

FIRST TENNESSEE NATIONAL CORP
Form DEF 14A
March 10, 2004

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the registrant |

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Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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FIRST TENNESSEE NATIONAL CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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No fee required.

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[LOGO FIRST TENNESSEE 'r'

ALL THINGS FINANCIAL 'r']

First Tennessee
All Things Financial

Who We Are

First Tennessee National Corporation, soon to be renamed First Horizon National Corporation pending shareholder approval, is a high-performing, nationwide financial services institution. From our roots as a small bank in 1864, today we have grown to be one of the 50 largest bank holding companies in the U.S. in asset size and market capitalization, with \$24.5 billion in assets and \$5.6 billion in market capitalization at year-end 2003.

In the past year, we earned national recognition:

Named one of the 100 Best Corporate Citizens by Business Ethics magazine

Listed in Standard and Poor's 500 Index, one of the most widely watched benchmarks of the stock market's performance.

Ranked in the top-10 in overall customer satisfaction among mortgage companies nationwide by JD Power and Associates

Listed by Business Week magazine in the top 20 percent of the S&P 500 companies, and we ranked seventh out of 29 banks based on market value, sales and profitability

Named one of the nation's top underwriters of U.S. government agency securities

Among the nation's top 15 in mortgage originations and servicing

One of the largest processors of credit card payments for the travel and

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entertainment industry

Named to the AARP Best Employers for Workers over 50 list

Earned ninth straight spot on Working Mother magazine's annual list of the 100 Best Companies for Working Mothers

Made Fortune magazine's list of one of the "100 Best Companies to Work For" for the seventh consecutive year

These recognitions and awards are due to the hard work and results that our team of almost 12,000 employees achieved in 2003. More information is available by visiting www.FirstTennessee.com.

[FIRST TENNESSEE LOGO
ALL THINGS FINANCIAL'r']

March 10, 2004

Dear Shareholders:

You are cordially invited to attend First Tennessee National Corporation's 2004 annual meeting of shareholders. We will hold the meeting on April 20, 2004, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee, at 10:00 a.m. CDT. We have attached the formal notice of the annual meeting, our 2004 proxy statement, and a form of proxy.

At the meeting, we will ask you to elect four Class II directors and one Class III director, approve an amendment to our Charter changing our name to First Horizon National Corporation, approve an amendment to our 2003 Equity Compensation Plan, and ratify the appointment of KPMG LLP as our independent auditors for 2004. The attached proxy statement contains information about these matters.

An appendix to this proxy statement contains detailed financial information relating to our activities and operating performance during 2003. We have also enclosed our 2003 Summary Annual Report.

Our registered shareholders that have access to the Internet have the opportunity to receive proxy statements electronically. If you have not already done so for this year, we encourage you to elect this method of receiving the proxy statement next year. Not only will you have access to the document as soon as it is available, but you will be helping us to save expense dollars. If you vote electronically, you will have the opportunity to give your consent at the conclusion of the voting process.

Your vote is important. You may vote by telephone or over the Internet or by mail, or if you attend the meeting and want to vote your shares, then prior to the balloting you should request that your form of proxy be withheld from voting. We request that you vote by telephone or over the Internet or return your proxy card in the postage-paid envelope as soon as possible.

Sincerely yours,

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J. KENNETH GLASS
J. KENNETH GLASS
Chairman of the Board,
President and Chief Executive Officer

FIRST TENNESSEE NATIONAL CORPORATION
165 MADISON AVENUE
MEMPHIS, TENNESSEE 38103

NOTICE OF ANNUAL SHAREHOLDERS' MEETING
APRIL 20, 2004

The annual meeting of shareholders of First Tennessee National Corporation will be held on April 20, 2004, at 10:00 a.m., CDT, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee.

The items of business are:

1. Election of four Class II directors to serve until the 2007 annual meeting of shareholders, or until their successors are duly elected and qualified, and of one Class III director to serve until the 2005 annual meeting of shareholders, or until her successor is duly elected and qualified.
2. Approval of an amendment to our Charter changing our name to 'First Horizon National Corporation.'
3. Approval of an amendment to our 2003 Equity Compensation Plan.
4. Ratification of the appointment of auditors.

These items are described more fully in the following pages, which are made a part of this notice. The close of business February 27, 2004, is the record date for the meeting. All shareholders of record at that time are entitled to vote at the meeting.

Management requests that you vote by telephone or over the Internet (following the instructions on the enclosed form of proxy) or that you sign and return the form of proxy promptly, so that if you are unable to attend the meeting your shares can nevertheless be voted. You may revoke a proxy at any time before it is exercised at the annual meeting in the manner described on page 1 of the proxy statement.

CLYDE A. BILLINGS, JR.
CLYDE A. BILLINGS, JR.
Senior Vice President,
Assistant General Counsel
and Corporate Secretary

Memphis, Tennessee
March 10, 2004

IMPORTANT NOTICE

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PLEASE (1) VOTE BY TELEPHONE OR (2) VOTE OVER THE INTERNET OR (3) MARK, DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED FORM OF PROXY IN THE ENCLOSED ENVELOPE SO THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING.

PROXY STATEMENT FIRST TENNESSEE NATIONAL CORPORATION

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PROXY STATEMENT
FIRST TENNESSEE NATIONAL CORPORATION
165 MADISON AVENUE
MEMPHIS, TENNESSEE 38103

GENERAL MATTERS

The following proxy statement is being mailed to shareholders beginning on or about March 10, 2004. The Board of Directors is soliciting proxies to be used at our annual meeting of shareholders to be held on April 20, 2004, at 10:00 a.m., CDT, in the Auditorium, First Tennessee Building, 165 Madison Avenue, Memphis, Tennessee, and at any adjournment or adjournments thereof. In this proxy statement, First Tennessee National Corporation will be referred to by the use of 'we,' 'us' or similar pronouns, or simply as 'First Tennessee,' and First Tennessee and its consolidated subsidiaries will be referred to collectively as 'the Corporation.'

The accompanying form of proxy is for use at the meeting if you will be unable to attend in person. You may revoke your proxy at any time before it is exercised by writing to the Corporate Secretary, by timely delivering a properly executed, later-dated proxy (including a telephone or Internet vote) or by voting by ballot at the meeting. All shares represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified therein. IF NO SPECIFICATION IS MADE, THE PROXIES WILL BE VOTED IN FAVOR OF ITEMS 1-4 BELOW:

1. Election of four Class II directors to serve until the 2007 annual meeting of shareholders, or until their successors are duly elected and qualified, and one Class III director to serve until the 2005 annual meeting of shareholders, or until her successor is duly elected and qualified.
2. Approval of an amendment to our Charter changing our name to 'First Horizon National Corporation.'
3. Approval of an amendment to our 2003 Equity Compensation

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Plan.

4. Ratification of the appointment of auditors.

We will bear the entire cost of soliciting the proxies. In following up the original solicitation of the proxies by mail, we may request brokers and others to send proxies and proxy material to the beneficial owners of the shares and may reimburse them for their expenses in so doing. If necessary, we may also use several of our regular employees to solicit proxies from the shareholders, either personally or by telephone or by special letter, for which they will receive no compensation in addition to their normal compensation. We have hired Innisfree M&A Incorporated to aid us in the solicitation of proxies for a fee of \$15,000 plus out-of-pocket expenses.

Our common stock is the only class of voting securities. There were 124,077,101 shares of common stock outstanding and entitled to vote as of February 27, 2004, the record date for the annual shareholders' meeting. Each share is entitled to one vote. A quorum of the shares must be represented at the meeting to take action on any matter at the meeting. A majority of the votes entitled to be cast constitutes a quorum for purposes of the annual meeting. A plurality of the votes cast is required to elect the nominees as directors. A majority of the votes cast is required to approve the amendment to our Charter and the amendment to our 2003 Equity Compensation Plan and to ratify the appointment of auditors. Both 'abstentions' and broker 'non-votes' will be considered present for quorum purposes, but will not otherwise have any effect on any of the vote items.

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CORPORATE GOVERNANCE AND BOARD MATTERS

Introduction

First Tennessee is dedicated to operating on the basis of sound corporate governance principles. We believe that these principles not only form the basis for our reputation of integrity in the marketplace but also are essential to our efficiency and continued overall success. During the past year, we have committed many of these principles to writing. Our Corporate Governance Guidelines, adopted by our Board of Directors in January 2004 but which include long-standing corporate policies and practices, provide our directors with guidance as to their legal accountabilities, promote the functioning of the Board and its committees and set forth a common set of expectations as to how the Board should perform its functions. Our Corporate Governance Guidelines are attached to this proxy statement at Appendix B. We have also adopted a Code of Business Conduct and Ethics, which incorporates many of our long-standing policies and practices and sets forth the overarching principles that guide the conduct of every aspect of our business, and a Code of Ethics for Senior Financial Officers, which promotes honest and ethical conduct, proper disclosure of financial information and compliance with applicable governmental laws, rules and regulations by our senior financial officers and other employees who have financial responsibilities. These codes are available on our web site at www.firsttennessee.com under the 'Corporate Governance' heading in the 'Investor Relations' area of the 'Company Information' page.

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Structure and Composition of Board and Committees

Our Board of Directors currently has eleven members. All of our directors are also directors of First Tennessee Bank National Association (the 'Bank' or 'FTB'). The Bank is our principal operating subsidiary. The Board has four standing committees: the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Prior to January 20, 2004, the Compensation Committee, which was then known as the Human Resources Committee, had compensation and nomination duties assigned to it, and it performed certain corporate governance functions as well. On January 20, 2004, the duties and responsibilities of the Human Resources Committee relating to nominations were assigned to the newly formed Nominating and Corporate Governance Committee, and the Human Resources Committee was renamed the Compensation Committee.

The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are each composed of directors who are 'independent,' as defined in the next section. The membership of each committee during 2003 is set forth in the table below.

NAME OF DIRECTOR -----	EXECUTIVE COMMITTEE -----	AUDIT COMMITTEE -----	COMPENSATION COMMITTEE** -----
Robert C. Blattberg			X
George E. Cates	X		
J. Kenneth Glass	X*		
James A. Haslam, III			X
Ralph Horn***	(X*)		
R. Brad Martin			X*
Joseph Orgill, III***	(X)	(X)	
Vicki R. Palmer		X*	(X)
Michael D. Rose	X		
Mary F. Sammons			
William B. Sansom	X	(X*)	
Jonathan P. Ward		X	
Luke Yancy III		X	

X = committee member

X* = committee chairperson

(X) or (X*) = individual who served as a committee member or committee chairperson during 2003 but is no longer serving as such

** = Prior to January 21, 2004, the duties and responsibilities of these committees were carried out by only one committee which was then known as the Human Resources Committee.

*** = retired

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Our common stock is listed on the NYSE. The NYSE listing standards, which become effective for us at this annual meeting of shareholders, require a majority of our eleven directors and all of the members of the Compensation Committee, the Nominating and Corporate Governance Committee and the Audit Committee of the Board of Directors to be 'independent.' Under these standards, our Board of Directors is required to affirmatively determine that a director has no material relationship with the Corporation for that director to qualify as 'independent.' In order to assist in making independence determinations, the Board, as permitted by the NYSE standards and upon the recommendation of the Human Resources Committee (which was then acting as our nominating and corporate governance committee prior to the establishment by the Board of a separate committee as described in the previous section), has adopted the categorical standards set forth below. In making its independence determinations, each of the Board and the Human Resources Committee considered all relationships between each director and the Corporation, including those that fall within the categorical standards. Based on its review and the application of the categorical standards, the Board, upon the recommendation of the Human Resources Committee, determined that all of the non-employee directors (Messrs. Blattberg, Cates, Haslam, Sansom, Martin, Ward and Yancy and Mesdames Palmer and Sammons) are 'independent' except Mr. Rose, as to whom there is a compensation committee interlock. While the Board has determined that Mr. Cates is currently independent for purposes of the NYSE listing standards, as a result of the application of the NYSE's three-year 'look-back' provisions that will become operative on November 3, 2004, Mr. Cates will cease to meet the 'independence' requirements of the NYSE on that date, as a result of an impermissible compensation committee interlock that terminated in 2002. In addition, the Board, upon the recommendation of the Human Resources Committee, determined that each member of the Audit Committee met the independence standards of the rules of the Securities and Exchange Commission ('SEC') promulgated under the Sarbanes-Oxley Act of 2002 and the independence requirements of the NYSE listing standards in effect prior to this annual meeting of shareholders. The categorical standards established by the Board are set forth in the following paragraphs.

Each of the following relationships between the Corporation and its subsidiaries, on the one hand, and a director, an immediate family member of a director, or a company or other entity as to which the director or an immediate family member is a director, executive officer, employee or a shareholder, on the other hand, will be deemed to be immaterial and therefore will not preclude a determination by the Board of Directors that the director is 'independent' for purposes of the NYSE listing standards:

1. Depository and other banking and financial services relationships (excluding extensions of credit which are covered in paragraph 2), including transfer agent, registrar, indenture trustee, other trust and fiduciary services, personal banking, capital markets, investment banking, equity research, asset management, investment management, custodian, securities brokerage, financial planning, cash management, insurance brokerage, broker/dealer, express processing, merchant processing, bill payment processing, check clearing, credit card and other similar services, provided that the relationship is in the ordinary course of business and on substantially the same terms and conditions as those prevailing at the time for comparable transactions with non-affiliated persons.
2. An extension of credit, provided that, at the time of the initial approval of the extension of credit as to (1), (2) and (3), (1) such extension of credit was in the ordinary course of business, (2) such extension of credit was made in compliance with applicable law, including Regulation O of the Federal Reserve, Section 23A and 23B of the Federal

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Reserve Act and Section 13(k) of the Securities and Exchange Act of 1934, (3) such extension of credit was on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons, and (4) a determination is made annually that if the extension of credit was not made or was terminated in the ordinary course of business, in accordance with its terms, such action would not reasonably be expected to have a material adverse effect on the financial condition, income statement or business of the borrower, and (5) no event of default has occurred.

- Contributions (other than mandatory matching contributions) made by the Corporation or any of its subsidiaries or First Horizon Foundation to a charitable organization as to which the director is an executive officer, director, or trustee or holds a similar position or as to which an immediate family member of the director is an executive officer; provided that the amount of the contributions to the charitable organization in a fiscal year does not exceed the greater of \$500,000 or 2% of the

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charitable organization's consolidated gross revenue (based on the charitable organization's latest available income statement).

- Any transaction or series of similar transactions, as to which disclosure is not required in the Corporation's proxy statement pursuant to SEC Regulation S-K, Item 404(a) or 404(b).
- All compensation and benefits provided to non-employee directors for service as a director.
- All compensation and benefits provided in the ordinary course of business to an immediate family member of a director for services to the Corporation or any of its subsidiaries as long as such immediate family member is compensated comparably to similarly situated employees and is not an executive officer of the Corporation or based on salary and bonus within the top 1,000 most highly compensated employees of the Corporation.

Excluded from relationships considered by the Board is any relationship (except contributions included in category 3) between the Corporation and its subsidiaries, on the one hand, and a company or other entity as to which the director or an immediate family member is a director or, in the case of an immediate family member, an employee (but not an executive officer or significant shareholder), on the other hand.

The fact that a particular relationship or transaction is not addressed by these standards or exceeds the thresholds in these standards does not create a presumption that the director is or is not independent.

The following definitions apply to the categorical standards listed above:

'Corporation' means First Tennessee National Corporation and its consolidated subsidiaries.

'Executive Officer' means an entity's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice president of the entity in charge of a principal business unit, division or function, any other officer who performs a policy-making function, or any other person who performs similar

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policy-making functions for the entity.

'Immediate family members' of a director means the director's spouse, parents, children, siblings, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and anyone (other than domestic employees) who shares the director's home.

'Significant shareholder' means a passive investor [meaning a person who is not in control of the entity] who beneficially owns more than 10% of the outstanding equity, partnership or membership interests of an entity.

'Beneficial ownership' will be determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.

The Board Committees

The Executive Committee. The Executive Committee was established by our Board of Directors and operates under a written charter that authorizes and empowers it to exercise all authority of the Board of Directors, except as prohibited by applicable law. In addition, except as to matters specifically required by credit policy to be acted upon by the Board of Directors, the Executive Committee acts as a credit policy committee, monitors the quality, liquidity, and concentrations of credit extended by First Tennessee and by its affiliates and establishes such credit policy and controls as may be deemed necessary for the preservation of a sound loan portfolio consistent with overall corporate objectives.

The Audit Committee. The Audit Committee was established by our Board of Directors and operates under a written charter, which is attached to this proxy statement at pages C-1 through C-5 of Appendix C and which was last amended and restated on January 20, 2004. The charter is also available on our website at www.firsttennessee.com under the 'Corporate Governance' heading in the 'Investor Relations' area of the 'Company Information' page. Subject to the limitations and provisions of its charter, the committee assists our Board in its oversight of our accounting and financial reporting principles and policies, internal audit controls and procedures, the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and the performance of the independent auditor and our internal audit function. The Committee is directly responsible for the appointment (subject, if applicable, to shareholder ratification), retention, compensation and termination of the independent auditor as well as for overseeing the work of and evaluating the independent auditor and its independence. The members of the Committee are themselves 'independent,' as that term is defined in the

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NYSE listing standards (described above), and meet the additional independence requirements prescribed by Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules of the SEC promulgated thereunder. In addition, the Board of Directors has determined that all the members of the Committee are financially literate as required by the NYSE listing standards. The Audit Committee's Report is included below.

Audit Committee Financial Expert

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The Board of Directors has determined that at least one member of our Audit Committee, Vicki R. Palmer (chairperson of the Committee), is an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K. After receiving her B.A. in economics and business administration from Rhodes College and her M.B.A. in finance from The University of Memphis, Ms. Palmer was employed as a commercial loan officer with First Tennessee, where she was trained in and worked daily in evaluating financial statements of corporate customers in connection with their credit applications. In 1978, she joined Federal Express Corporation as Manager of Corporate Finance, and her major areas of responsibility included debt financing, cash management and pension asset management. Ms. Palmer joined The Coca-Cola Company in 1983 as Manager of Pension Investments, thus becoming responsible for the company's worldwide pension assets. Upon moving to Coca-Cola Enterprises, Inc. ('CCE') in 1986, she was involved at the inception of the company with the evaluation of company-wide financial results and the establishment of internal controls. Until January 2004, Ms. Palmer served as Senior Vice President, Treasurer and Special Assistant to the CEO. In this position, she was responsible for management of CCE's \$12 billion multi-currency debt portfolio; its \$2.5 billion pension plan and 401(k) plan investments; currency management; global cash management and commercial and investment banking relationships. Effective in January 2004, she became Executive Vice President, Financial Services and Administration, and is now responsible for overseeing treasury, pension and retirement benefits, asset management, internal audit and risk management. Ms. Palmer also served for over ten years on CCE's Financial Reporting Committee, which reviews the company's financial statements and deals periodically with accounting issues, and she currently supervises the treasurer who serves on this committee. She is a member of CCE's Risk Committee, which is charged with establishing policy and internal controls for hedging and financial and non-financial derivatives. In addition, she serves on CCE's Senior Executive Committee and has oversight responsibility for CCE's enterprise-wide risk assessment process. She was a member of our Audit Committee from January 1995 to April 1999 and chaired the committee from April 1996 to April 1999, and she returned to the committee as chairperson in April 2003. She is also a member of the audit committee of another public company, Haverty Furniture Companies Inc.

Ms. Palmer meets in all respects the independence requirements of the NYSE and Section 10A(m) (3) of the Securities Exchange Act of 1934, as amended, and the rules of the SEC promulgated thereunder.

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings by reference, including this proxy statement, in whole or in part, the following Audit Committee Report, the Audit Committee Charter attached at pages C-1 through C-5 of Appendix C hereto, and the statements regarding the independence of the members of the Committee shall not be incorporated by reference into any such filings.

Audit Committee Report

The role of the Audit Committee ('Committee') is (1) to assist our Board of Directors in its oversight of (a) our accounting and financial reporting principles and policies and internal audit controls and procedures, (b) the integrity of our financial statements, (c) our compliance with legal and regulatory requirements, (d) the independent auditor's qualifications and independence, and (e) the performance of the independent auditor and our internal audit function; and (2) to prepare this report to be included in our annual proxy statement pursuant to the proxy rules of the SEC. The Committee operates pursuant to a charter that was last amended and restated by the Board on January 20, 2004. As set forth in the Committee's charter, management of

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First Tennessee is responsible for preparation, presentation and integrity of the Corporation's financial statements and for maintaining appropriate accounting and financial reporting principles and policies

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and internal controls and procedures to provide for compliance with accounting standards and applicable laws and regulations, and the internal auditor is responsible for testing such internal controls and procedures. The independent auditor is responsible for planning and carrying out a proper audit of the Corporation's annual financial statements, reviews of the Corporation's quarterly financial statements prior to the filing of each quarterly report on Form 10-Q, and other procedures.

In the performance of its oversight function, the Committee has considered and discussed the audited financial statements with management and the independent auditors. The Committee has also discussed with our Chief Executive Officer and Chief Financial Officer their respective certifications that will be included in our Annual Report on Form 10-K for the year ended December 31, 2003. The Committee has also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as currently in effect. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, has adopted an audit and non-audit services pre-approval policy and considered whether the provision of non-audit services by the independent auditors to First Tennessee is compatible with maintaining the auditor's independence and has discussed with the auditors the auditors' independence.

While the Board of Directors has determined that each member of the Audit Committee has the broad level of general financial experience required to serve on the Committee and that Ms. Palmer is an audit committee financial expert as that term is defined in Item 401(h) of Regulation S-K, none of the members of the Committee devotes specific attention to the narrower fields of auditing or accounting or is professionally engaged in the practice of auditing or accounting, nor are they performing the functions of auditors or accountants or are they experts in respect of auditor independence. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. Accordingly, the Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Committee's considerations and discussions referred to above do not assure that the audit of our financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that our auditors are in fact 'independent.'

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in the Committee's charter, the Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2003, to be filed with the SEC.

Submitted by the Audit Committee of our Board of Directors.

Audit Committee

Vicki R. Palmer, Chairperson
Jonathan P. Ward
Luke Yancy III

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The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee was formed on January 20, 2004. Prior to that time, the role and duties of the committee related to nominations and certain corporate governance functions were carried out by our Human Resources Committee. The Nominating and Corporate Governance Committee operates under a written charter, which is attached to this proxy statement as Appendix D and also is available on our website at www.firsttennessee.com under the 'Corporate Governance' heading in the 'Investor Relations' area of the 'Company Information' page. The purposes of the Nominating and Corporate Governance Committee are (1) to identify and recommend to the Board individuals for nomination as members of the Board and its committees, (2) to develop and recommend to the Board a set of corporate governance principles applicable to the Corporation, and (3) to oversee the evaluation of the Board and management.

Nominations of Directors

With respect to the nominating process, the Nominating and Corporate Governance Committee discusses and evaluates possible candidates in detail and suggests individuals to explore in more depth. The Committee recommends new nominees for the position of independent director based on the following criteria:

Personal qualities and characteristics, experience, accomplishments and reputation in the business community.

Current knowledge and contacts in the communities in which the Corporation does business and in the Corporation's industry or other industries relevant to the Corporation's business.

Diversity of viewpoints, background, experience and other demographics.

Ability and willingness to commit adequate time to Board and committee matters.

The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective and responsive to its duties and responsibilities.

The Nominating and Corporate Governance Committee does not set specific, minimum qualifications that nominees must meet in order for the Committee to recommend them to the Board of Directors, but rather believes that each nominee should be evaluated based on his or her individual merits, taking into account the needs of the Corporation and the composition of the Board of Directors.

Once a candidate is identified whom the Committee wants seriously to consider and move toward nomination, the Chairman of the Board, the Chief Executive Officer and/or other directors as the Committee determines will enter

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into a discussion with that nominee.

Shareholder Recommendations of Director Nominees

The Nominating and Corporate Governance Committee will consider individuals recommended by shareholders as director nominees, and any such individual is given appropriate consideration in the same manner as individuals recommended by the Committee. Shareholders who wish to submit individuals for consideration by the Nominating and Corporate Governance Committee as director nominees may do so by submitting in writing such individuals' names in compliance with the procedures and along with the other information required by our Bylaws (as described below), to the Chairperson of the Nominating and Corporate Governance Committee, in care of the Corporate Secretary. Our Bylaws require that to be timely, a shareholder's nomination must be delivered to or mailed and received at our principal executive offices not less than 90 days nor more than 120 days prior to the date of the meeting. However, if fewer than 100 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, a nomination by a shareholder to be timely must be so delivered or received not later than the close of business on the 10th day following the earlier of (i) the day on which such notice of the date of such meeting was mailed or (ii) the day on which such public disclosure was made. A shareholder's nomination must state:

the name of the shareholder's nominee and the reasons for the nomination;

the name and address, as they appear on our books, of the shareholder making the nomination and any other shareholders known by such shareholder to be supporting the nomination;

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the class and number of shares of our stock which are beneficially owned by such shareholder on the date of shareholder's nomination and by any other shareholders known by the nominating shareholder to be supporting the nomination on the date of such shareholder's nomination; and

any material interest of the shareholder in the nomination.

The Compensation Committee. Until January 20, 2004, the role and duties of a compensation committee were carried out by our Human Resources Committee. On that day, the duties of the Human Resources Committee with respect to nominations were assigned to the newly established Nominating and Corporate Governance Committee, and the Human Resources Committee was renamed the Compensation Committee and retained its duties with respect to compensation. The Compensation Committee operates under a written charter that was last amended and restated by the Board of Directors on January 20, 2004 and is attached to this proxy statement as Appendix E. The purposes of the Compensation Committee are (1) to discharge the Board's responsibilities relating to the compensation of our executive officers, (2) to produce an annual report on executive compensation for inclusion in our proxy statement, in accordance with the rules and regulations of the SEC [the current report is set forth following this paragraph], (3) to identify and recommend to the Board individuals for appointment as officers, (4) to evaluate our management, and (5) to carry out certain other duties as set forth in the Committee's charter.

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange

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Act of 1934, as amended, that might incorporate future filings by reference, including this proxy statement, in whole or in part, the following Board Compensation Committee Report on Executive Compensation shall not be incorporated by reference into any such filings.

Board Compensation Committee Report on Executive Compensation

Our Bylaws require that the Board of Directors or a committee of the Board determine the compensation of executive officers. The Board has designated the Compensation Committee ('Committee') to perform this function. The Committee is composed entirely of non-employee directors who are independent under the NYSE listing standards. The Committee has set forth below its report on the compensation policies applicable to executive officers and the basis for the compensation of the Chief Executive Officer (CEO) during 2003.

Our executive compensation programs are designed to align the interests of the executive officers with our performance and the interests of our shareholders. Approximately 60 to 75 percent of the executive officers' annual compensation potential is at risk based on corporate performance and total shareholder return (defined below). Compensation programs are designed to reward executive officers with both cash and our common stock based on performance that also rewards shareholders. When corporate performance does not meet criteria established by the Committee, incentive compensation is reduced accordingly. In addition, the executive compensation program is designed to attract and retain qualified executive officers. Executive compensation consists generally of the following components:

base salary

annual incentive bonus

long-term incentive awards

deferral of compensation through stock option grants, or at market interest rates (or for compensation deferred before 1996 at above-market rates), or at a rate equal to the performance of selected mutual funds

customary employee and other benefits typically offered to similarly situated executives

Base salary and annual bonus are determined through an evaluation of the individual's position and responsibilities based on independent criteria and external market data and personal and corporate performance. The Committee does not assign a specific weight to any of the factors but places greater emphasis on corporate performance in the overall mix.

Long-term incentive awards include restricted stock awards that contain provisions for acceleration of vesting upon achievement of corporate performance criteria, a Long-Term Incentive Program that combines restricted stock and cash awards, and stock options. It is not our practice to 'reprice' stock options or to

price them at less than fair market value on the date of grant. Although

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deferred compensation options have an exercise price of 50 percent (80 percent for options granted for 2001 and 2000 and 85 percent for options granted for years prior to the year 2000) of fair market value on the grant date, to receive the option the participant must forego the right to receive cash compensation. Under our deferral option plans, the amount of the foregone cash compensation plus the option exercise price must equal or exceed 100% of fair market value. In the past, we have offered deferred compensation at above-market rates and deferrals through the use of stock options. Deferrals since 1995 have been limited to stock options or a 10-year Treasury rate of interest. A new non-qualified deferral program that offers rates of return equal to the rates of return on certain mutual fund investments was approved in 2003. Executive officers may also defer the receipt of shares upon the exercise of stock options and defer the receipt of restricted stock prior to the lapse of restrictions.

The Committee reviewed external market data provided by a non-affiliated consulting firm that included some of the highest-performing companies in the American Banker Top 50, a peer group of banking organizations against which we measure our strategic performance, as well as other independent compensation surveys. We selected the highest-performing companies based generally on the following one-and five-year return measures: earnings per share growth rate, historical earnings consistency, return on equity, and to a lesser degree return on assets, percentage of fee income versus total revenue, and net loan charge offs.

The purpose of the review was to determine compensation levels of similar positions at these companies. The compensation peer group used by the non-affiliated consulting firm did not include all of the banking organizations listed in the Total Shareholder Return Performance Graph ('TSR graph') for the 2003 peer group. The median asset size of the compensation high performing peer group was \$40.7 billion. In actual practice, over the past three years the total compensation of the executive officers has ranged from 33 percent of the 75th percentile of the compensation of the high-performing peer group in 2001 to 68 percent of the 75th percentile of the compensation of that group in 2003. We do not, however, have a specific policy that mandates how compensation will be determined relative to external market data.

Section 162(m) of the Internal Revenue Code of 1986, as amended ('Tax Code'), generally disallows a tax deduction to public companies, including us, for compensation exceeding \$1 million paid during the year to the CEO and the four other highest paid executive officers at year-end. Certain performance-based compensation is not, however, subject to the deduction limit. Under Tax Code regulations the salary and TARSAP (defined below) portions of compensation do not meet the performance-based compensation criteria of Section 162(m). The restricted stock plan permits deferral by participants of the receipt of restricted stock prior to the lapse of restrictions. Any such deferral does not represent compensation paid during the year, and thus, is not currently subject to the Section 162(m) limitation. The Committee's practice is to continue to consider ways to maximize the deductibility of executive compensation while retaining the discretion deemed necessary to compensate executive officers in a manner commensurate with performance and the competitive market for executive talent.

(i) The CEO's Compensation

Base Salary: The Committee establishes the CEO's base salary annually based on corporate performance, achievement of objectives in his individualized written personal plan, and competitive practices within the industry. Corporate performance is compared to the high-performing peer group referenced above. Annual salary is targeted at the 75th percentile of that group based on

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consistent high-performing results.

The CEO develops his personal plan and submits it to the Committee for review and approval. The Board of Directors also reviews the plan, which generally contains strategic, quality and financial goals. A salary increase of 6.0 percent was approved for Mr. Glass in February of 2003 based on substantial achievement of personal plan objectives and competitive practices. Although no specific weight is assigned to these factors, the Committee places greater emphasis on corporate performance than on competitive practices within the industry. The Committee used a non-affiliated consulting firm to obtain recommendations regarding the appropriate remuneration of Mr. Glass. Base salary is intended to represent approximately 10 percent to 20 percent of the CEO's total compensation potential.

Annual Bonus: The CEO's annual bonus is based entirely on our corporate performance against financial objectives established by the Committee at the beginning of each year. The financial objectives for

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2003 were based on EPS growth. The CEO may be awarded a target annual bonus of up to 125 percent of his salary dollars earned during the year. The degree of success in reaching corporate objectives determines a payout of zero percent to 125 percent of the CEO's target annual bonus. Zero percent payout is warranted when EPS does not exceed the previous Plan year's results. The EPS growth objective that qualifies for 100 percent payout of target annual bonus is equal to the lower end of the market expected growth range for the high-performing peer group. A payout of 125 percent of target annual bonus is equivalent to a growth rate that equals the high end of the expected growth range of the same high-performing peer group. During 2003, corporate performance resulted in a payout of 125 percent of targeted bonus.

Long-Term Awards: The CEO's long-term incentive compensation consists of restricted stock, cash, and stock options.

Our restricted stock program includes performance criteria as a condition to early vesting of awards to executive officers. The objective of this time accelerated restricted stock award plan (TARSAP) feature is to associate more closely the long-term compensation of executive officers with shareholder interests. Under the TARSAP feature, restricted stock is granted with accelerated vesting if performance criteria established by the Committee are met with respect to specified performance periods.

Performance periods are for three years and overlap: e.g., 2001-2003, 2002-2004, 2003-2005. Performance criteria, for all participants including the CEO, have always been based on total shareholder return (appreciation in the market value of our stock with dividends reinvested-TSR) targets established at the beginning of each performance period. Targets are based on our percentile ranking in a peer group (the '100-bank peer group') of approximately the 100 largest banking organizations by asset size traded on U.S. exchanges, with the condition that TSR must be a positive number. The 100-bank peer group is different from the peer group used to compare shareholder returns. The 100-bank peer group was originally selected in 1990, prior to the adoption of SEC rules requiring disclosure of a shareholder return performance graph, because the Committee believed that it was an appropriate index with which to associate more closely long-term compensation of executives with shareholder interests. The restricted stock program which contains the 100-bank peer group has produced the desired results, and thus, the Committee has continued to use it. In addition to the TSR targets, the Committee adopted alternative criteria for the accelerated

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vesting of TARSAP awards made in 1996 and future years based upon our percentile ranking within the 100-bank peer group with respect to operating EPS growth rate (or exceeding a minimum operating EPS growth rate) and average operating ROE, with the condition that TSR must be a positive number. In January 2004, the Committee approved the accelerated vesting of the TARSAP shares for the 2001-2003 performance period because the primary criteria, as described above, were met.

The Long-Term Incentive Program is designed to provide a three-year cumulative award of up to 225 percent of the CEO's annual bonus potential and is paid (or settled) with restricted stock and cash. The amount of the award is based on First Tennessee's P/E ratio relative to a peer group (the American Banker Top 50 banks as identified at the beginning of the performance period) as of the measurement date (January 31, 2006) provided the ratio increases during the performance period. The alternative criterion is based on the compound average annual growth rate in our stock price over the performance period. The initial performance period covers three years (2003-2005). This program is designed to tie the executive's long-term compensation directly to an increase in shareholder value.

In addition to performance-based restricted stock awards, the Committee generally awards stock options to executive officers, including the CEO, as part of a broad-based stock option program under which awards are made to all employees, both full-time and part-time. The CEO's option award (which is disclosed in the 'Option/SAR Grants in Last Fiscal Year Table') was based on an estimated value of the option that in combination with the other awards provides the basis for a competitive long-term incentive package. The option grant contained a performance-based, accelerated vesting feature, which is described in part (ii) of this report. Because the value of the option to the CEO is a function of the price growth of our stock, the amount realized by the CEO is tied directly to an increase in shareholder value.

Other Benefits: The CEO's compensation reported in the Summary Compensation Table also includes accrual of above-market rates of interest on compensation deferred prior to 1996 and the cost of a life insurance benefit, which are not directly based on corporate performance. Above-market rates are accrued for deferred compensation of the CEO and other named executive officers, who deferred prior to 1996, for

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retention purposes. Generally, the plan under which this benefit was offered requires that the amount deferred be automatically recalculated at market rates if termination occurs prior to retirement.

(ii) Other Executive Officer Compensation

Base Salary: The CEO recommends and the Committee approves the base salary for executive officers other than the CEO. Recommendations are generally based on corporate performance (as measured by financial, quality and strategic objectives), individual overall performance during the prior year, and

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competitiveness in the market place. It is our policy to maintain a competitive salary commensurate with the duties and responsibilities of the executive officers. Salary represents approximately 25 percent to 40 percent of an executive officer's potential annual compensation.

Annual Bonus: For executive officers other than the CEO, the annual bonus is based on achievement of corporate financial objectives and performance against personal objectives for the year, which are recorded in individualized written personal plans. Individual objectives include financial, quality and strategic goals. The degree of completion of goals determines the award. Financial objectives for 2003 were based on EPS growth. The maximum target annual bonus of executive officers other than the CEO is between 75 percent and 100 percent of salary dollars earned during the year. During 2003, our corporate performance resulted in a payment of 125 percent of target annual bonus for all executive officers.

Long-Term Awards: All of the executive officers currently participate in the TARSAP program described above in part (i) of this report. The performance criteria are identical. The number of shares awarded for a three-year performance period is generally 150 percent of the greater of the participant's salary or salary grade mid-point, based on market value of the shares at the time of the award. We do not provide a federal income tax gross-up to executive officers at the vesting of restricted stock.

All of the executive officers also participate in the Long-Term Incentive Program discussed in part (i) of this report. The performance measures and the terms of the program are identical. The maximum three-year cumulative award is 225 percent of the executives' annual bonus potential and is paid (or settled) with restricted stock and cash.

In addition to performance-based restricted stock awards, the Committee generally awards stock options annually to executive officers, including the CEO, as a part of the option program discussed in part (i) of this report. The number of shares awarded to executive officers is equal to a percentage of salary (ranging from 100 percent to 200 percent, with 200 percent used for the CEO) divided by the market value (or for the CEO, the Black-Scholes value) of one share of our stock at the time of grant. Executive officers may also be awarded shares in addition to those calculated as a percent of salary if in the opinion of the Committee additional shares are required to ensure a competitive compensation package. The exercise price is the market value at the time of grant. Options are awarded based on personal performance and to encourage future performance as well as for retention purposes (with a seven-year term and vesting at 50 percent after three years and 100 percent after four years). The exercise price of the February 2003 grant is \$38.74. This grant contains a provision for accelerated vesting if the closing market price per share equals at least \$52.98 for five consecutive business days in the three years following the grant or at the end of the three-year period. Options granted annually beginning March 2000 to the CEO were based in part on prior corporate performance.

Other Benefits: We have adopted certain broad-based employee benefit plans in which executive officers participate and certain other retirement, life and health insurance plans and we provide customary personal benefits. Except for our stock fund (ESOP) within our 401(k) plan, the benefits under these plans are not tied to corporate performance. The executive officers named in the Summary Compensation Table participate in the other benefits described above with respect to the CEO.

Compensation Committee

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R. Brad Martin, Chairperson
Robert C. Blattberg
James A. Haslam, III

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Board and Committee Meeting Attendance

During 2003, the Board of Directors held four meetings. The Human Resources Committee, which was the predecessor of both the Compensation and Nominating and Corporate Governance Committees, held six meetings, and the Audit Committee held ten meetings. The Executive Committee held nine meetings. The average attendance at Board and committee meetings exceeded 95 percent. No director attended fewer than 75 percent of the meetings of the Board and the committees of the Board on which he or she served.

It is our practice to invite the directors to attend our annual meeting of shareholders each year. For the last 10 years, all of our directors have been in attendance at every annual meeting of shareholders, including the annual meeting that took place on April 15, 2003, except for one director in 1999 and one director in 1996.

Executive Sessions

To ensure free and open discussion and communication among the non-management directors of the Board, the non-management directors will meet in regularly scheduled executive sessions and as often as the Board shall request, with no members of management present. During 2003, the non-management directors met four times. In addition, if any non-management directors are not 'independent' under NYSE listing standards, the independent, non-management directors will meet in executive session at least once a year. The Chairperson of the Nominating and Corporate Governance Committee, currently Mr. Martin, presides at the executive sessions.

Shareholder Communication with the Board of Directors

Shareholders desiring to communicate with the Board of Directors on matters other than director nominations should submit their communication in writing to the Chairperson of the Nominating and Corporate Governance Committee, c/o Corporate Secretary, First Tennessee National Corporation, 165 Madison Avenue, Memphis, Tennessee 38103 and identify themselves as a shareholder. The Corporate Secretary will forward all such communications to the Chairperson for a determination as to how to proceed.

Compensation of Directors

On April 15, 2003, several changes were approved by the Board that related to the compensation paid for service as one of our non-employee directors. Prior to these changes, director compensation was last revised in April 2001. Until April 15, 2003, each non-employee director was paid a retainer quarterly at an annual rate of \$25,000 plus a fee of \$1,000 for each day of each Board and each committee meeting attended. The chairpersons of the Audit and Human Resources Committees were paid quarterly an additional retainer at an annual rate of \$3,000 each. After April 15, 2003, the annual retainer was increased to \$36,000 and the daily board meeting attendance fee was increased to \$2,000, while the daily committee meeting attendance fee remained at \$1,000. The additional retainer for the chairpersons of the Audit, Compensation, and Nominating and

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Corporate Governance Committees was raised to \$2,000 per committee meeting (in addition to the regular attendance fees).

We also reimburse our directors for their expenses incurred in attending meetings. In addition, the following benefits have been approved by the Board as additional compensation to non-employee directors for service as a director: a personal account executive, a no fee personal checking account for the director and his or her spouse, a FirstCheck card, a no fee VISA gold card, no fee for a safe deposit box, no fee for traveler's checks and cashier's checks, and if the Board has authorized a stock repurchase program, the repurchase of shares of our common stock at the day's volume-weighted average price with no payment of any fees or commissions if the repurchase of the director's shares is otherwise permissible under the repurchase program that has been authorized. Directors who are officers are not separately compensated for their services as directors.

Our practice is to hold Board and committee meetings jointly with the Bank's Board and committees. All of our directors are also directors of the Bank. Directors are not separately compensated for Bank Board or committee meetings except for those infrequent meetings that do not occur jointly.

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Under the terms of our 1992 Restricted Stock Incentive Plan (the '1992 Plan'), which was approved by the shareholders, all non-employee directors received an automatic, nondiscretionary award of 6,000 shares (adjusted for stock splits) of restricted stock on May 1, 1992, and all new non-employee directors received such award upon election to the Board until the 1992 Plan terminated in April 2002. Since the 1992 Plan terminated, the 6,000 share restricted stock awards to new non-employee directors have been made under the 2003 Equity Compensation Plan, which permits the Board to approve a variety of types of awards to non-employee directors. An additional award to each non-employee director of 200 shares of restricted stock times the lesser of (i) 10 or (ii) the number of years remaining until the director's normal retirement age was made on April 17, 2003 or the later date of the director's election to Board, as applicable. Restrictions on the restricted stock granted to the non-employee directors under both plans lapse at the rate of 10 percent annually, and such shares are forfeited if the director terminates for any reason other than death, disability, retirement, or a change in control. Upon termination for any of the four listed reasons, all shares vest.

Directors may elect to defer their retainers and fees. Under the 2000 Non-Employee Directors' Deferred Compensation Stock Option Plan, all non-employee directors elected to receive stock options in lieu of fees through 2004. The exercise price per share is 50 percent (80 percent prior to April 15, 2003 and 85 percent under a prior plan for options granted prior to the year 2000) of fair market value of one share of our common stock on the date of grant, and the number of shares subject to option granted equals the amount of fees deferred divided by 50 percent (20 percent prior to April 15, 2003 and 15 percent under a prior plan with respect to options granted prior to the year 2000) of the fair market value of one share on the date of grant. Under the Directors and Executives Deferred Compensation Plan, not offered with respect to compensation earned since 1995, under which up to six annual deferrals may be elected, amounts deferred accrue interest at rates ranging from 17-22 percent annually, based on age at the time of deferral, with a reduction to a guaranteed rate based on 10-year Treasury obligations if a participant terminates prior to a change-in-control for a reason other than death, disability or retirement.

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Interim distributions in an amount between 85 percent and 100 percent of the amount originally deferred are made in the eighth through the eleventh years following the year of deferral, with the amount remaining in a participant's account and accrued interest generally paid monthly over the 15 years following retirement at age 65. Certain restrictions and limitations apply on payments and distributions. Under other deferral agreements, non-employee directors have deferred and may defer amounts, which generally accrue interest at a rate tied to 10-year Treasury obligations. Finally, under the First Tennessee National Corporation Nonqualified Deferred Compensation Plan, non-employee directors are permitted to defer compensation. Returns on amounts deferred by a non-employee director are indexed to the performance of certain mutual funds selected from a menu of mutual funds by the non-employee director. These mutual funds merely serve as the measuring device to determine the director's rate of return, and the director has no ownership interest in the mutual funds selected. First Tennessee hedges its obligations under this plan.

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STOCK OWNERSHIP INFORMATION

We know of no person who owned beneficially, as that term is defined by Rule 13d-3 of the Securities Exchange Act of 1934, more than five percent (5%) of our common stock on December 31, 2003.

The following table sets forth certain information as of December 31, 2003, concerning beneficial ownership of our common stock by each director and nominee, each executive officer named in the Summary Compensation Table, and directors and executive officers as a group:

STOCK OWNERSHIP TABLE

NAME OF BENEFICIAL OWNER -----	SHARES BENEFICIALLY OWNED (1) -----	STOCK UNITS IN DEFERRAL ACCOUNTS (2) -----
Robert C. Blattberg.....	38,502 (4)	--
Charles G. Burkett.....	117,747 (5)	--
George E. Cates.....	71,268 (4)	--
J. Kenneth Glass.....	758,570 (5)	91,373
James A. Haslam, III.....	62,048 (4)	--
Ralph Horn.....	1,598,253 (5)	319,487
Larry B. Martin.....	149,375 (5)	19,535
R. Brad Martin.....	77,622 (4)	--
Vicki R. Palmer.....	76,886 (4)	--
Michael D. Rose.....	104,159 (4)	--
Mary F. Sammons.....	8,023 (4)	--
William B. Sansom.....	100,760 (4)	--
Elbert L. Thomas, Jr.....	256,011 (5)	34,309
Jonathan P. Ward.....	8,341 (4)	--
Luke Yancy III.....	16,653 (4)	--
Directors and Executive Officers as a Group (22 persons).....	4,556,856 (5)	526,427

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- (1) The respective directors, nominees and officers have sole voting and investment powers with respect to all of such shares except as specified in notes (4) and (5). Amounts in the second column do not include stock units in the third column.
- (2) Our stock option program permits participants to defer receipt of shares upon the exercise of options and our restricted stock incentive plan permitted participants to defer receipt of shares prior to the lapsing of restrictions imposed on restricted stock awards. Amounts in the third column reflect the number of shares deferred that a participant has the right to receive on a future date. These shares are not currently issued and are not considered to be beneficially owned for purposes of Rule 13d-3, but are reflected in a deferral account on our books as phantom stock units or restricted stock units.
- (3) No individual director, nominee or executive officer, except for Mr. Horn, who retired on December 31, 2003, beneficially owns more than one (1%) percent of our common stock that is outstanding. Mr. Horn beneficially owns 1.5% including stock units (or 1.3% excluding stock units). The percentage of common stock outstanding owned by the director and executive officer group (4%) includes stock units. The percentage would be 3.6% with stock units excluded.
- (4) Includes the following shares of restricted stock with respect to which the non-employee director possesses sole voting power, but no investment power: Dr. Blattberg -- 1,400; Mr. Cates -- 2,200; Mr. Haslam -- 3,800; Mr. Martin -- 2,600; Ms. Palmer -- 2,600; Mr. Rose -- 800; Ms. Sammons -- 8,000; Mr. Sansom -- 1,200; Mr. Ward -- 8,000; and Mr. Yancy -- 6,800. Includes the following shares as to which the named non-employee directors have the right to acquire beneficial ownership through the exercise of stock options granted under our director plans, all of which are 100% vested: Dr. Blattberg -- 30,742; Mr. Cates -- 55,806; Mr. Haslam -- 43,986; Mr. Martin -- 35,009; Ms. Palmer -- 68,778; Mr. Rose -- 64,972; Ms. Sammons -- 0; Mr. Sansom -- 84,916; Mr. Ward -- 91; and Mr. Yancy -- 7,094.
- (5) Includes the following shares of restricted stock with respect to which the named person or group has sole voting power but no investment power: Mr. Burkett -- 32,409; Mr. Glass -- 115,645; Mr. Horn -- 49,258; Mr. Martin -- 32,409; Mr. Thomas -- 29,209 and the director and executive officer group -- 398,525. Includes

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the following shares as to which the named person or group has the right to acquire beneficial ownership within 60 days through the exercise of stock options granted under our stock option plans: Mr. Burkett -- 38,434; Mr. Glass -- 354,057; Mr. Horn -- 730,448; Mr. Martin -- 74,640; Mr. Thomas -- 147,889 and the director and executive officer group -- 1,800,747. Also includes shares held at December 31, 2003 for 401(k) Savings Plan accounts.

VOTE ITEM NO. 1 -- ELECTION OF DIRECTORS

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The Board of Directors is divided into three classes. The term of office of each class expires in successive years. The term of Class II directors expires at this annual meeting. The terms of Class III and Class I directors expire at the 2005 and 2006 annual meetings, respectively. The Board of Directors proposes the election of four Class II directors, each of whom is an incumbent, and one Class III director, Ms. Sammons, who was elected by the Board of Directors in October 2003 and whose term, under Tennessee law, expires at the next annual meeting of shareholders following her election by the Board. Ms. Sammons was recommended as a nominee for a position on our Board by a non-management director. Each Class II director elected at the meeting will hold office until the 2007 annual meeting of shareholders or until his or her successor is elected and qualified, and if she is elected at the meeting, Ms. Sammons will hold office until the 2005 annual meeting of shareholders or until her successor is elected and qualified.

If any nominee proposed by the Board of Directors is unable to accept election, which the Board of Directors has no reason to anticipate, the persons named in the enclosed form of proxy will vote for the election of such other persons as management may recommend, unless the Board decides to reduce the number of directors pursuant to the Bylaws.

We have provided below certain information about the nominees and directors (including age, current principal occupation, which has continued for at least five years unless otherwise indicated, name and principal business of the organization in which his or her occupation is carried on, directorships in other reporting companies, and year first elected to our Board). All of our directors are also directors of the Bank. Director committee appointments are disclosed in a table in the 'Corporate Governance and Board Matters' section of this proxy statement above.

NOMINEES FOR DIRECTOR

Class II

For a Three Year Term Expiring at 2007 Annual Meeting

ROBERT C. BLATTBERG (61) is the Polk Brothers Distinguished Professor of Retailing, J. L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois. Dr. Blattberg has been a director since 1984.

J. KENNETH GLASS (57) is Chairman of the Board, President and Chief Executive Officer of First Tennessee and the Bank. Mr. Glass was elected Chairman of the Board in October 2003, effective January 1, 2004, and President and Chief Executive Officer in July 2002. From July 2001 through July 2002, Mr. Glass was President and Chief Operating Officer of First Tennessee and the Bank. From April 1999 through July 2001, he was President -- Retail Financial Services of the Bank and from April 2000 through July 2001, President -- Retail Financial Services of First Tennessee. Prior to April 1999, he was President-Tennessee Banking Group of the Bank and prior to April 2000, he was Executive Vice President of First Tennessee. Mr. Glass is a director of two other public companies, FedEx Corporation and GTx, Inc. He has been a director since 1996.

MICHAEL D. ROSE (62) is Chairman of Gaylord Entertainment Company, Nashville, Tennessee, a diversified hospitality and entertainment company. Prior to April 2001, Mr. Rose was a private investor. Mr. Rose is a director of five other public companies, Gaylord Entertainment Company, Darden Restaurants, Inc.,

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FelCor Lodging Trust, Inc., General Mills, Inc., and Stein Mart, Inc. Mr. Rose has been a director since 1984.

LUKE YANCY III (54) is President and Chief Executive Officer of Mid-South Minority Business Council, Memphis, Tennessee, a nonprofit organization that promotes minority and women business enterprises. Prior

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to June 2000, Mr. Yancy was President, West Region, of AmSouth Bank and, prior to its acquisition by AmSouth in 1999, First American Bank. Mr. Yancy has been a director since October 2001.

Class III
For the Remainder of a Three Year Term
Expiring at 2005 Annual Meeting

MARY F. SAMMONS (57) has been President and Chief Executive Office of Rite Aid Corporation ('Rite Aid'), a retail drug store chain, since June 25, 2003, and she has been a member of the Rite Aid Board of Directors since December 5, 1999. She served as President and Chief Operating Officer of Rite Aid from December 5, 1999 to June 25, 2003. From January 1998 to December 1999, Ms. Sammons was President and Chief Executive Officer of Fred Meyer Stores, Inc., which during that period was acquired by The Kroger Company. Ms. Sammons has been a director since her election by the Board of Directors in October 2003.

CONTINUING DIRECTORS

Class III
Term Expiring at 2005 Annual Meeting

GEORGE E. CATES (66) is the retired Chairman of the Board of Mid-America Apartment Communities, Inc. ('Mid-America'), Memphis, Tennessee, a real estate investment trust. Mr. Cates retired as Chairman of Mid-America in September 2002. Prior to October 2001, he was also Chief Executive Officer of Mid-America. Mr. Cates is a director of one other public company, Mid-America. Mr. Cates has been a director of the Corporation since 1996.

JAMES A. HASLAM, III (49) is Chief Executive Officer of Pilot Travel Centers, LLC, Knoxville, Tennessee, a national operator of travel centers, and he is CEO of Pilot Corporation. Mr. Haslam is a director of one other public company, Ruby Tuesday, Inc. Mr. Haslam has been a director since 1996.

Class I
Term Expiring at 2006 Annual Meeting

R. BRAD MARTIN (52) is Chairman of the Board and Chief Executive Officer of Saks Incorporated, Birmingham, Alabama, a retail merchandising company. Mr. Martin is a director of two other public companies, Saks Incorporated and Harrah's Entertainment, Inc. He has been a director since 1994.

VICKI R. PALMER (50) is Executive Vice President, Financial Services and Administration, Coca-Cola Enterprises Inc. ('CCE'), Atlanta, Georgia, a bottler of soft drink products. Until January 2004, Ms. Palmer served as Corporate Senior Vice President, Treasurer, and Special Assistant to the CEO of CCE. Prior

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to December 1999, she was Corporate Vice President and Treasurer of CCE. Ms. Palmer is a director of one other public company, Haverty Furniture Companies, Inc. She has been a director since 1993.

WILLIAM B. SANSOM (62) is Chairman of the Board and Chief Executive Officer of The H. T. Hackney Co., Knoxville, Tennessee, a diversified wholesale distribution firm serving the food, gas, oil and industrial markets in the Southeast. He is a director of two other public companies, Martin Marietta Materials, Inc. and Astec Industries, Inc. Mr. Sansom has been a director since 1984.

JONATHAN P. WARD (49) is Chairman and Chief Executive Officer of The ServiceMaster Company ('ServiceMaster'), Downers Grove, Illinois, a company that provides outsourcing services for residential and commercial customers. Prior to April 2002, Mr. Ward was President and Chief Executive Officer of ServiceMaster, and prior to January 2001, he was President and Chief Operating Officer of R. R. Donnelly & Sons Company. Mr. Ward is a director of two other public companies, ServiceMaster and J. Jill Group, Inc. Mr. Ward has been a director since 2003.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 1.

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VOTE ITEM NO. 2 -- APPROVAL OF AN AMENDMENT TO OUR CHARTER CHANGING OUR NAME

At its January 20, 2004 meeting, the Board of Directors unanimously adopted resolutions to change our name to First Horizon National Corporation, subject to the approval of our shareholders. The change in corporate name is accomplished by adopting and approving an amendment to our Charter and will become effective upon the filing of an amended and restated Charter with the Secretary of State of the State of Tennessee. We intend to file the amended and restated Charter promptly after the annual meeting, should our shareholders approve the change in corporate name. The proposed amendment to our Charter is as follows:

RESOLVED, that, contingent upon shareholder approval at the Annual Meeting of Shareholders on April 20, 2004, Article 1 of the Charter be, and it hereby is, deleted in its entirety, and that the following be substituted therefor:

1. NAME.

The name of the Corporation shall be: FIRST HORIZON NATIONAL CORPORATION.

Reason for the Name Change

The Board of Directors believes that it is in the best interests of First Tennessee and our shareholders to change First Tennessee's name to one that we believe more accurately reflects our current national presence as well as our national business strategy and eliminates the regional focus suggested by the current name. First Tennessee and its subsidiaries have more than 800 offices in 40 states with more than half of our customers residing outside of the State of Tennessee. Our lead bank, First Tennessee Bank National Association, which is headquartered in Tennessee, will retain its name.

Effect of the Name Change

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Voting and other rights that accompany our common stock will not be affected by the change of our corporate name. All outstanding stock certificates representing common stock issued prior to the effective date of the change in corporate name will continue to represent our shares, remain authentic, and will not be required to be returned to us or our transfer agent for re-issuance. New stock certificates issued upon the transfer of shares of common stock after the change in corporate name will bear the new corporate name, First Horizon National Corporation, and will have a new CUSIP number. Our trading symbol, 'FTN,' will also change to 'FHN' as a result of the change in corporate name.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 2.

VOTE ITEM NO. 3 -- APPROVAL OF AN AMENDMENT TO OUR 2003 EQUITY COMPENSATION PLAN

General

The 2003 Equity Compensation Plan was adopted by the Board of Directors and approved by our shareholders on April 15, 2003. In January and February of 2004, our Board of Directors and the Compensation Committee adopted and approved an amendment to the 2003 Equity Compensation Plan (as amended, the '2003 Plan') which increases the maximum number of shares which may be issued with respect to awards under the 2003 Plan from 3,000,000 to 4,000,000 and increases the maximum number of shares of that 4,000,000 which may be issued with respect to awards other than options from 300,000 to 1,300,000, subject to the approval of our shareholders. Another amendment added stock appreciation rights as a new type of award that can be made under the 2003 Plan. Under this vote item, shareholders are being asked to approve the increase in the number of shares that may be awarded and the increase in the number of shares that may be issued with respect to awards other than options under the 2003 Plan. The Amended and Restated 2003 Equity Compensation Plan is attached to this Proxy Statement as Appendix A.

As of the Record Date, 200,444 shares of restricted stock had been awarded under the 2003 Plan, options to purchase an aggregate of 876,301 shares of common stock were outstanding under the 2003 Plan, and there was a total of 1,923,255 shares available for future grant under the 2003 Plan, 99,556 of

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which were available for grants of restricted stock. The Board of Directors believes that it is necessary to continue to grant awards under the 2003 Plan in order to attract, retain and motivate officers, employees, and non-employee directors. The Board of Directors believes that the current remaining shares are insufficient for this purpose.

The following is a summary of the material features of the 2003 Plan and is qualified in its entirety by reference to the complete text of the 2003 Plan.

Purpose of the 2003 Plan

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The purpose of the 2003 Plan is to promote the interests of First Tennessee by attracting, retaining and motivating officers, employees and non-employee directors of First Tennessee and its subsidiaries by means of performance related incentives designed to achieve long range performance goals and linking their compensation to the long-term interests of shareholders. All officers, employees and non-employee directors of First Tennessee and its subsidiaries and all 'regional board members' (as defined under the 2003 Plan) are eligible to receive awards ('Awards') under the 2003 Plan which may consist of grants of options, restricted stock, restricted stock units, performance awards, and stock appreciation rights, or any combination thereof. As of February 17, 2004, First Tennessee and its subsidiaries had approximately 1,351 officers, 10,552 employees and 10 non-employee directors, and there were approximately 131 regional board members.

Administration

The Board has appointed the Corporation's Compensation Committee to administer the 2003 Plan. Committee eligibility requirements are described in Section 2 of the 2003 Plan. The members of the Committee may be removed by the Board at its discretion. The Board, in its discretion, may also administer the 2003 Plan and, in such a case, has all of the rights, powers and authority of the Committee.

Subject to certain limitations, the Committee has the power and authority in its discretion to, among other things, (i) select the persons to whom Awards will be made, (ii) determine the type, timing, terms and conditions of any Awards, including the number of shares of common stock subject to any Award, (iii) interpret and administer the 2003 Plan and any instrument or agreement relating to the 2003 Plan or any Awards granted pursuant to the 2003 Plan, and (iv) establish, amend, suspend or waive such rules and regulations as it shall deem appropriate for the proper administration of the 2003 Plan.

Notwithstanding the immediately preceding paragraph, only the Board has the power and authority to make Awards to non-employee directors and to determine the type, timing, terms and conditions of those Awards.

Amendment

The Board may amend, alter, modify, suspend, discontinue or terminate the 2003 Plan at any time, except that the Board may not amend the 2003 Plan in violation of any law. However, no such action may materially prejudice the rights of any holder of an Award that was granted prior to the date of such action, without the consent of such holder. In addition, the NYSE listing standards require certain amendments to equity compensation plans like the 2003 Plan to be approved by shareholders.

Maximum Number of Shares Available

Subject to adjustment as described below, the maximum number of shares of common stock which may be issued with respect to Awards is 3,000,000 of which no more than 300,000 may be issued with respect to Awards other than options, and no participant may, in any calendar year, receive options with respect to more than 500,000 shares of common stock. If the amendment to the 2003 Plan is approved, the maximum number of shares of common stock which may be issued with respect to Awards will be 4,000,000 of which no more than 1,300,000 may be issued with respect to Awards other than options. The maximum number of shares of common stock available for Awards under the 2003 Plan, the number of shares of common stock covered by each outstanding Award, the number of shares of common stock that may be subject to Awards to any one participant and the price

per share of common stock covered by each outstanding Award shall

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be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the common stock, and may be proportionately adjusted, as determined by the Board in its sole discretion, for any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by First Tennessee, or to reflect any distributions to holders of shares of common stock other than regular cash dividends.

If any shares of common stock covered by an Award are forfeited, or if such Award is settled for cash or otherwise terminates, expires unexercised or is cancelled without delivery of such shares, such shares of common stock (or portion thereof) will again be available for issuance under the 2003 Plan. If any option or other Award granted under the 2003 Plan is exercised through the delivery of shares of common stock by a participant or if withholding tax liabilities arising from such Award are satisfied by the withholding of shares of common stock by First Tennessee from the total number of shares that would otherwise have been delivered to the participant, the number of shares of common stock available for Awards under the 2003 Plan shall be increased by the number of shares so surrendered or withheld.

On February 27, 2004, the closing price of the common stock on the New York Stock Exchange was \$46.24 per share.

Types of Awards

Options. The Committee may grant options to purchase a specified number of shares of common stock. Options granted under the 2003 Plan will not qualify as 'incentive stock options' under Section 422 of the Tax Code. The number of shares of common stock subject to any grant of options, the exercise price and all other conditions and limitations applicable to the exercise of any options will be determined by the Committee. Notwithstanding the preceding sentence, except in limited circumstances described in the 2003 Plan, the exercise price of an option may not be less than 100% of the fair market value of the shares of common stock with respect to which the option is granted on the date of such grant. No option shall be exercisable after the expiration of ten years from the date such option was granted.

Restricted Stock and Restricted Stock Units. Awards of restricted stock and restricted stock units are grants of common stock or stock units that are subject to a risk of forfeiture or other restrictions that lapse upon the occurrence of certain events and the satisfaction of certain conditions, as determined by the Committee in its discretion. The value of a restricted stock unit must equal the fair market value of one share of common stock on the date of the grant. Any awards of restricted stock or restricted stock units will be subject to such conditions, restrictions and contingencies as the Committee determines. Restricted stock units are payable, at the Committee's discretion, in cash, shares of common stock, other securities or other property.

Performance Awards. The Committee may, in its discretion, grant a performance award consisting of a right that is denominated in cash and/or shares of common stock, valued in accordance with the achievement of certain performance goals during certain performance periods as determined by the

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Committee, and payable at such time and in such form as the Committee shall determine. In determining the performance goals applicable to any performance award, the Committee must select one or a combination of the following financial performance measures of First Tennessee, its subsidiaries, or any operating unit, division, line of business, department, team or business unit thereof: stock price; dividends; total shareholder return; earnings per share; price/earnings ratio; market capitalization; book value; revenues; expenses; loans; deposits; non-interest income; net interest income; fee income; operating income before or after taxes; net income before or after taxes; net income before securities transactions; net or operating income excluding non-recurring charges; return on assets; return on equity; return on capital; cash flow; credit quality; service quality; market share; customer retention; efficiency ratio; strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals and goals relating to acquisitions or divestitures; and except in the case of a 'covered officer' (as defined under the 2003 Plan), any other performance criteria established by the Committee. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of First Tennessee (consolidated or unconsolidated) and/or the past or current performance of other companies, the performance of other companies over one or more years or an index of the performance of other companies, markets or economic metrics over one or more years, and in the

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case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares of common stock outstanding, or to assets or net assets.

The Committee may also grant restricted stock and restricted stock units to 'covered officers' (as defined under the 2003 Plan) that vest or become exercisable upon the achievement of certain performance goals specified by the Committee, subject to the limitations described in the immediately preceding paragraph.

The maximum annual number of shares of common stock in respect of which all performance-based Awards (whether restricted stock, restricted stock units or performance awards) may be granted to a participant under the 2003 Plan is 100,000 and the maximum annual amount of any Awards settled in cash to a participant under the 2003 Plan is \$4,000,000.

Stock Appreciation Rights. Stock appreciation rights ('SARs') may be granted under the 2003 Plan. Upon exercise of an SAR, the participant will be entitled to receive the excess of the fair market value on the exercise date of the common shares underlying the SAR over the aggregate base price applicable to such shares; provided that the base price per share may not be less than the fair market value of such shares on the grant date. Distributions to the participant may be made in common stock, in cash, or in a combination of stock and cash, as determined by the Committee or the Board.

Change in Control

Upon a 'change in control' (as defined under the 2003 Plan) of First Tennessee, all Awards outstanding under the 2003 Plan will vest, become immediately exercisable or payable or have all restrictions lifted, as the case may be.

Effect of Termination of Employment

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The Committee has discretion to determine the terms and conditions that will apply to any outstanding Award upon the 'termination of employment' (as defined under the 2003 Plan) of a participant, and such terms and conditions will be set forth in an Award agreement.

Federal Income Tax Consequences

The following is a summary of the current federal income tax treatment related to grants of Awards under the 2003 Plan. This summary is not intended to, and does not, provide or supplement tax advice to participants. Participants in the 2003 Plan are advised to consult with their own independent tax advisors with respect to the specific tax consequences that, in light of their particular circumstances, might arise in connection with their receipt of any Awards under the 2003 Plan, including any state or local tax consequences and the effect, if any, of gift, estate and inheritance taxes.

Options. No taxable income is realized by a participant upon the grant of an option under the 2003 Plan. Upon exercise of an option granted under the 2003 Plan, the participant would include in ordinary income an amount equal to the excess, if any, of the fair market value of the shares of common stock issued to the participant pursuant to such exercise (the 'Option Shares') at the time of exercise over the purchase price. First Tennessee would be entitled to a deduction on exercise of the option for the amount includible in the participant's income.

Restricted Stock. No taxable income is realized by a participant upon the award of restricted common stock. Prior to the lapse of restrictions on such shares, any dividends received on such shares will be treated as ordinary compensation income. Upon the lapse of restrictions, the participant would include in ordinary income the amount of the fair market value of the shares of common stock at the time the restrictions lapse.

Any participant may, however, make an election under Section 83(b) of the Tax Code (an '83(b) election') within 30 days after receipt of restricted common stock to take into income in the year the restricted common stock is transferred by First Tennessee to such participant an amount equal to the fair market value of the restricted common stock on the date of such transfer (as if the restricted stock were unrestricted). If such election is made, the participant (i) will have no taxable income at the time the restrictions actually lapse, (ii) will have a capital gains holding period beginning on the transfer date and

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(iii) will have dividend income with respect to any dividends received on such shares. If the restricted common stock subject to the 83(b) election is subsequently forfeited, however, the participant is not entitled to a deduction or tax refund.

Any appreciation or depreciation in such shares from the time the restrictions lapse (or the 83(b) election is made) to their subsequent disposition should be taxed as a short-term or long-term gain or loss, as the case may be. First Tennessee would be entitled to a federal income tax deduction for the year in which the participant realizes ordinary income with respect to the restricted common stock in an amount equal to such income.

Restricted Stock Units. No taxable income will be realized by a participant upon the grant of restricted stock units and no taxable income will be realized at the times the restricted stock units vest. At the time payment is made with respect to restricted stock units granted under the 2003 Plan, the participant

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will realize ordinary income in an amount equal to the cash received or the fair market value of the shares of common stock received. First Tennessee would be entitled to a deduction at the time of payment in an amount equal to such income.

Stock Appreciation Rights. A participant does not recognize ordinary income upon the receipt of a stock appreciation right under the 2003 Plan. Upon exercise of the stock appreciation right and receipt of cash or unrestricted stock, the participant would recognize ordinary income in an amount equal to the payment received or the fair market value of the unrestricted stock. First Tennessee would be entitled to a deduction at the time of payment in an amount equal to such income.

PLAN BENEFITS 2003 PLAN

NAME AND PRINCIPAL POSITION(2)	DOLLAR VALUE (\$)	NUMBER OF AWARDS GRANTED FROM INCEPTION TO DECEMBER 31, 2003 (1)
Ralph Horn.....	--	--
J. Kenneth Glass.....	3,275,534	78,900
Charles G. Burkett.....	498,180	12,000
Larry B. Martin.....	498,180	12,000
Elbert L. Thomas, Jr.....	440,059	10,600
All Executive Officers as a Group.....	7,209,692	172,644
All Directors (who are not Executive Officers) as a Group...	1,167,637	27,800
All Employees (who are not Executive Officers) as a Group...	--	--

- (1) No options were granted under the 2003 Plan during 2003.
(2) See Summary Compensation Table for principal position.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 3.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 with respect to shares of First Tennessee common stock that may be issued under our existing equity compensation plans, including the 1990 Stock Option Plan (the '1990 Plan'), the 1995 Employee Stock Option Plan (the '1995 Plan'), the 1997 Employee Stock Option Plan (the '1997 Plan'), the 2000 Employee Stock Option Plan (the 'Executive Plan'), 2003 Equity Compensation Plan, not including the 1,000,000 shares for which shareholder approval is being sought under Vote Item No. 3, (the '2003 Plan'), the 2000 Non-employee Directors' Deferred Compensation Stock Option Plan (the 'Directors' Plan'), the 1995 Non-employee Directors' Deferred Compensation Stock Option Plan (the '1995 Directors' Plan'), the 1991, 1997 and 2002 Bank Director and Advisory Board Member Deferral Plans (the 'Advisory Board Plans') and the 2002 Management Incentive Plan (the 'MIP'). Of the 21,122,661 options outstanding, approximately 42 percent were issued in connection with employee and director cash deferral elections. The Corporation received approximately \$55,020,000 in employee cash deferrals and \$3,560,000 in non-employee directors and advisory board retainer and meeting fee deferrals.

The table includes information with respect to shares subject to outstanding options granted under equity compensation plans that are no longer in effect. Footnotes (4) and (5) to the table set forth the total number of shares of First Tennessee common stock issuable upon the exercise of options under the expired plans as of December 31, 2003. No additional options may be granted under those expired plans.

EQUITY COMPENSATION PLAN INFORMATION

PLAN CATEGORY	A	B	NUMBER OF REMAINING AVAIL ISSUANCE U COMPENSA (EXCLUDING REFLECTED
-----	-----	-----	-----
PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF REMAINING AVAIL ISSUANCE U COMPENSA (EXCLUDING REFLECTED
-----	-----	-----	-----
Equity Compensation Plans Approved by Shareowners(1).....	4,132,145(4)	\$23.97	4,
Equity Compensation Plans Not Approved by Shareowners(3).....	16,990,516(5)	\$30.86	1,
Total.....	21,973,275(6)	\$29.51	5,

(1) Consists of the Executive Plan, Directors' Plan, 1995 Directors' Plan, 1995 Plan, 1990 Plan, the 2003 Plan and the MIP.

(2) Includes shares available for future issuance under the MIP. As of December 31, 2003, an aggregate of 200,000 shares of First Tennessee common stock were available for issuance under the MIP. As of December 31, 2003, an aggregate of 99,556 shares were available for restricted stock grants under the 2003 Plan.

(3) Consists of the 1997 Plan and the Advisory Board Plans.

(4) Includes 1,034,589 outstanding options issued in connection with employee and non-employee director cash deferrals of approximately \$3,870,000. Also includes information for equity compensation plans that have expired. The Directors' Plan and the 1990 Plan were approved by shareholders in 1995 and 1990, respectively. The plans expired June 1999 and April 2000. As of December 31, 2003, a total of 1,003,248 shares of First Tennessee common stock were issuable upon the exercise of outstanding options under these expired plans. No additional options may be granted under these expired plans.

(5) Includes 7,791,281 outstanding options issued in connection with employee and advisory board cash deferrals of approximately \$54,710,000. Also includes information for equity compensation plans that have expired. The 1997 Bank Director and Advisory Board Member Deferral Plan and the 1991

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Bank Director and Advisory Board Member Deferral Plan expired in January 2002 and January 1997, respectively. As of December 31, 2003, a total of 111,201 shares of First Tennessee common stock were issuable upon the exercise of outstanding options under the expired plans. No additional options may be granted under these expired plans.

- (6) Includes 850,614 shares of First Tennessee common stock to be issued at the end of specified deferral periods set forth in individual deferral agreements.
- (7) Includes 210,812 shares of First Tennessee common stock underlying restricted stock units granted under the 1992 Restricted Stock Plan.

Description of Equity Compensation Plans Not Approved by Shareholders

The 1997 Plan. The 1997 Plan was adopted by the Board of Directors on April 16, 1996 and will expire in April 2006. The 1997 Plan provides for granting of nonqualified stock options.

Options granted under the 1997 Plan have been granted to all employees of the Corporation under our FirstShare and management option programs. The FirstShare program is a broad-based employee plan, where all employees of the Corporation receive a stock option award annually, except for management level employees who receive annual stock option awards under the management option program. The FirstShare options vest 100 percent after three years and have a term of 10 years. The management options vest 50 percent after 3 years and 50 percent after 4 years, unless a specified stock price is achieved within the 3 year period. The management options have a term of 7 years. In addition to the above, certain employees

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may elect to defer a portion of their annual compensation into stock options. These options vest after 6 months and have a term of 20 years. The options vest on an accelerated basis in the event of a change in control of First Tennessee. All options granted under the 1997 Plan have an exercise price equal to the fair market value on the date of grant. Notwithstanding the above, the option price per share may be less than 100 percent of the fair market value of the share at the time the option is granted if the employee has entered into an agreement with the Corporation to receive a stock option grant in lieu of compensation and the amount of compensation foregone when added to the cash exercise price of the options equals at least the fair market value of the shares on the date of grant.

As of December 31, 2003, options covering 16,863,717 shares of First Tennessee common stock were outstanding under the 1997 Plan, 1,422,112 shares remained available for future option grants, and options covering 3,743,083 shares had been exercised during the year. Of the options outstanding, approximately 45 percent were issued in connection with employee cash deferral elections. The Corporation received approximately \$53,260,000 in cash deferrals to offset a portion of the exercise price. Of the 1,422,122 shares remaining available for future option grants, approximately 90 percent of options to be

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granted will have an option term of 10 years or less.

The 1997 Plan is included as Exhibit 10(c) in our Form 10-Q for the quarter ended September 30, 2002, filed with the SEC.

The Advisory Board Plans. The Advisory Board Plans were adopted by the Board of Directors in October 2001, January 1997 and January 1991. The 2002 Advisory Board Plan will expire on January 1, 2007 and the 1997 and 1991 plans expired in 2002 and 1997, respectively. The 2002 Advisory Board Plan provides granting of nonqualified stock options to bank regional and advisory board members who choose to forego board fees and retainers in exchange for stock options on shares of First Tennessee common stock.

Options granted under the Advisory Board Plans have been granted only to regional and advisory board members who are not employees. The options are granted in lieu of the participants receiving retainers or attendance fees for bank board and advisory board meetings. The number of shares subject to grant will be the amount of fees/retainers earned divided by one half of the fair market value of one share of common stock on the date of option grant. The exercise price plus the amount of fees foregone will equal the fair market value of the stock on the date of the grant. The options vest after 6 months and have a term of 20 years. In February 2004, the Compensation Committee recommended that the Board of Directors amend the 2002 Advisory Board Plan at the April Board meeting to limit the terms of the options granted under the plan to 10 years.

As of December 31, 2003, options covering 126,799 shares of First Tennessee common stock were outstanding under the Advisory Board Plans, 183,678 shares remained available for future option grants, and options covering 16,596 shares had been exercised during the year.

The Advisory Board Plans are included as Exhibits 10(s), 10(t) and 10(u) to our 2002 Form 10-K.

VOTE ITEM NO. 4 -- RATIFICATION OF APPOINTMENT OF AUDITORS

Appointment of Auditors for 2004

KPMG LLP audited our annual financial statements for the year 2003. The Audit Committee has appointed KPMG LLP to be our auditors for the year 2004. Although not required by law, regulation or the rules of the New York Stock Exchange, the Board has determined, as a matter of good corporate governance and consistent with past practice, to submit to the shareholders as Vote Item No. 4 the ratification of KPMG LLP's appointment as our auditors for the year 2004, and with the recommendation that the shareholders vote for Item No. 4. Representatives of KPMG LLP are expected to be present at the annual meeting of shareholders with the opportunity to make a statement and to respond to appropriate questions.

Change in Auditors During 2002

On May 15, 2002, we dismissed our independent public accountants, Arthur Andersen LLP ('Arthur Andersen'), and engaged KPMG LLP to serve as our independent public accountants for fiscal year 2002.

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The decision was approved by our Board of Directors upon the recommendation of the Audit Committee of the Board of Directors.

Arthur Andersen's reports on the consolidated financial statements of First Tennessee as of and for the years ended December 31, 2001 and 2000 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the two fiscal years of First Tennessee ended December 31, 2001 and the subsequent interim period through May 15, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Arthur Andersen, would have caused Arthur Andersen to make reference to the subject matter of the disagreement in connection with its reports.

None of the reportable events described in Item 304(a)(1)(v) of Regulation S-K occurred within the two fiscal years of First Tennessee ended December 31, 2001 or within the subsequent interim period through May 15, 2002.

We provided Arthur Andersen with a copy of the foregoing disclosures and attached a copy of Arthur Andersen's letter, dated May 15, 2002, stating its agreement with such statements as an exhibit to the Form 8-K that we filed on May 16, 2002.

During the two fiscal years of First Tennessee ended December 31, 2001, and the subsequent interim period through May 15, 2002, we did not consult with KPMG LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

Fees Billed to Us by Auditors During 2002 and 2003

The table below and the paragraphs following it provide information regarding the fees billed to us by KPMG LLP during 2002 and 2003 for services rendered in the categories of audit fees, audit-related fees, tax fees and all other fees.

	2002	2003
	----	----
Audit Fees.....	\$ 751,500	\$1,031,500
Audit-Related Fees.....	328,500	385,000
Tax Fees.....	1,052,770	17,200
All Other Fees.....	27,000	61,638
	-----	-----
Total.....	\$2,159,770	\$1,495,338
	-----	-----

Audit Fees. For the years 2002 and 2003, the aggregate fees billed to us by KPMG LLP for professional services rendered for the audit of our financial statements and review of the financial statements in our Form 10-Q's or for services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements were, respectively, \$751,500 and \$1,031,500.

Audit-Related Fees. For the years 2002 and 2003, the aggregate fees billed to us by KPMG LLP for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are

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not reported under 'Audit Fees' above were, respectively, \$328,500 and \$385,000. The amount for 2002 consists of ERISA audits, audits of subsidiaries, compliance attestation and other procedures, and the amount for 2003 includes all of these and, in addition, reports on controls placed in operation and tests of operating effectiveness.

Tax Fees. For the years 2002 and 2003, the aggregate fees billed to us by KPMG LLP for professional services for tax compliance, tax advice, and tax planning were, respectively, \$1,052,770 and \$17,200. Included in the amount for 2002 is \$1 million for tax planning services rendered prior to KPMG LLP's engagement as our auditor. The amount for 2003 consists primarily of fees for tax compliance.

All Other Fees. For the years 2002 and 2003, the aggregate fees billed to us by KPMG LLP for products and services other than those reported under the three preceding paragraphs were, respectively, \$27,000 and \$61,638. The amount for both years relates to certain sales training for employees of a division of the Bank and tax preparation and planning for executives.

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In July 2003, the Audit Committee adopted a policy providing for pre-approval of all audit and non-audit services to be performed by KPMG LLP, as the registered public accounting firm that performs the audit of our consolidated financial statements that are filed with the SEC. A copy of the policy is attached to this proxy statement at pages C-6 through C-10 of Appendix C. None of the services provided to us by KPMG LLP and described in the three paragraphs immediately preceding this one were approved pursuant to the de minimis exception of SEC Rule 2-01(c) (7) (i) (C).

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR ITEM NO. 4.

OTHER MATTERS

The Board of Directors, at the time of the preparation and printing of this proxy statement, knew of no other business to be brought before the meeting other than the matters described in this proxy statement. If any other business properly comes before the meeting, the persons named in the enclosed proxy will have discretionary authority to vote all proxies in accordance with their best judgment.

SHAREHOLDER PROPOSAL DEADLINES

If you intend to present a shareholder proposal at the 2005 annual meeting, it must be received by the Corporate Secretary, First Tennessee National Corporation, P. O. Box 84, Memphis, Tennessee, 38101, not later than November 19, 2004, for inclusion in the proxy statement and form of proxy relating to that meeting.

In addition, Sections 2.8 and 3.6 of our Bylaws provide that a shareholder who wishes to nominate a person for election to the Board or submit a proposal at a shareholder meeting must comply with certain procedures whether or not the matter is included in our proxy statement. These procedures require written notification to us, generally not less than 90 nor more than 120 days prior to the date of the shareholder meeting. If, however, we give fewer than 100 days' notice or public disclosure of the shareholder meeting date to shareholders, then we must receive the shareholder notification not later than 10 days after the earlier of the date notice of the shareholder meeting was mailed or publicly

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disclosed. The shareholder must disclose certain information about the nominee or item proposed, the shareholder and any other shareholders known to support the nominee or proposal. Section 2.4 of our Bylaws provides that the date and time of the annual meeting will be the third Tuesday in April (or, if that day is a legal holiday, on the next succeeding business day that is not a legal holiday) at 10:00 a.m. Memphis time or such other date and/or such other time as our Board may fix by resolution. The meeting date for 2005, determined according to the Bylaws, is April 19, 2005. Thus, shareholder proposals submitted outside the process that permits them to be included in our proxy statement must be submitted to the Corporate Secretary between December 20, 2004 and January 19, 2005, or the proposals will be considered untimely. Untimely proposals may be excluded by the Chairman or our proxies may exercise their discretion and vote on these matters in a manner they determine to be appropriate.

EXECUTIVE COMPENSATION

The Summary Compensation Table provides information for the last three years about Mr. Glass, who served during 2003 as Chief Executive Officer ('CEO') and our other four most highly compensated executive officers at year end 2003. All of the named officers are officers of both First Tennessee and the Bank. The amounts include all compensation earned during each year, including amounts deferred (which, if deferred into options, are disclosed only in the notes to the table and in column (g)), by the named officers for all services rendered in all capacities to us and our subsidiaries. Information is provided for each entire year in which an individual served during any portion of the year as an executive officer. Additional information is provided in tabular form below about option grants and exercises in 2003, year-end option values, long-term incentive plan awards and pension benefits, along with certain other information concerning compensation of executive officers. The report of the Board's Compensation Committee on executive compensation and information on compensation of directors are located in the 'Corporate Governance and Board Matters' section of this proxy statement above.

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SUMMARY COMPENSATION TABLE

(A)	ANNUAL COMPENSATION					LONG-TERM C	
	(B)	(C)	(D)	(E)	(F)	(G)	
				OTHER ANNUAL	RESTRICTED STOCK	AWARD (S) SECURITIES UNDERLYING UNDEFERRED OPTION	