

KeyCorp

Second Quarter 2012 Earnings Review

July 19, 2012

Beth E. Mooney

Chairman and
Chief Executive Officer

Jeffrey B. Weeden

Chief Financial Officer



FORWARD-LOOKING STATEMENTS AND ADDITIONAL INFORMATION DISCLOSURE

This presentation contains and we may, from time to time, make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about Key's financial condition, results of operations, earnings outlook, asset quality trends, capital levels and profitability. Forward-looking statements are not historical facts but instead represent only management's current expectations and forecasts regarding future events, many of which, by their nature, are inherently uncertain and outside of Key's control. Forward-looking statements usually can be identified by the use of words such as "goal," "objective," "plan," "expect," "anticipate," "intend," "project," "believe," "estimate" or other words of similar meaning.

Our forward-looking statements are subject to the following principal risks and uncertainties: the economic recovery may face challenges causing its momentum to falter or a further recession; the Dodd-Frank Wall Street Reform and Consumer Protection Act and other reforms will subject us to a variety of new and more stringent legal and regulatory requirements, including increased scrutiny from our regulators; changes in local, regional and international business, economic or political conditions in the regions where we operate or have significant assets; changes in trade, monetary and fiscal policies of various governmental bodies and central banks could affect the economic environment in which we operate; our ability to effectively deal with an economic slowdown or other economic or market difficulty; adverse changes in credit quality trends; our ability to determine accurate values of certain assets and liabilities; adverse behaviors in foreign exchange rates, securities, public debt, and capital markets, including changes in market liquidity and volatility; our ability to anticipate interest rate changes correctly and manage interest rate risk presented through unanticipated changes in our interest rate risk position and/or short- and long-term interest rates; unanticipated changes in our liquidity position, including but not limited to our ability to enter the financial markets to manage and respond to any changes to our liquidity position; adequacy of our risk management program; reduction of the credit ratings assigned to KeyCorp and KeyBank; increased competitive pressure due to industry consolidation; unanticipated adverse affects of acquisitions and dispositions of assets, business units or affiliates; and operational or risk management failures due to technological, cybersecurity threats or other factors.

We provide greater detail regarding some of these factors in our 2011 Form 10-K, including in Item 1A. Risk Factors and in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation under the heading "Risk Management," as well as in our subsequent SEC filings, all of which are accessible on our website at www.key.com/ir and on the SEC's website at www.sec.gov.

Key does not undertake any obligation to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

This presentation also includes certain Non-GAAP financial measures related to "tangible common equity," "Tier 1 common equity," and "pre-provision net revenue." Management believes these ratios may assist investors, analysts and regulators in analyzing Key's financials. Although Key has procedures in place to ensure that these measures are calculated using the appropriate GAAP or regulatory components, they have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of results under GAAP. For more information on these calculations and to view the reconciliations to the most comparable GAAP measures, please refer to the Appendix to this presentation or our most recent earnings press release, which is accessible at www.key.com/ir.

Web addresses referenced in this slide are inactive textual references only. Information on these websites is not part of this document.



Investor Highlights – Second Quarter 2012

Execution of Business Plan

- Second quarter net income up 11% from 1Q12
- Company-wide initiatives to improve efficiency
- Continued improvement in credit quality

Growing the Franchise

- Growing client relationships and engagement
- Acquired 37 branches in Upstate New York
- Growth in average loans driven by C&I

Disciplined Capital Management

- Executing common stock repurchase program
- Increased common dividend for 2Q12 from \$.03 to \$.05
- Strong capital levels; positioned for Basel III

Strategic statement: Key grows by building enduring relationships through client-focused solutions and extraordinary service



Driving Growth through Efficiency

Company-wide Initiatives

Community Bank

Corporate Bank

Shared Services

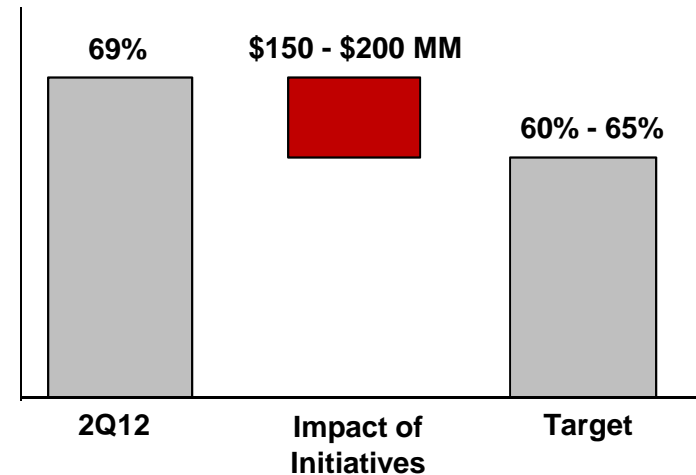
- End-to-end process optimization
- Organizational design – span and layers
- Strategic sourcing
- Branch rationalization
- Improve variability of cost to serve
- Sales and service productivity
- Occupancy
- Demand management

Expected Benefit

\$150 - \$200 MM

December 2013

Efficiency Ratio^(a)



Aligning cost structure with operating environment



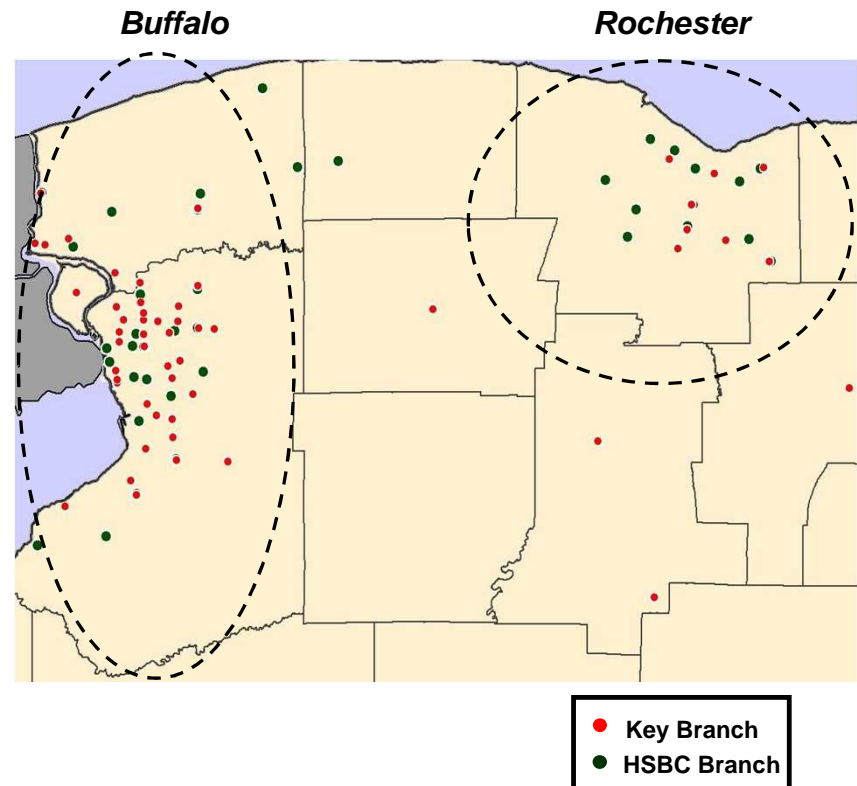
(a) From continuing operations, before restructuring costs

Branch Acquisition Strengthens Market Share

Benefits of Acquisition

- Strengthens Key's local presence in attractive markets of Buffalo and Rochester, New York
- Enhances ability to acquire customers and provide exceptional service
- Adds ATM check imaging capabilities
- Provides liquidity to fund organic growth and remain flexible with debt maturities
- Leverages existing cost structure across larger base
- Seamless and successful conversion

Gaining Meaningful Share



Transaction closed July 13, 2012, adding \$2.1 billion in deposits and \$260 million in loans



Source: SNL; based on Buffalo-Niagara Falls MSA and Rochester MSA

Delivering Shareholder Value



Financial Review



Financial Summary – Second Quarter 2012

	Metrics	2Q12	1Q12	2Q11
Financial Performance ^(a)	Income from continuing operations attributable to Key common shareholders	\$.23	\$.21	\$.26
	Net interest margin (TE)	3.06%	3.16%	3.19%
	Return on average total assets	1.12	1.02	1.23
Capital ^(b)	Tier 1 common equity ^{(c), (d)}	11.7%	11.5%	11.1%
	Tier 1 risk-based capital ^(c)	12.5	13.3	13.9
	Tangible common equity to tangible assets ^(d)	10.4	10.3	9.7
	Book value per common share	\$10.43	\$10.26	\$9.88
Asset Quality ^(a)	Net loan charge-offs to average loans	.63%	.82%	1.11%
	NPLs to EOP portfolio loans	1.32	1.35	1.76
	NPAs to EOP portfolio loans + OREO + Other NPAs	1.51	1.55	1.98
	Allowance for loan losses to period-end loans	1.79	1.92	2.57
	Allowance for loan losses to NPLs	135.2	141.7	146.1

TE = Taxable equivalent, EOP = End of Period

(a) From continuing operations

(b) From consolidated operations

(c) 6-30-12 ratios are estimated

(d) Non-GAAP measure: see slide 24 of Appendix for reconciliation



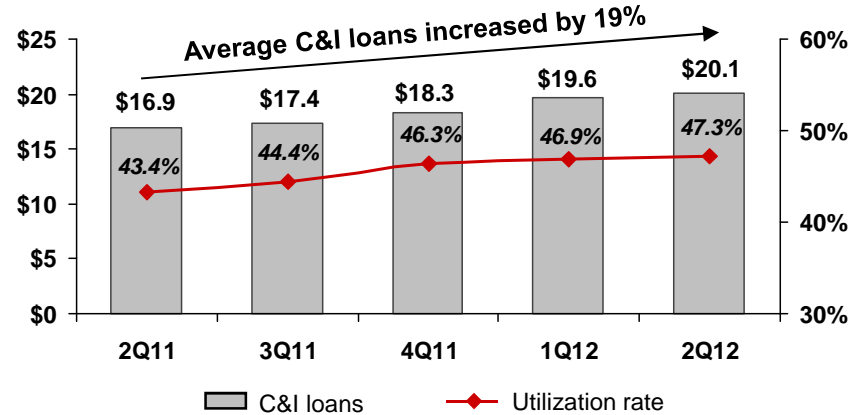
Loan Growth

Highlights

- Average balances grew for the third consecutive quarter, driven by growth in C&I loans
- Strong spring home equity campaign drove period-end Community Bank home equity loans 5% higher in 2Q12
- Originated \$10.3 billion in new or renewed lending commitments during 2Q12, up 8% from prior year
- Continuing to leverage integrated business model and focus on targeted segments

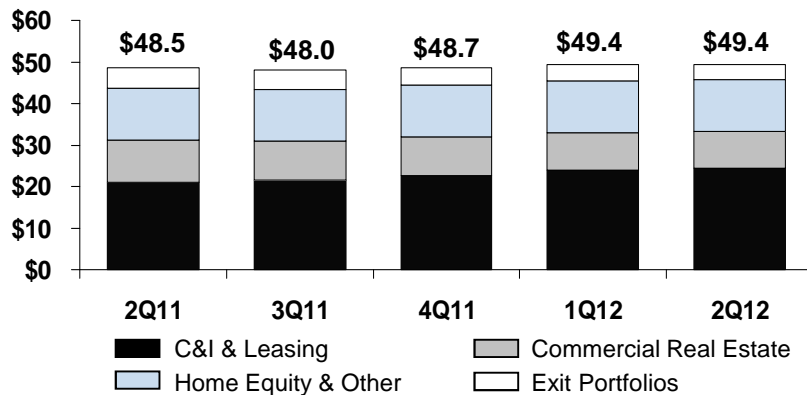
Average Commercial & Industrial Loans

\$ in billions

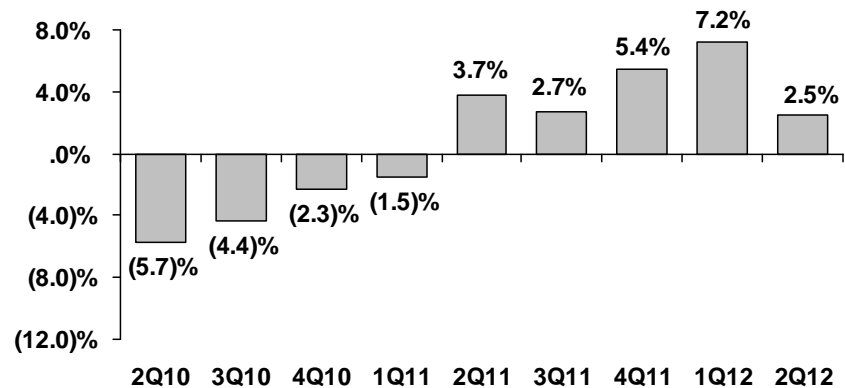


Average Loans

\$ in billions



Quarterly % Change in Average C&I Loans



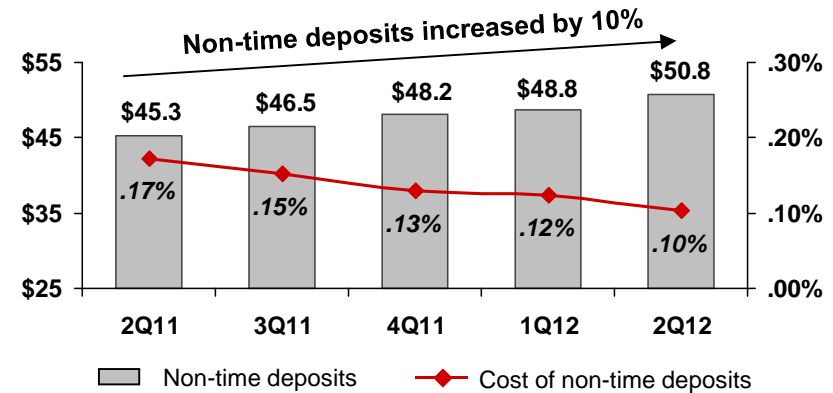
Improving Deposit Mix

Highlights

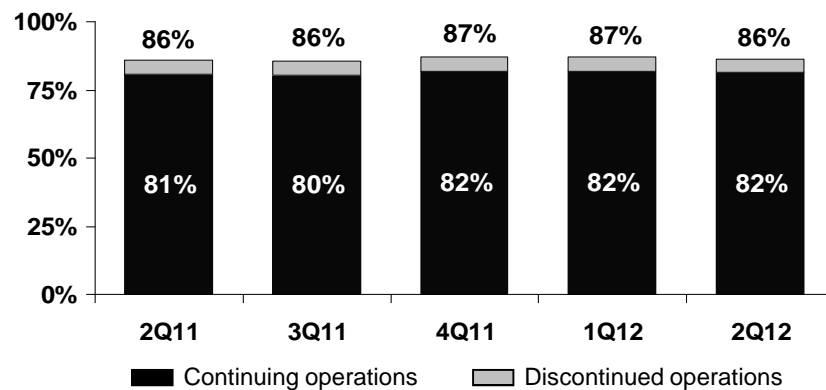
- Higher cost CDs continue to decline, while lower cost deposits have remained strong
- Improved funding mix has reduced the cost of deposits, which is down 6 bps from 1Q12
- Total CD maturities and average cost
 - 2012 Q3: \$2.5 billion at 2.23%
 - 2012 Q4: \$1.3 billion at 2.18%
 - 2013: \$3.2 billion at 1.77%
 - 2014 & beyond: \$2.0 billion at 3.28%

Average Non-time Deposits (a)

\$ in billions

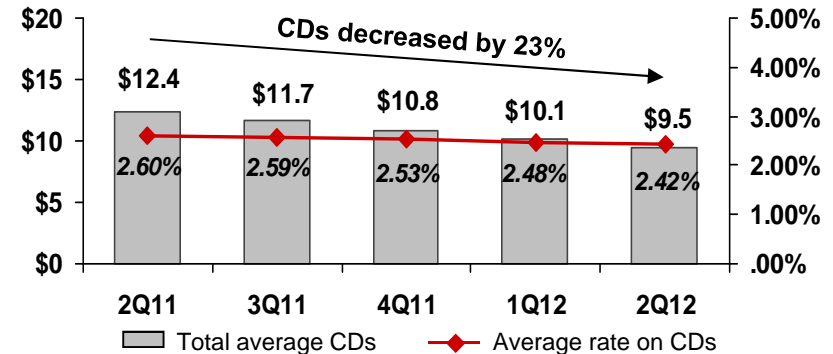


Loan to Deposit Ratio (b)



Average CD Balances

\$ in billions



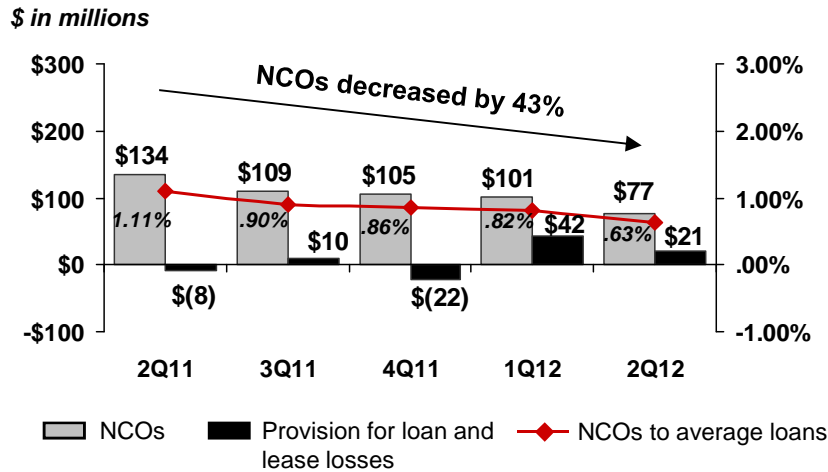
(a) Excludes time deposits and deposits in foreign office

(b) Represents period-end consolidated total loans and loans held for sale (excluding education loans in the securitization trusts) divided by period-end consolidated total deposits (excluding deposits in foreign office)

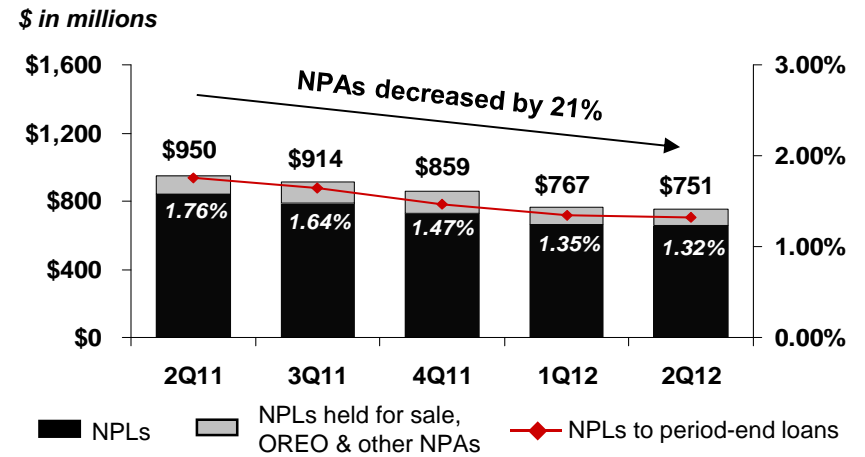


Continued Improvement in Asset Quality

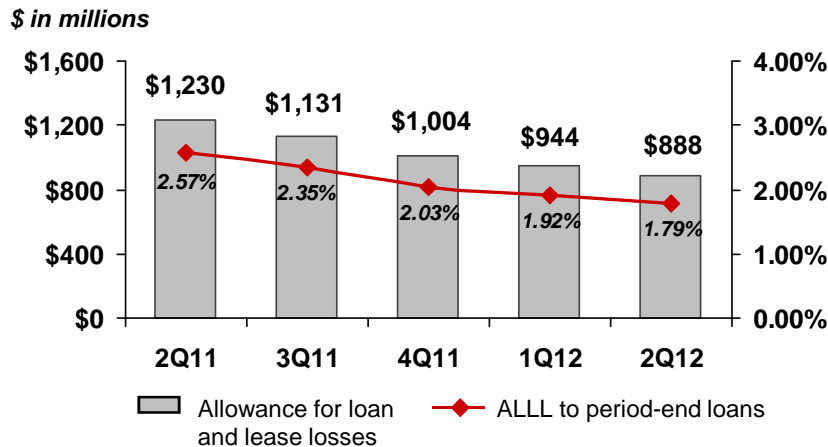
Net Charge-offs & Provision for Loan and Lease Losses



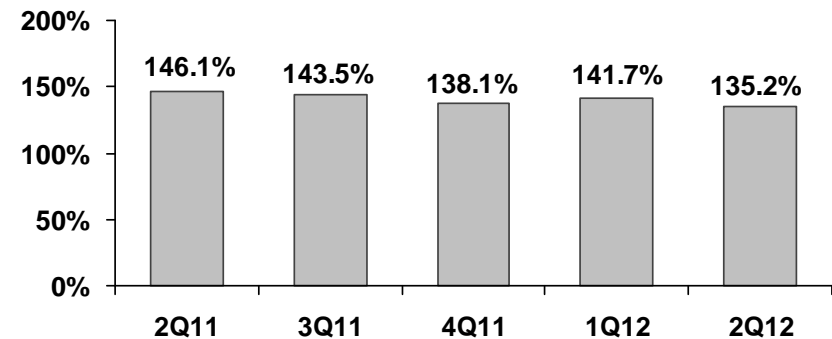
Nonperforming Assets



Allowance for Loan and Lease Losses



Allowance to Nonperforming Loans



Total Revenue

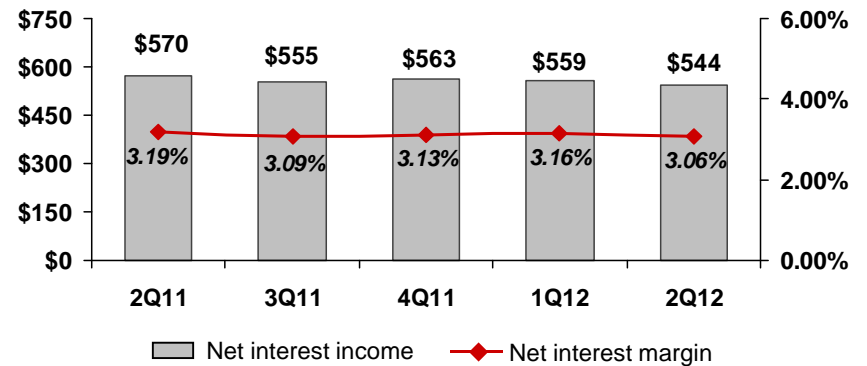
Highlights

- Net interest margin down due to early termination of leveraged leases and continued low rate environment
- Higher noninterest income driven by leveraged lease terminations and gains from loan sales
- Pressure in market-sensitive businesses continues to challenge Key and the industry
- New client acquisition and execution of relationship-based model will provide opportunities to grow noninterest income

Net Interest Margin (TE) Trend

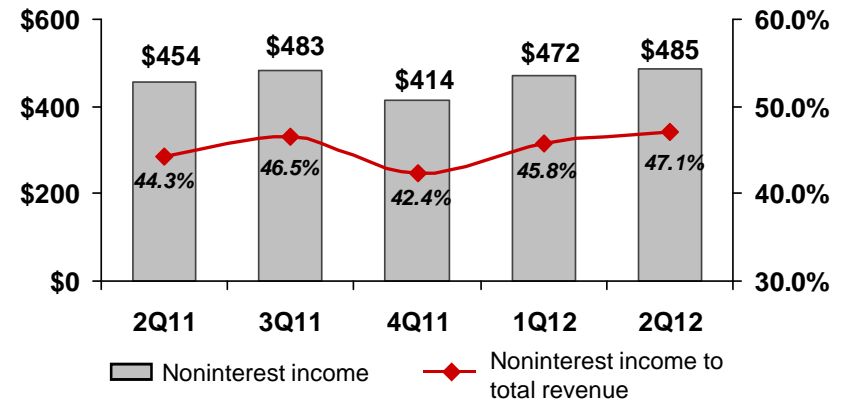
\$ in millions

Continuing Operations



Noninterest Income and % of Total Revenue

\$ in millions



TE = Taxable equivalent

Focused Expense Management

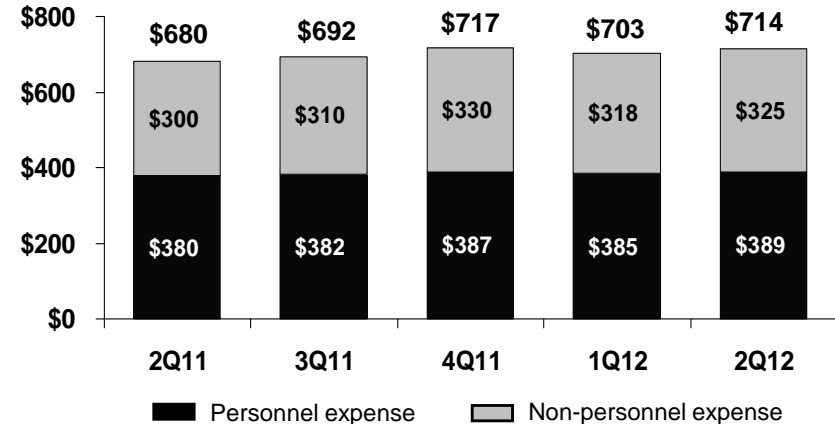
Highlights

- Noninterest expense increased \$11 million from 1Q12
 - Elevated expenses related to acquisition of branches in Upstate New York
 - Costs related to company-wide efficiency initiatives
 - Higher marketing expense correlated with robust spring home equity campaign

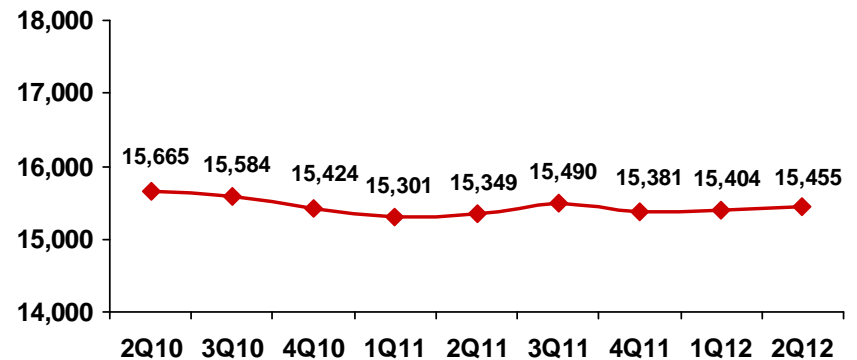
- Key remains focused on operating leverage, with newly announced efficiency initiatives in place
 - Targeting \$150 - \$200 million in expense reductions by December 2013, with full-year impact expected in 2014

Noninterest Expense

\$ in millions



Average FTEs

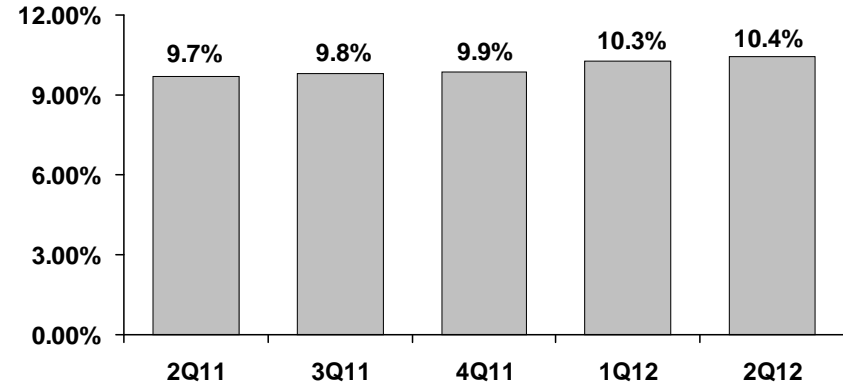


Strong Capital Ratios

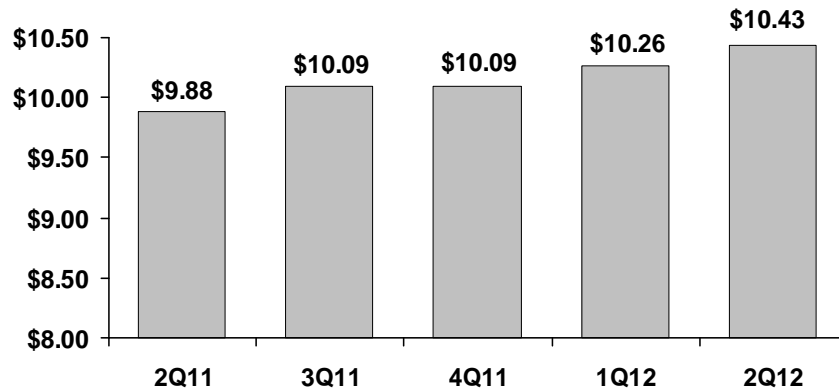
Highlights

- Strong capital position supports growth
- Disciplined capital management process
 - Executing share repurchases
 - Increased dividend for 2Q12 from \$.03 to \$.05 per common share
- Estimated Basel III tier 1 common equity ratio of 10.9%^(a)

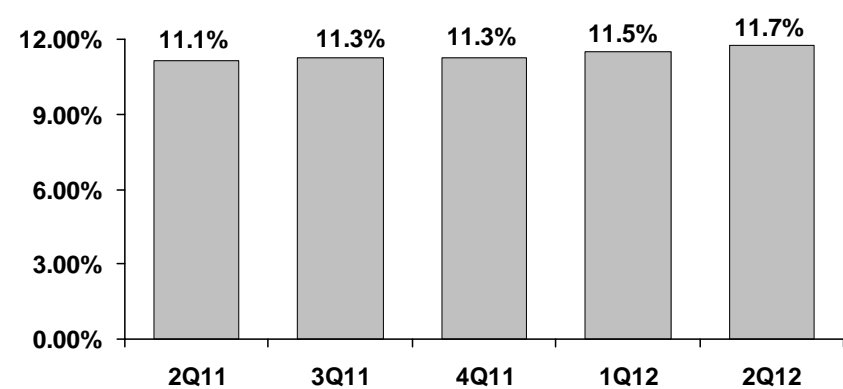
Tangible Common Equity to Tangible Assets ^(b)



Book Value per Share



Tier 1 Common Equity ^{(b), (c)}



(a) Based upon June 30, 2012 pro forma analysis; see slide 25 of Appendix for further detail
 (b) Non-GAAP measure: see slide 24 of Appendix for reconciliation
 (c) 6-30-12 ratio is estimated

Appendix



Progress on Targets for Success

KEY Business Model	KEY Metrics ^(a)	KEY 2Q12	KEY 1Q12	Targets	Action Plans
Core funded	Loan to deposit ratio ^(b)	86%	87%	90-100%	<ul style="list-style-type: none"> ▪ Leverage integrated model to grow relationships and loans ▪ Improve deposit mix
Returning to a moderate risk profile	NCOs to average loans	.63%	.82%	40-50 bps	<ul style="list-style-type: none"> ▪ Focus on relationship clients ▪ Exit noncore portfolios ▪ Limit concentrations ▪ Focus on risk-adjusted returns
Growing high quality, diverse revenue streams	Net interest margin	3.06%	3.16%	>3.50%	<ul style="list-style-type: none"> ▪ Improve funding mix ▪ Focus on risk-adjusted returns ▪ Grow client relationships ▪ Leverage Key's total client solutions and cross-selling capabilities
	Noninterest income to total revenue	47%	46%	>40%	
Creating positive operating leverage	Efficiency ratio	69%	68%	60-65%	<ul style="list-style-type: none"> ▪ Improve efficiency and effectiveness ▪ Leverage technology ▪ Change cost base to more variable from fixed
Executing our strategies	Return on average assets	1.12%	1.02%	1.00-1.25%	<ul style="list-style-type: none"> ▪ Execute our client insight-driven relationship model ▪ Focus on operating leverage ▪ Improved funding mix with lower cost core deposits

(a) Continuing operations, unless otherwise noted

(b) Represents period-end consolidated total loans and loans held for sale (excluding education loans in the securitization trusts) divided by period-end consolidated total deposits (excluding deposits in foreign office)

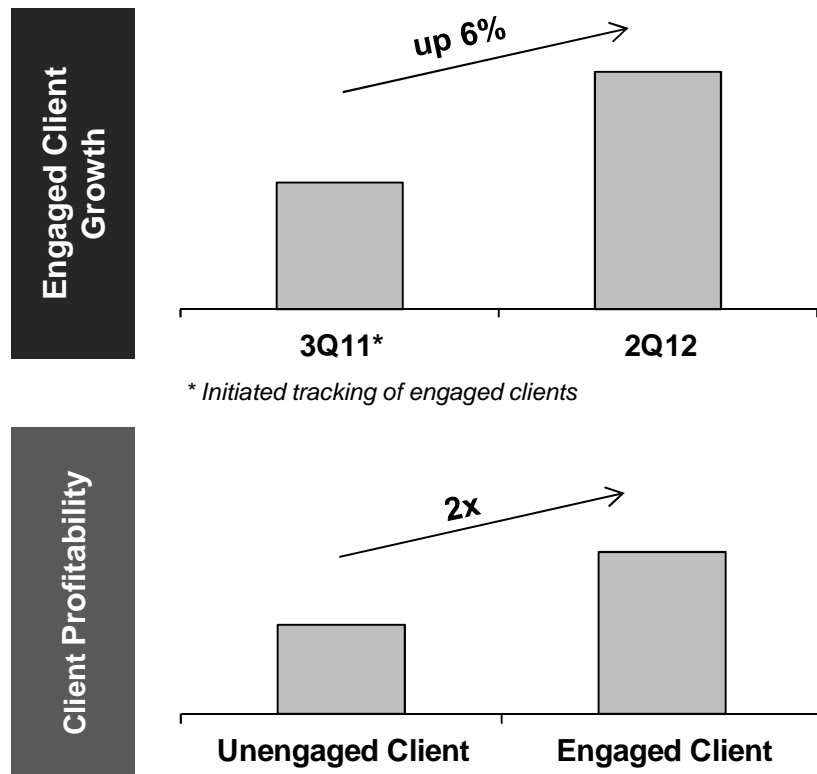


Community Bank: Engaging Relationships

Focusing on targeted clients, alignment, capabilities and channels

- Results in deeper, more profitable engaged clients

Performance Metrics



- Four consecutive quarters of average loan growth
- Strong spring borrowing campaign drove home equity balances 5% higher during 2Q12
- Continued improvement in deposit mix
- Net charge-offs of 74 bps at lowest level in 4 years
- 2Q12 noninterest income up 8% from prior quarter and 2% from prior year
- Relationship Rewards program enrollment continues to grow



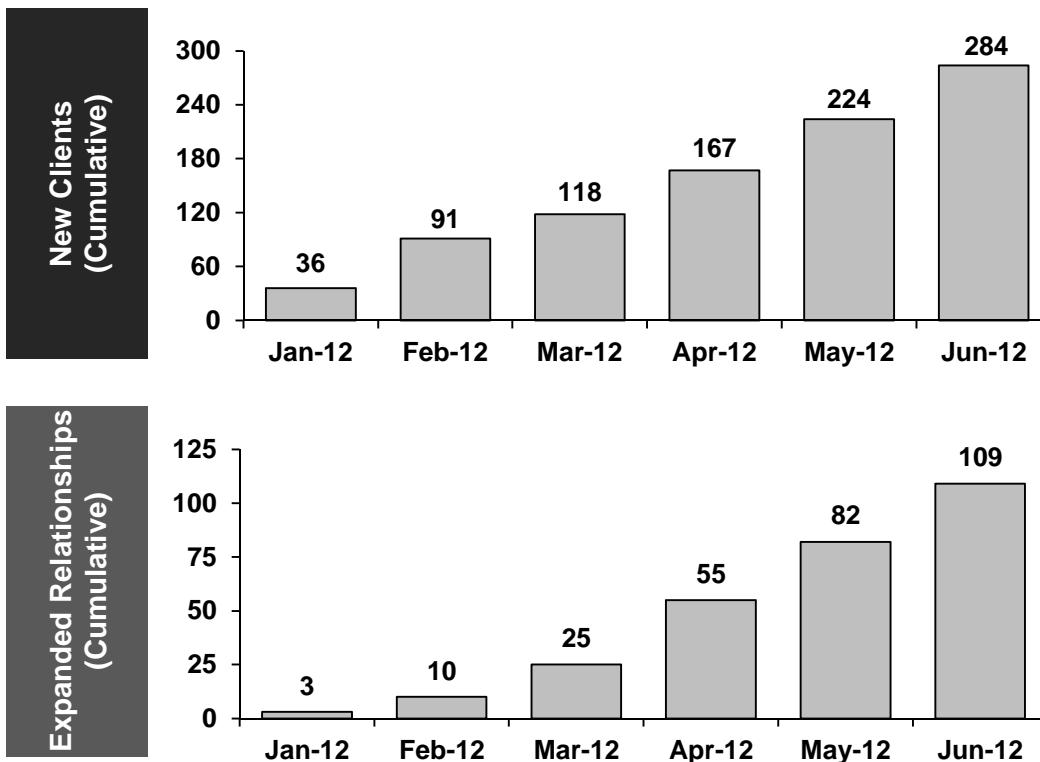
Engaged: A relationship client as determined by product or transaction activity

Corporate Bank: Deepening Relationships

Leveraging product breadth, industry focus, distinctive knowledge and capabilities

- Results in client acquisition and broadened relationships

Performance Metrics



- \$37MM in YTD revenue from new client relationships
- New corporate and investment banking and real estate capital clients have average YTD revenue of \$300K
- Our targeted new clients provide more fee income, borrow more and have a better risk profile than our overall portfolio average
- \$54MM in YTD revenue from enhanced client relationships, an average of \$497K per client



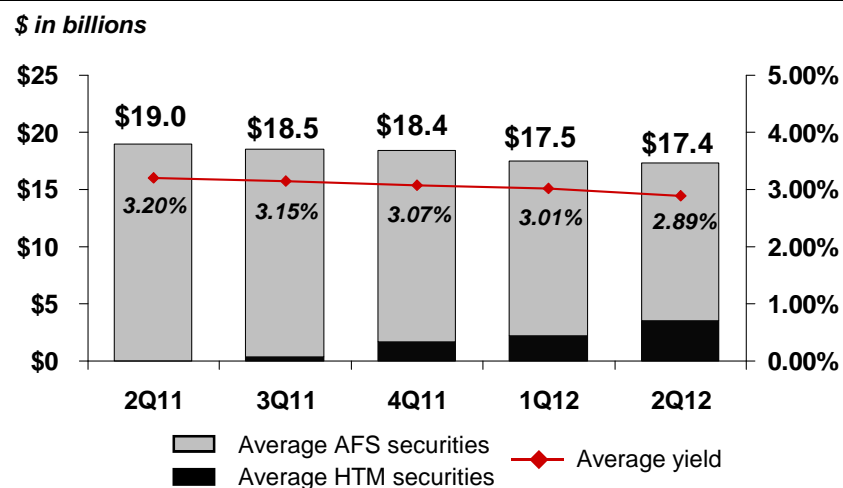
Note: New client relationships have YTD revenue exceeding \$5,000
Expanded client relationships require YTD revenue to exceed FY11 revenue by more than \$100,000

High Quality Investment Portfolio

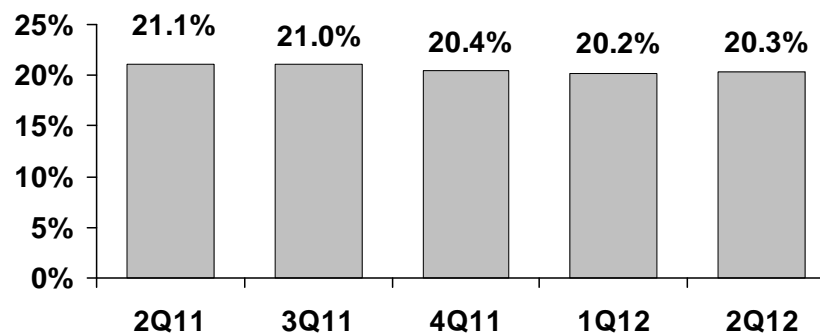
Highlights

- Portfolio composed of Agency or GSE backed: GNMA, Fannie & Freddie
 - No private label MBS or financial paper
- Average portfolio life at 6/30/12: 2.3 years
- Unrealized net gain of \$437 million on available-for-sale securities portfolio at 6/30/12
- Mortgage paydowns of \$1.5 billion in both 2Q12 and 1Q12

Average Total Investment Securities



Securities to Total Assets ^(a)



(a) Includes end of period held-to-maturity and available-for-sale securities



Credit Quality

Credit Quality by Portfolio

\$ in millions

	Period-end loans	Average loans	Net loan charge-offs		Net loan charge-offs ^(a) / average loans		Nonperforming loans		Ending allowance ^(b)	Allowance / period-end loans ^(b)	Allowance / NPLs
	6/30/12	2Q12	2Q12	1Q12	2Q12	1Q12	6/30/12	3/31/12	6/30/12	6/30/12	6/30/12
Commercial, financial and agricultural	\$20,386	\$20,132	\$3	\$15	.06 %	.31 %	\$141	\$168	\$304	1.49 %	215.60 %
Commercial real estate:											
Commercial mortgage	7,409	7,613	9	21	.48	1.06	172	175	250	3.37	145.35
Construction	1,172	1,216	4	10	1.32	3.13	68	66	55	4.69	80.88
Commercial lease financing	5,636	5,700	10	-	.71	-	18	22	68	1.21	377.78
Real estate - residential mortgage	2,016	1,990	6	5	1.21	1.03	78	82	26	1.29	33.33
Home equity:											
Key Community Bank	9,601	9,359	21	23	.90	1.01	141	109	80	.83	56.74
Other	479	493	7	7	5.71	5.40	17	12	24	5.01	141.18
Consumer other— Key Community Bank	1,263	1,247	8	9	2.58	3.03	2	1	34	2.69	N/M
Consumer other:											
Marine	1,542	1,596	7	10	1.76	2.35	19	30	47	3.05	247.37
Other	101	100	2	1	8.04	3.41	1	1	-	-	N/M
Continuing total	\$49,605	\$49,446	\$77	\$101	.63 %	.82 %	\$657	\$666	\$888	1.79 %	135.16 %
Discontinued operations - education lending business	5,483	5,613	12	19	1.64	2.51	18	19	79	2.72	438.89
Consolidated total	\$55,088	\$55,059	\$89	\$120	.68 %	.92 %	\$675	\$685	\$967	1.84 %	143.26 %

N/M = Not Meaningful

(a) Net loan charge-off amounts are annualized in calculation. NCO ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value

(b) 6-30-12 allowance by portfolio is estimated. Allowance/period loans ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value



Home Equity Loans – 6/30/12

Community Bank – Home Equity

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average LTV (a)	% of Loans LTV>90%	Vintage (% of Loans)				
						2011 and later	2010	2009	2008	2007 and prior
Home equity loans and lines										
First lien	\$ 5,220	\$ 62,244	756	67 %	.6 %	25 %	7 %	7 %	10 %	51 %
Second lien	4,381	46,995	754	75	3.1	16	6	6	17	55
Total home equity loans and lines	\$ 9,601	\$ 54,217	755	71	1.8	21	6	7	13	53
Nonaccrual loans										
First lien	\$ 66	\$ 65,339	719	72 %	1.1 %	1 %	3 %	6 %	5 %	85 %
Second lien	75	50,767	713	78	3.1	1	1	2	17	79
Total home equity nonaccrual loans	\$ 141	\$ 56,728	716	75	1.9	1	2	4	10	83
Community Bank - Home Equity										
Second quarter net charge-offs	\$ 21					1 %	1 %	3 %	22 %	73 %
Net loan charge-offs to average loans	.90 %									

Exit Portfolio – Home Equity

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average LTV (a)	% of Loans LTV>90%	Vintage (% of Loans)				
						2011 and later	2010	2009	2008	2007 and prior
Home equity loans and lines										
First lien	\$ 21	\$ 23,012	745	33 %	.4 %	-	-	-	2 %	98 %
Second lien	458	24,321	730	82	32.4	-	-	-	2	98
Total home equity loans and lines	\$ 479	\$ 24,260	731	80	31.0	-	-	-	1	99
Nonaccrual loans										
First lien	\$ 1	\$ 19,377	730	29 %	-	-	-	-	-	100 %
Second lien	16	27,016	706	84	37.2 %	-	-	-	1 %	99
Total home equity nonaccrual loans	\$ 17	\$ 26,598	706	82	35.7	-	-	-	1	99
Exit Portfolio - Home Equity										
Second quarter net charge-offs	\$ 7					-	-	-	1 %	99 %
Net loan charge-offs to average loans	5.71 %									



(a) Average LTVs are at origination. Current average LTVs for Community Bank total home equity loans and lines is approximately 79%, which compares to 81% at the end of the first quarter 2012.

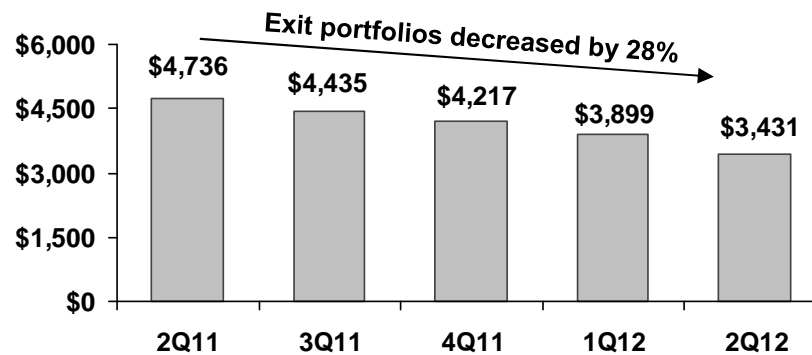
Exit Loan Portfolio

Exit Loan Portfolio

\$ in millions	Balance Outstanding		Change 6-30-12 vs. 3-31-12	Net Loan Charge-offs		Balance on Nonperforming Status	
	6-30-12	3-31-12		2Q12	1Q12 ^(c)	6-30-12	3-31-12
	Residential properties – homebuilder Marine and RV floor plan	\$33	\$34	\$(1)	-	\$2	\$14
Commercial lease financing ^(a)	1,237	1,534	(297)	1	(1)	9	11
Total commercial loans	1,309	1,627	(318)	3	8	38	60
Home equity – Other	479	507	(28)	7	7	17	12
Marine	1,542	1,654	(112)	7	10	19	31
RV and other consumer	101	111	(10)	2	1	1	-
Total consumer loans	2,122	2,272	(150)	16	18	37	43
Total exit loans in loan portfolio	\$3,431	\$3,899	\$(468)	\$19	\$26	\$75	\$103
Discontinued operations - education lending business (not included in exit loans above) ^(b)	\$5,483	\$5,715	\$(232)	\$12	\$19	\$18	\$19

Exit Loan Portfolio Trend (Excluding Discontinued Operations)

\$ in millions

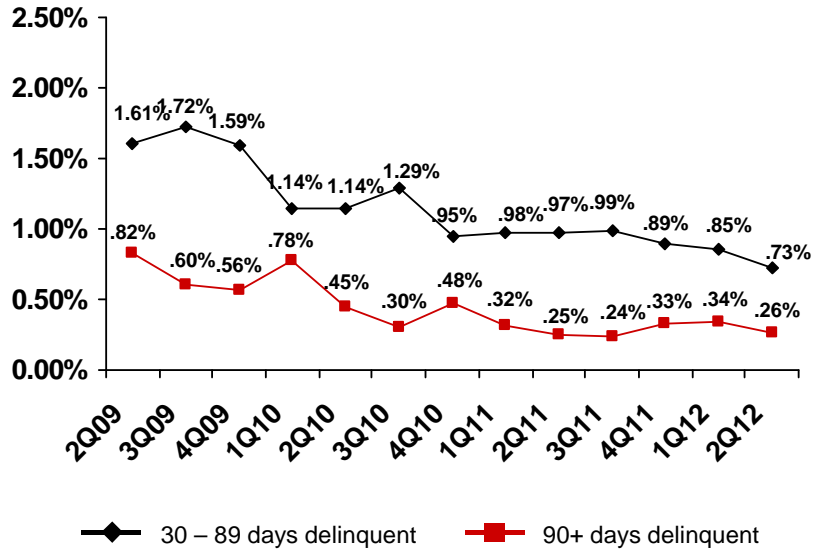


- (a) Includes (1) the business aviation, commercial vehicle, office products, construction and industrial leases; (2) Canadian lease financing portfolios; and (3) all remaining balances related to lease in, lease out; sale in, lease out; service contract leases; and qualified technological equipment leases
- (b) Includes loans in Key's consolidated education loan securitization trusts
- (c) Credit amounts indicate recoveries exceeded charge-offs

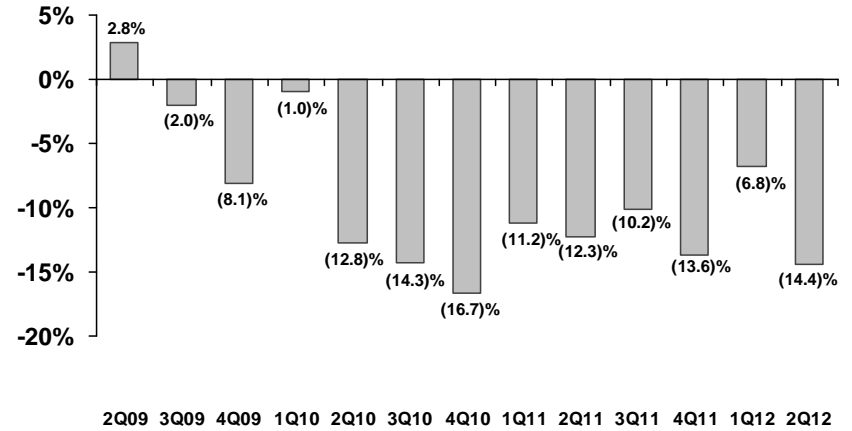


Credit Quality Trends

Delinquencies to Period-end Total Loans



Quarterly Change in Criticized Outstandings (a)



(a) Loan and Lease Outstandings



GAAP to Non-GAAP Reconciliation

\$ in millions

	Three months ended		
	6-30-12	3-31-12	6-30-11
Tangible common equity to tangible assets at period end			
Key shareholders' equity (GAAP)	\$ 10,155	\$ 10,099	\$ 9,719
Less: Intangible assets	932	932	936
Preferred Stock, Series A	291	291	291
Tangible common equity (non-GAAP)	\$ <u>8,932</u>	\$ <u>8,876</u>	\$ <u>8,492</u>
Total assets (GAAP)	\$ 86,523	\$ 87,431	\$ 88,782
Less: Intangible assets	932	932	936
Tangible assets (non-GAAP)	\$ <u>85,591</u>	\$ <u>86,499</u>	\$ <u>87,846</u>
Tangible common equity to tangible assets ratio (non-GAAP)	10.44 %	10.26 %	9.67 %
Tier 1 common equity at period end			
Key shareholders' equity (GAAP)	\$ 10,155	\$ 10,099	\$ 9,719
Qualifying capital securities	339	1,046	1,791
Less: Goodwill	917	917	917
Accumulated other comprehensive income (loss) ^(a)	(113)	(70)	47
Other assets ^(b)	69	69	157
Total Tier 1 capital (regulatory)	9,621	10,229	10,389
Less: Qualifying capital securities	339	1,046	1,791
Preferred Stock, Series A	291	291	291
Total Tier 1 common equity (non-GAAP)	\$ <u>8,991</u>	\$ <u>8,892</u>	\$ <u>8,307</u>
Net risk-weighted assets (regulatory) ^{(b), (c)}	\$ 76,984	\$ 76,956	\$ 74,578
Tier 1 common equity ratio (non-GAAP) ^(c)	11.68 %	11.55 %	11.14 %
Pre-provision net revenue			
Net interest income (GAAP)	\$ 538	\$ 553	\$ 564
Plus: Taxable-equivalent adjustment	6	6	6
Noninterest income	485	472	454
Less: Noninterest expense	714	703	680
Pre-provision net revenue from continuing operations (non-GAAP)	\$ <u>315</u>	\$ <u>328</u>	\$ <u>344</u>

(a) Includes net unrealized gains or losses on securities available for sale (except for net unrealized losses on marketable equity securities), net gains or losses on cash flow hedges, and amounts resulting from the December 31, 2006, adoption and subsequent application of the applicable accounting guidance for defined benefit and other postretirement plans.

(b) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed deferred tax assets of \$75 million at June 30, 2011, disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at June 30, 2012 and March 31, 2012.

(c) 6-30-12 amount is estimated.



Tier 1 Common Equity under Basel III (estimated)

KeyCorp & Subsidiaries

TIER 1 COMMON EQUITY UNDER BASEL III (ESTIMATES) ⁽¹⁾	
<i>(\$ in billions)</i>	Quarter ended June 30, 2012 ⁽²⁾
Tier 1 Common Equity under Basel I	\$9.0
Adjustments from Basel I to Basel III:	
Cumulative Other Comprehensive Income ⁽³⁾	(0.1)
Deferred Tax Assets ⁽⁴⁾	(0.1)
Tier 1 common equity anticipated under Basel III ⁽⁵⁾	\$8.8
Total risk-weighted assets under Basel I	\$77.0
Adjustments from Basel I to Basel III:	
Market Risk Impact	0.6
Loan Commitments < 1 Year	1.1
Residential Mortgage Loans & Home Equity	1.7
Other	0.7
Total risk-weighted assets under Basel III	81.1
Tier 1 common equity to total risk-weighted assets anticipated under Basel III	10.9%

(1) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses.

(2) 6-30-12 capital information is estimated.

(3) Includes AFS mark-to-market, cash flow hedges on items recognized at fair value on the balance sheet, and defined benefit pension liability.

(4) Deferred tax asset subject to future taxable income for realization, primarily tax credit carryforwards.

(5) The amount of regulatory capital and risk-weighted assets estimated under Basel III (as fully phased-in on January 1, 2019) is based upon the federal banking agencies' notices of proposed rulemaking, which implement Basel III and the Standardized Approach.

