



# First Horizon National Corporation

First Quarter 2018 Earnings

*April 13, 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 Quarter 2018 Highlights

*Achieving Bonfish Targets, On Track with Capital Bank Merger Targets*

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EPS			ROTCE <sup>1</sup>			ROA		
Reported	\$0.27	+17%	Reported	14.1%	+373bps	Reported	0.95%	+13bps
Adjusted <sup>1</sup>	\$0.34	+48%	Adjusted <sup>1</sup>	17.4%	+704bps	Adjusted <sup>1</sup>	1.17%	+35bps

- Achieving strategic priorities and creating long-term value
- Broad-based loan growth from specialty lending areas and markets
- Good credit quality trends
- Increased balance sheet capacity bringing scale and efficiency
- Capital Bank (CBF) systems integration scheduled for 2Q18
  - Revenue synergies of ~\$2mm annualized in 1Q18 run-rate, with additional ~\$3mm in process
  - Expect to achieve half of \$85mm annual cost saves in 2018

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## FINANCIAL RESULTS

# Financial Results

- Strong results reflect:
  - Full quarter benefit from CBF
  - Positive NII trends
  - Ongoing expense discipline
  - Lower tax rate
  - Good credit quality

Financial Results	1Q18		Actuals vs Actuals		Adjusted <sup>1</sup> vs Adjusted <sup>1</sup>	
	Actuals	Adjusted <sup>1</sup>	4Q17	1Q17	4Q17	1Q17
<i>\$ in millions except per share data</i>						
Net Interest Income	\$301		+24%	+59%		
Fee Income	\$136	\$133	+2%	+16%	-	+13%
Total Revenue	\$437	\$434	+16%	+43%	+16%	+41%
Expense	\$313	\$282	-10%	+41%	+9%	+27%
Loan Loss Provision	(\$1)		NM	NM		
Pre-Tax Income	\$125	\$153	NM	+46%	+34%	+79%
NIAC <sup>2</sup>	\$91	\$112	NM	+68%	+41%	NM
EPS	\$0.27	\$0.34	NM	+17%	+13%	+48%
Avg Loans (\$B)	\$27.1		+20%	+44%		
Avg Deposits (\$B)	\$30.2		+21%	+32%		

Net Income Available to Common (NIAC) & EPS Reconciliation			
<i>\$ in millions except per share data</i>	Amount		Per Share
	<b>1Q18 Reported NIAC<sup>2</sup> &amp; EPS</b>	<b>\$91</b>	
<b>Notable Items:</b>	<i>Pre-tax</i>	<i>After-tax</i>	<i>EPS Impact</i>
Acquisition Expenses	\$31	\$24	+\$0.07
Gain on Property Sale	(\$3)	(\$3)	
<b>1Q18 Adjusted<sup>1</sup> NIAC<sup>2</sup> &amp; EPS</b>	<b>\$112</b>		<b>\$0.34</b>

# Capital Bank Merger Update

## *Increasing Confidence in Merger Success*

### Merger Economics More Favorable Than Original Announcement

	Original Announcement	Current Outlook
Accelerated Bonefish Achievement	By End of 2019	1Q18
Annual Cost Savings	\$65mm	\$85mm
Revenue Synergies	Not Originally Modeled	\$25mm-\$30mm
Interest Rates	Lower	Higher
Tax Rate	Higher	Lower

### 2018 Focus: Integration and Improved Accretion

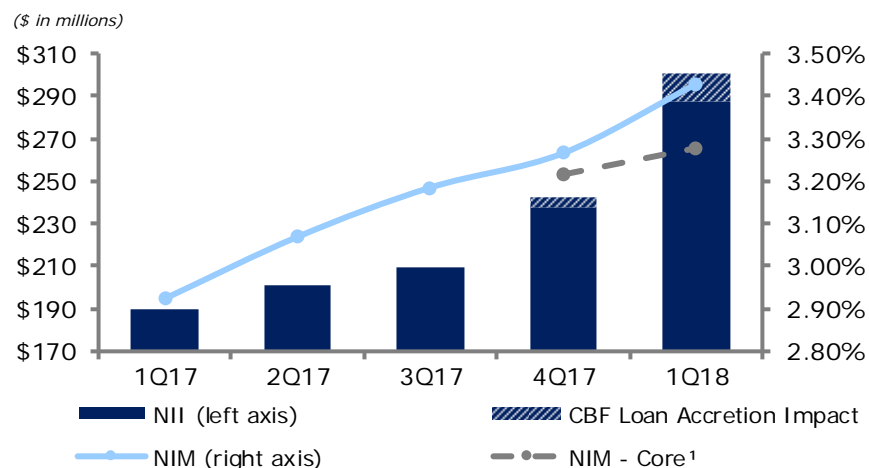
- Systems conversion in 2Q18
- Half of \$85mm in annual cost savings expected in 2018
- Annualized revenue synergies of ~\$5mm
  - \$2mm annualized closed
  - \$3mm annualized in process

# Net Interest Income and Net Interest Margin

## Strong NII Growth and Margin Expansion

- NII and NIM increases driven by:
  - Impact of full quarter of CBF loans
  - Accretion from CBF loans
  - Increase in short term interest rates

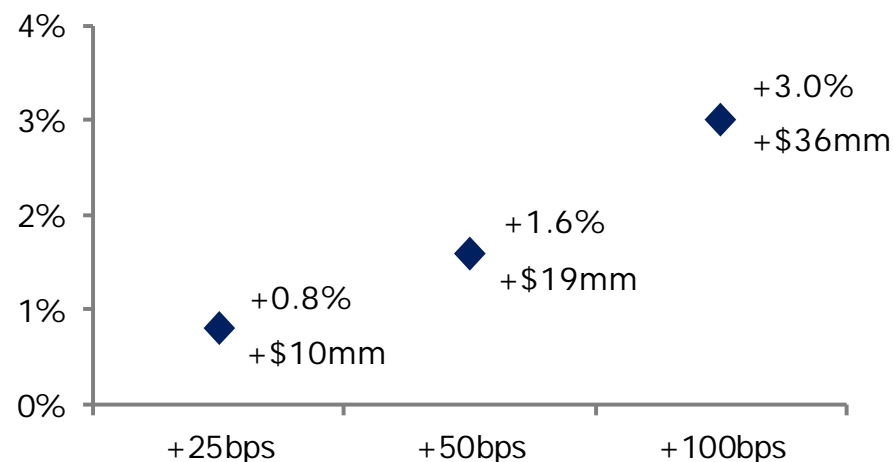
### NIM Expansion and Loan Growth Drive NII Increase



### NII and NIM Linked-Quarter Change Drivers

(\$ in millions)	NII	NIM
<b>4Q17 - Reported</b>	<b>\$242.1</b>	<b>3.27%</b>
Less: 4Q17 CBF Loan Accretion	-\$4.7	-5bps
<b>4Q17 - Core<sup>1</sup></b>	<b>\$237.4</b>	<b>3.22%</b>
CBF Excluding Loan Accretion	+\$41.4	+3bps
Higher Rates	+\$2.7	+3bps
Other	+\$6.0	-
<b>1Q18 - Core<sup>1</sup></b>	<b>\$287.4</b>	<b>3.28%</b>
1Q18 CBF Loan Accretion	+\$13.7	+16bps
<b>1Q18 - Reported</b>	<b>\$301.2</b>	<b>3.43%</b>

### Net Interest Income Sensitivity Impact

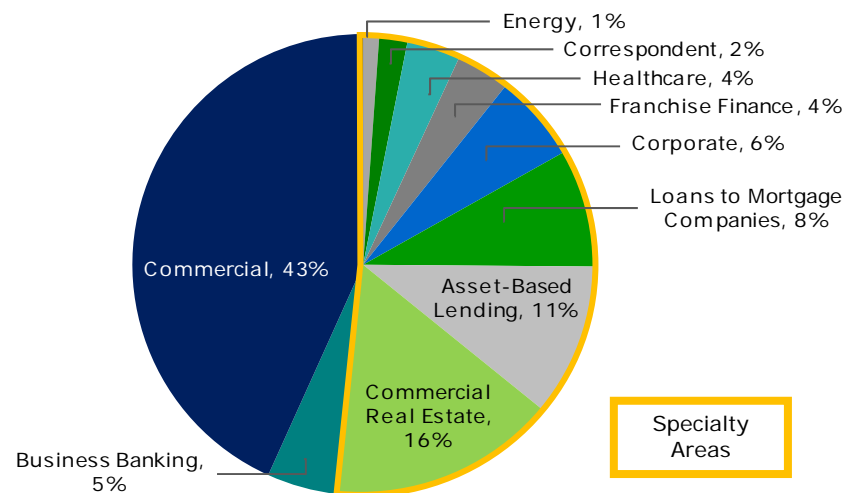


# Loan Growth Diversified Across Multiple Businesses

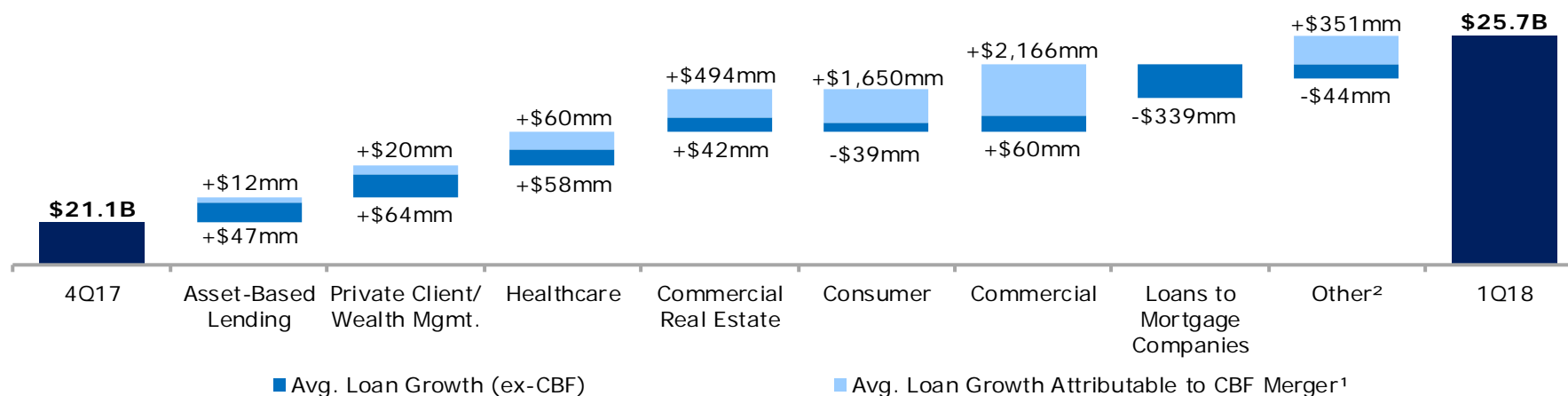
## CBF Merger Enhances Regional Banking Loan Portfolio

- Loan growth across various markets including Middle Tennessee, West Tennessee, and Texas
- Growth in specialty areas such as private client, asset-based lending, and healthcare
- Expected seasonal decline in loans to mortgage companies
  - Average outstandings up 19% YOY
- Average commercial loans up 46% YOY and 19% LO

1Q18 Average Regional Bank Commercial Loans



Regional Banking 1Q18 Average Loan Growth by Lending Area

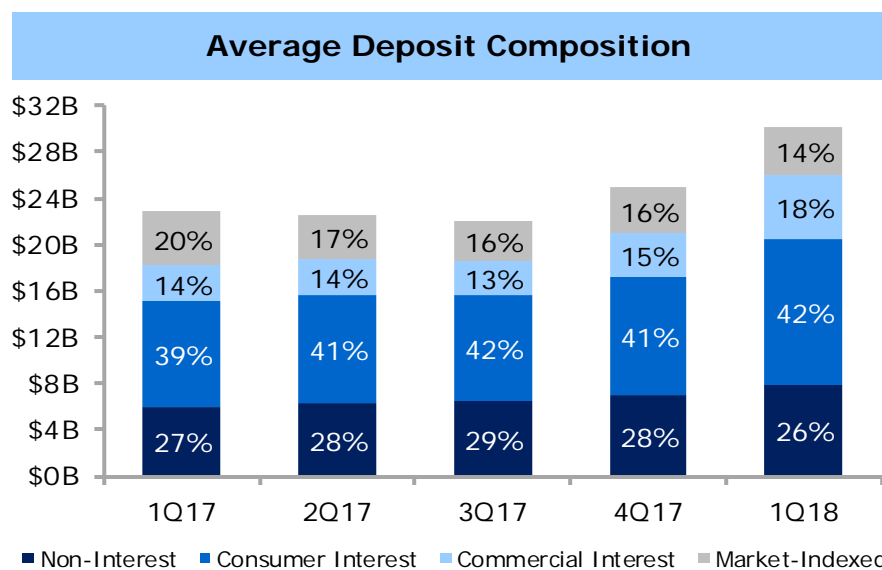




# Strong Deposit Franchise

## *Focused on Opportunities for Growth and Mix Improvement*

- Overall deposit beta<sup>1</sup> since 3Q15 is 27%
  - 15% excluding market-indexed deposits
- Emphasis on relationship pricing, treasury services, and deposit gathering in select markets



**Total Average Deposit Rate Overview**

	Rate Paid		
	3Q15	4Q17	1Q18
Non-Interest	-	-	-
Consumer Interest	0.14%	0.19%	0.24%
Commercial Interest	0.25%	0.78%	0.89%
Market-Indexed	0.20%	1.23%	1.47%
<b>Total Deposits</b>	<b>0.12%</b>	<b>0.39%</b>	<b>0.47%</b>

# Asset Quality

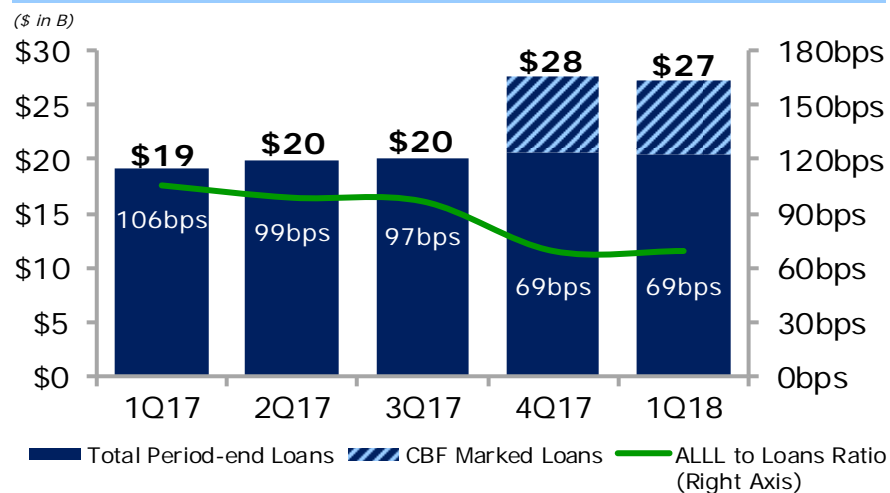
## Stable Credit Trends Reflect Strong Underwriting Discipline

- Credit quality environment remains stable
- Allowance to loans ratio at 69bps
- Net charge-offs at \$1mm in 1Q18
- OREO decreased \$8mm LQ
- Non-strategic average loans declined 5% LQ, 21% YOY
- CBF credit performance as expected

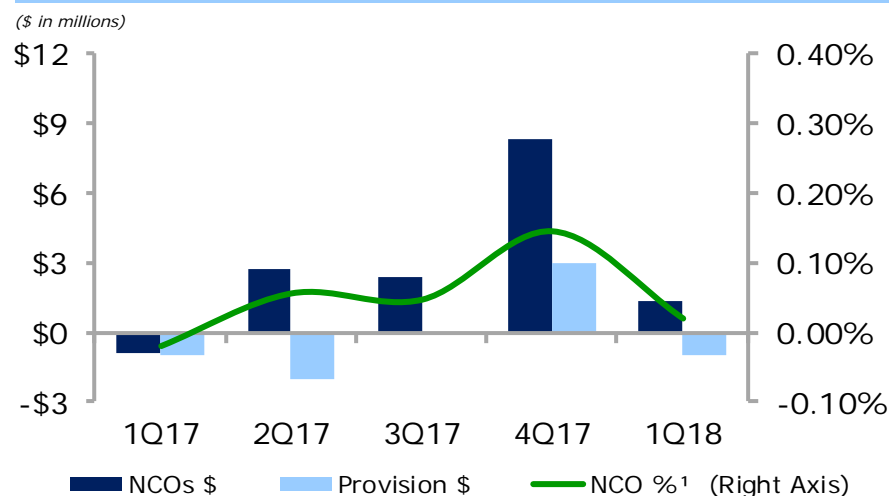
### Asset Quality Highlights

(\$ in millions)	1Q17	2Q17	3Q17	4Q17	1Q18
Charge-offs	(\$8)	(\$10)	(\$11)	(\$17)	(\$8)
Recoveries	\$9	\$7	\$8	\$9	\$7
Net Charge-offs/ (Recoveries)	(\$1)	\$3	\$2	\$8	\$1
Provision/(Credit)	(\$1)	(\$2)	\$0	\$3	(\$1)

### Allowance for Loan Losses

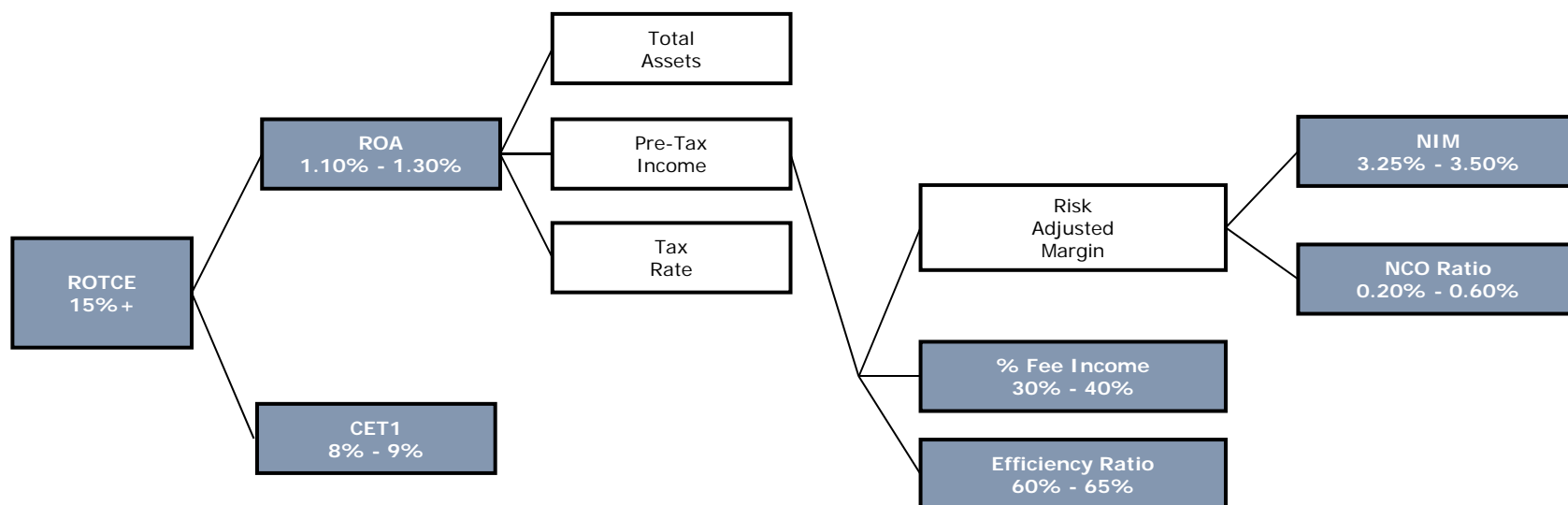


### Net Charge-Offs (NCOs)



# Achieving Strategic Priorities

## Focused on Driving Sustainable Earnings Power



1Q18	Reported (GAAP)	Adjusted <sup>3</sup>	Bonefish Targets
ROTCE <sup>1</sup>	14.1%	17.4%	15.0%+
ROA <sup>1</sup>	0.95%	1.17%	1.10% – 1.30%
CET1 <sup>2</sup>	9.0%	9.0%	8.0% – 9.0%
NIM <sup>1</sup>	3.43%	3.43%	3.25% – 3.50%
NCO / Average Loans <sup>1</sup>	0.02%	0.02%	0.20% – 0.60%
Fee Income / Revenue	31%	31%	30% – 40%
Efficiency Ratio	72%	65%	60% – 65%

# Successfully Executing on Key Priorities

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

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- Continue strong business momentum
- Grow balance sheet profitably and prudently
- Expand banking relationships with emphasis on economic profit
- Ensure successful merger integration
- Consistently deliver top quartile returns

***Building the Foundation for Sustainable Long-Term Earnings Power***

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# APPENDIX

## NOTABLE ITEMS

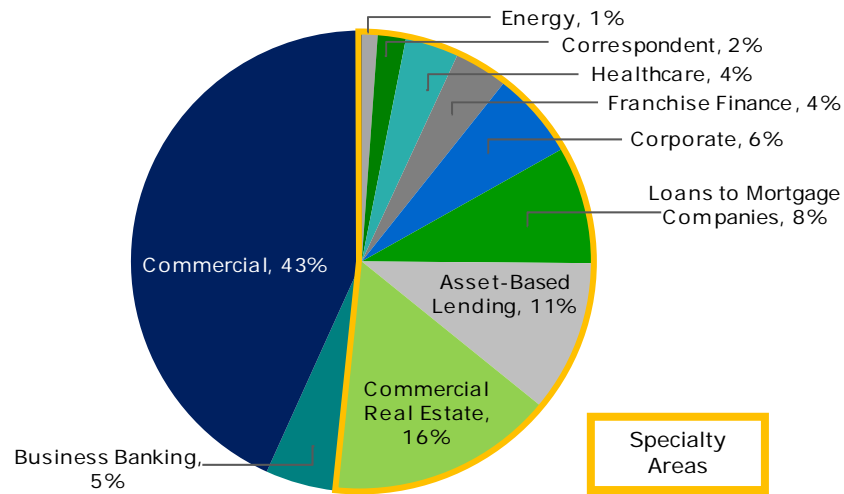
	2017	Pre-Tax Amount <sup>1</sup>	2018	Pre-Tax Amount <sup>1</sup>
1Q	None		Acquisition Expense	(\$31.4mm)
			Gain on property sale	\$3.3mm
2Q	Mortgage Repurchase Reserve Release	\$20.0mm		
	Acquisition Expense	(\$6.4mm)		
	Effective tax rate adjustment associated with reversal of a capital loss deferred tax valuation allowance <sup>1</sup>	\$19.5mm		
3Q	Loss on equity securities repurchase	(\$14.3mm)		
	Acquisition Expense	(\$8.2mm)		
	Legal Matters	(\$8.2mm)		
	Tax rate adjustments primarily associated with the reversal of a capital loss deferred tax valuation allowance and certain discrete period items <sup>1</sup>	\$13.7mm		
4Q	Tax Reform-Related Adjustments <sup>1</sup>	(\$82.0mm)		
	Other Tax Adjustments <sup>1</sup>	\$10.7mm		
	Acquisition Expense	(\$46.7mm)		
	Legal Matters	(\$32.1mm)		
	Employee Bonuses	(\$9.9mm)		

# 1Q18 Credit Quality Summary by Portfolio

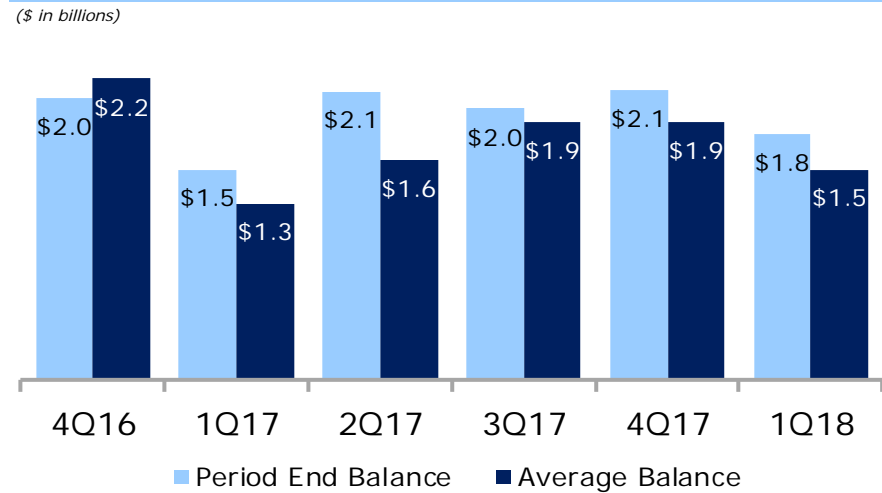
(\$ in millions)	Regional Banking					Corporate <sup>5</sup>	Non-Strategic				FHNC
	Commercial (C&I & Other)	CRE	HE & HELOC	Other <sup>1</sup>	Subtotal	Permanent Mortgage	Commercial (C&I & Other)	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$15,410	\$4,234	\$5,707	\$669	\$26,020	\$49	\$418	\$540	\$217	\$6	\$27,250
30+ Delinquency %	0.16%	0.08%	0.38%	0.88%	0.21%	5.51%	0.00%	2.64%	3.16%	1.61%	0.29%
Dollars	\$25	\$4	\$21	\$6	\$55	\$3	\$0	\$14	\$7	\$0	\$79
NPL <sup>3</sup> %	0.16%	0.02%	0.53%	0.22%	0.22%	4.41%	0.72%	8.59%	10.43%	0.00%	0.48%
Dollars	\$25	\$1	\$30	\$1	\$58	\$2	\$3	\$46	\$23	\$0	\$132
Net Charge-offs <sup>4</sup> %	0.02%	NM	NM	1.93%	0.06%	NM	0.00%	NM	0.17%	NM	0.02%
Dollars	\$1	\$0	\$0	\$3	\$4	NM	\$0	(\$2)	\$0	\$0	\$1
Allowance	\$99	\$29	\$16	\$12	\$156	NM	\$1	\$17	\$13	\$0	\$187
Allowance / Loans %	0.64%	0.69%	0.27%	1.82%	0.60%	NM	0.30%	3.17%	5.93%	1.28%	0.69%
Allowance / Net Charge-offs	37.18x	NM	NM	0.90x	10.82x	NM	NM	NM	33.55x	NM	33.90x

# Select C&I and CRE Portfolio Metrics

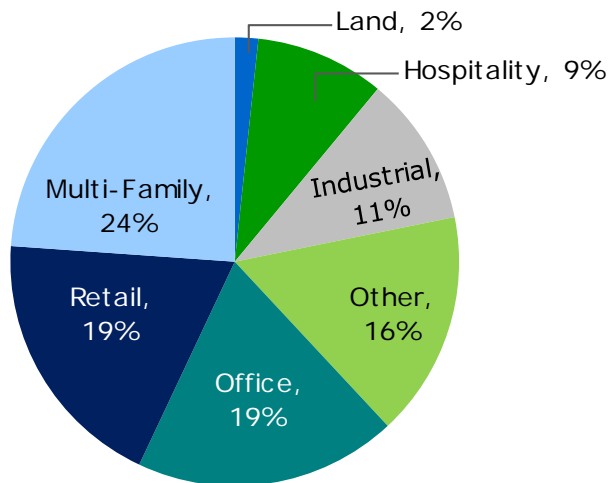
1Q18 Average Regional Bank Commercial Loans



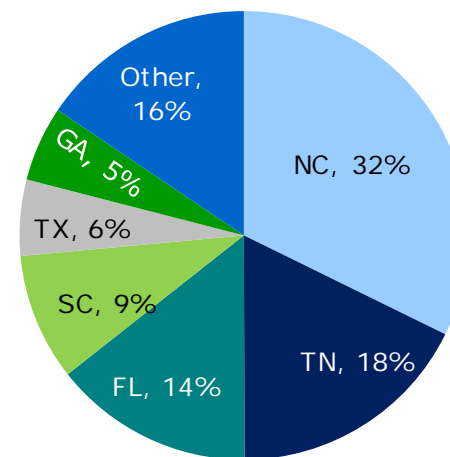
C&I: Loans to Mortgage Companies



CRE: Collateral Type



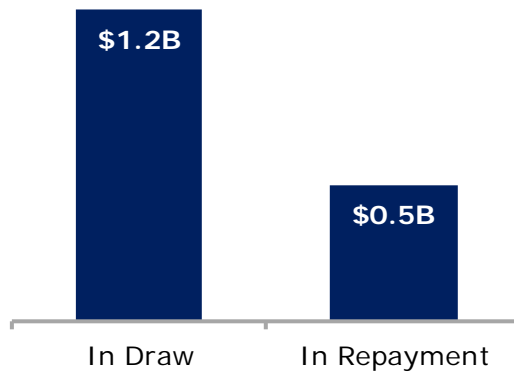
CRE: Geographic Distribution



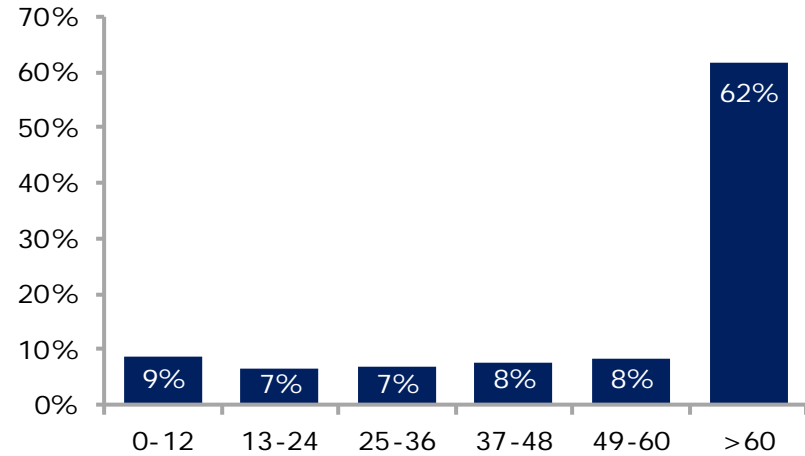


# Consumer Portfolio & Non-Strategic Overview

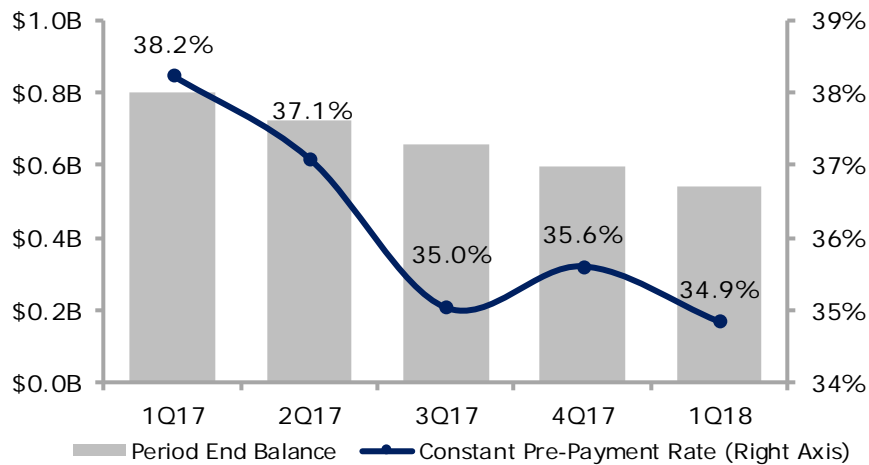
### HELOC Draw vs Repayment Balances



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



### Non-Strategic Consumer Real Estate Run-Off



### Mortgage Repurchase Reserve

(\$ in millions)	1Q17	2Q17	3Q17	4Q17	1Q18
Beginning Balance	\$65	\$65	\$35	\$34	\$34
Net Realized Losses	(\$0)	(\$8)	(\$0)	(\$0)	\$0
Provision Credit	(\$0)	(\$22)	(\$1)	\$0	(\$0)
Ending Balance	\$65	\$35	\$34	\$34	\$33

# Reconciliation to GAAP Financials

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

(\$ in millions)	1Q18	4Q17	1Q17	% Change	
				LQ	YOY
<b>Adjusted Fee Income &amp; Revenue</b>					
Fee Income (GAAP)	\$136	\$133	\$117		
Plus: Notable Items (GAAP)	-\$3	\$0	\$0		
Adjusted Fee Income (Non-GAAP)	\$133	\$133	\$117	0%	13%
Plus: Net Interest Income (GAAP)	\$301	\$242	\$190		
Adjusted Revenue (Non-GAAP)	\$434	\$375	\$307	16%	41%
<b>Adjusted Noninterest Expense</b>					
Noninterest Expense (GAAP)	\$313	\$347	\$222		
Plus: Notable Items (GAAP)	-\$31	-\$89	\$0		
Adjusted Noninterest Expense (Non-GAAP)	\$282	\$258	\$222	9%	27%
<b>Adjusted Pre-Tax Income</b>					
Pre-Tax Income (GAAP)	\$125	\$26	\$85		
Plus: Notable Items (GAAP)	\$28	\$89	\$0		
Adjusted Pre-Tax Income (Non-GAAP)	\$153	\$114	\$85	34%	79%
<b>Adjusted Net Income</b>					
Net Income (GAAP)	\$95	-\$48	\$58		
Plus: Tax-affected Notable Items (GAAP) <sup>1</sup>	\$21	\$133	\$0		
Adjusted Net Income (Non-GAAP)	\$116	\$84	\$58	38%	99%
<b>Adjusted Net Income Available to Common (NIAC) &amp; Earnings Per Share (EPS)</b>					
Net Income Available to Common (GAAP)	\$91	-\$53	\$54		
Plus: Tax-affected Notable Items (GAAP) <sup>1</sup>	\$21	\$133	\$0		
Adjusted Net Income Available to Common (Non-GAAP) (a)	\$112	\$80	\$54	41%	NM
Average Common Diluted Shares (GAAP)	330	265	237		
Adjusted Average Common Diluted Shares (Non-GAAP) <sup>2</sup> (b)	330	268	237		
Earnings Per Share (GAAP)	\$0.27	(\$0.20)	\$0.23		
Adjusted Earnings Per Share (Non-GAAP) (a/b)	\$0.34	\$0.30	\$0.23	13%	48%

# Reconciliation to GAAP Financials

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

(\$ in millions)	1Q18	4Q17	1Q17	Change	
				LQ	YOY
<b>Adjusted Fee &amp; Adjusted Efficiency Ratios</b>					
Adjusted Fee Income <sup>1</sup> (Non-GAAP) (a)	\$133	\$133	\$117		
Adjusted Revenue <sup>1</sup> (Non-GAAP) (b)	\$434	\$375	\$307		
Adjusted Fee Ratio (Non-GAAP) (a/b)	31%	35%	38%	-5%	-8%
Adjusted Noninterest Expense <sup>1</sup> (Non-GAAP) (c)	\$282	\$258	\$222		
Adjusted Revenue <sup>1</sup> Excluding Securities Gains (Non-GAAP) (d)	\$434	\$375	\$307		
Adjusted Efficiency Ratio (Non-GAAP) (c/d)	65%	69%	72%	-4%	-7%
<b>Return on Tangible Common Equity (ROTCE)</b>					
Average Total Equity (GAAP)	\$4,574	\$3,506	\$2,723		
Less: Average Noncontrolling Interest (GAAP)	-\$295	-\$295	-\$295		
Less: Average Preferred Stock (GAAP)	-\$96	-\$96	-\$96		
Average Common Equity (GAAP) (e)	\$4,183	\$3,115	\$2,332		
Less: Average Intangible Assets (GAAP)	-\$1,568	-\$727	-\$212		
Average Tangible Common Equity (Non-GAAP) (f)	\$2,615	\$2,388	\$2,120		
Annualized Net Income Available to Common (GAAP) (g)	\$368	-\$210	\$219		
Return on Average Common Equity (ROE) (GAAP) (g/e)	8.8%	-6.7%	9.4%		
Return on Average Tangible Common Equity (ROTCE) (Non-GAAP) (g/f)	14.1%	-8.8%	10.3%	2,284bps	373bps
<b>Adjusted Return on Tangible Common Equity (ROTCE)</b>					
Annualized Adjusted Net Income Available to Common <sup>1</sup> (Non-GAAP) (h)	\$454	\$316	\$219		
Average Tangible Common Equity (Non-GAAP) (f)	\$2,615	\$2,388	\$2,120		
Return on Average Tangible Common Equity (ROTCE) (Non-GAAP) (h/f)	17.4%	13.2%	10.3%	414bps	704bps
<b>Adjusted Return on Average Assets (ROA)</b>					
Annualized Adjusted Net Income <sup>1</sup> (Non-GAAP) (i)	\$472	\$334	\$237		
Average Total Assets (GAAP) (j)	\$40,351	\$33,106	\$28,806		
Adjusted Return on Average Assets (Non-GAAP) (i/j)	1.17%	1.01%	0.82%	16bps	35bps