



# First Horizon National Corporation

## Debt Investor Presentation

*February 2, 2018*

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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.*

# First Horizon – A Compelling Southeastern Bank Franchise

## *Strong Customer Base, Solid Market Position and Unique Business Strategy*

### Size and Scope

- Total Assets: \$41B
- Total Loans: \$28B
- Total Deposits: \$31B
- Market Cap: \$6.5B

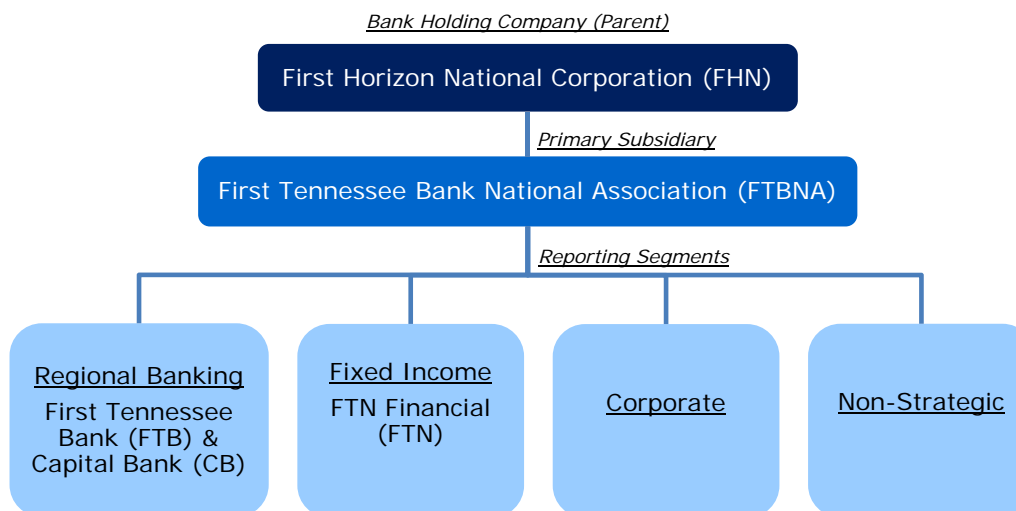
### Solid Market Position

- 4th largest regional bank in the Southeast
- Over 800k customers
- #1 deposit market share in TN
- FTN Financial serves over 4,500 clients across all 50 states

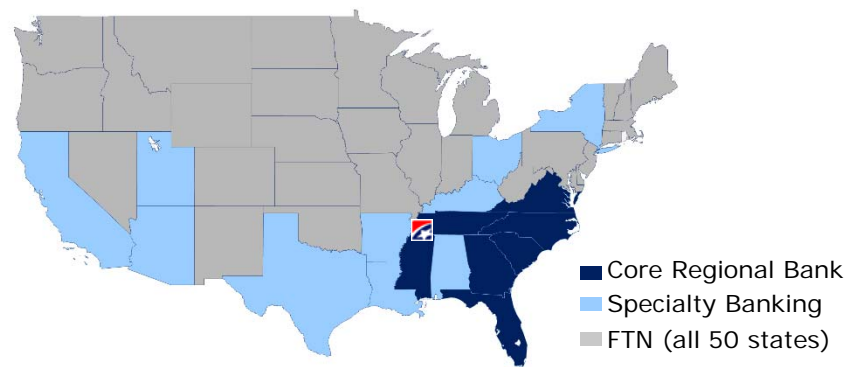
### Differentiated Business Strategy

- Expanding banking relationships with emphasis on Economic Profit
- Staying core funded and disciplined in deposit pricing

### Corporate Structure Reflects Strategic Focus



### FHN is a Strong and Diversified Bank Holding Company



# Solid Core Deposit Base Provides Funding Advantage

## Attractive and Stable Low-Cost Funding Mix from #1 Market Share in TN

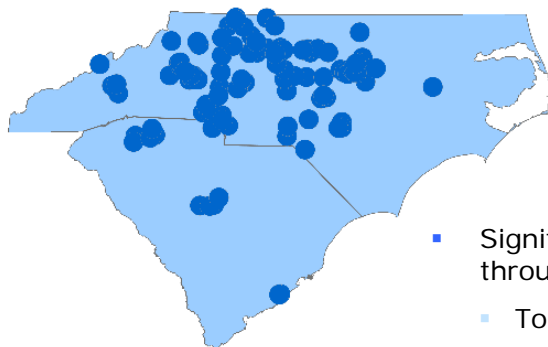
- Low-cost funding mix from core deposit base
- #1 market share ranking in Tennessee
- Strong platform for deposit growth in the Carolinas
- Florida deposit base provides meaningful funding opportunities

### Continued Success in Tennessee



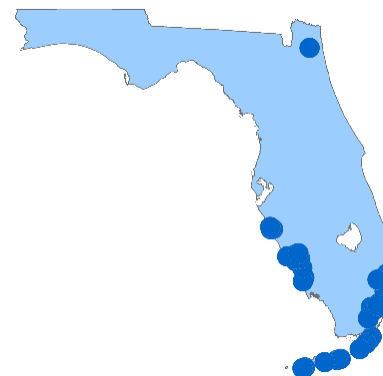
- Total Deposits: \$22.9
- Major MSA Rankings:
  - Memphis MSA Rank: 1st
  - Chattanooga MSA Rank: 1st
  - Knoxville MSA Rank: 1st
  - Nashville MSA Rank: 5th

### Development of the Franchise in the Carolinas



- Significant footprint throughout the Carolinas
  - Total Deposits: \$5.4B
  - Combined Market Share Rank: 10<sup>th</sup>

### Meaningful Opportunities for Growth in Florida

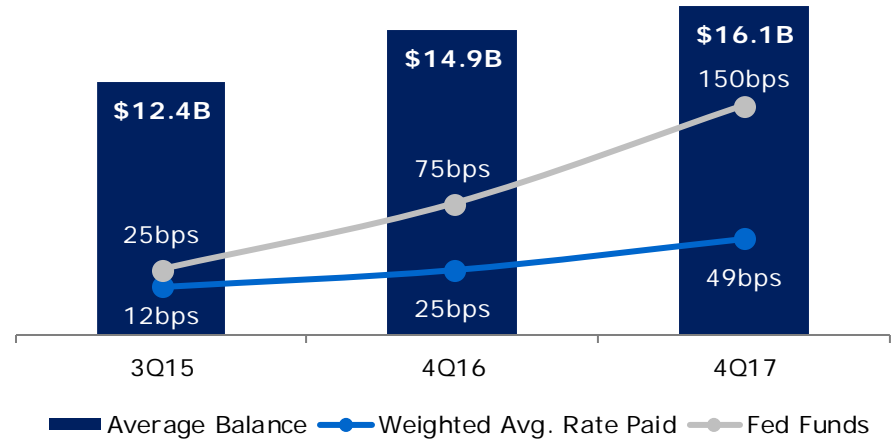


- Expansion into the South Florida market via the Capital Bank acquisition
- Branches mainly in the Florida Keys, Miami, Naples, and Ft. Myers/Cape Coral
  - Total Deposits: \$1.7B
  - Market Share Rank: 36<sup>th</sup>

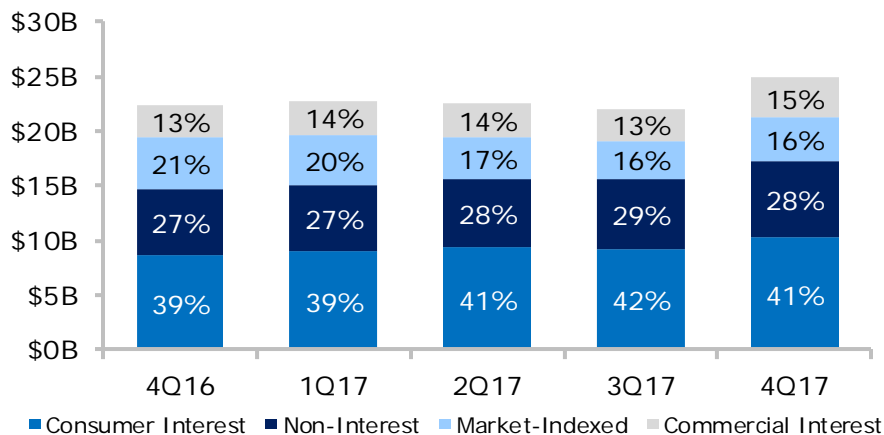
# Deposit Composition Reflects Stable Funding Mix

- Total average deposits up 12% YOY and represent 84% of total funding
- Stable low-cost funding mix in Regional Banking with 59% DDA and interest checking deposits
- Other wholesale funding sources support asset-oriented businesses such as specialty lending areas, FTN inventory and Non-Strategic loans
- FHN maintains a contingency funding plan that may be executed should unexpected difficulties arise

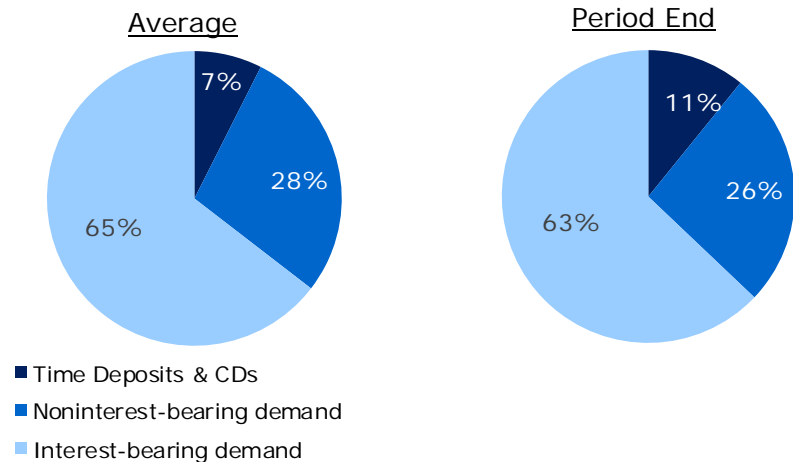
## Non-Maturity Interest-Bearing Deposit Trends



## Average Deposits by Product



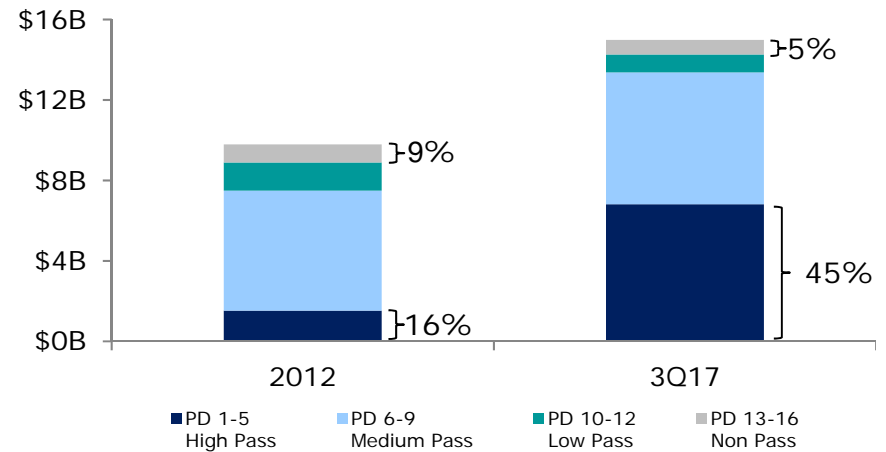
## 4Q17 Average and Ending Deposit Balances



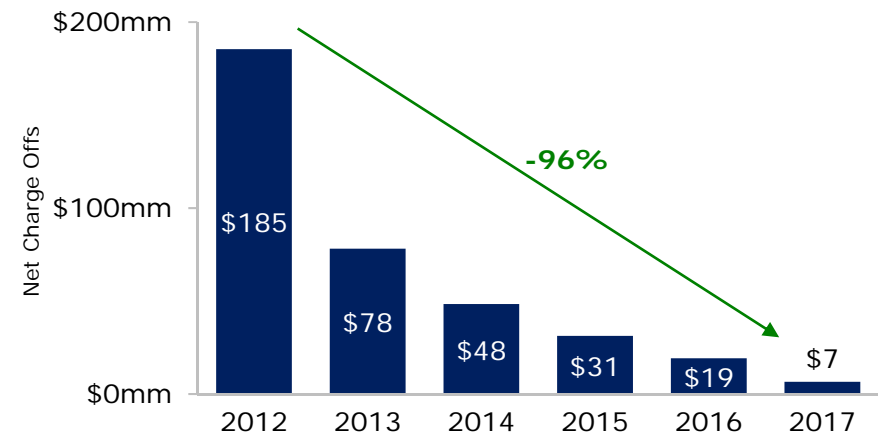
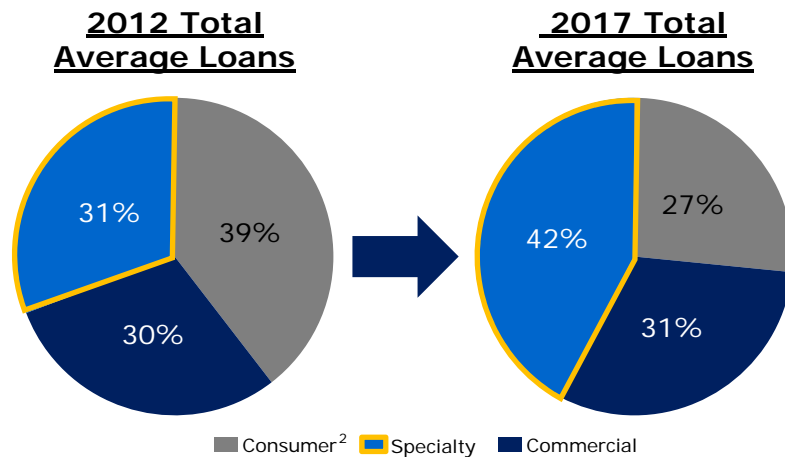
# Balance Sheet Evolution Yields High Quality Loan Profile

- Continued focus on high quality commercial and specialty lending drives balance sheet evolution
- Transition from consumer-oriented lending to commercial and specialty lending correlated with material improvement in credit quality
- Commercial loan portfolio shifting to higher quality, with 45% of commercial loans qualifying as investment grade equivalent

## Positive Commercial Credit Grade Migration<sup>1</sup>



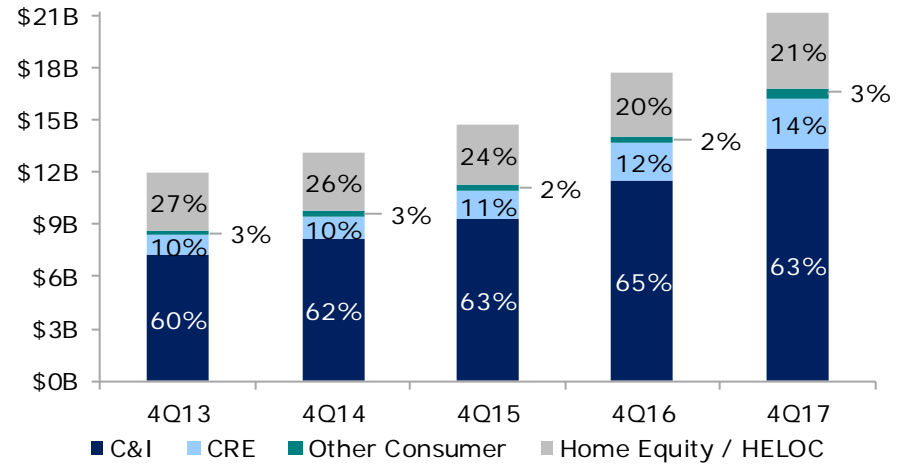
## Strong Underwriting Drives Shift to Economically Profitable Specialty Lending Areas and Lower Charge Offs



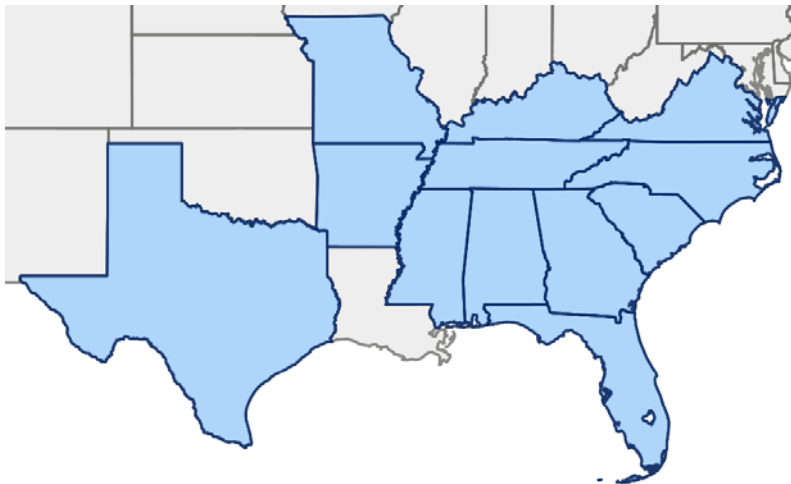
# Diversified Regional Banking Loan Portfolio

- Robust growth in average loans driven by focus on high quality commercial and specialty lending areas
- Broad product offerings with focus on specialty lending, which provides economically profitable growth opportunities
- Loan portfolio well diversified by geography, with footprint spanning 12 states across the Southeast

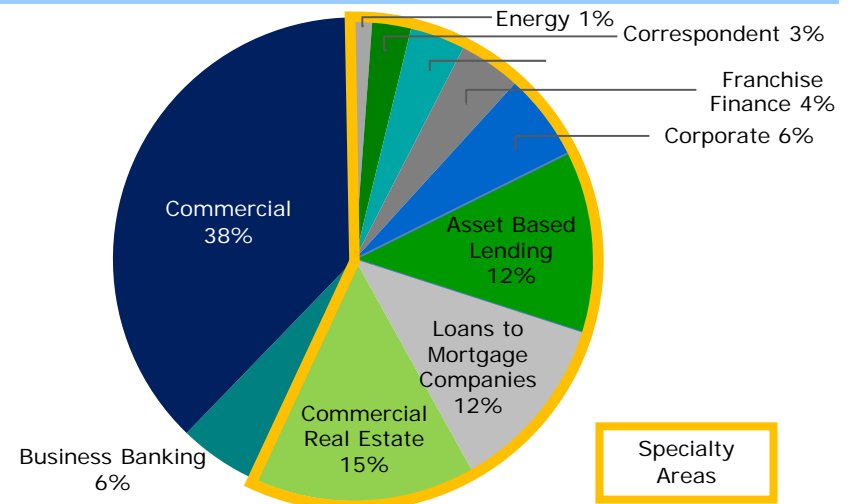
## Regional Bank Average Loans



## Diversified Core Banking Footprint



## 4Q17 Average Commercial Loans<sup>1</sup>

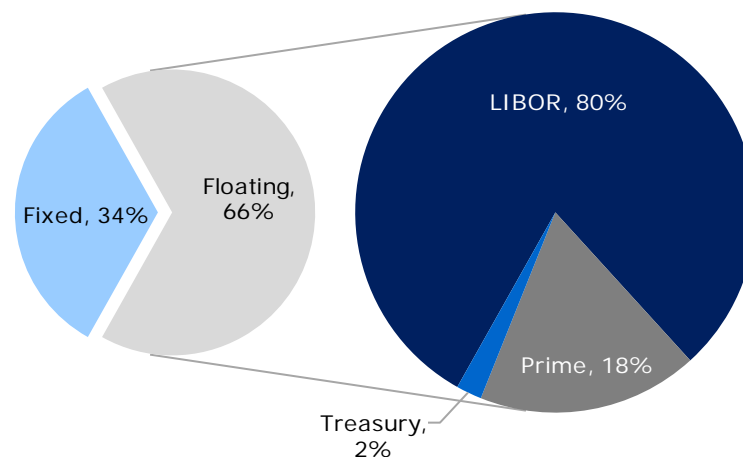


# Asset Sensitivity Overview

## Benefiting From Sustained Loan Growth and Higher Short-Term Rates

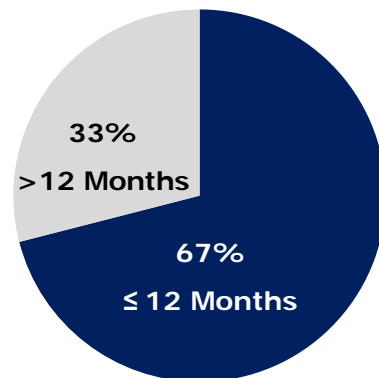
- Loan portfolio comprised of 66% floating adjustable rate loans<sup>1</sup>
  - ~80% are tied to LIBOR
  - ~18% are tied to Prime
  - ~2% are tied to US Treasuries
- Securities portfolio comprises 13% of total assets with an estimated effective duration of 3.7 years
- Strong DDA mix with emphasis on core deposit gathering

4Q17 Loan Composition: Fixed vs Floating

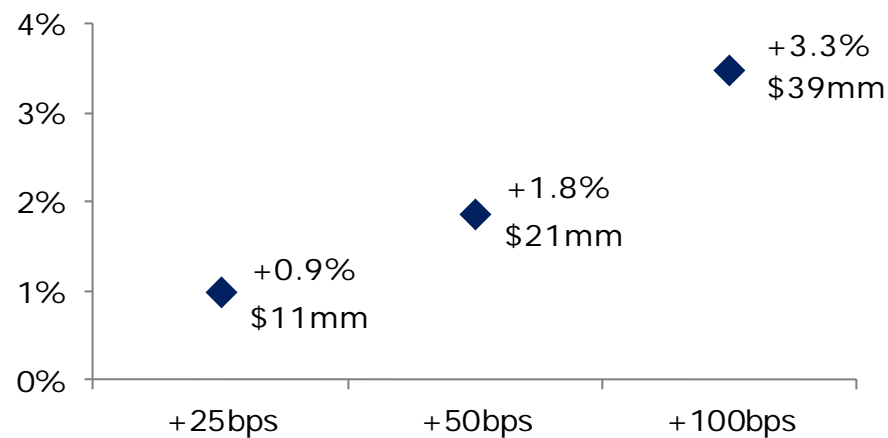


Asset Repricing Profile  
Levered to Short-Term Rate Increases

- Floating rate assets re-price at 100% beta
- Liabilities more closely managed
- +\$4.8B short-term re-pricing gap



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



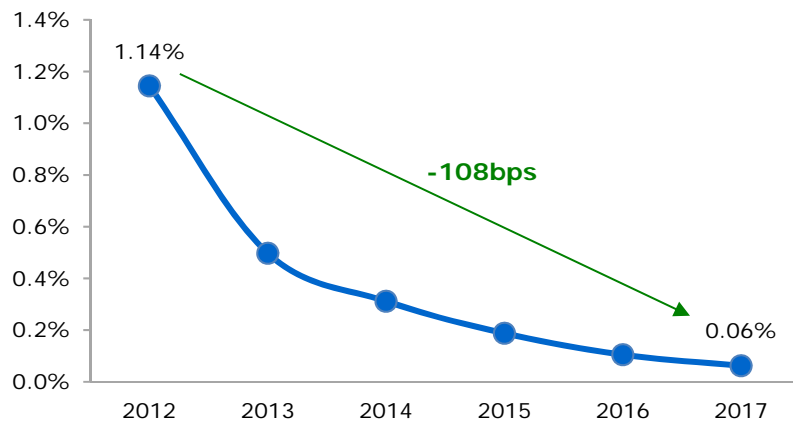


# Improved Performance Since 2012

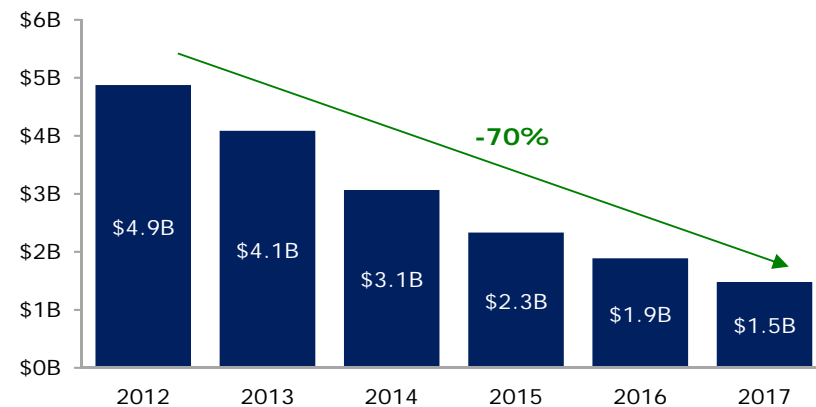
- Significant improvement in several key metrics since last ratings upgrade from Fitch in 4Q12
- Strengthening asset quality reflected in materially lower annualized net charge-offs
- Decreasing loan to deposit ratio driven by strong deposit growth outpacing solid loan growth
  - Average deposit CAGR: 9% since 4Q12
  - Average loans CAGR: 7% since 4Q12
- Reduced lower-quality Non-Strategic Assets by 70%
- "Fitch believes that FHN has rating upside over time, as reflected in the Positive Outlook"<sup>1</sup>

Current Credit Ratings <sup>2</sup>				
FHNC (Hold Co)	Moody's	Date	Fitch	Date
Long-Term Issuer	Baa3 (OS)		BBB- (OP)	
Senior Unsecured	Baa3	5/5/17	BBB-	12/15/17
Subordinated	Baa3		BB+	
Preferred Stock	Ba2		B	
FTBNA (Bank Level)	Moody's	Date	Fitch	Date
Long-Term Issuer	Baa3 (OS)		BBB- (OP)	
Senior Unsecured	Baa3	5/5/17	BBB-	12/15/17
Subordinated	Baa3		BB+	
Preferred Stock	Ba2		B	

## Lower Net Charge Offs

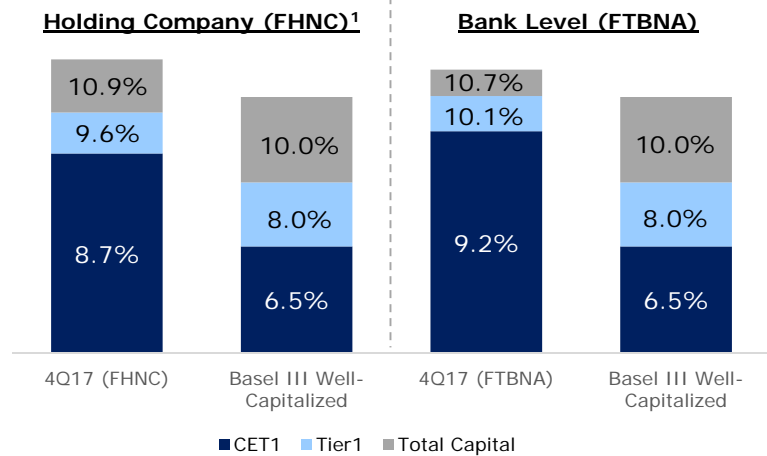


## Non-Strategic Asset Run Off

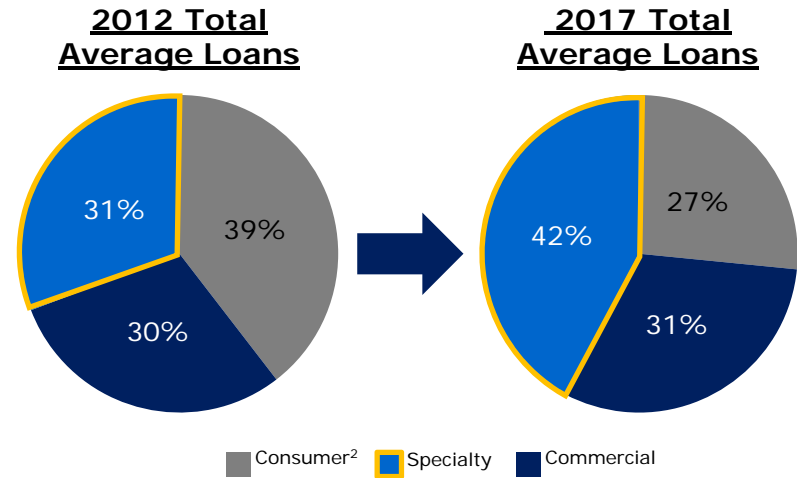


# Compelling Bank Franchise Built on Solid Fundamentals

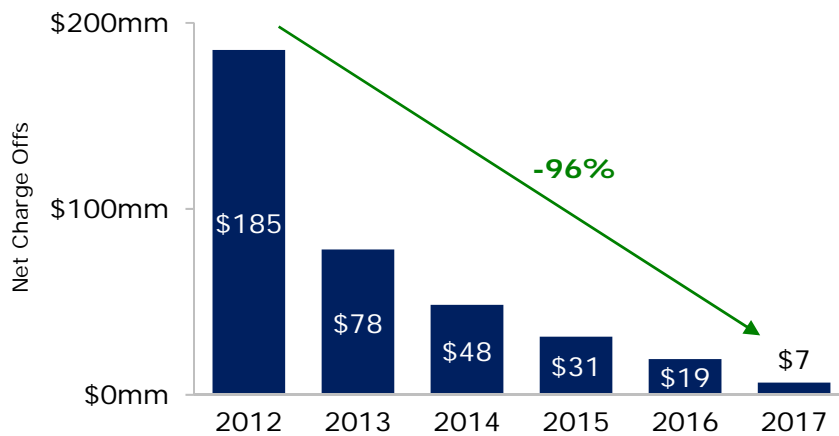
## Capital Levels Exceed Basel III Standards



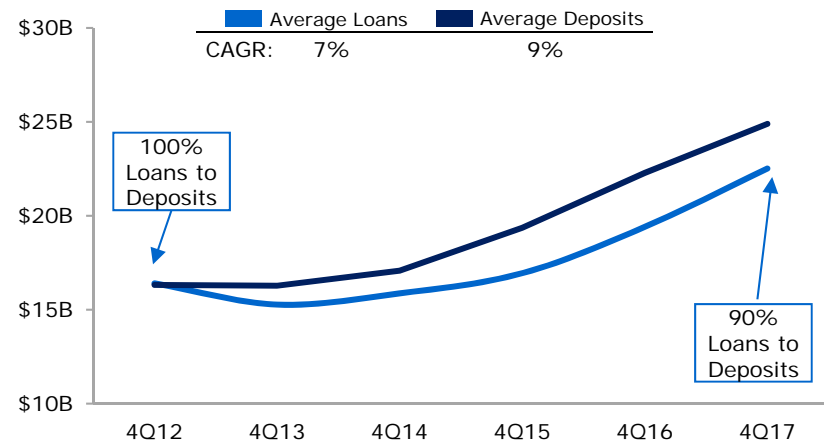
## Commercial and Specialty Lending Focus



## Strong Underwriting Expertise and Stable Credit



## Prudent Balance Sheet Management



# Dodd-Frank Act Stress Test (DFAST)

## Results Indicate Capital Durability Through Severely Adverse Scenario

### Stress Test Overview

- DFAST assesses that the bank has a robust, forward-looking capital planning process and sufficient capital to continue operations throughout times of severe economic and financial stress
- Unlike CCAR<sup>1</sup>, which is Fed-run and for banks >\$50B in assets, FHN's DFAST program is company-run
  - Employs a comprehensive pre-provision net revenue forecasting process
  - Utilizes a multi-model champion/challenger credit loss approach

### 2017 Results – Severely Adverse Scenario

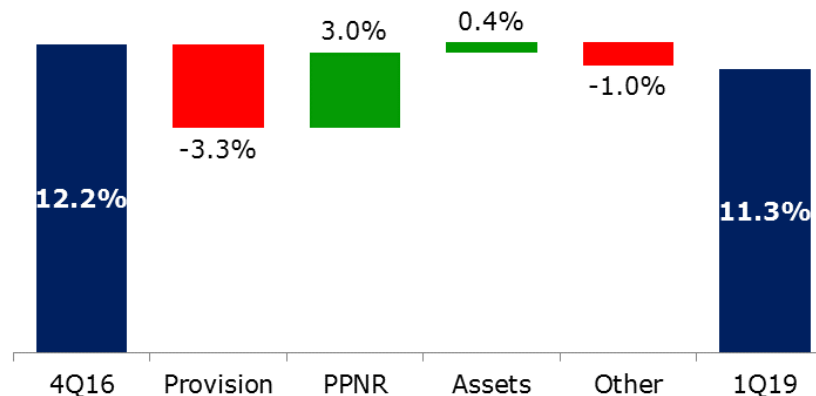
- Results indicate FHN maintains capital well in excess of Basel III Adequately Capitalized standards under the hypothetical severe global recession of the 2017 Severely Adverse scenario

Capital Ratio	Regulatory Minimum <sup>2</sup>	4Q16 Beginning	9 Quarter Minimum	Excess Capital
CET1	4.5%	9.9%	8.9%	\$1,009mm
Tier 1 Cap.	6.0%	11.2%	10.0%	\$916mm
Total Cap.	8.0%	12.2%	11.3%	\$752mm
Tier 1 Lev.	4.0%	9.3%	8.0%	\$1,152mm

### Utilized for Risk Management

- FHN uses DFAST results to identify, analyze and manage risk
  - Credit risk
  - Market risk
  - Interest rate sensitivity
  - Liquidity risk
  - Business/reputational risk
  - Operational risk
  - Idiosyncratic risk

### 2017 Results – Drivers of Change in Total Capital



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# ASSET QUALITY

# Asset Quality

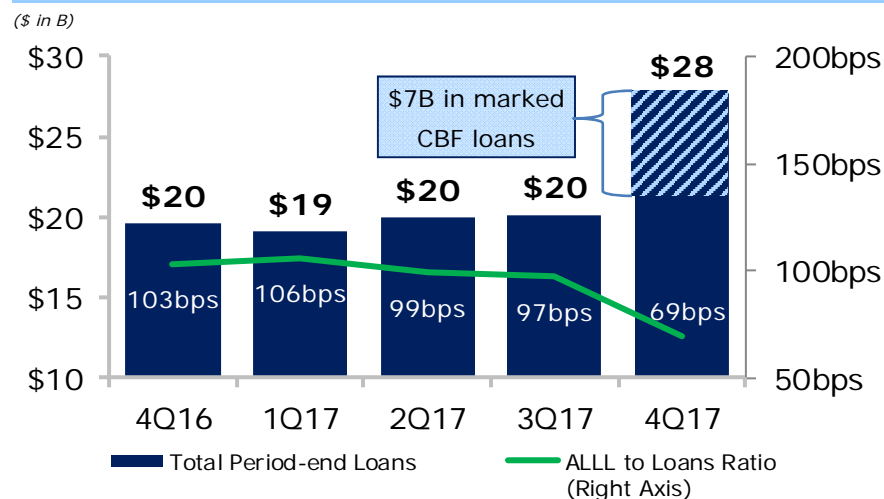
## Stable Credit Trends Reflect Strong Underwriting Discipline

- Credit quality environment remains stable
- Allowance to loans ratio at 69bps
  - \$7B of marked CBF loans not reflected in allowance
- Net charge-offs increased \$6mm in 4Q17, primarily driven by a single large credit

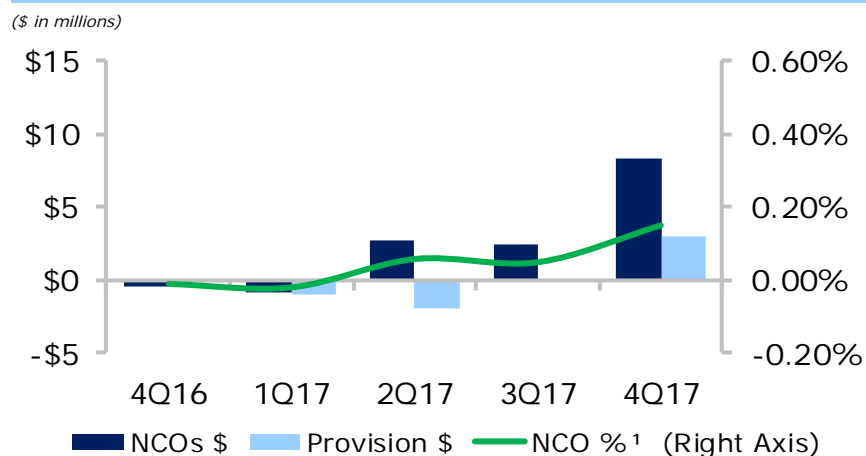
### Asset Quality Highlights

(\$ in millions)	4Q16	1Q17	2Q17	3Q17	4Q17
Charge-offs	(\$11)	(\$8)	(\$10)	(\$11)	(\$17)
Recoveries	\$12	\$9	\$7	\$8	\$9
Net Charge-offs/ (Recoveries)	(\$1)	(\$1)	\$3	\$2	\$8
Provision/(Credit)	\$0	(\$1)	(\$2)	\$0	\$3

### Allowance for Loan Losses



### Net Charge-Offs (NCOs)

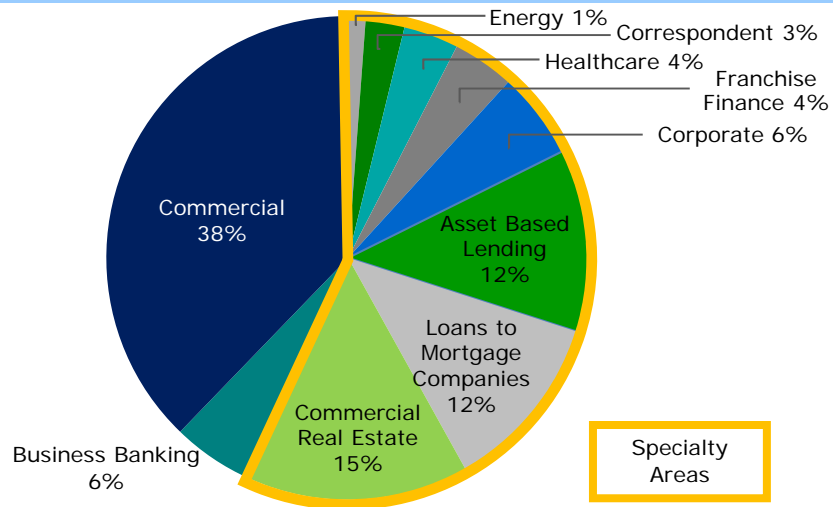


## 4Q17 Credit Quality Summary by Portfolio

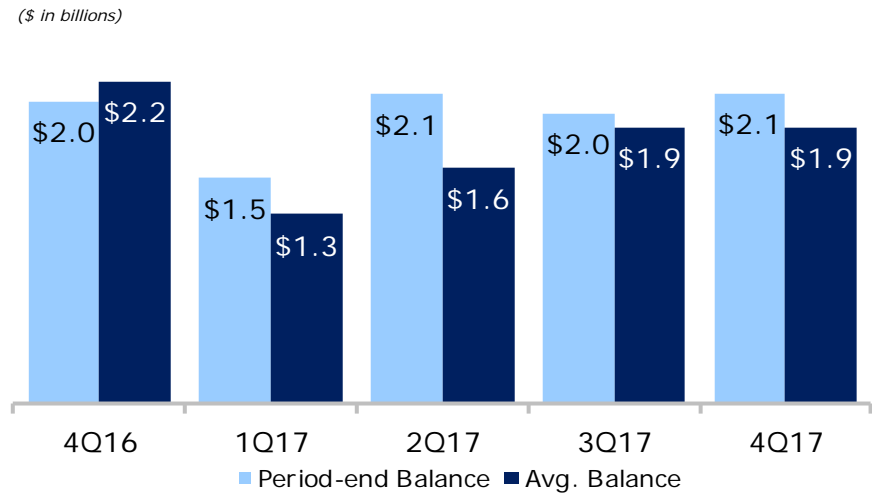
(\$ in millions)	Regional Banking					Corporate <sup>5</sup>	Non-Strategic				FHNC
	Commercial (C&I & Other)	CRE	HE & HELOC	Other <sup>1</sup>	Subtotal	Permanent Mortgage	Commercial (C&I & Other)	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$15,639	\$4,215	\$5,774	\$731	\$26,359	\$53	\$418	\$594	\$229	\$6	\$27,659
30+ Delinquency %	0.20%	0.11%	0.40%	1.10%	0.26%	3.98%	0.00%	3.06%	2.12%	0.95%	0.33%
Dollars	\$31	\$5	\$23	\$8	\$67	\$2	\$0	\$18	\$5	\$0	\$92
NPL <sup>3</sup> %	0.18%	0.03%	0.39%	0.07%	0.20%	4.03%	0.73%	8.23%	10.40%	1.89%	0.47%
Dollars	\$28	\$1	\$23	\$1	\$53	\$2	\$3	\$49	\$24	\$0	\$131
Net Charge-offs <sup>4</sup> %	0.29%	NM	NM	1.83%	0.22%	NM	NM	NM	0.18%	1.90%	0.15%
Dollars	\$10	\$0	-\$1	\$3	\$12	NM	\$0	-\$3	\$0	\$0	\$8
Allowance	\$97	\$28	\$16	\$12	\$154	NM	\$1	\$21	\$13	\$0	\$190
Allowance / Loans %	0.62%	0.67%	0.28%	1.70%	0.58%	NM	0.33%	3.53%	5.70%	1.36%	0.69%
Allowance / Net Charge-offs <sup>4</sup>	2.49x	NM	NM	1.25x	3.34x	NM	NM	NM	31.54x	0.71x	5.75x

# Select C&I and CRE Portfolio Metrics

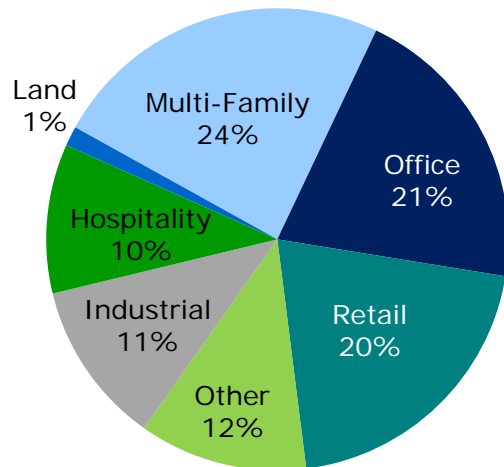
4Q17 Average Regional Bank Commercial Loans<sup>1</sup>



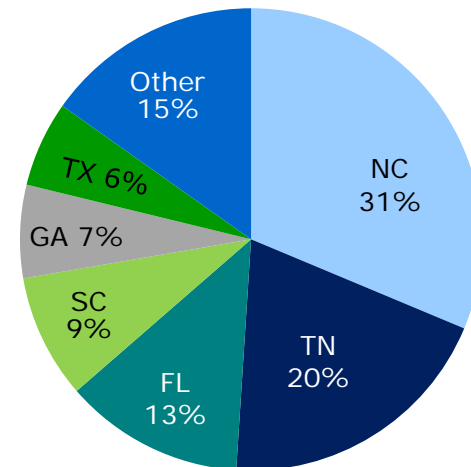
C&I: Loans to Mortgage Companies



CRE: Collateral Type



CRE: Geographic Distribution



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# APPENDIX

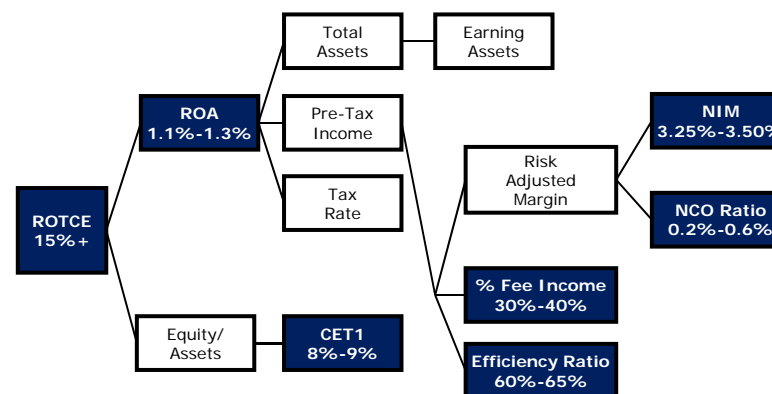


# FHN Bonefish Strategy – Controlling What We Can Control

## *Blueprint for Sustainable, Profitable Growth*

### Bonefish Focus Is Key to Continued Success

- **Bonefish strategy provides actionable blueprint to build franchise value and earnings power**
  - Balance sheet growth
  - Core deposit focus
  - Expense control
  
- **Company-wide focus on Economic profit and RAROC drives decision-making**
  - Increased organizational awareness of profit drivers through regular internal reporting
  - Higher focus on risk-adjusted profitability drives prudent capital deployment
  - Business mix shift to more profitable activities and larger, deeper relationships



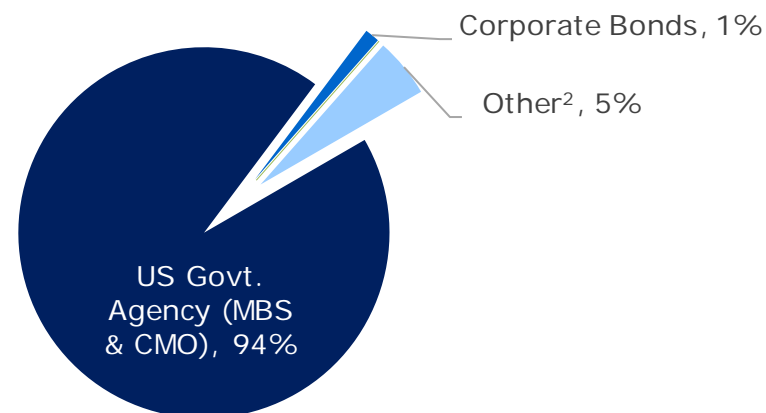
## Outstanding Long-Term Debt and Preferred Stock

	Issuance	Coupon Rate	Callable Date	Maturity	Principal Outstanding	Credit Ratings <sup>1</sup>	
						Moody's	Fitch
<b>FTBNA</b>							
Senior Debt <sup>2</sup>	11/21/14	2.95%	11/1/19	12/1/19	\$400mm	Baa3	BBB-
Preferred Stock	3/23/05	3 Month LIBOR + 85bps <sup>3</sup>	4/10/10	Perpetual	\$300mm	Ba2	B
REIT Preferred	10/11/00	9.50%	NA	3/31/31	\$47mm	Ba1	NA
<b>Total FTBNA</b>					<b>\$747mm</b>		
<b>FHNC</b>							
Senior Debt <sup>2</sup>	10/30/15	3.50%	11/15/20	12/15/20	\$500mm	Baa3	BBB-
Preferred Stock	1/31/13	6.20%	4/10/18	Perpetual	\$100mm	Ba2	B
Trust Preferreds <sup>4</sup>	2001-2007	3 Month LIBOR + 185bps	2007-2012	2031-2037	\$206mm	NA	NA
<b>Total FHNC</b>					<b>\$806mm</b>		

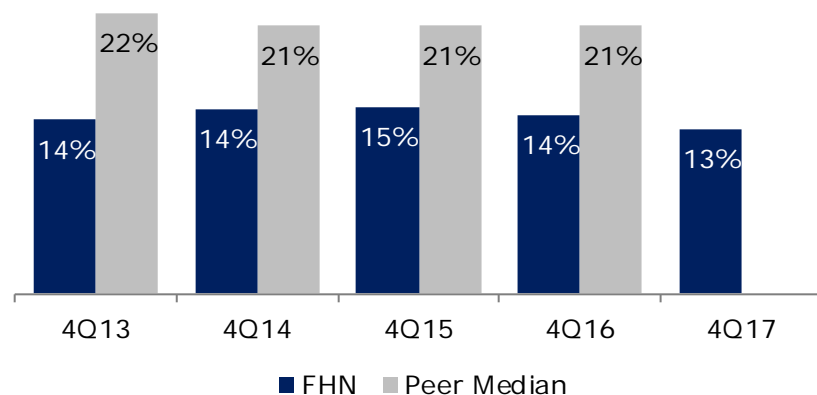
# Securities Portfolio Overview

## Securities Portfolio

- Period end balances of \$5.2B
- Primarily government-guaranteed, liquid CMOs and MBSs
- Effective duration of 3.7 years<sup>1</sup>
- Securities portfolio is primarily classified as available-for-sale
- Total net unrealized losses of \$36mm to book value
- Total investment securities yield of 2.65%



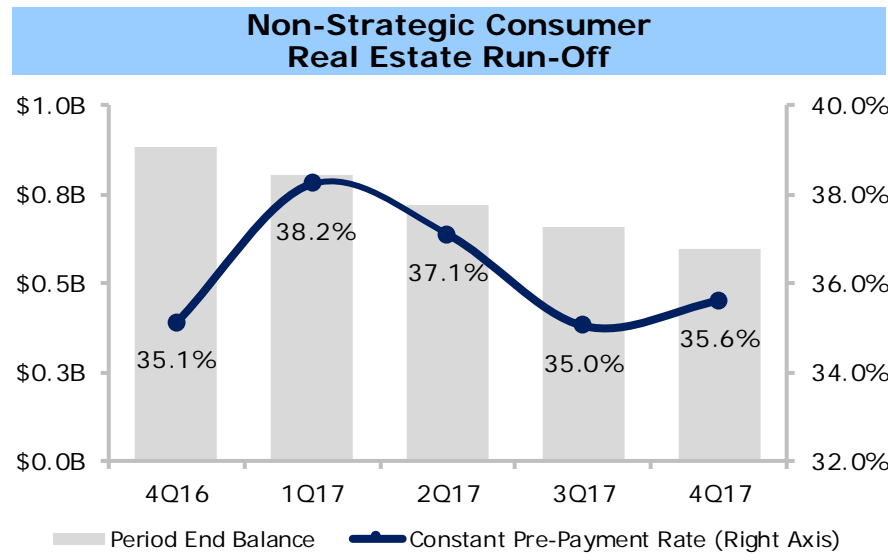
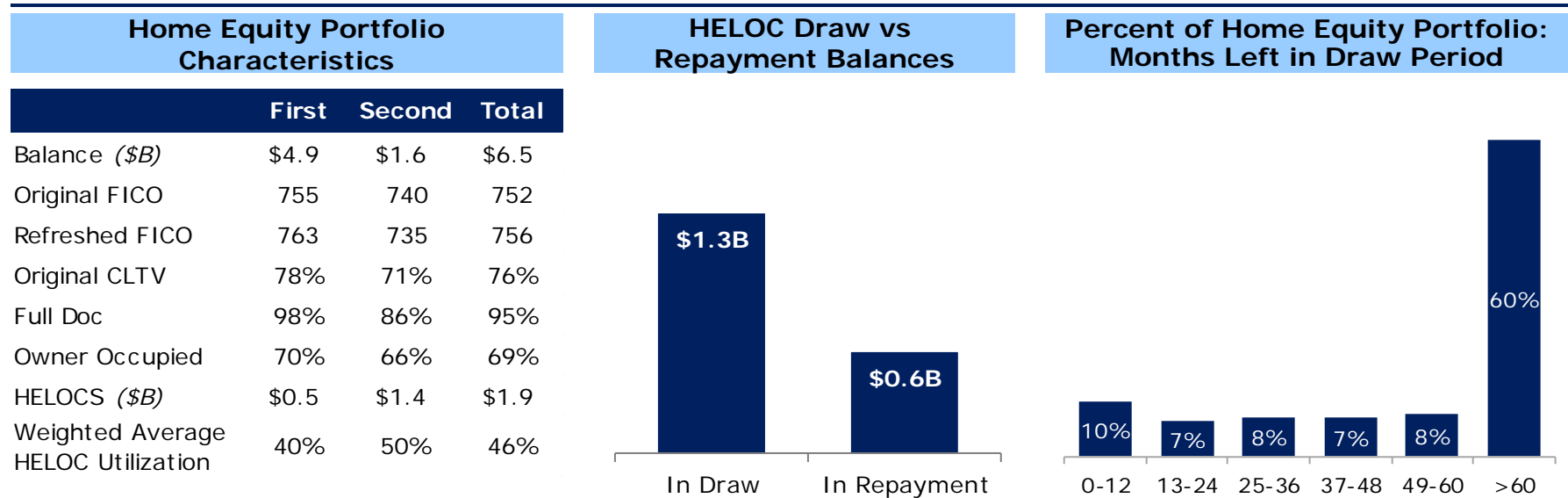
## Securities to Assets: FHN vs Peers



## AFS Bond Composition

(\$ in millions)	Book Value	% of Total AFS	Unrealized Gain or (Loss)	Projected Book Yield	Projected Reprice Term
CMO (Fixed)	\$2,218	46%	(\$33)	2.36%	4.1
Corporate (Fixed)	\$30	1%	(\$0)	4.61%	2.5
Corporate (Float)	\$26	1%	\$0	3.82%	2.7
MBS (Fixed)	\$2,564	53%	(\$4)	2.74%	6.2
MBS (Float)	\$17	0%	\$1	3.85%	0.5
Treasury	\$0.1	0%	NM	1.51%	2.5
<b>Total</b>	<b>\$4,854</b>	<b>100%</b>	<b>(\$36)</b>	<b>2.59%</b>	<b>5.2</b>

# Consumer Portfolio & Non-Strategic Overview



### Mortgage Repurchase Reserve

(\$ in millions)

	4Q16	1Q17	2Q17	3Q17	4Q17
Beginning Balance	\$67	\$65	\$65	\$35	\$34
Net Realized Losses	(\$1)	(\$0)	(\$8)	(\$0)	(\$0)
Provision Credit	(\$1)	(\$0)	(\$22)	(\$1)	\$0
Ending Balance	\$65	\$65	\$35	\$34	\$34