

# KeyCorp

## Second Quarter 2015 Earnings Review

July 16, 2015

**Beth E. Mooney**

Chairman and  
Chief Executive Officer

**Don Kimble**

Chief Financial Officer



# FORWARD-LOOKING STATEMENTS AND ADDITIONAL INFORMATION DISCLOSURE

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as “goal,” “objective,” “plan,” “expect,” “assume,” “anticipate,” “intend,” “project,” “believe,” “estimate,” or other words of similar meaning. Forward-looking statements provide management’s current expectations or forecasts of future events, circumstances, results or aspirations. Forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements.

There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause actual results to differ from those described in forward-looking statements include, but are not limited to: (1) deterioration of commercial real estate market fundamentals; (2) declining asset prices; (3) adverse changes in credit quality trends; (4) our concentrated credit exposure in commercial, financial, and agricultural loans; (5) defaults by our loan counterparties or clients; (6) the extensive and increasing regulation of the U.S. financial services industry; (7) changes in accounting policies, standards, and interpretations; (8) increasing capital and liquidity standards under applicable regulatory rules; (9) unanticipated changes in our liquidity position, including but not limited to, changes in the cost of liquidity, our ability to enter the financial markets and to secure alternative funding sources; (10) our ability to receive dividends from our subsidiary, KeyBank; (11) downgrades in our credit ratings or those of KeyBank; (12) operational or risk management failures by us or critical third-parties; (13) breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats; (14) negative outcomes from claims or litigation; (15) the occurrence of natural or man-made disasters or conflicts or terrorist attacks; (16) a reversal of the U.S. economic recovery due to financial, political or other shocks; (17) our ability to anticipate interest rate changes and manage interest rate risk; (18) deterioration of economic conditions in the geographic regions where we operate; (19) the soundness of other financial institutions; (20) our ability to attract and retain talented executives and employees and to manage our reputational risks; (21) our ability to timely and effectively implement our strategic initiatives; (22) increased competitive pressure due to industry consolidation; (23) unanticipated adverse effects of strategic partnerships or acquisitions and dispositions of assets or businesses; and (24) our ability to develop and effectively use the quantitative models we rely upon in our business planning.

We provide greater detail regarding these factors in our 2014 Form 10-K and subsequent filings, which are available online at [www.key.com/ir](http://www.key.com/ir) and [www.sec.gov](http://www.sec.gov). Any forward-looking statements made by us or on our behalf speak only as of the date they are made, and Key does not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances.

This presentation also includes certain non-GAAP financial measures related to “tangible common equity,” “Common Equity Tier 1,” “Tier 1 common equity,” “pre-provision net revenue,” and “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 of this presentation and to page 95 of our Form 10-Q dated March 31, 2015.



# Investor Highlights – 2Q15

## Positive Operating Leverage

- **Generated positive operating leverage**
- **Revenue up 4% from 2Q14, benefitting from growth in fee income and loans**
  - Record quarter for investment banking and debt placement: \$141 MM, up 42%
  - Trust and investment services up 18%
  - Cards and payments up 9%
- **Expense growth from prior year reflects higher performance-based compensation and the 3Q14 acquisition of Pacific Crest Securities**

## Strong Risk Management

- **Asset quality remains strong**
  - NCOs represented 25 bps of average loans in 2Q15, below targeted range
  - NPLs remain at a low level: 72 bps of period-end loans
- **Remaining disciplined with structure and relationship focus**

## Disciplined Capital Management

- **Repurchased \$129 million of common shares in 2Q15 (a)**
- **Increased quarterly common share dividend by 15% in 2Q15**
- **Total 2015 payout estimated to be among the highest in our peer group for third consecutive year**



(a) Common share repurchase amount includes repurchases to offset issuances of common shares under our employee compensation plans

# Financial Review



# Financial Highlights

	Metrics	2Q15	1Q15	4Q14	3Q14	2Q14
<b>Financial Performance</b> <sup>(a)</sup>	EPS – assuming dilution	\$ .27	\$ .26	\$ .28	\$ .23	\$ .27
	Cash efficiency ratio <sup>(e)</sup>	65.1 %	65.1 %	64.4 %	69.7 %	65.6 %
	Net interest margin (TE)	2.88	2.91	2.94	2.96	2.98
	Return on average total assets	1.03	1.03	1.12	.92	1.14
<b>Balance Sheet Growth</b> <sup>(a), (b)</sup>	Total loans and leases	4 %	5 %	5 %	5 %	6 %
	CF&A loans	10	12	12	11	13
	Deposits (excl. foreign deposits)	6	5	2	4	2
<b>Capital</b> <sup>(c)</sup>	Common Equity Tier 1 <sup>(d), (e)</sup>	10.7 %	10.6 %	-	-	-
	Tier 1 common equity <sup>(e)</sup>	-	-	11.2 %	11.3 %	11.3 %
	Tier 1 risk-based capital <sup>(d)</sup>	11.1	11.0	11.9	12.0	12.0
	Tangible common equity to tangible assets <sup>(e)</sup>	9.9	9.9	9.9	10.3	10.2
<b>Asset Quality</b> <sup>(a)</sup>	NCOs to average loans	.25 %	.20 %	.22 %	.22 %	.22 %
	NPLs to EOP portfolio loans	.72	.75	.73	.71	.71
	Allowance for loan losses to EOP loans	1.37	1.37	1.38	1.43	1.46

TE = Taxable equivalent, EOP = End of Period

(a) From continuing operations

(b) Year-over-year average balance growth

(c) From consolidated operations

(d) 6-30-15 ratios are estimated

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



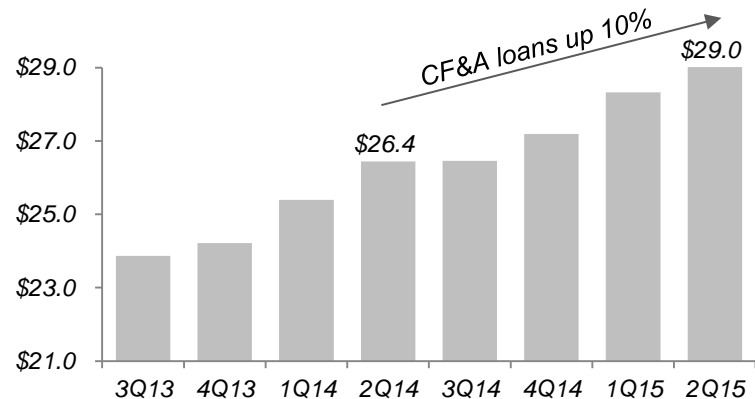
# Loan Growth

## Highlights

- Average total loans up 4% in 2Q15 from prior year, driven by CF&A up 10%
  - Average total loans up in both the Community Bank and the Corporate Bank
- Loan growth continues to be driven primarily by CF&A loans
- Total commitments continue to grow with utilization relatively stable

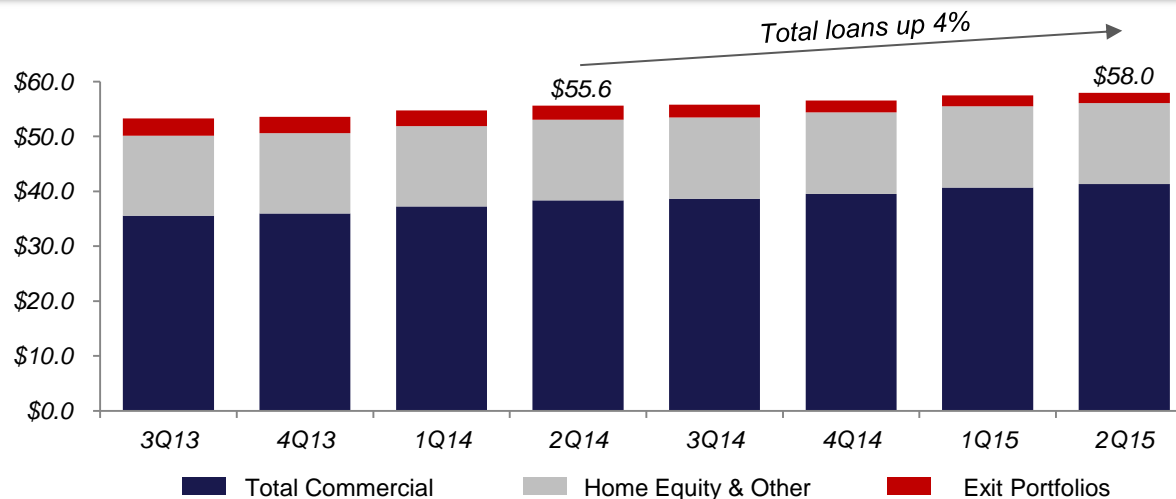
## Average Commercial, Financial & Agricultural Loans

\$ in billions



## Average Loans

\$ in billions

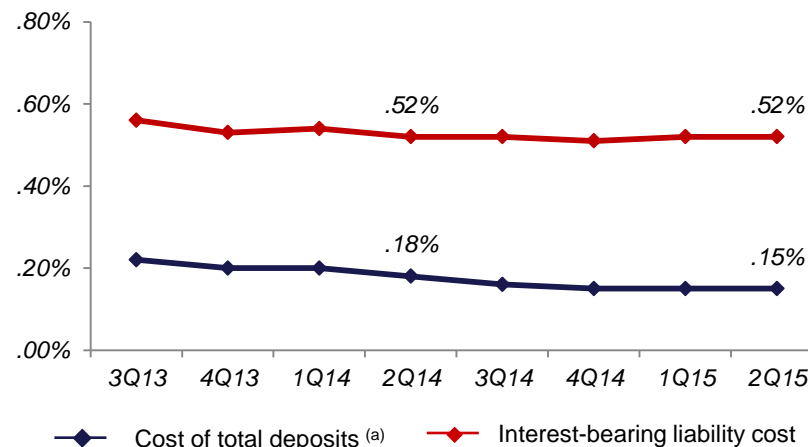


# Improving Deposit Mix

## Highlights

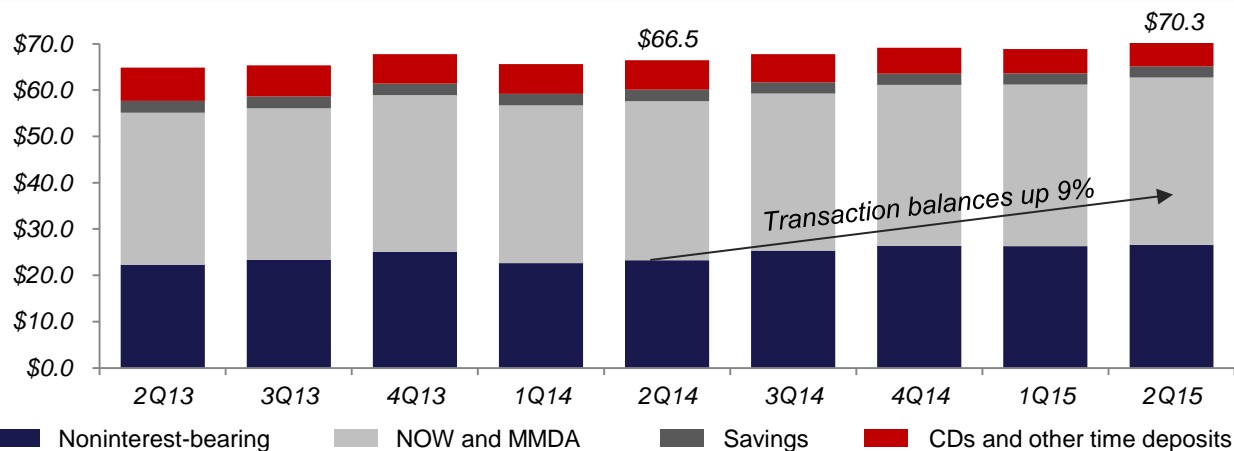
- Deposit cost continues to improve compared to prior year
- Transaction deposit balances up 9% from 2Q14
- Deposit growth of 6% from 2Q14 and 2% from 1Q15 reflects:
  - Strength in commercial mortgage servicing
  - Inflows from both commercial and consumer clients

## Funding Cost



## Average Deposits (a)

\$ in billions



Note: Transaction deposits include noninterest-bearing, as well as NOW and MMDA

(a) Excludes deposits in foreign office

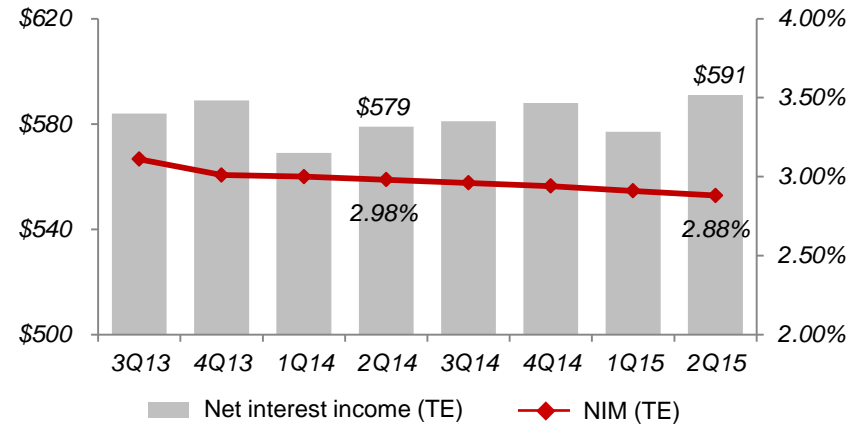
# Net Interest Income and Margin

## Highlights

- Net interest income up \$12 MM, or 2%, from the prior year, reflecting higher earning asset balances mitigated by lower earning asset yields
- NII up \$14 MM, or 2%, from the prior quarter, primarily due to higher earning asset balances and more days in the second quarter of 2015
- Issued \$1.75 B bank-level long-term debt in 2Q15, benefitting LCR and credit ratings profile
- Maintaining moderate asset sensitive position
  - Naturally asset sensitive balance sheet flows: approximately 70% of loans variable rate
  - High quality investment portfolio with average life of 3.8 years
  - Flexibility to quickly adjust interest rate risk position

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

\$ in millions; continuing operations



NIM Change (bps):	vs. 1Q15
Higher levels of liquidity	(.02)
Lower earning asset yields	(.01)
<b>Total Change</b>	<b>(.03)</b>



TE = Taxable equivalent



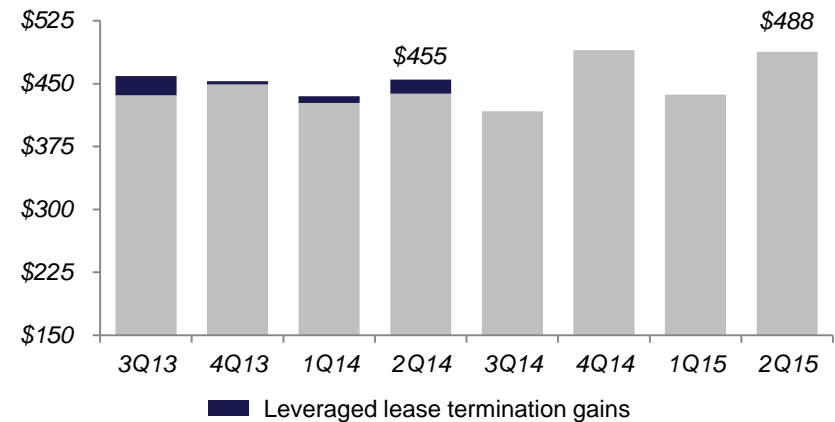
# Noninterest Income

## Highlights

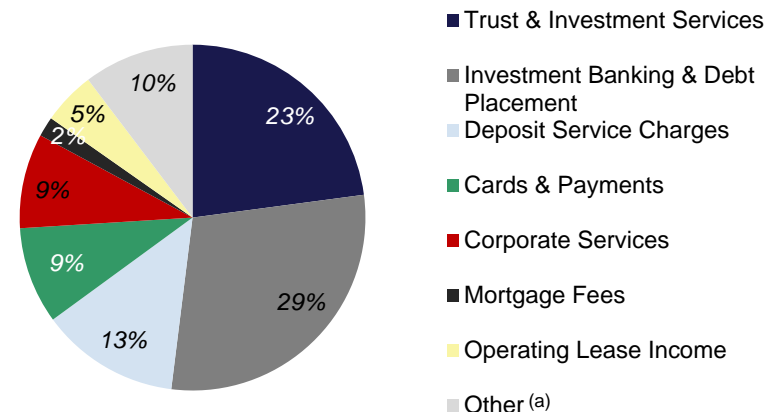
- **Noninterest income up 7% from prior year, driven by strength in core businesses:**
  - Record quarter for investment banking and debt placement fees; \$141 MM, up 42%
  - Trust and investment services 18% higher
  - Cards and payments up 9%
- **Noninterest income up 12% from prior quarter**
  - Investment banking and debt placement fees more than doubled
  - Cards and payments income up 12%
- **2Q15 growth more than offset lower gains from principal investing (compared to prior year and prior quarter) and a \$17 MM gain from the early termination of a leveraged lease in 2Q14**

## Noninterest Income

\$ in millions; continuing operations



## 2Q15 Noninterest Income Diversity



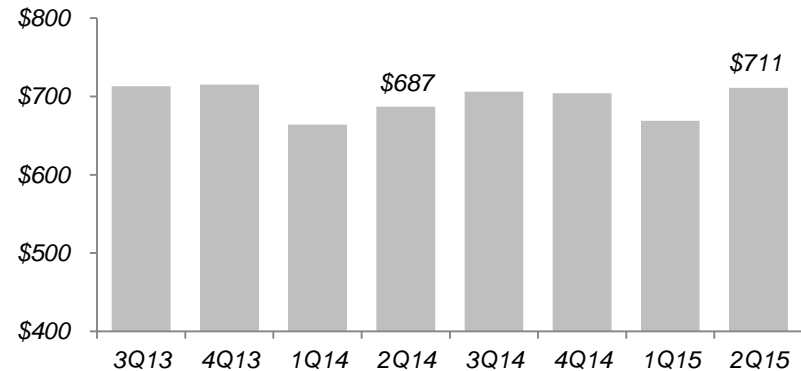
# Focused Expense Management

## Highlights

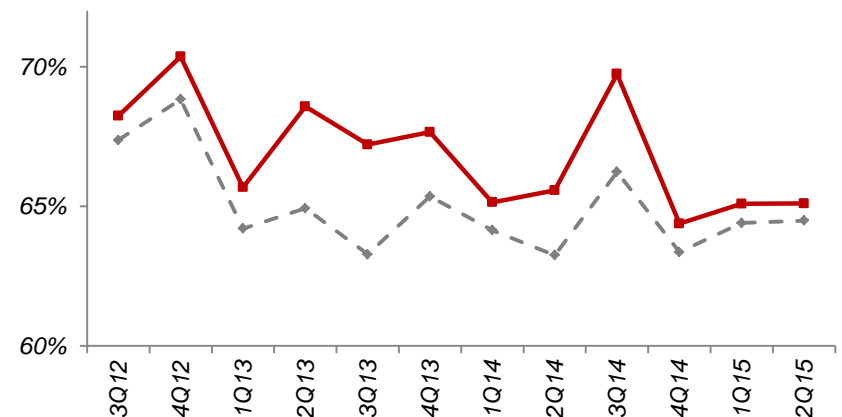
- 2Q15 noninterest expense up 3% from prior year, primarily attributed to:
  - Performance-based compensation
  - Costs associated with the 3Q14 acquisition of Pacific Crest
- 2Q15 included \$10 MM of costs associated with continuous improvement and efficiency efforts
- Expense growth of 6% from 1Q15 driven by:
  - Performance-based compensation
  - Seasonal trends
    - Annual merit increases
    - Increased day count
    - Higher marketing spend
    - Lower employee benefits expense
  - Business services and professional fees

## Noninterest Expense

\$ in millions



## Cash Efficiency Ratio (a), (b)



--- Cash efficiency ratio, excl. costs for continuous improvement efforts



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

(b) 3Q12 excludes one-time gains of \$54 million related to the redemption of trust preferred securities

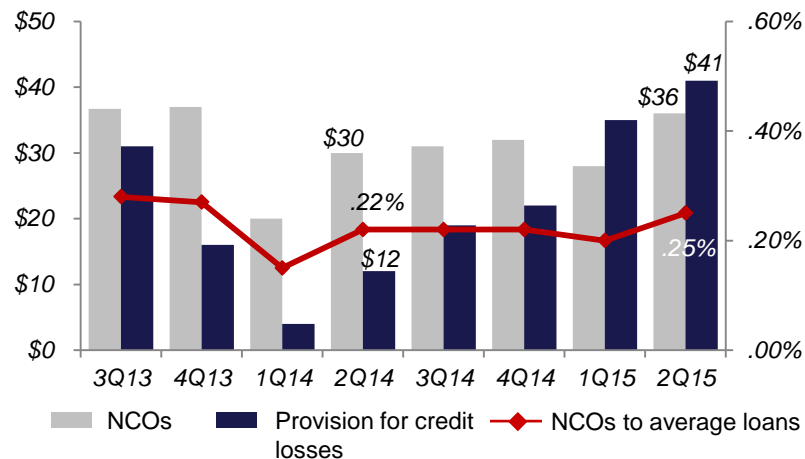
# Strong Asset Quality

## Highlights

- Net loan charge-offs remain below targeted range, at 25 basis points of average loans
- Nonperforming loans represented 72 basis points of period-end loans
- Allowance for loan and lease losses represented 1.37% of period-end loans: 190% coverage of nonperforming loans

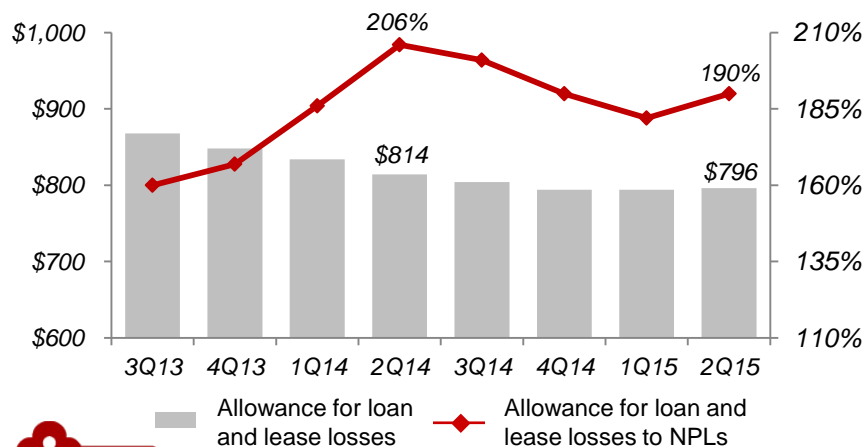
## Net Charge-offs & Provision for Credit Losses

\$ in millions



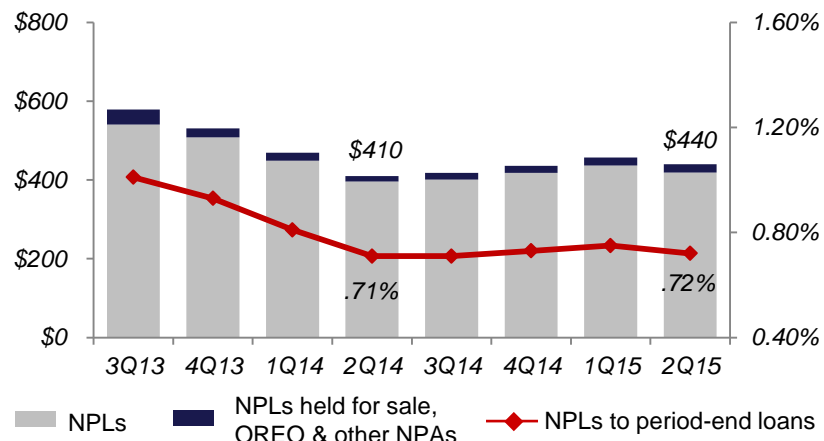
## Allowance for Loan and Lease Losses

\$ in millions



## Nonperforming Assets

\$ in millions

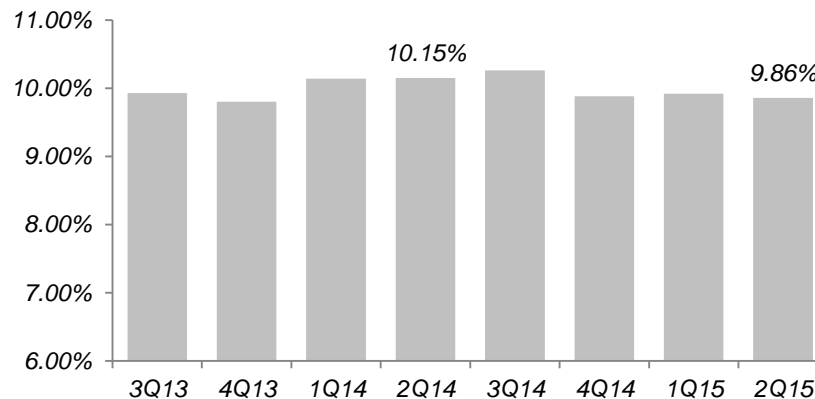


# Strong Capital

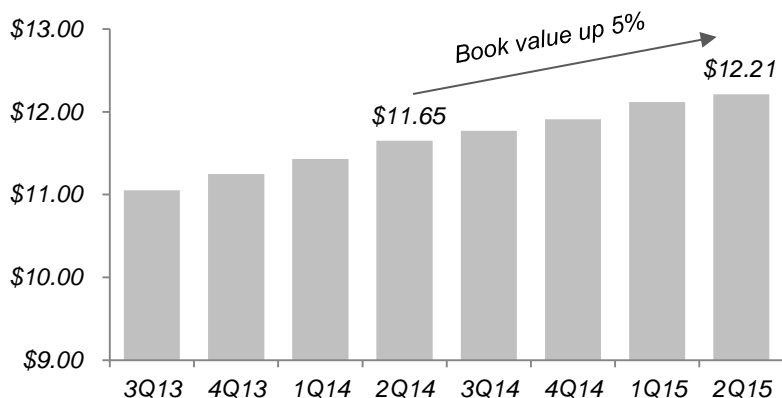
## Highlights

- **Disciplined capital management**
  - Increased quarterly common share dividend by 15%
  - Repurchased \$129 MM of common shares in 2Q15

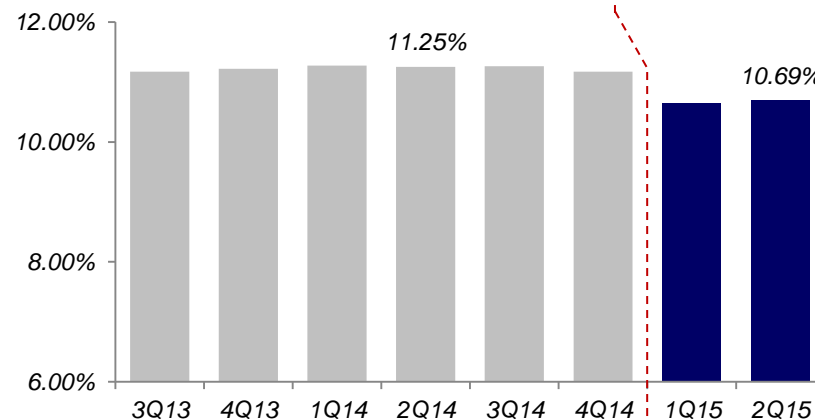
## Tangible Common Equity to Tangible Assets (a)



## Book Value per Share



## Tier 1 Common Equity (a)



**Common Equity Tier 1 (a), (b), (c)**

Note: Common share repurchase amounts include repurchases to offset issuances of common shares under our employee compensation plans

(a) Non-GAAP measure: see Appendix for reconciliations

(b) 6-30-15 ratio is estimated

(c) The Regulatory Capital Rules, effective January 1, 2015 for Key, introduced a new capital measure, "Common Equity Tier 1"



# Outlook and Expectations

	FY 2015
Average Loans	<ul style="list-style-type: none"> <li>Mid-single digit growth vs. FY 2014</li> </ul>
Net Interest Income	<ul style="list-style-type: none"> <li>Up low single-digits without the benefit of higher rates</li> <li>NIM: down from FY 2014, reflecting continued elevated levels of liquidity; relatively stable with 2Q15 reported level</li> </ul>
Noninterest Income	<ul style="list-style-type: none"> <li>Mid-single digit growth compared to 2014</li> </ul>
Expense	<ul style="list-style-type: none"> <li>Relatively stable with 2014</li> </ul>
Efficiency / Productivity	<ul style="list-style-type: none"> <li>Positive operating leverage</li> </ul>
Asset Quality	<ul style="list-style-type: none"> <li>Net charge-offs to average loans below targeted range of 40 – 60 bps</li> <li>Provision expected to approximate net charge-offs</li> </ul>
Capital	<ul style="list-style-type: none"> <li>Disciplined management of capital including dividends and share repurchases</li> </ul>



# Appendix



# Progress on Targets for Success

	Metrics <sup>(a)</sup>	2Q15	1Q15	Targets
Balance Sheet Efficiency	Loan to deposit ratio <sup>(b)</sup>	87%	87%	90% - 100%
Moderate Risk Profile	NCOs to average loans	.25%	.20%	40 - 60 bps
	Provision for credit losses to average loans	.28%	.25%	
High Quality, Diverse Revenue Streams	Net interest margin	2.88%	2.91%	LT: >3.50%
	Noninterest income to total revenue	45%	43%	>40%
Positive Operating Leverage	Cash efficiency ratio <sup>(c)</sup>	65.1%	65.1%	LT: <60%
Disciplined Capital Management	Return on average assets	1.03%	1.03%	1.00% - 1.25%



(a) Continuing operations, unless otherwise noted

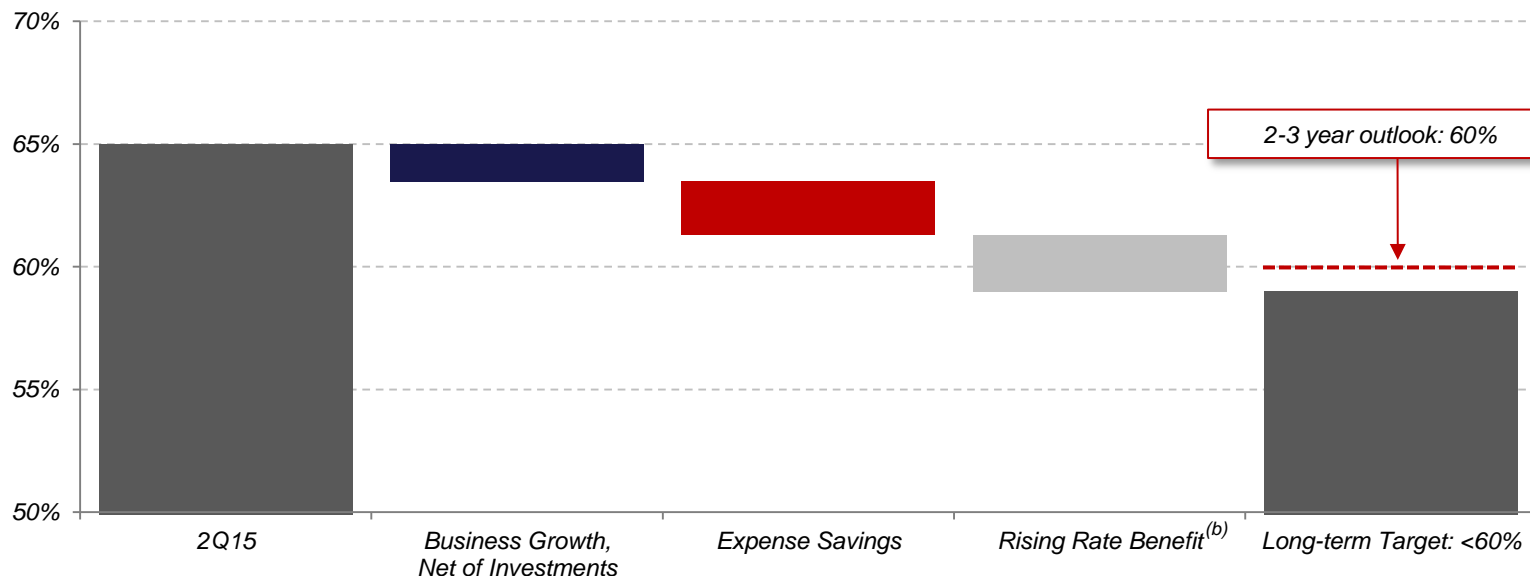
(b) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits (excluding deposits in foreign office)

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

# Efficiency Ratio: Driving to 60% and Below

Business plans and macroeconomic environment provide path to an efficiency ratio below 60%

## Cash Efficiency Ratio<sup>(a)</sup> Outlook



Long-term, committed to moving below 60%



(a) Non-GAAP measure: see Appendix for reconciliation  
(b) Assumes implied forward curve



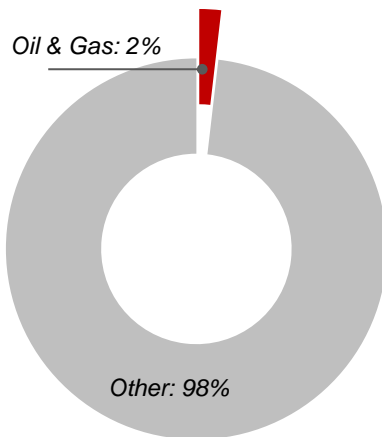
# Oil & Gas

## Longstanding history, expertise and relationships

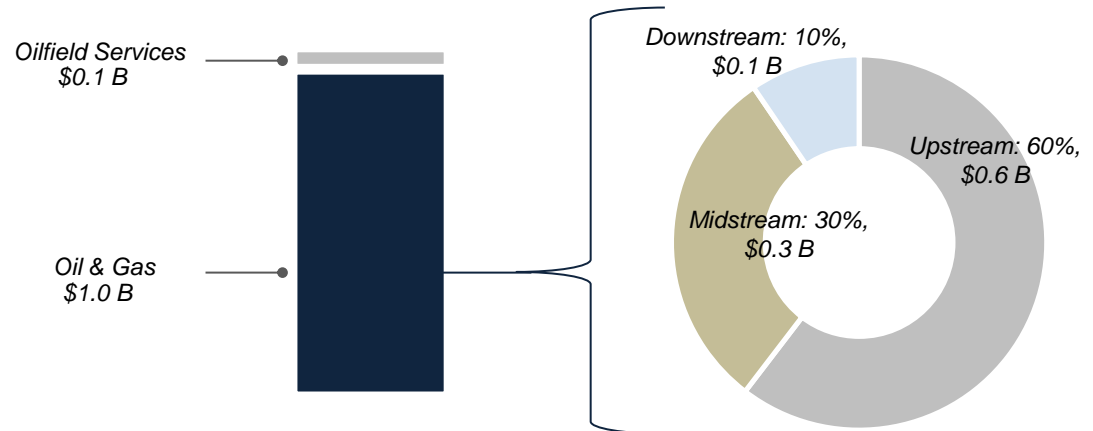
### Strong Portfolio Characteristics

- >10 years of experience in energy lending with >20 specialists dedicated to oil & gas
- Focused on middle market companies, aligned with our relationship strategy
- Portfolio regularly stress tested
- Primarily secured by proven reserves
- >40% of clients' 2015 production is hedged
- Relationships contribute to noninterest income; ~5% of FY14 investment banking and debt placement fees
- Net charge-offs lower than overall portfolio
- Allowance reflects estimated impact of current oil prices

Total Loans Outstanding, 6/30/15



Oil & Gas Outstanding Balances, 6/30/15

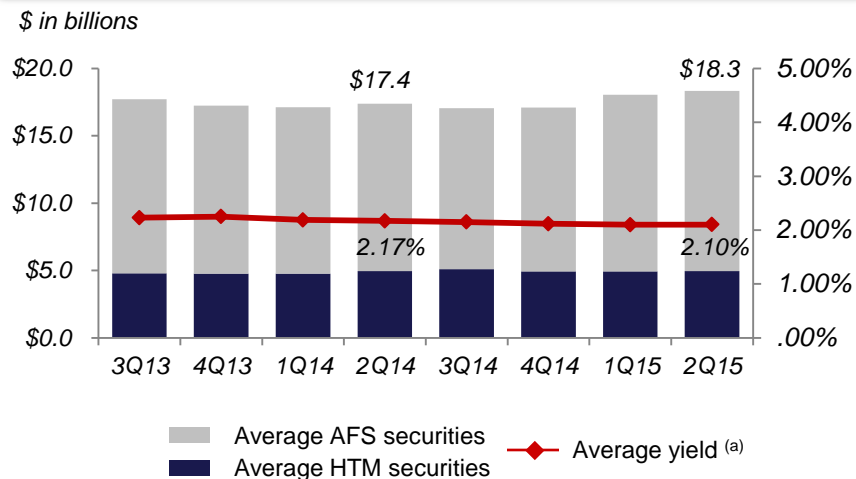


# High Quality Investment Portfolio

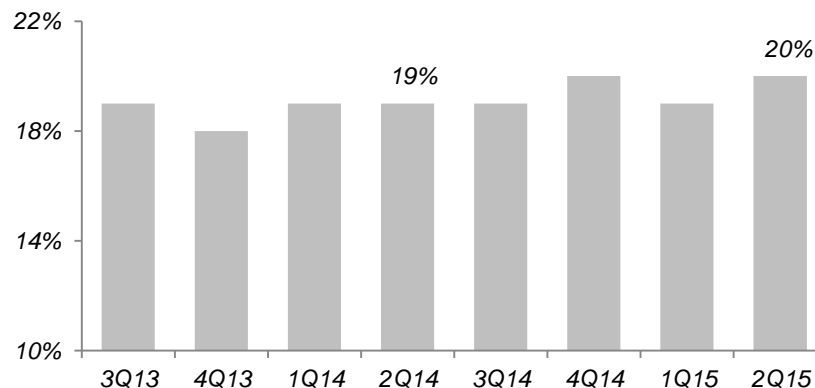
## Highlights

- Portfolio composed primarily of GNMA and GSE-backed MBS and CMOs
- Continue to position portfolio for upcoming regulatory liquidity requirements:
  - 2015 average balance growth reflects actions taken to increase liquidity reserves
  - Growth and reinvestment of portfolio cash flows have been predominantly in GNMA securities (~47% of total portfolio was GNMA at 6/30/15)
- Securities cash flows of \$1.1 billion in 2Q15, up slightly from \$1 billion in 1Q15
- Average portfolio life at 6/30/15 of 3.8 years, compared to 3.5 years at 3/31/15

## Average Total Investment Securities



## Securities to Total Assets (b)

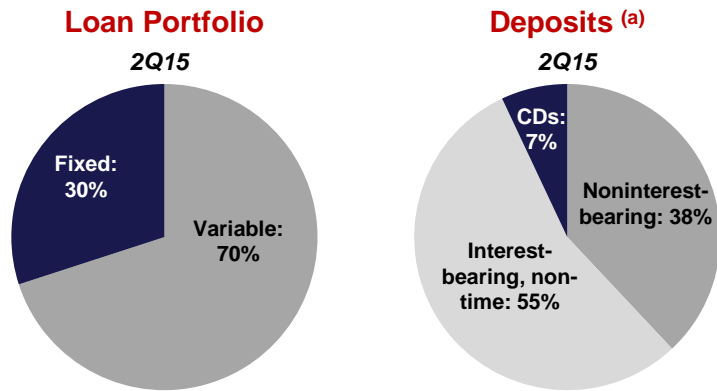


(a) Yield is calculated on the basis of amortized cost  
 (b) Includes end of period held-to-maturity and available-for-sale securities

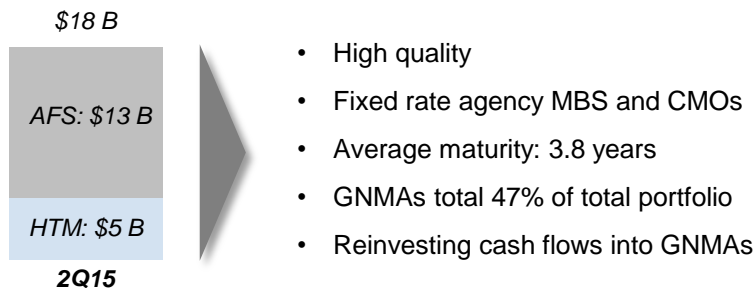
# Interest Rate Risk Management

## Actively managing a naturally asset sensitive balance sheet

### Naturally Asset Sensitive Balance Sheet



### Investment Portfolio



Balance sheet has relatively short duration and is more impacted by the short-end of the curve

### Actively Managing Rate Risk

- Maintaining moderate asset sensitive position of ~3%<sup>(b)</sup>
  - Assumes 200 basis point increase in short-term rates over a 12-month period
- Utilize swaps for debt hedging and asset liability management
  - Fairly even pace of A/LM swap maturities

Swaps (\$ in B)	6/30/15 Notional Amt.	Wtd. Avg. Maturity (Yrs.)	Receive Rate	Pay Rate
A/L Management	\$ 10.5	2.6	1.0%	.2%
Debt	6.8	3.5	2.1	.2
	<b>\$ 17.3</b>		<b>1.5%</b>	<b>.2%</b>

### Flexibility to Adjust Rate Sensitivity with Swaps<sup>(c)</sup>



Flexibility to adjust rate sensitivity for changes in balance sheet growth/mix as well as interest rate outlook

Note: Loan, deposit and investment portfolio balances reflect quarterly average balances

(a) Excludes deposits in foreign office

(b) Preliminary estimate

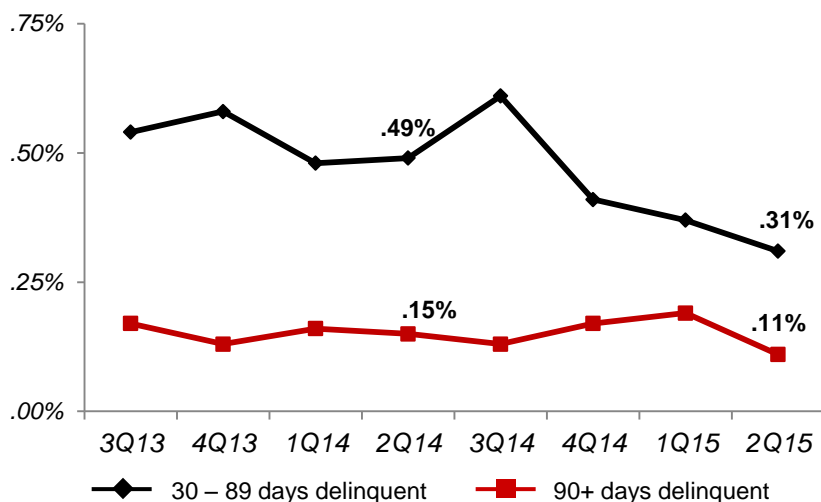
(c) May not foot due to rounding



# Asset Quality Trends

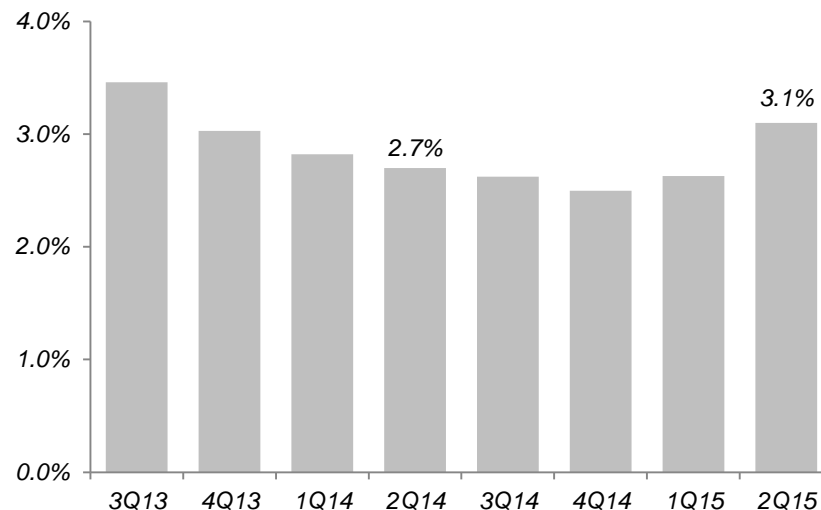
## Delinquencies to Period-end Total Loans

Continuing operations



## Criticized Outstandings<sup>(a)</sup> to Period-end Total Loans

Continuing operations



Metric <sup>(b)</sup>	2Q15	1Q15	4Q14	3Q14	2Q14
Delinquencies to EOP total loans: 30-89 days	.31 %	.37 %	.41 %	.61 %	.49 %
Delinquencies to EOP total loans: 90+ days	.11	.19	.17	.13	.15
NPLs to EOP portfolio loans	.72	.75	.73	.71	.71
NPAs to EOP portfolio loans + OREO + Other NPAs	.75	.79	.76	.74	.74
Allowance for loan losses to period-end loans	1.37	1.37	1.38	1.43	1.46
Allowance for loan losses to NPLs	189.8	181.7	190.0	200.5	205.6



(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 (%)
	6/30/15	2Q15	2Q15	2Q15	6/30/15	6/30/15	6/30/15	6/30/15
Commercial, financial and agricultural <sup>(a)</sup>	\$ 29,285	\$ 29,017	\$ 15	.21%	\$ 100	\$ 418	1.43	418.00%
Commercial real estate:								
Commercial Mortgage	7,874	7,981	-	-	26	144	1.83	553.85
Construction	1,254	1,199	(1)	(.33)	12	31	2.47	258.33
Commercial lease financing	4,010	3,981	-	-	18	53	1.32	294.44
Real estate – residential mortgage	2,252	2,237	-	-	67	20	.89	29.85
Home equity	10,532	10,510	8	.31	184	61	.58	33.15
Credit cards	753	737	7	3.81	2	31	4.12	N/M
Consumer other – Key Community Bank	1,595	1,571	4	1.02	1	21	1.32	N/M
Consumer other – Exit Portfolio	709	745	3	1.62	9	17	2.40	188.89
<b>Continuing total <sup>(e)</sup></b>	<b>\$ 58,264</b>	<b>\$ 57,978</b>	<b>\$ 36</b>	<b>.25%</b>	<b>\$ 419</b>	<b>\$ 796</b>	<b>1.37</b>	<b>189.98%</b>
Discontinued operations	1,962	2,168	2	.37	6	22	1.12	366.67
<b>Consolidated total</b>	<b>\$ 60,226</b>	<b>\$ 60,146</b>	<b>\$ 38</b>	<b>.25%</b>	<b>\$ 425</b>	<b>\$ 818</b>	<b>1.36</b>	<b>192.47%</b>

N/M = Not meaningful

- (a) 6-30-15 ending loan balance includes \$89 million of commercial credit card balances; 6-30-15 average loan balance includes \$88 million of assets from commercial credit cards
- (b) Net loan charge-off amounts are annualized in calculation
- (c) 6-30-15 NPL amount excludes \$12 million of purchased credit impaired loans
- (d) 6-30-15 allowance by portfolio is estimated
- (e) 6-30-15 ending loan balance includes purchased loans of \$125 million, of which \$12 million were purchased credit impaired



# Home Equity Portfolio

## Highlights

- High quality portfolio
- Community bank loans and lines: 98% of total portfolio; branch-originated
  - 60% first lien position
  - Average FICO score of 768
  - Average LTV at origination: 71%
- \$3.9 billion of the total portfolio are fixed rate loans that require principal and interest payments; \$6.6 billion are lines
- \$1.3 billion in lines outstanding (12% of the total portfolio) come to end of draw period in the next four years
  - Proactive communication and client outreach initiated near end of draw period

## Home Equity Portfolio –6/30/15

\$ 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	
<b>Loans and lines</b>											
First lien	\$ 6,207	\$ 64,383	770	67%	.5%	55%	4%	3%	3%	35%	
Second lien	4,089	51,618	765	76	3.4	37	4	3	4	52	
Community Bank	\$ 10,296	58,741	768	71	1.6	48	4	3	3	42	
Exit portfolio	236	19,156	729	80	29.0	-	-	-	-	100	
<b>Total home equity portfolio</b>	<b>\$ 10,532</b>										
<b>Nonaccrual loans and lines</b>											
First lien	\$ 102	\$ 65,179	723	72%	1.3%	12%	3%	3%	5%	77%	
Second lien	74	47,054	712	80	1.3	5	2	2	4	87	
Community Bank	\$ 176	56,140	718	76	1.3	9	3	2	5	81	
Exit portfolio	8	22,626	702	75	24.0	-	-	-	-	100	
<b>Total home equity nonaccruals</b>	<b>\$ 184</b>										
<b>Second quarter net charge-offs (NCOs)</b>											
Community Bank	\$ 7					20%	1%	2%	5%	72%	
% of average loans	.27%										
Exit Portfolio	\$ 1					-	-	-	-	-	
% of average loans	1.64%										



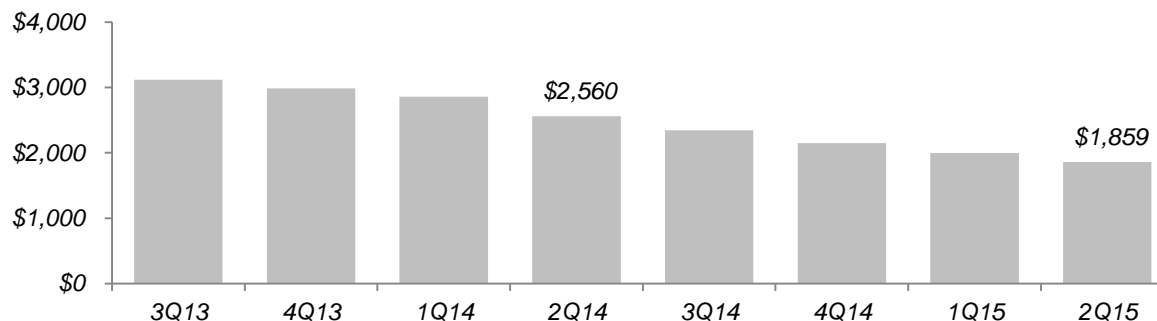
(a) Average LTVs are at origination; current average LTVs for Community Bank total home equity loans and lines is approximately 68%, compared to 70% at the end of the first quarter of 2015

# Exit Loan Portfolio

## Exit Loan Portfolio

\$ in millions	Balance Outstanding		Change	Net Loan Charge-offs		Balance on Nonperforming Status	
	6-30-15	3-31-15	6-30-15 vs. 3-31-15	2Q15	1Q15 <sup>(b)</sup>	6-30-15	3-31-15
Residential properties – homebuilder	\$ 6	\$ 6	\$ -	-	\$ 1	\$ 8	\$ 8
Marine and RV floor plan	2	6	(4)	-	-	1	5
Commercial lease financing <sup>(a)</sup>	831	877	(46)	-	(1)	-	-
Total commercial loans	839	889	(50)	-	-	9	13
Home equity – Other	236	253	(17)	\$ 1	-	8	9
Marine	673	730	(57)	3	2	8	9
RV and other consumer	47	50	(3)	-	1	1	1
Total consumer loans	956	1,033	(77)	4	3	17	19
<b>Total exit loans in loan portfolio</b>	<b>1,795</b>	<b>1,922</b>	<b>\$ (127)</b>	<b>\$ 4</b>	<b>\$ 3</b>	<b>\$ 26</b>	<b>\$ 32</b>
Discontinued operations – education lending business (not included in exit loans above) <sup>(c)</sup>	\$ 1,962	\$ 2,219	\$ (257)	\$ 2	\$ 6	\$ 6	\$ 8

\$ in millions; average balances



(a) Includes (1) the business aviation, commercial vehicle, office products, construction and industrial leases; (2) Canadian lease financing portfolios; (3) European lease financing portfolios; and (4) all remaining balances related to lease in, lease out; sale in, lease out; service contract leases; and qualified technological equipment leases.

(b) Credit amounts indicate recoveries exceeded charge-offs

(c) Excludes loans held for sale of \$179 million at June 30, 2015.



# GAAP to Non-GAAP Reconciliation

\$ in millions

	Three months ended				
	6-30-15	3-31-15	12-31-14	9-30-14	6-30-14
<b>Tangible common equity to tangible assets at period end</b>					
Key shareholders' equity (GAAP)	\$ 10,590	\$ 10,603	\$ 10,530	\$ 10,486	\$ 10,504
Less: Intangible assets <sup>(a)</sup>	1,085	1,088	1,090	1,105	1,008
Preferred Stock, Series A <sup>(b)</sup>	281	281	282	282	282
Tangible common equity (non-GAAP)	<u>\$ 9,224</u>	<u>\$ 9,234</u>	<u>\$ 9,158</u>	<u>\$ 9,099</u>	<u>\$ 9,214</u>
Total assets (GAAP)	\$ 94,606	\$ 94,206	\$ 93,821	\$ 89,784	\$ 91,798
Less: Intangible assets <sup>(a)</sup>	1,085	1,088	1,090	1,105	1,008
Tangible assets (non-GAAP)	<u>\$ 93,521</u>	<u>\$ 93,118</u>	<u>\$ 92,731</u>	<u>\$ 88,679</u>	<u>\$ 90,790</u>
Tangible common equity to tangible assets ratio (non-GAAP)	9.86 %	9.92 %	9.88 %	10.26 %	10.15 %
<b>Common Equity Tier 1 at period end</b>					
Key shareholders' equity (GAAP)	\$ 10,590	\$ 10,603	-	-	-
Less: Preferred Stock, Series A <sup>(b)</sup>	281	281	-	-	-
Common Equity Tier 1 capital before adjustments and deductions	10,309	10,322	-	-	-
Less: Goodwill, net of deferred taxes	1,036	1,036	-	-	-
Intangible assets, net of deferred taxes	33	36	-	-	-
Deferred tax assets	1	1	-	-	-
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	1	52	-	-	-
Accumulated gain (loss) on cash flow hedges, net of deferred taxes	(21)	(8)	-	-	-
Amounts recorded in accumulated other comprehensive income (loss), net of deferred taxes	(362)	(364)	-	-	-
Total Common Equity Tier 1 capital <sup>(c)</sup>	<u>\$ 9,621</u>	<u>\$ 9,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net risk-weighted assets (regulatory) <sup>(c)</sup>	\$ 89,995	\$ 89,967	-	-	-
Common Equity Tier 1 ratio (non-GAAP) <sup>(c)</sup>	10.69 %	10.64 %	-	-	-
<b>Tier 1 common equity at period end</b>					
Key shareholders' equity (GAAP)	-	-	\$ 10,530	\$ 10,486	\$ 10,504
Qualifying capital securities	-	-	339	340	339
Less: Goodwill	-	-	1,057	1,051	979
Accumulated other comprehensive income (loss) <sup>(d)</sup>	-	-	(395)	(366)	(328)
Other assets <sup>(e)</sup>	-	-	83	110	86
Total Tier 1 capital (regulatory)	-	-	10,124	10,031	10,106
Less: Qualifying capital securities	-	-	339	340	339
Preferred Stock, Series A <sup>(b)</sup>	-	-	282	282	282
Total Tier 1 common equity (non-GAAP)	<u>-</u>	<u>-</u>	<u>\$ 9,503</u>	<u>\$ 9,409</u>	<u>\$ 9,485</u>
Net risk-weighted assets (regulatory)	-	-	\$ 85,100	\$ 83,547	\$ 84,287
Tier 1 common equity ratio (non-GAAP)	-	-	11.17 %	11.26 %	11.25 %

a) Three months ended 6/30/15, 3/31/15, 12/31/14, 9/30/14, and 6/30/14 exclude \$55 million, \$61 million, \$68 million, \$72 million, and \$79 million, respectively, of period-end purchased credit card receivable intangible assets

b) Net of capital surplus

c) 6-30-15 amount is estimated

d) 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

e) 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 December 31, 2014, September 30, 2014, and June 30, 2014.





# GAAP to Non-GAAP Reconciliation (continued)

\$ in millions

	Three months ended				
	6-30-15	3-31-15	12-31-14	9-30-14	6-30-14
<b>Pre-provision net revenue</b>					
Net interest income (GAAP)	\$ 584	\$ 571	\$ 582	\$ 575	\$ 573
Plus: Taxable-equivalent adjustment	7	6	6	6	6
Noninterest income (GAAP)	488	437	490	417	455
Less: Noninterest expense (GAAP)	711	669	704	706	687
Pre-provision net revenue from continuing operations (non-GAAP)	<u>\$ 368</u>	<u>\$ 345</u>	<u>\$ 374</u>	<u>\$ 292</u>	<u>\$ 343</u>
<b>Average tangible common equity</b>					
Average Key shareholders' equity (GAAP)	\$ 10,590	\$ 10,570	\$ 10,562	\$ 10,473	\$ 10,459
Less: Intangible assets (average) <sup>(a)</sup>	1,086	1,089	1,096	1,037	1,010
Preferred Stock, Series A (average)	290	290	291	291	291
Average tangible common equity (non-GAAP)	<u>\$ 9,214</u>	<u>\$ 9,191</u>	<u>\$ 9,175</u>	<u>\$ 9,145</u>	<u>\$ 9,158</u>
<b>Return on average tangible common equity from continuing operations</b>					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 230	\$ 222	\$ 246	\$ 197	\$ 242
Average tangible common equity (non-GAAP)	9,214	9,191	9,175	9,145	9,158
Return on average tangible common equity from continuing operations (non-GAAP)	10.01 %	9.80 %	10.64 %	8.55 %	10.60 %
<b>Return on average tangible common equity consolidated</b>					
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 233	\$ 227	\$ 248	\$ 180	\$ 214
Average tangible common equity (non-GAAP)	9,214	9,191	9,175	9,145	9,158
Return on average tangible common equity consolidated (non-GAAP)	10.14 %	10.02 %	10.72 %	7.81 %	9.37 %
<b>Cash efficiency ratio</b>					
Noninterest expense (GAAP)	\$ 711	\$ 669	\$ 704	\$ 706	\$ 687
Less: Intangible asset amortization (GAAP)	9	9	10	10	9
Adjusted noninterest expense (non-GAAP)	<u>\$ 702</u>	<u>\$ 660</u>	<u>\$ 694</u>	<u>\$ 696</u>	<u>\$ 678</u>
Net interest income (GAAP)	\$ 584	\$ 571	\$ 582	\$ 575	\$ 573
Plus: Taxable-equivalent adjustment	7	6	6	6	6
Noninterest income (GAAP)	488	437	490	417	455
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,079</u>	<u>\$ 1,014</u>	<u>\$ 1,078</u>	<u>\$ 998</u>	<u>\$ 1,034</u>
Cash efficiency ratio (non-GAAP)	65.1 %	65.1 %	64.4 %	69.7 %	65.6 %



(a) Three months ended 6/30/15, 3/31/15, 12/31/14, 9/30/14 and 6/30/14 exclude \$58 million, \$64 million, \$69 million, \$76 million, and \$82 million, respectively, of average purchased credit card receivable intangible assets

# Common Equity Tier 1 Under the Regulatory Capital Rules (estimated) (a)

KeyCorp & Subsidiaries

<i>\$ in billions</i>	Quarter ended June 30, 2015
Common Equity Tier 1 under current regulatory rules	\$ 9.6
Adjustments from current regulatory rules to the Regulatory Capital Rules:	
Deferred tax assets and other assets <sup>(b)</sup>	(.1)
Common Equity Tier 1 anticipated under the Regulatory Capital Rules <sup>(c)</sup>	\$ 9.6
Net risk-weighted assets under current regulatory rules	\$ 90.0
Adjustments from current regulatory rules to the Regulatory Capital Rules:	
Mortgage servicing assets <sup>(d)</sup>	.5
Deferred tax assets <sup>(d)</sup>	-
Significant investments <sup>(d)</sup>	-
Other assets <sup>(e)</sup>	-
Total risk-weighted assets anticipated under the Regulatory Capital Rules <sup>(c)</sup>	\$ 90.5
<b>Common Equity Tier 1 under the Regulatory Capital Rules</b>	<b>10.6 %</b>

Table may not foot due to rounding

- (a) Common Equity Tier 1 capital 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 Common Equity Tier 1 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, as well as the deductible portion of purchased credit card receivables
- (c) The anticipated amount of regulatory capital and risk-weighted assets is based upon the federal banking agencies' Regulatory Capital Rules (as fully phased-in on January 1, 2019); Key is subject to the Regulatory Capital Rules under the "standardized approach"
- (d) Item is included in the 10%/15% exceptions bucket calculation and is risk-weighted at 250% under the fully implemented final rule
- (e) Under the fully implemented rule, certain deferred tax assets and intangible assets subject to the transition provision are no longer required to be risk-weighted because they are deducted directly from capital.

