



# First Horizon National Corporation

Second Quarter 2016 Earnings

*July 15, 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. Non-GAAP measures are reported to FHN's management and Board of Directors through various internal reports. FHN's management believes such measures are relevant to understanding the financial condition, capital position, and financial results of FHN and its business segments.*
  - *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.*
  - *Presentation of regulatory measures, some of which follow regulatory definitions rather than GAAP, provides a meaningful base for comparability to other financial institutions subject to the same regulations as FHN. Such measures are used by the various banking regulators in reviewing the performance, stability, and capital adequacy of the financial institutions they regulate.*

# Second Quarter 2016 Accomplishments

Diluted EPS  
**\$0.24**

ROA<sup>1</sup>  
**0.91%**

ROE / ROTCE<sup>1</sup>  
**10.0% / 11.1%**

CET1<sup>2</sup>  
**10.1%**

## Strength in Core Businesses

### Regional Bank:

- Average loan growth of 11%, led by increases in specialty lending areas
- Average core deposits up 7%
- Return on assets at 1.02%<sup>1</sup>
- Return on equity at 16%<sup>1</sup>

### Fixed Income:

- Fixed income product average daily revenue (ADR) at \$1.1mm, up 48%
- Return on assets at 1.89%<sup>1</sup>
- Return on equity at 33%<sup>1</sup>

## Focus on Positive Operating Leverage

- Consolidated revenues increased 8%
- Consolidated net interest income up 6% and net interest margin steady at 2.92%
- Consolidated average loans up 6% and average deposits increased 9%
- Mortgage repurchase reserve release of \$31mm in Non Strategic segment

## Capital Deployment

- Agreed to purchase \$637mm of restaurant franchise loans
  - Immediately accretive to earnings
  - Expected to close in 3Q16
- Repurchased \$11mm or 830k shares in 2Q16
  - 2Q16 VWAP of \$13.73<sup>3</sup>

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# FINANCIAL RESULTS

## 2Q16 Consolidated Financial Results

<i>\$ in millions</i> Financial Results	Actuals			2Q16 vs	
	2Q16	1Q16	2Q15	1Q16	2Q15
Net Interest Income	<b>\$176</b>	\$172	\$167	+2%	+6%
Fee Income	<b>\$146</b>	\$134	\$130	+8%	+12%
Total Revenue	<b>\$322</b>	\$306	\$297	+5%	+8%
Expense	<b>\$227</b>	\$227	\$218	*	+4%
Pre-Provision Net Revenue (PPNR) <sup>1</sup>	<b>\$95</b>	\$78	\$79	+22%	+21%
Loan Loss Provision	<b>\$4</b>	\$3	\$2	NM	NM
Pretax Income	<b>\$91</b>	\$76	\$77	+19%	+19%
Net Income Available to Common Shareholders (NIAC)	<b>\$57</b>	\$48	\$51	+18%	+12%
Total Average Loans (\$B)	<b>\$17.8</b>	\$17.3	\$16.8	+3%	+6%
Total Average Core Deposits (\$B)	<b>\$19.7</b>	\$19.4	\$18.1	+1%	+9%

- Diluted EPS of \$0.24 in 2Q16
- Strong pre-provision net revenue growth of 22% LQ and 21% YOY
- Net interest income increase driven by commercial loan growth
- Fee income up primarily due to increased Fixed Income revenues
- Pre-tax impact of notable items:
  - +\$31.4mm mortgage repurchase reserve release
  - -\$26.0mm legal expense accrual
  - -\$2.5mm valuation adjustment for derivatives related to prior sales of Visa Class B shares
- Effective tax rate of 33% in 2Q16

## 2Q16 Segment Highlights

\$ in millions, except EPS	Net Income <sup>1</sup>			2Q16 Per Share Impact <sup>2</sup>	Drivers and Impacts
	2Q16	1Q16	2Q15		
<b>Regional Banking</b>	\$42	\$46	\$46	\$0.18	<ul style="list-style-type: none"> <li>NII up 7% YOY and 3% LQ</li> <li>Average loans up 11% YOY and 4% LQ</li> <li>Expenses up 14% YOY and 13% LQ                             <ul style="list-style-type: none"> <li>2Q16 includes \$22.0mm legal accrual expense</li> <li>1Q16 includes \$3.7mm branch impairment expense</li> </ul> </li> <li>Loan loss provision of \$11mm in 2Q16 vs \$15mm in 1Q16</li> </ul>
<b>Fixed Income</b>	\$12	\$7	\$6	\$0.05	<ul style="list-style-type: none"> <li>Fixed income product ADR of \$1.1mm in 2Q16 vs \$944k in 1Q16</li> </ul>
<b>Corporate<sup>1</sup></b>	\$(19)	\$(15)	\$(16)	\$(0.08)	<ul style="list-style-type: none"> <li>2Q16 includes \$(2.5)mm valuation adjustment for derivatives related to prior sales of Visa Class B shares</li> <li>1Q16 includes \$1.7mm gain on sale of securities</li> </ul>
<b>Non-Strategic</b>	\$22	\$10	\$15	\$0.09	<ul style="list-style-type: none"> <li>Loan loss provision credit of \$7mm in 2Q16 vs \$12mm credit in 1Q16</li> <li>2Q16 includes \$31.4mm mortgage repurchase reserve release</li> <li>2Q16 includes \$4.0mm legal accrual expense</li> </ul>
<b>Total<sup>1</sup></b>	<b>\$57</b>	<b>\$48</b>	<b>\$51</b>	<b>\$0.24</b>	

# Regional Banking Financial Results

## Strong Year over Year Balance Sheet and NII Growth

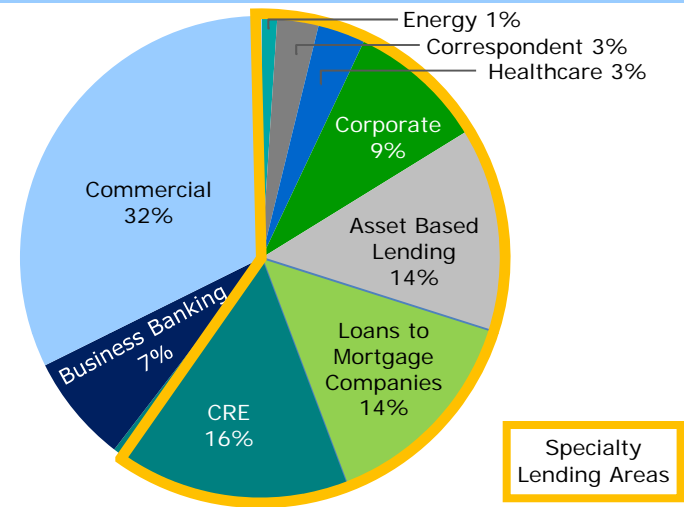
\$ in millions Financial Results	Actuals			2Q16 vs	
	2Q16	1Q16	2Q15	1Q16	2Q15
Net Interest Income	\$178	\$172	\$166	+3%	+7%
Fee Income	\$61	\$59	\$66	+3%	-7%
Expense	\$164	\$145	\$144	+13%	+14%
Pre-Provision Net Revenue (PPNR) <sup>1</sup>	\$75	\$86	\$88	-13%	-14%
Loan Loss Provision	\$11	\$15	\$17	-26%	-36%
Pre-Tax Income	\$64	\$71	\$71	-10%	-9%
Net Income	\$42	\$46	\$46	-9%	-8%
Adjusted Expense <sup>2</sup>	\$142	\$145	\$144	-2%	-1%
Adjusted PPNR <sup>1,2</sup>	\$97	\$86	\$88	+13%	+11%
Adjusted Pre-Tax Income <sup>2</sup>	\$86	\$71	\$71	+21%	+22%
Total Average Loans (\$B)	\$15.9	\$15.2	\$14.3	+4%	+11%
Average Core Deposits (\$B)	\$17.9	\$17.6	\$16.8	+2%	+7%

- Revenues up YOY and LQ
  - NII increase driven by commercial loan growth in specialty lending areas
- Fee income up 3% LQ from increases in bankcard income, trust and brokerage fees; YOY decrease related to changes in consumer behavior
- Expenses up LQ, largely due to \$22mm of litigation related expense
- Average loans increased YOY and LQ
  - Continued strong growth in specialty lending areas
- Loan loss provision LQ and YOY decrease reflects overall improvement in loan portfolio

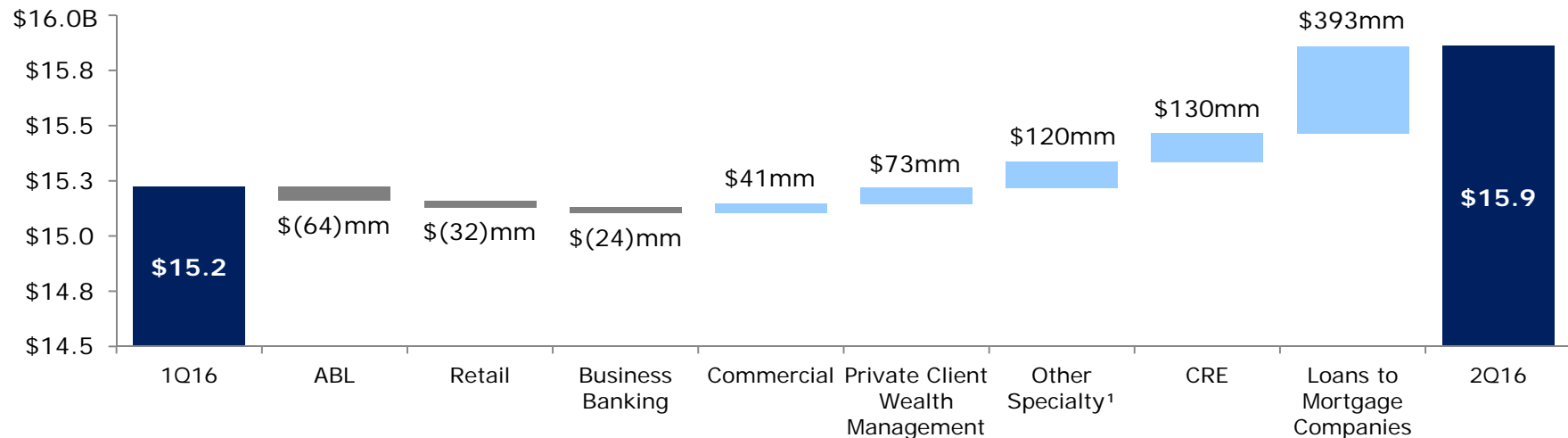
# Profitable Growth Opportunities: Regional Banking

- Regional Banking average loan growth of 11% YOY and 4% LQ
- Continued strength in specialty lending areas
  - CRE up \$0.5B YOY and \$0.1B LQ, reflects funding up of commitments and YOY growth includes loans from TrustAtlantic acquisition
  - Average loans to mortgage companies up \$0.4B LQ to \$1.6B
- Expansion markets provide opportunities for growth
  - Houston average loans up 21% LQ to ~\$216mm
  - Mid-Atlantic average loans up 5% LQ
  - Middle TN average loans up 4% LQ driven by growth in C&I, PC/WM and Healthcare lending

**2Q16 Average Regional Bank Commercial Loans**



**Regional Banking Average Loan Growth by Lending Area**





# Restaurant Franchise Loan Acquisition

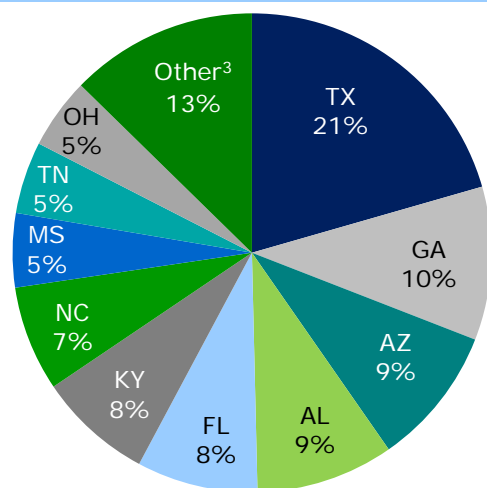
## Deal Summary

- Agreed to acquire \$637mm of restaurant franchise loans in Southeast and Southwest
- Acquisition creates strategically compelling specialty restaurant franchise lending area with ~\$800mm of outstanding loans at close
- Estimated NII impact of ~\$4-6mm quarterly
- No expected tangible book value dilution
- Expected to close in 3Q16

## Acquired Loan Portfolio Overview

Average Relationship <sup>1</sup>	~\$5mm
Average Loan Size <sup>1</sup>	~\$2mm
Fix/Float <sup>2</sup>	74/26%
Weighted Average Yield <sup>2</sup>	5.06%
Weighted Average Maturity <sup>2</sup>	~4 years

## Pro Forma Combined Loan Portfolio Geography



## Pro Forma Combined Loan Portfolio by Concept

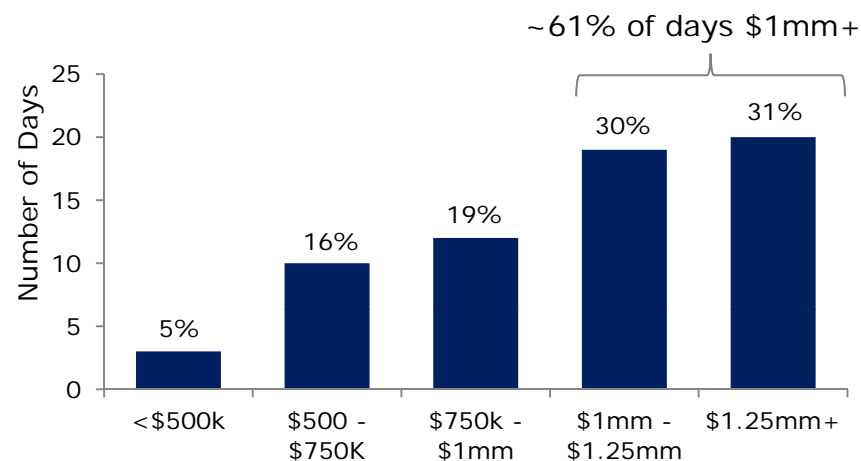
Taco Bell	14%
Wendy's	13%
Hardee's	6%
Domino's	6%
Applebee's	6%
Popeyes	6%
Burger King	5%
Sonic Drive-In	5%
Papa John's	4%
Other	35%

# Fixed Income - FTN Financial

## Solid Financial Results with Strong Revenue Growth

- Fixed income product ADR at \$1.1mm in 2Q16, up 15% LO and up 48% YOY
- Fixed income ADR increase driven by rate volatility as well as a decline in rates
- Broad-based increases across all products including agencies, mortgages, corporates and muni's
- Expenses up from higher variable compensation
- ROA at 1.89% and ROE at 33% in 2Q16<sup>1</sup>
- Focused on investing in extensive fixed income distribution platform:
  - Strategic hires to increase market share
  - Expansion of municipal products platform
  - Continued development of public finance capability

2Q16 Daily Fixed Income Product Revenue



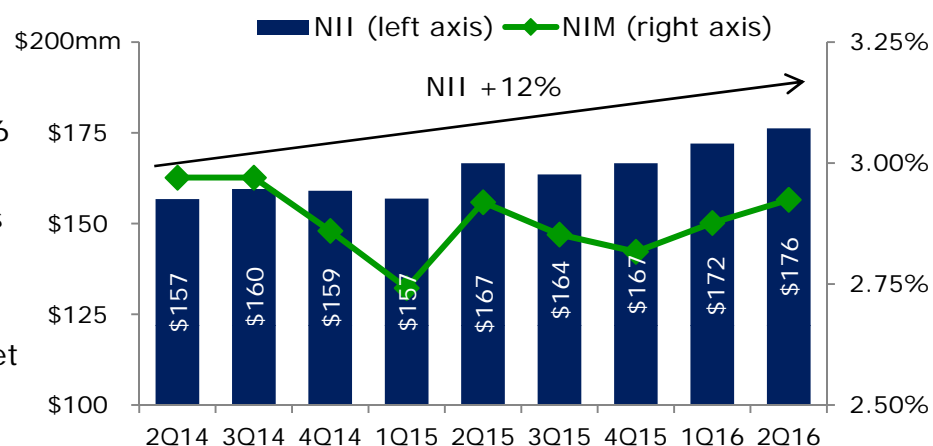
Financial Results <i>\$ in millions, except ADR</i>	Actuals			2Q16 vs	
	2Q16	1Q16	2Q15	1Q16	2Q15
NII	\$3	\$3	\$4	+18%	-27%
Fee Income	\$78	\$67	\$56	+16%	+39%
Expense	\$63	\$59	\$51	+7%	+23%
Pretax Income	\$18	\$11	\$9	+65%	NM
Net Income	\$12	\$7	\$6	+60%	+97%
ADR	\$1.1mm	\$944k	\$729k	+15%	+48%

# Consolidated Net Interest Income and Net Interest Margin

## Strong NII Growth and Margin Expansion, Asset Sensitivity Moderating

- NII up \$10mm or 6% YOY
- NIM at 2.92%, up 4 bps LQ and flat YOY
- Average loan growth of 16% from 2Q14 to 2Q16
- Average core deposit growth of 26% from 2Q14 to 2Q16
- Attractive and stable low-cost funding mix in Regional Banking with 59% DDA and interest checking deposits
- Floating rate loans comprise 68% of loan portfolio vs fixed rate loans at 32% in 2Q16
- Restaurant franchise loan purchase will moderate asset sensitivity due to higher mix of fixed rate loans in portfolio

### NIM Stability and Loan Growth Drive NII Increase

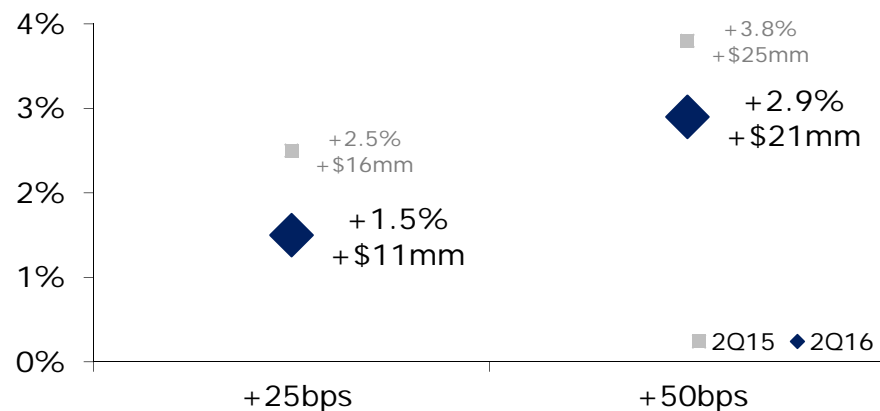


### NII and NIM Linked-Quarter Change Drivers

(\$ in millions)	NII	NIM
<b>1Q16</b>	<b>\$172.1</b>	<b>2.88%</b>
Lower Fed Balances	-	+6bp
Higher Fixed Income Trading Inventory	-	-2bp
Retirement of Long-term Debt	+\$0.4	+1bp
Increased Commercial Loans	+\$4.4	-
Other	-\$0.6	-1bp
<b>2Q16</b>	<b>\$176.3</b>	<b>2.92%</b>

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

- Asset sensitivity has moderated from 2Q15 to 2Q16



# Asset Quality Trends Show Improvement

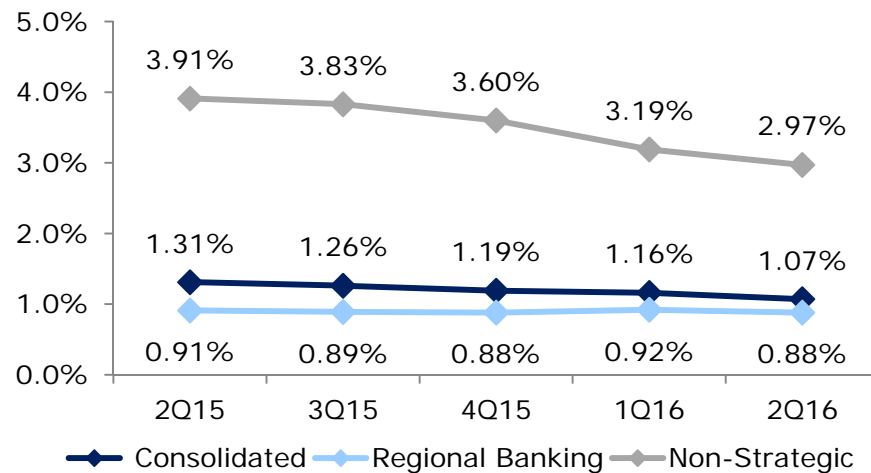
- Net charge-offs of \$8mm in 2Q16 vs \$9mm in 1Q16
- Non-Performing Assets at \$199mm in 2Q16 vs \$220mm in 1Q16
  - Decrease primarily driven by resolutions in non-performing loans and a decline in foreclosed assets from dispositions and payoffs
- 30+ delinquencies as a percentage of total loans at 32 bps in 2Q16 vs 54 bps in 1Q16

## Asset Quality Highlights

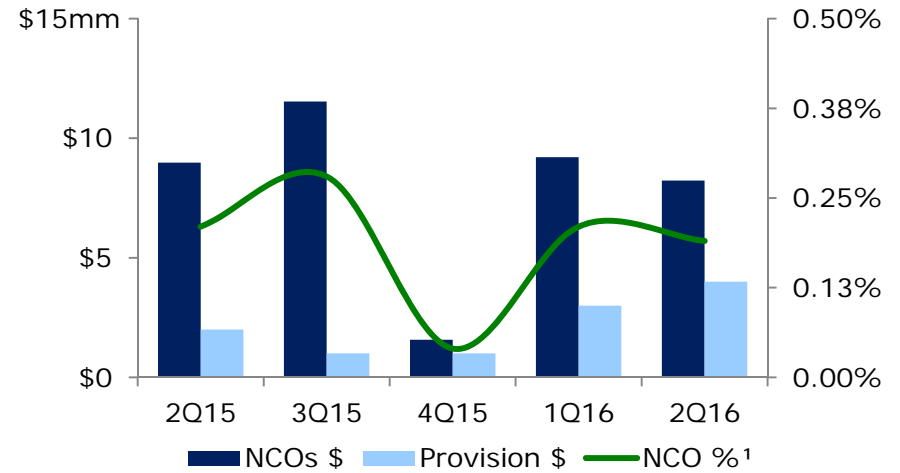
(\$ in mm)	2Q15	3Q15	4Q15	1Q16	2Q16
Provision	\$2	\$1	\$1	\$3	\$4
Net Charge-offs	\$9	\$12	\$2	\$9	\$8
Charge-offs	\$(19)	\$(22)	\$(17)	\$(18)	\$(18)
Recoveries	\$10	\$10	\$15	\$8	\$10

Numbers may not add to total due to rounding.

## Allowance to Loans Ratio by Segment

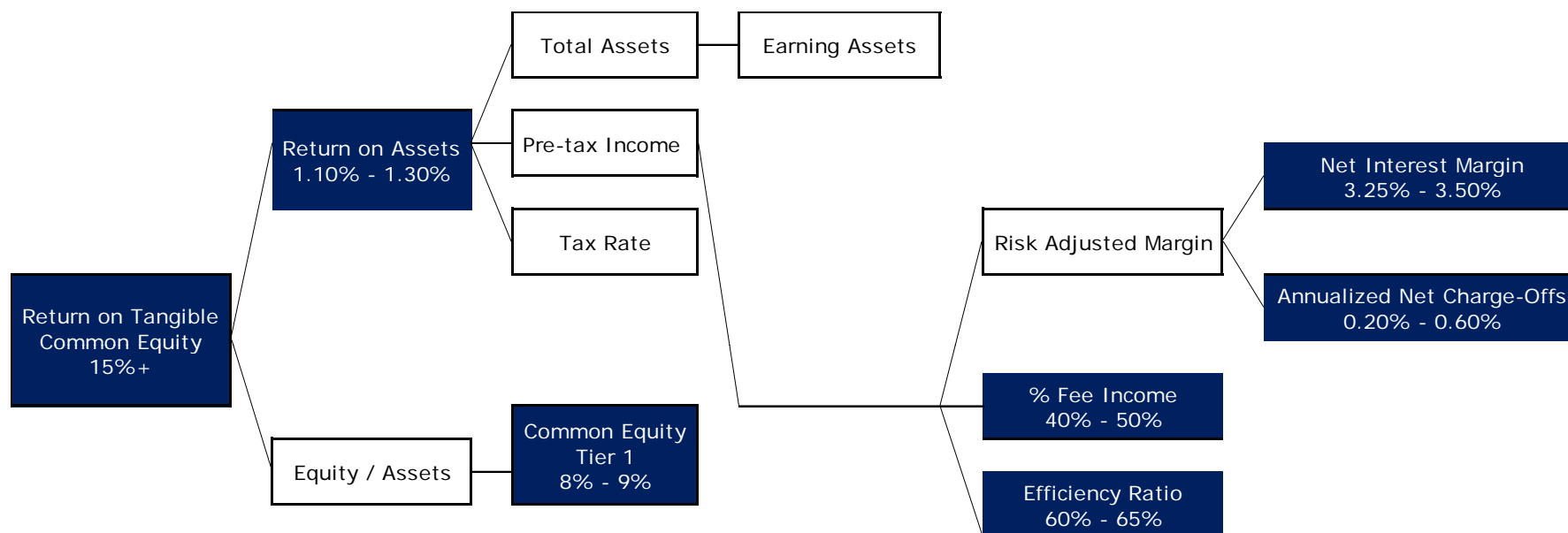


## Net Charge-Offs



# Building Long-Term Earnings Power: Bonefish Targets

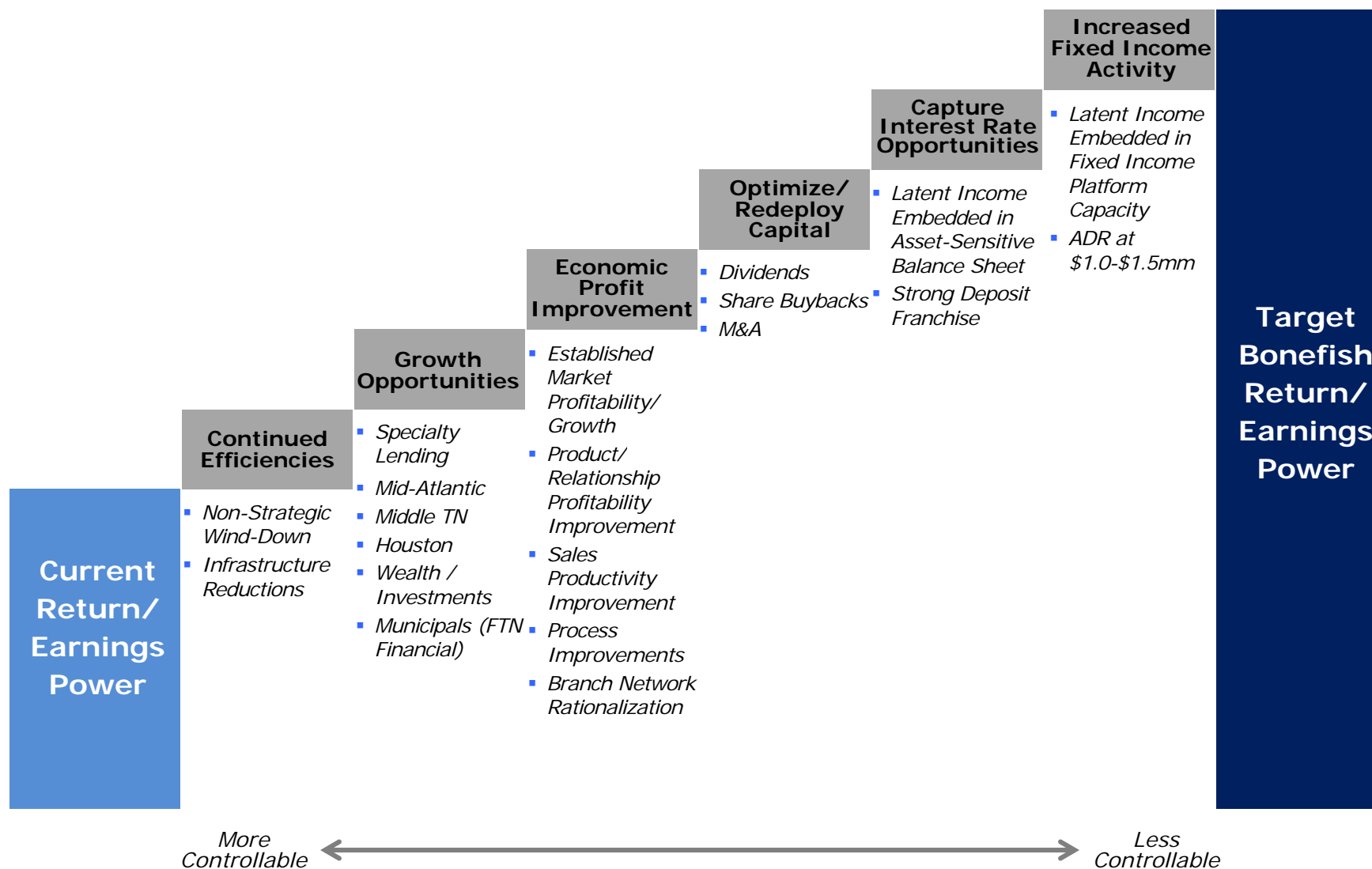
*Focused on Growing Our Company Selectively and Profitably While Positioning Our Balance Sheet for Sustainable, Higher Returns in the Long Term*



2Q16	Consolidated	Long-Term Targets
ROTCE <sup>1</sup>	11.1%	15.0%+
ROA <sup>1</sup>	0.91%	1.10 – 1.30%
CET1 <sup>2</sup>	10.1%	8.0 – 9.0%
NIM <sup>1</sup>	2.92%	3.25 – 3.50%
NCO / Average Loans <sup>1</sup>	0.19%	0.20 - 0.60%
Fee Income / Revenue	45%	40 - 50%
Efficiency Ratio	71%	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*

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- 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 that will be able to profitably run and grow the company

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

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# APPENDIX



## Notable Items

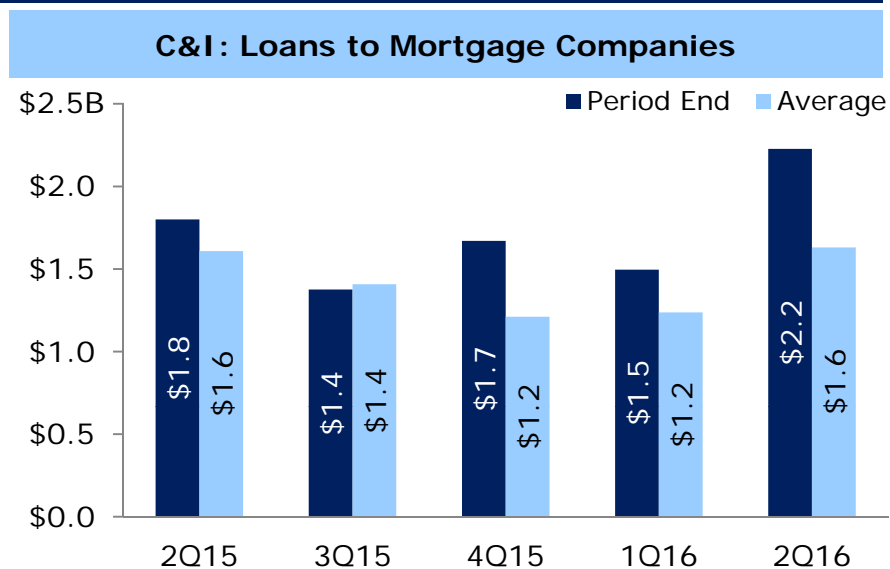
	2015	Pre-Tax Amount	2016	Pre-Tax Amount
1Q	Settlement with DOJ/HUD	\$(162.5)mm	Branch Impairment	\$(3.7)mm
	TrustAtlantic Acquisition Expenses	\$(0.6)mm		
2Q	TrustAtlantic Acquisition Expenses	\$(1.1)mm	Litigation Accrual <sup>3</sup>	\$(26.0)mm
			Valuation adjustment for derivatives related to prior sales of Visa Class B shares	\$(2.5)mm
			Mortgage Repurchase Reserve Release	\$31.4mm
3Q	Retirement of Trust Preferred Debt	\$5.8mm		
	Employee Benefit Plan Amendment	\$8.3mm		
	Litigation Expense <sup>1</sup>	\$(11.6)mm		
	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		

## 2Q16 Credit Quality Summary by Portfolio

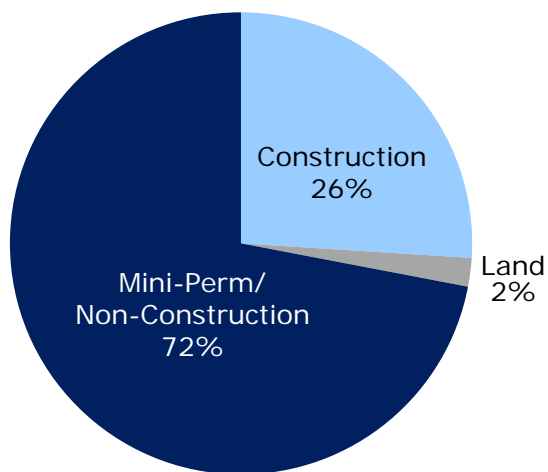
(\$ in millions)	Regional Banking					Corporate <sup>4</sup>	Non-Strategic				FHNC Consol
	Commercial (C&I & Other)	CRE	HE & HELOC	Other <sup>1</sup>	Total	Permanent Mortgage	Commercial (C&I & Other)	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$10,759	\$1,969	\$3,577	\$398	\$16,703	\$85	\$420	\$1,064	\$308	\$9	\$18,589
30+ Delinquency	0.04%	0.15%	0.40%	1.16%	0.16%	4.92%	0.00%	2.16%	1.66%	1.06%	0.32%
Dollars	\$5	\$3	\$14	\$5	\$26	\$4	\$0	\$23	\$5	\$0	\$59
NPL %	0.24%	0.40%	0.73%	0.10%	0.36%	1.06%	1.00%	7.59%	9.51%	7.98%	0.95%
Dollars	\$26	\$8	\$26	\$0	\$61	\$1	\$4	\$81	\$29	\$1	\$177
Net Charge-offs <sup>3</sup> %	0.25%	NM	NM	2.54%	0.19%	NM	NM	0.26%	NM	1.15%	0.19%
Dollars	\$6	-\$1	\$0	\$2	\$8	NM	\$0	\$1	\$0	\$0	\$8
Allowance	\$80	\$30	\$24	\$12	\$146	NM	\$1	\$35	\$17	\$0	\$200
Allowance / Loans %	0.74%	1.54%	0.68%	3.07%	0.88%	NM	0.33%	3.27%	5.53%	2.83%	1.07%
Allowance / Charge-offs	3.23x	NM	NM	1.25x	4.78x	NM	NM	12.14x	NM	2.41x	6.04x

# Select C&I and CRE Portfolio Metrics

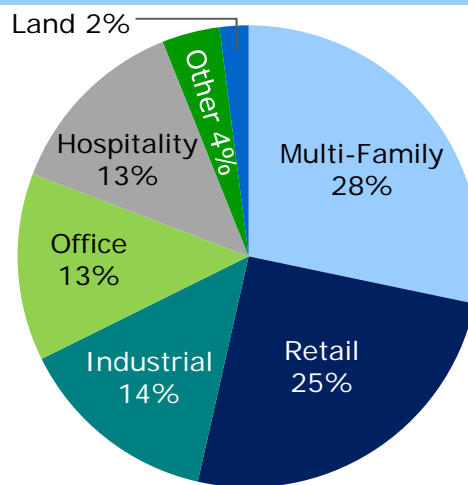
- \$11.2B C&I portfolio, diversified by industry
- \$2.0B CRE portfolio, diversified by geography, comprising 11% of period-end consolidated loans
- Commercial (C&I and CRE) net charge-offs were \$5.4mm for the quarter
  - Gross charge-offs were \$7.9mm with recoveries of \$2.5mm



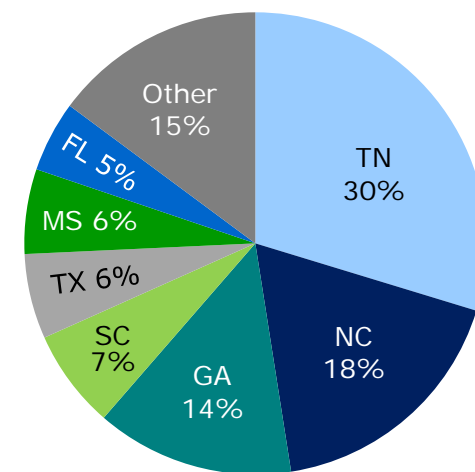
### CRE: Loan Type



### CRE: Collateral Type



### CRE: Geographic Distribution

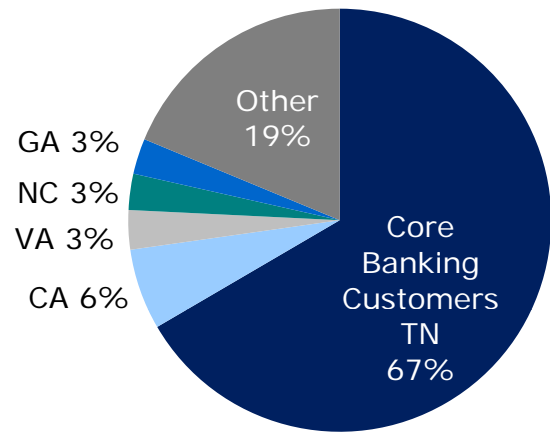


# Consumer Portfolio Overview

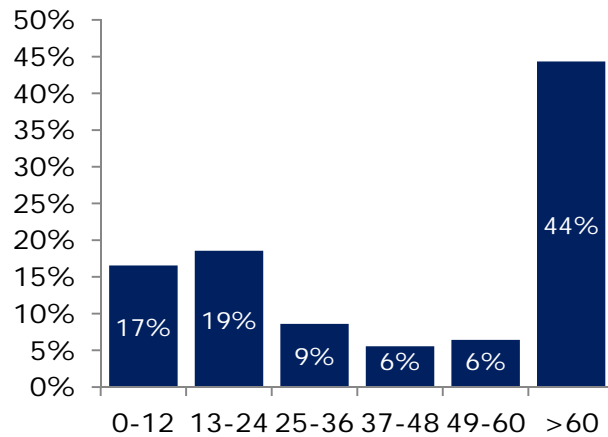
## Home Equity Portfolio Characteristics

	First	Second	Total
Balance	\$3.1B	\$1.6B	\$4.7B
Original FICO	755	736	749
Refreshed FICO	755	726	745
Original CLTV	78%	81%	79%
Full Doc	95%	76%	89%
Owner Occupied	95%	94%	95%
HELOCs	\$0.6B	\$1.3B	\$1.9B
Weighted Average HELOC Utilization	45%	53%	51%

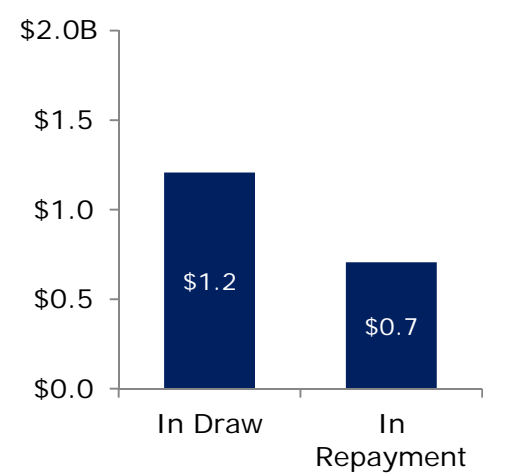
## Home Equity Geographic Distribution



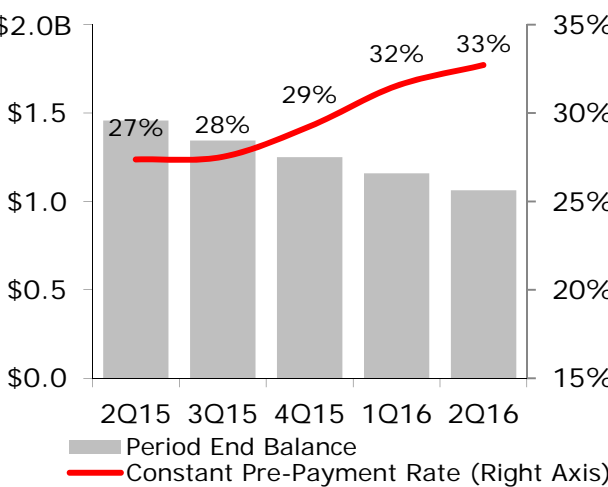
## Percent of Home Equity Portfolio: Months Left in Draw Period



## HELOC Draw vs Repayment Balances



## Non-Strategic Consumer Real Estate Run-Off

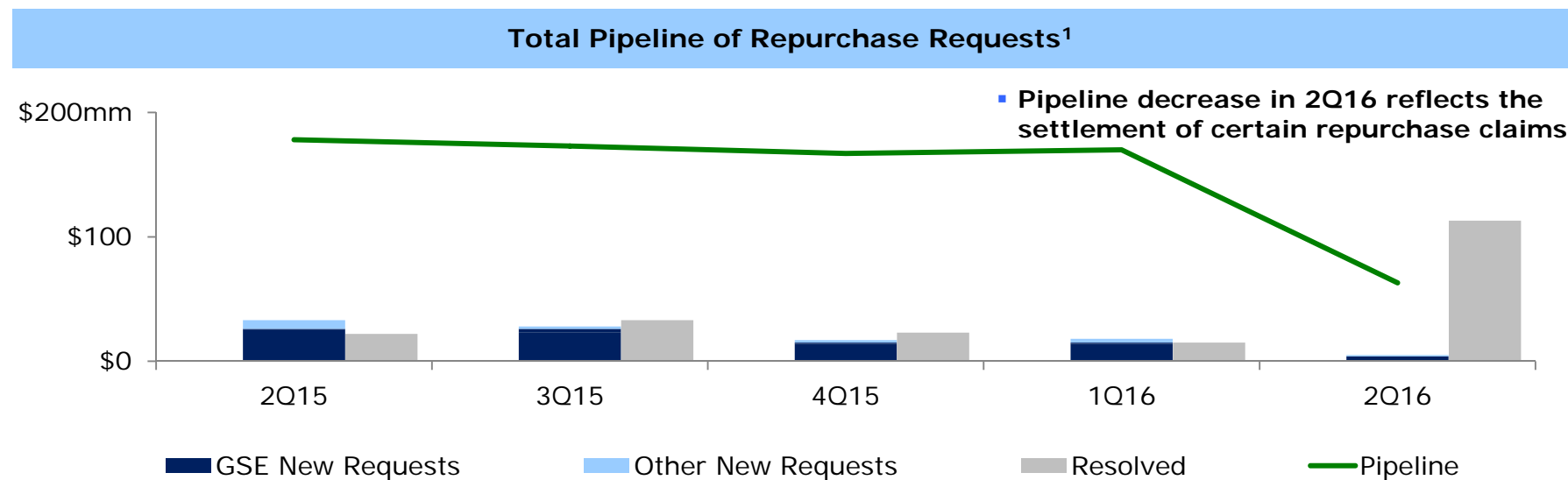


# Agency & Non-Agency Update

## Repurchase Resolution Agreements with Both GSEs

	Mortgage Repurchase Reserve					Other Whole Loan Sales and Non-Agency
(\$ in millions)	2Q15	3Q15	4Q15	1Q16	2Q16	
Beginning Balance	\$116	\$117	\$115	\$115	\$114	<ul style="list-style-type: none"> <li>Represent 78% of all active repurchase/make whole requests in 2Q16 pipeline</li> <li>Some non-Agency FHN loans were bundled with other companies' loans and securitized by the purchasers                             <ul style="list-style-type: none"> <li>A trustee for a bundler has commenced a legal action seeking repurchase of FHN loans</li> <li>Certain purchasers have requested indemnity related to FHN loans included in their securitizations</li> </ul> </li> </ul>
Net Realized Losses	\$0	\$(2)	\$(0)	\$(1)	\$(16)	
Provision	\$0	\$0	\$0	\$0	\$(31)	
Ending Balance	\$117	\$115	\$115	\$114	\$67	

*Net realized losses of \$0 in 2Q15 due to ~\$3mm in mortgage insurance rescission recoveries. Numbers may not add to total due to rounding.*



## Reconciliation to GAAP Financials

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

(\$ in millions)

<b>Return on Tangible Common Equity</b>	<b>2Q16</b>
Average Total Equity (GAAP)	\$2,655
Less: Average Noncontrolling Interest (GAAP)	\$295
Less: Preferred Stock (GAAP)	\$96
Average Common Equity (GAAP) (a)	\$2,264
Less: Average Intangible Assets (GAAP)	\$216
Average Tangible Common Equity (Non-GAAP) (b)	\$2,049
Annualized Net Income Available to Common (GAAP) (c)	\$227
Annualized Return on Average Common Equity (GAAP) (c/a)	10.0%
Annualized Return on Average Tangible Common Equity (Non-GAAP) (c/b)	11.1%
<b>Adjusted Regional Banking Noninterest Expense</b>	
Regional Banking Noninterest Expense (GAAP)	\$164
Less: Regional Banking Legal Accrual (GAAP)	\$22
Adjusted Regional Banking Noninterest Expense (Non-GAAP)	\$142
<b>Adjusted Regional Banking Pre-Provision Net Revenue and Pre-Tax Income</b>	
Total Regional Banking Revenue (GAAP)	\$240
Less: Adjusted Regional Banking Noninterest Expense (Non-GAAP)	\$142
Adjusted Regional Banking Pre-Provision Net Revenue (Non-GAAP)	\$97
Less: Regional Banking Loan Loss Provision (GAAP)	\$11
Adjusted Regional Banking Pre-Tax Income (Non-GAAP)	\$86