

# Morgan Stanley Financials Conference

*June 12, 2018*

# KeyCorp

**Chris Gorman**  
President, Banking

**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 fully realizing benefits from the First Niagara merger; 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," "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 Figure 2 of our Form 10-Q dated March 31, 2018.

GAAP: Generally Accepted Accounting Principles



# A Transformed Franchise

Sustained discipline and focused execution has improved market positioning, enhanced productivity and resulted in strong business growth

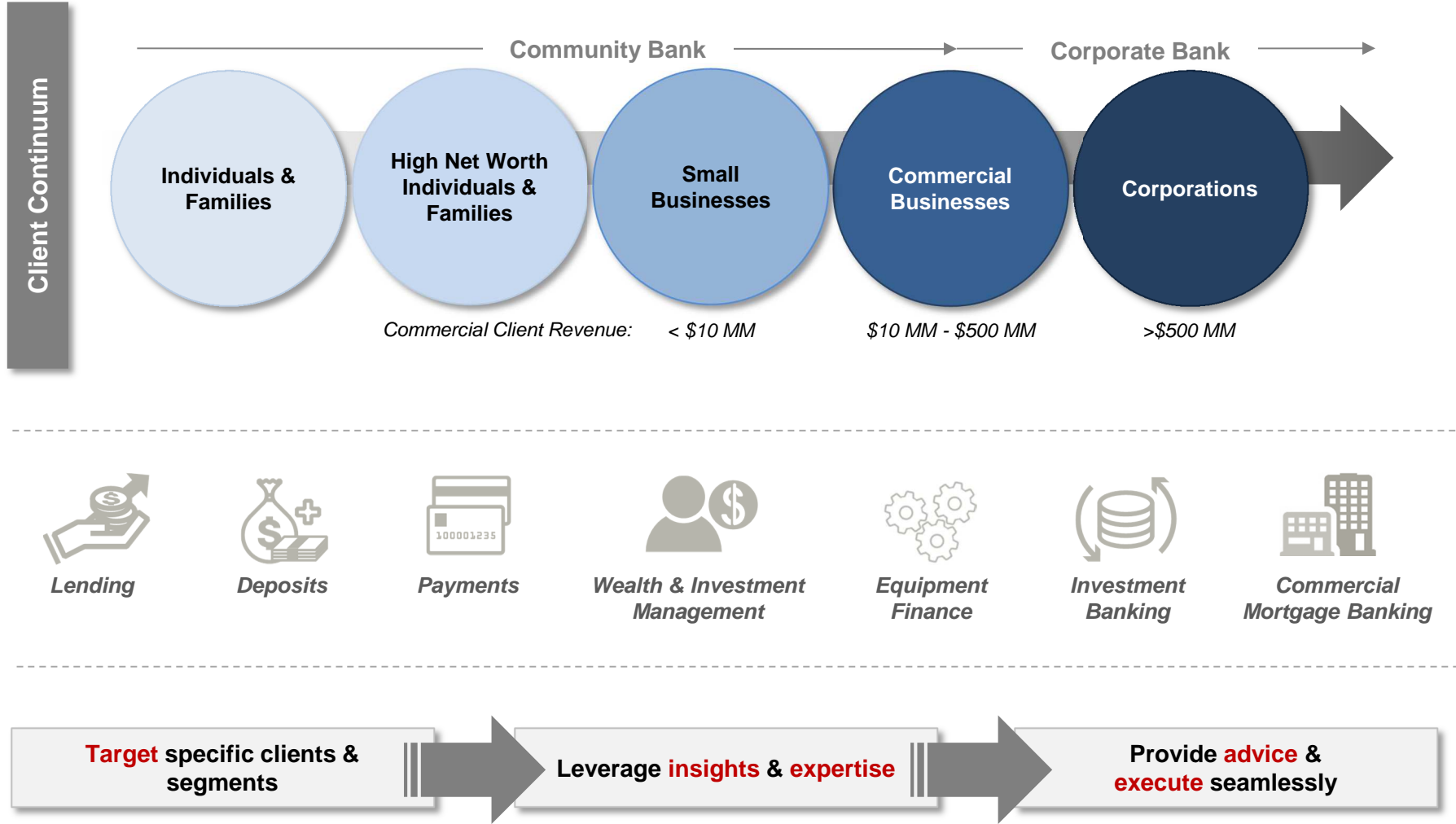
		Five-year Growth	2012	2017
Market Presence	Clients	+48%	2.3 MM	3.4 MM
	# Top 5 markets <sup>(a)</sup>	+29%	17	22
	Deposits per branch	+44%	\$61 MM	\$88 MM
People	Corporate & Commercial RMs	+53%	248	379
	Retail sales FTE	+63%	2,033	3,317
	Revenue per FTE	+29%	\$264 K	\$340 K
Products & Capabilities	C&I loans	+81%	\$23.2 B	\$41.9 B
	IB & debt placement fees	+84%	\$327 MM	\$603 MM
	Cards & payments income	+113%	\$135 MM	\$287 MM
	Servicing assets	+128%	\$108 B	\$246 B
	Commercial mortgage: capital raised	+153%	\$6.6 B	\$16.7 B



(a) MSAs within retail footprint with greater than \$3B in market deposits where Key has a Top 5 market share; source: FDIC Summary of Deposits Annual Survey, June 30, 2017; analysis caps all branches for KEY and peers at \$250MM to adjust for commercial and headquarters deposits; rankings based on total MSA deposits (capped)

# Serving Targeted Clients

Leveraging broad capabilities, insights and expertise



# Distinctive Offering

Delivering ease, value and expertise to build enduring client relationships

## Consumer

**Financial Wellness:**  
Understanding our clients and helping them succeed

Wellness tools and insight + Active dialogue and wellness conversations

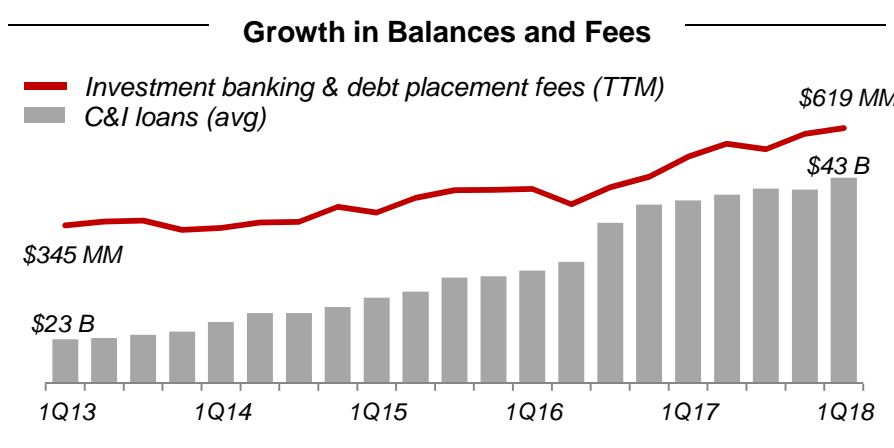
2016      May '18 YTD  
Wellness conversations / banker / day  
**+32%**

**Growing relationships by fulfilling clients' banking needs**

Primary Payments & Deposit  
Savings & Investing  
Borrowing

## Commercial

	Boutiques	Regional Banks	Universal Banks	Universal Banks
Capital Markets	✓	✗	✓	✓
Commercial Banking	✗	✓	✓	✓
Industry-driven Model	✓	✗	✓	✓
Middle Market Focus	✓	✓	✓	✗



# Executing on Long-term Targets

Focused execution of relationship-based model drives ability to achieve targets

## Long-term Targets

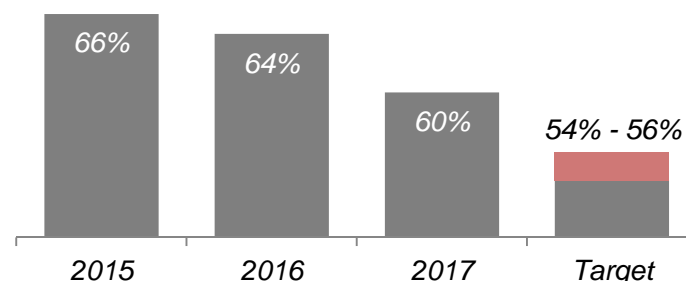
Positive operating leverage

Cash efficiency ratio: 54% - 56%

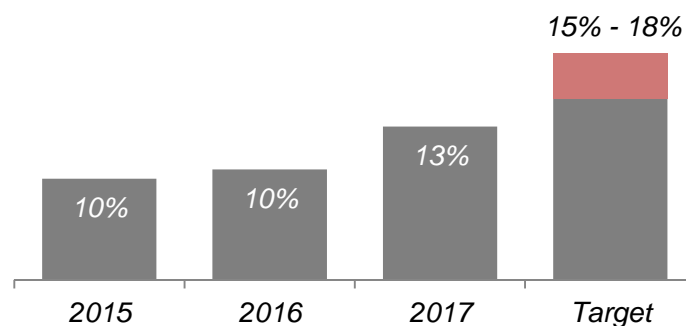
**Moderate risk profile:**  
Net charge-offs to avg. loans targeted range of 40 - 60 bps

Return on avg. tangible common equity: 15% - 18%

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



## Return on Average Tangible Common Equity<sup>(a)</sup>



(a) Non-GAAP measure and excludes notable items; see Key's Form 10-K dated December 31, 2017, for reconciliations

# Appendix



# Targeted Technology Investments

Strengthening our offering and maximizing client impact

## Optimizing Systems & Processes; Enabling Business Growth

*Platform and process enhancements support and drive business momentum*

- Ongoing modernization of core systems and simplification of end-to-end processes
- Digitizing client portals and underlying capabilities
- Continued investment in cybersecurity and fraud prevention, detection and resolution
- Leveraging analytics to provide financial wellness insights to clients
- Enabling sales efficiency and effectiveness
- Strategically partnering with FinTech firms to enhance offering

ORACLE®



## Recent Enhancements

- ✓ New and improved consumer digital platforms
- ✓ Improved commercial client and wealth management portals
- ✓ Digital account opening and service capabilities
- ✓ Financial wellness tools
- ✓ Real-time targeted alerts and marketing
- ✓ Person-to-person payments

### Areas of Focus & Investment

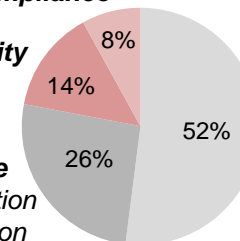


### Technology Investments (2018)

#### Compliance

#### Cybersecurity & fraud

- Modernization
- Simplification
- Upgrades



#### Business growth

- Digital
- Data, insights & analytics
- Service enhancement





# Outlook and Expectations

	FY 2018
<b>Average Balance Sheet</b>	<ul style="list-style-type: none"> <li>Loans: average balances in the range of \$88.5 B - \$89.5 B</li> <li>Deposits: average balances in the range of \$104.5 B - \$105.5 B</li> </ul>
<b>Net Interest Income (TE)</b>	<ul style="list-style-type: none"> <li>Net interest income expected to be in the range of \$3.95 B - \$4.05 B</li> <li>Outlook includes rate increases in June and November 2018</li> </ul>
<b>Noninterest Income</b>	<ul style="list-style-type: none"> <li>Expected to be in the range of \$2.5 B - \$2.6 B</li> </ul>
<b>Noninterest Expense</b>	<ul style="list-style-type: none"> <li>Expected to be in the range of \$3.85 B - \$3.95 B               <ul style="list-style-type: none"> <li>Includes remaining First Niagara cost savings of \$50 million in early 2018</li> </ul> </li> </ul>
<b>Credit Quality</b>	<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 slightly exceed net charge-offs to provide for loan growth</li> </ul>
<b>Taxes</b>	<ul style="list-style-type: none"> <li>GAAP tax rate in the range of 17% - 18%</li> </ul>

## Long-term Targets

**Positive operating leverage**

**Cash efficiency ratio:**  
54% - 56%

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

**ROTCE:**  
15 - 18%

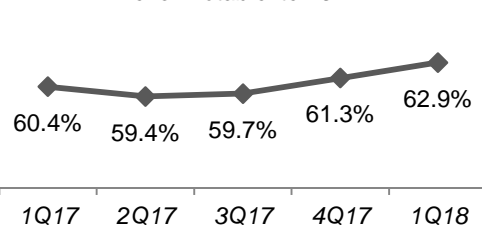


# Financial Highlights

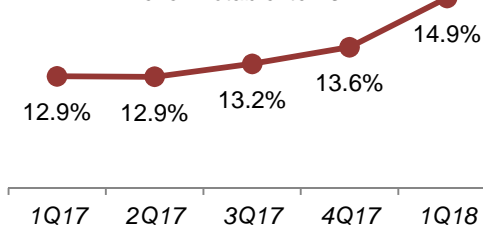
Continuing operations, unless otherwise noted

	1Q18	4Q17	1Q17	LQ Δ	Y/Y Δ	
<b>Profitability</b>	EPS – assuming dilution	.38	.17	.27	124 %	41 %
	EPS – excl. notable items <sup>(a), (b)</sup>	.38	.36	.32	6	19
	Cash efficiency ratio <sup>(a)</sup>	62.9 %	66.7 %	65.8 %	(376) bps	(289) bps
	Cash efficiency –excl. notable items <sup>(a), (b)</sup>	62.9	61.3	60.4	157	249
	Return on average tangible common equity <sup>(a)</sup>	14.9	6.4	11.0	854	391
	ROTCE – excl. notable items <sup>(a), (b)</sup>	14.9	13.6	12.9	127	203
<b>Capital<sup>(c)</sup></b>	Common Equity Tier 1	9.99 %	10.16 %	9.91 %	(17) bps	8 bps
	Tier 1 risk-based capital	10.82	11.01	10.74	(19)	8
	Tangible common equity to tangible assets <sup>(a)</sup>	8.22	8.23	8.51	(1)	(29)
<b>Asset Quality</b>	NCOs to average loans	.25 %	.24 %	.27 %	1 bps	(2) bps
	NPLs to EOP portfolio loans <sup>(d)</sup>	.61	.58	.67	3	(6)
	Allowance for loan and lease losses to EOP loans	1.00	1.01	1.01	(1)	(1)

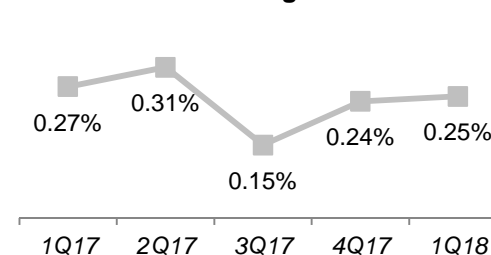
**Cash Efficiency Ratio<sup>(a)</sup>**  
excl. notable items<sup>(b)</sup>



**ROTCE<sup>(a)</sup>**  
excl. notable items<sup>(b)</sup>



**NCOs to Avg. Loans**



EOP = End of Period

(a) Non-GAAP measure: see slides 23-24 for reconciliation

(b) Notable items include: merger-related charges (in all periods except 1Q18 - see slide 22 for detail); impact of tax reform and related actions in 4Q17; merchant services gain adjustment in 3Q17; and merchant services gain, purchase accounting finalization and charitable contribution in 2Q17

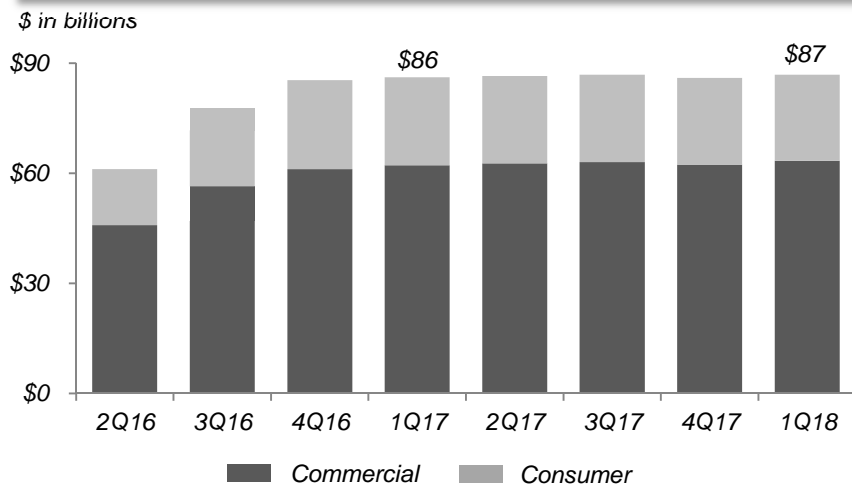
(c) From consolidated operations

(d) Nonperforming loan balances exclude \$690 million, \$738 million, and \$812 million, of purchased credit impaired loans at March 31, 2018, December 31, 2017, and March 31, 2017, respectively



# Loans

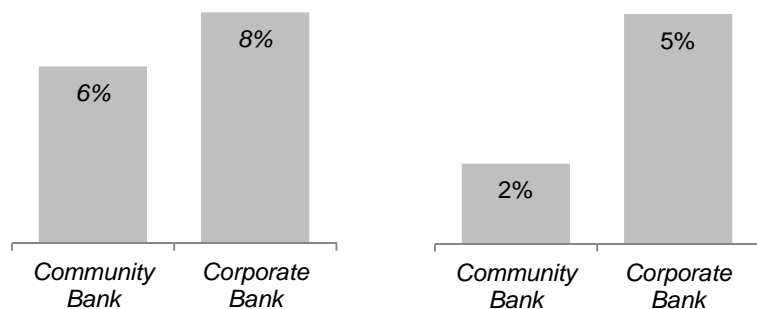
## Total Average Loans



## C&I Loans

vs. Prior Year

vs. Prior Quarter



## Highlights

vs. Prior Year

- Average loans up 1% from 1Q17
  - Broad-based C&I growth with middle-market clients
  - Expansion of auto lending into existing geographies and dealer relationships

vs. Prior Quarter

- Average loans up 1% from 4Q17
  - C&I growth across client segments, including both Community Bank and Corporate Bank
  - Home equity continues to decline, consistent with overall market trends



# Loan Portfolio Detail, at 3/31/18

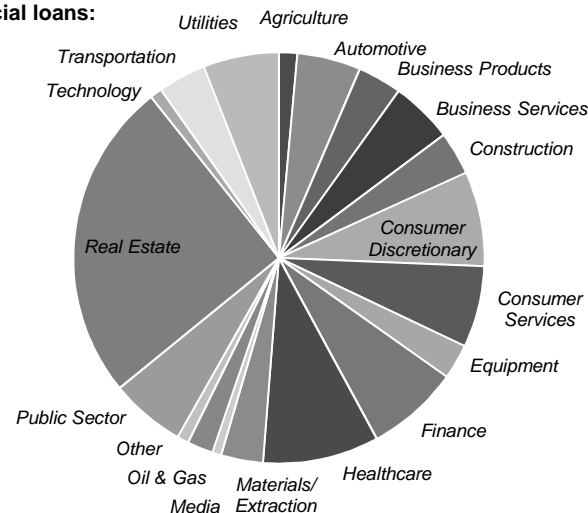
## Total Loans

\$ in billions	3/31/18	% of total loans
Commercial and industrial	\$ 44.3	50
Commercial real estate	15.9	18
Commercial lease financing	4.6	5
<b>Total Commercial</b>	<b>\$ 64.8</b>	<b>74</b>
Residential mortgage	\$ 5.5	6
Home equity	11.7	13
Consumer direct	1.8	2
Credit card	1.1	1
Consumer indirect	3.3	4
<b>Total Consumer</b>	<b>\$ 23.3</b>	<b>26</b>

## Commercial Loans

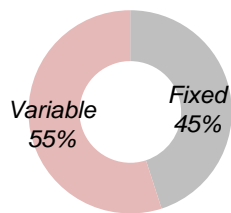
### Diversified Portfolio by Industry

Total commercial loans:



## Home Equity

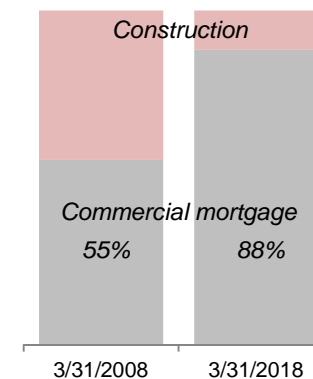
	Outstanding Balances	Average Loan Size	Average FICO	2008/prior vintage
First lien	\$ 6,993 60%	\$ 71,996	771	19%
Second lien	4,727 40	46,409	768	34
<b>Total home equity</b>	<b>\$ 11,720</b>			



- Combined weighted-average LTV at origination: 70%
- \$599 million in lines outstanding (7% of the home equity lines) come to end of draw period by 1Q20

## 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<sup>(a)</sup>

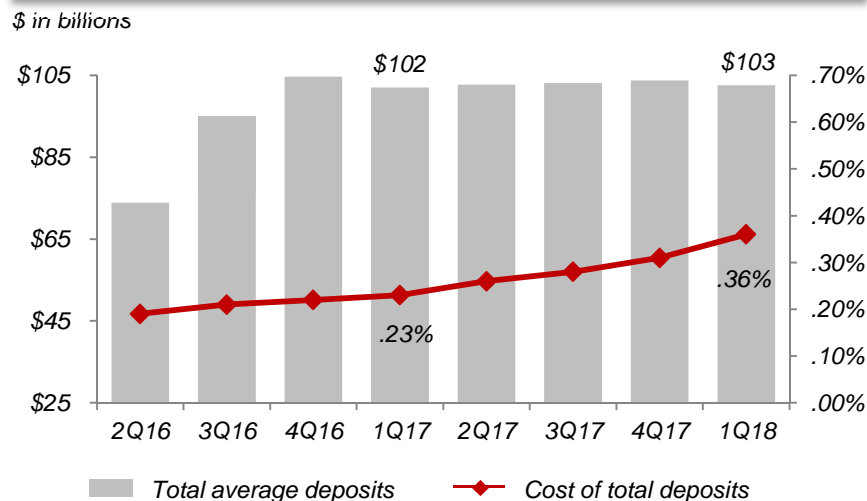


Tables may not foot due to rounding

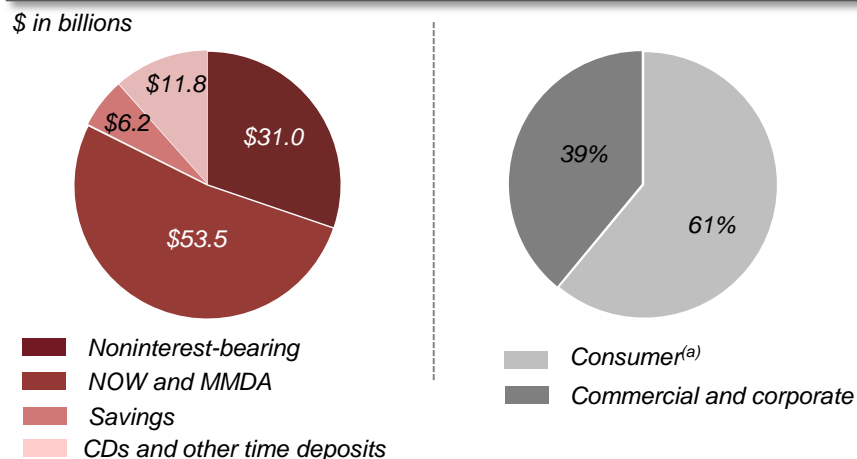
(a) Loan and lease outstandings; excludes purchase credit impaired loans from the First Niagara acquisition

# Deposits

## Average Deposits



## 1Q18 Average Deposit Mix



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

## Highlights

- **Deposit cost up 5 bps from 4Q17, reflecting:**
  - Higher interest rates
  - Continued migration of portfolio into higher-yielding products
- **Strong and stable deposit base**
  - 30% noninterest-bearing
  - >85% from markets where Key maintains top-5 deposit or branch share

vs. Prior Year

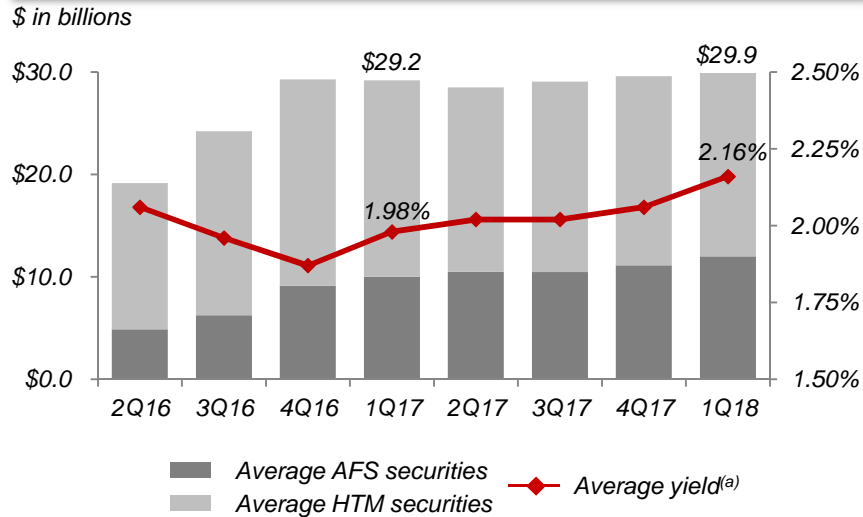
- **Average deposit up .5% from 1Q17**
  - Growth in CDs
  - Consumer noninterest-bearing balances up 10%
- **Continued mix shift to higher-yielding deposit products**
- **Managed exit of certain higher cost corporate and public sector deposits**

vs. Prior Quarter

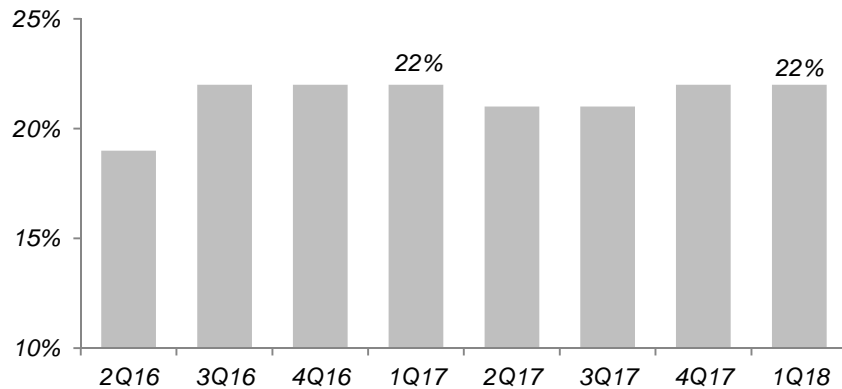
- **Average deposit balances down 1% from 4Q17**
  - Elevated 4Q17 balances due to seasonal and short-term escrow deposit inflows
  - Consumer noninterest-bearing balances up 6%

# Investment Portfolio

## Average Total Investment Securities



## Securities to Total Assets<sup>(b)</sup>



## Highlights

- Portfolio composed primarily of GNMA and GSE-backed MBS and CMOs
  - Primarily fixed rate
  - GNMA 47% of 1Q18 average balances
- Portfolio used for funding and liquidity management:
  - Securities cash flows of \$1.2 billion in 1Q18
  - \$362 million growth in average balance
  - Reinvesting cash flows into High Quality Liquid Assets
- Replaced cash flows at higher yields during 1Q18
  - New investments yield 3.20% vs. 1Q18 cash flows at 2.13%
- Portfolio average life of 4.8 years and duration of 4.2 years at 3/31/18

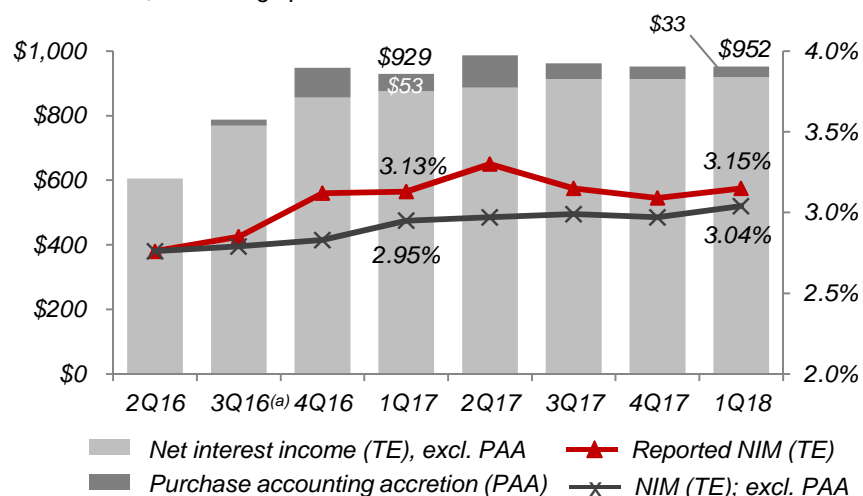


(a) Yield is calculated on the basis of amortized cost  
 (b) Includes end-of-period held-to-maturity and available-for-sale securities

# Net Interest Income and Margin

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

\$ in millions; continuing operations



	1Q17	2Q17	3Q17	4Q17	1Q18
<b>NIM – reported</b>	<b>3.13%</b>	<b>3.30%</b>	<b>3.15%</b>	<b>3.09%</b>	<b>3.15%</b>
PAA	.18	.19	.16	.12	.11
PAA refinement/ finalization	-	.14	-	-	-
<b>NIM – excl. PAA</b>	<b>2.95</b>	<b>2.97</b>	<b>2.99</b>	<b>2.97</b>	<b>3.04</b>

	1Q17	2Q17	3Q17	4Q17	1Q18
<b>NII – reported (\$MM)</b>	<b>\$ 929</b>	<b>\$ 987</b>	<b>\$ 962</b>	<b>\$ 952</b>	<b>\$ 952</b>
PAA	53	58	48	38	33 <sup>(b)</sup>
PAA refinement/ finalization	-	42	-	-	-
<b>NII – excl. PAA</b>	<b>\$876</b>	<b>\$877</b>	<b>\$914</b>	<b>\$914</b>	<b>\$919</b>

## Highlights

- **Excluding PAA, 1Q18 net interest income was \$919 MM and net interest margin was 3.04%**
  - NII up 5% from prior year and up 1% from prior quarter
- **TE adjustment decreased \$6 MM from 4Q17, to \$8 MM for 1Q18, as a result of tax law change**

**vs. Prior Year**

- **Net interest income up \$43 MM from 1Q17, excl. PAA**
  - Largely driven by higher interest rates and low deposit betas

**vs. Prior Quarter**

- **Net interest income up \$5 million from 4Q17, excl. PAA**
  - Reflects benefit from higher interest rates and lower liquidity levels
  - Growth offset by lower day count, reduced TE adjustment and lower PAA

NIM Change vs. Prior Quarter	4Q17:	3.09%
Higher interest rates		.07
Lower short-term earning assets		.03
PAA (1Q vs. 4Q)		(.01)
Other		(.03)
<b>Total change</b>		<b>.06</b>
	<b>1Q18:</b>	<b>3.15%</b>



TE = Taxable equivalent PAA = Purchase accounting accretion

(a) 3Q16 Net interest income included \$6 million of merger-related charges; see Key's 3Q16 Earnings Release for detail on merger-related charges

(b) 1Q18 purchase accounting accretion of \$33 MM is made up of \$24 MM related to contractual maturities and \$9 MM related to prepayments

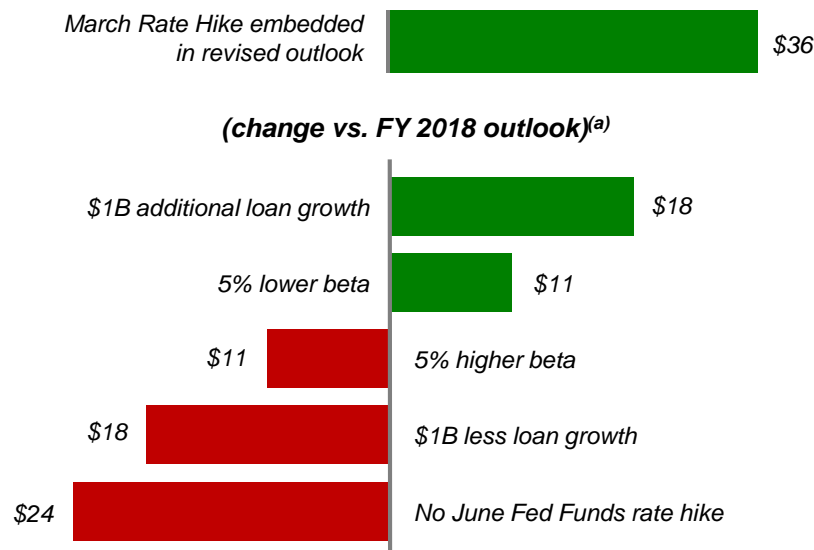
# Interest Rate Risk Management

The strength and diversity of our franchise positions Key to benefit from economic growth and a rising rate environment

## Business and Balance Sheet Highlights

- **Strong, low-cost deposit base**
  - \$72 B interest-bearing deposits at 51 bps
  - \$31 B noninterest-bearing deposits
  - ~65% stable retail and low-cost escrow
  - > 85% from markets where Key maintains top-5 deposit or branch share
  - \$88 MM deposits per branch, up 20% vs. pre-FNFG
  - Payments investments drive commercial deposit growth
- **Relationship-oriented lending franchise**
  - Distinctive commercial capabilities drive C&I loan growth and ~70% floating-rate loan mix
  - Recent investments in residential mortgage and auto lending enhance Key's growth trajectory and balance our ALM position
- **Disciplined balance sheet management with recurring re-investment opportunities**
  - \$30 B securities portfolio is >99% government-guaranteed and generates ~\$450 MM cash flows per month
  - Discretionary hedge activities (~\$18 B) help moderate interest rate risk exposure while providing near-term earnings upside (\$4.3 B swaps mature through 4Q18 at weighted-average receive rate of 1.06%)

## Net Interest Income Sensitivities (FY18) (\$MM)



## • Modestly asset sensitive positioning<sup>(b)</sup>

- NII impact of 3%-5% for a 200 bps increase over 12 months
  - Reflects a deposit repricing beta that ramps from ~25% to 50%
- Assumes replacement of swaps and securities cash flows
- Each 25 bps increase in the Fed Funds rate is equivalent to an additional ~\$12 MM of net interest income per quarter



(a) Outlook and Expectations for FY 2018 is as described on page 9 of this presentation and assumes market forward interest rates as of December 2017 and deposit betas increasing modestly from recent levels.

(b) Simulation analysis for net interest income is described in Figure 31 of Key's 2017 Form 10-K



# Noninterest Income

## Noninterest Income

<i>\$ in millions</i>	<i>Up / (Down)</i>	<b>1Q18</b>	<b>vs. 1Q17</b>	<b>vs. 4Q17</b>
Trust and investment services income	\$	133	\$ (2)	\$ 2
Investment banking and debt placement fees		143	16	(57)
Service charges on deposit accounts		89	2	-
Operating lease income and other leasing gains		32	9	5
Corporate services income		62	8	6
Cards and payments income		62	(3)	(15)
Corporate-owned life insurance		32	2	(5)
Consumer mortgage income		7	1	-
Mortgage servicing fees		20	2	3
Net gains (losses) from principal investing		-	(1)	(3)
Other income		21	(10)	9
<b>Total noninterest income</b>	<b>\$</b>	<b>601</b>	<b>\$ 24</b>	<b>\$ (55)</b>

## Highlights

### vs. Prior Year

- **Noninterest income up \$24 MM from 1Q17**
- **Continued momentum in many fee-based businesses resulting from ongoing investments**
  - Record first quarter of investment banking and debt placement fees (+\$16 MM)
  - Operating lease and other leasing gains income (+\$9 MM)
  - Corporate services income (+\$8 MM)

### vs. Prior Quarter

- **Noninterest income down \$55 MM from 4Q17**
- **Seasonal impacts in:**
  - Investment banking and debt placement fees
  - Cards and payments income
  - COLI income



# Noninterest Expense

## Noninterest Expense

\$ in millions	Up / (Down)	1Q18	vs. 1Q17	vs. 4Q17
Personnel		\$ 594	\$ 38	\$ (14)
Net occupancy		78	(9)	(14)
Computer processing		52	(8)	(2)
Business services, professional fees		41	(5)	(11)
Equipment		26	(1)	(5)
Operating lease expense		27	8	(1)
Marketing		25	4	(10)
FDIC assessment		21	1	1
Intangible asset amortization		29	7	3
OREO expense, net		2	-	(1)
Other expense		111	(42)	(38)
<b>Total noninterest expense</b>		<b>\$ 1,006</b>	<b>\$ (7)</b>	<b>\$ (92)</b>
Merger-related charges		-	(81)	(56)
Tax-related impact		-	-	(29)
<b>Total noninterest expense, excluding notable items<sup>(a),(b)</sup></b>		<b>\$ 1,006</b>	<b>\$ 74</b>	<b>\$ (7)</b>

## Outlook

**FY18 → \$3.85 B - \$3.95 B**

### Quarterly run-rate expected to be lower than 1Q18

- **Ongoing cost savings initiatives, including:** branch consolidations, back and middle office rationalization, third party contracts, business realignment and staffing model changes
- **Realization of First Niagara cost savings:** run-rate achieved by end of 1Q18

**Approaching high-end of 54% - 56% efficiency ratio target by year-end**



- (a) No notable items in 1Q18; notable items of \$81 MM in 1Q17 (merger-related charges) and \$85 MM in 4Q17 (merger-related charges and impact of tax reform and related actions); see slide 22 for detail on merger-related charges
- (b) Non-GAAP measure

## Linked Quarter Change

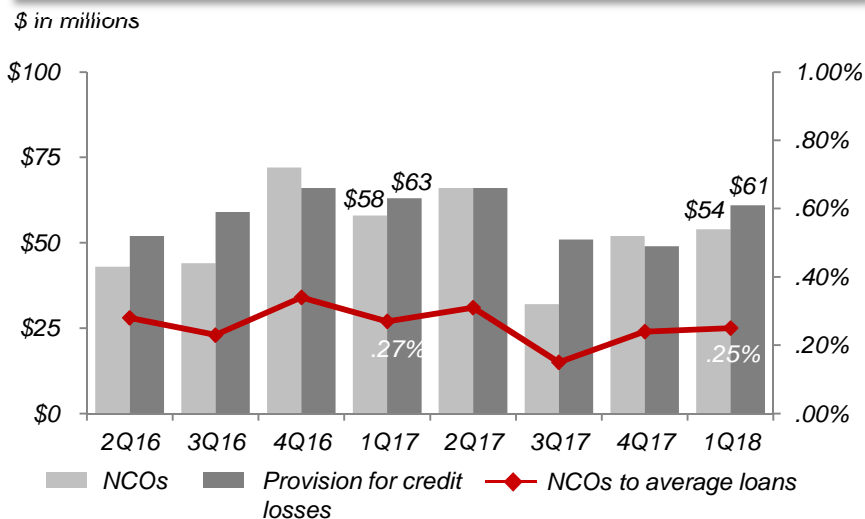
\$ in millions; excludes notable items<sup>(a)</sup>



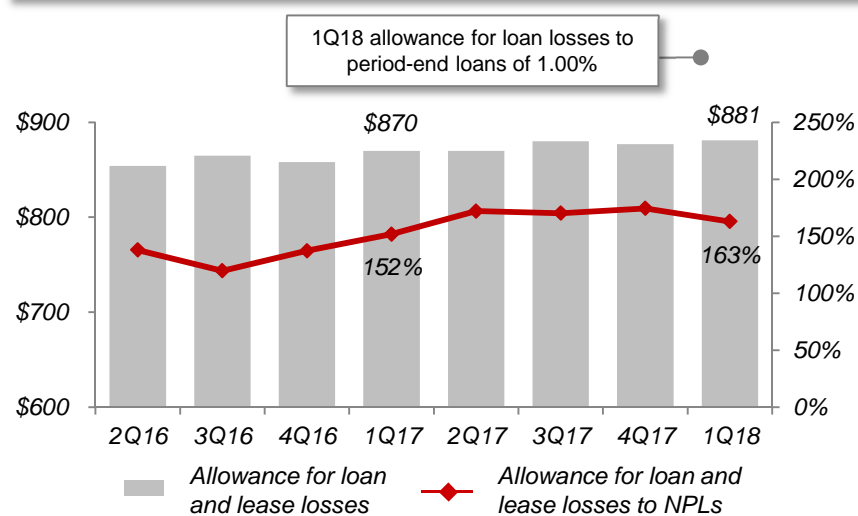
- **1Q18 personnel expense reflects:**
  - Seasonal increase in benefits: employer taxes and healthcare-related expense
  - Accelerated technology spend: digital banking, mortgage, consumer lending systems
  - Lower performance-based compensation
  - Higher severance
- **Seasonally lower marketing expense**
- **Cost savings reflected in occupancy and other expense**

# Credit Quality

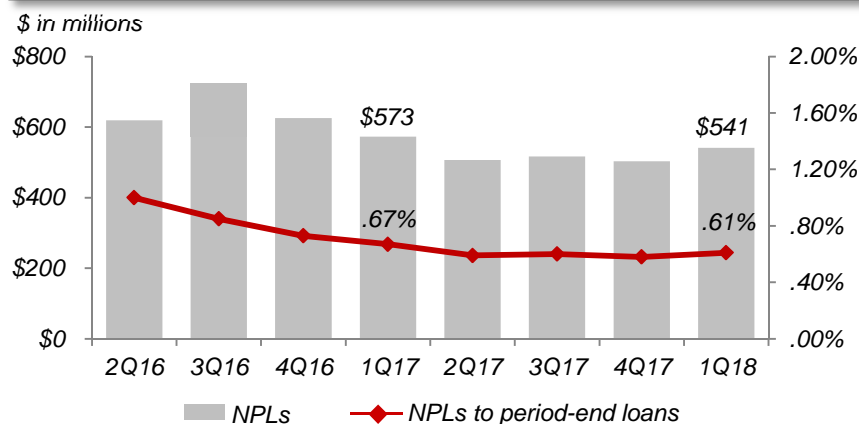
## Net Charge-offs & Provision for Credit Losses



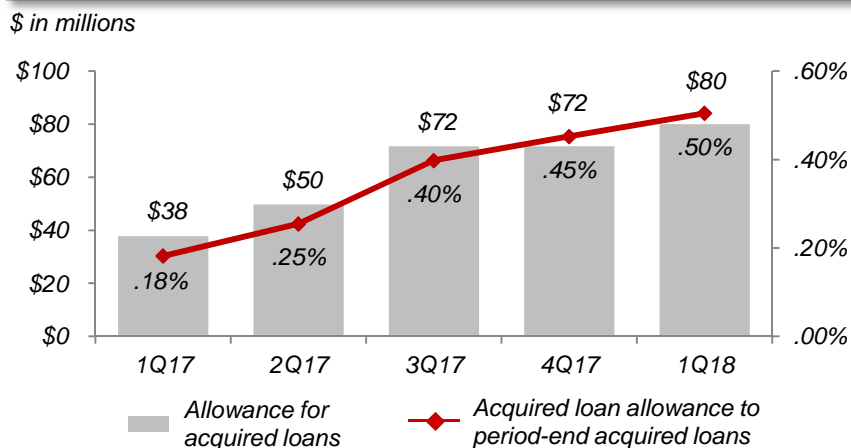
## Allowance for Loan and Lease Losses



## Nonperforming Loans<sup>(a)</sup>



## Acquired Loans



NCO = Net charge-off

(a) Nonperforming loan balances exclude \$690 million, \$738 million, and \$812 million of purchased credit impaired loans at March 31, 2018, December 31, 2017, and March 31, 2017, respectively

# 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	Allowance / period-end loans (%)	Allowance / NPLs (%)
	3/31/18	1Q18	1Q18	1Q18	3/31/18	3/31/18	3/31/18	3/31/18
Commercial and industrial <sup>(a)</sup>	\$ 44,313	\$ 42,733	\$ 31	.29%	\$ 189	\$ 533	1.20%	282.01%
Commercial real estate:								
Commercial Mortgage	13,997	14,085	1	.03	33	136	.97	412.12
Construction	1,871	1,957	(1)	(.21)	2	33	1.76	N/M
Commercial lease financing <sup>(d)</sup>	4,598	4,663	-	-	5	40	.87	800.00
Real estate – residential mortgage	5,473	5,479	1	.07	59	9	.16	15.25
Home equity	11,720	11,877	1	.03	229	38	.32	16.59
Credit cards	1,068	1,080	11	4.13	2	45	4.21	N/M
Consumer direct loans	1,758	1,766	6	1.38	4	27	1.54	675.00
Consumer indirect loans	3,291	3,287	4	.49	18	20	.61	111.11
<b>Continuing total</b>	<b>\$ 88,089</b>	<b>\$ 86,927</b>	<b>\$ 54</b>	<b>.25%</b>	<b>\$ 541</b>	<b>\$ 881</b>	<b>1.00%</b>	<b>162.85%</b>
Discontinued operations	1,256	1,278	2	.63	6	16	1.27	266.67
<b>Consolidated total</b>	<b>\$ 89,345</b>	<b>\$ 88,205</b>	<b>\$ 56</b>	<b>.26%</b>	<b>\$ 547</b>	<b>\$ 897</b>	<b>1.00%</b>	<b>163.99%</b>

N/M = Not meaningful

(a) 3/31/18 ending loan balance includes \$121 million of commercial credit card balances; average loan balance includes \$120 million of assets from commercial credit cards

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

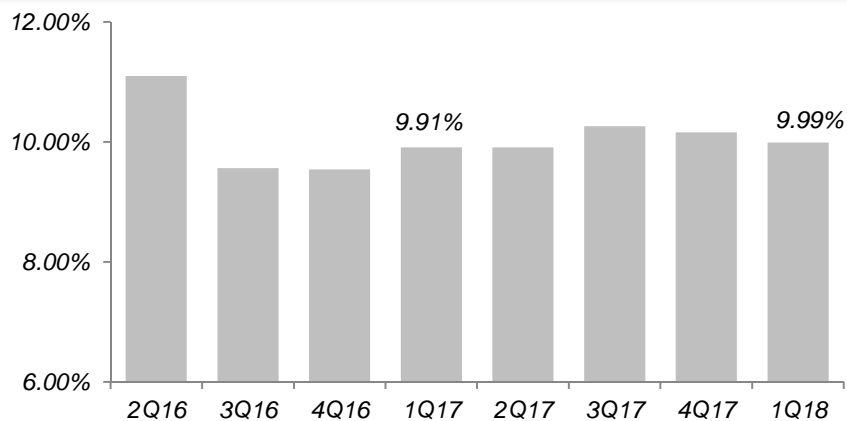
(c) 3/31/18 NPL amount excludes \$690 million of purchased credit impaired loans

(d) Commercial lease financing includes receivables held as collateral for a secured borrowing of \$16 million at March 31, 2018. Principal reductions are based on the cash payments received from these related receivables



# Capital

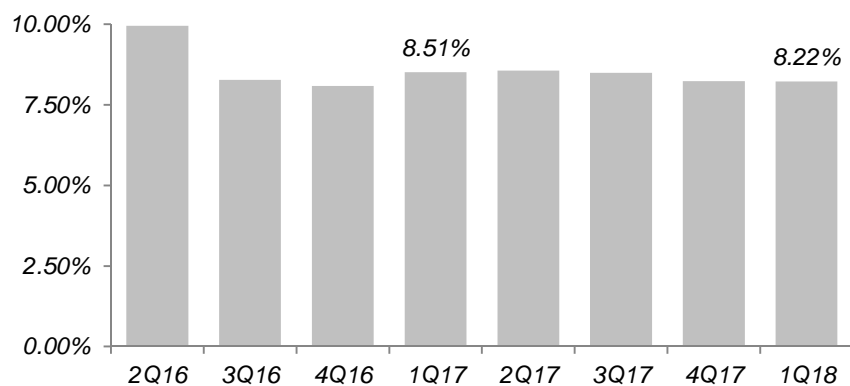
## Common Equity Tier 1



## Highlights

- **Strong capital position with Common Equity Tier 1 ratio of 9.99% at 3/31/18**
- **Repurchased \$199 MM<sup>(b)</sup> in common shares during 1Q18**

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



(a) Non-GAAP measure: see slides 23-24 for reconciliation

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

## 2017 FNFG Merger-related Charges

<i>\$ in millions</i> <i>Increase / (Decrease)</i>	4Q17	3Q17	2Q17	1Q17
<b>Personnel expense</b>	<b>\$ 26</b>	<b>\$ 25</b>	<b>\$ 31</b>	<b>\$ 30</b>
Net Occupancy	\$ 12	\$ (2)	\$ (1)	\$ 5
Business services and professional fees	3	2	6	5
Computer processing	1	4	2	5
Marketing	5	5	6	6
All other non-personnel	9	2	-	30
<b>Total non-personnel expense</b>	<b>\$ 30</b>	<b>\$ 11</b>	<b>\$ 13</b>	<b>\$ 51</b>
<b>Total merger-related charges</b>	<b>\$ 56</b>	<b>\$ 36</b>	<b>\$ 44</b>	<b>\$ 81</b>
<b>EPS impact</b>	<b>\$ (.03)</b>	<b>\$ (.02)</b>	<b>\$ (.03)</b>	<b>\$ (.05)</b>



# GAAP to Non-GAAP Reconciliation

<i>\$ in millions</i>	<b>Three months ended</b>		
	<u>3/31/2018</u>	<u>12/31/2017</u>	<u>3/31/2017</u>
<b>Notable Items</b>			
Merger-related charges	-	\$ (56)	\$ (81)
Impacts of tax reform and related actions	-	(30)	-
Total notable items	<u>-</u>	<u>\$ (86)</u>	<u>\$ (81)</u>
Income taxes	-	(26)	(30)
Revaluation of certain tax related assets	-	147	-
Total notable items after tax	<u>-</u>	<u>\$ (207)</u>	<u>\$ (51)</u>
<b>Earnings per common share (EPS) excluding notable items</b>			
EPS from continuing operations attributable to Key common shareholders			
— assuming dilution	\$ .38	\$ .17	\$ .27
Add: EPS impact of notable items	-	.19	.05
EPS from continuing operations attributable to Key common shareholders excluding notable items (non-GAAP)	<u>\$ .38</u>	<u>\$ .36</u>	<u>\$ .32</u>
<b>Tangible common equity to tangible assets at period end</b>			
Key shareholders' equity (GAAP)	\$ 14,944	\$ 15,023	\$ 14,976
Less: Intangible assets <sup>(a)</sup>	2,902	2,928	2,751
Preferred Stock <sup>(b)</sup>	1,009	1,009	1,009
Tangible common equity (non-GAAP)	<u>\$ 11,033</u>	<u>\$ 11,086</u>	<u>\$ 11,216</u>
Total assets (GAAP)	\$ 137,049	\$ 137,698	\$ 134,476
Less: Intangible assets <sup>(a)</sup>	2,902	2,928	2,751
Tangible common equity to tangible assets ratio (non-GAAP)	<u>\$ 134,147</u>	<u>\$ 134,770</u>	<u>\$ 131,725</u>
Tangible common equity to tangible assets ratio (non-GAAP)	8.22%	8.23%	8.51%



- (a) For the three months ended March 31, 2018, December 31, 2017, and March 31, 2017, intangible assets exclude \$23 million, \$26 million, and \$38 million, respectively, of period-end purchased credit card receivables
- (b) Net of capital surplus

# GAAP to Non-GAAP Reconciliation (continued)

\$ in millions	Three months ended				
	3/31/2018	12/31/17	9/30/17	6/30/17	3/31/17
<b>Average tangible common equity</b>					
Average Key shareholders' equity (GAAP)	\$ 14,889	\$ 15,268	\$ 15,241	\$ 15,200	\$ 15,184
Less: Intangible assets (average) <sup>(a)</sup>	2,916	2,939	2,878	2,756	2,772
Preferred Stock (average)	1,025	1,025	1,025	1,025	1,480
Average tangible common equity (non-GAAP)	<u>\$ 10,948</u>	<u>\$ 11,304</u>	<u>\$ 11,338</u>	<u>\$ 11,419</u>	<u>\$ 10,932</u>
<b>Return on average tangible common equity from continuing operations</b>					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 402	\$ 181	\$ 349	\$ 393	\$ 296
Plus: Notable items, after tax	-	207	28	(27)	51
Net income (loss) from continuing operations attributable to Key common shareholders excl. notable items	<u>\$ 402</u>	<u>\$ 388</u>	<u>\$ 377</u>	<u>\$ 366</u>	<u>\$ 347</u>
Average tangible common equity (non-GAAP)	10,948	11,304	11,338	11,419	10,932
Return on average tangible common equity from continuing operations (non-GAAP)	14.89%	6.35%	12.21%	13.80%	10.98%
Return on average tangible common equity from continuing operations excl. notable items (non-GAAP)	14.89%	13.62%	13.19%	12.86%	12.87%
<b>Cash efficiency ratio</b>					
Noninterest expense (GAAP)	\$ 1,006	\$ 1,098	\$ 992	\$ 995	\$ 1,013
Less: Intangible asset amortization	29	26	25	22	22
Adjusted noninterest expense (non-GAAP)	<u>\$ 977</u>	<u>\$ 1,072</u>	<u>\$ 967</u>	<u>\$ 973</u>	<u>\$ 991</u>
Less: Notable items	-	85	36	60	81
Adjusted noninterest expense excluding notable items (non-GAAP)	<u>\$ 977</u>	<u>\$ 987</u>	<u>\$ 931</u>	<u>\$ 913</u>	<u>\$ 910</u>
Net interest income (GAAP)	\$ 944	\$ 938	\$ 948	\$ 973	\$ 918
Plus: Taxable-equivalent adjustment	8	14	14	14	11
Noninterest income	601	656	592	653	577
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,553</u>	<u>\$ 1,608</u>	<u>\$ 1,554</u>	<u>\$ 1,640</u>	<u>\$ 1,506</u>
Plus: Notable items	-	1	5	(103)	-
Adjusted total taxable-equivalent revenue excl. notable items (non-GAAP)	<u>\$ 1,553</u>	<u>\$ 1,609</u>	<u>\$ 1,559</u>	<u>\$ 1,537</u>	<u>\$ 1,506</u>
Cash efficiency ratio (non-GAAP)	62.9%	66.7%	62.2%	59.3%	65.8%
Cash efficiency ratio excluding notable items (non-GAAP)	62.9%	61.3%	59.7%	59.4%	60.4%



(a) For the three months ended March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017, average intangible assets exclude \$24 million, \$28 million, \$32 million, \$36 million, and \$40 million, respectively, of average purchased credit card receivables.