

# KeyCorp

## Fourth Quarter 2016 Earnings Review

January 19, 2017

**Beth E. Mooney**

Chairman and  
Chief Executive Officer

**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 integrating the First Niagara business or fully realizing cost savings and other benefits; 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," "Common Equity Tier 1," "pre-provision net revenue," "cash efficiency ratio," and certain financial measures excluding merger-related expenses. 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, page 109 of our Form 10-Q dated September 30, 2016, and our fourth quarter 2016 earnings release.

GAAP: Generally Accepted Accounting Principles



# 2016: A Successful and Transformational Year

## Positive Operating Leverage<sup>(a)</sup>

- **Generated positive operating leverage for 3<sup>rd</sup> consecutive year**
  - Pre-provision net revenue up 23% from 2015
  - Results reflect momentum in core franchise, acquisition and investments
- **Solid loan growth in 2016**
  - Reflecting First Niagara acquisition and momentum in commercial, financial and agricultural loans
- **Positive trends in fee-based businesses**
  - Record year for investment banking and debt placement fees, cards and payments income and corporate services income
- **Expenses well-managed:** cash efficiency ratio improved to 63.3% in 4Q16

## Strong Risk Management

- **Maintained credit discipline with strong asset quality**
  - NCOs to average loans of .34% remained below targeted range
  - Nonperforming loans to period-end loans of .73%

## Disciplined Capital Management

- **Increased quarterly common share dividend by 13% in 2Q16**
- **Resumed common share repurchases following acquisition; \$133 MM total repurchases in 2016**
- **No objection from Federal Reserve on 2016 capital plan**

## First Niagara

- **Successful integration**
  - Branch, system and client conversion in October
  - Completed >100 planned branch consolidations
  - Retail deposit growth in all First Niagara markets since conversion
- **Executing on financial targets, including cost savings of \$400 MM**



(a) Comments include impact of First Niagara (unless otherwise noted) but exclude merger-related charges. See slide 15 for detail on merger-related charges.

# Financial Review



# Financial Highlights

4Q16 & 3Q16 reflect the impact of the FNFG acquisition, which became effective on 8/1/2016

Continuing operations,  
unless otherwise noted

	Metrics	4Q16	3Q16	2Q16	1Q16	4Q15
<b>Financial Performance</b>	EPS – assuming dilution	\$ .20	\$ .16	\$ .23	\$ .22	\$ .27
	EPS –excl. merger-related charges <sup>(d), (e)</sup>	.31	.30	.27	.24	.27
	Cash efficiency ratio <sup>(d)</sup>	76.2 %	80.0 %	69.0 %	66.6 %	66.4 %
	Cash efficiency –excl. merger-related charges <sup>(d), (e)</sup>	63.3	64.9	64.8	64.3	65.8
	Return on average total assets	.69	.55	.82	.80	.97
	ROAA –excl. merger-related charges <sup>(d), (e)</sup>	1.06	.98	.94	.86	.99
	Return on tangible common equity	7.88	6.16	7.94	7.64	9.50
	ROTCE –excl. merger-related charges <sup>(d), (e)</sup>	12.47	11.10	9.09	8.27	9.67
<b>Balance Sheet Growth<sup>(a)</sup></b>	Total loans and leases	43 %	31 %	5 %	5 %	5 %
	CF&A loans	28	23	12	12	14
	Deposits (excl. foreign deposits)	46	36	5	4	3
<b>Capital<sup>(b)</sup></b>	Common Equity Tier 1 <sup>(c), (d)</sup>	9.6 %	9.6 %	11.1 %	11.1 %	10.9 %
	Tier 1 risk-based capital <sup>(c)</sup>	11.0	10.5	11.4	11.4	11.4
	Tangible common equity to tangible assets <sup>(d)</sup>	8.1	8.3	10.0	10.0	10.0
<b>Asset Quality</b>	NCOs to average loans	.34 %	.23 %	.28 %	.31 %	.25 %
	NPLs to EOP portfolio loans <sup>(f)</sup>	.73	.85	1.00	1.12	.65
	Allowance for loan and lease losses to EOP loans	1.00	1.01	1.38	1.37	1.33

TE = Taxable equivalent; EOP = End of Period

(a) Year-over-year average balance growth

(b) From consolidated operations

(c) 12-31-16 ratios are estimated

(d) Non-GAAP measure: see Appendix for reconciliation

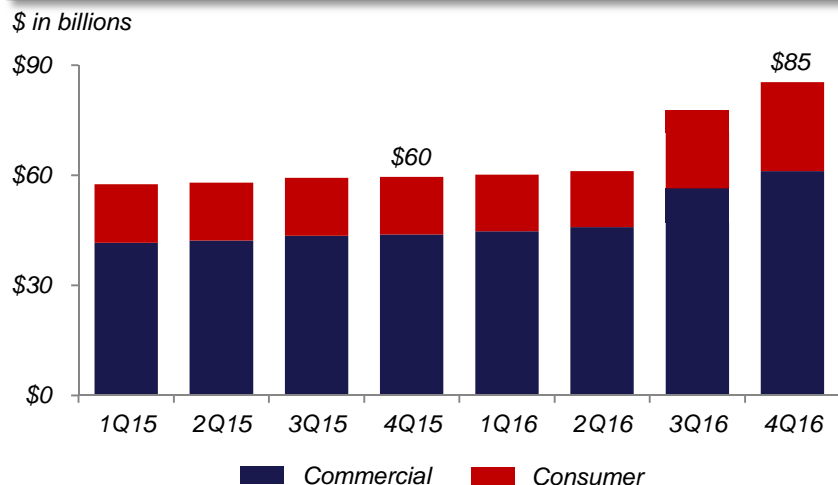
(e) Merger-related charges detail available in Appendix, on slide 15

(f) Nonperforming loan balances exclude \$865 million, \$959 million, \$11 million, \$11 million, and \$11 million of purchased credit impaired loans at December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015, respectively

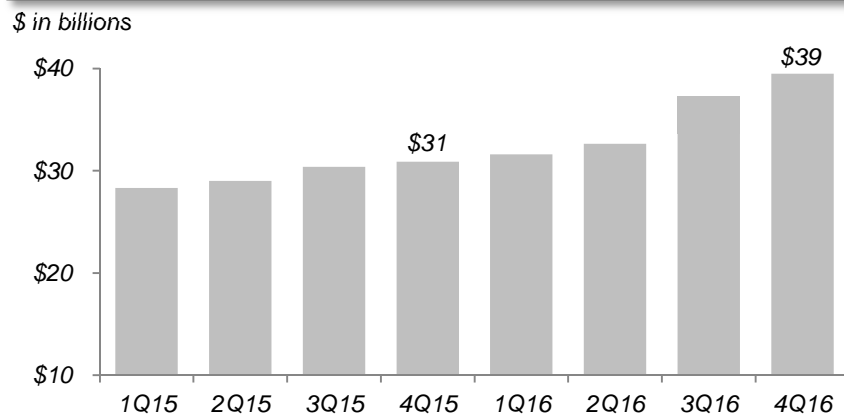


# Loans

## Total Average Loans



## Average Commercial, Financial & Agricultural Loans



## Highlights

- Loan growth reflects acquisition and core business performance
- Period-end loans up 1% from 9/30/16
- Fair value mark on acquired FNFG loan portfolio adjusted from \$686 MM to \$548 MM during 4Q16

vs. Prior Year

- Average loans up 43% from 4Q15, with CF&A loans up 28%
  - Growth primarily reflects full-quarter impact of FNFG
  - CF&A continues to be a driver

vs. Prior Quarter

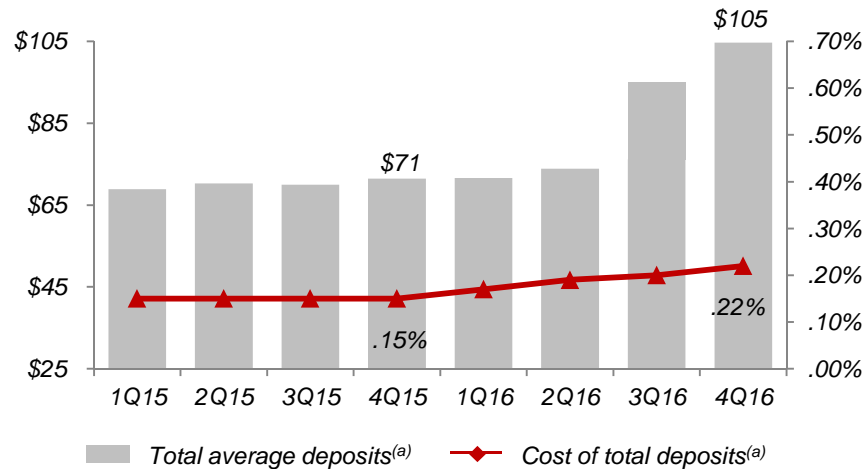
- Average loans up 10% from 3Q16 (CF&A up 6%)
  - Primarily reflects impact from one additional month of FNFG
  - Growth reduced by the impact of September branch divestitures and the exit of acquired non-relationship commercial loans
  - CF&A continues to be a driver



# Deposits

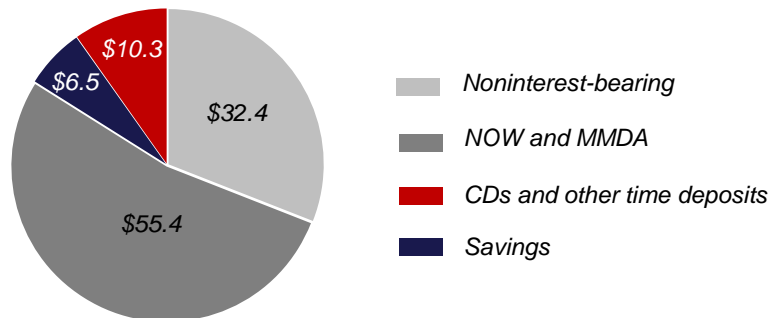
## Average Deposits<sup>(a)</sup>

\$ in billions



## 4Q16 Average Deposit Mix

\$ in billions



## Highlights

- Deposit growth reflects continued momentum in core businesses as well as the FNFG acquisition
- Retail deposit growth in all First Niagara markets since conversion
- 4Q16: 31% noninterest bearing; 47% retail

vs. Prior Year

- Average deposit growth of 46% from 4Q15
  - Growth primarily reflects full quarter impact of FNFG
  - Continued momentum with core retail deposits and escrow deposits from commercial mortgage servicing

vs. Prior Quarter

- Average deposit balances up 10% from 3Q16
  - Higher balances from one additional month of FNFG
  - Reduced by the impact of September branch divestitures
  - Continued momentum with core retail deposits and inflows from commercial clients

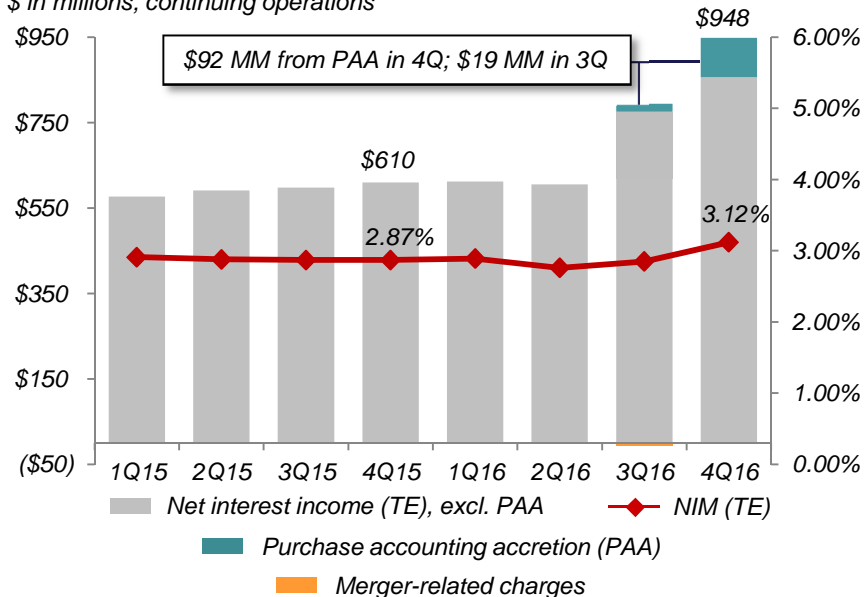


(a) Excludes deposits in foreign office

# Net Interest Income and Margin

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

\$ in millions; continuing operations



## NIM Change vs. Prior Quarter:

	3Q16:	2.85%
Purchase accounting accretion		.12
Purchase accounting accretion (refinement of 3Q)		.11
Lower levels of liquidity		.05
All other		(.01)
<b>Total change</b>		<b>.27</b>
	<b>4Q16:</b>	<b>3.12%</b>

## Highlights

- 4Q16 net interest income includes \$92 MM from purchase accounting accretion (\$19 MM in 3Q16)
  - \$34 MM of 4Q16 total related to refinement of 3Q16 purchase accounting estimates

vs. Prior Year

- Net interest income up \$246 MM from 4Q15, excl. purchase accounting accretion
  - Largely driven by the full quarter impact of FNFG and core business activity

vs. Prior Quarter

- Net interest income up \$87 MM from 3Q16, excl. purchase accounting accretion
  - Reflects one additional month of FNFG and core business activity



# Noninterest Income

## Noninterest Income

<i>\$ in millions</i>	<i>Up / (Down)</i>	<b>4Q16</b>	<b>vs. 4Q15</b>	<b>vs. 3Q16</b>
Trust and investment services income		\$ 123	\$ 18	\$ 1
Investment banking and debt placement fees		157	30	1
Service charges on deposit accounts		84	20	(1)
Operating lease income and other leasing gains		21	6	15
Corporate services income		61	6	10
Cards and payments income		69	22	3
Corporate-owned life insurance		40	4	11
Consumer mortgage income		6	4	-
Mortgage servicing fees		20	5	5
Net gains (losses) from principal investing		4	4	(1)
Other income		33	14	25
<b>Total noninterest income</b>		<b>\$ 618</b>	<b>\$ 133</b>	<b>\$ 69</b>
<hr/>				
Merger-related charges <sup>(a)</sup>		9	9	21
<b>Total noninterest income, excluding merger-related charges<sup>(b)</sup></b>		<b>\$ 609</b>	<b>\$ 124</b>	<b>\$ 48</b>

## Highlights

- Growth reflects continued momentum in core businesses as well as the FNFG acquisition
- Record quarter and year for investment banking and debt placement (IBDP) fees
- 4Q16 noninterest income included a benefit of \$9 MM associated with merger-related charges (compared to \$12 MM in charges in 3Q16)

### vs. Prior Year

- Noninterest income up \$124 MM from 4Q15, excl. merger-related charges
  - Full quarter impact of FNFG in 4Q16
  - Continued momentum in core businesses, incl. IBDP and cards and payments

### vs. Prior Quarter

- Noninterest income up \$48 MM from 3Q16, excl. merger-related charges
  - One additional month of impact from FNFG
  - Operating lease income and other leasing gains in 3Q16 impacted by lease residual losses
  - Normal seasonality, including COLI



(a) Merger-related charges detail provided on slide 15  
 (b) Non-GAAP measure: see Appendix for reconciliation

# Noninterest Expense

## Noninterest Expense

<i>\$ in millions</i> Up / (Down)	4Q16	vs. 4Q15	vs. 3Q16
Personnel	\$ 648	\$ 219	\$ 54
Net occupancy	112	48	39
Computer processing	97	54	27
Business services, professional fees	78	34	2
Equipment	30	8	4
Operating lease expense	17	4	2
Marketing	35	18	3
FDIC assessment	23	15	2
Intangible asset amortization	27	18	14
OREO expense, net	3	2	-
Other expense	150	64	(9)
<b>Total noninterest expense</b>	<b>\$ 1,220</b>	<b>\$ 484</b>	<b>\$ 138</b>
Merger-related charges <sup>(a)</sup>	207	201	18
<b>Total noninterest expense, excluding merger-related charges<sup>(b)</sup> and First Niagara</b>	<b>\$ 1,013</b>	<b>\$283</b>	<b>\$120</b>

### Expense comparisons reflect:

Charges (\$ MM)	4Q16	3Q16	4Q15
Merger-related	207	189	6
Pension settlement	18	-	4

(a) Merger-related charges detail provided on slide 15

(b) Non-GAAP measure: see Appendix for reconciliation

(c) Estimation based upon the one month equivalent of the FNFG contribution to Key's 3Q16 reported results

## Highlights

- 4Q16 noninterest expense of \$1.2 B included \$207 MM of merger-related charges, a full quarter impact of First Niagara (~\$70 MM/month<sup>(c)</sup>) and an \$18 MM pension settlement charge
- Intangible asset amortization: \$5 MM of the increase in 4Q16 related to refinement of 3Q16 purchase accounting

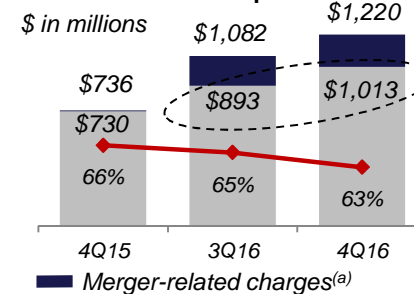
### vs. Prior Year

- Noninterest expense up \$283 MM, excl. merger charges<sup>(b)</sup>
  - Growth largely reflects full quarter impact of FNFG
  - Higher incentive and stock-based compensation
  - Larger pension settlement charge
  - Increased intangible amortization

### vs. Prior Quarter

- Noninterest expense up \$120 MM, excl. merger charges<sup>(b)</sup>
  - One additional month of FNFG
  - Pension settlement charge of \$18 MM
  - Higher incentive and stock-based compensation
  - Increased intangible amortization

### Total Noninterest Expense



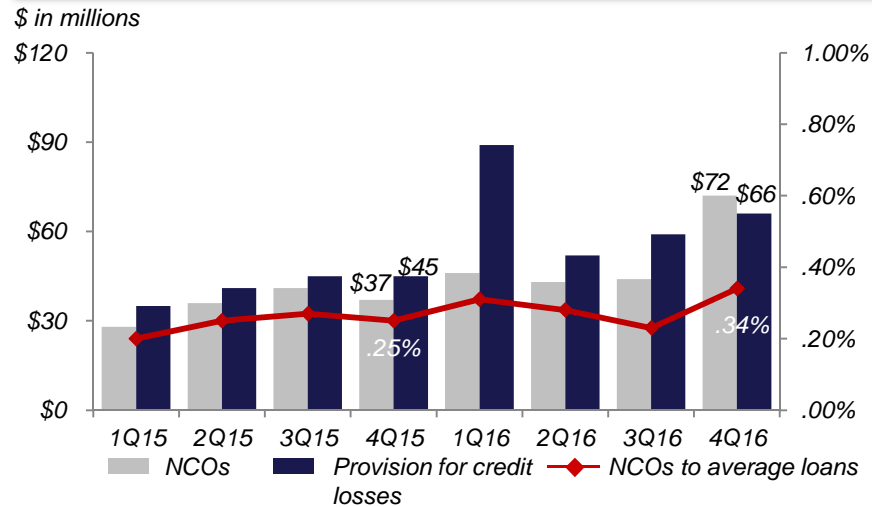
### \$120 MM growth vs. 3Q

- Additional month of FNFG (~\$70 MM)<sup>(c)</sup>
- Pension settlement (\$18 MM)
- Incentive and stock-based comp. (~\$19 MM)<sup>(c)</sup>
- Increased intangible asset amortization (\$14 MM)



# Credit Quality

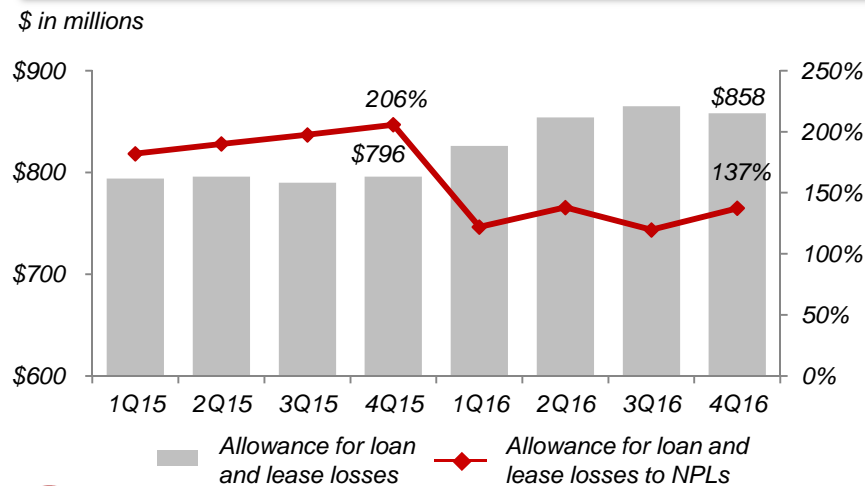
## Net Charge-offs & Provision for Credit Losses



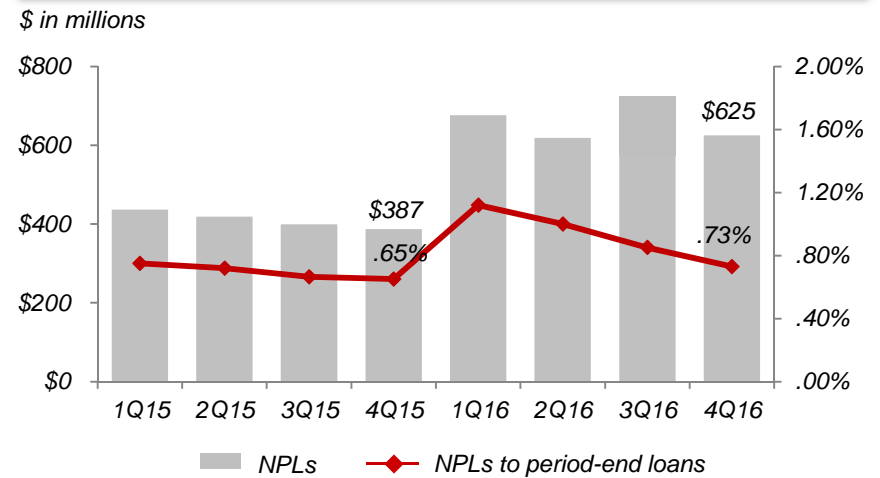
## Highlights

- **Net loan charge-offs of \$72 MM**
  - Reflects regulatory guidance on consumer bankruptcies and conforming FNFG charge-off policies to Key's policies
  - 34 basis points of average loans, below targeted range
- **Nonperforming loans down 14% from 3Q16 and represent 73 bps of period-end loans**

## Allowance for Loan and Lease Losses



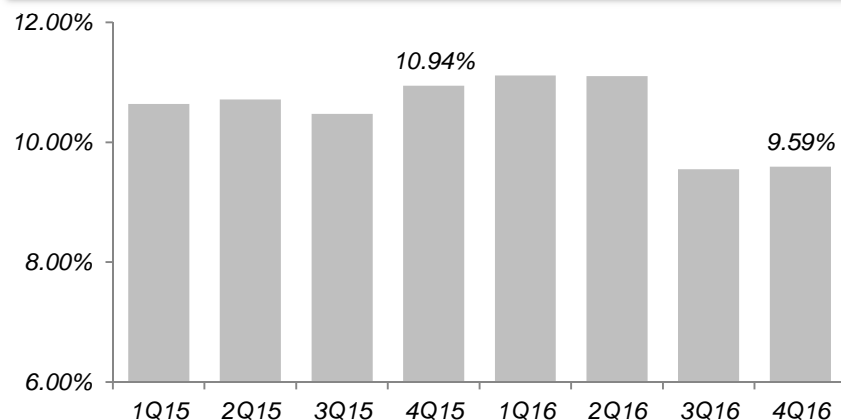
## Nonperforming Loans<sup>(a)</sup>



(a) Nonperforming loan balances exclude \$865 million and \$11 million of purchased credit impaired loans at December 31, 2016, and December 31, 2015, respectively

# Capital

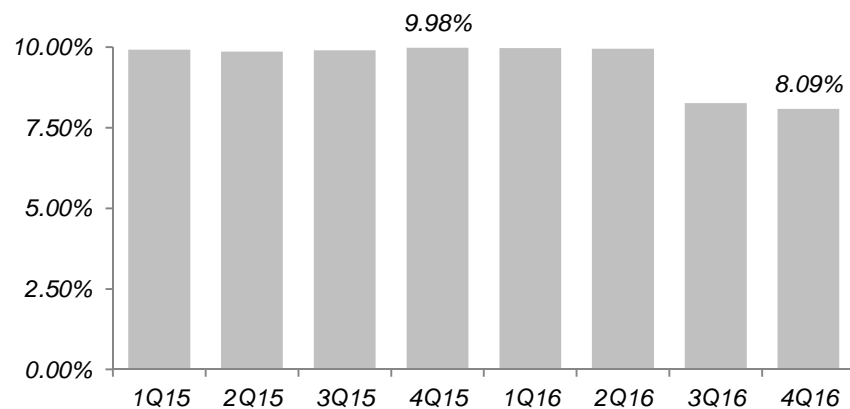
## Common Equity Tier 1<sup>(a), (b)</sup>



## Highlights

- **Strong capital position with Common Equity Tier 1 ratio of 9.59%<sup>(b)</sup> at 12/31/16**
- **Repurchased \$68 MM in common shares during 4Q16**
- **Common Equity Tier 1 ratio under fully phased-in Regulatory Capital Rules<sup>(c)</sup>: 9.47% at 12/31/16**

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



(a) Non-GAAP measure: see Appendix for reconciliation

(b) 12-31-16 figures are estimated

(c) The anticipated amount of regulatory capital and risk-weighted assets is based upon the federal banking agencies' Regulatory Capital Rules (as fully phased-in on January 1, 2019); Key is subject to the Regulatory Capital Rules under the "standardized approach."



# Outlook and Expectations

FY 2017 <sup>(a)</sup>	
Average Earning Assets	<ul style="list-style-type: none"> <li>Loans and deposit growth: mid-single digit percentage compared to FY 2016 (with 2016 adjusted for full year impact of First Niagara)</li> </ul>
Net Interest Income	<ul style="list-style-type: none"> <li>Outlook includes one additional rate increase in mid-2017</li> <li>Net interest income expected to be in the range of \$3.6 B - \$3.7 B                             <ul style="list-style-type: none"> <li>Reflects lower purchase accounting accretion than 4Q16</li> </ul> </li> </ul>
Noninterest Income	<ul style="list-style-type: none"> <li>Expected to be in the range of \$2.3 B - \$2.4 B</li> </ul>
Noninterest Expense	<ul style="list-style-type: none"> <li>Expected to be in the range of \$3.65 B - \$3.75 B</li> </ul>
Credit Quality	<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>
Taxes	<ul style="list-style-type: none"> <li>GAAP tax rate in the range of 25% - 27%</li> </ul>

## Long-term Targets

**Positive operating leverage**

**Efficiency ratio:**  
<60%

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

**ROTCE:**  
13-15%



Guidance ranges: relatively stable: +/- 2%; low single-digit: <5%; mid-single digit: 4% - 6%; high-single digit 7-9%

(a) Guidance provided does not include merger-related charges

# Appendix



# FNFG Merger-related Charges

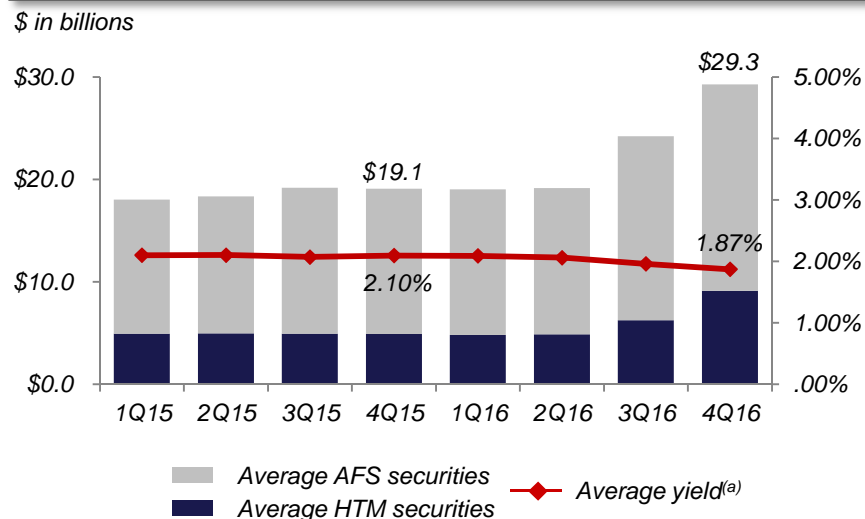
<i>\$ in millions</i> <i>Increase / (Decrease)</i>	4Q16	3Q16	2Q16	1Q16	4Q15
<b>Net interest income</b>	-	\$ (6)	-	-	-
Operating lease income and other leasing gains	-	\$ (2)	-	-	-
Other income	\$ 9	(10)	-	-	-
<b>Noninterest income</b>	<b>\$ 9</b>	<b>\$ (12)</b>	-	-	-
<b>Personnel expense<sup>(a)</sup></b>	<b>\$ 80</b>	<b>\$ 97</b>	<b>\$ 35</b>	<b>\$ 16</b>	-
Net Occupancy	\$ 29	-	-	-	-
Business services and professional fees	22	\$ 32	\$ 5	\$ 7	\$ 5
Computer processing	38	15	-	-	-
Marketing	13	9	3	1	-
All other nonpersonnel	25	36	2	-	1
<b>Total nonpersonnel expense</b>	<b>\$ 127</b>	<b>\$ 92</b>	<b>\$ 10</b>	<b>\$ 8</b>	<b>\$ 6</b>
<b>Total merger-related charges</b>	<b>\$ 198</b>	<b>\$ 207</b>	<b>\$ 45</b>	<b>\$ 24</b>	<b>\$ 6</b>
<b>EPS impact</b>	<b>\$ (.11)</b>	<b>\$ (.14)</b>	<b>\$ (.04)</b>	<b>\$ (.02)</b>	-



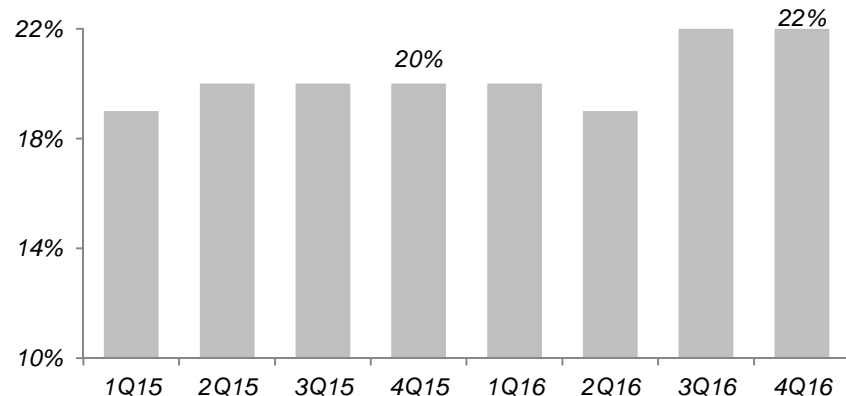
(a) Personnel expense includes severance, technology development related to systems conversions, and fully-dedicated personnel for merger and integration efforts

# Investment Portfolio

## Average Total Investment Securities



## Securities to Total Assets(b)



## Highlights

- Portfolio composed primarily of GNMA and GSE-backed MBS and CMOs; primarily fixed rate
- Growth in portfolio primarily related to:
  - Full quarter impact of First Niagara acquisition (\$9 B acquired at ~1.57% at 8/1/16 closing)
  - Redeployment of excess liquidity into MBS securities
- Continue to position portfolio for regulatory liquidity requirements:
  - Reinvesting cash flows into High Quality Liquid Assets, including GNMA securities (45% of 4Q16 average balances)
- Securities cash flows of \$2.0 billion in 4Q16 and \$1.7 billion in 3Q16
- Average portfolio life at 12/31/16 of 4.3 years (3.7 years at 9/30/16)

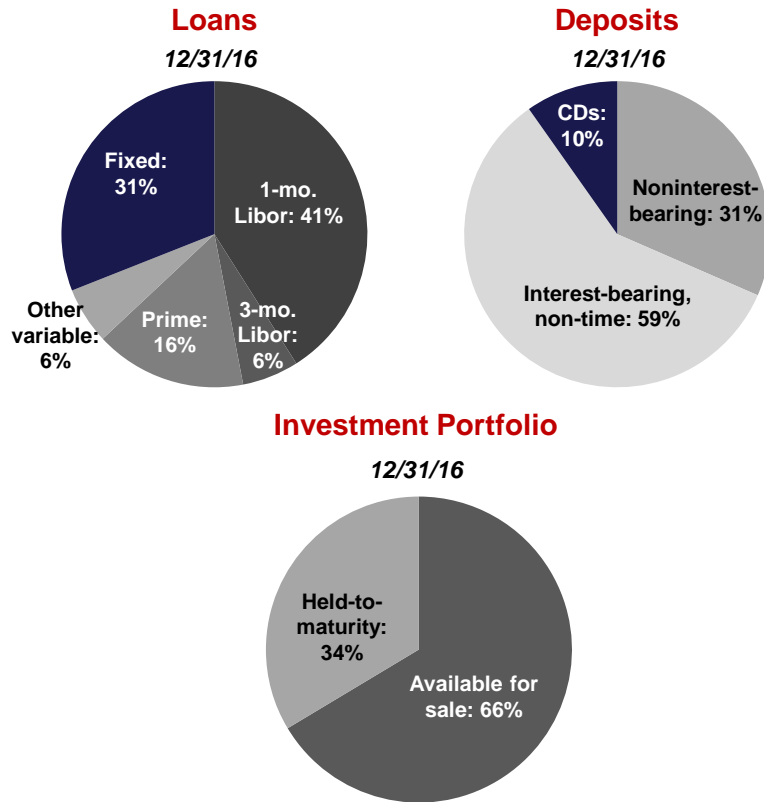


(a) Yield is calculated on the basis of amortized cost  
 (b) Includes end-of-period held-to-maturity and available-for-sale securities



# Interest Rate Risk Management

## Naturally Asset Sensitive Balance Sheet



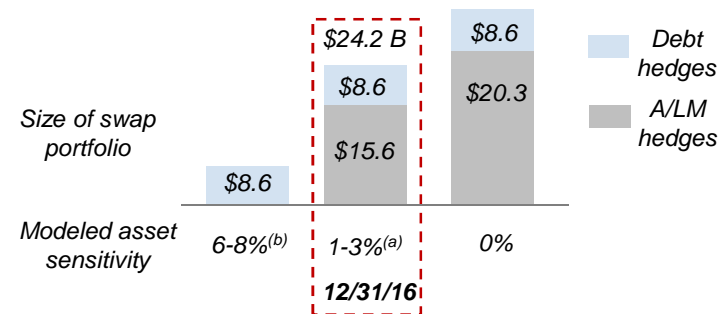
Balance sheet has relatively short duration and is impacted by both short and intermediate-term interest rates

## Actively Managing Rate Risk

- Modest asset sensitive position of 1% - 3%<sup>(a)</sup>
  - Assumes 200 basis point increase over a 12-month period
- Utilize swaps for debt hedging and asset liability management
  - Fairly even pace of A/LM swap maturities
  - \$3.8 B A/LM swaps scheduled to mature in 2017

Swaps (\$ in B)	12/31/16 Notional Amt.	Wtd. Avg. Maturity (Yrs.)	Receive Rate	Pay Rate
A/L Management	\$ 15.6	2.0	1.1%	.6%
Debt	8.6	3.3	1.6	.6
	<b>\$ 24.2</b>	<b>2.5</b>	<b>1.3%</b>	<b>.6%</b>

### Flexibility to Adjust Rate Sensitivity with Swaps



Flexibility to adjust rate sensitivity for changes in balance sheet growth/mix as well as interest rate outlook



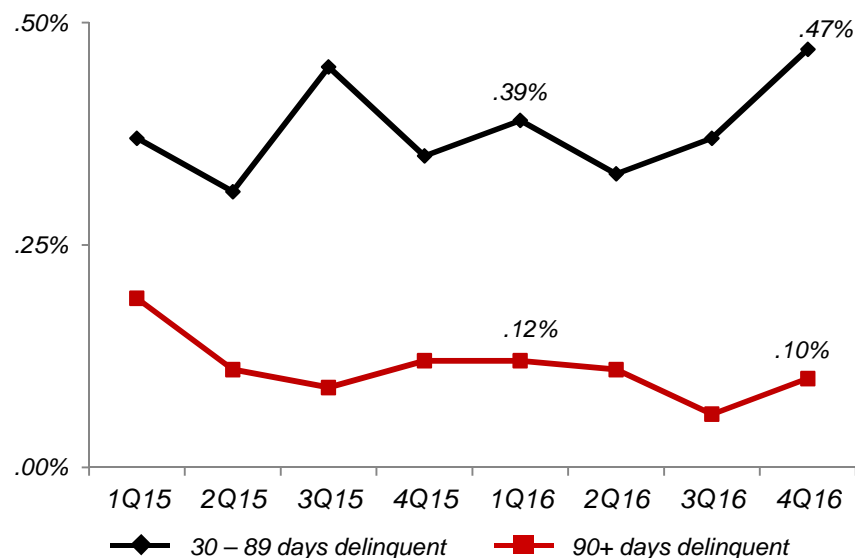
Note: Loan, deposit and investment portfolio balances reflect period-end balances

(a) Asset sensitivity ranges reflect a beta of 0% - 55% for deposit repricing for the first 25 bps change in rates and ~55% for the next 175 basis points

# Credit Quality Trends

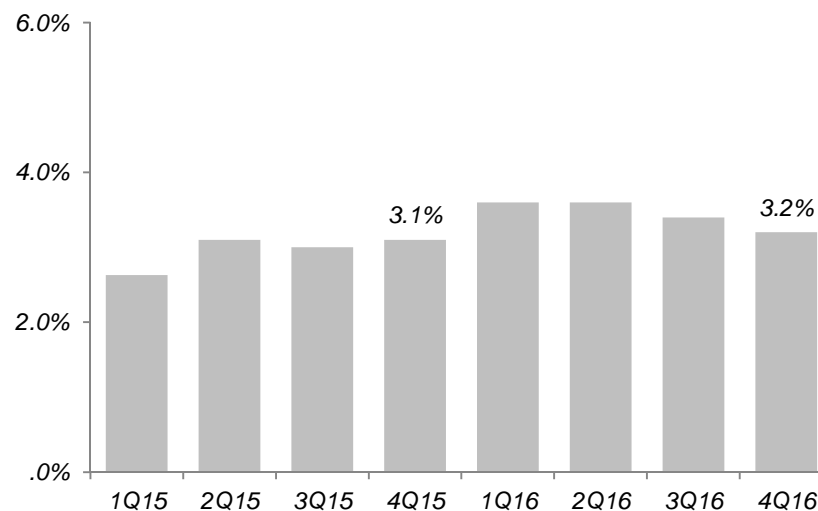
## Delinquencies to Period-end Total Loans

Continuing operations



## Criticized Outstandings<sup>(a)</sup> to Period-end Total Loans

Continuing operations



Metric <sup>(b)</sup>	4Q16	3Q16	2Q16	1Q16	4Q15
Delinquencies to EOP total loans: 30-89 days	.47 %	.37 %	.33 %	.39 %	.35 %
Delinquencies to EOP total loans: 90+ days	.10	.06	.11	.12	.12
NPLs to EOP portfolio loans <sup>(c)</sup>	.73	.85	1.00	1.12	.65
NPAs to EOP portfolio loans + OREO + Other NPAs <sup>(c)</sup>	.79	.89	1.03	1.14	.67
Allowance for loan losses to period-end loans	1.00	1.01	1.38	1.37	1.33
Allowance for loan losses to NPLs	137.3	119.6	138.0	122.2	205.7

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

(b) From continuing operations

(c) Nonperforming loan balances exclude \$865 million, \$959 million, \$11 million, \$11 million, and \$11 million of purchased credit impaired loans at December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and December 31, 2015, 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 <sup>(d)</sup>	Allowance / period-end loans <sup>(d)</sup> (%)	Allowance / NPLs (%)
	12/31/16	4Q16	4Q16	4Q16	12/31/16	12/31/16	12/31/16	12/31/16
Commercial, financial and agricultural <sup>(a)</sup>	\$ 39,768	\$ 39,495	\$ 37	.37%	\$ 297	\$ 508	1.28%	171.04%
Commercial real estate:								
Commercial Mortgage	15,111	14,771	2	.05	26	144	.95	553.85
Construction	2,345	2,222	-	-	3	22	.94	733.33
Commercial lease financing	4,685	4,624	-	-	8	42	.90	525.00
Real estate – residential mortgage	5,547	5,554	2	.14	56	17	.31	30.36
Home equity	12,674	12,812	4	.12	223	54	.43	24.22
Credit cards	1,111	1,088	9	3.29	2	24	2.16	N/M
Consumer direct loans	1,788	1,785	8	1.78	6	9	.50	150.00
Consumer indirect loans	3,009	3,009	10	1.32	4	38	1.26	950.00
<b>Continuing total<sup>(e)</sup></b>	<b>\$ 86,038</b>	<b>\$ 85,360</b>	<b>\$ 72</b>	<b>.34%</b>	<b>\$ 625</b>	<b>\$ 858</b>	<b>1.00</b>	<b>137.28%</b>
Discontinued operations	1,565	1,589	4	1.00	5	24	1.53	480.00
<b>Consolidated total</b>	<b>\$ 87,603</b>	<b>\$ 86,949</b>	<b>\$ 76</b>	<b>.35%</b>	<b>\$ 630</b>	<b>\$ 882</b>	<b>1.01</b>	<b>140.00%</b>

N/M = Not meaningful

(a) 12-31-16 ending loan balance includes \$116 million of commercial credit card balances; 12-31-16 average loan balance includes \$119 million of assets from commercial credit cards

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

(c) 12-31-16 NPL amount excludes \$865 million of purchased credit impaired loans

(d) 12-31-16 allowance by portfolio is estimated

(e) 12-31-16 ending loan balance includes purchased loans of \$21.0 billion, of which \$865 million were purchased credit impaired



# Home Equity Portfolio

## Highlights

- High quality portfolio
- 57% first lien position
- Average FICO score of 772
- Average CLTV at origination: 71%
- \$5.3 billion of the total portfolio are fixed rate loans that require principal and interest payments; \$7.4 billion are lines
- \$1.3 billion in lines outstanding (10% of the total portfolio) come to end of draw period in the next three years

## Home Equity Portfolio – 12/31/16

\$ in millions, except average loan size

	Loan Balances	Average Loan Size (\$)	Average FICO	Average CLTV <sup>(a)</sup>	% of Loans CLTV>90%	Vintage (% of Loans)				
						2012 and later	2011	2010	2009	2008 and prior
<b>Loans and lines</b>										
First lien	\$ 7,222	\$ 66,392	773	67%	.5%	67%	4%	2%	2%	25%
Second lien	5,452	42,284	769	77	3.3	50	4	3	2	41
<b>Total home equity portfolio</b>	<b>\$ 12,674</b>									
<b>Nonaccrual loans and lines</b>										
First lien	\$ 120	\$ 61,088	721	72%	2.1%	18%	4%	2%	4%	72%
Second lien	103	43,041	711	80	3.1	10	4	4	5	77
<b>Total home equity nonaccruals</b>	<b>\$ 223</b>									
<b>Fourth quarter net charge-offs (NCOs)</b>										
Total home equity portfolio	\$ 4									
% of average loans		.12%								



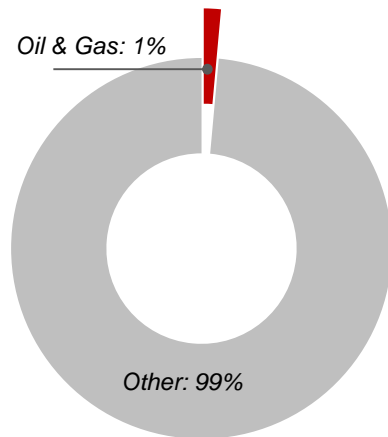
CLTV = Combined weighted-average loan-to-value ratio  
 (a) Average CLTVs are at origination

# Oil & Gas

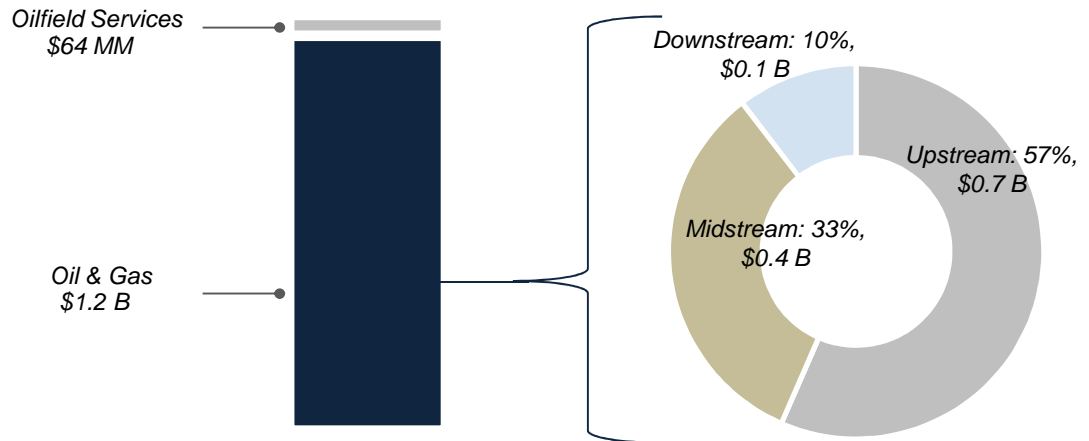
## Longstanding history, expertise and relationships

- Total commitments of \$3.2 B, including upstream commitments of \$1.7 B
- Upstream portfolio is primarily secured by proven, developed and producing reserves
- Portfolio performing in-line with expectations
- Nonperforming loans down 19% from 3Q16
- Reserve coverage: 6% of outstanding oil and gas loans at period-end

Total Loans Outstanding, 12/31/16



Oil & Gas Outstanding Balances, 12/31/16





# GAAP to Non-GAAP Reconciliation (continued)

\$ in millions

	Three months ended				
	12-31-16	9-30-16	6-30-16	3-31-16	12-31-15
<b>Average tangible common equity</b>					
Average Key shareholders' equity (GAAP)	\$ 14,901	\$ 13,552	\$ 11,147	\$ 10,953	\$ 10,731
Less: Intangible assets (average) <sup>(a)</sup>	2,874	2,255	1,076	1,079	1,082
Preferred Stock, Series A (average)	1,274	648	290	290	290
Average tangible common equity (non-GAAP)	<u>\$ 10,753</u>	<u>\$ 10,649</u>	<u>\$ 9,781</u>	<u>\$ 9,584</u>	<u>\$ 9,359</u>
<b>Return on average tangible common equity from continuing operations</b>					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 213	\$ 165	\$ 193	\$ 182	\$ 224
Average tangible common equity (non-GAAP)	10,753	10,649	9,781	9,584	9,359
Return on average tangible common equity from continuing operations (non-GAAP)	7.88%	6.16%	7.94%	7.64%	9.50%
<b>Return on average tangible common equity from continuing operations, excl. merger-related charges</b>					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 213	\$ 165	\$ 193	\$ 182	\$ 224
Merger-related charges, after tax	124	132	28	15	4
Net income (loss) from continuing operations attributable to Key common shareholders excl. merger-related charges	<u>\$ 337</u>	<u>\$ 297</u>	<u>\$ 221</u>	<u>\$ 197</u>	<u>\$ 228</u>
Average tangible common equity (non-GAAP)	10,753	10,649	9,781	9,584	9,359
Return on average tangible common equity from continuing operations excl. merger-related charges (non-GAAP)	12.47%	11.22%	9.09%	8.27%	9.67%
<b>Return on average total assets, excluding merger-related charges</b>					
Net income (loss) from continuing operations attributable to Key (GAAP)	\$ 233	\$ 171	\$ 199	\$ 187	\$ 230
Add: Merger-related charges after tax	124	132	28	15	4
Net income (loss) from continuing operations attributable to Key excluding merger-related charges after tax (non-GAAP)	<u>\$ 357</u>	<u>\$ 303</u>	<u>\$ 227</u>	<u>\$ 202</u>	<u>\$ 234</u>
Average total assets from continuing operations	\$ 134,428	\$ 123,469	\$ 97,413	\$ 94,477	\$ 94,117
Return on average assets excluding merger-related charges (non-GAAP)	1.06%	.98%	.94%	.86%	.99%
<b>Cash efficiency ratio</b>					
Noninterest expense (GAAP)	\$ 1,220	\$ 1,082	\$ 751	\$ 703	\$ 736
Less: Intangible asset amortization	27	13	7	8	9
Adjusted noninterest expense (non-GAAP)	<u>\$ 1,193</u>	<u>\$ 1,069</u>	<u>\$ 744</u>	<u>\$ 695</u>	<u>\$ 727</u>
Less: Merger-related charges	207	189	45	24	6
Adjusted noninterest expense excluding merger-related charges (non-GAAP)	<u>\$ 986</u>	<u>\$ 880</u>	<u>\$ 699</u>	<u>\$ 671</u>	<u>\$ 721</u>
Net interest income (GAAP)	\$ 938	\$ 780	\$ 597	\$ 604	\$ 602
Plus: Taxable-equivalent adjustment	10	8	8	8	8
Noninterest income	618	549	473	431	485
Total taxable-equivalent revenue (non-GAAP)	<u>\$ 1,566</u>	<u>\$ 1,337</u>	<u>\$ 1,078</u>	<u>\$ 1,043</u>	<u>\$ 1,095</u>
Plus: Merger-related charges	(9)	18	-	-	-
Adjusted noninterest income excl. merger-related charges (non-GAAP)	<u>\$ 1,557</u>	<u>\$ 1,355</u>	<u>\$ 1,078</u>	<u>\$ 1,043</u>	<u>\$ 1,095</u>
Cash efficiency ratio (non-GAAP)	76.2%	80.0%	69.0%	66.6%	66.4%
Cash efficiency ratio excluding merger-related charges (non-GAAP)	63.3%	64.9%	64.8%	64.3%	65.8%

