



# First Horizon National Corporation

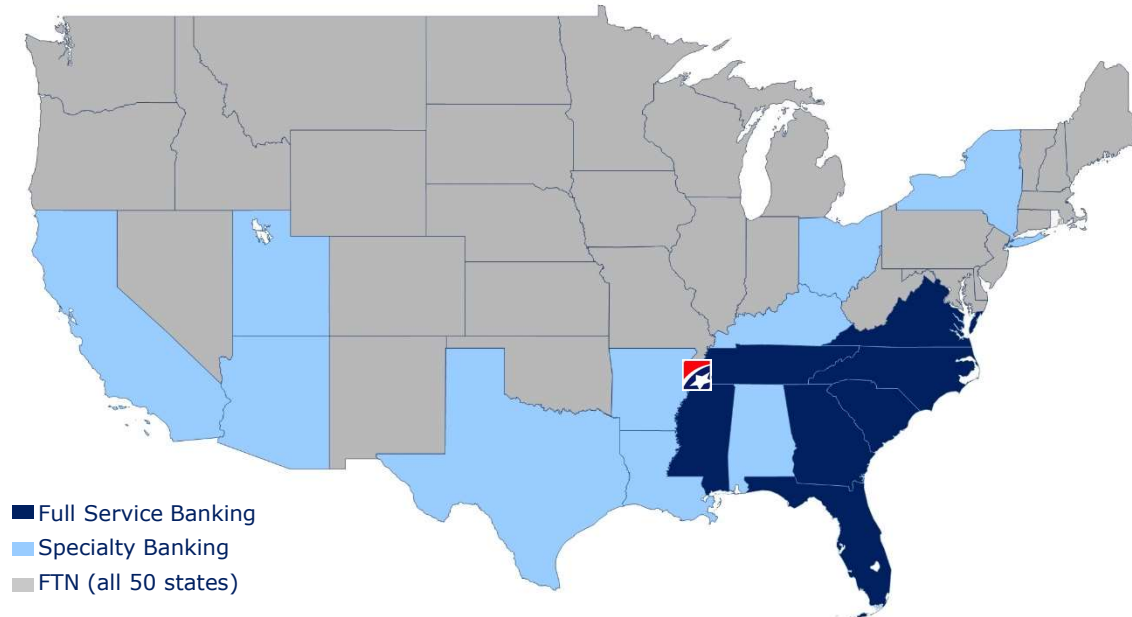
## Debt Investor Presentation

*August 6, 2018*

- 
- *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.*

# FHN: Strong, Diversified, and Differentiated

## Regional and National Footprint



## Key Highlights

Market Cap	\$5.8B
Assets	\$41B
Deposits	\$31B
Financial Centers	292
Employees	5,977

### Full Service Banking

- Retail Banking
- Private Client-Wealth Advisory
- Commercial Banking
- Treasury Services

### Specialty Businesses

- 8 Commercially oriented businesses with deep specialty expertise
- Fixed Income Sales and Trading

# **FHN Key Priorities**

## ***Building Momentum***

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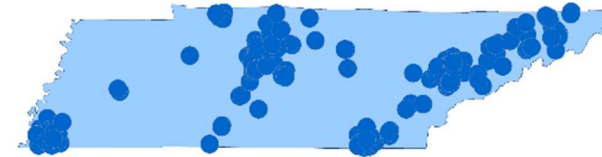
- **Delivering earnings accretion from CBF cost saves and revenue synergies**
- **Maintaining strong performance across TN and specialty businesses**
- **Building momentum in Carolinas and Florida markets**
- **Enhancing relationships to drive customer acquisition and retention**

# Solid Core Deposit Base Provides Funding Advantage

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

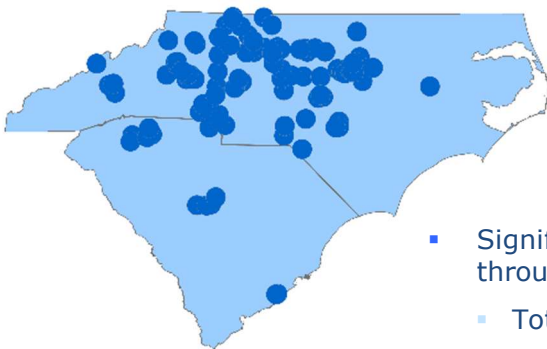
- Cost-effective funding mix from core deposit base
- #1 market share ranking in Tennessee
- Strong platform for deposit growth in the Carolinas
- Florida deposit base provides meaningful funding opportunities

### Continued Success in Tennessee



- Total Deposits: \$24.0B
- 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: \$4.9B
  - Combined Market Share Rank: 10<sup>th</sup>

### Meaningful Opportunities for Growth in Florida

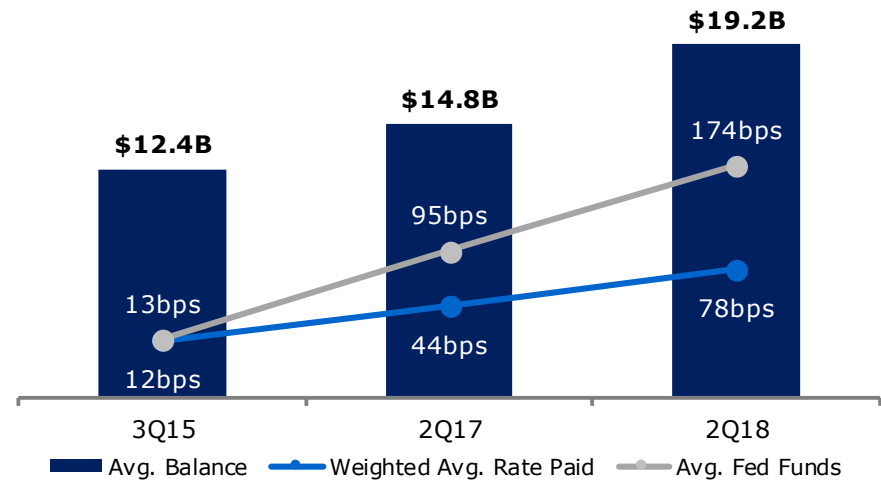


- Expansion into the South Florida market via the Capital Bank acquisition
- Branches mainly in the Florida Keys, Miami, Naples, and Ft. Myers/Cape Coral
  - Total Deposits: \$1.7B
  - Market Share Rank: 36<sup>th</sup>

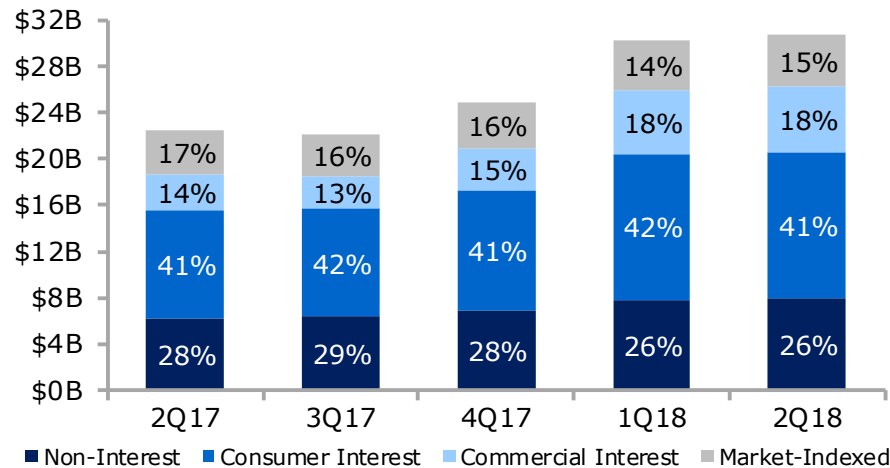
# Deposit Composition Reflects Stable Funding Mix

- Total average deposits up 36% YOY and represent 86% of total funding
- Stable and cost effective funding mix in Regional Banking with 57% 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

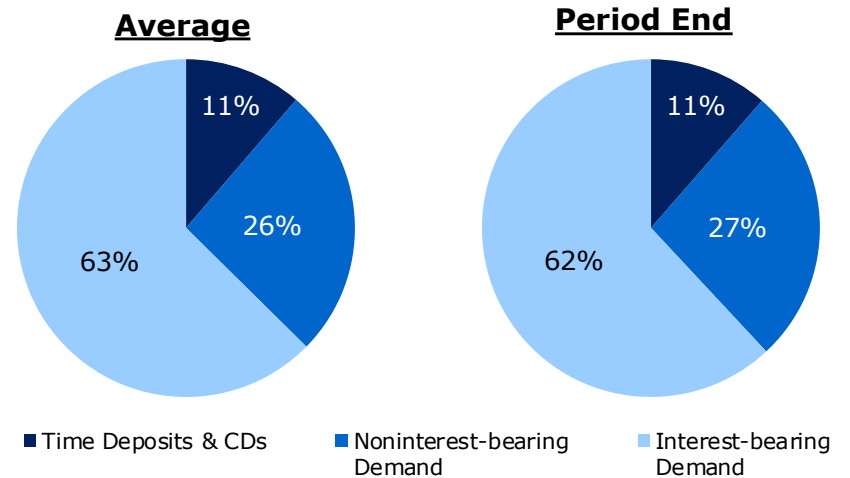
## Non-Maturity Interest-Bearing Deposit Trends



## Average Deposits by Product



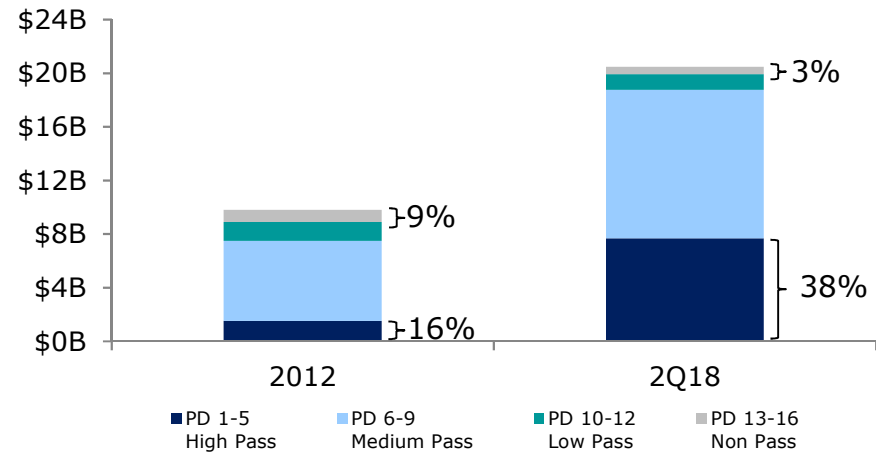
## 2Q18 Average and Ending Deposit Balances



# Balance Sheet Evolution Yields High Quality Loan Profile

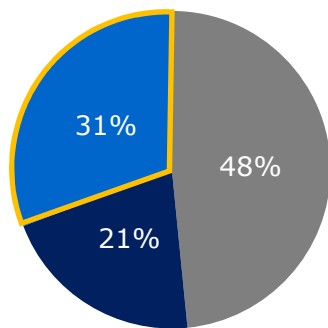
- Continued focus on high quality commercial and specialty lending drives balance sheet evolution
- Transition from consumer-oriented lending to commercial and specialty lending correlated with material improvement in credit quality
- Commercial loan portfolio shifting to higher quality, with 34% of commercial loans qualifying as investment grade equivalent

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

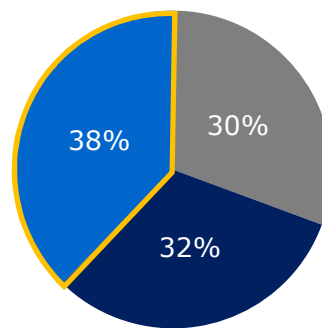


## Strong Underwriting Drives Shift to Economically Profitable Specialty Lending Areas and Lower Charge Offs

**2012 Total Average Loans**

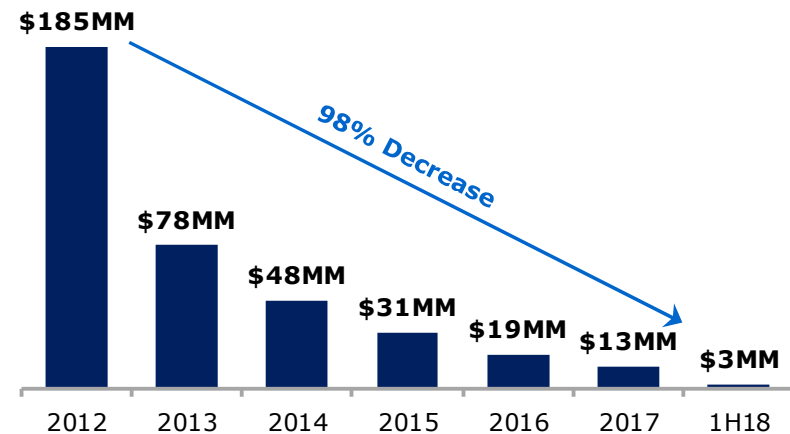


**2Q18 Total Average Loans**



Consumer<sup>2</sup> Specialty Commercial

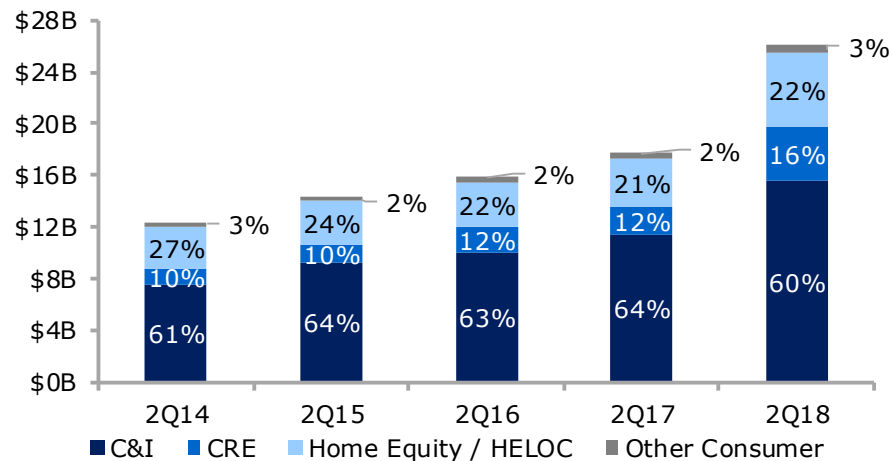
**Net Charge-offs**



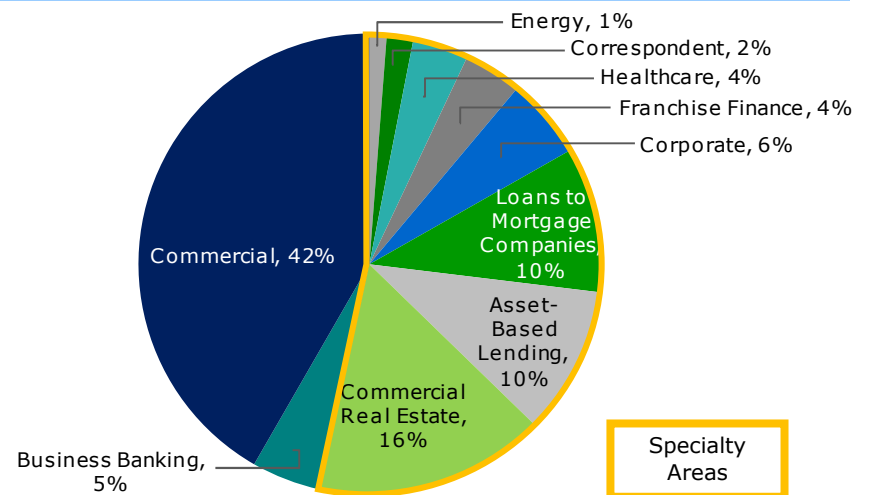
# Diversified Regional Banking Loan Portfolio

- 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**



**2Q18 Average Regional Bank Commercial Loans**



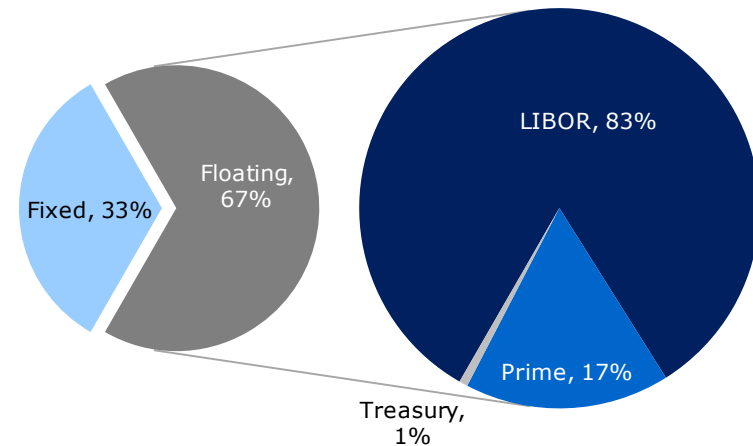


# Asset Sensitivity Overview

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

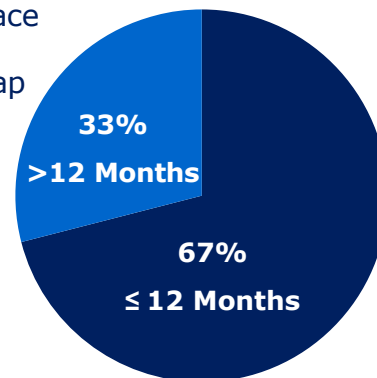
- Loan portfolio comprised of 67% floating adjustable rate loans<sup>1</sup>
  - ~83% are tied to LIBOR
  - ~17% are tied to Prime
  - ~1% are tied to US Treasuries
- Securities portfolio comprises 12% of total assets with an estimated effective duration of 4.6 years
- Strong DDA mix with emphasis on core deposit gathering

### 2Q18 Loan Composition: Fixed vs Floating

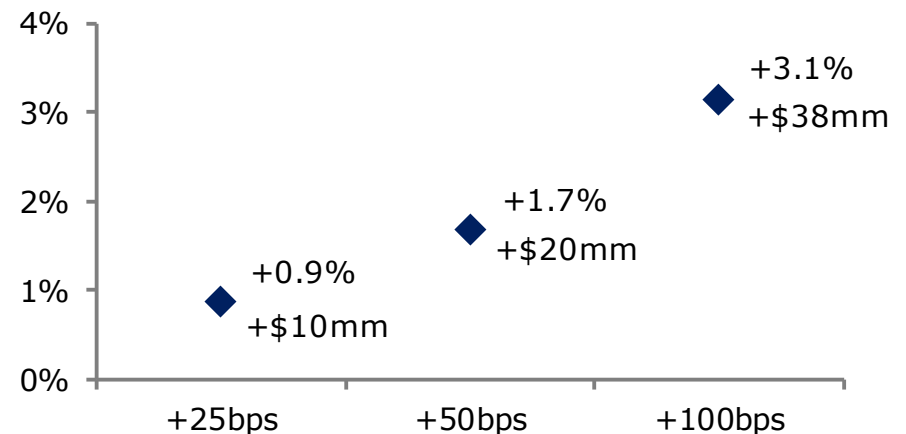


### Asset Repricing Profile Levered to Short-Term Rate Increases

- Floating rate assets re-price at 100% beta
- Liabilities re-price at a slower pace
- +\$4.8B short-term re-pricing gap



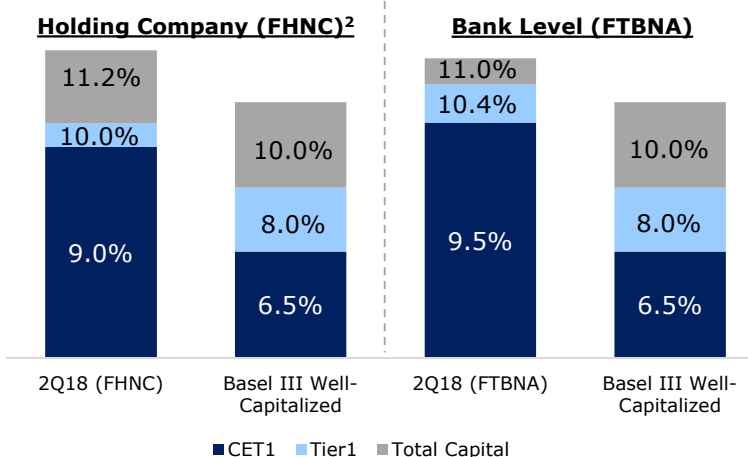
### Net Interest Income Sensitivity Impact<sup>2</sup>



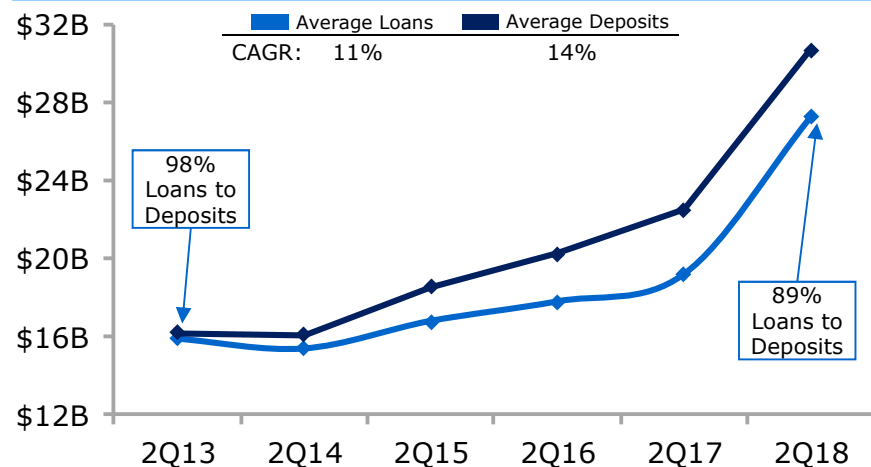
# Improved Performance Since 2012

- Significant improvement in several key metrics since last ratings upgrade from Fitch in 4Q12<sup>1</sup>
- 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: 14% since 2Q13
  - Average loans CAGR: 11% since 2Q13
- Reduced lower-quality Non-Strategic Assets by 75%

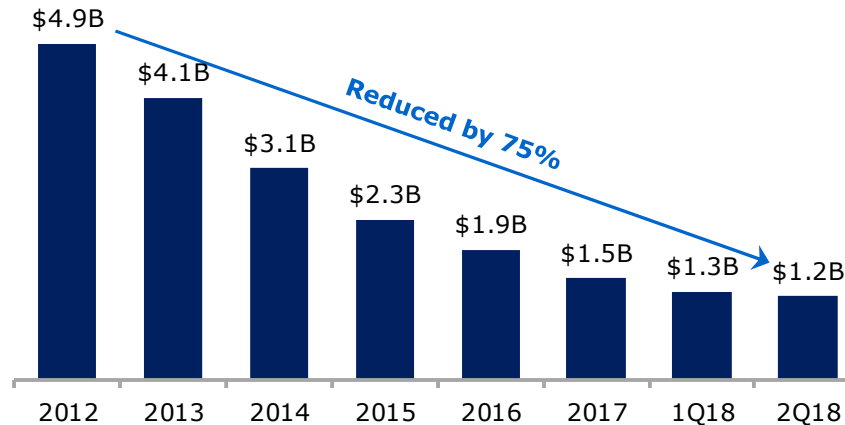
## Capital Levels Exceed Basel III Standards



## Prudent Balance Sheet Management



## Non-Strategic Asset Run Off

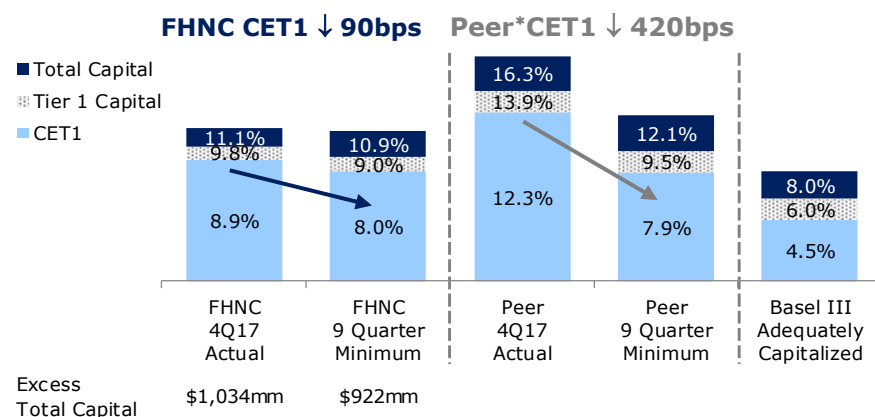


# Stress Testing

## 2018 stress testing results confirm capital strength

- On May 24th the Economic Growth, Regulatory Relief, and Consumer Protection Act was signed into law and eliminated Dodd-Frank Act ("DFA") stress testing requirements for FHN. Stress test was conducted using DFA scenarios and requirements previously in effect<sup>1</sup>.

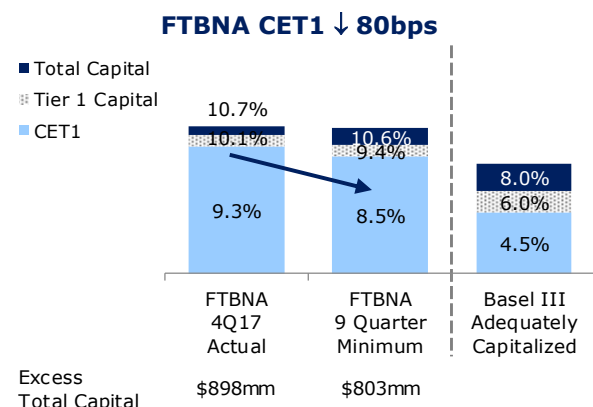
### First Horizon National Corporation (FHNC)



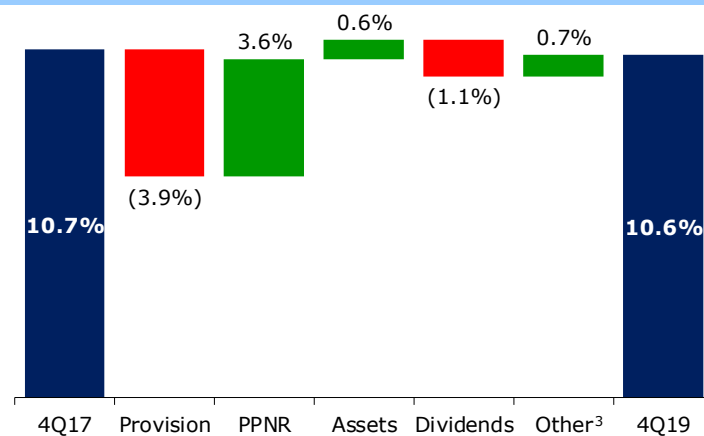
### Results Overview

- Ability to manage capital at FHNC & FTBNA through severely adverse conditions, maintain min 8.0% CET1
- Binding constraint is \$803mm FTBNA excess Total Cap
- Assumes maintenance of \$0.12/share common dividend to FHNC shareholders<sup>2</sup>
- Business model results in minimal trading losses and no counterparty losses vs. peers at 23% of PPNR

### First Tennessee Bank National Association (FTBNA)



### Drivers of Stressed Change in FTBNA Total Capital



# Stress Testing

**FHN has ability to manage through severely adverse economic conditions**

## DFA 2018 Severely Adverse Scenario Highlights

- Severe global recession accompanied by a global aversion to long-term fixed-income assets
  - Real GDP down 7.5%
  - Unemployment up to 10.0%
  - 3-month Treasury near zero
- Asset prices drop sharply
  - House prices down 30%
  - CRE prices down 40%
  - Equity prices fall 65%, surge in market volatility

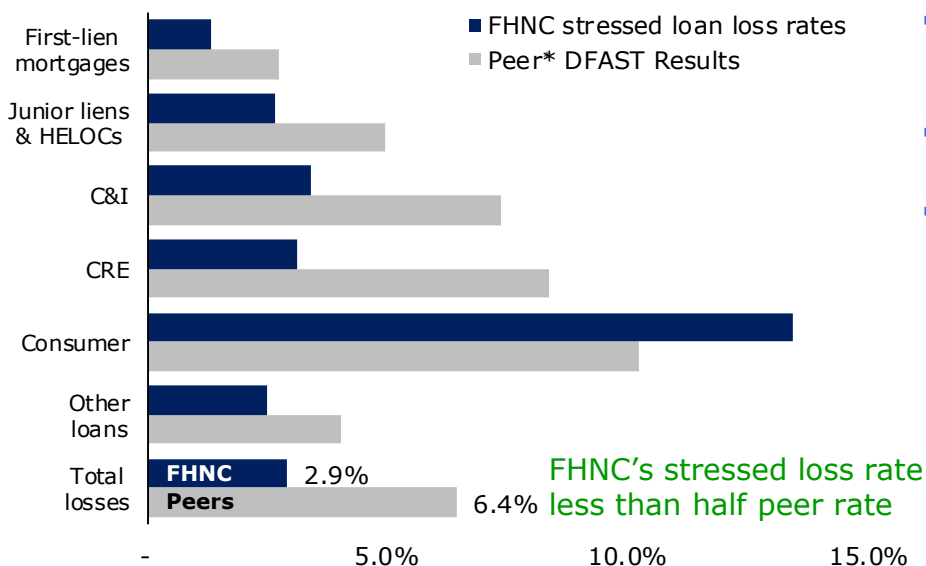
## FHNC Earnings

(\$ in millions)

	9 Quarter Cumulative	% Average Assets 4Q17 - 1Q20	Peer* DFAST Results
Pre-provision net revenue	\$1,225	3.1%	3.0%
Provision for loan and lease losses	(1,410)	(3.6%)	
Realized gains/(losses) on securities	-	-	
All other gains/(losses) <sup>1</sup>	(26)	(0.1%)	
Net income before tax	(210)	(0.5%)	
Taxes	57	0.1%	
Net income to controlling interest	(\$153)	(0.4%)	(0.8%)

- FTN's fixed income trading business benefits from surge in market volatility

## FHNC stressed loan loss rates less than peers for most portfolios and in aggregate



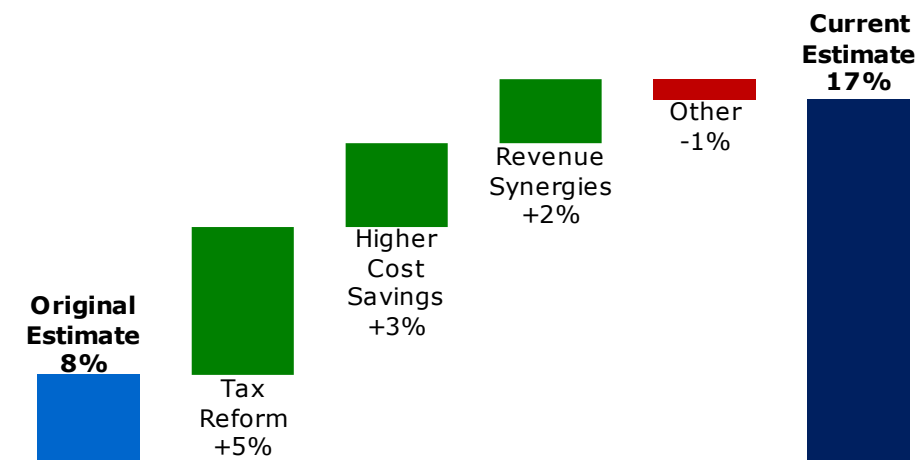
- FHNC 9 quarter cumulative losses of \$755mm, excess capital to cover additional 9 quarters of losses
- From 4Q07 to 4Q09 FHNC's loss rate was 6.5%
- Significant changes since 2009:
  - Balance sheet mix shift, including exit of national mortgage lending business
  - Revised underwriting standards
  - Enhanced loss mitigation strategies

# Successful Execution on Capital Bank Merger Priorities

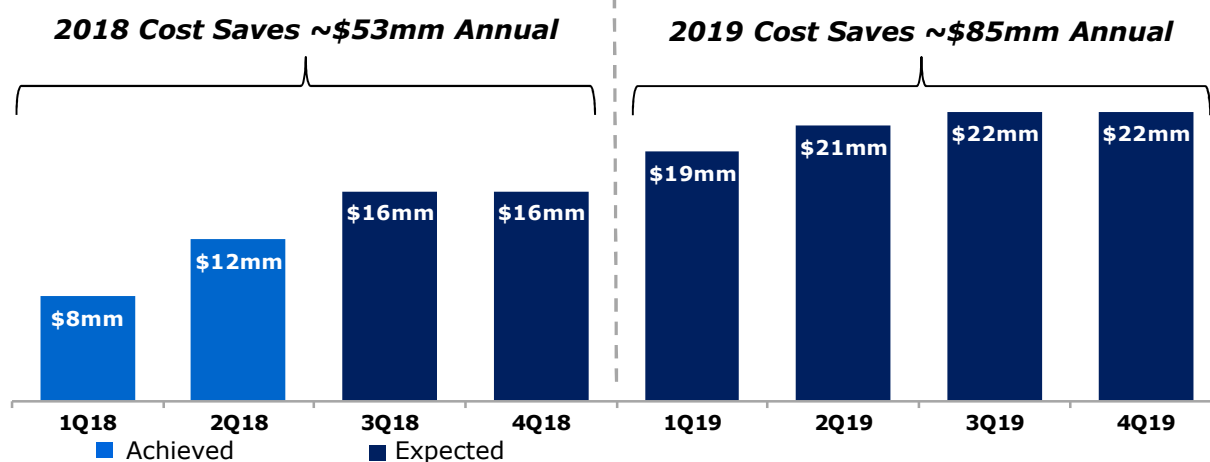
## Improved EPS Accretion From Higher Cost Savings and Revenue Synergies

- Current earnings accretion estimate more than 2x original announcement
- Cost savings of \$12mm achieved in 2Q18
  - ~55% of total cost saves now in run rate
- Total of closed or in-process revenue synergies of \$17mm (YTD Annualized)<sup>1</sup>
  - 306 total deals<sup>1</sup> closed or in-process
- Completed systems conversion at end of May

### Current 2019 Earnings Accretion Estimate 2x Original



### Expected Cost Savings in 2018 Ahead of Original Estimates



### Revenue Synergies

#### Revenue Synergies (YTD Annualized)<sup>1</sup>

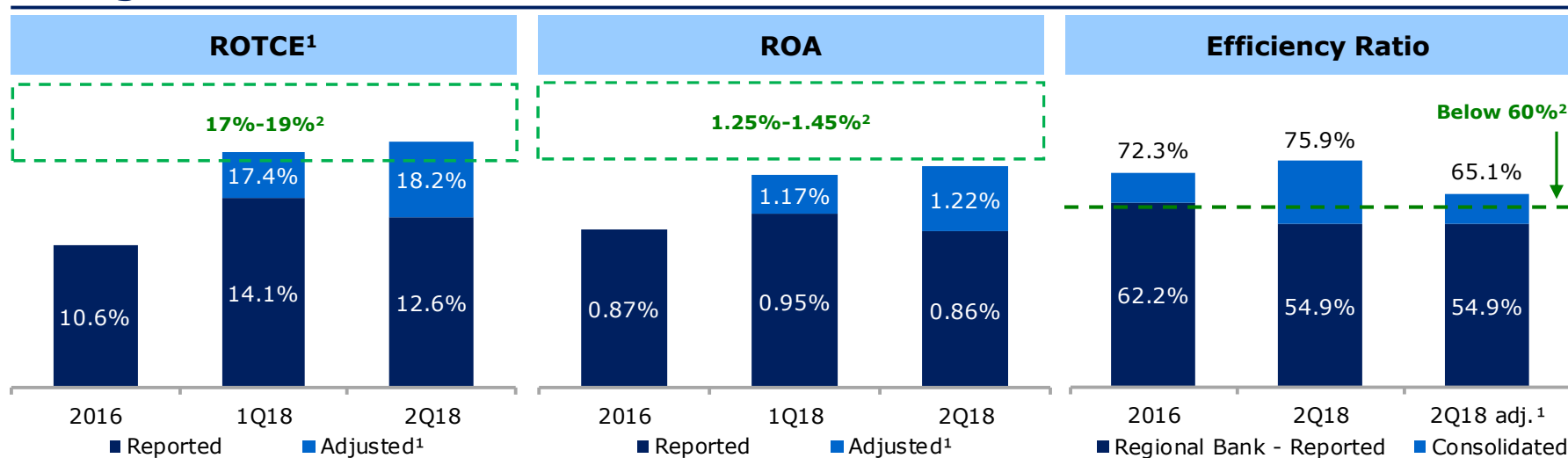


#### # of Deals (YTD)<sup>1</sup>



# Well-Positioned For Consistent Top-Quartile Returns

## Strong Momentum and Current Tailwinds Are Positive



### Current Environment for Banking Industry Remains Favorable

#### Macro Trends

- Continued solid GDP growth and low unemployment rate
- Low risk of near-term recession

#### Credit Environment

- Credit quality remains stable and benign

#### Interest Rates

- Continued hikes in short term interest rates
- Increasing deposit competition



# ASSET QUALITY

# Asset Quality

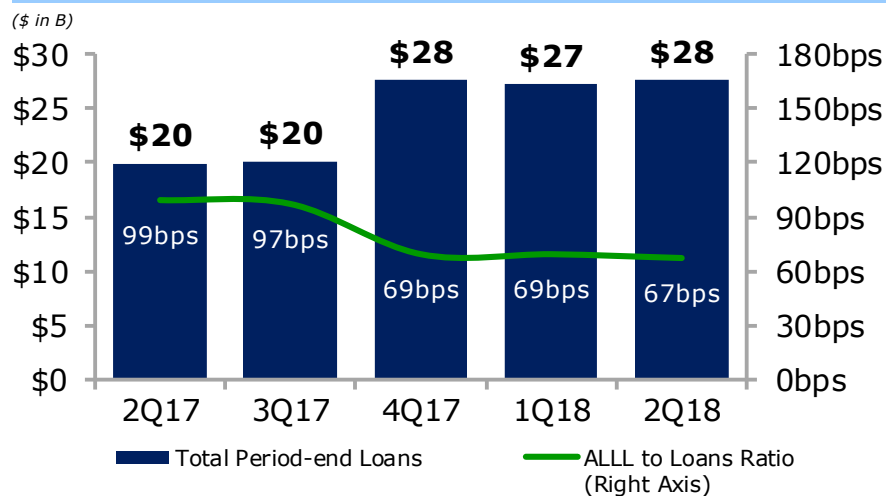
## Stable Credit Trends Reflect Strong Underwriting Discipline

- Credit quality environment remains stable
- Allowance to loans ratio at 67bps
- Net charge-offs at \$2mm in 2Q18
- 32% decline in criticized loans mainly from upgrade of ~\$310mm of TRUPs loans
- OREO decreased \$6mm LQ
- Non-strategic average loans declined 5% LQ, 20% YOY
- CBF credit performance as expected

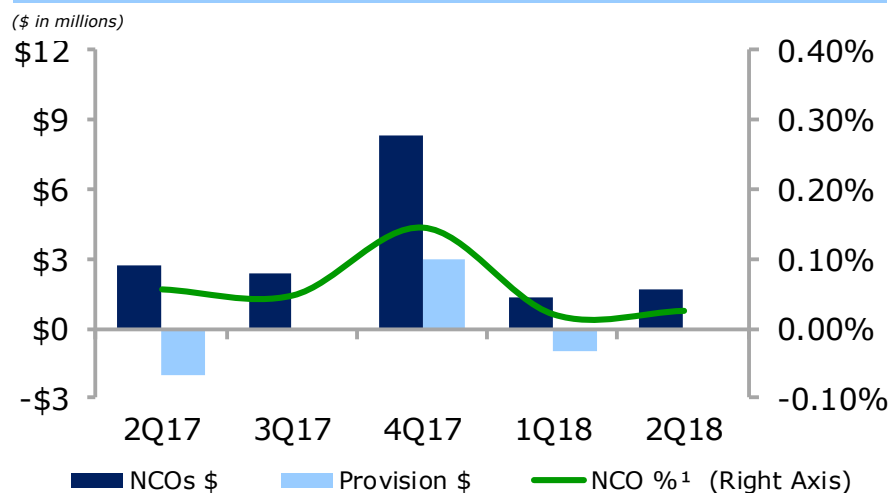
### Asset Quality Highlights

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

### Allowance for Loan Losses



### Net Charge-Offs (NCOs)



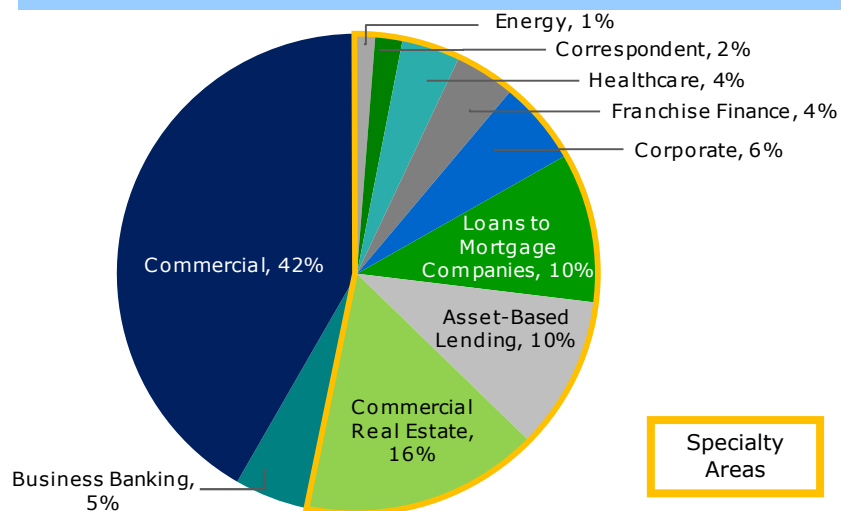


## 2Q18 Credit Quality Summary by Portfolio

(\$ 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	\$16,020	\$4,136	\$5,734	\$653	\$26,543	\$44	\$419	\$489	\$201	\$6	\$27,702
30+ Delinquency %	0.15%	0.06%	0.51%	1.62%	0.25%	3.32%	0.00%	2.63%	2.28%	1.31%	0.31%
Dollars	\$23	\$3	\$30	\$11	\$66	\$1	\$0	\$13	\$5	\$0	\$85
NPL <sup>3</sup> %	0.10%	0.03%	0.57%	0.11%	0.19%	3.94%	0.71%	9.55%	11.08%	0.00%	0.45%
Dollars	\$16	\$1	\$33	\$1	\$51	\$2	\$3	\$47	\$22	\$0	\$125
Net Charge-offs <sup>4</sup> %	0.06%	0.01%	NM	2.20%	0.09%	NM	NM	NM	NM	NM	0.03%
Dollars	\$2	\$0	\$0	\$4	\$6	NM	\$0	(\$3)	\$0	\$0	\$2
Allowance	\$96	\$34	\$16	\$11	\$156	NM	\$1	\$16	\$12	\$0	\$185
Allowance / Loans %	0.60%	0.82%	0.27%	1.74%	0.59%	NM	0.31%	3.28%	5.77%	1.11%	0.67%
Allowance / Net Charge-offs	10.57x	55.04x	NM	0.78x	7.04x	NM	NM	NM	NM	NM	26.70x

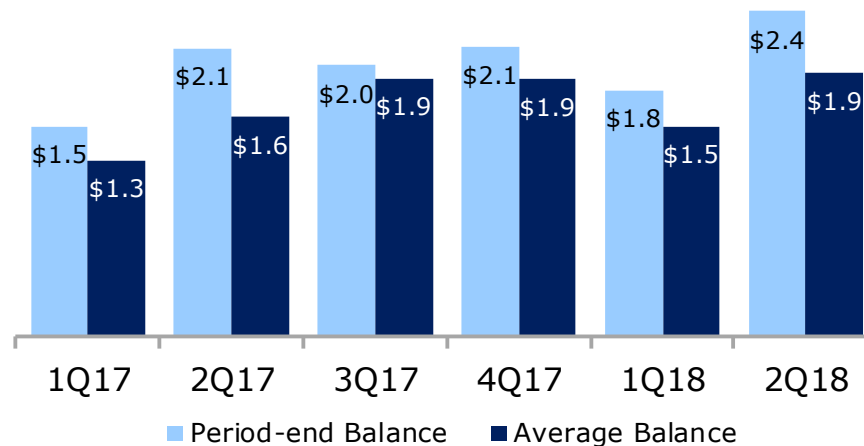
# Select C&I and CRE Portfolio Metrics

**2Q18 Average Regional Bank Commercial Loans**

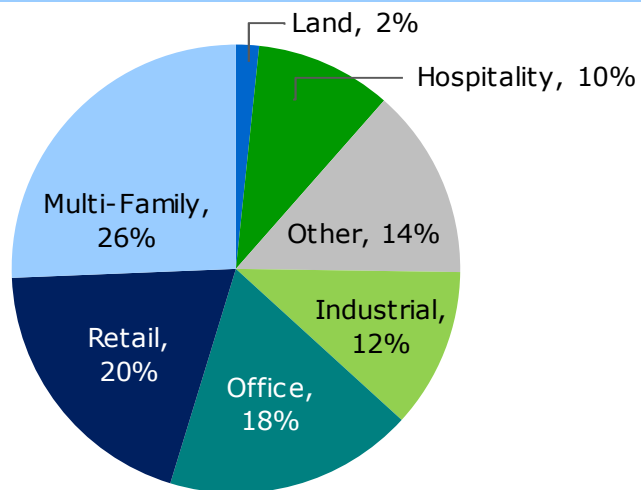


**C&I: Loans to Mortgage Companies**

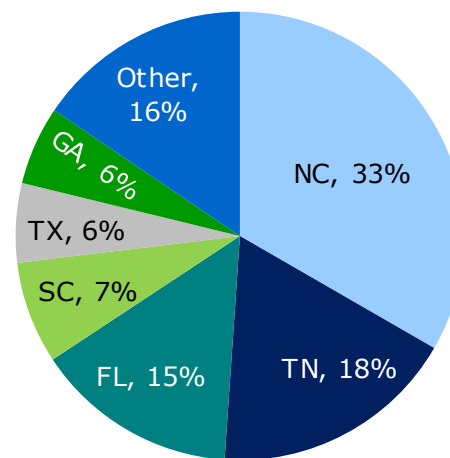
(\$ in billions)



**CRE: Collateral Type**

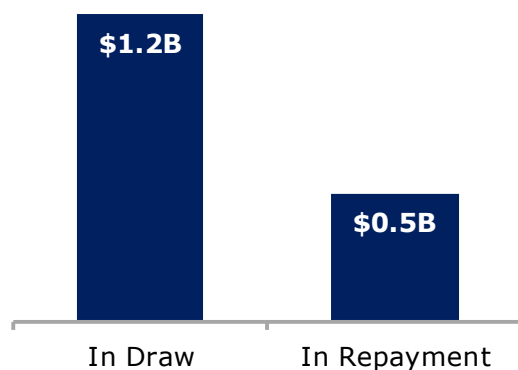


**CRE: Geographic Distribution**

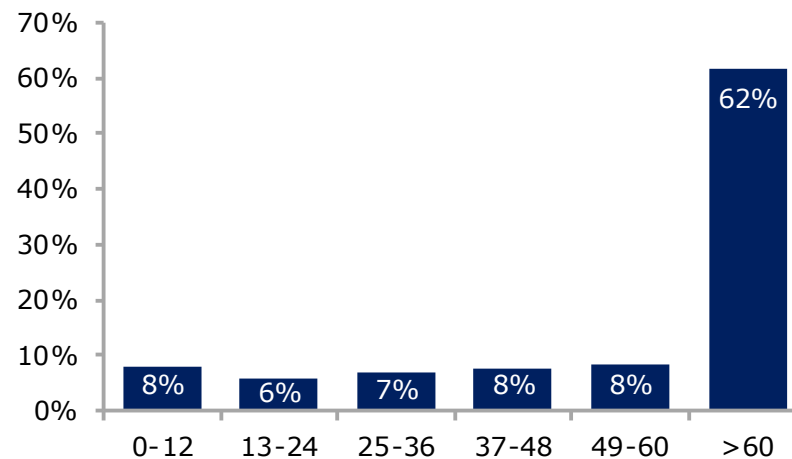


# Consumer Portfolio & Non-Strategic Overview

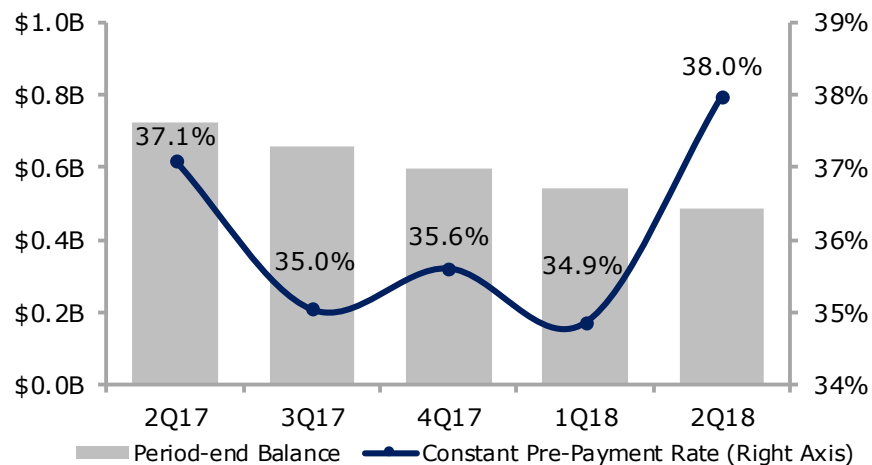
## HELOC Draw vs Repayment Balances



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



## Non-Strategic Consumer Real Estate Run-Off



## Mortgage Repurchase Reserve

(\$ in millions)	2Q17	3Q17	4Q17	1Q18	2Q18
Beginning Balance	\$65	\$35	\$34	\$34	\$33
Net Realized Losses	(\$8)	(\$0)	(\$0)	\$0	(\$1)
Provision Credit	(\$22)	(\$1)	\$0	(\$0)	(\$0)
Ending Balance	\$35	\$34	\$34	\$33	\$32

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# APPENDIX

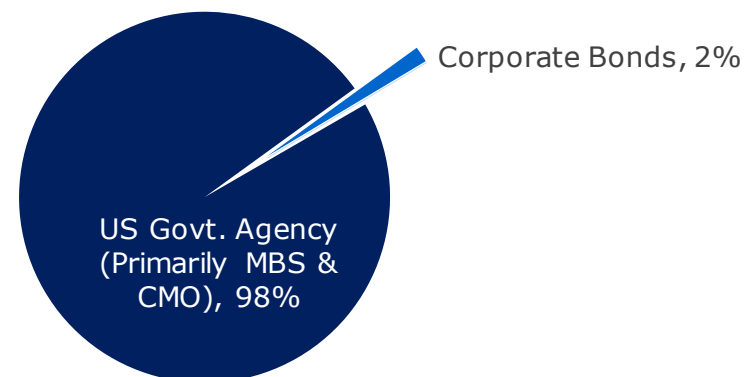
# Outstanding Long-Term Debt and Preferred Stock

	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>		

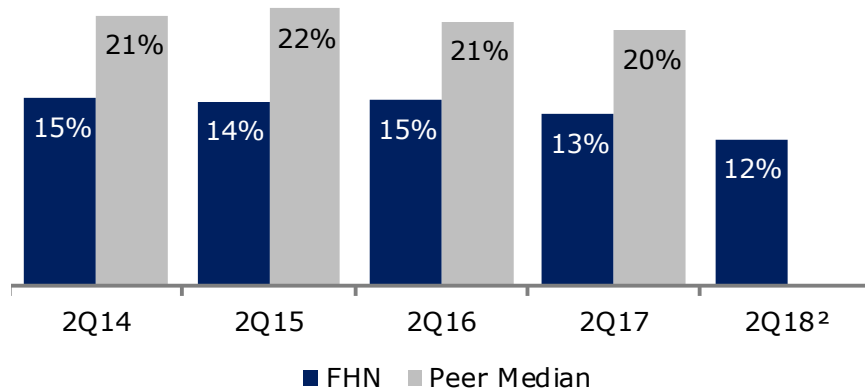
# Securities Portfolio Overview

## Securities Portfolio

- Period end balances of \$4.7B
- Primarily government-guaranteed, liquid CMOs and MBSs
- Effective duration of 4.6 years<sup>1</sup>
- Securities portfolio is primarily classified as available-for-sale
- Total net unrealized losses of \$143mm to book value
- Total investment securities yield of 2.74%



## Securities to Assets: FHN vs Peers<sup>2</sup>



## AFS Bond Composition

(\$ in millions)	Book Value	% of Total AFS	Unrealized Gain or (Loss)	Projected	
				Book Yield	Reprice Term
Agency (Fixed)	\$55	1.1%	\$0	2.58%	3.8
CMO (Fixed)	\$2,180	44.8%	(\$73)	2.51%	4.8
Corporate (Fixed)	\$30	0.6%	\$0	4.53%	2.0
Corporate (Float)	\$26	0.5%	(\$0)	3.82%	2.2
MBS (Fixed)	\$2,550	52.5%	(\$71)	2.77%	6.5
MBS (Float)	\$14	0.3%	\$1	4.44%	0.6
Municipal - Tax-Exempt	\$6.4	0.1%	NM	3.85%	10.1
Treasury	\$0.1	0.0%	NM	1.51%	2.0
<b>Total</b>	<b>\$4,861</b>	<b>100%</b>	<b>(\$143)</b>	<b>2.68%</b>	<b>5.6</b>

## NOTABLE ITEMS

	2017	Pre-Tax Amount <sup>1</sup>	2018	Pre-Tax Amount <sup>1</sup>
<b>1Q</b>	None		Acquisition Expense	(\$31.4mm)
			Gain on property sale	\$3.3mm
<b>2Q</b>	Mortgage Repurchase Reserve Release	\$20.0mm	Acquisition Expense	(\$43.2mm)
	Acquisition Expense	(\$6.4mm)		
	Effective tax rate adjustment associated with reversal of a capital loss deferred tax valuation allowance <sup>1</sup>	\$19.5mm	Other Expense (Visa Shares)	(\$4.1mm)
<b>3Q</b>	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		
<b>4Q</b>	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)		

# 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)	2Q18	1Q18	2Q17	% Change	
				LQ	YOY
<b>Adjusted Fee Income &amp; Revenue</b>					
Revenue (GAAP)	\$438	\$437	\$328	0%	34%
Fee Income (GAAP)	\$128	\$136	\$128	-6%	0%
Plus: Notable Items (GAAP)	\$0	-\$3	\$0		
Adjusted Fee Income (Non-GAAP)	\$128	\$133	\$128	-4%	0%
Plus: Net Interest Income (GAAP)	\$311	\$301	\$201		
Adjusted Revenue (Non-GAAP)	\$438	\$434	\$328	1%	34%
<b>Adjusted Noninterest Expense</b>					
Noninterest Expense (GAAP)	\$333	\$313	\$218	6%	53%
Plus: Notable Items (GAAP)	-\$47	-\$31	\$14		
Adjusted Noninterest Expense (Non-GAAP)	\$285	\$282	\$232	1%	23%
<b>Adjusted Pre-Tax Income</b>					
Pre-Tax Income (GAAP)	\$106	\$125	\$112	-15%	-6%
Plus: Notable Items (GAAP)	\$47	\$28	-\$14		
Adjusted Pre-Tax Income (Non-GAAP)	\$153	\$153	\$99	0%	55%
<b>Adjusted Net Income</b>					
Net Income (GAAP)	\$86	\$95	\$95	-9%	-10%
Plus: Tax-affected Notable Items (GAAP) <sup>1</sup>	\$36	\$21	-\$28		
Adjusted Net Income (Non-GAAP)	\$122	\$116	\$67	5%	81%
<b>Adjusted Net Income Available to Common (NIAC) &amp; Earnings Per Share (EPS)</b>					
Net Income Available to Common (GAAP)	\$82	\$91	\$91	-10%	-10%
Plus: Tax-affected Notable Items (GAAP) <sup>1</sup>	\$36	\$21	-\$28		
Adjusted Net Income Available to Common (Non-GAAP) (a)	\$118	\$112	\$63	5%	87%
Average Common Diluted Shares (GAAP)	328	330	236		
Adjusted Average Common Diluted Shares (Non-GAAP) (b)	328	330	236		
Earnings Per Share (GAAP)	\$0.25	\$0.27	\$0.38	-7%	-34%
Adjusted Earnings Per Share (Non-GAAP) (a/b)	\$0.36	\$0.34	\$0.27	6%	33%



# Reconciliation to GAAP Financials

Slides in this presentation use non-GAAP information of 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)	2Q18	1Q18	2016	Change LQ
<b>Adjusted Efficiency Ratio</b>				
Noninterest Expense (GAAP) (a)	\$333	\$313	\$925	
Revenue Excluding Securities Gains (GAAP) (b)	\$438	\$437	\$1,280	
Efficiency Ratio (GAAP) (a/b)	76%	72%	72%	N/A
Adjusted Noninterest Expense <sup>1</sup> (Non-GAAP) (c)	\$285	\$282	N/A	
Adjusted Revenue <sup>1</sup> Excluding Securities Gains (Non-GAAP) (d)	\$438	\$434	N/A	
Adjusted Efficiency Ratio (Non-GAAP) (c/d)	65%	65%	N/A	N/A
<b>Return on Tangible Common Equity (ROTCE)</b>				
Average Total Equity (GAAP)	\$4,553	\$4,574	\$2,691	
Less: Average Noncontrolling Interest (GAAP)	-\$295	-\$295	-\$295	
Less: Average Preferred Stock (GAAP)	-\$96	-\$96	-\$96	
Average Common Equity (GAAP) (e)	\$4,161	\$4,183	\$2,300	
Less: Average Intangible Assets (GAAP)	-\$1,569	-\$1,568	-\$215	
Average Tangible Common Equity (Non-GAAP) (f)	\$2,592	\$2,615	\$2,086	
Annualized Net Income Available to Common (GAAP) (g)	\$327	\$368	\$221	
Return on Average Common Equity (ROE) (GAAP) (g/e)	7.9%	8.8%	9.6%	-92bps
Return on Average Tangible Common Equity (ROTCE) (Non-GAAP) (g/f)	12.6%	14.1%	10.6%	-143bps
<b>Adjusted Return on Tangible Common Equity (ROTCE)</b>				
Annualized Adjusted Net Income Available to Common <sup>1</sup> (Non-GAAP) (h)	\$473	\$455	N/A	
Average Tangible Common Equity (Non-GAAP) (f)	\$2,592	\$2,615	N/A	
Adjusted Return on Average Tangible Common Equity (ROTCE) (Non-GAAP) (h/f)	18.2%	17.4%	N/A	85bps
<b>Adjusted Return on Average Assets (ROA)</b>				
Annualized Net Income (GAAP) (i)	\$345	\$385	\$239	
Average Total Assets (GAAP) (j)	\$40,174	\$40,351	\$27,427	
Return on Average Assets (GAAP) (i/j)	0.86%	0.95%	0.87%	-9bps
Annualized Adjusted Net Income <sup>1</sup> (Non-GAAP) (k)	\$490	\$472	N/A	
Average Total Assets (GAAP) (l)	\$40,174	\$40,351	N/A	
Adjusted Return on Average Assets (Non-GAAP) (k/l)	1.22%	1.17%	N/A	5bps