

# Barclays Global Financial Services Conference

*September 9, 2019*

# KeyCorp

**Beth E. Mooney**

Chairman and  
Chief Executive Officer

**Don Kimble**

Vice Chairman and  
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," "seek," "expect," "anticipate," "intend," "target," "estimate," "continue," "positions," "plan," "predict," "project," "forecast," "guidance," "goal," "objective," "prospects," "possible," "potential," "strategy," "opportunities," or "trends," 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 based on assumptions that involve risks and uncertainties, which are subject to change based on various important factors (some of which are beyond KeyCorp's control.) Actual results may differ materially from current projections.

Actual outcomes may differ materially from those expressed or implied as a result of the factors described under "Forward-looking Statements" and "Risk Factors" in KeyCorp's Annual Report on Form 10-K for the year ended December 31, 2018 ("Form 10-K") and in other filings of KeyCorp with the Securities and Exchange Commission (the "SEC"). Such forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after that date or to reflect the occurrence of unanticipated events. For additional information regarding KeyCorp, please refer to our SEC filings available at [www.key.com/ir](http://www.key.com/ir).

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," "cash efficiency ratio," and certain financial measures excluding notable items, including merger-related charges. Notable items include certain revenue or expense items that may occur in a reporting period in which management does not consider indicative of ongoing financial performance. Management believes it is useful for the investment community to consider financial metrics with and without notable items in order to enable a better understanding of company results, facilitate comparability of period-to-period financial results, and to evaluate and forecast those results. 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, Key's 4Q18 earnings slide presentation, and Key's Form 10-K dated December 31, 2017.

GAAP: Generally Accepted Accounting Principles



# Key Overview

Serving targeted clients by leveraging broad capabilities, insights and expertise



 Headquarters: Cleveland, OH



Lending



Deposits



Financial Wellness



Payments



Commercial Mortgage Banking



Investment Banking



Wealth & Investment Management

**3.5 MM**

Consumer and Commercial Clients

**\$39 B**

Assets Under Management

**66%**

Consumer Deposits  
% of total

**12%**

C&I Loan Growth  
5-year CAGR

**10%**

IB&D Fee Growth  
5-year CAGR



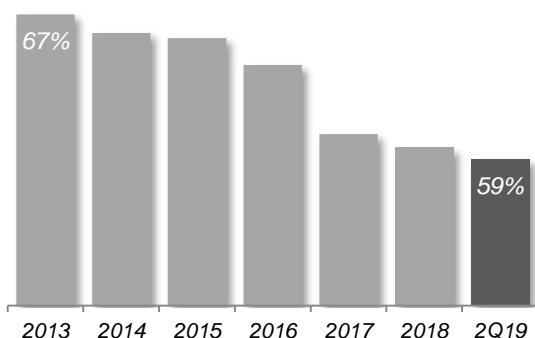
Data as of 6/30/19 unless otherwise noted

# Delivering Results

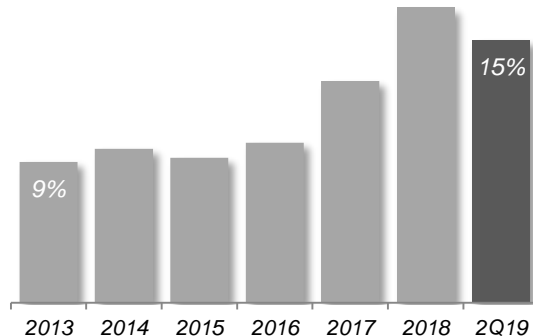
## Continued Momentum Across the Franchise

- ✓ Achieved 6 consecutive years of positive operating leverage
- ✓ Grew consumer and commercial relationships
- ✓ Continued momentum in fee-based businesses
- ✓ Invested for growth across the franchise
- ✓ Achieved \$200 million in targeted cost savings
- ✓ Improved cash efficiency ratio: ~800 bps in 5 years
- ✓ Maintained strong credit quality: NCOs below targeted range
- ✓ Increased common share dividend by 9% and repurchased \$379 million shares through 1H19

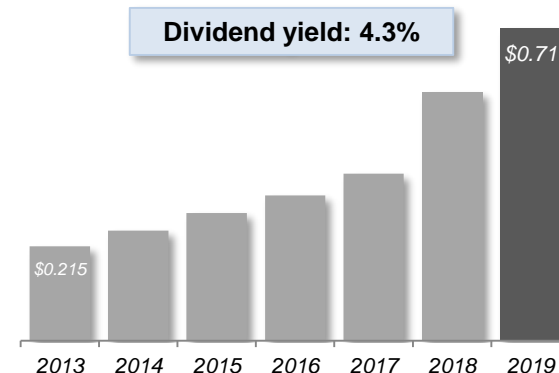
Cash Efficiency Ratio<sup>(a)</sup>



Return on Avg. Tangible Common Equity<sup>(a)</sup>



Dividends<sup>(b)</sup>



Data as of 6/30/19, unless otherwise noted

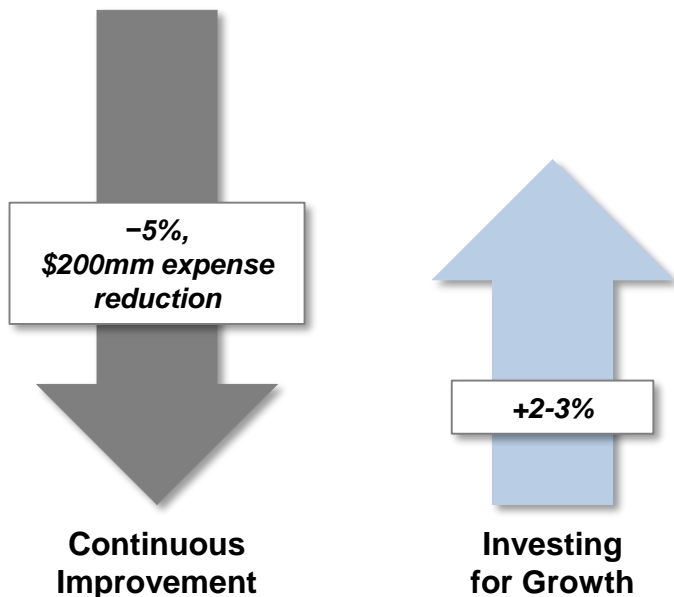
(a) Non-GAAP measure and excludes notable items; see Appendix, Key's 4Q18 earnings slide presentation, and 2017 Form 10-K for additional detail and reconciliation

(b) Dividend yield as of 9/4/19; Includes dividend of \$0.185 per common share in 4Q19 (subject to Board approval)

# Expense Discipline Drives Efficiency & Growth

Accelerated cost savings to improve efficiency while investing for growth

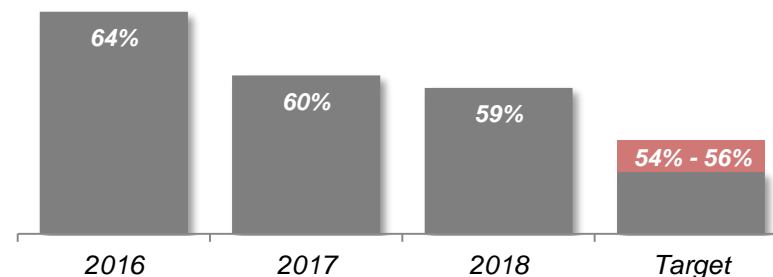
## 2019 Execution



## Outcome

- 1 \$200mm target achieved; executing on additional opportunities
- 2 Net improvement in efficiency ratio
  - Meaningful progress toward LT target of 54-56%
- 3 Self-funded investments in business growth

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



- Interest rate environment more challenging than assumed in outlook
- Executing on additional expense opportunities
- Committed to reaching and sustaining long term cash efficiency ratio of 54-56%



# Positioned to Outperform

*Improving efficiency, managing risk, and increasing returns*

## Strategic Priorities

- **Leveraging differentiated business model to grow the franchise**
- **Improving efficiency and returns across the organization**
- **Making targeted investments in technology and our business to support growth**
- **Maintaining our moderate risk profile to outperform through the cycle**
- **Remaining disciplined with capital, delivering strong returns to shareholders**

## 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 Average Tangible Common Equity: 16% - 19%**



# Appendix



# GAAP to Non-GAAP Reconciliation

*\$ in millions*

	<b>Three months ended</b>		
	<b>6/30/2019</b>	<b>3/31/2019</b>	<b>6/30/2018</b>
<b>Notable Items</b>			
Efficiency initiative expenses	\$ (50)	\$ (26)	\$ (22)
Laurel Road acquisition expenses	(2)	-	-
Sale of insurance business (net)	-	-	73
Lease residual loss	-	-	(42)
Total notable items	<u>\$ (52)</u>	<u>\$ (26)</u>	<u>\$ 9</u>
Income taxes	(12)	(6)	7
Total notable items after tax	<u>\$ (40)</u>	<u>\$ (20)</u>	<u>\$ 2</u>
<b>Earnings per common share (EPS) excluding notable items</b>			
EPS from continuing operations attributable to Key common shareholders — assuming dilution	\$ 40	\$ .38	\$ .44
Add: EPS impact of notable items	.04	.02	-
EPS from continuing operations attributable to Key common shareholders excluding notable items (non-GAAP)	<u>\$ .44</u>	<u>\$ .40</u>	<u>\$ .44</u>
<b>Tangible common equity to tangible assets at period end</b>			
Key shareholders' equity (GAAP)	\$ 16,969	\$ 15,924	\$ 15,100
Less: Intangible assets <sup>(a)</sup>	2,952	2,804	2,858
Preferred Stock <sup>(b)</sup>	1,856	1,421	1,009
Tangible common equity (non-GAAP)	<u>\$ 12,161</u>	<u>\$ 11,699</u>	<u>\$ 11,233</u>
Total assets (GAAP)	\$ 144,545	\$ 141,515	\$ 137,792
Less: Intangible assets <sup>(a)</sup>	2,952	2,804	2,858
Tangible common equity to tangible assets ratio (non-GAAP)	<u>\$ 141,593</u>	<u>\$ 138,711</u>	<u>\$ 134,934</u>
Tangible common equity to tangible assets ratio (non-GAAP)	8.59%	8.43%	8.32%



(a) For the three months ended June 30, 2019, March 31, 2019, and June 30, 2018, intangible assets exclude \$10 million, \$12 million, and \$20 million, respectively, of period-end purchased credit card receivables

(b) Net of capital surplus



# GAAP to Non-GAAP Reconciliation

	<b>Three months ended</b>		
	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>6/30/2018</u>
<i>\$ in millions</i>			
<b>Average tangible common equity</b>			
Average Key shareholders' equity (GAAP)	\$ 16,531	\$ 15,702	\$ 15,032
Less: Intangible assets (average) <sup>(a)</sup>	2,959	2,813	2,883
Preferred Stock (average)	1,762	1,450	1,025
Average tangible common equity (non-GAAP)	<u>\$ 11,810</u>	<u>\$ 11,439</u>	<u>\$ 11,124</u>
<b>Return on average tangible common equity from continuing operations</b>			
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 403	\$ 386	\$ 464
Plus: Notable items, after tax	40	20	(2)
Net income (loss) from continuing operations attributable to Key common shareholders excl. notable items	<u>\$ 443</u>	<u>\$ 406</u>	<u>\$ 462</u>
Average tangible common equity (non-GAAP)	11,810	11,439	11,124
Return on average tangible common equity from continuing operations (non- GAAP)	13.69%	13.69%	16.73%
Return on average tangible common equity from continuing operations excl. notable items (non- GAAP)	15.05%	14.39%	16.66%
<b>Cash efficiency ratio</b>			
Noninterest expense (GAAP)	\$ 1,019	\$ 963	\$ 993
Less: Intangible asset amortization	22	22	25
Adjusted noninterest expense (non-GAAP)	<u>\$ 997</u>	<u>\$ 941</u>	<u>\$ 968</u>
Less: Notable items	52	26	27
Adjusted noninterest expense (non-GAAP)	<u>\$ 945</u>	<u>\$ 915</u>	<u>\$ 941</u>
Net interest income (GAAP)	\$ 981	\$ 977	\$ 979
Plus: Taxable-equivalent adjustment	8	8	8
Noninterest income	622	536	660
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,611</u>	<u>\$ 1,521</u>	<u>\$ 1,647</u>
Plus: Notable items	-	-	(36)
Adjusted total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,611</u>	<u>\$ 1,521</u>	<u>\$ 1,611</u>
Cash efficiency ratio (non-GAAP)	61.9%	61.9%	58.8%
Cash efficiency ratio excluding notable items (non-GAAP)	58.7%	60.2%	58.4%



(a) For the three months ended June 30, 2019, March 31, 2019, and June 30, 2018, average intangible assets exclude \$11 million, \$13 million, and \$21 million, respectively, of average purchased credit card receivables