Maintaining a Moderate Risk Profile

Positioned to Outperform

Mark Midkiff
Chief Risk Officer

Risk Management at Key

Enhanced and transformed enterprise-wide approach to risk management

- ✓ **Significantly enhanced risk profile: focused on soundness, profitability, and growth**
- ✓ **Improved credit risk profile with strategic exits and growth in targeted client segments**
- ✓ **Enhanced framework, governance, and controls, including people & technology investments**
- ✓ **Strengthened culture of accountability: everyone owns risk**

Positioned to outperform through the cycle

Enterprise Risk Framework

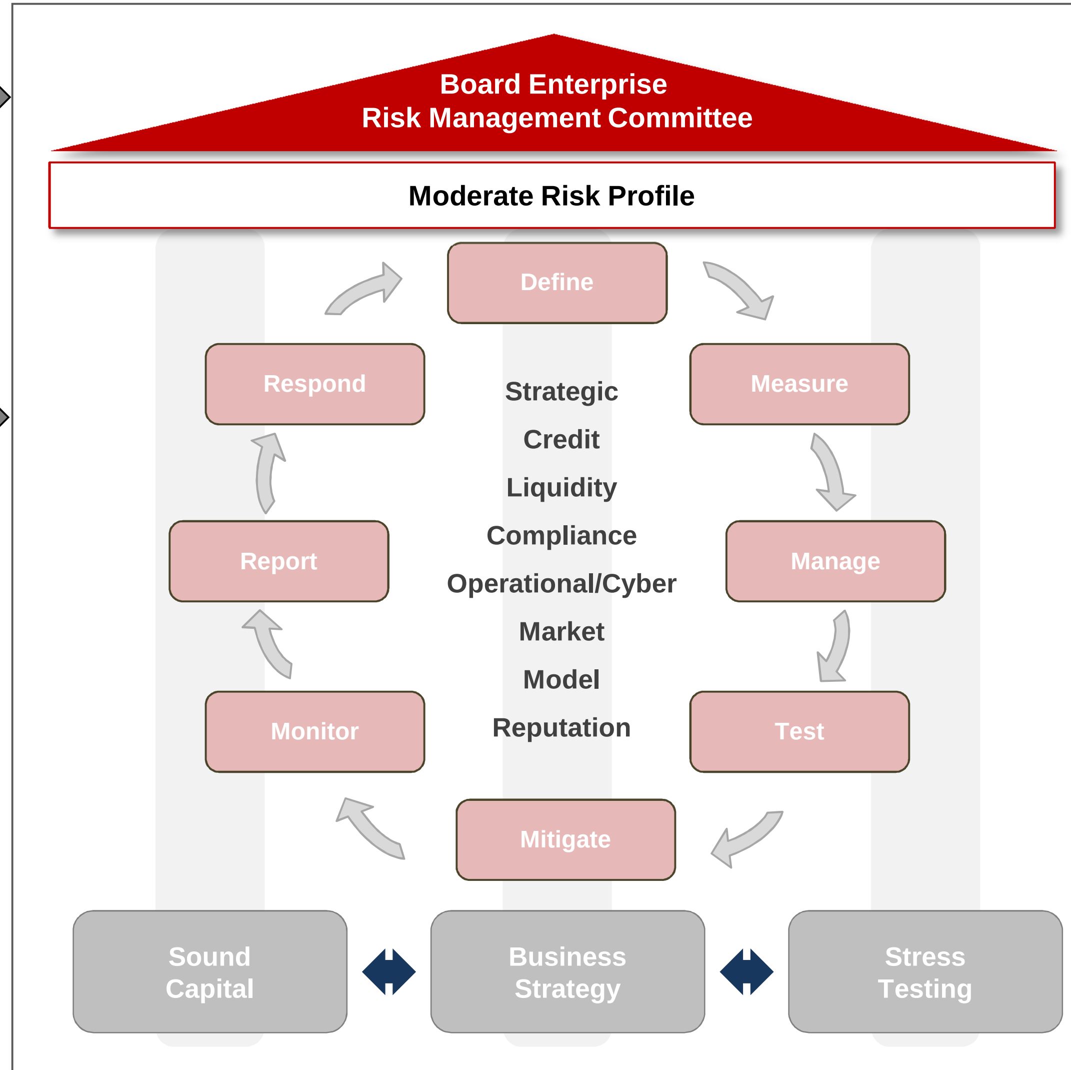
Significantly enhanced risk profile: focused on soundness, profitability, and growth

Strong Risk Culture: “Do Right”

- Everyone owns risk
- Clear accountability
- Transparency
- Escalation

Strategic Priorities

- Maintain moderate risk profile through cycle
- Inform risk appetite through stress testing
- Engage 3 lines of defense
- Enable experienced talent
- Ensure sound capital management
- Proactively manage compliance and cyber risk
- Sustain strong regulatory relations
- Address emerging risks



Credit Risk Management

Improved credit risk profile through strengthened framework, processes and strategic actions

Enhanced and Disciplined Approach, driven by:

Relationship-based Business Model

- ✓ Target specific client segments
- ✓ Broad products and industry verticals (on or off balance sheet)
- ✓ Line of business clear risk accountability
- ✓ Seasoned bankers serve client needs

Governance Oversight Risk Appetite

- ✓ Inclusive committee and monitoring regime (Business/Risk/Audit)
- ✓ Tolerances defined and cascaded
- ✓ Deep credit officer experience
- ✓ Risk-based compensation

Surveillance and Analytics

- ✓ Enterprise-wide approach
- ✓ Portfolio reviews with business
- ✓ Active stressed case analytics
- ✓ Investment in people, process, and systems
- ✓ Centralized credit database

Portfolio Actions

- ✓ Strategic loan reductions of $15B in higher loss and non-strategic portfolios
- ✓ Defined targeted growth areas

Portfolio Discipline

Repositioned credit risk profile with strategic exits and growth in targeted client segments

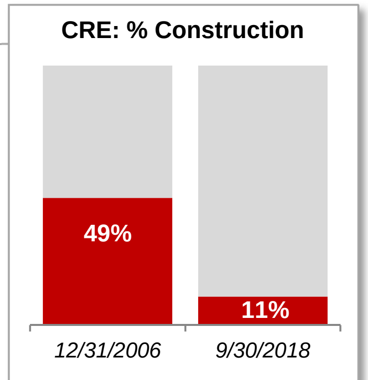
Commercial

Strategic Exits and Reductions

Targeted loan reduction: $10B

CRE
- × Merchant builders/developers
- × Construction
- × Homebuilders
- × Land and condos
- × Equity and mezzanine
- × Select geographies

C&I
- × Select transportation & media
- × Out-of-market auto & RV dealers



Targeted Growth Areas

- ✓ CRE: principal owners & operators
- ✓ Middle Market clients
- ✓ Aligned with industry, product, and geographic expertise
- ✓ Tightened, stressed underwriting

Expanded Capabilities

- *Capital placement*
- *Commercial mortgage servicing*

Consumer

Targeted loan reduction: $5B

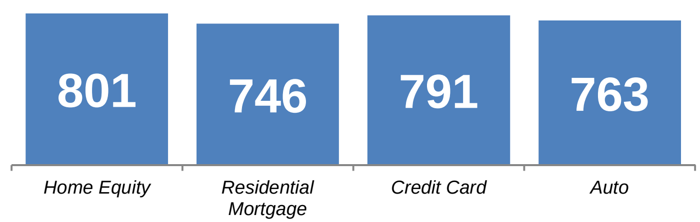
Non-relationship Businesses

Targeted loan reductions ($15B) represented ~$2B of losses during 2008 - 2010

Relationship-based Approach

Local Presence ● Prime Borrowers

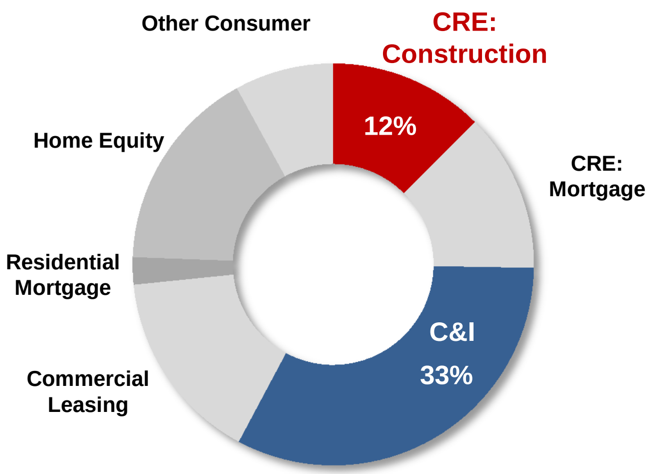
Average FICO scores at origination:

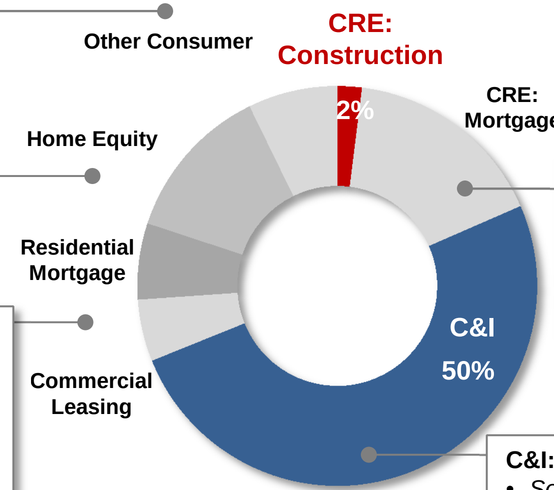


Loan Portfolio Evolution

Dramatic repositioning of balance sheet and risk profile

December 2006 → **September 2018**

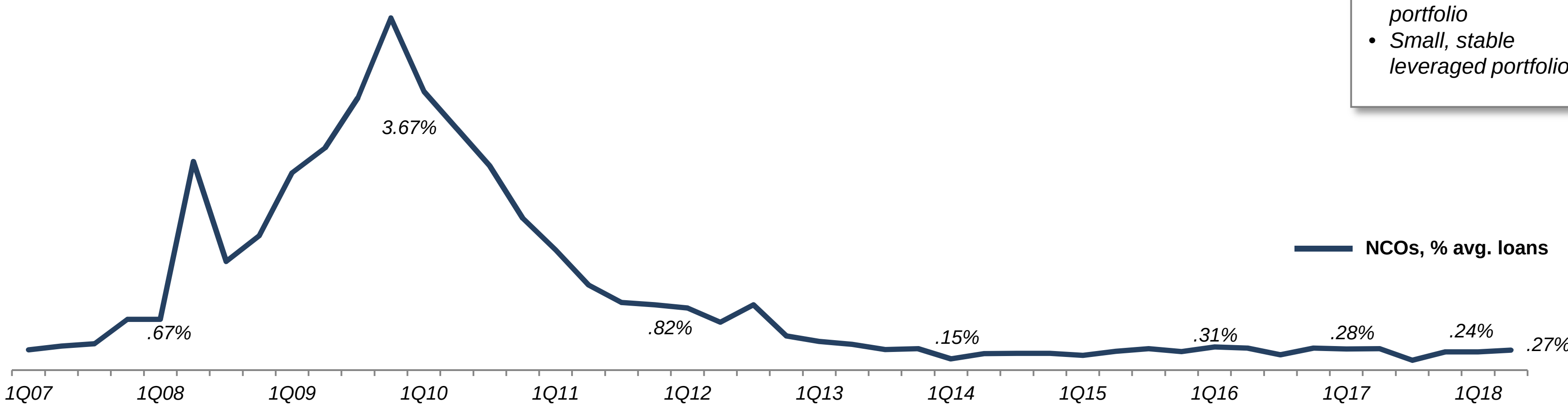




Consumer:
- *Prime & super prime*
- *Relationship-focused*
- *Local presence*

CRE:
- *Focused on relationships with owners & operators*

C&I:
- *Solid & growing middle market portfolio*
- *Small, stable leveraged portfolio*

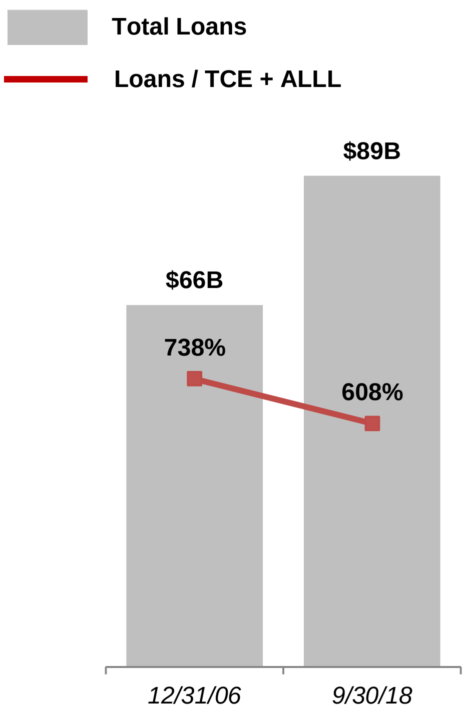


Stronger Loss Absorption

Sound capital position and allowance

Improved Loss Absorption

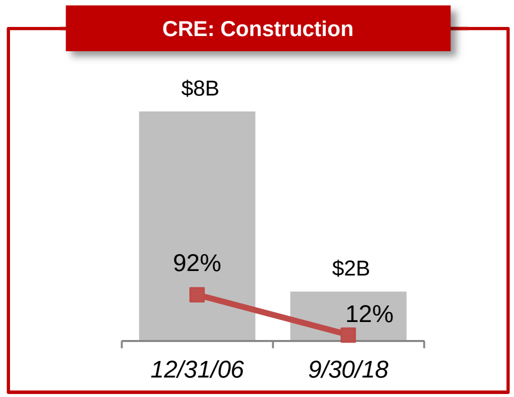
Total Loans

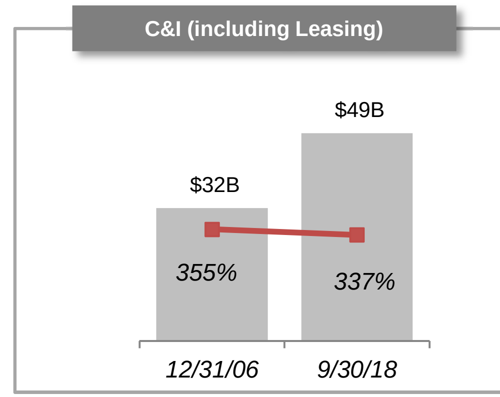


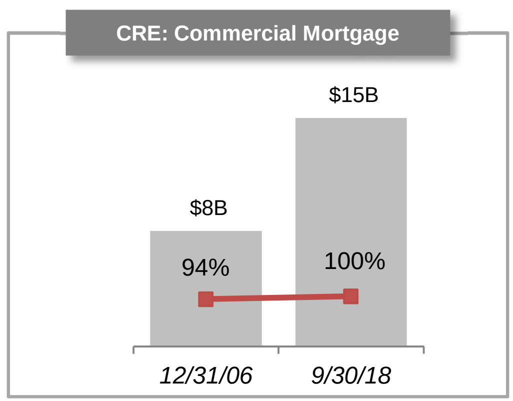
Tangible Common Equity + ALLL

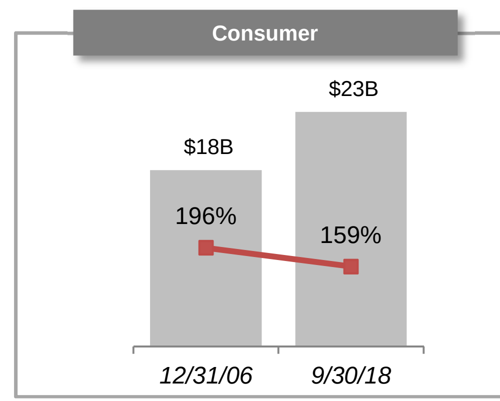
~$9B Dec 2006	~$15B Sept 2018

Portfolio Level Improvement









Stronger loss absorption driven by: sound capital position, reduced exposure in certain asset classes and growth in targeted sectors

Positioned to Outperform

- Relationship business model with distribution capabilities
- Strong credit risk profile ➔ focused on targeted client segments
- Effective governance and oversight including investments in people and technology
- Strong risk culture ➔ accountability and ownership
- Sound capital position with stronger loss absorption capacity