KeyCorp

Fourth Quarter 2021 Earnings Review

January 20, 2022

Chris Gorman
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, 2020, in KeyCorp's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, 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.

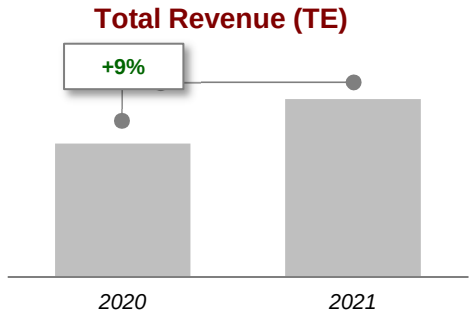
Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results. This presentation also includes certain non-GAAP financial measures related to "tangible common equity," "cash efficiency ratio," and "pre-provision net revenue." 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, or page 49 of our Form 10-Q dated September 30, 2021.

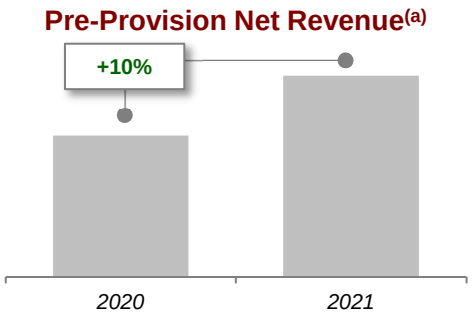
GAAP: Generally Accepted Accounting Principles

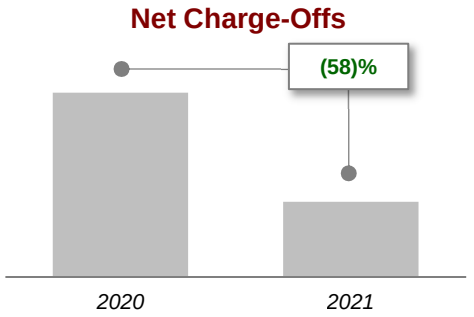
2021: A Record Year

Delivering on Commitments with Momentum Across the Franchise

- **Record total revenue**: FY21 revenue up 9% vs. 2020 with growth across the franchise
- **Record pre-provision revenue**: FY21 PPNR[(a)] up 10% vs. 2020
- **Positive operating leverage:** achieved for 4Q21 and FY21 ➔ 8 of the last 9 years
- **Strong commercial execution:** raised >$100Bn of capital for clients with 18% retained on balance sheet; driving record fee income
- **Strong consumer execution:** record net new household growth and record loan originations of $16Bn (Laurel Road and consumer mortgage)
- **Targeted investments to drive growth:** adding senior bankers (+10% YoY), Laurel Road, AQN Strategies, and XUP
- **Strong credit quality:** historic low net charge-offs to average loans
- **Significant capital return:** 75% of net income returned to shareholders







(a) Non-GAAP measure: see 4Q21 earnings press release for reconciliation

Financial Review

Financial Highlights

Continuing operations, unless otherwise noted

		4Q21		3Q21		4Q20		LQ Δ		Y/Y Δ	
Profitability	EPS – assuming dilution	$.64		$ .65		$ .56		(1.5)	%	14.3	%
	Cash efficiency ratio[(a)]	59.4	%	60.2	%	60.3	%	(80)	bps	(90)	bps
	Return on average tangible common equity[(a)]	18.7		18.6		16.6		10		210	
	Return on average total assets	1.34		1.41		1.35		(7)		(1)	
	Net interest margin	2.44		2.47		2.70		(3)		(26)	
Capital	Common Equity Tier 1[(b)]	9.4	%	9.6	%	9.7	%	(20)	bps	(30)	bps
	Tier 1 risk-based capital[(b)]	10.7		10.9		11.1		(20)		(40)	
	Tangible common equity to tangible assets[(a)]	6.9		7.0		7.9		(10)		(100)	
Asset Quality	NCOs to average loans	.08	%	.11	%	.53	%	(3)	bps	(45)	bps
	NPLs to EOP portfolio loans	.45		.56		.78		(11)		(33)	
	Allowance for credit losses to EOP loans	1.20		1.25		1.80		(5)		(60)	

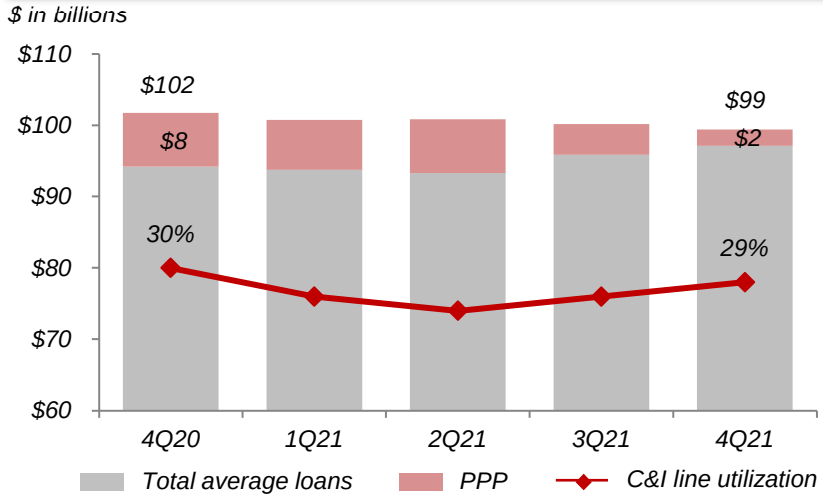
EOP = End of Period

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

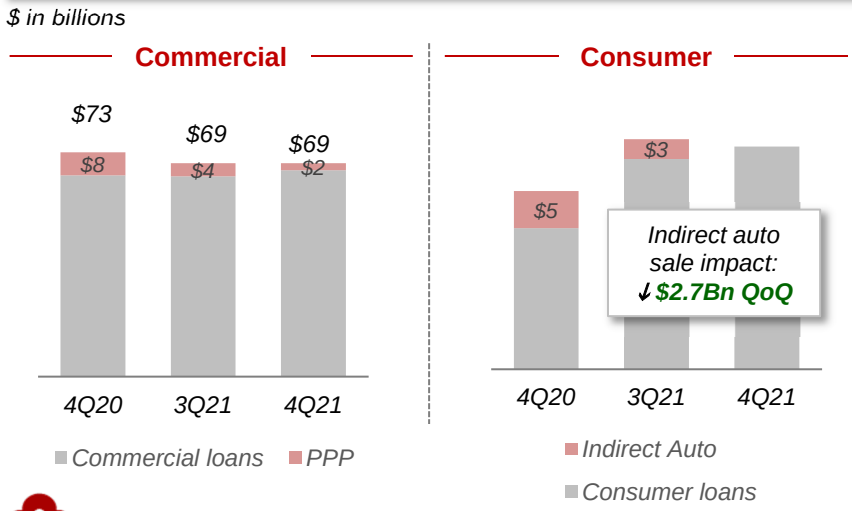
(b) 12/31/21 ratios are estimated

Loans

Total Average Loans



Average Loan Detail



Highlights

PPP

- **$2.3Bn of average PPP loans in 4Q21**
- **$1.5Bn of PPP forgiveness in 4Q21**

vs. Prior Year

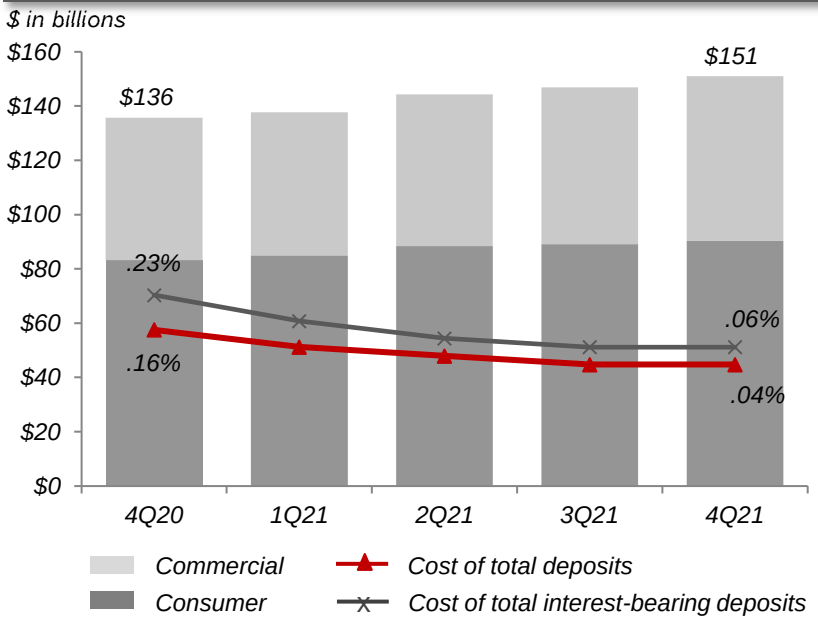
- **Average loans down 2% from 4Q20**
  - Commercial balances reflect lower PPP balances from forgiveness, partially offset by core growth in commercial and industrial and commercial real estate
  - Consumer loan growth (+4%) driven by consumer mortgage and Laurel Road partially offset by the indirect auto portfolio sale

vs. Prior Quarter

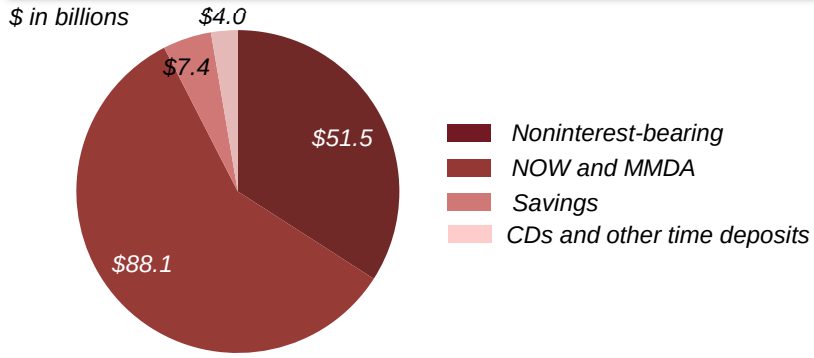
- **Average loans relatively stable compared to 3Q21**
  - Commercial balances reflect a slight increase in commercial utilization rates, more than offset by the forgiveness of PPP loans
  - Strength in consumer mortgage and Laurel Road, partially offset by the indirect auto portfolio sale (reduced balances $2.7Bn QoQ)

Deposits

Average Deposits



4Q21 Average Deposit Mix



Highlights

- **Strong and stable deposit base**
  - 34% noninterest-bearing[(a)]
  - ~60% stable retail and low-cost escrow
  - 69% loan to deposit ratio[(b)]

vs. Prior Year

- **Average deposits up 11% from 4Q20**
  - Growth from consumer and commercial relationships
  - Partially offset by decline in time deposits as a result of lower interest rates

vs. Prior Quarter

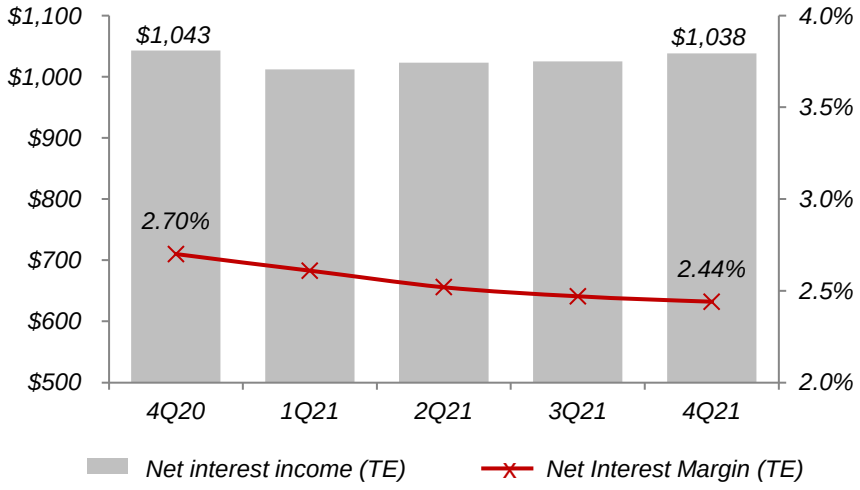
- **Average deposit balances up 3% from 3Q21**
  - Growth in commercial escrow deposits
  - Partially offset by a continued decline in time deposits

(a) Based on period-end balances
(b) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits

Net Interest Income and Margin

Net Interest Income & Net Interest Margin Trend (TE)

$ in millions; continuing operations



NIM Change vs. Prior Quarter	3Q21:	2.47%
Balance sheet mix and earning asset yields		(.05)
Loan fees		.02
Total change		**(.03)**
	4Q21:	**2.44%**

Highlights

vs. Prior Year

- **Net interest income down $5MM from 4Q20**
  - Largely driven by lower reinvestment yields and the indirect auto portfolio sale
  - Partially offset by a favorable earning asset mix
- **Lower NIM also impacted by continued elevated levels of liquidity**

vs. Prior Quarter

- **Net interest income up $13MM (+1%) from 3Q21**
  - Largely reflecting balance sheet growth, a favorable earning asset mix and higher loan fees from PPP forgiveness and core loan growth
  - Partially offset by lower reinvestment yields and the indirect auto portfolio sale ($11MM impact on NII and 3 bps impact on NIM in 4Q21)

TE = Taxable equivalent

Noninterest Income

Noninterest Income

$ in millions *up / (down)*	4Q21	vs. 4Q20	vs. 3Q21
Trust and investment services income	$ 135	$ 12	$ 6
Investment banking and debt placement fees	323	80	88
Service charges on deposit accounts	90	8	(1)
Operating lease income and other leasing gains	37	(2)	-
Corporate services income	73	10	4
Cards and payments income	86	(11)	(25)
Corporate-owned life insurance	34	(4)	1
Consumer mortgage income	25	(18)	(8)
Commercial mortgage servicing fees	48	16	14
Other income	58	16	33
Total noninterest income	**$ 909**	**$ 107**	**$ 112**

Highlights

vs. Prior Year

- **Noninterest income up $107MM (+13%) from 4Q20**
  - Record fourth quarter of investment banking and debt placement fees (+$80MM)
  - Strength in commercial mortgage servicing fees (+$16MM) and other income (+$16MM)
  - Partially offset by lower consumer mortgage income (-$18MM) from higher balance sheet retention and lower gain on sale margins

vs. Prior Quarter

- **Noninterest income up $112MM (+14%) from 3Q21**
  - Higher investment banking and debt placement fees (+$88MM) driven by broad-based growth across the platform
  - Strength in other income (+$33MM) and commercial mortgage servicing fees (+$14MM)
  - Partially offset by lower cards and payments income (-$25MM) driven by lower prepaid card revenue

Noninterest Expense

Noninterest Expense

$ in millions *favorable / (unfavorable)*	4Q21	vs. 4Q20	vs. 3Q21
Personnel	$ 674	$ (13)	$ (34)
Net occupancy	75	-	(1)
Computer processing	73	(11)	(6)
Business services, professional fees	70	(16)	(14)
Equipment	25	1	-
Operating lease expense	31	4	(1)
Marketing	37	(7)	(5)
Intangible asset amortization	14	1	1
Other expense	171	(1)	2
Total noninterest expense	$ 1,170	$ (42)	$ (58)

2021 Investments – Driving Growth

- ✓ **Growing Laurel Road and launching national digital bank**
- ✓ **Growing our team (bankers +10%)**
- ✓ **Enhancing digital and analytics capabilities**

laurel road AQN XUP

Highlights

vs. Prior Year

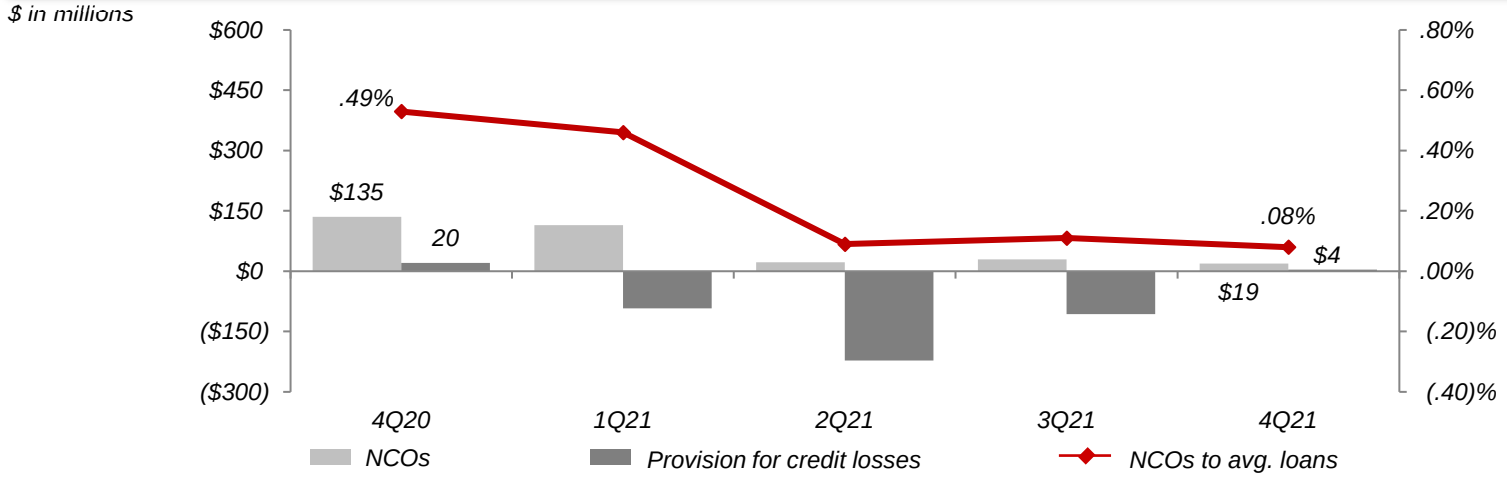
- **Noninterest expense up $42MM (+4%) from 4Q20**
  - Expenses reflect investments across franchise in digital, analytics, and teammates
  - Higher business services and professional fees (+$16MM) and computer processing expense (+11MM)
  - Higher incentive and stock-based compensation related to strong fee production and increased share price

vs. Prior Quarter

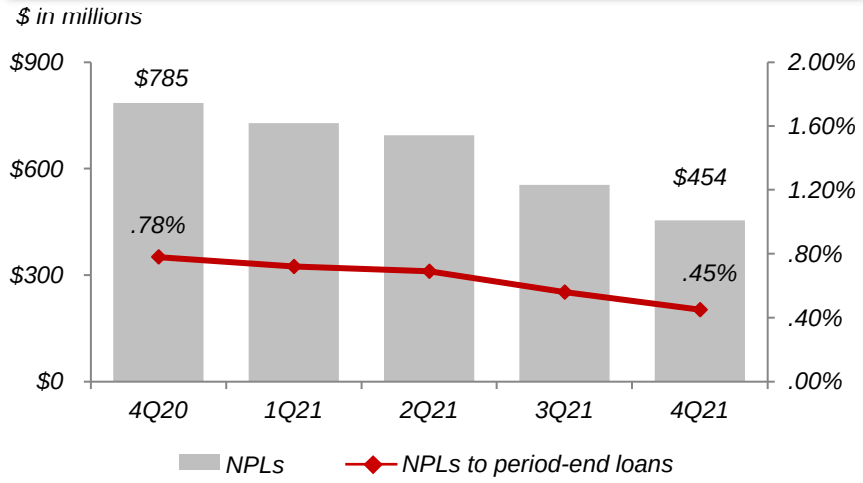
- **Noninterest expense up $58MM (+5%) from 3Q21**
  - Higher incentive and stock-based compensation related to strong fee production and increased share price
  - Higher business services and professional fees (+14MM)

Credit Quality

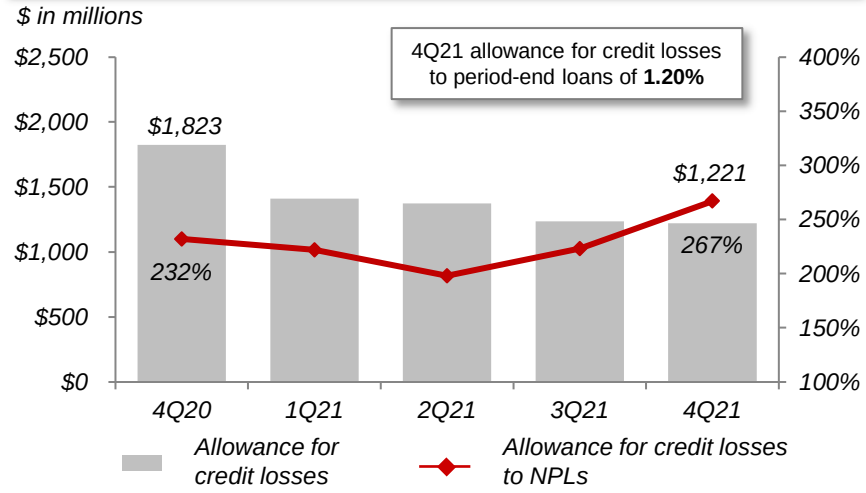
Net Charge-offs & Provision for Credit Losses



Nonperforming Loans



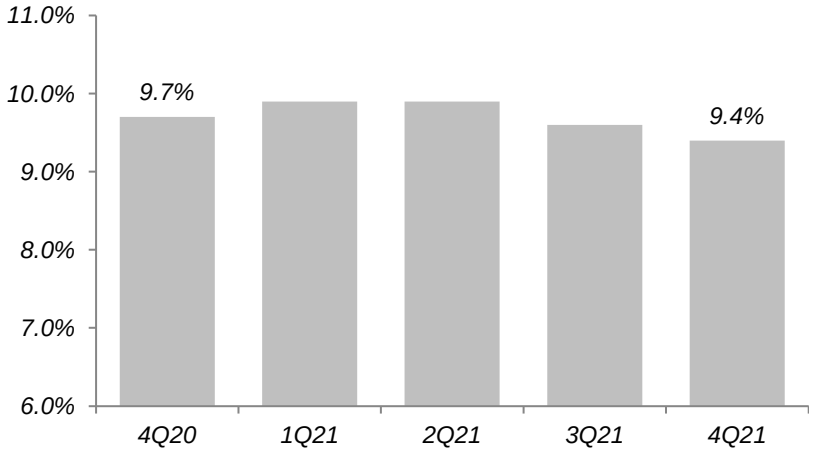
Allowance for Credit Losses (ACL)



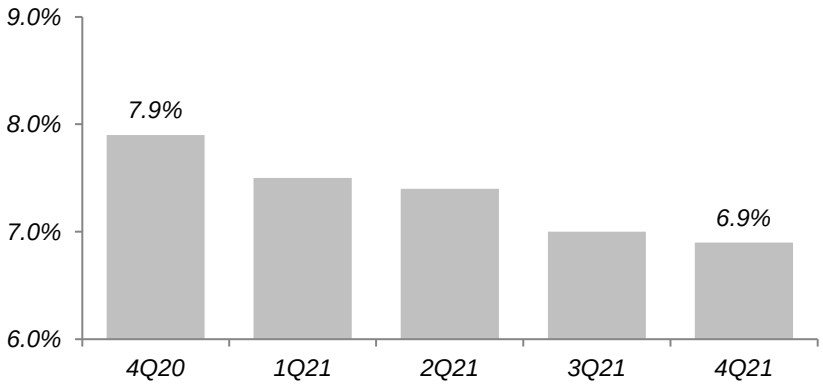
NCO = Net charge-off
NPL = Nonperforming Loans

Capital

Common Equity Tier 1[(a)]



Tangible Common Equity to Tangible Assets[(b)]



Highlights

- **Strong capital position: CET1 ratio 9.4%[(a)] at 12/31/2021 – within targeted range**
- **Strong capital return:**
  - Increased dividend 5% to $.195 per common share in 4Q21
  - 4Q reflects final settlement of accelerated share repurchase program

Capital Return

SHARE REPURCHASE	COMMON SHARE DIVIDEND
$1.1Bn common shares repurchased in FY21	**$.75** per common share in 2021
>$5.8Bn common shares repurchased since 2012	**22%** 10-year common share CAGR

(a) 12/31/21 ratio is estimated and reflects Key's election to adopt the CECL optional transition provision
(b) Non-GAAP measure: see Appendix for reconciliation

FY2022 Outlook & Long-term Targets

	FY 2022 (vs. FY 2021)
Average Balance Sheet	• **Loans:** up low-double digit excluding the impact of PPP and the indirect auto portfolio sale ➢ up low-single digit on a reported basis • **Deposits:** up low-single digit
Net Interest Income (TE)	• **Net interest income:** relatively stable
Noninterest Income	• **Noninterest income:** down low-single digit (reflects lower prepaid card income)
Noninterest Expense	• **Noninterest expense:** down low-single digit
Credit Quality	• **Net charge-offs to average loans:** 20 - 30 bps
Taxes	• **GAAP tax rate:** ~20%

Guidance ranges: relatively stable: +/- 2%; low-single digit: 1% - 3%; mid-single digit: 4% - 6%; high-single digit: 7% - 9%; low-double digit: 10% - 12%

Long-term Targets

Positive operating leverage	***Cash efficiency ratio:*** *54% - 56%*	***Moderate risk profile:*** *Net charge-offs to avg. loans targeted range of 40-60 bps*	***ROTCE:*** *16% - 19%*

Appendix

Commercial Loan Portfolio Detail

Total Commercial Loans

$ in billions	12/31/21	% of total loans
Commercial and industrial	$ 50.5	49
Commercial real estate	16.2	16
Commercial lease financing	4.1	4
Total Commercial	**$ 70.8**	**69%**

Portfolio Highlights

- Target specific client segments focused in 7 industry verticals
- Experienced bankers with deep industry expertise
- Focused on high quality clients
- Credit quality metrics remain strong and stable
  - Disciplined, consistent underwriting
  - Active surveillance with ongoing portfolio reviews
  - Dynamic assessment of ratings migration

~80% commercial bank credit exposure from relationship[(a)] clients



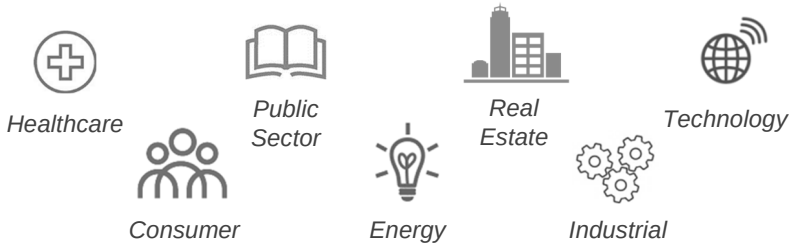
Commercial & Industrial (C&I)

- Solid middle market portfolio
- Aligning bankers to areas of market opportunity and growth - investing in strategic hires with industry vertical expertise
- High-quality borrowers
- Small, stable leveraged portfolio: <2% of total loans

Commercial Real Estate (CRE)

- Strengthened credit risk profile with strategic exits and growth in targeted client segments to focus on relationships
- Significantly scaled back construction portfolio from pre-global financial crisis *(42% in 2008 ➔ 14% in 2021)*
- Focused on relationships with owners and operators
- Strategic focus in CDLI and multifamily

Targeted Industry Verticals



(a) Relationship client is defined as having two or more of the following: credit, capital markets, or payments

Consumer Loan Portfolio Detail

Total Consumer Loans

$ in billions	12/31/21	% of total loans	WA FICO at origination
Consumer mortgage	$ 15.8	16	762
Home equity	8.5	8	807
Consumer direct	5.8	6	777
Credit card	1.0	1	792
Consumer indirect[(a)]	.07	N/A	N/A
Total Consumer	**$ 31.0**	**31%**	**772**

Portfolio Highlights

- Prime & super prime client base focused on relationships
- Continued consumer originations bring more balance to portfolio
- Continuing to invest in digital to drive future growth

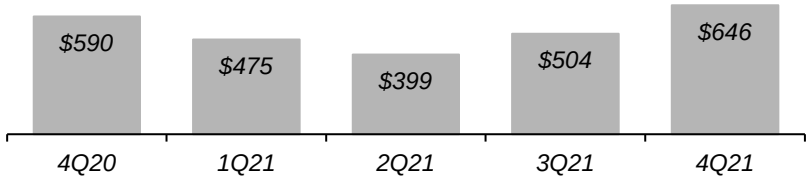
772

weighted average FICO at origination

Laurel Road

$ in millions

Origination Volume

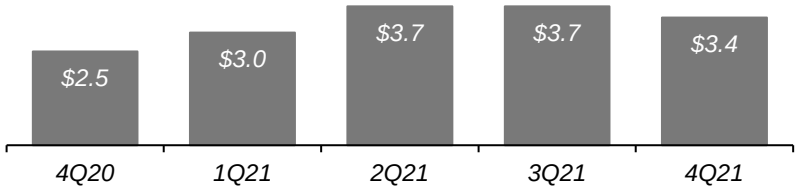


- High-quality client base: primarily healthcare professionals
- Launched Laurel Road for Doctors on 3/30/21: expands Key's digital reach and consumer franchise nationally through targeted scale
- 2021 production levels were negatively impacted by the federal student loan payment holiday

Consumer Mortgage

$ in billions

Origination Volume

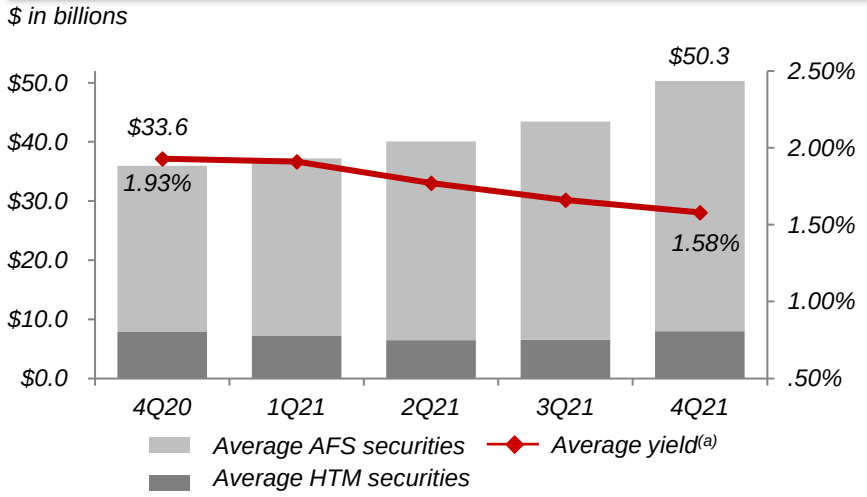


- Focused on prime/super-prime clients (weighted average FICO at origination: 762)
- Investing in digital capabilities to enhance client experience and improve efficiency
- Continued momentum with loan originations of $3.4Bn in 4Q21 and $13.8Bn in FY21

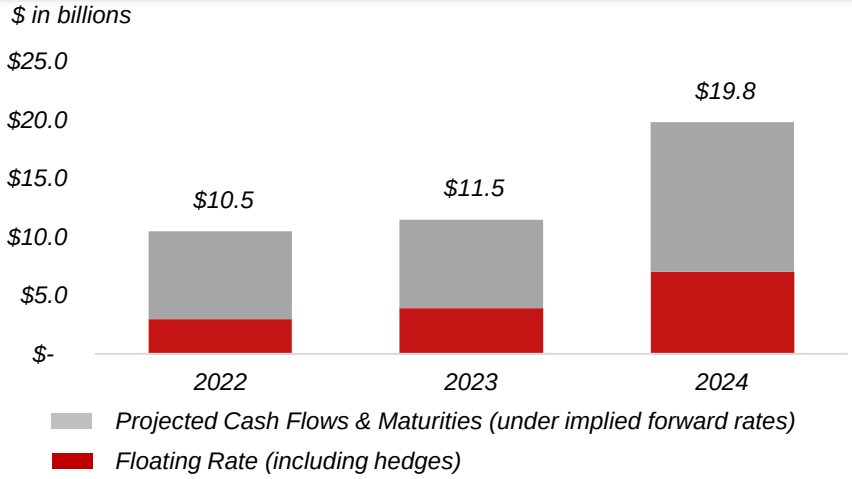
(a) Indirect auto portfolio was sold on 9/10/21

Investment Portfolio

Average Total Investment Securities



Existing Portfolio Repricing Characteristics



Highlights

- **Portfolio used for funding and liquidity management**
  - Portfolio composed primarily of fixed-rate GNMA and GSE-backed MBS and CMOs
  - Portfolio yield excluding short-term Treasury/Agency: 1.86%
- **Growth in average balances reflects continued redeployment of cash into higher yielding securities in 4Q21**
  - Added $6.9Bn in Agency Mortgage Securities
  - Rebalanced Short-Term Portfolio to enhance yield: Sold $1.4Bn in Treasuries and purchased $1.9Bn of other Treasuries & Agency Debentures
- **Portfolio constructed to enhance current returns on excess liquidity, while preserving the opportunity to capitalize on higher interest rates in the future**
  - Recent Agency MBS/CMO investments constructed to limit extension risk and provide continued cash flows as rates rise ($2.5-$3Bn a quarter in the near-term)
  - $6.3Bn of securities hedges will become active over the next three years, converting fixed rate securities to floating rate securities
  - Short-term Treasury/Agency portfolio consists of a laddered maturity profile with runoff beginning in 2023
- **Portfolio average life of 5.6 years and duration of 4.1 years at 12/31/2021 (duration including securities hedges)**

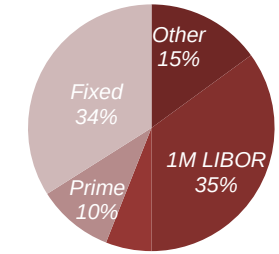
(a) Yield is calculated on the basis of amortized cost

Asset & Liability Management Positioning

Balanced approach to managing interest rate risk provides declining rate protection while maintaining significant upside to higher rates

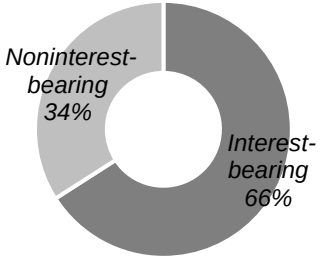
4Q21 Balance Sheet Highlights[(a)]

Loan Composition



3M LIBOR 6%

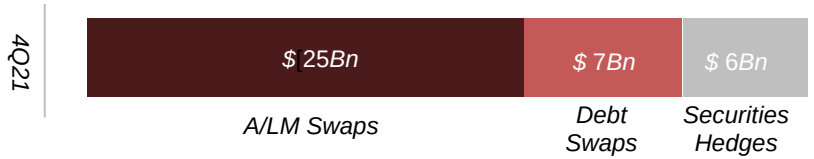
Deposit Mix



- **Attractive business model with relationship-oriented lending franchise**
  - Distinctive commercial capabilities drive C&I growth and ~66% floating-rate loan mix (incl. PPP)
  - Laurel Road and consumer mortgage enhance fixed rate loan volumes with attractive client profile
- **Strong, low-cost deposit base**
  - ~60% stable retail and low-cost escrow
  - >85% from markets where Key maintains top-5 deposit or branch share
- **$53Bn investment portfolio structured to provide greater yield stability in a lower rate environment**
  - Higher allocation of bullet-like securities and mortgage collateral with lower prepayment risks and limited exposure to unamortized premiums

Actively Managing Interest Rate Risk Position

- **Modest exposure to further rate declines with protection against negative interest rates**
  - 90%+ of existing LIBOR/SOFR loan portfolio contain floors (at or above 0%), with floors incorporated into new floating rate loan contracts
- **Substantial opportunities to reinvest and monetize higher term rates**
  - Modeled year one net interest income benefit of ~5% to ramped 200 bps rise in rates with conservative low 30's deposit beta assumption
  - Incremental 1.25% NII benefit for each 5% reduction in beta
  - $20+ Bn in cash and short-term treasuries
- **Total hedge portfolio of $38Bn at 12/31/2021**



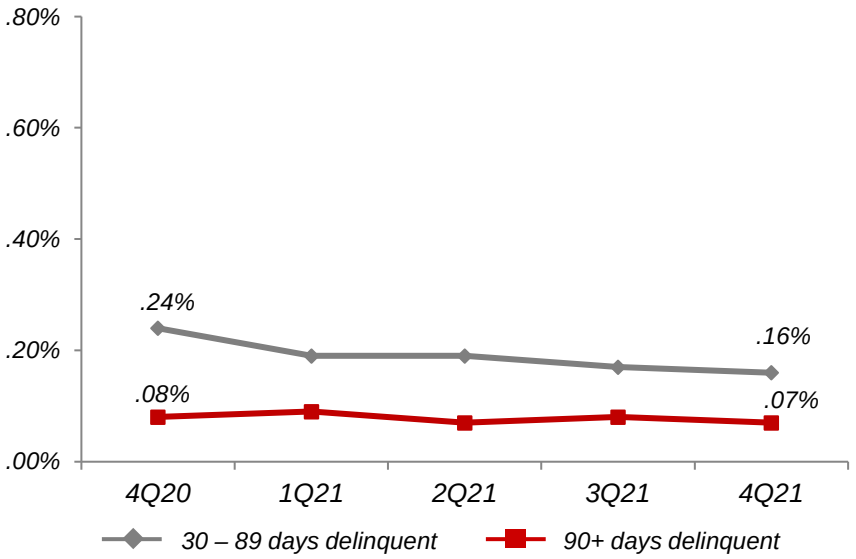
- **Continually evaluating opportunities to protect and enhance NII through new hedging and/or modifying existing positions**

(a) Loan and deposit statistics based on 12/31/2021 ending balances

Credit Quality Trends

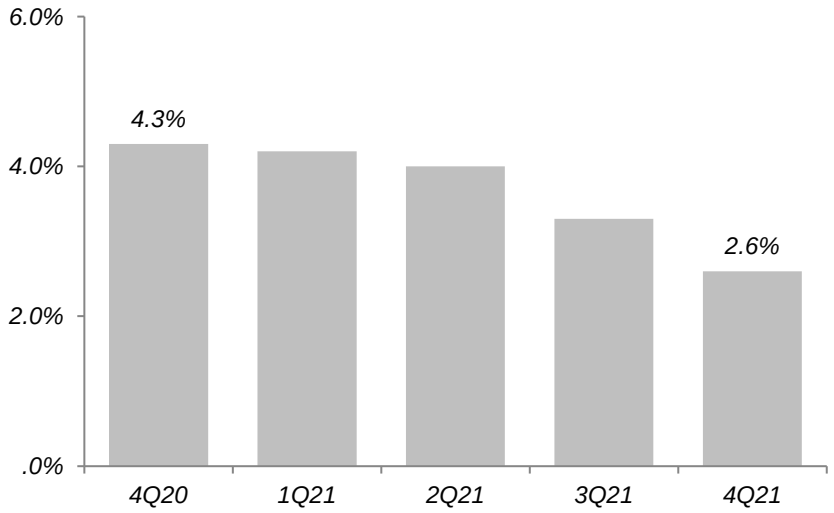
Delinquencies to Period-end Total Loans

Continuing operations



Criticized Outstandings[a] to Period-end Total Loans

Continuing operations



Metric[b]	4Q21		3Q21		2Q21		1Q21		4Q20	
Delinquencies to EOP total loans: 30-89 days	.16	%	.17	%	.19	%	.19	%	.24	%
Delinquencies to EOP total loans: 90+ days	.07		.08		.07		.09		.08	
NPLs to EOP portfolio loans	.45		.56		.69		.72		.78	
NPAs to EOP portfolio loans + OREO + Other NPAs	.48		.61		.73		.78		.92	
Allowance for credit losses to period-end loans	1.20		1.25		1.36		1.60		1.80	
Allowance for credit losses to NPLs	268.9		223.1		197.7		222.0		232.2	

(a) Loan and lease outstandings
(b) From continuing operations

Credit Quality

Credit Quality by Portfolio

$ in millions	Period-end loans	Average loans	Net loan charge-offs	Net loan charge-offs[(b)] / average loans (%)	Nonperforming loans	Ending allowance	Allowance / period-end loans (%)	Allowance / NPLs (%)
	12/31/21	**4Q21**	**4Q21**	**4Q21**	**12/31/21**	**12/31/21**	**12/31/21**	**12/31/21**
Commercial and industrial[(a)]	$ 50,525	$ 49,510	$ 10	.08	$ 191	$ 445	0.88%	232.98%
Commercial real estate:								
Commercial Mortgage	14,244	13,671	0	-	44	182	1.28	413.64
Construction	1,996	2,119	0	-	-	29	1.45	N/M
Commercial lease financing[(c)]	4,071	3,953	1	.10	4	32	.79	800.00
Real estate – residential mortgage	15,756	15,017	(2)	.05	72	95	.60	131.94
Home equity	8,467	8,603	1	.05	135	110	1.30	81.48
Consumer direct loans	5,753	5,509	5	.36	4	105	1.83	N/M
Credit cards	972	941	4	1.69	3	61	6.28	N/M
Consumer indirect loans	70	74	-	-	1	2	2.86	300.00
Continuing total	**$ 101,854**	**$ 99,397**	**$ 19**	**.08**	**$ 454**	**$ 1,061**	**1.04%**	**233.70%**
Discontinued operations	567	580	1	.68	4	29	5.11	725.00
Consolidated total	**$ 102,421**	**$ 99,977**	**$ 20**	**.08%**	**$ 458**	**$ 1,090**	**1.06%**	**237.99%**

N/M = Not meaningful

(a) Commercial and industrial average balances include $141 million, $137 million, and $129 million of assets from commercial credit cards for the three months ended December 31, 2021, September 30, 2021, and December 31, 2020, respectively.
(b) Net loan charge-off amounts are annualized in calculation
(c) Commercial lease financing includes receivables held as collateral for a secured borrowing of $16 million, $16 million, and $23 million at December 31, 2021, September 30, 2021, and December 31, 2020, respectively. Principal reductions are based on the cash payments received from these related receivables

GAAP to Non-GAAP Reconciliation

$ in millions

	Three months ended		
	12/31/2021	9/30/2021	12/31/2020
Tangible common equity to tangible assets at period end			
Key shareholders' equity (GAAP)	$ 17,423	$ 17,510	$ 17,981
Less: Intangible assets [(a)]	2,820	2,814	2,848
Preferred Stock [(b)]	1,856	1,856	1,856
Tangible common equity (non-GAAP)	$ 12,747	$ 12,840	$ 13,277
Total assets (GAAP)	$ 186,346	$ 187,035	$ 170,336
Less: Intangible assets [(a)]	2,820	2,814	2,848
Tangible assets (non-GAAP)	$ 183,526	$ 184,221	$ 167,488
Tangible common equity to tangible assets ratio (non-GAAP)	6.95%	6.97%	7.93%
Pre-provision net revenue			
Net interest income (GAAP)	$ 1,033	$ 1,016	$ 1,035
Plus: Taxable-equivalent adjustment	5	9	8
Noninterest income	909	797	802
Less: Noninterest expense	1,170	1,112	1,128
Pre-provision net revenue from continuing operations (non-GAAP)	$ 777	$ 710	$ 717
Average tangible common equity			
Average Key shareholders' equity (GAAP)	$ 17,471	$ 17,899	$ 17,905
Less: Intangible assets (average) [(c)]	2,814	2,823	2,855
Preferred Stock (average)	1,900	1,900	1,900
Average tangible common equity (non-GAAP)	$ 12,757	$ 13,176	$ 13,150

(a) For the three months ended December 31, 2021, September 30, 2021, and December 31, 2020, intangible assets exclude $3 million, $3 million, and $4 million, respectively, of period-end purchased credit card receivables
(b) Net of capital surplus
(c) For the three months ended December 31, 2021, September 30, 2021, and December 31, 2020, average intangible assets exclude $3 million, $3 million, and $5 million, respectively, of average purchased credit card receivables

GAAP to Non-GAAP Reconciliation

$ in millions

	Three months ended		
	12/31/2021	9/30/2021	12/31/2020
Return on average tangible common equity from continuing operations			
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	$ 601	$ 616	$ 549
Average tangible common equity (non-GAAP)	12,757	13,176	13,150
Return on average tangible common equity from continuing operations (non-GAAP)	18.69%	18.55%	16.61%
Return on average tangible common equity consolidated			
Net income (loss) attributable to Key common shareholders (GAAP)	$ 603	$ 618	$ 556
Average tangible common equity (non-GAAP)	12,757	13,176	13,150
Return on average tangible common equity consolidation (non-GAAP)	18.75%	18.61%	16.82%
Cash efficiency ratio			
Noninterest expense (GAAP)	$ 1,170	$ 1,112	$ 1,128
Less: Intangible asset amortization	14	15	15
Adjusted noninterest expense (non-GAAP)	$ 1,156	$ 1,097	$ 1,113
Net interest income (GAAP)	$ 1,033	$ 1,016	$ 1,035
Plus: Taxable-equivalent adjustment	5	9	8
Noninterest income	909	797	802
Total taxable-equivalent revenue (non-GAAP)	$ 1,947	$ 1,822	$ 1,845
Cash efficiency ratio (non-GAAP)	59.4%	60.2%	60.3%