# KeyCorp

## First Quarter 2012 Earnings Review

April 19, 2012

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Chairman and
Chief Executive Officer

**Jeffrey B. Weeden**
Chief Financial Officer

# FORWARD-LOOKING STATEMENTS AND ADDITIONAL INFORMATION DISCLOSURE

This presentation contains and we may, from time to time, make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about Key's financial condition, results of operations, earnings outlook, asset quality trends, capital levels and profitability. Forward-looking statements are not historical facts but instead represent only management's current expectations and forecasts regarding future events, many of which, by their nature, are inherently uncertain and outside of Key's control. Forward-looking statements usually can be identified by the use of words such as "goal," "objective," plan," "expect," "anticipate," "intend," "project," "believe," "estimate" or other words of similar meaning.

Our forward-looking statements are subject to the following principal risks and uncertainties: the economic recovery may face challenges causing its momentum to falter or a further recession; the Dodd-Frank Wall Street Reform and Consumer Protection Act and other reforms will subject us to a variety of new and more stringent legal and regulatory requirements, including increased scrutiny from our regulators; changes in local, regional and international business, economic or political conditions in the regions where we operate or have significant assets; changes in trade, monetary and fiscal policies of various governmental bodies and central banks could affect the economic environment in which we operate; our ability to effectively deal with an economic slowdown or other economic or market difficulty; adverse changes in credit quality trends; our ability to determine accurate values of certain assets and liabilities; adverse behaviors in foreign exchange rates, securities, public debt, and capital markets, including changes in market liquidity and volatility; our ability to anticipate interest rate changes correctly and manage interest rate risk presented through unanticipated changes in our interest rate risk position and/or short- and long-term interest rates; unanticipated changes in our liquidity position, including but not limited to our ability to enter the financial markets to manage and respond to any changes to our liquidity position; adequacy of our risk management program; reduction of the credit ratings assigned to KeyCorp and KeyBank; increased competitive pressure due to industry consolidation; unanticipated adverse affects of acquisitions and dispositions of assets, business units or affiliates; and operational or risk management failures due to technological, cybersecurity threats or other factors.

We provide greater detail regarding some of these factors in our 2011 Form 10-K, including in Item 1A. Risk Factors and in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation under the heading "Risk Management," as well as in our subsequent SEC filings, all of which are accessible on our website at www.key.com/ir and on the SEC's website at www.sec.gov.

Key does not undertake any obligation to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance.

This presentation also includes certain Non-GAAP financial measures related to "tangible common equity, "Tier 1 common equity," and "pre-provision net revenue." 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 to this presentation or our most recent earnings press release, which is accessible at www.key.com/ir.

Web addresses referenced in this slide are inactive textual references only. Information on these websites is not part of this document.

# Investor Highlights – First Quarter 2012

| | |
|---|---|
| **Execution of Business Plan** | ▪ Delivering sustainable profitability<br>▪ Continued improvement in credit quality<br>▪ Disciplined expense management |
| **Growing the Franchise** | ▪ Growth in average loans driven by CF&A<br>▪ Growth in engaged clients<br>▪ Continued investment to drive future growth |
| **Disciplined Capital Management** | ▪ No objection from Federal Reserve on capital plan<br>▪ Board authorized common stock repurchase program<br>▪ Maintaining peer leading capital levels<br>▪ Positioned to meet Basel III requirements |

**Strategic statement: Key grows by building enduring relationships through client-focused solutions and extraordinary service**

# Executing Business Plan: Progress on Targets for Success

| KEY Business Model | KEY Metrics [a] | KEY 1Q12 | KEY 4Q11 | Targets | Action Plans |
|---|---|---|---|---|---|
| Core funded | Loan to deposit ratio [b] | 87% | 87% | 90-100% | ▪ Leverage integrated model to grow relationships and loans<br>▪ Improve deposit mix |
| Returning to a moderate risk profile | NCOs to average loans | .82% | .86% | 40-50 bps | ▪ Focus on relationship clients<br>▪ Exit noncore portfolios<br>▪ Limit concentrations<br>▪ Focus on risk-adjusted returns |
| Growing high quality, diverse revenue streams | Net interest margin | 3.16% | 3.13% | >3.50% | ▪ Improve funding mix<br>▪ Focus on risk-adjusted returns<br>▪ Grow client relationships<br>▪ Leverage Key's total client solutions and cross-selling capabilities |
| | Noninterest income to total revenue | 46% | 42% | >40% | |
| Creating positive operating leverage | Efficiency ratio | 68% | 73% | 60-65% | ▪ Improve efficiency and effectiveness<br>▪ Leverage technology<br>▪ Change cost base to more variable from fixed |
| Executing our strategies | Return on average assets | 1.02% | 1.01% | 1.00-1.25% | ▪ Execute our client insight-driven relationship model<br>▪ Focus on operating leverage<br>▪ Improved funding mix with lower cost core deposits |

(a) Continuing operations, unless otherwise noted

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

# Financial Review

# Financial Summary – First Quarter 2012

| | Metrics | 1Q12 | 4Q11 | 1Q11 |
|---|---|---|---|---|
| Financial Performance [(a)] | Income from continuing operations attributable to Key common shareholders | $.21 | $.21 | $.21 |
| | Net interest margin (TE) | 3.16% | 3.13% | 3.25% |
| | Return on average total assets | 1.02 | 1.01 | 1.32 |
| Capital [(b)] | Tier 1 common equity [(c), (d)] | 11.5% | 11.3% | 10.7% |
| | Tier 1 risk-based capital [(c)] | 13.3 | 13.0 | 13.5 |
| | Tangible common equity to tangible assets [(d)] | 10.3 | 9.9 | 9.2 |
| | Book value per common share | $10.26 | $10.09 | $9.58 |
| Asset Quality [(a)] | Net loan charge-offs to average loans | .82% | .86% | 1.59% |
| | NPLs to EOP portfolio loans | 1.35 | 1.47 | 1.82 |
| | NPAs to EOP portfolio loans + OREO + Other NPAs | 1.55 | 1.73 | 2.23 |
| | Allowance for loan losses to period-end loans | 1.92 | 2.03 | 2.83 |
| | Allowance for loan losses to NPLs | 141.7 | 138.1 | 155.0 |

TE = Taxable equivalent, EOP = End of Period

(a) From continuing operations

(b) From consolidated operations

(c) 3-31-12 ratios are estimated

(d) Non-GAAP measure: see slide 20 of Appendix for reconciliation.

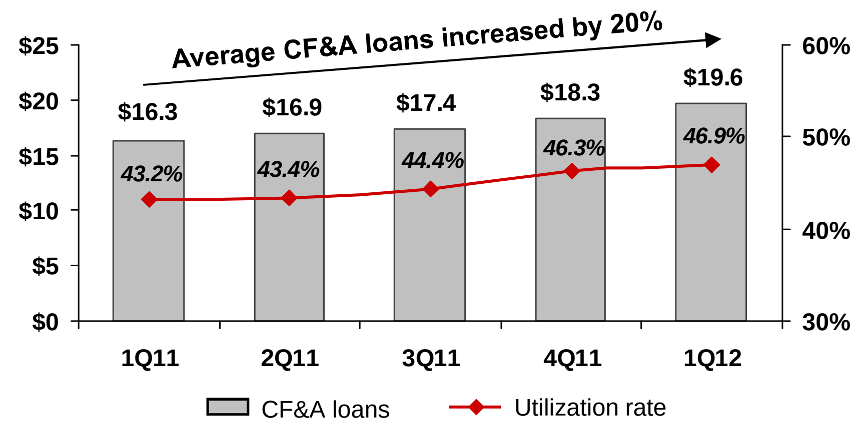
# Loan Growth

## Highlights

- Average balances grew for the second consecutive quarter, driven by strong growth in CF&A loans
- Loan commitments increased 20% to $8.3 billion in 1Q12 from $6.9 billion in 1Q11
- Positioned to continue to grow loans by leveraging integrated business model and focusing on targeted segments

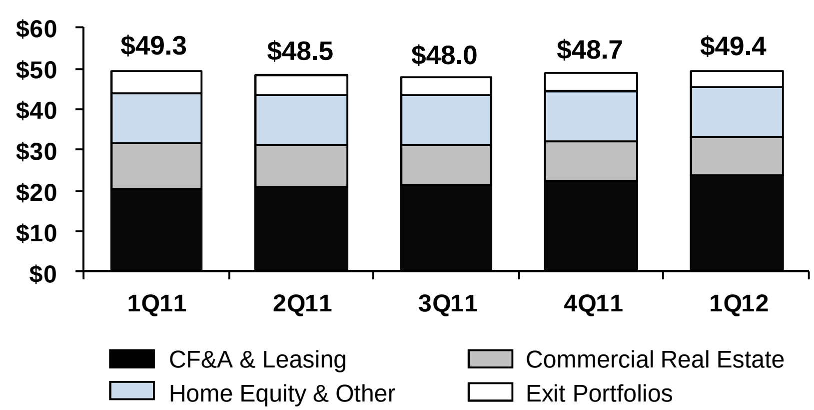
## Average Commercial, Financial & Agricultural Loans

*$ in billions*

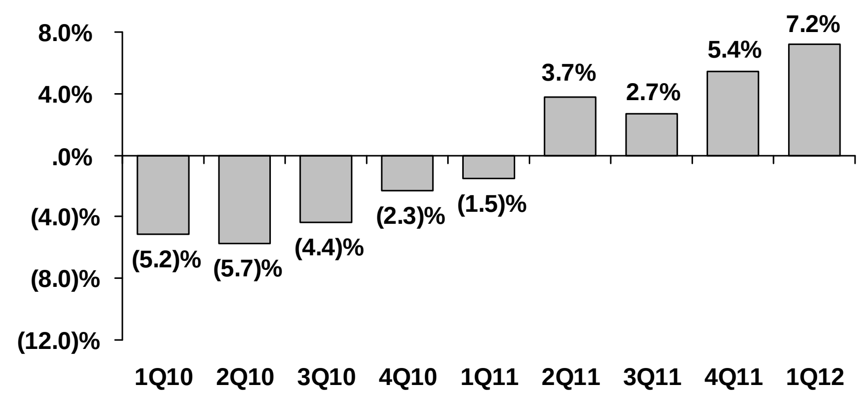



## Average Loans

*$ in billions*




## Quarterly % Change in Average CF&A Loans

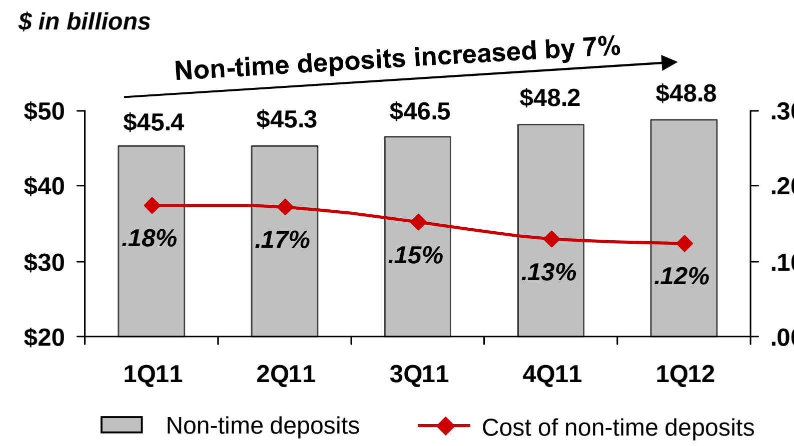


# Improving Deposit Mix

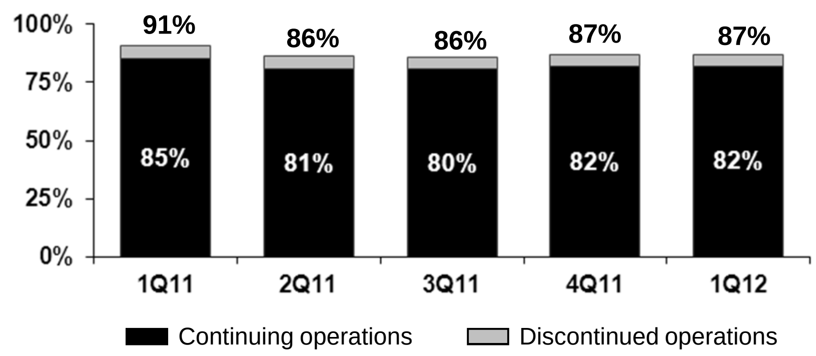
## Highlights

- **Higher cost CDs continue to decline, while lower cost deposits have remained strong**
- **Improved funding mix has reduced the cost of total deposits, which is down 4 bps from 4Q11**
- **Total CD maturities and average cost**
  - **2012 Q2: $2.5 billion at 1.54%**
  - **2012 Q3: $1.9 billion at 2.92%**
  - **2012 Q4: $1.1 billion at 2.64%**
  - **2013 & beyond: $4.4 billion at 2.70%**

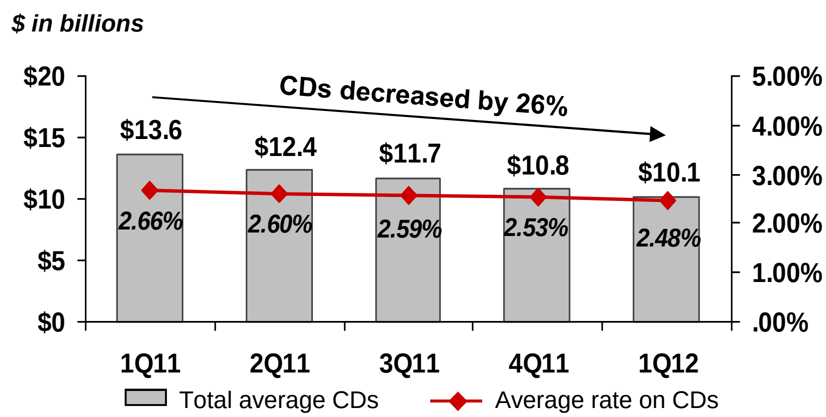
## Average Non-time Deposits (a)




## Loan to Deposit Ratio (b)



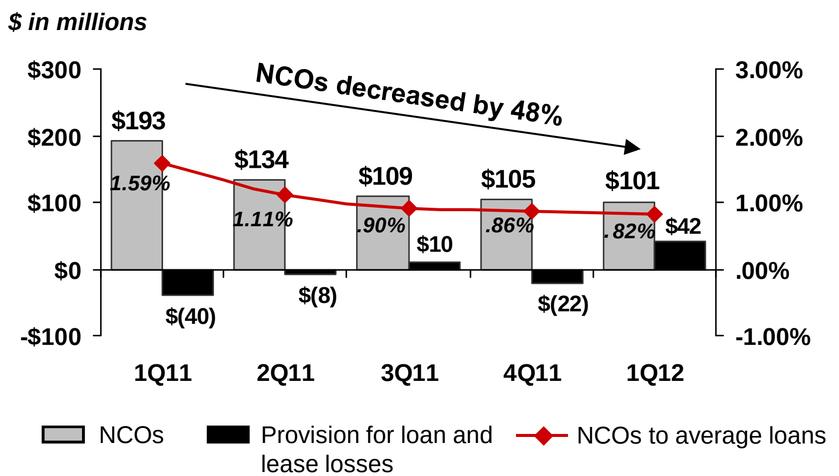

## Average CD Balances



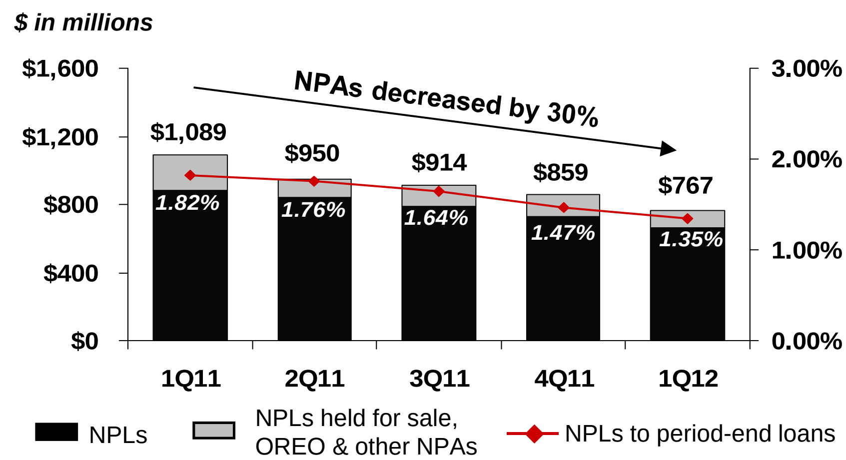

(a) Excludes time deposits and deposits in foreign office
(b) Represents period-end consolidated total loans and loans held for sale (excluding education loans in the securitization trusts) divided by period-end consolidated total deposits (excluding deposits in foreign office)

# Continued Improvement in Asset Quality

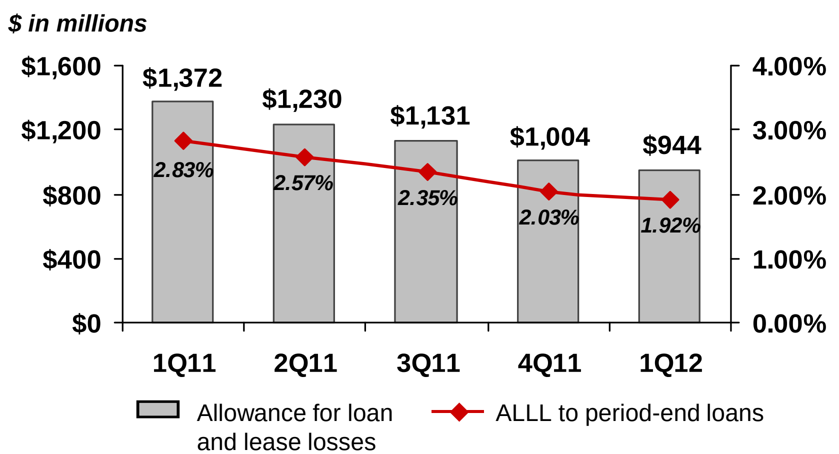
## Net Charge-offs & Provision for Loan and Lease Losses



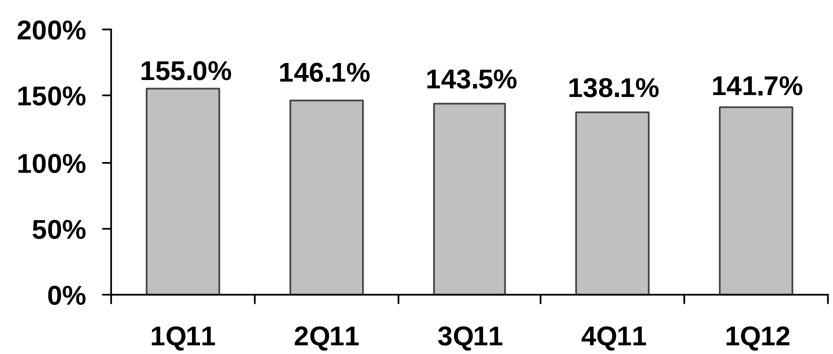

## Nonperforming Assets




## Allowance for Loan and Lease Losses




## Allowance to Nonperforming Loans



# Total Revenue

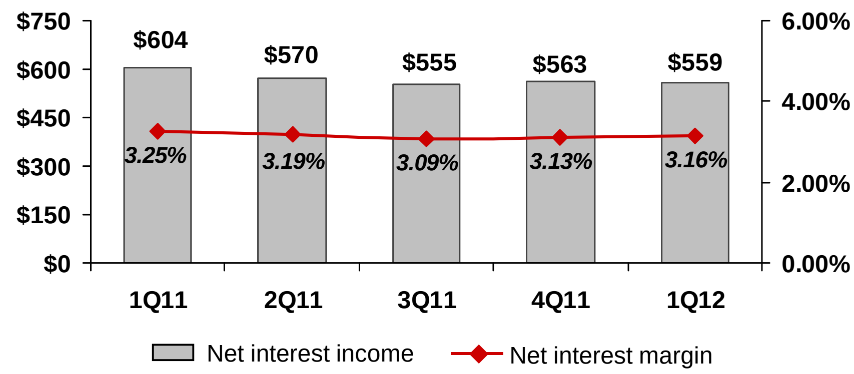
## Highlights

- Net interest margin increased 3 bps from 4Q11, a result of improved funding costs and a decrease in lower-yielding short-term investments
- Higher noninterest income primarily driven by principal investing income and a gain from the termination of a  leveraged lease
- New client acquisition and execution of relationship-based model provide opportunities to grow noninterest income

## Net Interest Margin (TE) Trend

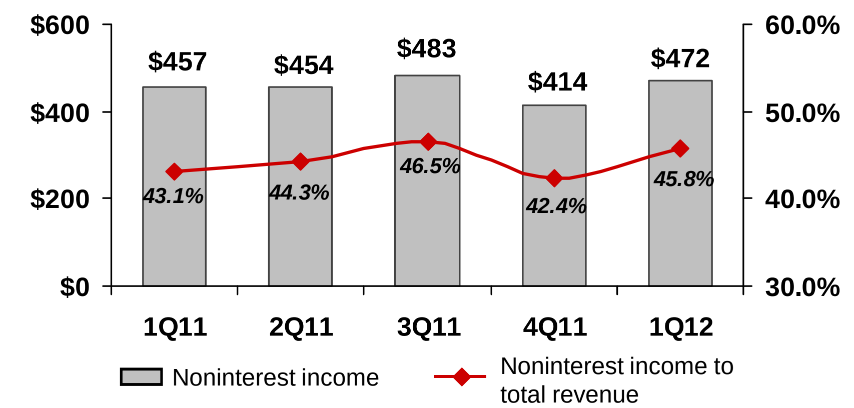
*$ in millions*

Continuing Operations




## Noninterest Income and % of Total Revenue

*$ in millions*



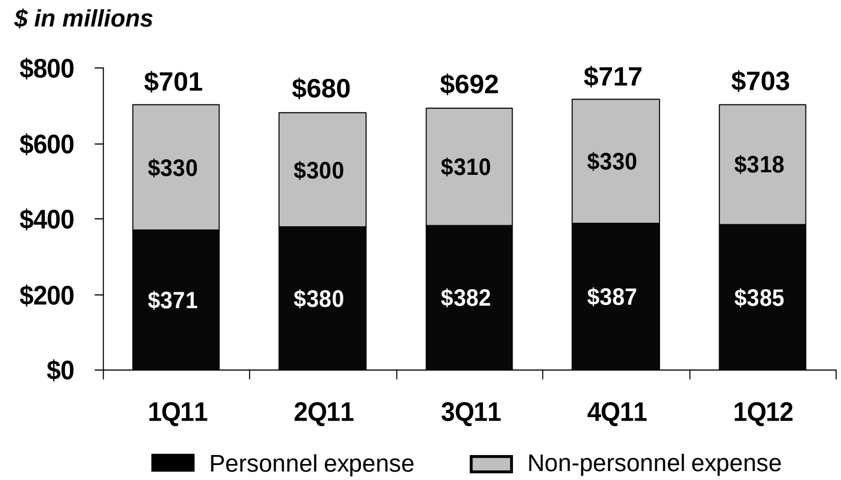

TE = Taxable equivalent

# Focused Expense Management

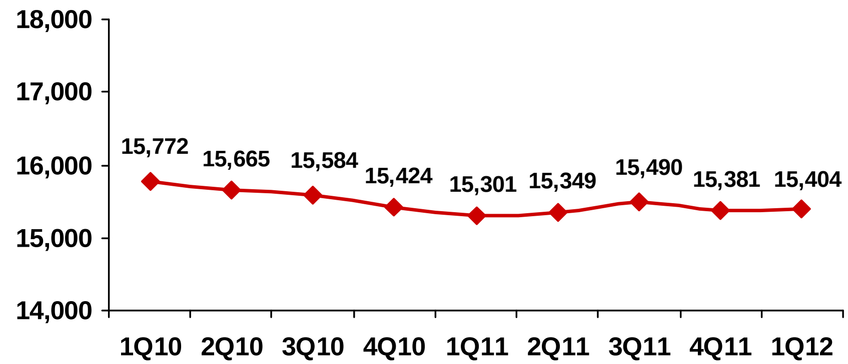
## Highlights

- Noninterest expense declined $14 million from 4Q11, with improvement in both personnel and non-personnel expense
- Key remains focused on operating leverage
  - Shifting FTE mix towards client-facing positions
  - Leveraging continuous improvement practices
  - Strengthening processes, alignment and accountability across the organization

## Noninterest Expense



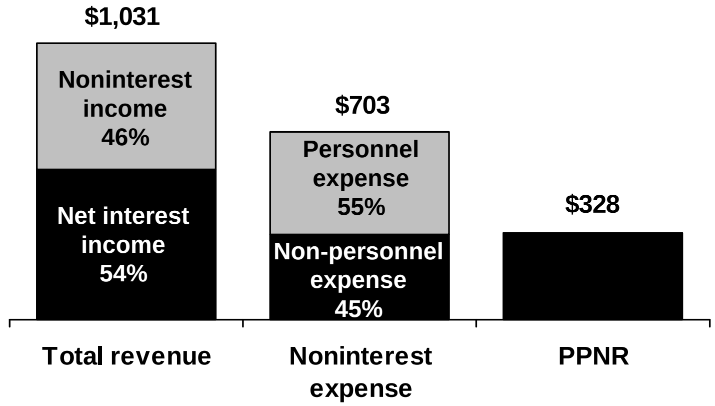

## Average FTEs



# Pre-Provision Net Revenue (a), (b) and ROAA (c)

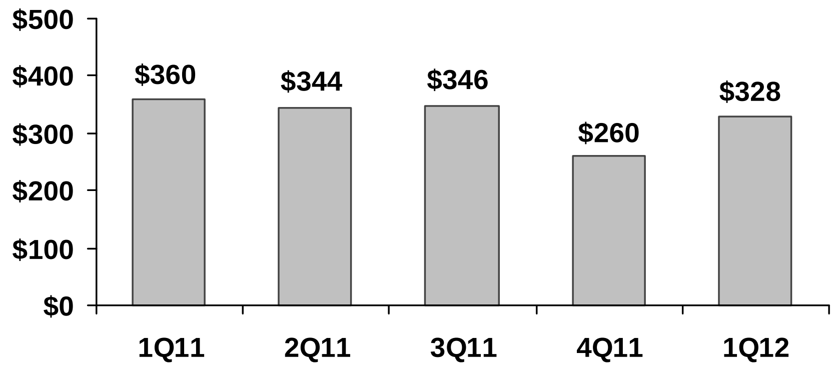
## 1Q12 Pre-Provision Net Revenue

*$ in millions*

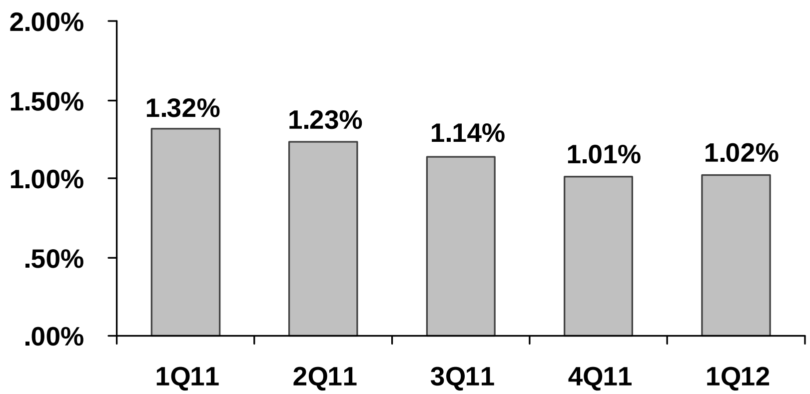



## Pre-Provision Net Revenue Trend

*$ in millions*




## Return on Average Assets



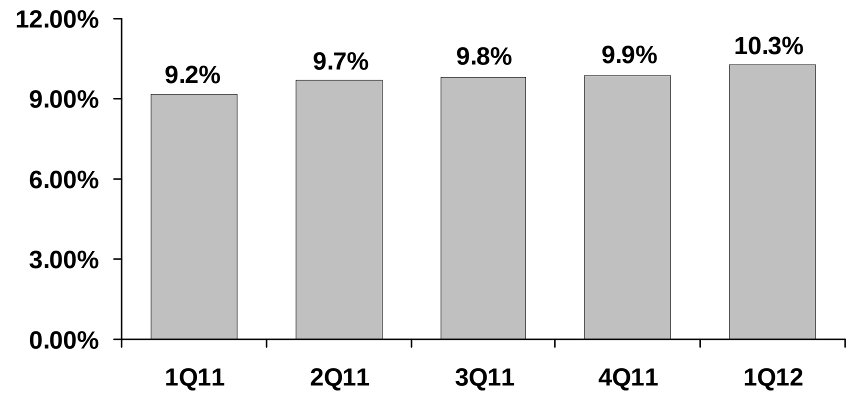

(a) Net interest income plus taxable-equivalent adjustment and noninterest income less noninterest expense
(b) Non-GAAP measure: see slide 20 of Appendix for reconciliation.
(c) From continuing operations

# Strong Capital Ratios

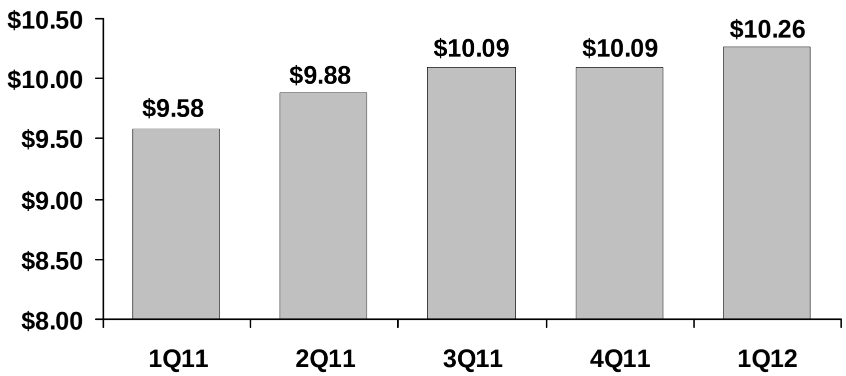
## Highlights

- No objection from Federal Reserve on capital plan
  - Board authorized stock repurchase program
  - Dividend increase will be evaluated at May Board meeting
- Peer leading capital position supports growth
- Disciplined approach to capital management
- Positioned for successful transition to Basel III

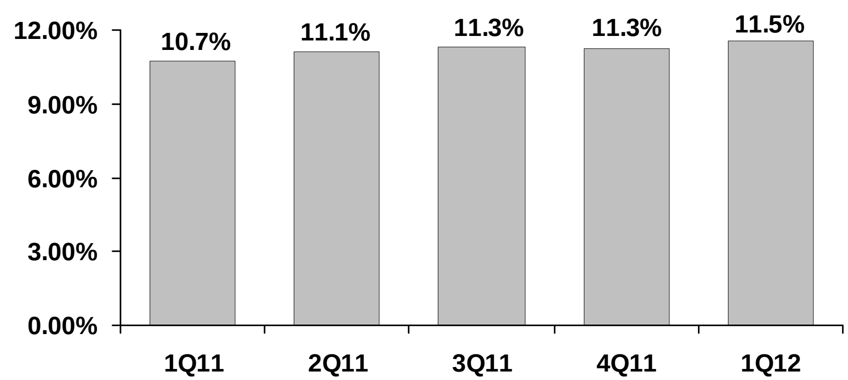
## Tangible Common Equity to Tangible Assets [b]




## Book Value per Share




## Tier 1 Common Equity [a], [b]




(a) 3-31-12 ratio is estimated
(b) Non-GAAP measure: see slide 20 of Appendix for reconciliation.

# Appendix

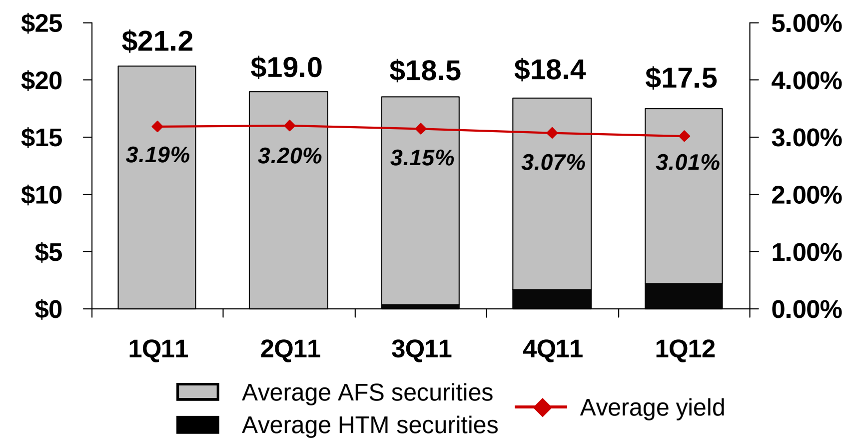
# High Quality Investment Portfolio

## Highlights

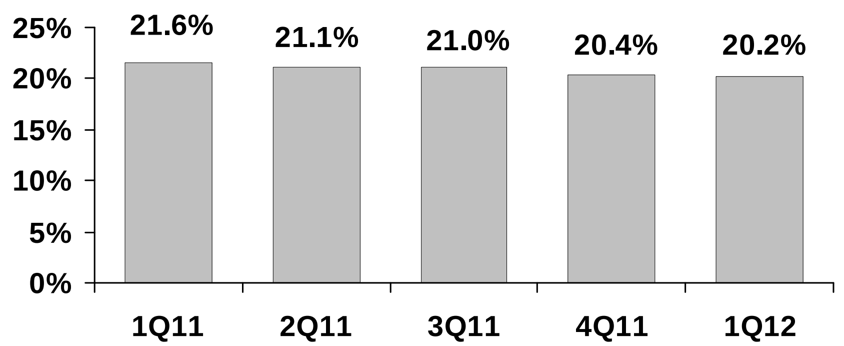
- Portfolio composed of Agency or GSE backed: GNMA, Fannie & Freddie
  - No private label MBS or financial paper
- Average portfolio life at 3/31/12: 2.4 years
- Unrealized net gain of $505 million on available-for-sale securities portfolio at 3/31/12
- Mortgage paydowns in 4Q11 and 1Q12 were $1.5 billion
- Yield decline in 1Q12 from paydowns of higher yielding mortgage investments and purchases of lower yielding investments

## Average Total Investment Securities

*$ in billions*




## Securities to Total Assets (a)




(a) Includes end of period held-to-maturity and available-for-sale securities

# Credit Quality

## Credit Quality by Portfolio

*$ in millions*

| | Period-end loans | Average loans | Net loan charge-offs | | Net loan charge-offs [a] / average loans | | Nonperforming loans | | Ending allowance [b] | Allowance / period-end loans [b] | Allowance / NPLs |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 3/31/12 | 1Q12 | 1Q12 | 4Q11 | 1Q12 | 4Q11 | 3/31/12 | 12/31/11 | 3/31/12 | 3/31/12 | 3/31/12 |
| **Commercial, financial and agricultural** | $19,787 | $19,638 | $15 | $28 | *.31 %* | *.61 %* | $168 | $188 | $316 | *1.60 %* | *188.10 %* |
| **Commercial real estate:** | | | | | | | | | | | |
| Commercial mortgage | 7,807 | 7,993 | 21 | 23 | *1.06* | *1.13* | 175 | 218 | 263 | *3.37* | *150.29* |
| Construction | 1,273 | 1,284 | 10 | (6) | *3.13* | *(1.72)* | 66 | 54 | 56 | *4.40* | *84.85* |
| **Commercial lease financing** | 5,755 | 5,846 | - | - | - | - | 22 | 27 | 68 | *1.18* | *309.09* |
| **Real estate - residential mortgage** | 1,967 | 1,950 | 5 | 7 | *1.03* | *1.45* | 82 | 87 | 36 | *1.83* | *43.90* |
| **Home equity:** | | | | | | | | | | | |
| Key Community Bank | 9,153 | 9,173 | 23 | 20 | *1.01* | *.86* | 109 | 108 | 94 | *1.03* | *86.24* |
| Other | 507 | 521 | 7 | 9 | *5.40* | *6.46* | 12 | 12 | 28 | *5.52* | *233.33* |
| **Consumer other— Key Community Bank** | 1,212 | 1,193 | 9 | 9 | *3.03* | *3.00* | 1 | 1 | 37 | *3.05* | *N/M* |
| **Consumer other:** | | | | | | | | | | | |
| Marine | 1,654 | 1,714 | 10 | 14 | *2.35* | *3.05* | 30 | 31 | 45 | *2.72* | *150.00* |
| Other | 111 | 118 | 1 | 1 | *3.41* | *3.12* | 1 | 1 | 1 | *.90* | *100.00* |
| **Continuing total** | **$49,226** | **$49,430** | **$101** | **$105** | ***.82 %*** | ***.86 %*** | **$666** | **$727** | **$944** | ***1.92 %*** | ***141.74 %*** |
| Discontinued operations - education lending business | 5,715 | 5,745 | 19 | 25 | *2.51* | *3.19* | 19 | 23 | 90 | *3.00* | *473.68* |
| **Consolidated total** | **$54,941** | **$55,175** | **$120** | **$130** | ***.92 %*** | ***1.00 %*** | **$685** | **$750** | **$1,034** | ***1.98 %*** | ***150.95 %*** |

N/M = Not Meaningful

(a) Net loan charge-off amounts are annualized in calculation. NCO ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value

(b) 3-31-12 allowance by portfolio is estimated. Allowance/period loans ratios for discontinued operations and consolidated Key exclude education loans in the securitization trusts since valued at fair-market value

# Home Equity Loans – 3/31/12

## Community Bank – Home Equity

| *$ in millions, except average loan size* | Loan Balances | Average Loan Size ($) | Average FICO | Average LTV (a) | % of Loans LTV>90% | Vintage (% of Loans) 2011 and later | 2010 | 2009 | 2008 | 2007 and prior |
|---|---|---|---|---|---|---|---|---|---|---|
| Home equity loans and lines | | | | | | | | | | |
| First lien | $ 4,859 | $ 58,851 | 752 | 67 % | .6 % | 16 % | 7 % | 9 % | 11 % | 57 % |
| Second lien | 4,294 | 45,683 | 751 | 75 | 3.2 | 11 | 7 | 7 | 17 | 58 |
| Total home equity loans and lines | $ 9,153 | $ 51,841 | 752 | 70 | 1.9 | 14 | 6 | 8 | 14 | 58 |
| Nonaccrual loans | | | | | | | | | | |
| First lien | $ 60 | $ 62,813 | 718 | 73 % | 1.1 % | 1 % | 3 % | 6 % | 5 % | 85 % |
| Second lien | 49 | 50,059 | 712 | 78 | 4.7 | 1 | 1 | 4 | 16 | 78 |
| Total home equity nonaccrual loans | $ 109 | $ 56,315 | 715 | 75 | 2.6 | 1 | 2 | 5 | 9 | 83 |
| Community Bank - Home Equity | | | | | | | | | | |
| First quarter net charge-offs | $ 23 | | | | | - | 2 % | 1 % | 16 % | 81 % |
| Net loan charge-offs to average loans | 1.01 % | | | | | | | | | |

## Exit Portfolio – Home Equity

| *$ in millions, except average loan size* | Loan Balances | Average Loan Size ($) | Average FICO | Average LTV (a) | % of Loans LTV>90% | Vintage (% of Loans) 2011 and later | 2010 | 2009 | 2008 | 2007 and prior |
|---|---|---|---|---|---|---|---|---|---|---|
| Home equity loans and lines | | | | | | | | | | |
| First lien | $ 22 | $ 22,785 | 746 | 33 % | .4 % | - | - | - | 2 % | 98 % |
| Second lien | 486 | 24,570 | 730 | 82 | 32.5 | - | - | - | 2 | 98 |
| Total home equity loans and lines | $ 509 | $ 24,485 | 731 | 80 | 31.1 | - | - | - | 1 | 99 |
| Nonaccrual loans | | | | | | | | | | |
| First lien | $ 1 | $ 20,525 | 735 | 25 % | - | - | - | - | - | 100 % |
| Second lien | 11 | 27,989 | 705 | 83 | 33.9 % | - | - | - | 1 % | 99 |
| Total home equity nonaccrual loans | $ 12 | $ 27,423 | 706 | 81 | 32.0 | - | - | - | 1 | 99 |
| Exit Portfolio - Home Equity | | | | | | | | | | |
| First quarter net charge-offs | $ 7 | | | | | - | - | - | 4 % | 96 % |
| Net loan charge-offs to average loans | 5.40 % | | | | | | | | | |

(a) Average LTVs are at origination. Current average LTVs for Community Bank total home equity loans and lines is approximately 81%, which compares to 78% at the end of the fourth quarter 2011.

# Exit Loan Portfolio

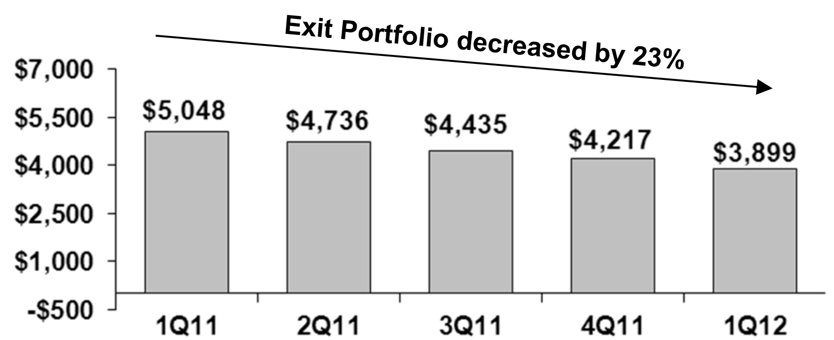
## Exit Loan Portfolio

*$ in millions*

| | Balance Outstanding | | Change 3-31-12 vs. | Net Loan Charge-offs | | Balance on Nonperforming Status | |
|---|---|---|---|---|---|---|---|
| | 3-31-12 | 12-31-11 | 12-31-11 | 1Q12 [c] | 4Q11 [c] | 3-31-12 | 12-31-11 |
| Residential properties – homebuilder | $34 | $41 | $(7) | $2 | $(2) | $17 | $23 |
| Marine and RV floor plan | 59 | 81 | (22) | 7 | 2 | 32 | 45 |
| Commercial lease financing [a] | 1,534 | 1,669 | (135) | (1) | (2) | 11 | 7 |
| Total commercial loans | 1,627 | 1,791 | (164) | 8 | (2) | 60 | 75 |
| Home equity – Other | 507 | 535 | (28) | 7 | 9 | 12 | 12 |
| Marine | 1,654 | 1,766 | (112) | 10 | 14 | 31 | 31 |
| RV and other consumer | 111 | 125 | (14) | 1 | 1 | - | 1 |
| Total consumer loans | 2,272 | 2,426 | (154) | 18 | 24 | 43 | 44 |
| Total exit loans in loan portfolio | $3,899 | $4,217 | $(318) | $26 | $22 | $103 | $119 |
| Discontinued operations - education lending business (not included in exit loans above) [b] | $5,715 | $5,812 | $(97) | $19 | $25 | $19 | $23 |

## Exit Loan Portfolio Trend (Excluding Discontinued Operations)

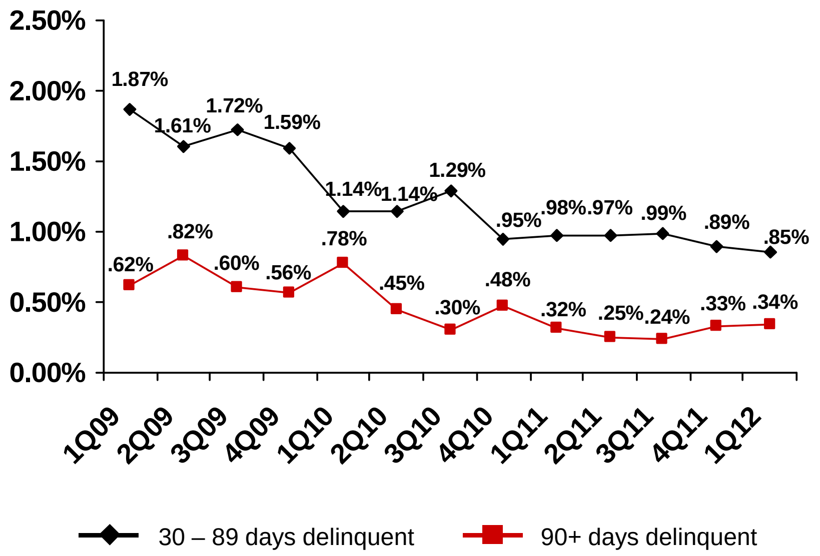
*$ in millions*



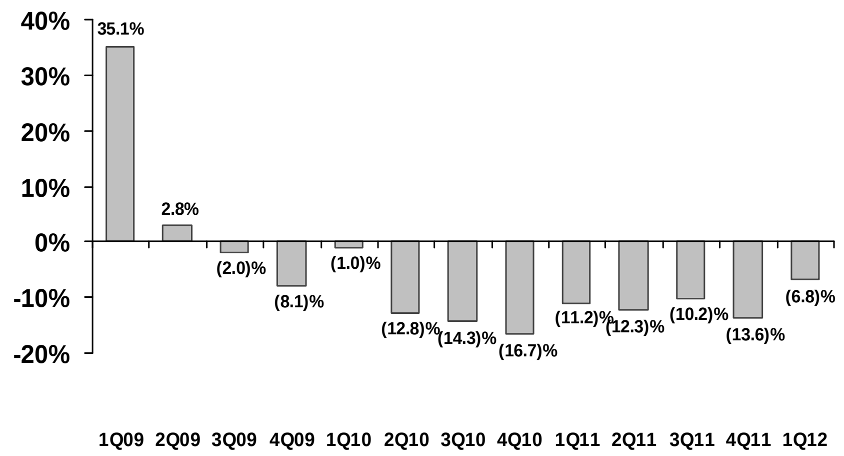

(a) Includes the business aviation, commercial vehicle, office products, construction and industrial leases, and Canadian lease financing portfolios; and all remaining balances related to lease in, lease out; sale in, sale out; service contract leases; and qualified technological equipment leases
(b) Includes loans in Key's consolidated education loan securitization trusts
(c) Credit amounts indicate recoveries exceeded charge-offs

# Credit Quality Trends

**Delinquencies to Period-end Total Loans**




**Quarterly Change in Criticized Outstandings (a)**




(a) Loan and Lease Outstandings

# GAAP to Non-GAAP Reconciliation

| *$ in millions, except per share amounts* | Three months ended 3-31-12 | 12-31-11 | 3-31-11 |
|---|---|---|---|
| **Tangible common equity to tangible assets at period end** | | | |
| Key shareholders' equity (GAAP) | $ 10,099 | $ 9,905 | $ 9,425 |
| Less: Intangible assets | 932 | 934 | 937 |
| Preferred Stock, Series A | 291 | 291 | 291 |
| Tangible common equity (non-GAAP) | $ 8,876 | $ 8,680 | $ 8,197 |
| Total assets (GAAP) | $ 87,431 | $ 88,785 | $ 90,438 |
| Less: Intangible assets | 932 | 934 | 937 |
| Tangible assets (non-GAAP) | $ 86,499 | $ 87,851 | $ 89,501 |
| Tangible common equity to tangible assets ratio (non-GAAP) | 10.26 % | 9.88 % | 9.16 % |
| **Tier 1 common equity at period end** | | | |
| Key shareholders' equity (GAAP) | $ 10,099 | $ 9,905 | $ 9,425 |
| Qualifying capital securities | 1,046 | 1,046 | 1,791 |
| Less: Goodwill | 917 | 917 | 917 |
| Accumulated other comprehensive income (loss) [a] | (70) | (72) | (93) |
| Other assets [b] | 69 | 72 | 130 |
| Total Tier 1 capital (regulatory) | 10,229 | 10,034 | 10,262 |
| Less: Qualifying capital securities | 1,046 | 1,046 | 1,791 |
| Preferred Stock, Series A | 291 | 291 | 291 |
| Total Tier 1 common equity (non-GAAP) | $ 8,892 | $ 8,697 | $ 8,180 |
| Net risk-weighted assets (regulatory) [b], [c] | $ 76,979 | $ 77,214 | $ 76,129 |
| Tier 1 common equity ratio (non-GAAP) [c] | 11.55 % | 11.26 % | 10.74 % |
| **Pre-provision net revenue** | | | |
| Net interest income (GAAP) | $ 553 | $ 557 | $ 597 |
| Plus: Taxable-equivalent adjustment | 6 | 6 | 7 |
| Noninterest income | 472 | 414 | 457 |
| Less: Noninterest expense | 703 | 717 | 701 |
| Pre-provision net revenue from continuing operations (non-GAAP) | $ 328 | $ 260 | $ 360 |

(a) 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 December 31, 2006, adoption and subsequent application of the applicable accounting guidance for defined benefit and other postretirement plans.

(b) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed deferred tax assets of $47 million at March 31, 2011, disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at March 31, 2012 and December 31, 2011.

(c) 3-31-12 amount is estimated.