2015 Dodd-Frank Mid-Cycle Stress Test (MCST) Results

KeyCorp Severely Adverse Scenario

KeyCorp

July 28, 2015

Important Considerations

The 2015 Mid-Cycle Dodd-Frank Act Stress Test ("DFAST") Results present certain projected financial measures for KeyCorp under hypothetical economic and financial conditions, market scenarios and other assumptions described herein. Investors should not rely on these results as forecasts of actual financial results for KeyCorp. Our future financial results and conditions will be influenced by actual economic and financial conditions and other factors described in our Annual Report on 10-K for the year ended December 31, 2014 and in subsequent quarterly reports filed with the Securities and Exchange Commission ("SEC") and available at http://www.sec.gov.

The regulations establishing DFAST require us to disclose certain projected financial measures that have not been prepared under U.S. Generally Accepted Accounting Principles ("GAAP"). KeyCorp's actual financial information, prepared under GAAP, is available in reports filed with the SEC.

Each bank holding company subject to 2015 Mid-Cycle DFAST is responsible for developing its internal process. Therefore, our 2015 Mid-Cycle DFAST Results may not be directly comparable to those of other bank holding companies.

Important Terms Used in this Disclosure

"BHC" means bank holding company.

"DFAST" means the Dodd-Frank Act Stress Test.

"GAAP" means U.S. generally accepted accounting principles.

"MCST" means the Mid-Cycle Stress Test

"Regulatory Capital Rules" means the final capital rules published by federal banking regulators in 2013.

KeyCorp Disclosure

Company-Run Stress Test Results and Process

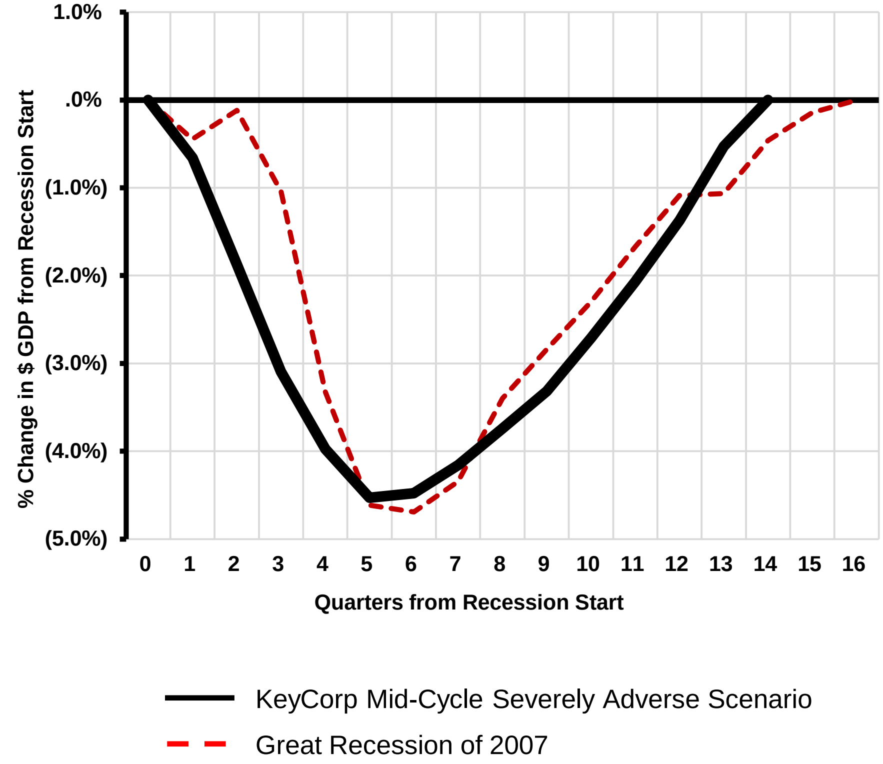
- Per the Dodd-Frank Act, Key is required to consider the results of its company-run stress test as part of its capital planning process and publicly disclose the results.
- The company-run Mid-Cycle Stress Test spans a nine quarter forecast horizon, starting with 2Q15 and ending with 2Q17.
- Under the Dodd-Frank Act, the only capital actions included in the company-run stress test are quarterly common dividend payments equal to KeyCorp's trailing four quarter average as of March 31, 2015 and no share repurchase activity following the first planning quarter.
- Capital actions referred to in this disclosure are not the Company's planned capital actions.
- Disclosure requirements include:
    1. Quantitative results of the company-run stress test under the severely adverse scenario for the bank holding company
    2. Most significant causes for changes in common equity tier 1 ratio and other capital ratios
    3. Types of risks included in company-run stress test
    4. Description of stress test methodologies
- This analysis used a hypothetical stressed scenario developed internally by KeyCorp. Inputs were derived from a third-party econometric stress forecast and Key considered additional firm-specific idiosyncratic risks to appropriately capture downside risk in a severely adverse scenario.

Description of KeyCorp Severely Adverse Scenario

Summary

- The Mid-Cycle Stress Test severely adverse scenario reflects a downturn of similar magnitude compared to the Great Recession of 2007 (as depicted in graph on right).
- The downturn is driven by a number of factors, which includes worsening economic conditions domestically and abroad and a financially strained banking system resulting in limited credit availability.
- Key's commercial banking business model is particularly vulnerable to an adverse economic environment and the deteriorating conditions also expose KeyCorp to idiosyncratic risks.
- The selected scenario appropriately exposes Key's vulnerabilities during a severe downturn.

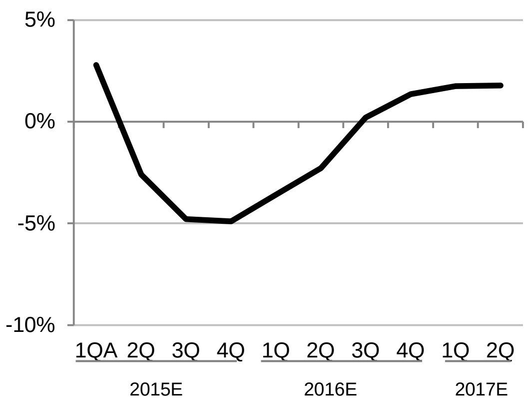
GDP Severity Analysis



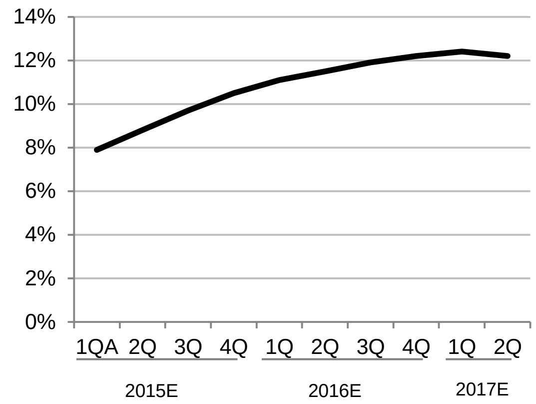
2015 summary Mid-Cycle Stress Test Disclosure pursuant to the Dodd-Frank Act Stress Testing Rules.

Important Macroeconomic Assumptions[a]

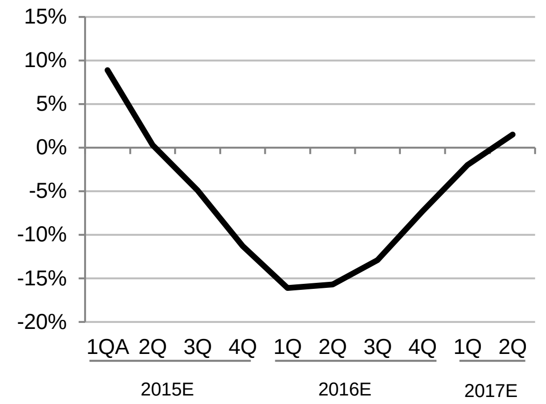
Real GDP (Q/Q Annualized)



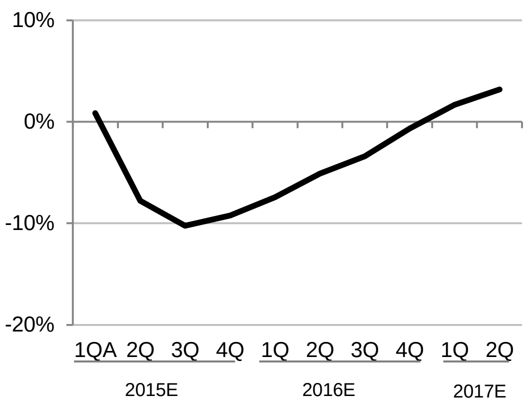
Unemployment rate



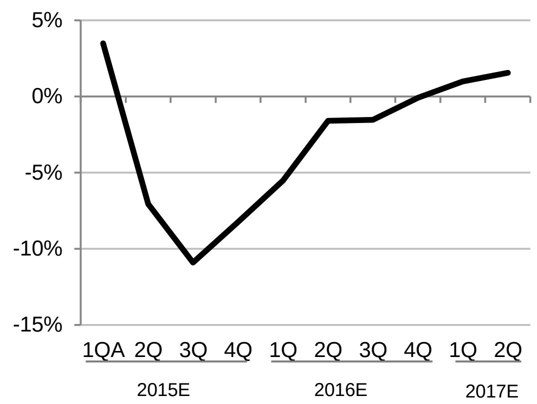
Home prices (Q/Q)



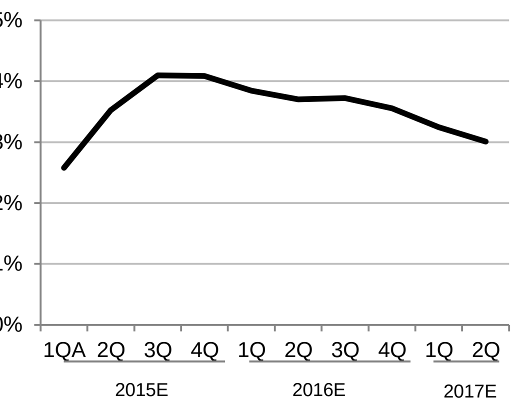
Commercial real estate index (Q/Q)



S&P 500 (Q/Q)



Baa credit spreads



KeyCorp MCST severely adverse scenario

(a) The variables depicted above are important assumptions used to derive loss and revenue estimates through the stress test process. Variables depicted do not represent all economic factors considered in the MCST, but rather highlight prevalent indicators and inputs used for stress testing.

KeyCorp Severely Adverse Results[a] - Net Income Before Taxes

Projected Net Revenue, Losses and Net Income Before Taxes ($ in Billions)	**Cumulative Hypothetical Results Over 9 Quarters**	**Percent of Average Assets** [b]
Pre-provision net revenue [c]	$1.7	2.0%
Other revenue/(expense) [d]	0.0	0.0%
Less		
Provisions	3.9	4.5%
Realized gains/(losses) on securities - AFS/HTM	(0.0)	(0.0)%
Trading and counterparty losses [e]	–	–
Other losses/gains [f]	–	–
Equals		
Net income before taxes	(2.2)	(2.6)%
Memo items		
Other comprehensive income [g]	0.0	–
Other effects on capital	*Q4 2015*	*Q2 2017*
AOCI included in capital (billions of dollars) [g]	0.0	0.0

(a) Financial information is disclosed in accordance with the Federal Reserve's FR Y-14A templates, and does not necessarily adhere to GAAP.

(b) Average assets are nine-quarter average assets.

(c) Pre-provision net revenue includes losses from operational-risk events, projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option and other real estate owned (OREO) costs.

(d) Other revenue includes one-time income and (expense) items not included in PPNR. Includes extraordinary items and other adjustments, net of income taxes, on the FR Y-14A templates.

(e) Trading and counterparty losses include mark-to-market and credit valuation adjustments (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

(f) Other losses/gains includes goodwill impairment losses.

(g) For purposes of this stress test, Key chose to opt-out of including AOCI in regulatory capital calculations.

KeyCorp Severely Adverse Results[(a)] – Loan Losses

Projected Loan Losses by Type of Loans ($ in Billions)	**Cumulative Hypothetical Results Over 9 Quarters**	**Portfolio Loss Rates [(b)]**
Loan losses	$ 2.8	5.0%
First lien mortgages, domestic	0.1	2.0%
Junior liens and HELOCs, domestic	0.2	2.3%
Commercial and industrial [(c)]	1.4	6.3%
Commercial real estate, domestic	0.2	2.6%
Credit cards	0.2	26.3%
Other consumer [(d)]	0.4	10.5%
Other loans [(e)]	0.3	3.6%

(a) Financial information is disclosed in accordance with the Federal Reserve's FR Y-14A templates, and does not necessarily adhere to GAAP.

(b) Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

(c) Commercial and industrial loans include small and medium enterprise loans and corporate credit cards.

(d) Other consumer loans include student loans and automobile loans.

(e) Other loans include leases, loans to depositories and other financial institutions, agricultural loans, loans for purchasing or carrying securities, international real estate loans and loans secured by farmland.

Note: Numbers above may not foot due to rounding.

KeyCorp Severely Adverse Results[(a)] – Capital Ratios and Risk-Weighted Assets

Projected Stressed Capital Ratios [(b)]	Actual	Stressed Capital Ratios [(c)]	
	Q1 2015	Q2 2017	Minimum [(d)]
Common equity tier 1 capital ratio (%) [(e)] [(f)]	10.6	10.3	9.6
Tier 1 risk-based capital ratio (%) [(f)]	10.9	9.6	9.6
Total risk-based capital ratio (%) [(f)]	12.8	12.6	11.7
Tier 1 leverage ratio (%) [(f)]	10.9	9.6	9.6

Actual Q1 2015 and Projected Q2 2017 Risk-Weighted Assets ($ in billions)	Actual	Projected Q2 2017
	Q1 2015 Standardized Approach	Regulatory Capital Rules Standardized Approach
Risk-weighted assets [(g)]	$90.0	$72.7

(a) Financial information is disclosed in accordance with the Federal Reserve's FR Y-14A templates, and does not necessarily adhere to GAAP.

(b) Projected stressed capital ratios incorporate DFAST capital actions, which include common dividend payments equal to KeyCorp's trailing four quarter average as of March 31, 2015 and no share repurchase activity following the first planning quarter, as required by the Dodd-Frank Act.

(c) The capital ratios are calculated using capital action assumptions provided within the DFAST rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios.

(d) Represents the lowest value over the forecast horizon.

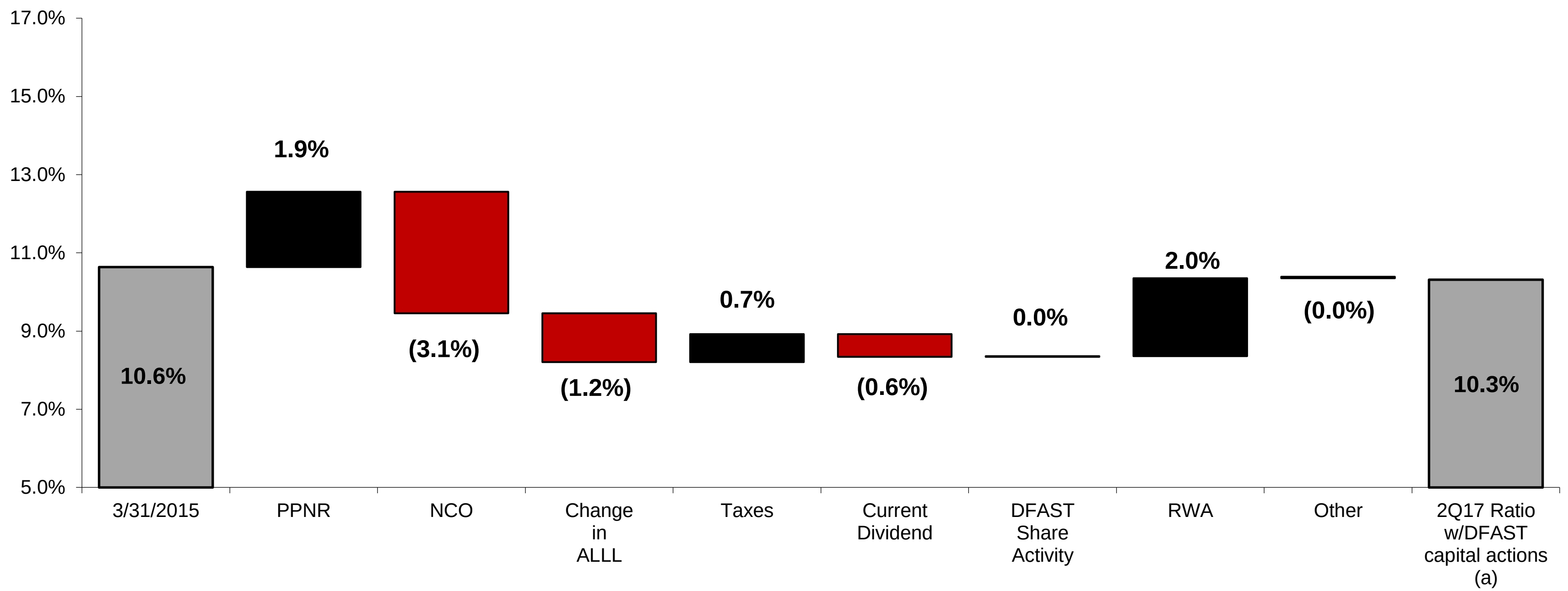
(e) As a "standardized approach" BHC, KeyCorp is required to calculate and report the common equity tier 1 ratio beginning Q1 2015

(f) The capital ratios are calculated under the Regulatory Capital Rules' risk-based "standardized approach" utilizing transition provisions where applicable.

(g) Historically, Key's risk-weighted assets decline in a severely adverse economic scenario due to elevated credit losses combined with a generally more challenging lending environment.

Most Significant Causes for Changes in KeyCorp Capital Ratios

Common Equity Tier I Ratio (CET1)
(1Q15 – 2Q17)



- Credit losses and increased ALLL in stress environment more than offset the benefits of PPNR and declining loan balances (declining RWA) resulting in a net depletion of capital reflected in decline of Common Equity Tier 1 Ratio to 10.3% at the end of the planning horizon
- Common Equity Tier 1 ratio exceeds regulatory minimum throughout the nine-quarter period

(a) DFAST capital actions include common dividend payments equal to KeyCorp's trailing four quarter average as of March 31, 2015 and no share repurchase activity following the first planning quarter, as required by the Dodd-Frank Act.

Risks Included in Company-Run Stress Test(a)

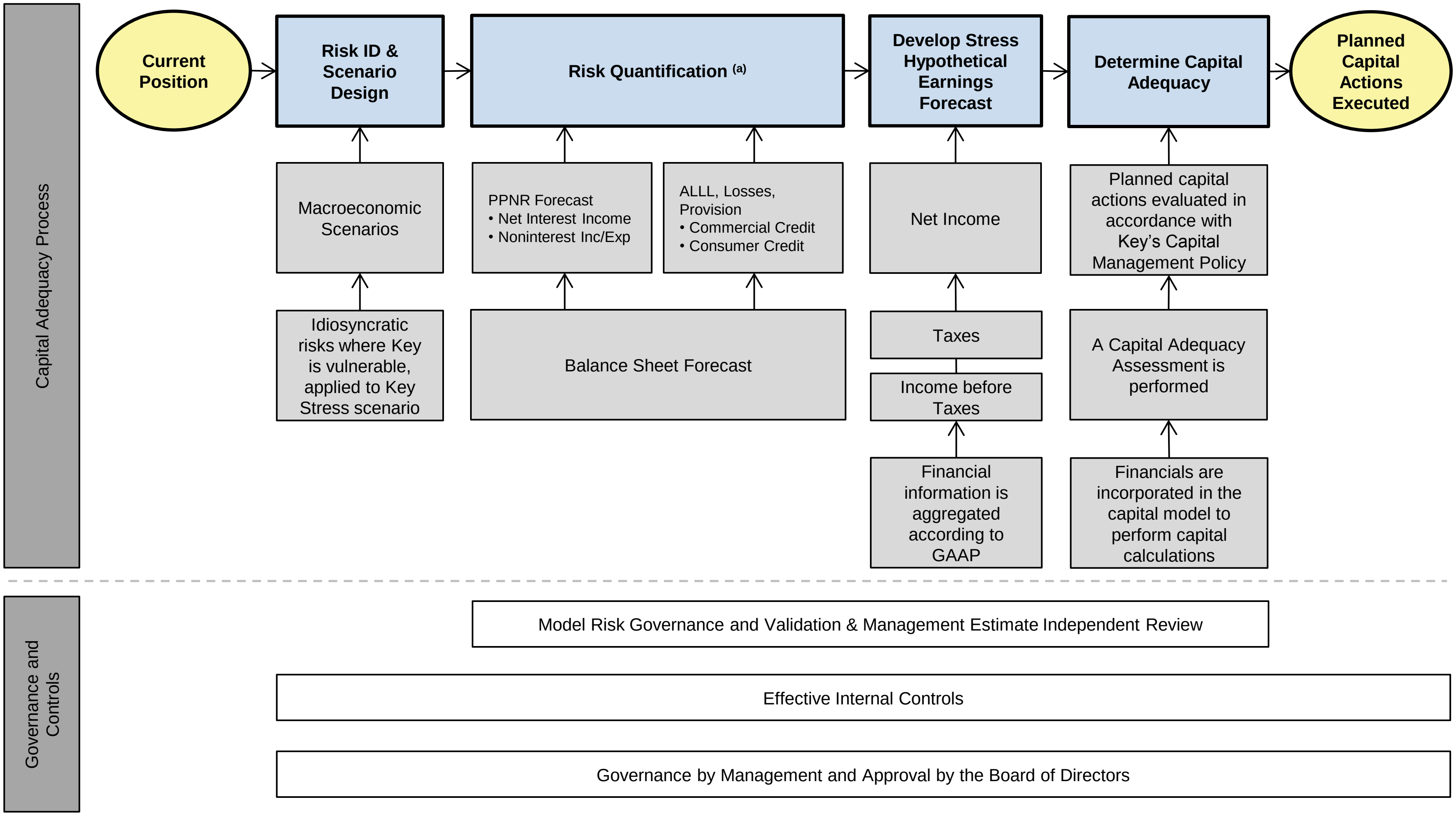
As an institution focused on traditional banking products and services in the United States, KeyCorp is primarily exposed to risks from fluctuations in the domestic economy. Risks to most of KeyCorp's businesses include credit, compliance, liquidity, operational, market, model, reputation and strategic risk.

Risks Included

Credit Risk	▪ Key originates loans and extends credit, both of which expose Key to credit risk. The failure of Key's borrowers and counterparties to meet their obligations, which becomes more likely in a stressed economy, increases the likelihood of credit losses.
Market Risk	▪ Interest rate exposure related to Key's banking book is impacted by near-zero short-term interest rates in the severely adverse scenario. Interest rate exposure and widening credit spreads affect the carrying value of Key's assets held at or subject to fair market valuation.
Liquidity Risk	▪ Liquidity risk is the risk of not being able to reasonably accommodate liability maturities, deposit withdrawals or meet contractual obligations to fund new business opportunities in a timely manner. An increase in line of credit draws, risk of deposit attrition, and loss of access to wholesale funding sources may coincide with severe economic stress, as companies experience reduced cash flows and credit availability contracts.
Other Risks	▪ Operational risk is the risk of adverse economic impact resulting from internal human error or malfeasance, failed internal processes or systems, or external events. ▪ Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage due to a failure to comply with laws and regulations in the ever evolving legal and regulatory environment. ▪ Strategic risk is the impact on earnings or value arising from adverse business decisions, improper implementation of business decisions, or responsiveness to industry changes. ▪ Reputation risk is the risk arising from negative opinion as viewed from Key's stakeholders. ▪ Model risk is the risk to KeyCorp's earnings, capital or reputation due to the misuse or failure of a model.

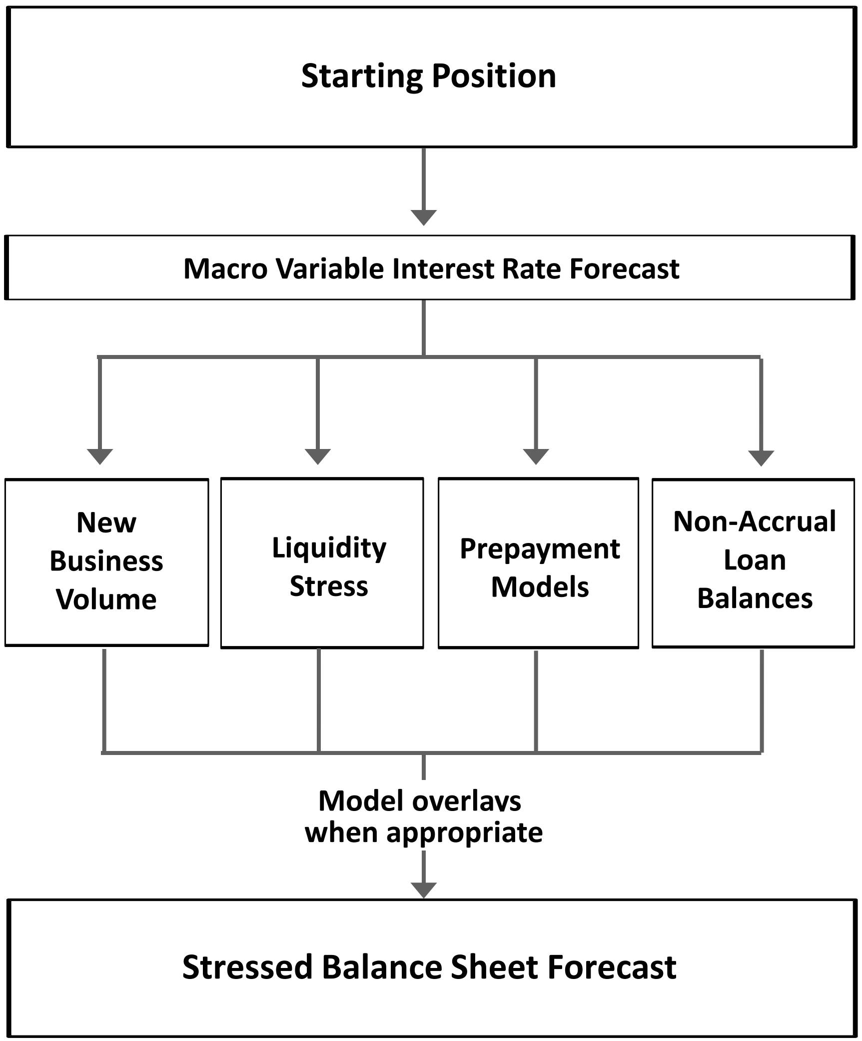
(a) The identified impact arising from risks embedded in KeyCorp's traditional banking business are unique to the Severely Adverse Stress Test scenario. Impacts from risks under different economic scenarios will vary based upon inputs and assumptions utilized in the analysis.

Stress Test & Capital Adequacy Assessment Methodology



(a) Risk Quantification involves quantitative and qualitative approaches:
- Quantitative Approach - Modeled risk quantification
- Qualitative Approach - Judgment utilized where quantitative models do not or cannot fully capture risk

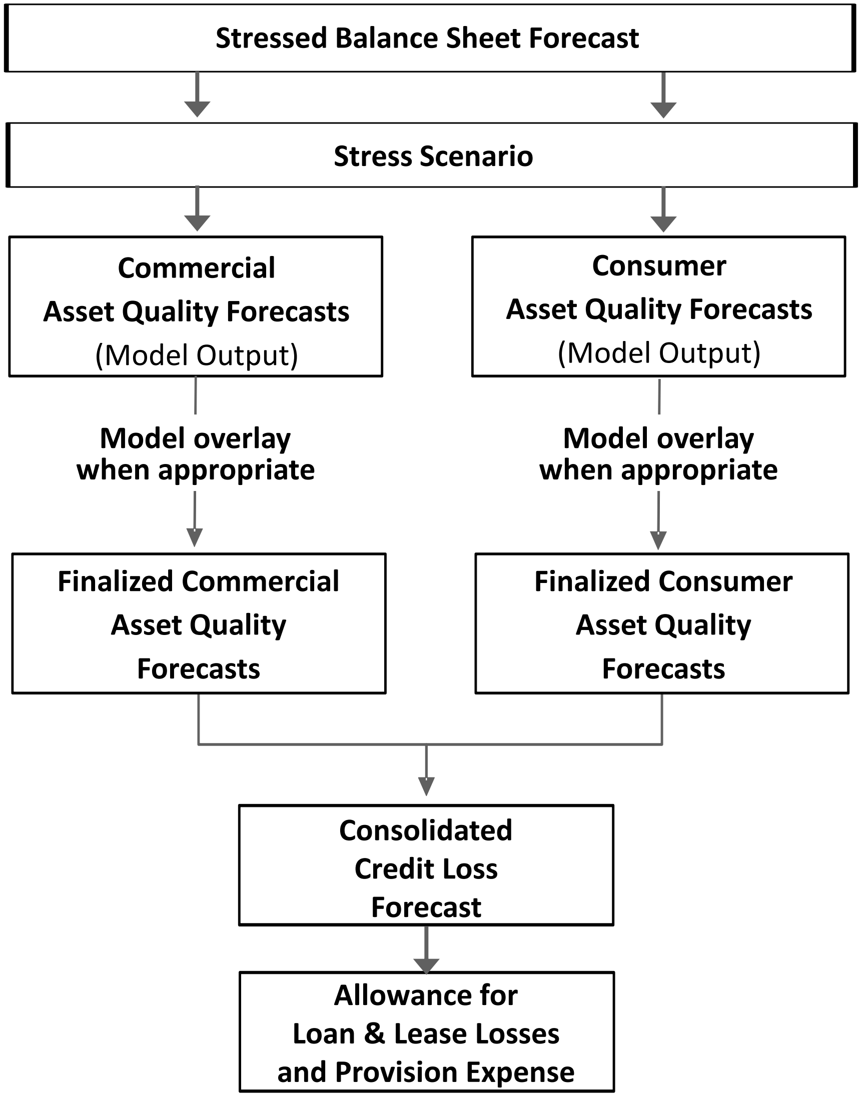
Methodology - Balance Sheet



Balance Sheet

- Forecast takes into account contractual maturity information, forecasted prepayments based on interest rate forecasts, and non-accrual loan balances.
- Qualitative and quantitative methods are used to derive balance sheet projections based on relevant historical data and macroeconomic variables.
- Liquidity facility utilization adjustments account for an increase in line of credit draws that Key would expect in a stress scenario.
- Risk of deposit attrition, loss of access to wholesale funding sources, and pricing impact on deposits and wholesale credit spreads are considered.
- Where appropriate, expert-based qualitative methods and model overlays are considered. Methodology employed is subject to independent review, while results are subject to review and approval by Senior Management and the Board of Directors based upon the magnitude of adjustment.

Methodology - Credit Losses & Provision Expense



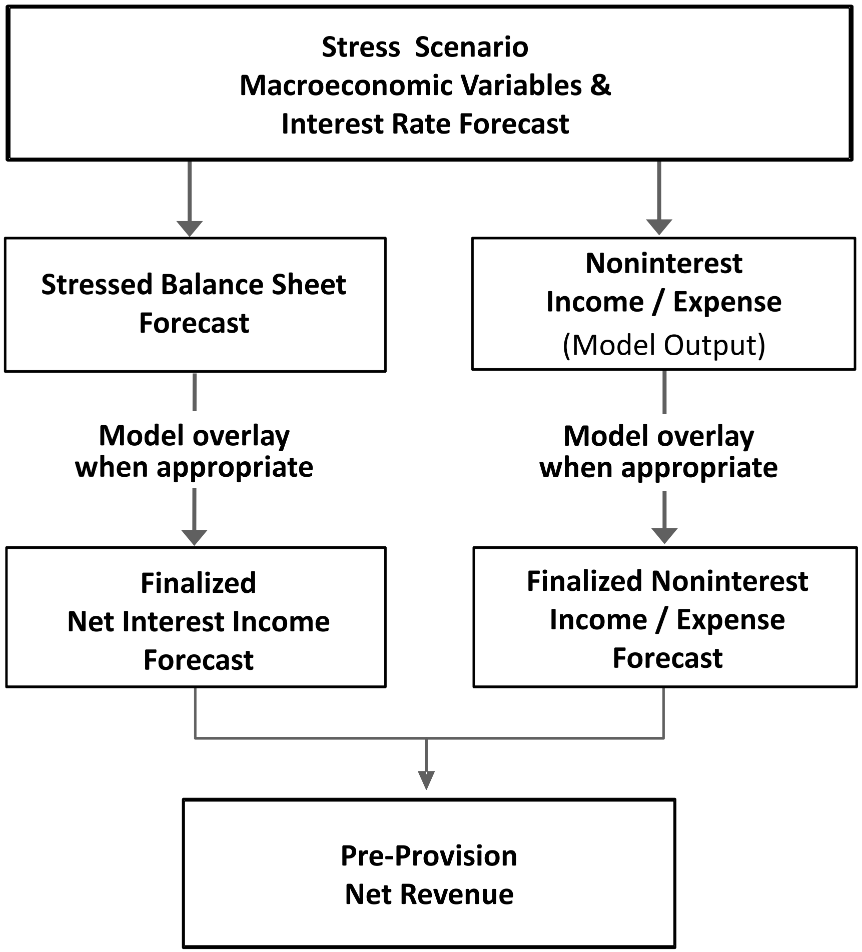
Credit Losses

- Stressed credit loss forecasts are driven by quantitative and qualitative estimates that utilize note-level characteristics.
- Both Commercial and Consumer Credit forecasts follow a Probability of Default / Loss Given Default framework.
- Commercial and Consumer Credit forecasts are consolidated for total credit exposure.
- Where appropriate, expert-based model overlays are considered. Methodology employed is subject to independent review, while results are subject to review and approval by Senior Management and the Board of Directors based upon the magnitude of adjustment.

Provision Expense

- Key's Allowance for Loan and Lease Loss (ALLL) methodology is followed in accordance with Generally Accepted Accounting Principles and supervisory guidance.

Methodology - Pre-Provision Net Revenue



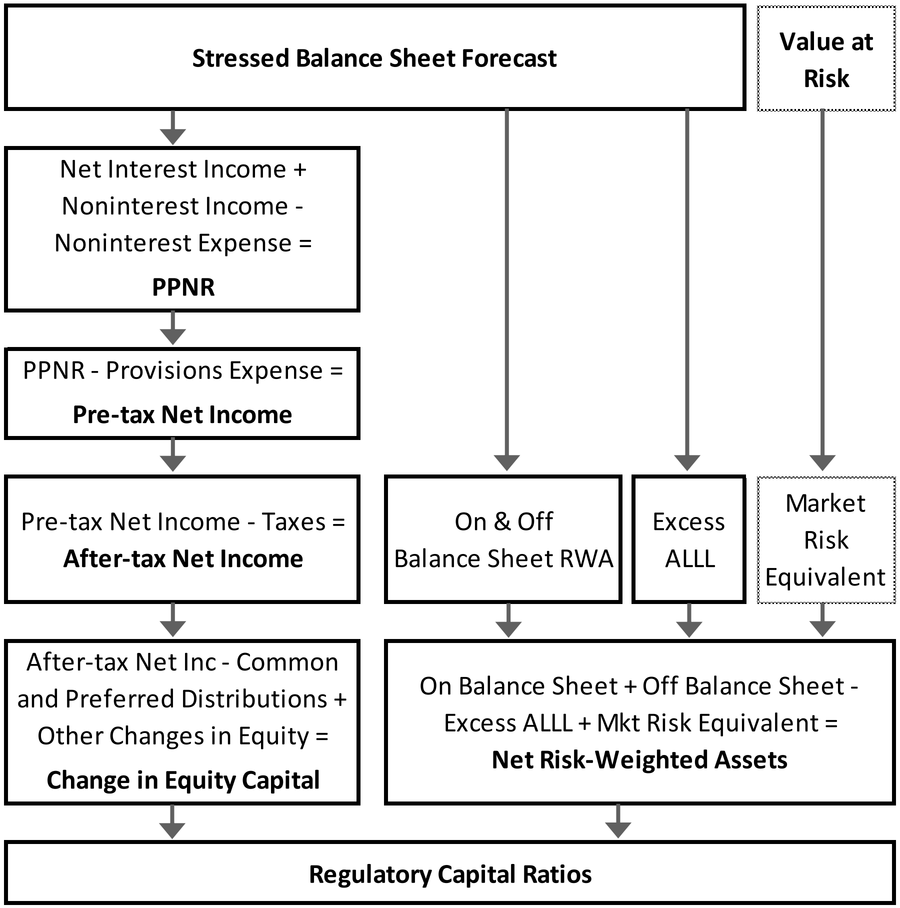
Net Interest Income

- Balance sheet forecast process is outlined on page 12 of this presentation.
- Asset and liability pricing inputs, assumptions, and qualitative assessments are drawn from line of business forecasting processes

Noninterest Income & Expense

- Noninterest income and expense forecasts, including operational risk, are primarily developed using quantitative modeling.
- Where appropriate, expert-driven qualitative methods and model overlays are made to modeled outputs to ensure consideration for known strategic initiatives, pricing actions, regulatory changes, or model weaknesses.
- For line items dependent on the value of assets held at or subject to Fair Market Valuation, the fair market values of assets are projected using discounted cash flow and fundamental analysis.

Methodology - Earnings & Capital



Earnings & Capital Forecast

- Financial forecasts are aggregated according to Generally Accepted Accounting Principles.
- Income statement and balance sheet information is used to compute regulatory capital ratios.
- Risk-weighted assets are calculated based on Key's projected balance sheet position, and a market risk equivalent calculation associated with Key's trading portfolio.

Capital Adequacy Assessment

- Capital Adequacy Assessment is performed and capital actions are considered.
- Capital decisions are governed by internal capital policies and regulatory guidance, and are subject to approval by the KeyCorp Board of Directors.

Governance and Controls

Independent Review

- As part of Enterprise Risk Management (ERM), models are being used in a broad range of Key's business and risk management activities and play an important role in the Capital Adequacy Process.
- KeyCorp continues to enhance model development and independent validation to reduce model risk.
- Methodologies for non-model management projections and model overlays are independently reviewed and challenged by KeyCorp's risk management function.

Effective Internal Controls

- KeyCorp has a comprehensive internal control framework governing all aspects of its Capital Adequacy Process, including data management, modeling, change management and regulatory reporting.
- KeyCorp's internal audit function provides independent assessment and testing of the effectiveness of and adherence to KeyCorp's risk management policies, practices and controls. The internal audit function reports to the Audit Committee of the Board of Directors.

Governance by Management and Approval by the Board of Directors

- The Enterprise Risk Management Committee (ERMC) is the management governance committee for all capital matters and plays an integral role in the capital adequacy process.
- During the capital planning process, the ERMC will screen and recommend all capital matters requiring final Board of Directors approval.