



# First Horizon National Corporation

## Third Quarter 2015 Earnings

*November 13, 2015*

*An earlier version of this document was furnished in a Form 8-K that was filed on October 16, 2015. This version reflects subsequent events that arose after this document was released which are reflected in First Horizon's Quarterly Report on Form 10-Q filed on November 5, 2015, and also reflects certain modifications to First Horizon's 'bonefish' targets released in its written presentation to the BancAnalysts Association of Boston Conference on November 5, 2015.*

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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.*

# Building Franchise Value

## *Executing "Blue Chip" Priorities*

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- Being easy to do business with
- Providing differentiated customer service
- Using the Bonefish to drive profitability

# Third Quarter 2015 Accomplishments

- Earnings per share at \$0.25
- Consolidated NII up 3%
- Regional Bank average loan growth of 11%
- Regional Bank average core deposits up 16%
- #1 deposit market share in Tennessee<sup>1</sup>
- Revenue per FTE in Regional Bank up 3%
- Fixed income product average daily revenue up 4%
- Closed TrustAtlantic acquisition

## 3Q15 Notable Items<sup>2</sup>

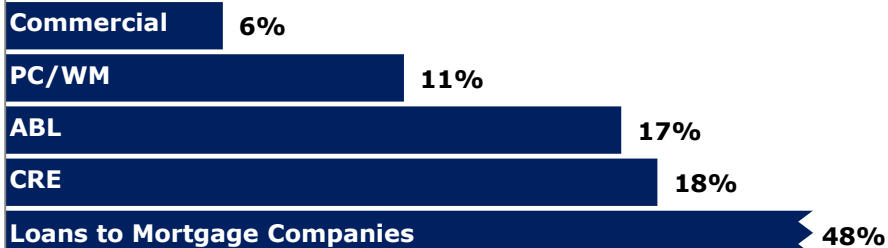
	Pre-tax Amount	After-tax Amount	EPS Impact
Retirement of Trust Preferred Debt	\$5.8mm	\$4.2mm	\$0.02
Employee Benefit Plan Amendment	\$8.3mm	\$6.0mm	\$0.03
Discrete Tax Benefit/Capital Loss Carryover	N/A	\$4.5mm	\$0.02
Litigation Expense <sup>3</sup>	\$(11.6)mm	\$(8.4)mm	\$(0.04)

## 3Q14-3Q15 Regional Bank Loan Growth

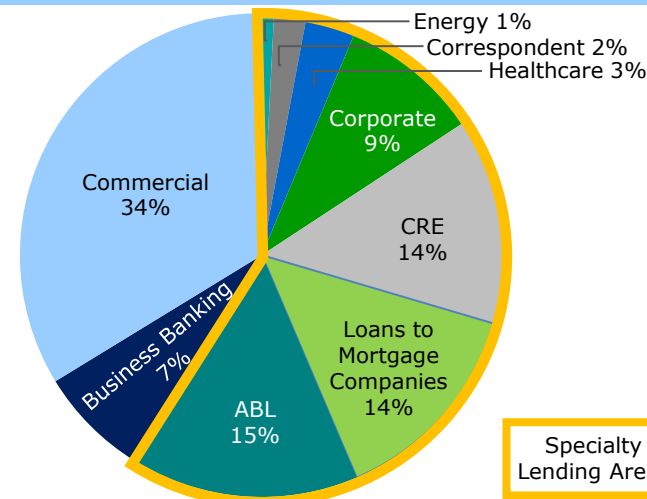
### Markets:



### Lending Areas:



## 3Q15 Average Regional Bank Commercial Loans



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## **FINANCIAL RESULTS**

## 3Q15 Consolidated Financial Results

<i>\$ in millions</i> Financial Results	Actuals			3Q15 vs	
	3Q15	2Q15	3Q14	2Q15	3Q14
Net Interest Income	<b>\$164</b>	\$167	\$160	-2%	+3%
Fee Income	<b>\$125</b>	\$130	\$158	-4%	-21%
Loan Loss Provision	<b>\$1</b>	\$2	\$6	-50%	-83%
Expense	<b>\$215</b>	\$218	\$244	-1%	-12%
Net Income Available to Common Shareholders (NIAC)	<b>\$59</b>	\$51	\$46	+16%	+28%

- Net interest income up 3% year over year
- Total average loans up 6% from 3Q14 and down slightly from 2Q15 due to a decline in loans to mortgage companies
- Total average core deposits up 2% linked quarter and 20% year over year
- Loan loss provision of \$1mm with NCOs of \$12mm in 3Q15 vs \$2mm of provision and \$9mm of NCOs in 2Q15

# 3Q15 Segment Highlights

	Net Income <sup>1</sup>			3Q15 Per Share Impact <sup>2</sup>	Drivers and Impacts
	3Q15	2Q15	3Q14		
<b>Regional Banking</b>	\$55	\$46	\$51	\$0.23	<ul style="list-style-type: none"> <li>Average loans up 11% year over year and flat linked quarter</li> <li>NII up 7% year over year and flat linked quarter</li> <li>3Q15 includes allocated expenses from the pre-tax gain related to the amendment to employee benefit plans</li> <li>3Q15 loan loss provision of \$7mm vs \$17mm in 2Q15                             <ul style="list-style-type: none"> <li>2Q15 impacted by single larger credit related to borrower fraud</li> </ul> </li> </ul>
<b>Fixed Income</b>	\$(3)	\$6	\$3	\$(0.01)	<ul style="list-style-type: none"> <li>Fixed income product ADR of \$671k in 3Q15 vs \$729k in 2Q15</li> <li>Expenses up from linked quarter due to litigation expense related to a legal matter.</li> </ul>
<b>Corporate<sup>1</sup></b>	\$(2)	\$(16)	\$(14)	\$(0.01)	<ul style="list-style-type: none"> <li>3Q15 includes \$5.8mm of pre-tax gain from retirement of Trust Preferred securities</li> <li>3Q15 includes \$4.5mm of after-tax benefit related to discrete items and utilization of a capital loss carryover</li> </ul>
<b>Non-Strategic</b>	\$8	\$15	\$6	\$0.04	<ul style="list-style-type: none"> <li>3Q15 includes loan loss provision of \$(6)mm vs \$(15)mm in 2Q15</li> <li>2Q15 included \$2.7mm pre-tax gain on sale of property</li> <li>3Q14 included +\$40mm gain on sales of held-for-sale mortgage loans, net -\$35mm accruals related to legal matters, +\$4mm mortgage repurchase provision recovery</li> </ul>
<b>Total<sup>1</sup></b>	<b>\$59</b>	<b>\$51</b>	<b>\$46</b>	<b>\$0.25</b>	

# Regional Banking Financial Results

## Solid Year over Year Balance Sheet and NII Growth

\$ in millions Financial Results	Actuals			3Q15 vs	
	3Q15	2Q15	3Q14	2Q15	3Q14
Net Interest Income	\$165	\$166	\$154	*	+7%
Fee Income	\$63	\$66	\$64	-5%	-2%
Expense	\$136	\$144	\$136	-6%	*
Loan Loss Provision	\$7	\$17	\$2	-61%	NM
Net Income	\$55	\$46	\$51	+20%	+7%
Total Average Loans (\$B)	\$14.3	\$14.3	\$12.9	*	+11%
Average Core Deposits (\$B)	\$17.0	\$16.8	\$14.6	+1%	+16%

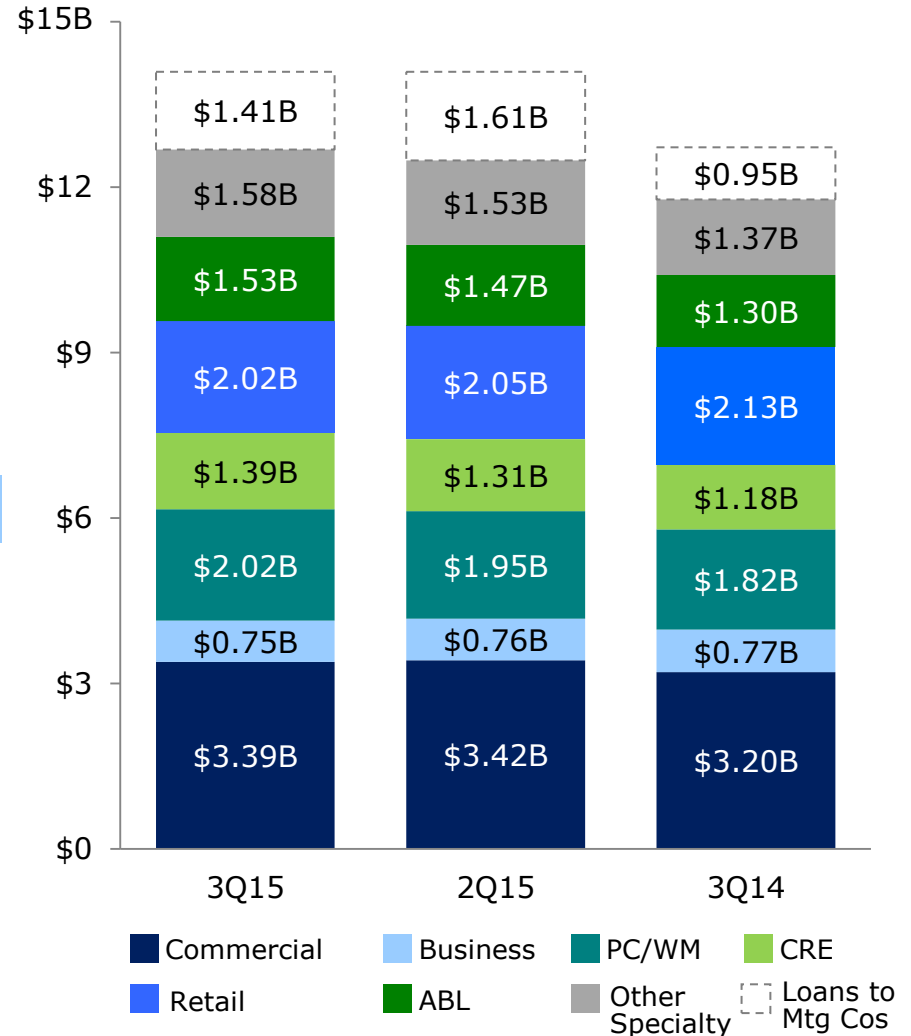
- Revenues up 5% year over year, down 2% linked quarter
  - NII up 7% year over year, flat linked quarter
- Average loans increased 11% year over year and flat linked quarter
  - Continued strong growth in specialty lending areas offset by drop in loans to mortgage companies from 2Q15
- Average core deposits up 16% year over year and up 1% linked quarter
- Expenses decreased 6% linked quarter, largely driven by lower allocated expenses from the pre-tax gain related to the amendment to employee benefit plans



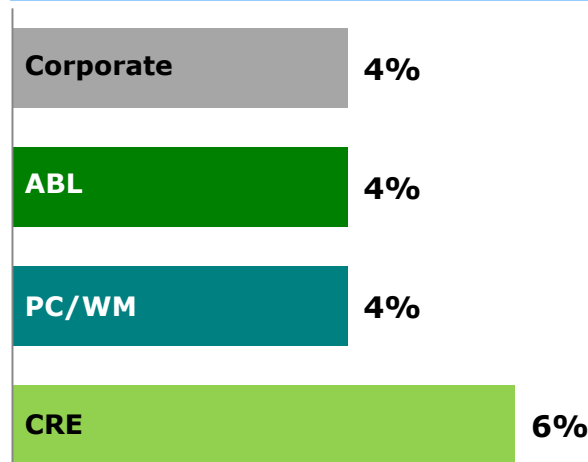
# Profitable Growth Opportunities: Regional Banking

- Regional Banking average loan growth of 11% year over year and flat linked quarter
- Continued strong growth in specialty lending areas
  - Average Commercial loans, excluding loans to mortgage companies, up 2% linked quarter
  - Commercial real estate increases broad-based across all markets and product types
  - ABL growth from mix of industries such as consumer finance, commercial factoring, transportation, manufacturing and distribution companies
  - Private Client/Wealth Management increase from consumer lending growth and strategic focus in Middle TN

## Regional Banking Average Loans by Lending Area



## Regional Bank Areas of Linked Quarter Loan Growth<sup>1</sup>

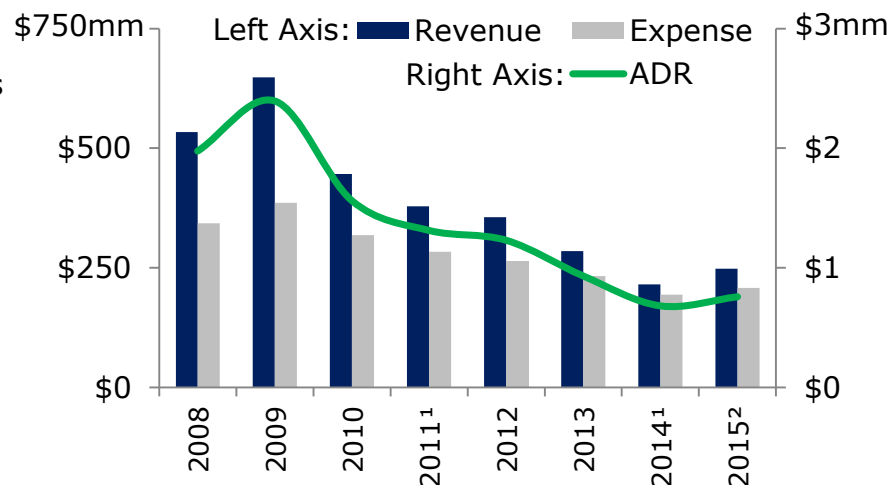


# Fixed Income - FTN Financial

## Financial Results

- Fixed income product average daily revenue (ADR) at \$671k in 3Q15
- Fixed income business model highly adaptable to various market conditions
- 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

### Fixed Income Revenue and Expense



\$ in millions, except ADR <b>Financial Results</b>	Actuals			3Q15 vs	
	3Q15	2Q15	3Q14	2Q15	3Q14
NII	\$3	\$4	\$3	-30%	+2%
Fee Income	\$52	\$56	\$50	-8%	+4%
Expense <sup>3</sup>	\$60	\$51	\$48	+17%	+25%
Net Income	\$(3)	\$6	\$3	NM	NM
ADR	\$671k	\$729k	\$644k	-8%	+4%

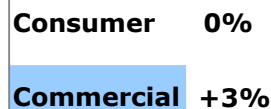
# Consolidated Net Interest Income and Net Interest Margin

## Balance Sheet Positioned to Benefit from Rising Rates

- NIM at 2.85%
- NII up \$4mm or 3% year over year
- Average core deposits up 2% linked quarter, 20% YOY
- Commercial deposit growth includes ~\$500mm YOY product shift from Fed funds purchased
- Regional Banking average deposit rate paid of 12 bps in 3Q15 vs 13 bps in 2Q15
- Floating rate loans comprise 67% of loan portfolio vs fixed rate loans at 33%
- Attractive and stable low-cost funding mix in Regional Banking with 59% DDA and interest checking deposits

### Average Deposit Growth

#### Linked Quarter:



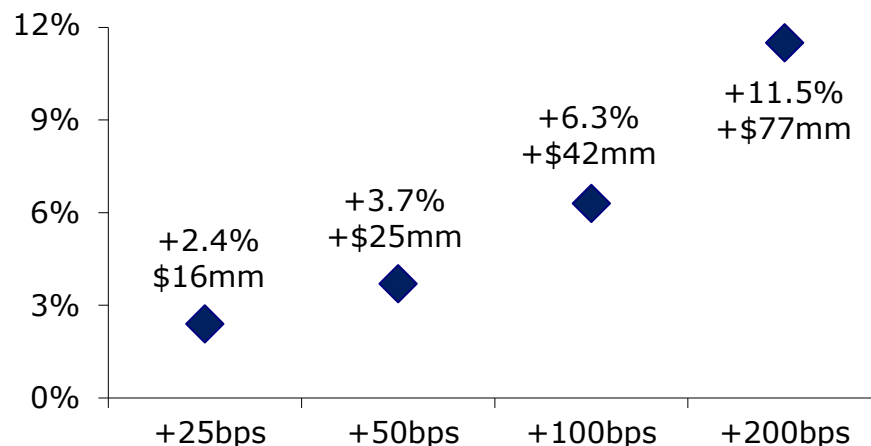
#### Year Over Year:



### NII and NIM Linked-Quarter Change Drivers

(\$ in millions)	NII	NIM
<b>2Q15</b>	<b>\$167</b>	<b>2.92%</b>
Loan Fees & Cash Basis Income	-\$2.9	-5bp
Interest Bearing Cash/Fed Funds Held	-	-4bp
Run-off from Non-Strategic Loans	-1.3	-1bp
Other	\$1.2	3bp
<b>3Q15</b>	<b>\$164</b>	<b>2.85%</b>

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

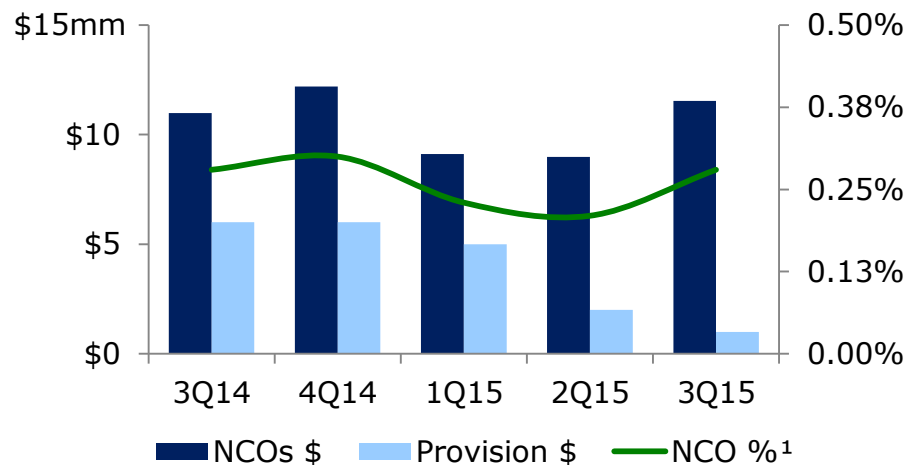


# Asset Quality Trends

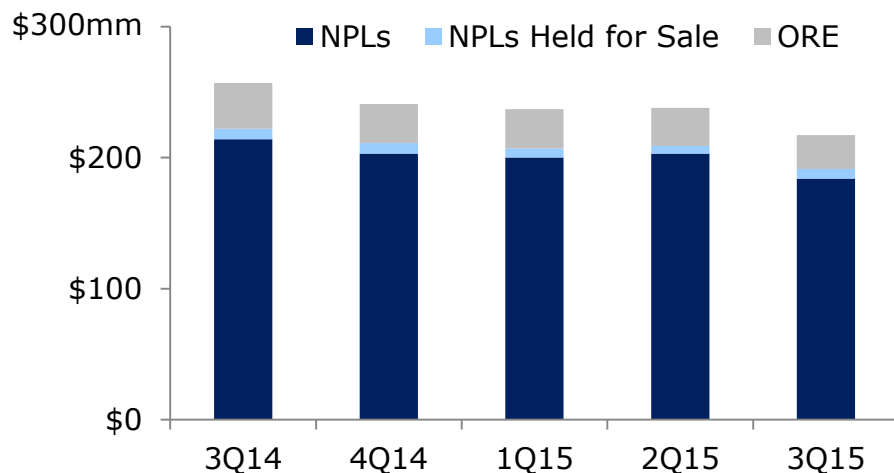
## Stable to Improving Credit Trends

- Net charge-offs of \$12mm in 3Q15, up from 2Q15 and steady with 3Q14 levels
  - Annualized net charge-off ratio of 0.28%
- NPA levels down \$21mm linked quarter and \$40mm year over year
- NPL levels at \$191mm, down 9% linked quarter and 14% year over year
  - Commercial NPLs down 32% linked quarter and year over year
- Non-strategic loans declined 6% linked quarter, down 19% year over year to 13% of total loans

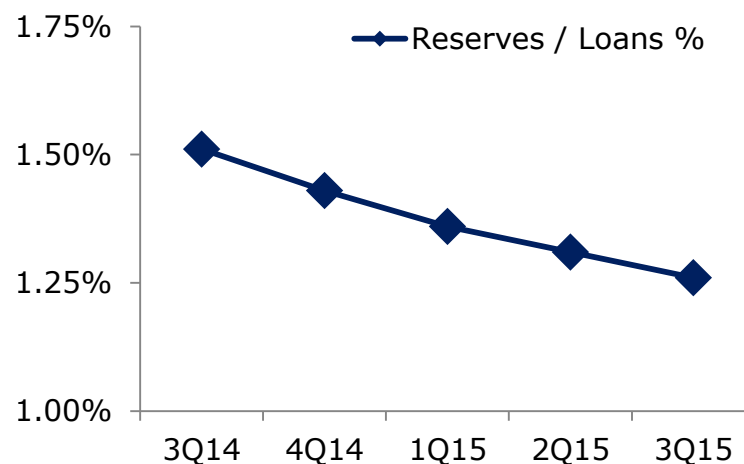
### Net Charge-Offs



### Non-Performing Assets

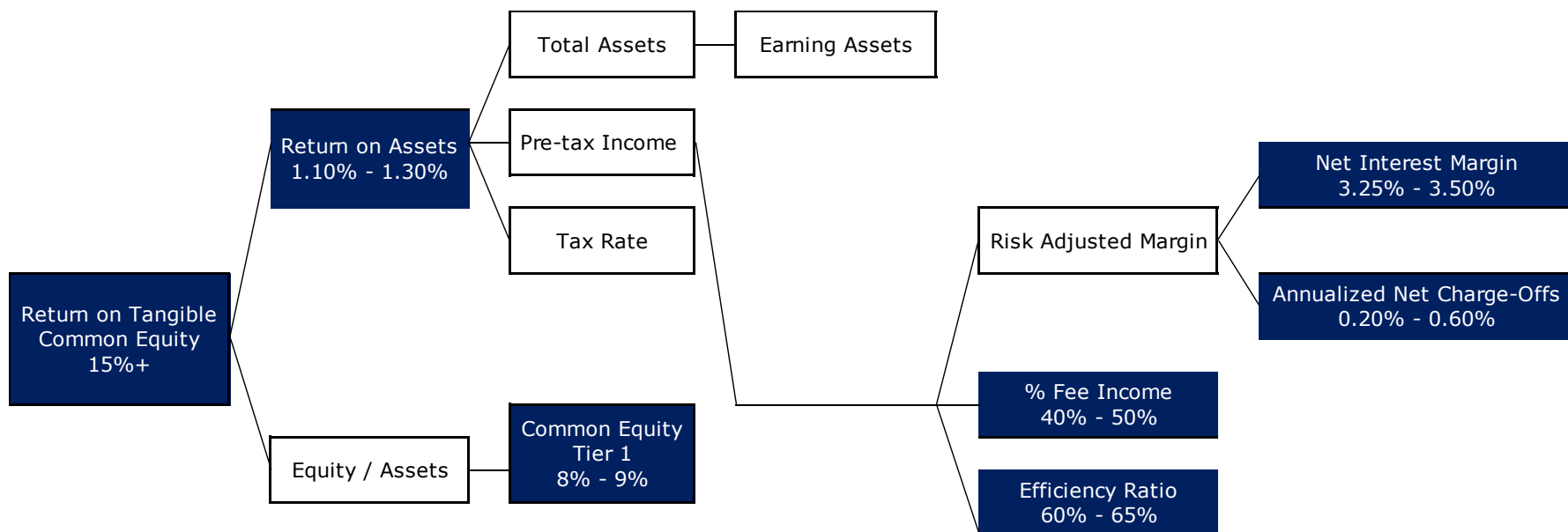


### Reserves



# Building Long-Term Earnings Power: Bonefish Targets

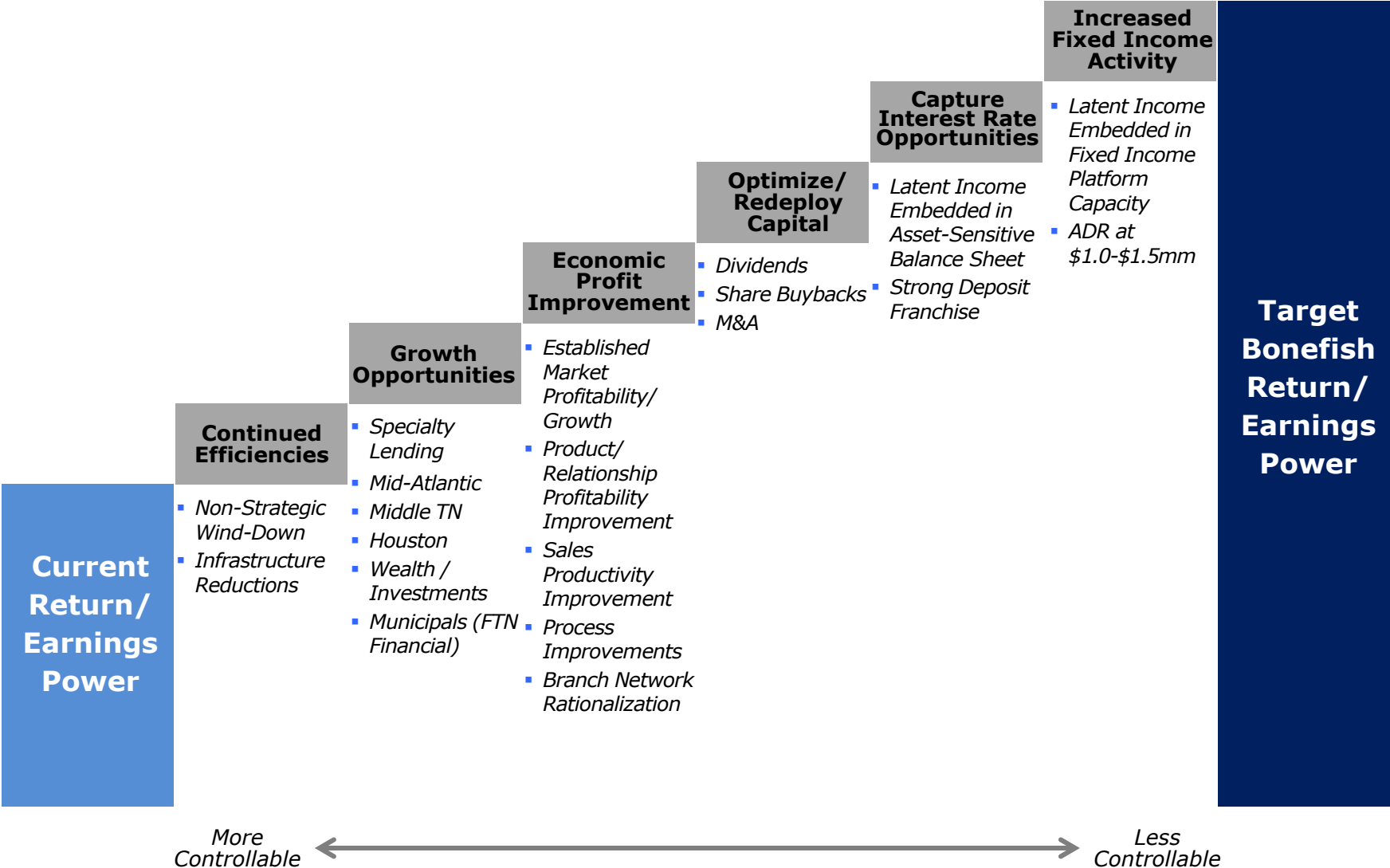
*Focused on Growing Our Company Selectively and Profitably While Positioning Our Balance Sheet for Sustainable, Higher Returns in the Long Term*



3Q15	Consolidated	Long-Term Targets
ROTCE <sup>1</sup>	11.8%	15.0+
ROA <sup>1</sup>	0.99%	1.10 - 1.30%
CET1	10.7%	8.0 - 9.0%
NIM <sup>1</sup>	2.85%	3.25 - 3.50%
NCO / Average Loans <sup>1</sup>	0.28%	0.20 - 0.60%
Fee Income / Revenue	43%	40 - 50%
Efficiency Ratio	75%	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

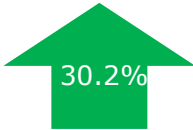
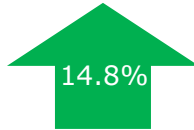

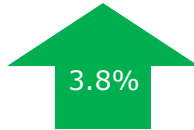

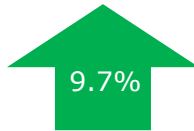




## Notable Items

	Notable Item	Pre-Tax Amount	After-Tax Amount <sup>1</sup>	Impact to EPS <sup>2</sup>
3Q14	Gains on Sales of Held-for-Sale Loans in Non-Strategic Portfolio	\$39.7mm	\$25.2mm	\$0.11
	Loss Accruals Related to Legal Matters	\$(50.0)mm	\$(31.5)mm	\$(0.13)
	Litigation Expense Recovery	\$15.0mm	\$9.5mm	\$0.04
	Net Loss Accruals Related to Legal Matters	\$(35.0)mm	\$(22.0)mm	\$(0.09)
4Q14		None		
1Q15	Settlement with DOJ/HUD	\$(162.5)mm	\$(124.1)mm	\$(0.51)
2Q15		None		
3Q15	Retirement of Trust Preferred Debt	\$5.8mm	\$4.2mm	\$0.02
	Employee Benefit Plan Amendment	\$8.3mm	\$6.0mm	\$0.03
	Litigation Expense <sup>3</sup>	\$(11.6)mm	\$(8.4)mm	\$(0.04)
	Discrete Tax Benefit / Capital Loss Carryover	N/A	\$4.5mm	\$0.02

# #1 Deposit Market Share in Tennessee

**First Tennessee Bank Grew Deposits Faster Than Overall Footprint Market**

FDIC Deposit Market Share						
Market Rank	Market	FHN Market Share		2015 FHN Deposits	YOY Deposit Growth	
		2015	2014		FHN	Overall Market
#1	West Tennessee <sup>1</sup>	31.3%	27.6%	\$8.2B <sup>2</sup>		
#1	East Tennessee	22.1%	22.4%	\$6.7B <sup>2</sup>		
#5	Middle Tennessee	7.2%	7.1%	\$3.5B		
<b>#1</b>	<b>Tennessee</b>	<b>13.7%</b>	<b>12.7%</b>	<b>\$18.0B</b>		

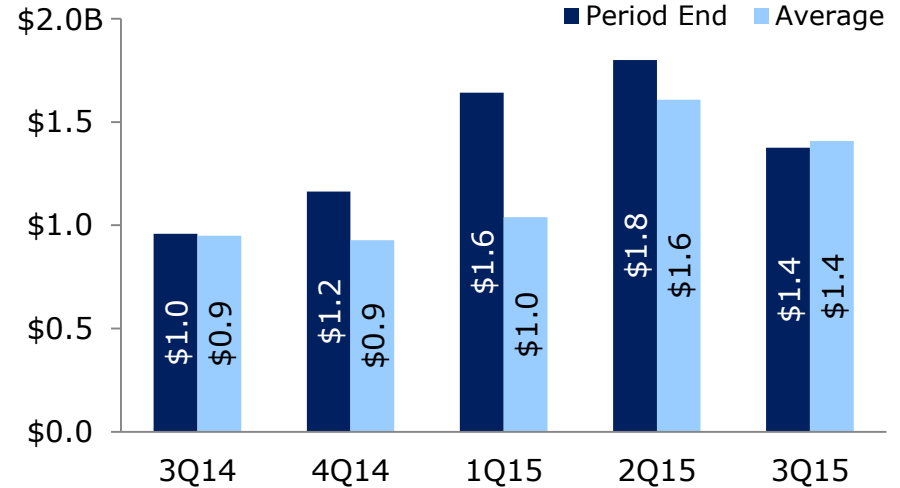
# 3Q15 Credit Quality Summary by Portfolio

(\$ 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)	CRE	HE & HELOC	Permanent Mortgage	Other <sup>2</sup>	Total
Period End Loans	\$9,178	\$1,488	\$3,469	\$348	\$14,483	\$107	\$432	\$0	\$1,345	\$348	\$10	\$16,725
30+ Delinquency	0.10%	0.43%	0.48%	1.33%	0.25%	2.95%	0.02%	NM	2.07%	1.58%	1.77%	0.44%
Dollars	\$9	\$6	\$17	\$5	\$36	\$3	\$0	\$0	\$28	\$5	\$0	\$73
NPL %	0.18%	0.54%	0.75%	0.14%	0.35%	2.85%	3.08%	0.00%	6.36%	8.71%	7.09%	1.10%
Dollars	\$16	\$8	\$26	\$0	\$51	\$3	\$13	\$0	\$86	\$30	\$1	\$184
Net Charge-offs <sup>3</sup> %	0.33%	NM	0.11%	2.49%	0.29%	NM	NM	NM	0.37%	0.90%	10.22%	0.28%
Dollars	\$7	\$0	\$1	\$2	\$10	NM	-\$1	\$0	\$1	\$1	\$0	\$12
Allowance	\$66	\$25	\$28	\$10	\$129	NM	\$6	\$0	\$55	\$20	\$1	\$211
Allowance / Loans %	0.72%	1.70%	0.79%	3.00%	0.89%	NM	1.35%	NM	4.09%	5.75%	10.34%	1.26%
Allowance / Charge-offs	2.21x	NM	7.62x	1.19x	3.10x	NM	NM	NM	10.67x	6.23x	0.98x	4.61x

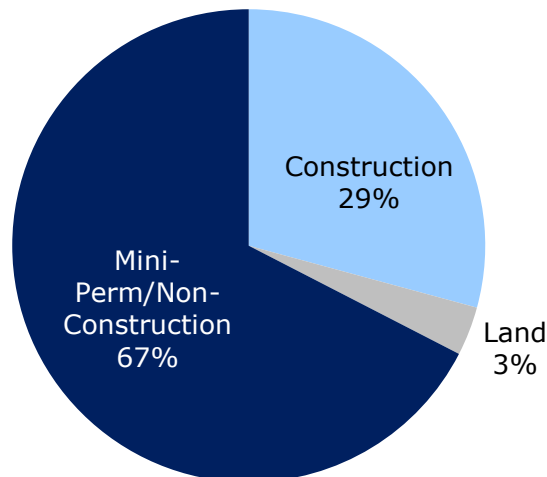
# C&I and CRE Portfolio Detail

- \$9.6B C&I portfolio, diversified by industry, managed primarily in Regional Banking
- \$1.5B CRE portfolio, comprising 9% of period-end consolidated loans
- Commercial (C&I and CRE) net charge-offs were \$6mm for the quarter
  - Charge-offs were \$9.2mm with recoveries of \$3.1mm

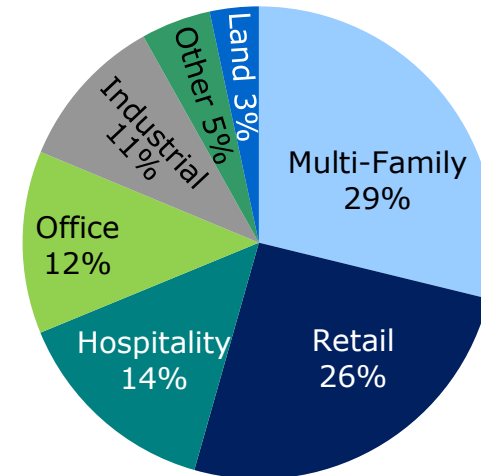
## C&I: Loans to Mortgage Companies



## CRE: Loan Type



## CRE: Collateral Type

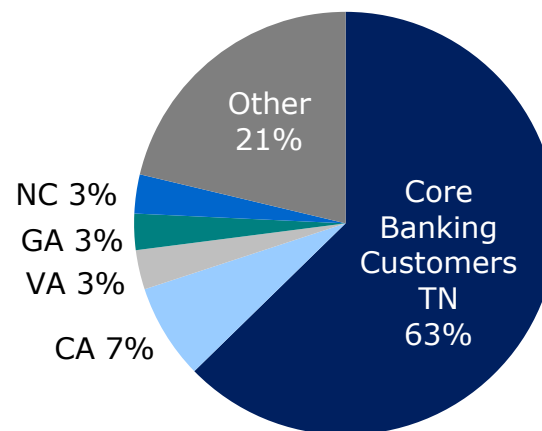


# Consumer Portfolio Overview

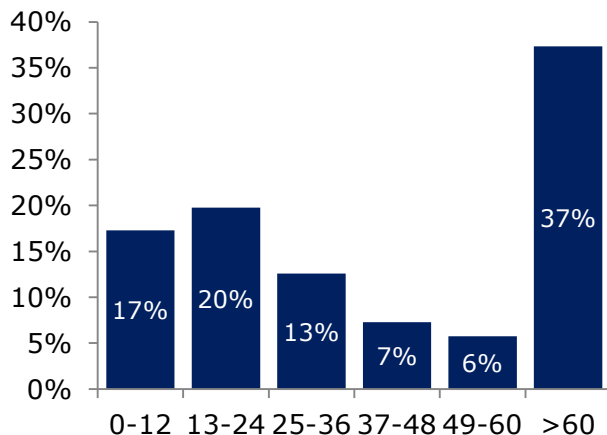
## Home Equity Portfolio Characteristics

	First	Second	Total
Balance	\$3.0B	\$1.9B	\$4.8B
Original FICO	754	736	747
Refreshed FICO	754	724	742
Original CLTV	77%	81%	79%
Full Doc	94%	75%	86%
Owner Occupied	94%	95%	95%
HELOCs	\$0.6B	\$1.5B	\$2.2B
Weighted Average HELOC Utilization	46%	56%	54%

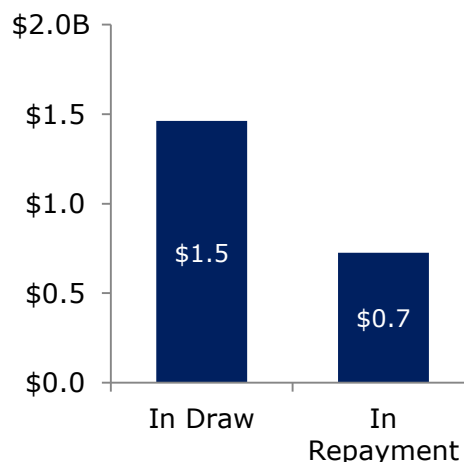
## Home Equity Geographic Distribution



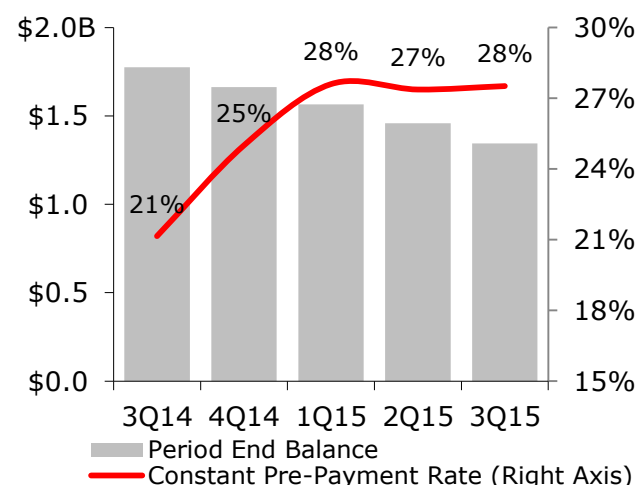
## Percent of Home Equity Portfolio: Months Left in Draw Period



## 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

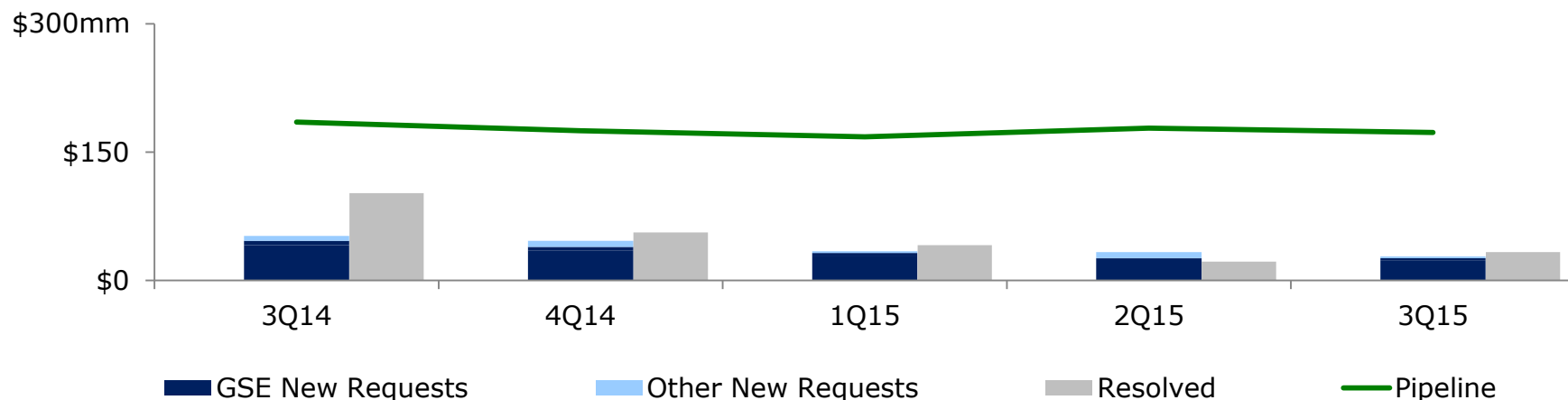
(\$ in millions)	3Q14	4Q14	1Q15	2Q15	3Q15
Beginning Balance	\$141	\$125	\$119	\$116	\$117
Net Realized Losses	\$(13)	\$(6)	\$(3)	\$0	\$(2)
Provision	\$(4)	\$0	\$0	\$0	\$0
Loan Sales	\$2	\$0	\$0	\$0	\$0
Ending Balance	\$125	\$119	\$116	\$117	\$115

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

### Other Whole Loan Sales and Non-Agency

- Represent 47% of all active repurchase/make whole requests in 3Q15 pipeline
- Some non-Agency FHN loans were bundled with other companies' loans and securitized by the purchasers
  - A trustee for a bundler has commenced a legal action seeking repurchase of FHN loans
  - Certain purchasers have requested indemnity related to FHN loans included in their securitizations

### Total Pipeline of Repurchase Requests<sup>1</sup>



# FH Proprietary Securitizations Litigation

## Certificate Breakdown

Deal	Certificate	Original UPB	Paid Off	Current UPB	Performing UPB	60D+ Delinquent	Cumulative Loss
FHAMS 2006-FA6 (FDIC Alabama)	Senior	\$11.1	\$3.8	\$5.7	\$4.8	\$1.0	\$1.5
FHAMS 2006-FA6 (FDIC Alabama)	Senior	\$15.2	\$5.5	\$8.3	\$6.6	\$1.7	\$1.4
FHAMS 2006-FA6 (TN Retirement Indemnification)	Senior	\$46.2	\$40.5	\$4.5	\$3.6	\$0.9	\$1.1
FHAMS 2006-FA7 (FDIC Alabama)	Senior	\$20.7	\$7.2	\$10.7	\$8.8	\$1.9	\$2.8
FHAMS 2007-FA4 <sup>1</sup> (FDIC Alabama)	Senior	\$14.4	\$4.7	\$7.5	\$6.3	\$1.2	\$2.2
FHAMS 2007-FA1 (FDIC New York)	Senior	\$44.5	\$16.6	\$20.8	\$17.6	\$3.2	\$7.0
FHAMS 2007-FA2 (FDIC New York)	Senior	\$34.9	\$13.5	\$16.3	\$13.8	\$2.5	\$5.0
FHAMS 2005-FA8 (FHLB Indemnification)	Senior	\$100.0	\$81.6	\$17.6	\$15.7	\$1.9	\$0.8
FHAMS 2007-FA3 (MetLife Indemnification)	Senior	\$103.0	\$64.2	\$29.8	\$24.0	\$5.8	\$9.0
FHAMS 2005-FA10 <sup>2</sup> (Royal Park Indemnification)	Senior	\$100.0	\$69.0	\$26.5	\$23.2	\$3.3	\$4.5
FHAMS 2006-FA2 <sup>1</sup> (Royal Park Indemnification)	Senior	\$30.0	\$23.9	\$4.8	\$4.1	\$0.7	\$1.3
FHAMS 2005-FA9 (Integra REC Indemnification)	Junior	\$2.3	\$0.1	\$0.0	\$0.0	\$0.0	\$2.2
FHAMS 2006-FA8 (Integra REC Indemnification)	Senior	\$101.5	\$65.2	\$28.2	\$24.2	\$4.0	\$8.2
FHAMS 2006-FA8 (TN Retirement Indemnification)	Senior	\$100.0	\$78.4	\$16.7	\$14.4	\$2.4	\$4.9
FHASI 2006-AA8 (TN Retirement Indemnification)	Senior	\$32.5	\$23.1	\$7.3	\$5.8	\$1.5	\$2.1
<b>Total</b>		<b>\$756.2</b>	<b>\$497.4</b>	<b>\$204.7</b>	<b>\$172.7</b>	<b>\$32.0</b>	<b>\$54.1</b>

\$756mm

Cumulative Loss 7%

60D+ Delinquent<sup>3</sup> 4%

Performing UPB  
23%

Paid Off  
66%

# 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.

(\$ in millions)

<b>Return on Tangible Common Equity</b>	<b>3Q15</b>
Average Total Equity (GAAP)	\$2,546
Less: Average Noncontrolling Interest (GAAP)	\$295
Less: Preferred Stock (GAAP)	\$96
Average Common Equity (GAAP)	\$2,154
Less: Average Intangible Assets (GAAP)	\$172
Average Tangible Common Equity (Non-GAAP)	\$1,982
Net Income Available to Common (GAAP)	\$59
Annualized Return on Average Tangible Common Equity (Non-GAAP)	11.8%