

KeyCorp

Second Quarter 2017 Earnings Review

July 20, 2017

Beth E. Mooney

Chairman and
Chief Executive Officer

Don Kimble

Chief Financial Officer



FORWARD-LOOKING STATEMENTS AND ADDITIONAL INFORMATION

This communication contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not limited to, KeyCorp's expectations or predictions of future financial or business performance or conditions. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "target," "estimate," "continue," "positions," "plan," "predict," "project," "forecast," "guidance," "goal," "objective," "prospects," "possible" or "potential," by future conditional verbs such as "assume," "will," "would," "should," "could" or "may", or by variations of such words or by similar expressions. These forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made and we assume no duty to update forward-looking statements. Actual results may differ materially from current projections.

In addition to factors previously disclosed in KeyCorp's reports filed with the SEC and those identified elsewhere in this communication, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: difficulties and delays in integrating the First Niagara business or fully realizing cost savings and other benefits; changes in asset quality and credit risk; the inability to sustain revenue and earnings growth; changes in interest rates and capital markets; inflation; customer acceptance of KeyCorp's products and services; customer borrowing, repayment, investment and deposit practices; customer disintermediation; the introduction, withdrawal, success and timing of business initiatives; competitive conditions; the inability to realize cost savings or revenues or to implement integration plans and other consequences associated with mergers, acquisitions and divestitures; economic conditions; and the impact, extent and timing of technological changes, capital management activities, and other actions of the Federal Reserve Board and legislative and regulatory actions and reforms.

Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results. This presentation also includes certain non-GAAP financial measures related to "tangible common equity," "Common Equity Tier 1," "pre-provision net revenue," "cash efficiency ratio," and certain financial measures excluding notable items, including merger-related charges. Management believes these measures 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 or page 89 of our Form 10-Q dated March 31, 2017.

GAAP: Generally Accepted Accounting Principles



Investor Highlights – 2Q17

Positive Operating Leverage

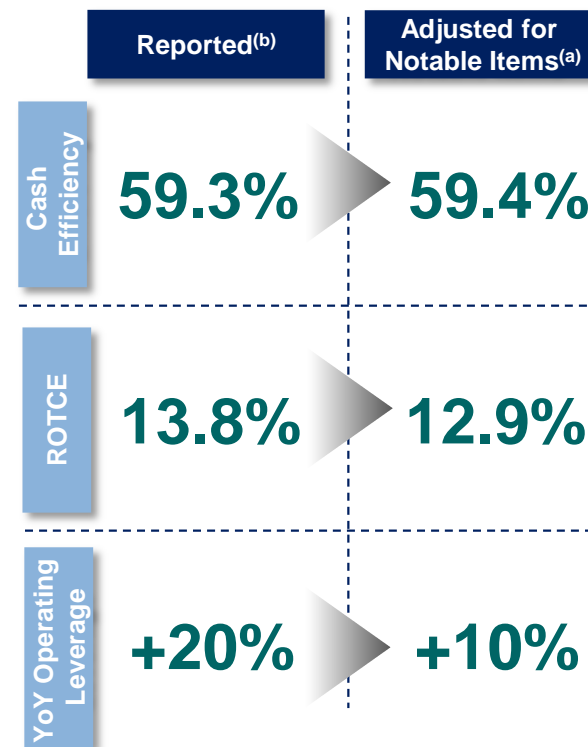
- Positive operating leverage vs. PY (+10%^(a)) and PQ (+2%^(a))
- Revenue growth reflects core business momentum and value from the First Niagara acquisition
- Achieved \$400 MM in cost savings
- Cash efficiency ratio improved to 59%^(a); ROTCE of 13%^(a)

Strong Risk Management

- Maintained credit discipline, strong asset quality
- NCOs to average loans of .31%
- Nonperforming loans down 12% from 1Q17; .59% of PE loans

Disciplined Capital Management

- Increased common dividend by 12%
- Repurchased \$94 MM in common shares^(c)
- No objection from the Federal Reserve on 2017 capital plan, which includes:
 - Two common share dividend increases (up 11% in 4Q17 and an additional 14% in 2Q18, to \$.12), subject to Board approval
 - Common share repurchase program of up to \$800 MM



2Q17 Notable Items

<i>\$ millions</i>	Pre-tax Impact
Merchant services gain	\$ 64
Purchase accounting finalization	43
Merger-related charges	(44)
Charitable contribution	(20)
Net impact of \$43 MM, or \$0.02 per share	



(a) Non-GAAP measure and excludes notable items (one-time gain in merchant services, purchase accounting finalization, merger-related charges and charitable contribution in 2Q17; merger-related charges in prior periods); see Appendix for detail on merger-related charges and reconciliations

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

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

Drivers of 2Q Results and Recent Investments

Investments in talent, products and capabilities driving growth

First Niagara

- Strong client retention and deposit growth
- Achieved \$400 MM in cost savings
 - Plans to achieve incremental \$50 MM by early 2018
- Progress on revenue synergies
 - Commercial mortgage banking, payments, residential mortgage

Fee-based Businesses

- Investment banking and debt placement fees: record \$575 MM (TTM)
- Cards and payments income: record \$270 MM (TTM)

Financial Wellness: HelloWallet

- Acquired industry-leading personal finance software platform, a core component of Key's financial wellness offering
 - Promotes and strengthens ability to support clients' financial wellness
 - Provides enhanced client insights and an improved ability to tailor recommendations

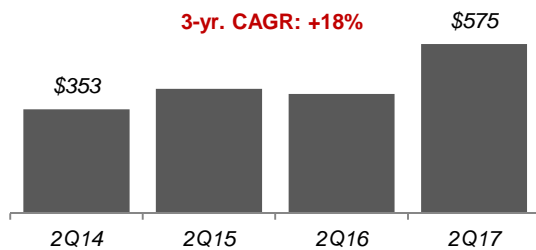
Merchant Services

- Repositioned merchant services business
 - Acquired remaining ownership from joint venture
 - Expands and deepens client base
 - Improves client experience

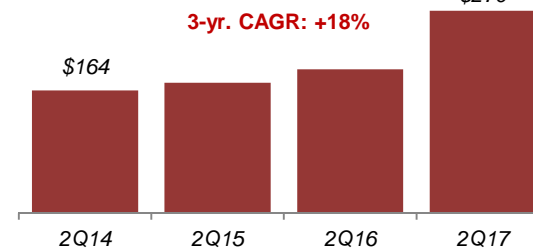
\$400 million

First Niagara cost savings achieved

Investment Banking & Debt Placement Fees (TTM)



Cards & Payments Income (TTM)



TTM = Trailing twelve months

Financial Review

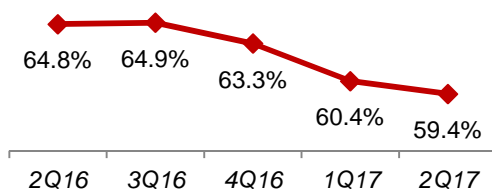


Financial Highlights

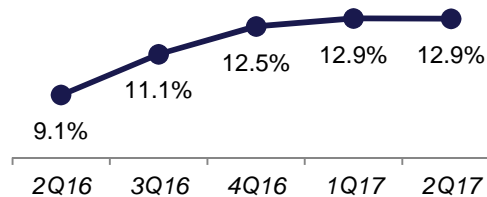
Continuing operations, unless otherwise noted

	2Q17	1Q17	2Q16	LQ Δ	Y/Y Δ	
Profitability	EPS – assuming dilution	\$.36	\$.27	\$.23	33 %	57 %
	Impact of notable items ^{(a),(b)} on EPS	.02	(.05)	(.04)		
	Cash efficiency ratio ^(a)	59.3 %	65.8 %	69.0 %	(650) bps	(970) bps
	Cash efficiency –excl. notable items ^{(a),(b)}	59.4	60.4	64.8	(100)	(540)
	Return on average tangible common equity	13.80	10.98	7.94	282	586
	ROTCE – excl. notable items ^{(a),(b)}	12.86	12.87	9.09	(1)	377
Capital^(c)	Common Equity Tier 1 ^{(a),(d)}	9.97 %	9.91 %	11.10 %	6 bps	(113) bps
	Tier 1 risk-based capital ^(d)	10.79	10.74	11.41	5	(62)
	Tangible common equity to tangible assets ^(a)	8.56	8.51	9.95	5	(139)
Asset Quality	NCOs to average loans	.31 %	.27 %	.28 %	4 bps	3 bps
	NPLs to EOP portfolio loans ^(e)	.59	.67	1.00	(8)	(41)
	Allowance for loan and lease losses to EOP loans	1.01	1.01	1.38	-	(37)

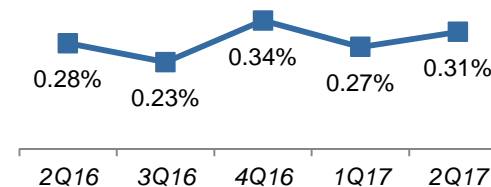
Cash Efficiency Ratio^(a)
excl. notable items^(b)



ROTCE^(a)
excl. notable items^(b)



NCOs to Avg. Loans



EOP = End of Period

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

(b) Notable items include one-time gain in merchant services, purchase accounting finalization, merger-related charges and charitable contribution in 2Q17 and merger-related charges in prior periods; see Appendix for detail on merger-related charges

(c) From consolidated operations

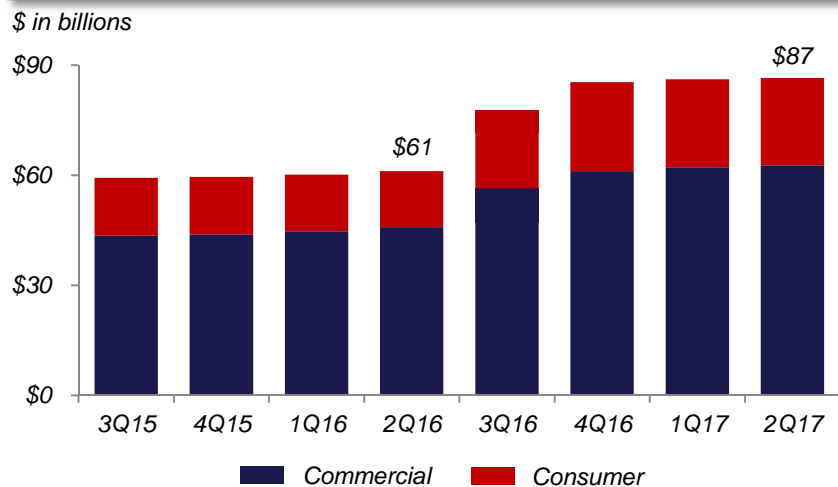
(d) 6-30-17 ratios are estimated

(e) Nonperforming loan balances exclude \$835 million, \$812 million, and \$11 million of purchased credit impaired loans at June 30, 2017, March 31, 2017, and June 30, 2016, respectively

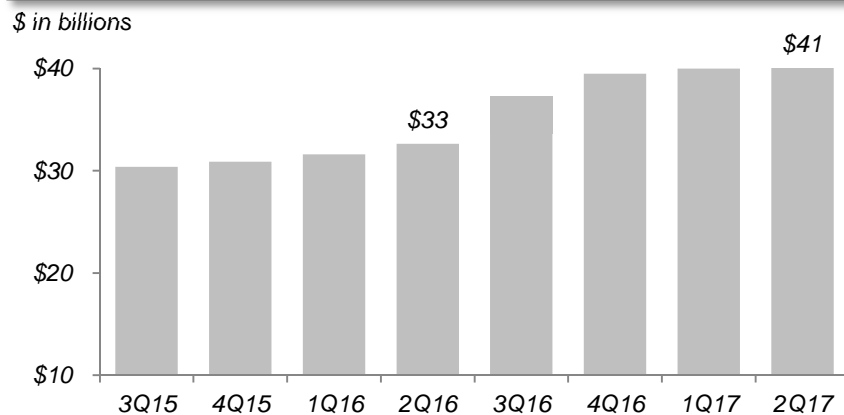


Loans

Total Average Loans



Average Commercial & Industrial Loans



Highlights

vs. Prior Year

- Average loans up 41% from 2Q16
 - Growth primarily reflects impact of FNFG
 - C&I continues to be a driver

vs. Prior Quarter

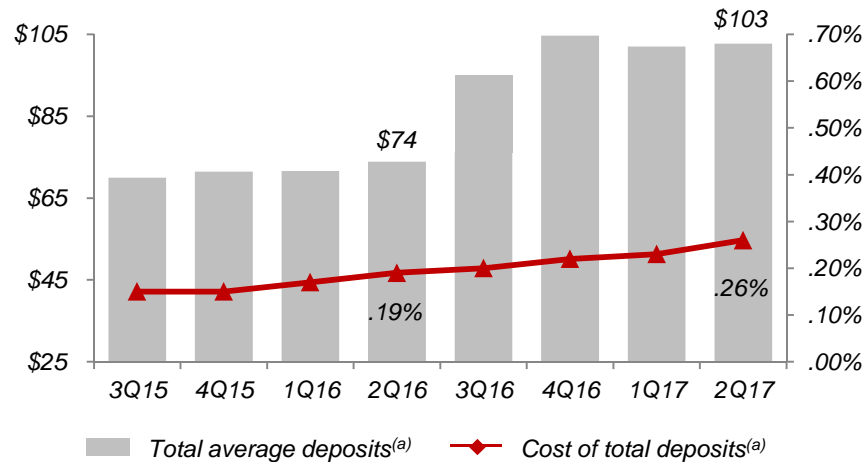
- Average loans up .4% from 1Q17
- C&I growth (+2%) more than offset lower consumer loan balances
 - Strength in middle market lending
 - Consumer loans primarily reflect continued decline in the home equity portfolio



Deposits

Average Deposits^(a)

\$ in billions



Highlights

- **Deposit cost up 3 bps from 1Q17**
 - Contractual commercial rate increases
 - Growth in higher-yielding deposit products

vs. Prior Year

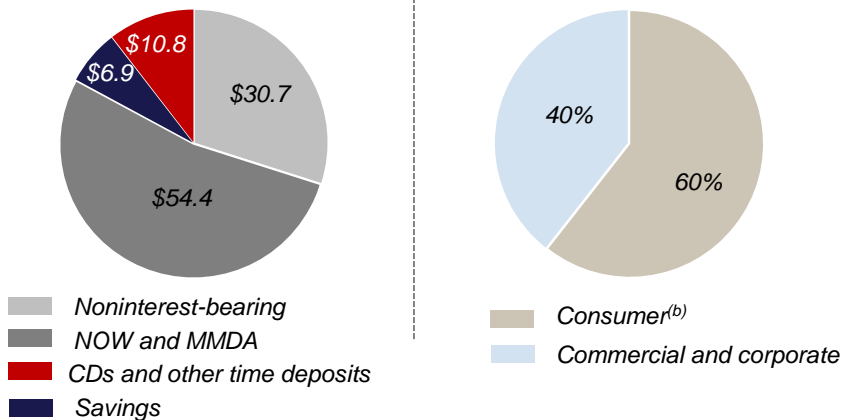
- **Average deposit growth of 39% from 2Q16**
 - Growth primarily reflects impact of FNFG
 - Core retail and commercial deposit growth

vs. Prior Quarter

- **Average deposit balances up .7% from 1Q17**
 - Core deposit growth in CDs, NOW and MMDA, partially offset by a decline in escrow deposits

2Q17 Average Deposit Mix

\$ in billions



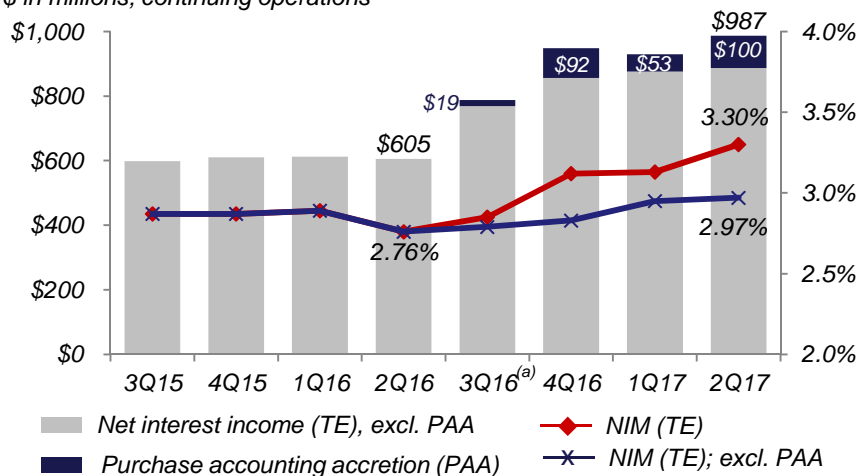
(a) Excludes deposits in foreign office

(b) Consumer includes retail banking, small business, and private banking

Net Interest Income and Margin

Net Interest Income & Net Interest Margin Trend (TE)

\$ in millions; continuing operations



	2Q16	3Q16	4Q16	1Q17	2Q17
NIM – reported	2.76%	2.85%	3.12%	3.13%	3.30%
PAA	-	.06	.19	.18	.19
PAA refinement/ finalization	-	-	.11	-	.14
NIM – excl. PAA	2.76	2.79	2.82	2.95	2.97

	2Q16	3Q16	4Q16	1Q17	2Q17
NII – reported (\$MM)	\$ 605	\$ 788	\$ 948	\$ 929	\$ 987
PAA	-	19	58	53	58
PAA refinement/ finalization	-	-	34	-	42

\$37 MM related to contractual maturities;
\$21 MM related to prepayments

Highlights

- 2Q17 net interest income includes \$42 MM, or 14 bps, related to purchase accounting finalization
- Excluding impact of PAA, 2Q17 net interest income was \$887 MM and net interest margin was 2.97%

vs. Prior Year

- Net interest income up \$282 MM from 2Q16, excl. PAA
 - Largely driven by the impact of FNFG, and higher earnings asset yields and balances

vs. Prior Quarter

- Net interest income up \$11 MM from 1Q17, excl. PAA
 - Reflects higher earning asset yields, offset by funding cost and loan fees

NIM Change vs. Prior Quarter	1Q17:	3.13%
PAA finalization		.14
Higher earning asset yields		.06
PAA (2Q vs. 1Q)		.01
Funding cost		(.03)
Loan fees		(.01)
Total change		.17
	2Q17:	3.30%

- FNFG loan mark at 6/30/17: \$345 MM (\$274 MM purchased performing, \$71 MM purchased credit impaired)
- Purchased credit impaired accretable yield at 6/30/17: \$137 MM



TE = Taxable equivalent

PAA = Purchase accounting accretion

(a) 3Q16 Net interest income included \$6 million of merger-related charges; see Appendix for detail on merger-related charges

Noninterest Income

Noninterest Income

<i>\$ in millions</i>	<i>Up / (Down)</i>	2Q17	vs. 2Q16	vs. 1Q17
Trust and investment services income	\$	134	\$ 24	\$ (1)
Investment banking and debt placement fees		135	37	8
Service charges on deposit accounts		90	22	3
Operating lease income and other leasing gains		30	12	7
Corporate services income		55	2	1
Cards and payments income		70	18	5
Corporate-owned life insurance		33	5	3
Consumer mortgage income		6	3	-
Mortgage servicing fees		15	5	(3)
Net gains (losses) from principal investing		-	(11)	(1)
Other income		85	63	54
Total noninterest income	\$	653	\$ 180	\$ 76
Notable items ^(a)		61	61	61
Total noninterest income, excluding notable items^(b)	\$	592	\$ 119	\$ 15

Highlights

- 2Q17 notable items of \$61 MM include: \$64 MM one-time gain in merchant services and \$(3) MM associated with purchase accounting finalization

vs. Prior Year

- Noninterest income up \$119 MM from 2Q16, excl. notable items^{(a),(b)}
 - Reflects the impact of FNFG, as well as business momentum
 - Strength in investment banking and debt placement fees from higher commercial mortgage banking, underwriting and advisory fees

vs. Prior Quarter

- Noninterest income up \$15 MM from 1Q17, excl. notable items^{(a),(b)}
 - Continued growth in fee-based businesses, including investment banking and debt placement fees and cards and payments income
 - Higher operating lease income and other leasing gains



(a) Notable items include \$64 MM one-time gain in merchant services and \$(3) MM associated with purchase accounting finalization

(b) Non-GAAP measure

Noninterest Expense

Noninterest Expense

<i>\$ in millions</i>	<i>Up / (Down)</i>	2Q17	vs. 2Q16	vs. 1Q17
Personnel		\$ 551	\$ 124	\$ (5)
Net occupancy		78	19	(9)
Computer processing		55	10	(5)
Business services, professional fees		45	5	(1)
Equipment		27	6	-
Operating lease expense		21	7	2
Marketing		30	8	9
FDIC assessment		21	13	1
Intangible asset amortization		22	15	-
OREO expense, net		3	1	1
Other expense		142	36	(11)
Total noninterest expense		\$ 995	\$ 244	\$ (18)
<hr/>				
Merger-related charges ^(a)		44	(1)	(37)
Other notable items ^(a)		16	16	16
Total noninterest expense, excluding notable items^{(a),(c)}		\$ 935	\$ 229	\$ 3

Highlights

Notable items:

<i>\$ in millions</i>	2Q17	2Q16	1Q17
Merger-related charges	\$44	\$45	\$81
Charitable contribution ^(b)	20		
Purchase accounting finalization ^(b)	(4)		
	\$60	\$45	\$81

Achieved \$400 MM of annual run rate cost savings

vs. Prior Year

- Noninterest expense up \$229 MM, excl. notable items^{(a),(c)}
 - Primarily reflects impact of FNFG
 - Higher incentive compensation (stronger capital markets performance)

vs. Prior Quarter

- Noninterest expense up \$3 MM, excl. notable items^{(a),(c)}
 - Reflects normal seasonal trends, including increased marketing

(a) Notable items of \$60 MM in 2Q17 (merger-related charges, charitable contribution and purchase accounting finalization), \$45 MM in 2Q16 (merger-related charges) and \$81 MM in 1Q17 (merger-related charges); see Appendix for detail on merger-related charges

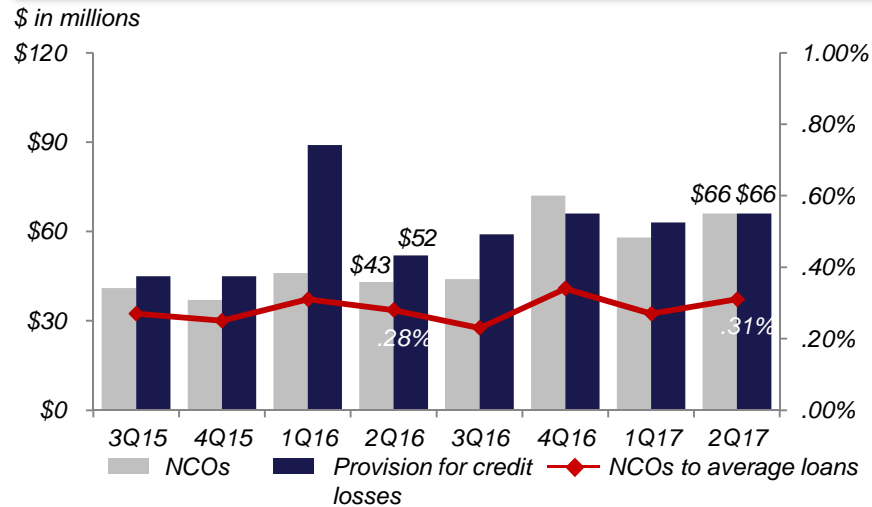
(b) Charitable contribution and the impact from finalization of purchase accounting in other expense

(c) Non-GAAP measure



Credit Quality

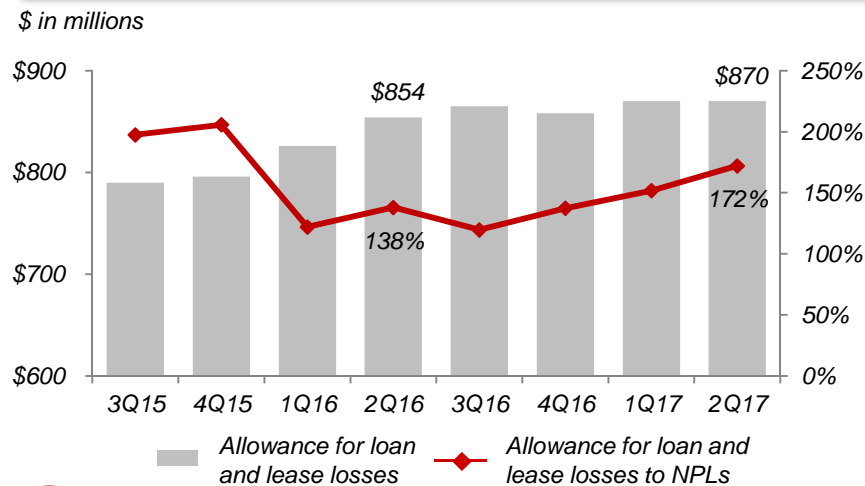
Net Charge-offs & Provision for Credit Losses



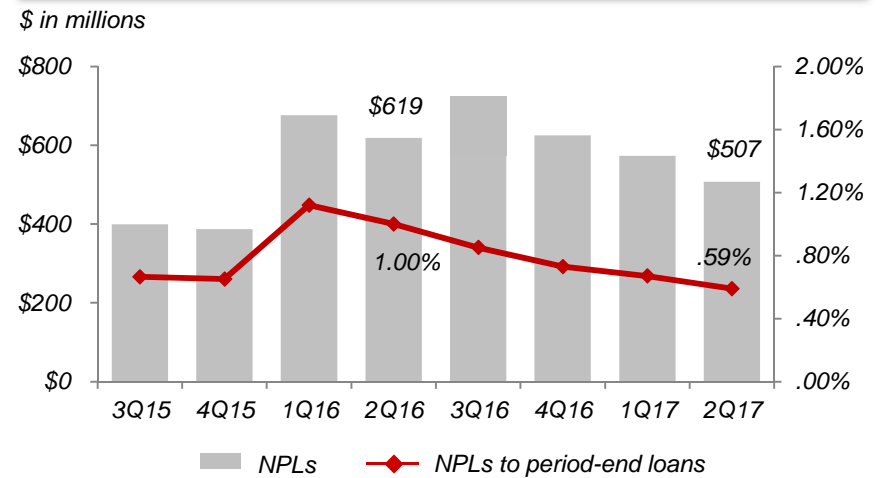
Highlights

- Portfolios continue to perform well
- Net loan charge-offs of \$66 MM
 - 31 basis points of average loans, below targeted range
- Nonperforming loans down 12% from 1Q17 and represent 59 bps of period-end loans

Allowance for Loan and Lease Losses



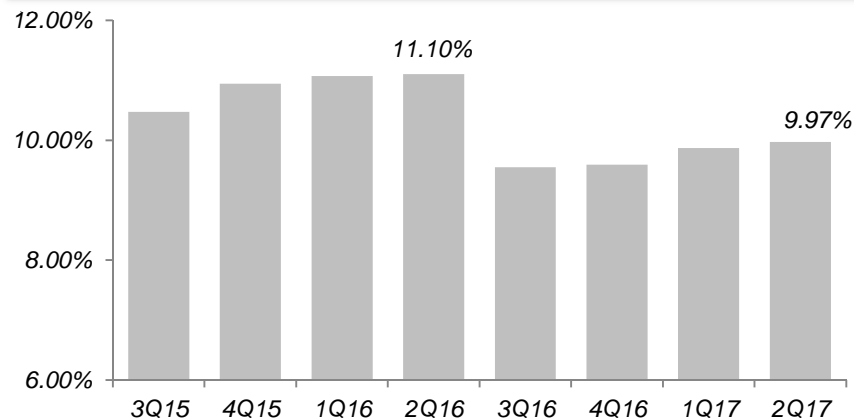
Nonperforming Loans^(a)



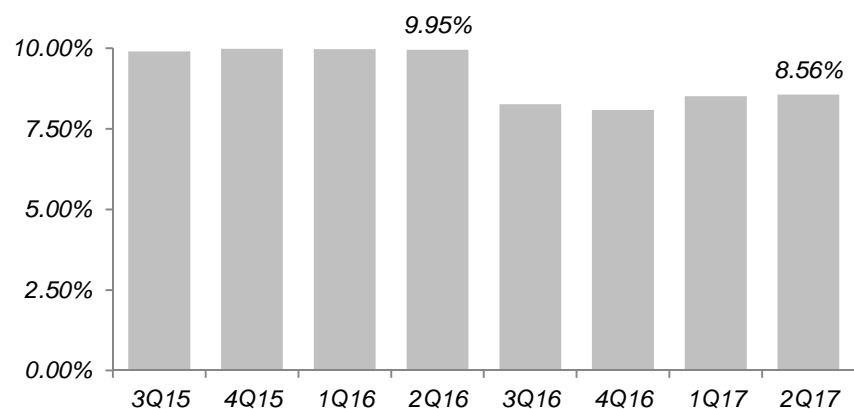
(a) Nonperforming loan balances exclude \$835 million, \$812 million, and \$11 million of purchased credit impaired loans at June 30, 2017, March 31, 2017, and June 30, 2016, respectively

Capital

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



Tangible Common Equity to Tangible Assets^(a)



Highlights

- **Strong capital position with Common Equity Tier 1 ratio of 9.97%^(b) at 6/30/17**
- **Increased common dividend 12% in 2Q17**
- **Repurchased \$94 MM^(c) in common shares during 2Q17**
- **No objection from the Federal Reserve on 2017 capital plan, which includes:**
 - Two common share dividend increases (4Q17 and 2Q18), subject to Board approval
 - Common share repurchase program of up to \$800 MM



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

(b) 6-30-17 figures are estimated

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

Outlook and Expectations

	FY 2017 ^(a)
Average Balance Sheet	<ul style="list-style-type: none"> Loans: low-end of \$87.0 B - \$88.0 B range for FY17 average balances Deposits: FY17 average balances in the range of \$102.5 B - \$103.0 B
Net Interest Income	<ul style="list-style-type: none"> Net interest income expected to be in the range of \$3.8 B - \$3.9 B <ul style="list-style-type: none"> – Reflects consistent decline in purchase accounting accretion (approx. \$100 MM remaining in 2H17) Outlook includes no additional rate increases in 2017
Noninterest Income	<ul style="list-style-type: none"> Expected to be in the range of \$2.35 B - \$2.45 B
Noninterest Expense	<ul style="list-style-type: none"> Expected to be in the range of \$3.7 B - \$3.8 B <ul style="list-style-type: none"> – Includes impact of merchant services and HelloWallet
Credit Quality	<ul style="list-style-type: none"> Net charge-offs to average loans below targeted range of 40 – 60 bps Provision expected to slightly exceed net charge-offs to provide for loan growth
Taxes	<ul style="list-style-type: none"> GAAP tax rate in the range of 26% - 28%

Long-term Targets

Positive operating leverage

Cash efficiency ratio:
<60%

Moderate risk profile:
Net charge-offs to avg. loans targeted range of 40-60 bps

ROTCE:
13-15%



(a) Guidance provided does not include merger-related charges

Appendix



FNFG Merger-related Charges

<i>\$ in millions</i> <i>Increase / (Decrease)</i>	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15
Net interest income	-	-	-	\$ (6)	-	-	-
Operating lease income and other leasing gains	-	-	-	\$ (2)	-	-	-
Other income	-	-	\$ 9	(10)	-	-	-
Noninterest income	-	-	\$ 9	\$ (12)	-	-	-
Personnel expense	\$ 31	\$ 30	\$ 80	\$ 97	\$ 35	\$ 16	-
Net Occupancy	\$ (1)	\$ 5	\$ 29	-	-	-	-
Business services and professional fees	6	5	22	\$ 32	\$ 5	\$ 7	\$ 5
Computer processing	2	5	38	15	-	-	-
Marketing	6	6	13	9	3	1	-
All other non-personnel	-	30	25	36	2	-	1
Total non-personnel expense	\$ 13	\$ 51	\$ 127	\$ 92	\$ 10	\$ 8	\$ 6
Total merger-related charges	\$ 44	\$ 81	\$ 198	\$ 207	\$ 45	\$ 24	\$ 6
EPS impact	\$ (.03)	\$ (.05)	\$ (.11)	\$ (.14)	\$ (.04)	\$ (.02)	-



Loan Portfolio Detail, at 6/30/17

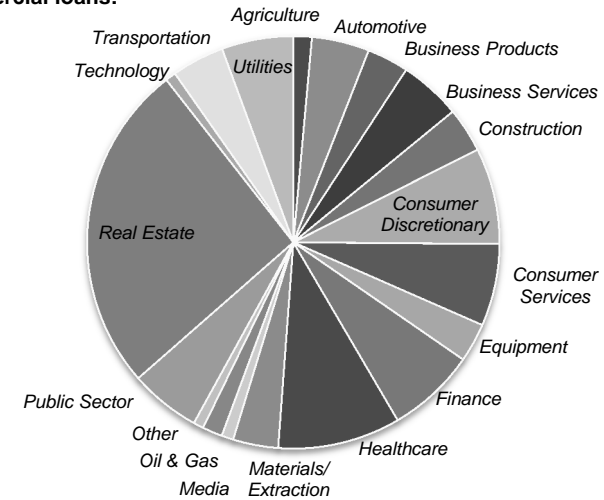
Total Loans

<i>\$ in billions</i>	6/30/17	% of total loans
Commercial and industrial	\$ 40.9	47
Commercial real estate	17.0	20
Commercial lease financing	4.7	5
Total Commercial	\$ 62.6	72
Residential mortgage	\$ 5.5	6
Home equity	12.4	14
Consumer direct	1.8	2
Credit card	1.0	1
Consumer indirect	3.1	4
Total Consumer	\$ 23.9	28

Commercial Loans

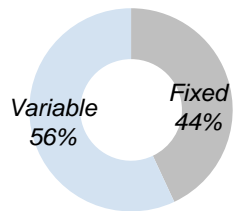
Diversified Portfolio by Industry

Total commercial loans:



Home Equity

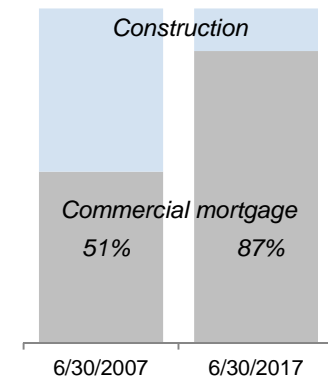
	Outstanding Balances	Average Loan Size	Average FICO	2008/ prior vintage
First lien	\$ 7,356 59%	\$ 72,576	773	22%
Second lien	5,049 41	46,407	769	38
Total home equity	\$ 12,405			



- Combined weighted-average LTV at origination: 71%
- \$875 million in lines outstanding (7% of the total portfolio) come to end of draw period by 4Q19

Commercial Real Estate

- Focused on relationships with CRE owners
- Aligned with targeted industry verticals
- Primarily commercial mortgage; selective approach to construction
- Criticized non-accruals: 0.2% of period-end balances^(a)

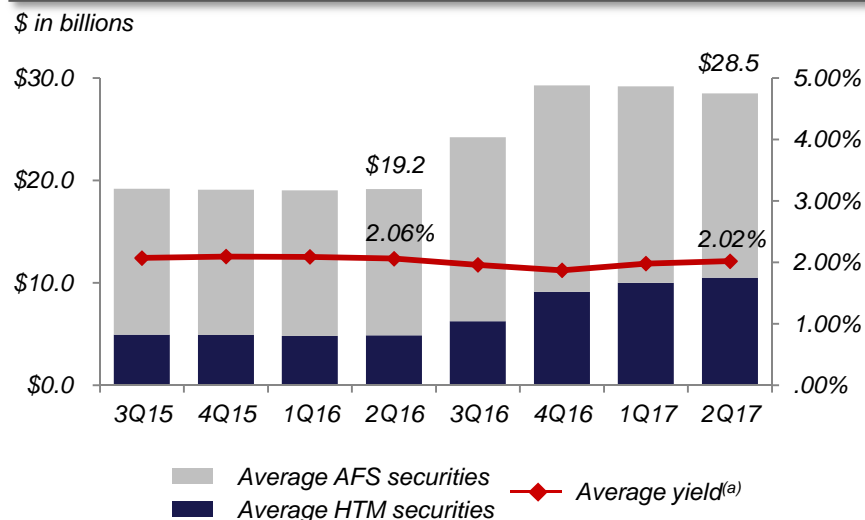


Tables may not foot due to rounding

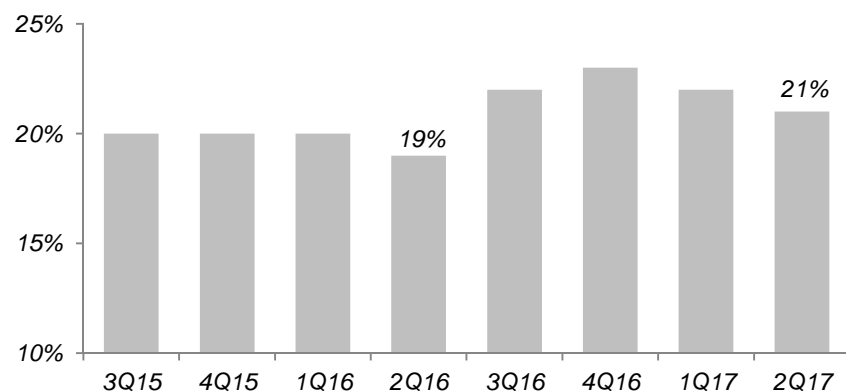
(a) Loan and lease outstandings; excludes purchase credit impaired loans from the First Niagara acquisition

Investment Portfolio

Average Total Investment Securities



Securities to Total Assets^(b)



Highlights

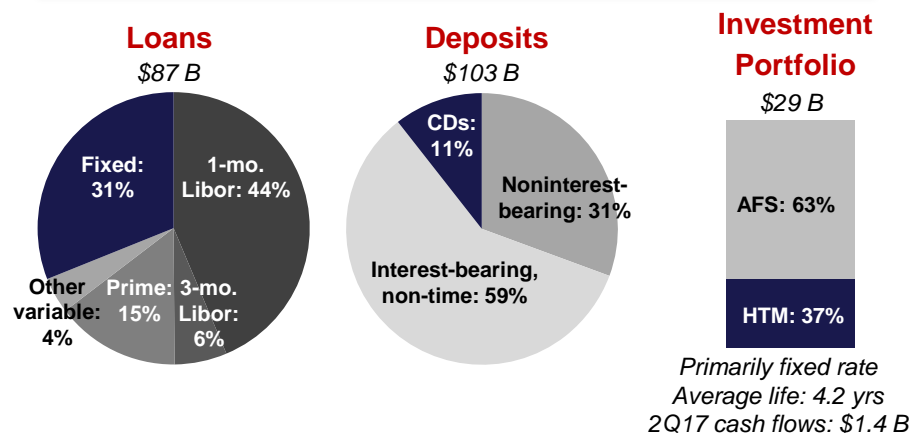
- Portfolio composed primarily of GNMA and GSE-backed MBS and CMOs; primarily fixed rate
- Continue to position portfolio for regulatory liquidity requirements:
 - Reinvesting cash flows into High Quality Liquid Assets, including GNMA securities (49% of 2Q17 average balances)
- Portfolio used for funding and liquidity management
 - Securities cash flows of \$1.4 billion in 2Q17 and \$1.5 billion in 1Q17
 - Reinvested all of 2Q17 cash flows
- Average portfolio life at 6/30/17 of 4.2 years (4.3 years at 3/31/17)



(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

Naturally Asset Sensitive Balance Sheet with Relatively Short Duration^(a)



Actively Managing Rate Risk

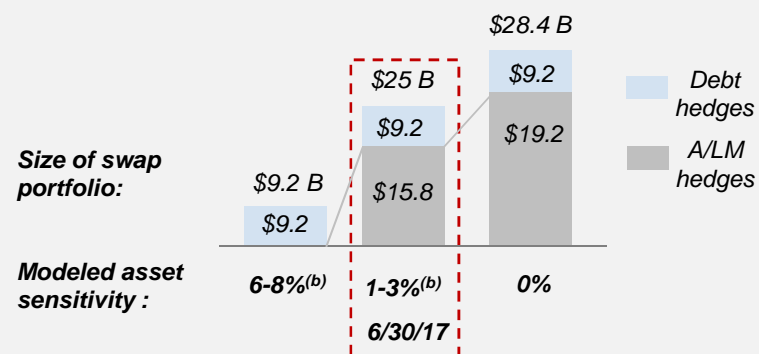
- Key manages interest rate risk through security purchases, debt issuance, and the use of swaps
- Swaps modify the rate characteristics of assets and liabilities
 - \$15.8 B of swaps for A/L management with 1.8 year WAM
 - \$9.2 B of debt hedges
- Modestly asset sensitive^(b)
 - Nil impact of 1%-3% for a 200 bps increase over 12 months
 - Reflects a beta of 0% - 55% for deposit repricing for the first 25 bps change in rates and ~55% for the next 175 bps
 - Assumes replacement of swaps and securities cash flows

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

Utilize Swaps to Achieve and Adjust Modest Asset Sensitivity

- A/LM hedges aligned to floating rate LIBOR-based loans
- Short weighted average maturity of A/LM swaps
 - Provides flexibility to reprice and adjust overall sensitivity
 - Fairly even pace of maturities (\$2.8 B remaining in 2017)
- Replacement swaps reflect forward curve at time of origination

Swaps (\$ in B)	6/30/17 Notional Amt.	Wtd. Avg. Maturity (Yrs.)	Receive Rate	Pay Rate
A/L Management (receive fixed / pay variable)	\$ 15.8	1.8	1.1%	1.1%
Debt	9.2	2.9	1.6	1.1
	\$ 25	2.2	1.3%	1.1%

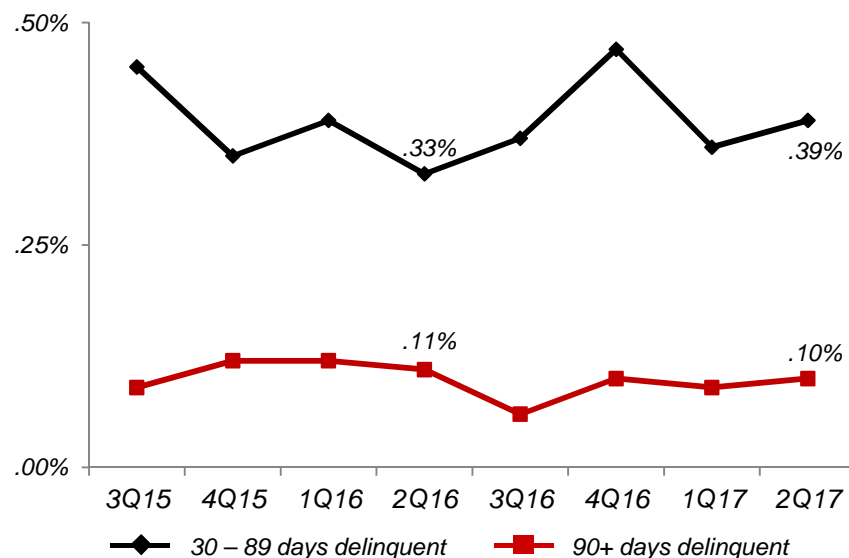


(a) Loan, deposit and investment portfolio balances reflect 6-30-17 period-end balances
 (b) Simulation analysis for net interest income is described in Figure 34 of Key's 2016 Form 10-K

Credit Quality Trends

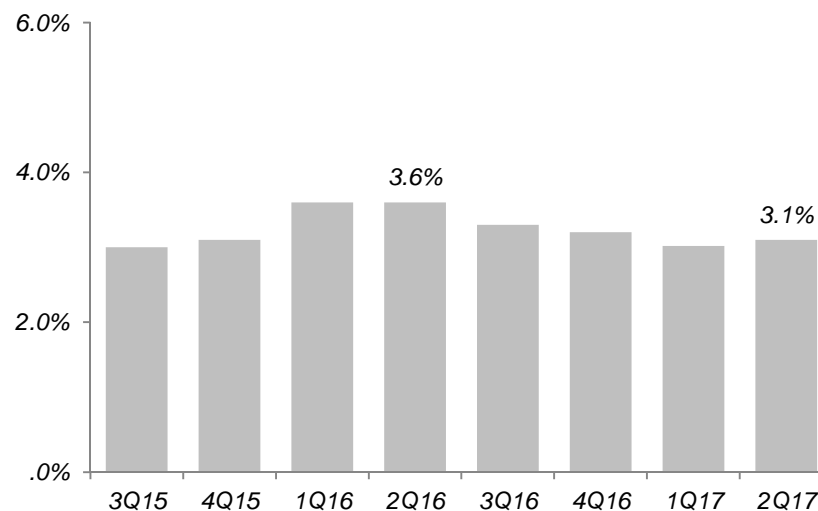
Delinquencies to Period-end Total Loans

Continuing operations



Criticized Outstandings^(a) to Period-end Total Loans

Continuing operations



Metric ^(b)	2Q17	1Q17	4Q16	3Q16	2Q16
Delinquencies to EOP total loans: 30-89 days	.39 %	.36 %	.47 %	.37 %	.33 %
Delinquencies to EOP total loans: 90+ days	.10	.09	.10	.06	.11
NPLs to EOP portfolio loans ^(c)	.59	.67	.73	.85	1.00
NPAs to EOP portfolio loans + OREO + Other NPAs ^(c)	.64	.72	.79	.89	1.03
Allowance for loan losses to period-end loans	1.01	1.01	1.00	1.01	1.38
Allowance for loan losses to NPLs	171.6	151.8	137.3	119.6	138.0

(a) Loan and lease outstandings; excludes purchase credit impaired loans from the First Niagara acquisition

(b) From continuing operations

(c) Nonperforming loan balances exclude \$835 million, \$812 million, \$865 million, \$959 million, and \$11 million of purchased credit impaired loans at June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, and June 30, 2016, respectively



Credit Quality

Credit Quality by Portfolio

\$ in millions	Period-end loans	Average loans	Net loan charge-offs	Net loan charge-offs ^(b) / average loans (%)	Nonperforming loans ^(c)	Ending allowance ^(d)	Allowance / period-end loans ^(d) (%)	Allowance / NPLs (%)
	6/30/17	2Q17	2Q17	2Q17	6/30/17	6/30/17	6/30/17	6/30/17
Commercial and industrial ^(a)	\$ 40,914	\$ 40,666	\$ 38	.37%	\$ 178	\$ 528	1.29%	296.63%
Commercial real estate:								
Commercial Mortgage	14,813	15,096	3	.08	34	144	.97	423.53
Construction	2,168	2,204	-	-	4	28	1.29	700.00
Commercial lease financing ^(e)	4,737	4,690	1	.09	11	40	.84	363.64
Real estate – residential mortgage	5,517	5,509	3	.22	58	9	.16	15.52
Home equity	12,405	12,473	4	.13	208	42	.34	20.19
Credit cards	1,049	1,044	10	3.84	2	44	4.19	N/M
Consumer direct loans	1,755	1,743	6	1.38	2	25	1.42	N/M
Consumer indirect loans	3,145	3,077	1	.13	10	10	.32	100.00
Continuing total^(f)	\$ 86,503	\$ 86,502	\$ 66	.31%	\$ 507	\$ 870	1.01%	171.60%
Discontinued operations	1,436	1,459	2	.55	5	21	1.46	420.00
Consolidated total	\$ 87,939	\$ 87,961	\$ 68	.31%	\$ 512	\$ 891	1.01%	174.02%

N/M = Not meaningful

(a) 6-30-17 ending loan balance includes \$118 million of commercial credit card balances; average loan balance includes \$117 million of assets from commercial credit cards

(b) Net loan charge-off amounts are annualized in calculation

(c) 6-30-17 NPL amount excludes \$835 million of purchased credit impaired loans

(d) 6-30-17 allowance by portfolio is estimated

(e) Commercial lease financing includes receivables held as collateral for a secured borrowing of \$47 million at June 30, 2017. Principal reductions are based on the cash payments received from these related receivables.

(f) 6-30-17 ending loan balance includes purchased loans of \$17.8 billion, of which \$835 million were purchased credit impaired



GAAP to Non-GAAP Reconciliation

\$ in millions	Three months ended		
	6-31-17	3-31-17	6-30-16
Tangible common equity to tangible assets at period end			
Key shareholders' equity (GAAP)	\$15,253	\$14,976	\$ 11,313
Less: Intangible assets ^(a)	2,866	2,751	1,074
Preferred Stock ^(b)	1,009	1,009	281
Tangible common equity (non-GAAP)	<u>\$11,378</u>	<u>\$11,216</u>	<u>\$ 9,958</u>
Total assets (GAAP)	\$135,824	\$134,476	\$ 101,150
Less: Intangible assets ^(a)	2,866	2,751	1,074
Tangible common equity to tangible assets ratio (non-GAAP)	<u>\$132,958</u>	<u>\$131,725</u>	<u>\$ 100,076</u>
Tangible common equity to tangible assets ratio (non-GAAP)	8.56%	8.51%	9.95%
Common Equity Tier 1 at period end			
Key shareholders' equity (GAAP)	\$15,253	\$14,976	\$ 11,313
Less: Preferred Stock ^(b)	1,009	1,009	281
Common Equity Tier 1 capital before adjustments and deductions	14,244	13,967	11,032
Less: Goodwill, net of deferred taxes	2,417	2,379	1,031
Intangible assets, net of deferred taxes	252	194	30
Deferred tax assets	11	11	1
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	(144)	(179)	129
Accumulated gains (losses) on cash flow hedges, net of deferred taxes	(64)	(76)	77
Amounts in accumulated other comprehensive income (loss) attributed to pension and postretirement benefit costs, net of deferred taxes	(334)	(335)	(362)
Total Common Equity Tier 1 capital ^(c)	<u>\$ 12,106</u>	<u>\$ 11,973</u>	<u>\$ 10,126</u>
Net risk-weighted assets (regulatory) ^(c)	\$ 121,484	\$ 120,852	\$ 91,195
Common Equity Tier 1 ratio (non-GAAP) ^(c)	9.97%	9.91%	11.10%
Notable Items			
Merger-related charges	\$ (44)	\$ (81)	\$ (45)
Unwind of merchant services joint venture	64	-	-
Purchase accounting refinement, net	43	-	-
Charitable contribution	(20)	-	-
Total notable items	<u>\$ 43</u>	<u>\$ (81)</u>	<u>\$ (45)</u>
Income taxes	16	(30)	(17)
Total notable items after tax	<u>\$ 27</u>	<u>\$ (51)</u>	<u>\$ (28)</u>
Pre-provision net revenue excluding notable items			
Net interest income (GAAP)	\$ 973	\$ 918	\$ 597
Plus: Taxable-equivalent adjustment	14	11	8
Noninterest income	653	577	473
Less: Noninterest expense	995	1,013	751
Pre-provision net revenue from continuing operations	<u>\$ 645</u>	<u>\$ 493</u>	<u>\$ 327</u>
Plus: Notable items	(43)	81	45
Pre-provision net revenue from continuing operations excluding notable items (non-GAAP)	<u>\$ 602</u>	<u>\$ 574</u>	<u>\$ 372</u>

- (a) For the three months ended June 30, 2017, March 31, 2017, and June 30, 2016, intangible assets exclude \$33 million, \$38 million, and \$36 million, respectively, of period-end purchased credit card receivables
- (b) Net of capital surplus.
- (c) June 30, 2017, amount is estimated.



GAAP to Non-GAAP Reconciliation (continued)

\$ in millions

Average tangible common equity

	Three months ended				
	6-30-17	3-31-17	12-31-16	9-30-16	6-30-16
Average Key shareholders' equity (GAAP)	\$ 15,200	\$ 15,184	\$ 14,901	\$ 13,552	\$ 11,147
Less: Intangible assets (average) ^(a)	2,756	2,772	2,874	2,255	1,076
Preferred Stock (average)	1,025	1,480	1,274	648	290
Average tangible common equity (non-GAAP)	\$ 11,419	\$ 10,932	\$ 10,753	\$ 10,649	\$ 9,781

Return on average tangible common equity from continuing operations

Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 393	\$ 296	\$ 213	\$ 165	\$ 193
Plus: Notable items, after tax	(27)	51	124	132	28
Net income (loss) from continuing operations attributable to Key common shareholders excl. notable items	\$ 366	\$ 347	\$ 337	\$ 297	\$ 221
Average tangible common equity (non-GAAP)	11,419	10,932	10,753	10,649	9,781
Return on average tangible common equity from continuing operations (non-GAAP)	13.80%	10.98%	7.88%	6.16%	7.94%
Return on average tangible common equity from continuing operations excl. notable items (non-GAAP)	12.86%	12.87%	12.47%	11.22%	9.09%

Cash efficiency ratio

Noninterest expense (GAAP)	\$ 995	\$ 1,013	\$ 1,220	\$ 1,082	\$ 751
Less: Intangible asset amortization	22	22	27	13	7
Adjusted noninterest expense (non-GAAP)	\$ 973	\$ 991	\$ 1,193	\$ 1,069	\$ 744
Less: Notable items ^(b)	60	81	207	189	45
Adjusted noninterest expense excluding notable items (non-GAAP)	\$ 913	\$ 910	\$ 986	\$ 880	\$ 699
Net interest income (GAAP)	\$ 973	\$ 918	\$ 938	\$ 780	\$ 597
Plus: Taxable-equivalent adjustment	14	11	10	8	8
Noninterest income	653	577	618	549	473
Total taxable-equivalent revenue (non-GAAP)	\$ 1,640	\$ 1,506	\$ 1,566	\$ 1,337	\$ 1,078
Plus: Notable items ^(c)	(103)	-	(9)	18	-
Adjusted total taxable-equivalent revenue excl. notable items (non-GAAP)	\$ 1,537	\$ 1,506	\$ 1,557	\$ 1,355	\$ 1,078
Cash efficiency ratio (non-GAAP)	59.3%	65.8%	76.2%	80.0%	69.0%
Cash efficiency ratio excluding notable items (non-GAAP)	59.4%	60.4%	63.3%	64.9%	64.8%

Operating Leverage excluding notable items

	Three months ended			Change 2Q17 vs.	
	2Q17	1Q17	2Q16	1Q17	2Q16
Total revenue (TE)	\$ 1,640	\$ 1,506	\$ 1,078		
Less: Notable items ^(c)	103	-	-		
Total revenue (TE) excluding notable items	\$ 1,537	\$ 1,506	\$ 1,078	2.1%	42.6%
Noninterest expense	\$ 995	\$ 1,013	\$ 751		
Less: Notable items ^(b)	60	81	45		
Noninterest expense excluding notable items	\$ 935	\$ 932	\$ 706	.3%	32.4%
Operating leverage excluding notable items (non-GAAP) ^(d)				1.8%	10.2%

(a) For the three months ended June 30, 2017, March 31, 2017, and June 30, 2016, average intangible assets exclude \$36 million, \$40 million, and \$38 million, respectively, of average purchased credit card receivables

(b) Notable items for the three months ended June 30, 2017, includes \$44 million of merger-related expense, \$20 million charitable contribution, and a credit of \$4 million related to purchase accounting finalization; notable items in prior periods are comprised of merger-related charges

(c) Notable items for the three months ended June 30, 2017, includes \$64 million related to the merchant services gain and \$39 million related to purchase accounting finalization; notable items in prior periods are comprised of merger-related charges

(d) Operating leverage excluding notable items is calculated as the difference in the change in total revenue (TE) excluding notable items from the change in noninterest expense excluding notable items

