millions)				
	1Q16	2Q16	3Q16	4Q16	1Q17
Beginning Balance	\$115	\$114	\$67	\$67	\$65
Net Realized Losses	\$(1)	\$(16)	\$(0)	\$(1)	\$(0)
Provision	\$0	\$(31)	\$(0)	\$(1)	\$(0)
Ending Balance	\$114	\$67	\$67	\$65	\$65

## Reconciliation to GAAP Financials

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

<i>(\$ in millions)</i>			YOY
<b>Return on Tangible Common Equity (ROTCE)</b>	<b>1Q17</b>	<b>1Q16</b>	<b>Change</b>
Average Total Equity (GAAP)	\$2,723	\$2,644	
Less: Average Noncontrolling Interest (GAAP)	\$295	\$295	
Less: Preferred Stock (GAAP)	\$96	\$96	
Average Common Equity (GAAP) (a)	\$2,332	\$2,253	
Less: Average Intangible Assets (GAAP)	\$212	\$217	
Average Tangible Common Equity (Non-GAAP) (b)	\$2,120	\$2,036	
Annualized Net Income Available to Common (GAAP) (c)	\$219	\$192	
Return on Average Common Equity (ROE) (GAAP) (c/a)	9.4%	8.5%	0.86%
Return on Average Tangible Common Equity (ROTCE) (Non-GAAP) (c/b)	10.3%	9.4%	0.89%