

# KeyCorp

## Second Quarter 2013 Earnings Review

July 18, 2013

**Beth E. Mooney**

Chairman and  
Chief Executive Officer

**Don Kimble**

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, asset quality trends, capital levels and profitability. Forward-looking statements are not historical facts but instead only represent 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: continued strain on the global financial markets as a result of economic slowdowns and concerns; the slow progress of the U.S. economic recovery; changes in trade, monetary and fiscal policies of various governmental bodies and central banks in the economies in which we operate; 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; changes in local, regional and international business, economic or political conditions in the regions where we operate or have significant assets; current regulatory initiatives in the U.S., including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended, subjecting us to a variety of new and more stringent legal and regulatory requirements and increased scrutiny from our regulators; the deterioration of unemployment or real estate asset values or their failure to recover for an extended period of time; adverse changes in credit quality trends; our ability to determine accurate values of certain assets and liabilities; adverse behaviors in securities, public debt, and capital markets, including changes in market liquidity and volatility; 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; the soundness of other financial institutions; our ability to satisfy new capital and liquidity standards such as those imposed by the Dodd-Frank Act and those adopted by the Basel Committee; our ability to receive dividends from our subsidiary, KeyBank; reductions of the credit ratings assigned to KeyCorp and KeyBank; unexpected or prolonged changes in the level or cost of liquidity; our ability to secure alternative funding sources under stressed liquidity conditions; our ability to timely and effectively implement our strategic initiatives; operational or risk management failures; breaches of security or failures of our technology systems due to technological, cybersecurity threats or other factors; the occurrence of natural or man-made disasters or conflicts or terrorist attacks disrupting the economy or our ability to operate; the adequacy of our risk management programs; adverse judicial proceedings; increased competitive pressure due to consolidation; our ability to attract and/or retain talented executives and employees; our ability to effectively sell additional products or services to new or existing customers; our ability to manage our reputational risks; unanticipated adverse effects of acquisitions and dispositions of assets, business units or affiliates.

We provide greater detail regarding some of these factors in our 2012 Form 10-K, including in Item 1. Business under the heading "Supervision and Regulation", 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](http://www.key.com/ir) and on the SEC's website at [www.sec.gov](http://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," "pre-provision net revenue," "cash efficiency ratio," and "adjusted cash efficiency ratio." 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](http://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 – 2Q13

## Optimize and Grow Revenue

- Net interest income up 8% compared to the prior year
- Grew average CF&A loans by 14% from the prior year
- Acquisition of commercial mortgage servicing business
- Expanded mobile capabilities for commercial and consumer clients

## Improve Efficiency

- Achieved approximately \$171 million in annualized expense savings through 2Q13; remainder of the \$200 million target to be achieved by Dec. '13
- Charges of \$37 million during 2Q13 related to efficiency initiative
- Realigned Community Bank structure and organization; closed 33 branches

## Effectively Manage Capital

- Increased common share dividend by 10%
- Repurchased \$112 million in common shares during 2Q13
- Well-positioned for transition to Basel III

Execution of strategy and differentiated business model driving results



# Financial Review



# Financial Highlights

	Metrics	2Q13	1Q13	4Q12	3Q12	2Q12
<b>Financial Performance</b> <sup>(a)</sup>	EPS – assuming dilution	\$ .21	\$ .21	\$ .20	\$ .22	\$ .23
	Cash efficiency ratio <sup>(e)</sup>	69 %	66 %	69 %	64 %	69 %
	Adj. cash efficiency ratio (ex. initiative charges) <sup>(e)</sup>	65	65	67	62	69
	Net interest margin (TE)	3.13	3.24	3.37	3.23	3.06
	Return on average total assets	.95	.99	.96	1.06	1.10
<b>Balance Sheet Growth</b> <sup>(a), (b)</sup>	Total loans and leases	7 %	6 %	7 %	6 %	2 %
	CF&A loans	14	16	21	24	22
	Deposits (excl. foreign deposits)	8	7	7	7	5
<b>Capital</b> <sup>(c)</sup>	Tier 1 common equity <sup>(d), (e)</sup>	11.3 %	11.4 %	11.4 %	11.3 %	11.6 %
	Tier 1 risk-based capital <sup>(d)</sup>	12.0	12.2	12.2	12.1	12.5
	Tangible common equity to tangible assets <sup>(e)</sup>	10.0	10.2	10.2	10.4	10.4
<b>Asset Quality</b> <sup>(a)</sup>	NCOs to average loans	.34 %	.38 %	.44 %	.86 %	.63 %
	NPLs to EOP portfolio loans	1.23	1.24	1.28	1.27	1.32
	Allowance for loan losses to EOP loans	1.65	1.70	1.68	1.73	1.79

TE = Taxable equivalent, EOP = End of Period

(a) From continuing operations

(b) Year-over-year average balance growth

(c) From consolidated operations

(d) 6-30-13 ratios are estimated

(e) Non-GAAP measure: see Appendix for reconciliation

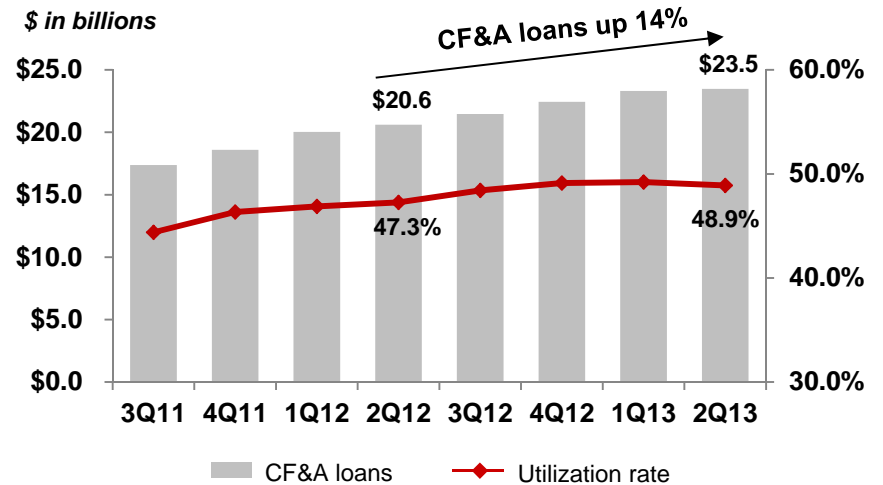


# Loan Growth

## Highlights

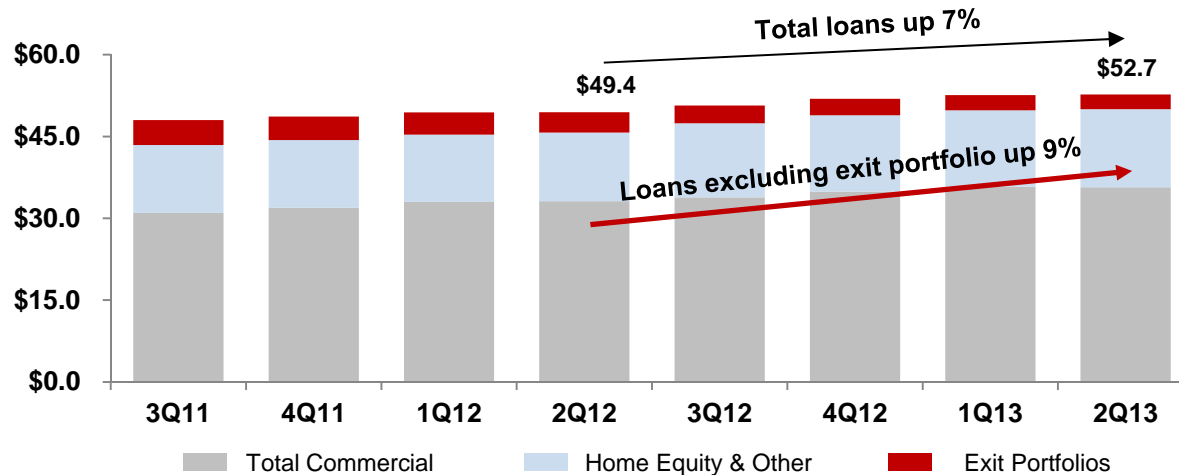
- Average loan growth from prior year driven by CF&A, while the exit portfolio continues to run-off
- Excluding the exit portfolio, average loans up 9% from prior year
- Average loans stable linked quarter, reflecting cautious client behavior, a competitive environment and attractive capital markets alternatives
- High quality new loan originations

## Average Commercial, Financial & Agricultural Loans



## Average Loans

*\$ in billions*

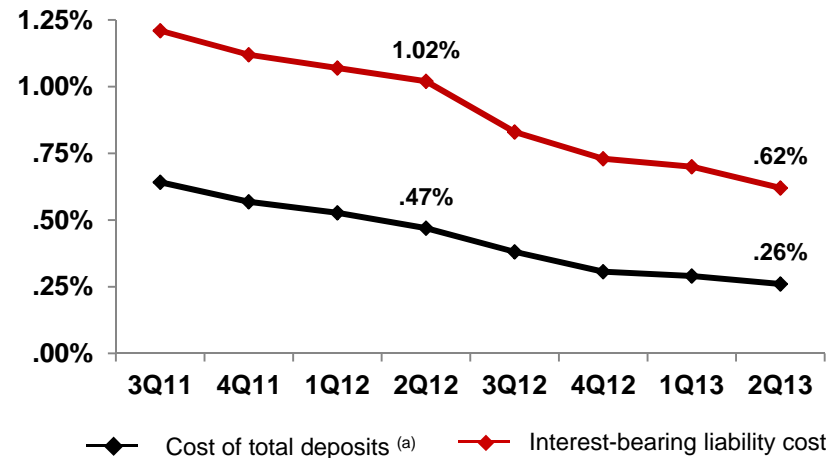


# Improving Deposit Mix

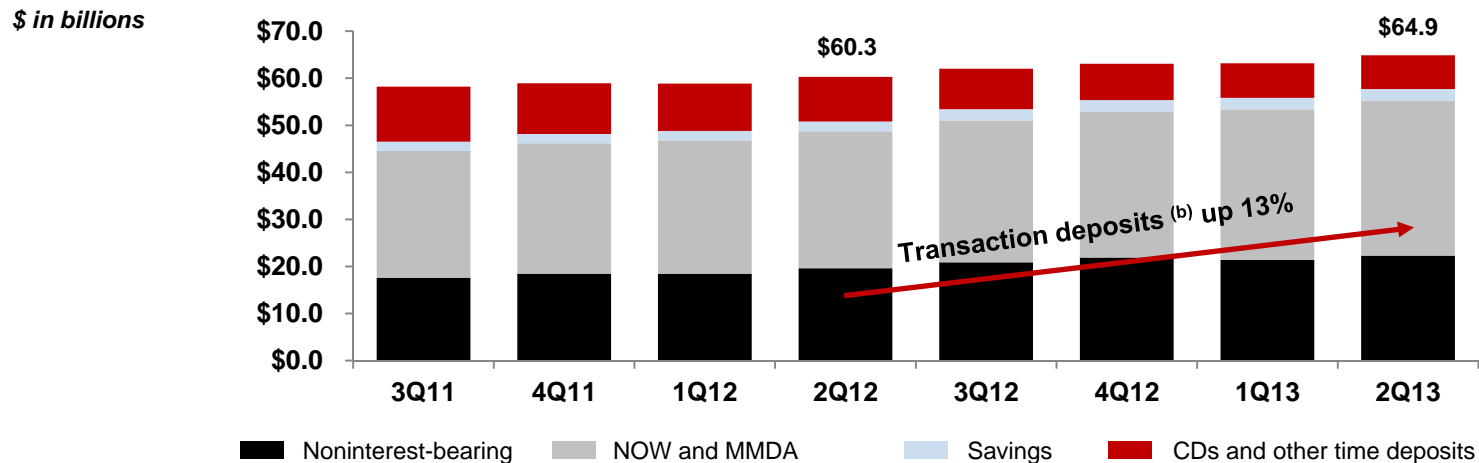
## Highlights

- Overall funding cost continues to improve, with total deposit cost declining to 26 bps
- Transaction deposit balances up 13% from 2Q12
- Total CD maturities and average cost
  - 2013 Q3: \$2.0 billion at .94%
  - 2013 Q4: \$1.0 billion at 1.11%
  - 2014: \$2.8 billion at 1.62%
  - 2015 & beyond: \$1.3 billion at 2.27%

## Funding Cost



## Average Deposits (a)



- (a) Excludes deposits in foreign office  
 (b) Transaction deposits include noninterest-bearing, NOW, and MMDA



# Net Interest Income and Margin

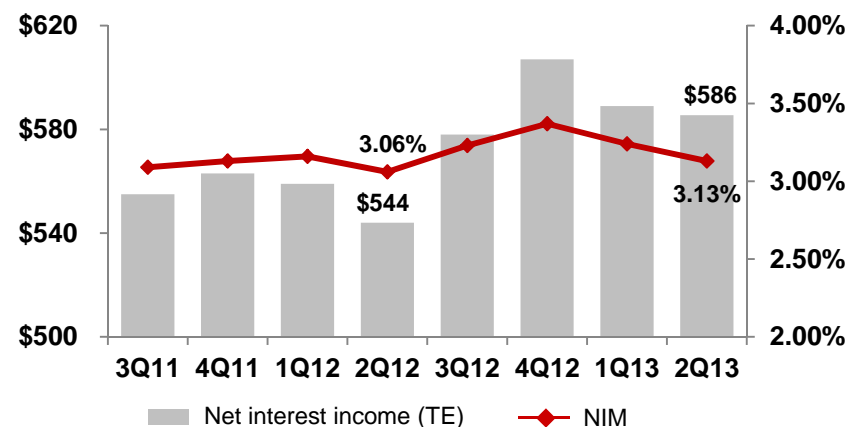
## Highlights

- Net interest income increased 8% from prior year
- Net interest margin compared to prior quarter impacted by lower asset yields, earning asset mix, higher liquidity, and roll-off of swaps
- Moderate asset sensitive position migrating higher due to natural business flows
- Use of swaps provides flexibility to quickly adjust interest rate risk position

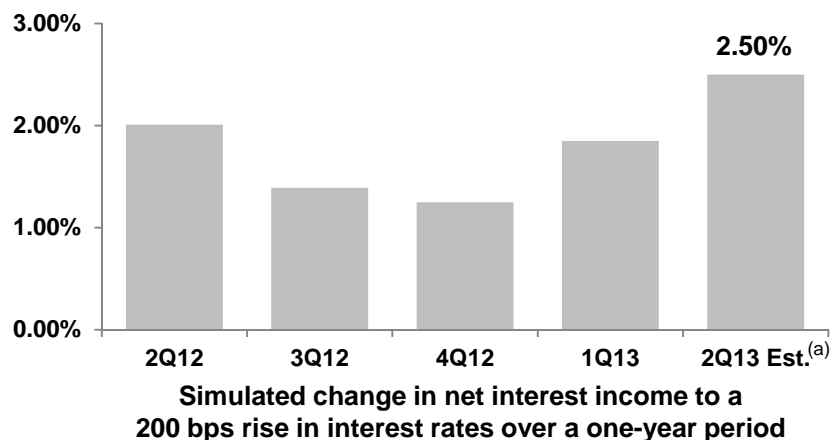
## Net Interest Income & Net Interest Margin (TE) Trend

\$ in millions

Continuing Operations



## Asset Sensitivity



NIM Change (bps):	vs. 1Q13
Loan yield, mix and fees	(.06)
Higher liquidity / securities	(.05)
Interest rate risk management / swaps	(.02)
Funding cost / other	.02
<b>Total Change</b>	<b>(.11)</b>



TE = Taxable equivalent

(a) 2Q13 change in interest income is estimated



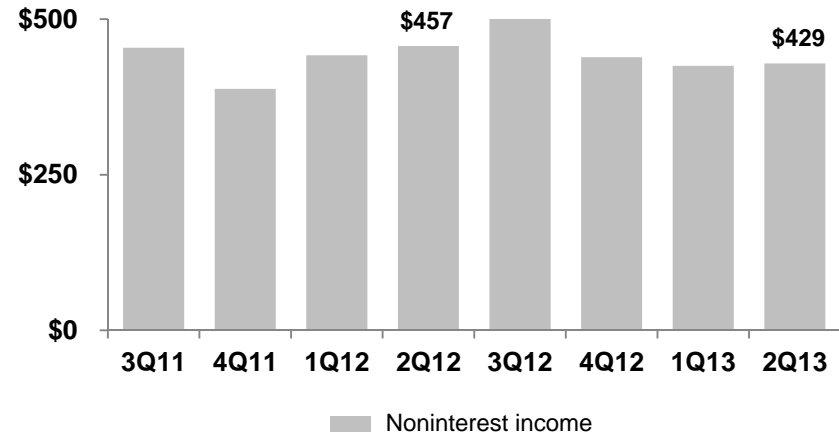
# Noninterest Income

## Highlights

- **Strength in core fee income categories helped to offset prior year gains:**
  - Investment banking & debt placement fees (+\$11MM); cards and payments income (+\$11MM); trust and investment services (+\$10MM)
  - 2Q12 leverage lease termination gain (-\$31MM)
  - Lower gains from principal investing (-\$17MM)
- **Investment banking and debt placement fees, up 46% from prior year on a rolling four quarter avg.**

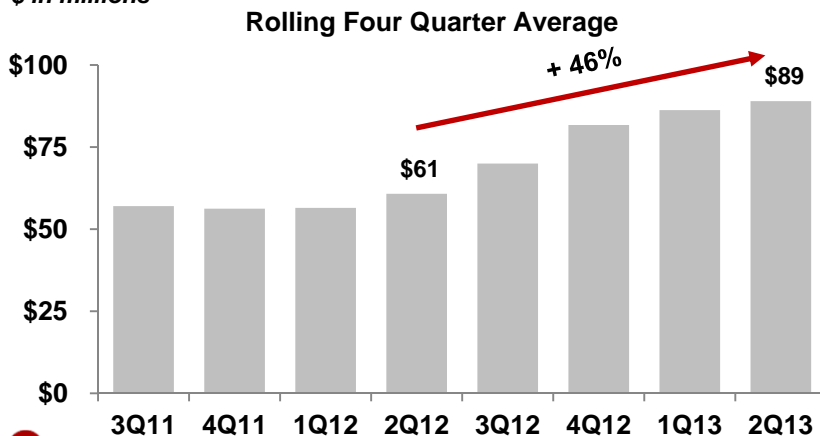
## Noninterest Income

Continuing Operations  
\$ in millions



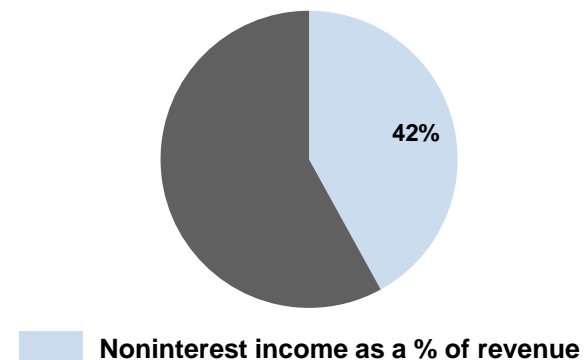
## Investment Banking & Debt Placement Fees

\$ in millions



## Revenue Diversity

2Q13



TE = Taxable equivalent

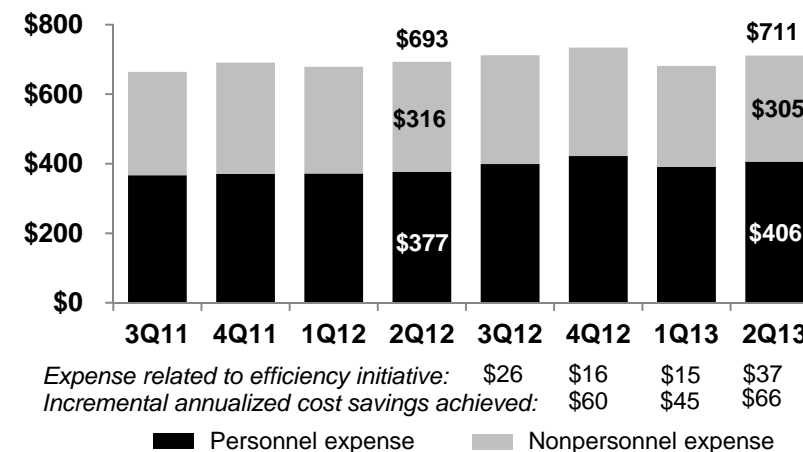
# Focused Expense Management

## Highlights

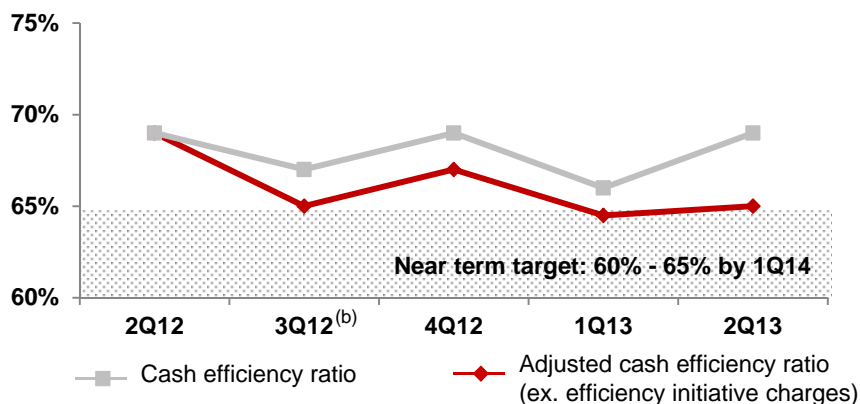
- Significant progress made on efficiency initiative
  - Achieved approximately \$171 million in annualized expense savings through 2Q13
- 2Q13 expense included \$37 million related to efficiency initiative, of which \$18 million was severance
- Expenses down \$45 million from prior year excluding charges related to efficiency initiative and acquisitions

## Noninterest Expense

\$ in millions

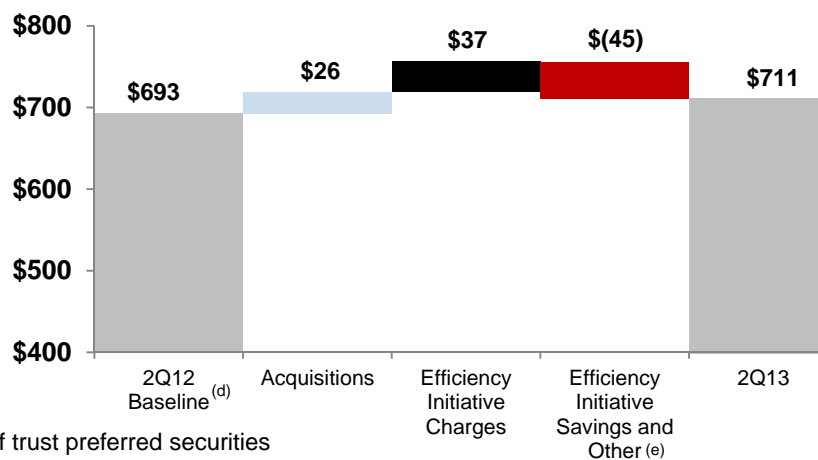


## Efficiency Ratio (a)



## Y-o-Y Change in Noninterest Expense (c)

\$ in millions



(a) Non-GAAP measures: see Appendix for reconciliation

(b) Excludes one-time gains of \$54 million related to the redemption of trust preferred securities

(c) Includes ongoing, one-time and amortization expenses

(d) Excludes expenses for Victory Capital Management, which were moved to discontinued operations in 1Q13

(e) Includes quarterly run-rate of \$171 million in annualized expense savings realized through 2Q13



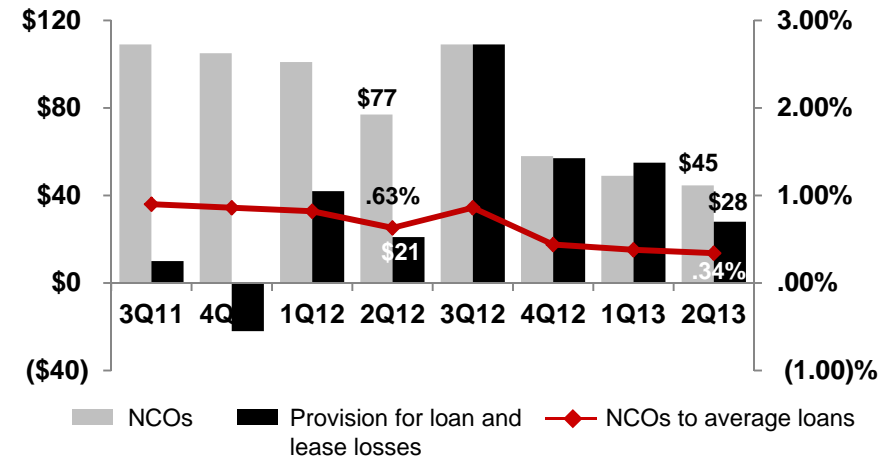
# Continued Improvement in Asset Quality

## Highlights

- Net loan charge-offs decreased 42% from 2Q12 to \$45 million, or 34 bps of average loans
- 2Q13 commercial loan net charge-offs were \$5 million or 5 bps of average loans
- Asset quality reaching normalized levels, with net charge-offs expected to be at or below targeted range

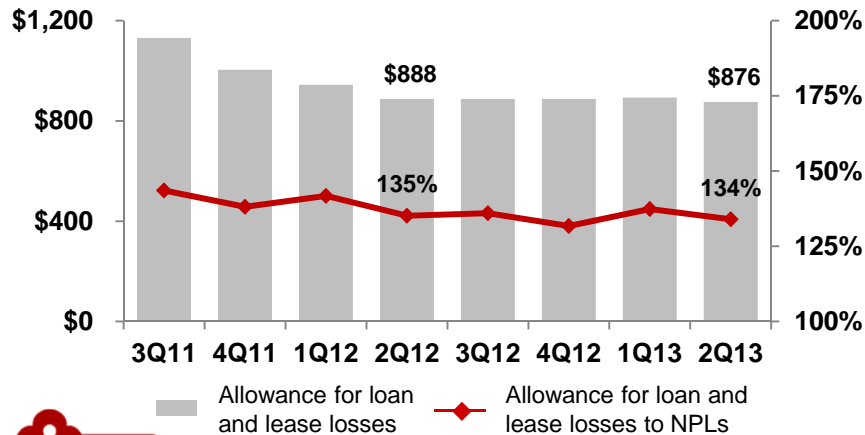
## Net Charge-offs & Provision for Loan and Lease Losses

\$ in millions



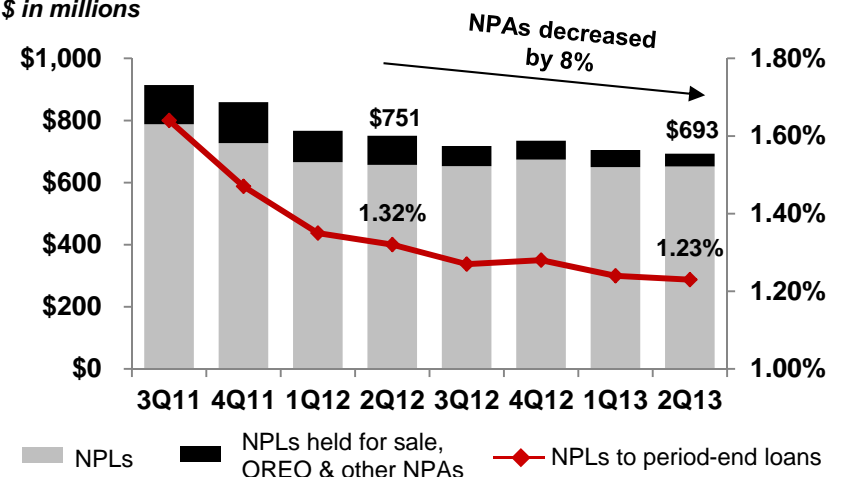
## Allowance for Loan and Lease Losses

\$ in millions



## Nonperforming Assets

\$ in millions

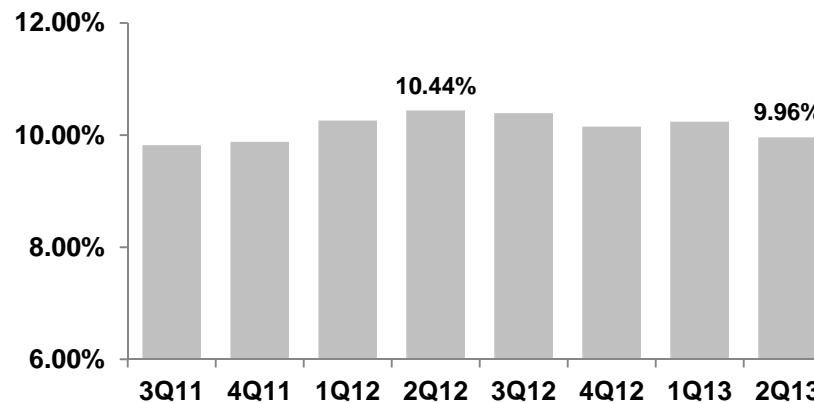


# Strong Capital Ratios

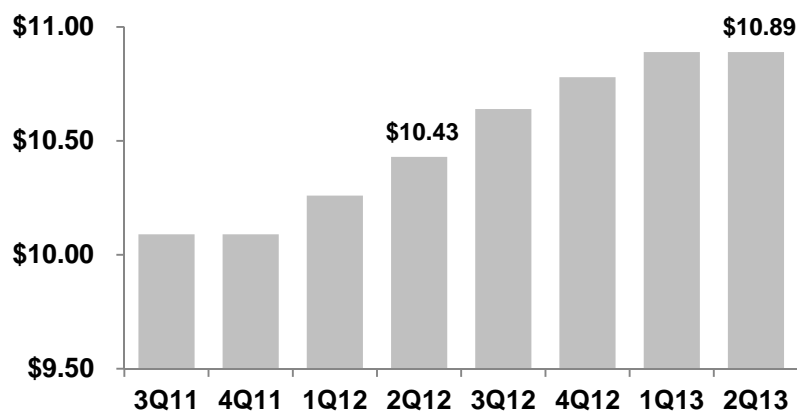
## Highlights

- Disciplined execution of capital plan
  - Increased dividend 10%
  - Repurchased \$112 million in common shares during 2Q13
- Well-positioned for transition to Basel III
- Estimated Basel III Tier 1 common equity ratio of 10.8%<sup>(a), (b)</sup>

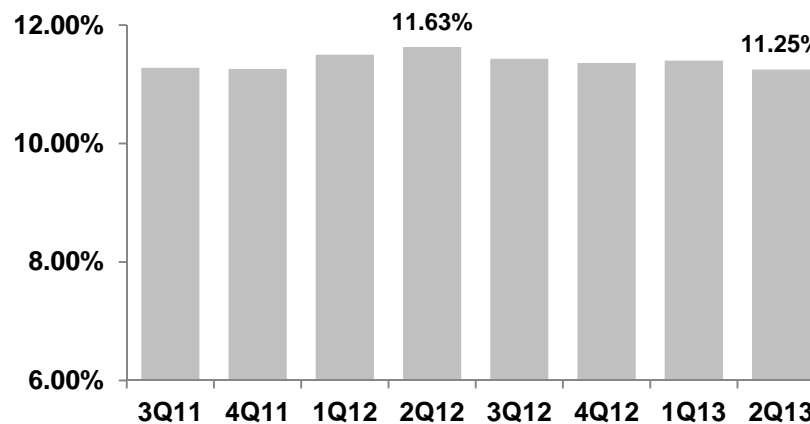
## Tangible Common Equity to Tangible Assets <sup>(b)</sup>



## Book Value per Share



## Tier 1 Common Equity <sup>(b), (c)</sup>



(a) Based upon June 30, 2013 pro forma analysis; see Appendix for further detail  
 (b) Non-GAAP measure: see Appendix for reconciliations  
 (c) 6-30-13 ratio is estimated

# Appendix



# Progress on Targets for Success

KEY Business Model	KEY Metrics <sup>(a)</sup>	KEY 2Q13	KEY 1Q13	Targets	Action Plans
Core funded	Loan to deposit ratio <sup>(b)</sup>	84%	87%	90-100%	<ul style="list-style-type: none"> <li>Use integrated model to grow relationships and loans</li> <li>Improve deposit mix</li> </ul>
Returning to a moderate risk profile	NCOs to average loans	.34%	.38%	40-60 bps	<ul style="list-style-type: none"> <li>Focus on relationship clients</li> <li>Exit noncore portfolios</li> <li>Limit concentrations</li> <li>Focus on risk-adjusted returns</li> </ul>
	Provision to average loans	.21%	.42%		
Growing high quality, diverse revenue streams	Net interest margin	3.13%	3.24%	>3.50%	<ul style="list-style-type: none"> <li>Improve funding mix</li> <li>Focus on risk-adjusted returns</li> <li>Grow client relationships</li> <li>Capitalize on Key's total client solutions and cross-selling capabilities</li> </ul>
	Noninterest income to total revenue	42%	42%	>40%	
Creating positive operating leverage	Cash efficiency ratio <sup>(c)</sup>	69%	66%	60-65%	<ul style="list-style-type: none"> <li>Improve efficiency and effectiveness</li> <li>Better utilize technology</li> <li>Change cost base to more variable from fixed</li> </ul>
	Adj. cash efficiency ratio (ex. efficiency initiative charges) <sup>(c)</sup>	65%	65%		
Executing our strategies	Return on average assets	.95%	.99%	1.00-1.25%	<ul style="list-style-type: none"> <li>Execute our client insight-driven relationship model</li> <li>Focus on operating leverage</li> <li>Improved funding mix with lower cost core deposits</li> </ul>

(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)

(c) Excludes intangible asset amortization; Non-GAAP measure: see Appendix for reconciliation

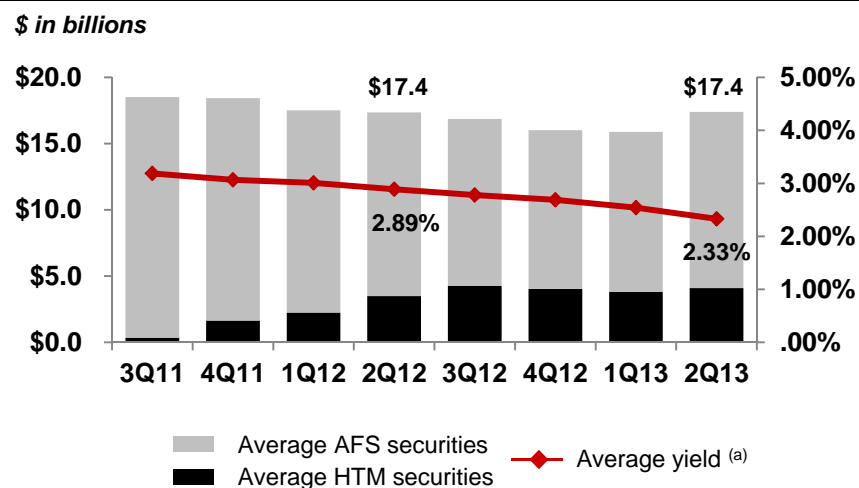


# High Quality Investment Portfolio

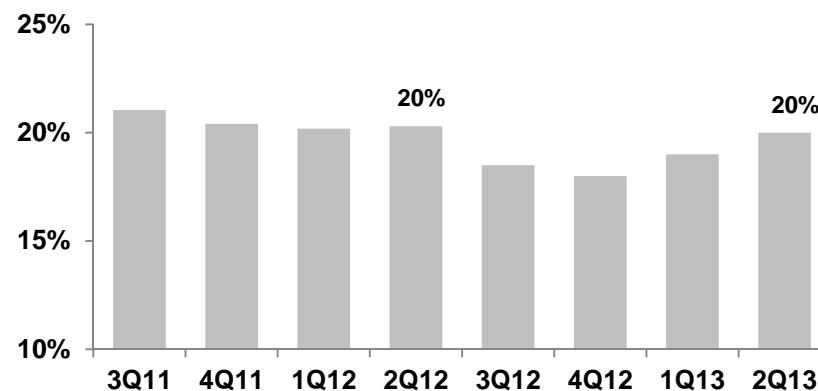
## Highlights

- Portfolio composed of Agency or GSE backed CMOs: Fannie, Freddie & GNMA
  - No private label MBS or financial paper
- Average portfolio life at 6/30/13 of 3.2 years compared to 2.8 years at 3/31/13
- Unrealized net gain of \$133 million on available-for-sale securities portfolio at 6/30/13
- Securities cash flows of \$1.5 billion in both 2Q13 and 1Q13
- Average portfolio balances higher by \$1.6 billion compared to 1Q13 due to investment of excess liquidity
- Yields on purchases were 137 bps lower than 2Q13 maturities

## Average Total Investment Securities



## Securities to Total Assets (b)



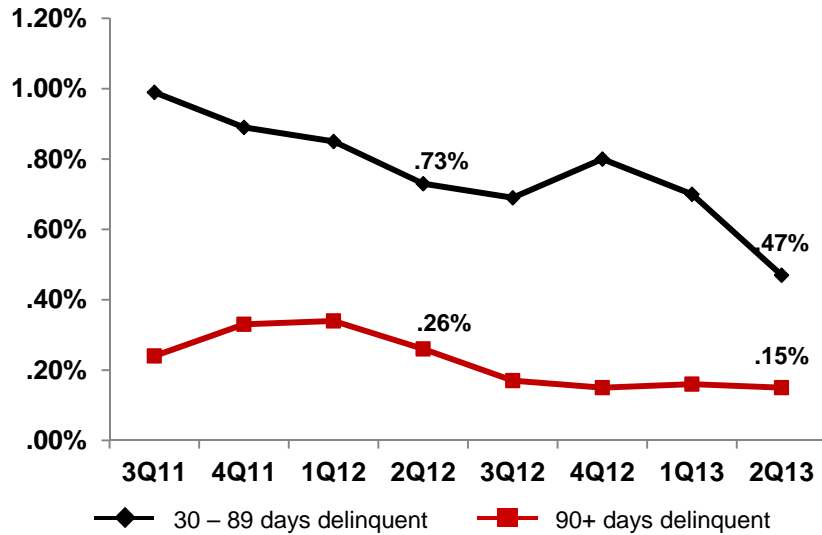
(a) Yield is calculated on the basis of amortized cost

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

# Asset Quality Trends

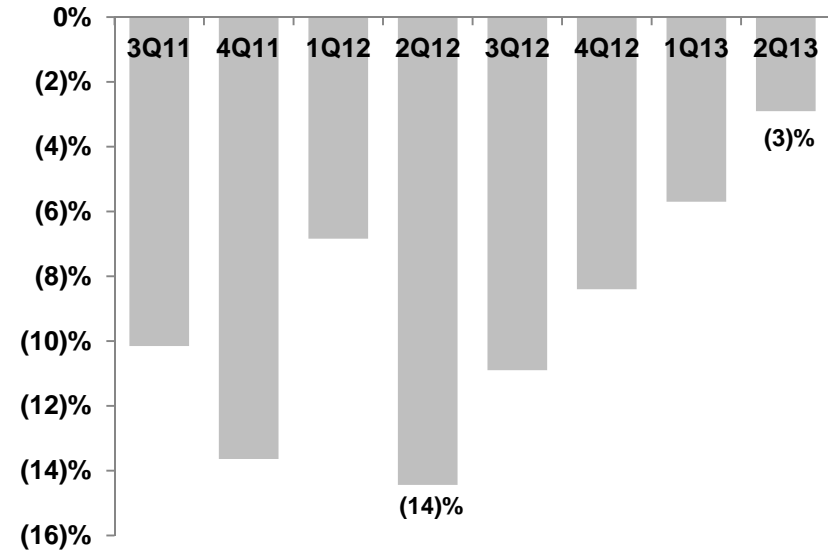
## Delinquencies to Period-end Total Loans

Continuing Operations



## Quarterly Change in Criticized Outstandings (a)

Continuing Operations



Metric (b)	2Q13		1Q13		4Q12		3Q12		2Q12	
Delinquencies to EOP total loans: 30 -89 days	.47	%	.70	%	.80	%	.69	%	.73	%
Delinquencies to EOP total loans: 90+ days	.15		.16		.15		.17		.26	
NPLs to EOP portfolio loans	1.23		1.24		1.28		1.27		1.32	
NPAs to EOP portfolio loans + OREO + Other NPAs	1.30		1.34		1.39		1.39		1.51	
Allowance for loan losses to period-end loans	1.65		1.70		1.68		1.73		1.79	
Allowance for loan losses to NPLs	134.36		137.38		131.75		135.99		135.16	



(a) Loan and lease outstandings  
(b) From continuing operations



# Credit Quality

## Credit Quality by Portfolio

\$ in millions	Period-end loans	Average loans	Net loan charge-offs		Net loan charge-offs <sup>(b)</sup> / average loans (%)		Nonperforming loans <sup>(c)</sup>		Ending allowance <sup>(d)</sup>	Allowance / period-end loans <sup>(d)</sup> (%)	Allowance / NPLs (%)
			2Q13	1Q13	2Q13	1Q13	6/30/13	3/31/13			
Commercial, financial and agricultural <sup>(a)</sup>	\$23,715	\$23,480	\$ 8	\$ 2	.14	.03	\$ 146	\$ 142	\$ 352	1.48	241.10
Commercial real estate:											
Commercial Mortgage	7,474	7,494	(2)	8	(.11)	.43	106	114	182	2.44	171.70
Construction	1,060	1,049	1	(7)	.38	(2.75)	26	27	34	3.21	130.77
Commercial lease financing	4,774	4,747	(2)	2	(.17)	.17	14	12	61	1.28	435.71
Real estate – residential mortgage	2,176	2,176	4	6	.74	1.12	94	96	33	1.52	35.11
Home equity:											
Key Community Bank	10,173	9,992	14	16	.56	.66	205	199	94	.92	45.85
Other	375	389	5	4	5.16	3.93	16	18	16	4.27	100.00
Consumer other – Key Community Bank	1,424	1,392	5	7	1.44	2.11	3	3	33	2.32	N/M
Credit cards	701	697	6	8	3.45	4.61	11	13	33	4.71	300.00
Consumer other:											
Marine	1,160	1,206	5	3	1.66	.93	30	25	35	3.02	116.67
Other	69	74	1	-	5.42	-	1	1	3	4.35	300.00
<b>Continuing total <sup>(e)</sup></b>	<b>\$53,101</b>	<b>\$52,696</b>	<b>\$ 45</b>	<b>\$ 49</b>	<b>.34</b>	<b>.38</b>	<b>\$ 652</b>	<b>\$ 650</b>	<b>\$ 876</b>	<b>1.65</b>	<b>134.36</b>
Discontinued operations	4,992	5,016	7	12	1.04	1.75	19	15	41	.82	215.79
<b>Consolidated total</b>	<b>\$58,093</b>	<b>\$57,712</b>	<b>\$ 52</b>	<b>\$ 61</b>	<b>.38</b>	<b>.45</b>	<b>\$ 671</b>	<b>\$ 665</b>	<b>\$ 917</b>	<b>1.58</b>	<b>136.66</b>

N/M = Not Meaningful

- (a) 6-30-13 ending loan balances include \$96 million of commercial credit card balances; 6-30-13 average loan balances include \$96 million of assets from commercial credit cards
- (b) 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
- (c) 6-30-13 and 3-31-13 NPL amounts exclude \$19 million and \$22 million respectively of purchased credit impaired loans acquired in July 2012.
- (d) 6-30-13 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
- (e) 6-30-13 ending loan balances include purchased loans of \$187 million of which \$19 million were purchased credit impaired



# Home Equity Loans – 6/30/13

## Community Bank – Home Equity

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average LTV <sup>(a)</sup>	% of Loans LTV>90%	Vintage (% of Loans)				
						2012 and later	2011	2010	2009	2008 and prior
Home equity loans and lines										
First lien	\$ 5,789	\$ 66,976	763	67 %	.6 %	36 %	7 %	4 %	5 %	48 %
Second lien	4,384	47,701	759	76	3.1	22	6	4	5	63
Total home equity loans and lines	\$ 10,173	\$ 57,043	761	71	1.8	29	7	4	5	55
Nonaccrual loans										
First lien	\$ 110	\$ 59,629	713	73 %	.5 %	2 %	3 %	3 %	5 %	87 %
Second lien	95	48,173	710	78	2.6	1	2	1	4	92
Total home equity nonaccrual loans	\$ 205	\$ 53,717	712	75	1.3	1	2	2	5	90
Community Bank - Home Equity										
Second quarter net charge-offs	\$ 14					-	-	2 %	6 %	92 %
Net loan charge-offs to average loans	.56 %									

## Exit Portfolio – Home Equity

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average LTV <sup>(a)</sup>	% of Loans LTV>90%	Vintage (% of Loans)				
						2012 and later	2011	2010	2009	2008 and prior
Home equity loans and lines										
First lien	\$ 17	\$ 22,727	744	35 %	.3 %	-	-	-	1 %	99 %
Second lien	358	23,283	729	82	32.3	-	-	-	-	100
Total home equity loans and lines	\$ 375	\$ 23,257	730	80	30.9	-	-	-	-	100
Nonaccrual loans										
First lien	\$ 1	\$ 19,302	722	35 %	-	-	-	-	-	100 %
Second lien	15	25,309	707	81	32.4 %	-	-	-	-	100
Total home equity nonaccrual loans	\$ 16	\$ 24,991	707	79	31.1	-	-	-	-	100
Exit Portfolio - Home Equity										
Second quarter net charge-offs	\$ 5					-	-	-	-	100 %
Net loan charge-offs to average loans	5.16 %									

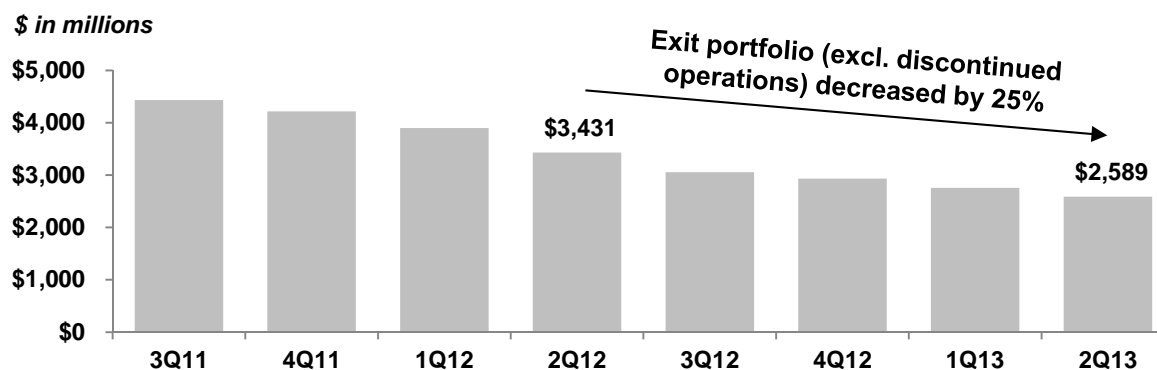


(a) Average LTVs are at origination. Current average LTVs for Community Bank total home equity loans and lines is approximately 75%, which compares to 78% at the end of the first quarter 2013.

# Exit Loan Portfolio

## Exit Loan Portfolio

\$ in millions	Balance Outstanding		Change 6-30-13 vs. 3-31-13	Net Loan Charge-offs		Balance on Nonperforming Status	
	6-30-13	3-31-13		2Q13	1Q13 (c)	6-30-13	3-31-13
Residential properties – homebuilder	\$ 26	\$ 29	\$ (3)	\$ 1	-	\$ 8	\$ 10
Marine and RV floor plan	28	29	(1)	-	\$ (3)	7	6
Commercial lease financing (a)	931	966	(35)	(2)	(5)	1	6
Total commercial loans	985	1,024	(39)	(1)	(8)	16	22
Home equity – Other	375	401	(26)	5	4	16	18
Marine	1,160	1,254	(94)	5	3	31	26
RV and other consumer	69	79	(10)	1	-	-	-
Total consumer loans	1,604	1,734	(130)	11	7	47	44
<b>Total exit loans in loan portfolio</b>	<b>\$ 2,589</b>	<b>\$ 2,758</b>	<b>\$ (169)</b>	<b>\$ 10</b>	<b>\$ (1)</b>	<b>\$ 63</b>	<b>\$ 66</b>
Discontinued operations – education lending business (not included in exit loans above) (b)	\$ 4,992	\$ 5,086	\$ (94)	\$ 7	\$ 12	\$ 19	\$ 15



- (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



# GAAP to Non-GAAP Reconciliation

\$ in millions

	Three months ended		
	6-30-13	3-31-13	6-30-12
<b>Tangible common equity to tangible assets at period end</b>			
Key shareholders' equity (GAAP)	\$ 10,229	\$ 10,340	\$ 10,155
Less: Intangible assets <sup>(a)</sup>	1,021	1,024	932
Preferred Stock, Series A <sup>(b)</sup>	282	291	291
Tangible common equity (non-GAAP)	<u>\$ 8,926</u>	<u>\$ 9,025</u>	<u>\$ 8,932</u>
Total assets (GAAP)	\$ 90,639	\$ 89,198	\$ 86,523
Less: Intangible assets <sup>(a)</sup>	1,021	1,024	932
Tangible assets (non-GAAP)	<u>\$ 89,618</u>	<u>\$ 88,174</u>	<u>\$ 85,591</u>
Tangible common equity to tangible assets ratio (non-GAAP)	9.96 %	10.24 %	10.44 %
<b>Tier 1 common equity at period end</b>			
Key shareholders' equity (GAAP)	\$ 10,229	\$ 10,340	\$ 10,155
Qualifying capital securities	339	339	339
Less: Goodwill	979	979	917
Accumulated other comprehensive income (loss) <sup>(c)</sup>	(359)	(204)	(109)
Other assets <sup>(d)</sup>	102	106	71
Total Tier 1 capital (regulatory)	<u>9,846</u>	<u>9,798</u>	<u>9,615</u>
Less: Qualifying capital securities	339	339	339
Preferred Stock, Series A <sup>(b)</sup>	282	291	291
Total Tier 1 common equity (non-GAAP)	<u>\$ 9,225</u>	<u>\$ 9,168</u>	<u>\$ 8,985</u>
Net risk-weighted assets (regulatory) <sup>(d), (e)</sup>	\$ 81,964	\$ 80,400	\$ 77,236
Tier 1 common equity ratio (non-GAAP) <sup>(e)</sup>	11.25 %	11.40 %	11.63 %
<b>Pre-provision net revenue</b>			
Net interest income (GAAP)	\$ 581	\$ 583	\$ 538
Plus: Taxable-equivalent adjustment	5	6	6
Noninterest income (GAAP)	429	425	457
Less: Noninterest expense (GAAP)	711	681	693
Pre-provision net revenue from continuing operations (non-GAAP)	<u>\$ 304</u>	<u>\$ 333</u>	<u>\$ 308</u>

(a) Three months ended June 30, 2013 and March 31, 2013 exclude \$107 million and \$114 million, respectively, of period end purchased credit card receivable intangible assets

(b) Net of capital surplus for the three months ended June 30, 2013

(c) 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 application of the applicable accounting guidance for defined benefit and other postretirement plans

(d) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at June 30, 2013, March 31, 2013, and June 30, 2012

(e) 6-30-13 amount is estimated



# GAAP to Non-GAAP Reconciliation (continued)

\$ in millions

	Three months ended		
	6-30-13	3-31-13	6-30-12
<b>Average tangible common equity</b>			
Average Key shareholders' equity (GAAP)	\$ 10,314	\$ 10,279	\$ 10,100
Less: Intangible assets (average) <sup>(a)</sup>	1,023	1,027	931
Preferred Stock, Series A (average)	291	291	291
Average tangible common equity (non-GAAP)	<u>\$ 9,000</u>	<u>\$ 8,961</u>	<u>\$ 8,878</u>
<b>Return on average tangible common equity from continuing operations</b>			
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 193	\$ 196	\$ 217
Average tangible common equity (non-GAAP)	9,000	8,961	8,878
Return on average tangible common equity from continuing operations (non-GAAP)	8.60 %	8.87 %	9.83 %
<b>Return on average tangible common equity consolidated</b>			
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 198	\$ 199	\$ 231
Average tangible common equity (non-GAAP)	9,000	8,961	8,878
Return on average tangible common equity consolidated (non-GAAP)	8.82 %	9.01 %	10.46 %
<b>Cash efficiency ratio</b>			
Noninterest expense (GAAP)	\$ 711	\$ 681	\$ 693
Less: Intangible asset amortization on credit cards (GAAP)	7	8	—
Other intangible asset amortization (GAAP)	3	4	1
Adjusted noninterest expense (non-GAAP)	<u>\$ 701</u>	<u>\$ 669</u>	<u>\$ 692</u>
Net interest income (GAAP)	\$ 581	\$ 583	\$ 538
Plus: Taxable-equivalent adjustment	5	6	6
Noninterest income (GAAP)	429	425	457
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,015</u>	<u>\$ 1,014</u>	<u>\$ 1,001</u>
Cash efficiency ratio (non-GAAP)	69.06 %	65.98 %	69.13 %
<b>Adjusted cash efficiency ratio</b>			
Adjusted noninterest expense (non-GAAP)	\$ 701	\$ 669	\$ 692
Less: Efficiency initiative charges (non-GAAP)	37	15	—
Net adjusted noninterest expense (non-GAAP)	<u>\$ 664</u>	<u>\$ 654</u>	<u>\$ 692</u>
Total taxable-equivalent revenue (non-GAAP)	\$ 1,015	\$ 1,014	\$ 1,001
Adjusted cash efficiency ratio (non-GAAP)	65.42 %	64.50 %	69.13 %



(a) Three months ended June 30, 2013 and March 31, 2013 exclude \$110 million and \$118 million, respectively, of average ending purchased credit card receivable intangible assets

# Tier 1 Common Equity under Basel III (estimated)

KeyCorp & Subsidiaries

<b>Tier 1 Common Equity Under Basel III (Estimates) <sup>(a)</sup></b>		
<b>\$ in billions</b>	<b>Quarter ended June 30, 2013</b>	
Tier 1 Common Equity under current regulatory rules	\$	9.2
Adjustments from current regulatory rules to Basel III:		
Deferred tax assets <sup>(b)</sup>		(0.1)
Tier 1 common equity anticipated under Basel III <sup>(c)</sup>	\$	9.2
Total risk-weighted assets under current regulatory rules	\$	82.0
Adjustments from current regulatory rules to Basel III:		
Loan commitments <1 year		0.8
Past Due Loans		0.3
Mortgage servicing assets <sup>(d)</sup>		0.3
Deferred tax assets <sup>(d)</sup>		0.3
Other		1.1
Total risk-weighted assets under Basel III	\$	84.8
<b>Tier 1 common equity to total risk-weighted assets anticipated under Basel III</b>		<b>10.8 %</b>

Table may not foot due to rounding

(a) 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

(b) Includes the deferred tax asset subject to future taxable income for realization, primarily tax credit carryforwards

(c) 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' final Basel III Rule; Key is subject to Basel III under the final rule's Standardized Approach

(d) Item is included in the 10%/15% exceptions bucket calculation and is risk-weighted at 250%

