KEYCORP REPORTS RECORD SECOND QUARTER 2021 NET INCOME OF $698 MILLION, OR $.72 PER DILUTED COMMON SHARE

Record second quarter revenue, driven by an 8% year-over-year increase in noninterest income

Investment banking and debt placement fees up 39% from year-ago period

Strong consumer originations: over $4.0 billion in consumer mortgage and Laurel Road originations

Successful launch of Laurel Road for Doctors

Strong credit quality: nonperforming loans down from the prior quarter and year-ago period and net charge-offs to average loans of 9 basis points

Announced new common share repurchase authorization of up to $1.5 billion

CLEVELAND, July 20, 2021 - KeyCorp (NYSE: KEY) today announced net income from continuing operations attributable to Key common shareholders of $698 million, or $.72 per diluted common share for the second quarter of 2021. This compared to $591 million, or $.61 per diluted common share, for the first quarter of 2021 and $159 million, or $.16 per diluted common share, for the second quarter of 2020.

"Our results this quarter reflect the success of our productive, client-centric team, strong risk management practices, and momentum from recent investments in both our teammates and digital capabilities.

We generated record second quarter revenue, driven by growth in both our commercial and consumer businesses, as we acquired and deepened relationships across our franchise. Our fee-based businesses reported another strong quarter, with noninterest income up 8% year-over-year. Our investment banking business generated record fees for the second quarter. Furthermore, our investment banking revenue in the second quarter represents the second-highest quarter in our history. With broad-based growth across our targeted industry verticals and continued investments in our teammates, our investment banking business has delivered a decade of consistent growth.

Credit quality remained strong this quarter, with lower nonperforming loans and net charge-offs as a percent of loans of 9 basis points. Our positive credit trends reflect our strong risk culture and disciplined underwriting practices. Our capital position also continues to be one of our strengths, with a Common Equity Tier 1 ratio of 9.9% at the end of the quarter. Earlier this month, our Board of Directors approved a new share repurchase authorization of up to $1.5 billion and will evaluate an increase to the common stock dividend in the fourth quarter 2021."

- Chris Gorman, Chairman and CEO

Selected Financial Highlights

dollars in millions, except per share data				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Income (loss) from continuing operations attributable to Key common shareholders	**$ 698**	$ 591	$ 159	18.1 %	339.0 %
Income (loss) from continuing operations attributable to Key common shareholders per common share — assuming dilution	**.72**	.61	.16	18.0	350.0
Return on average tangible common equity from continuing operations [(a)]	22.34 %	18.25 %	4.96 %	N/A	N/A
Return on average total assets from continuing operations	1.63	1.44	.45	N/A	N/A
Common Equity Tier 1 ratio [(b)]	9.9	9.9	9.1	N/A	N/A
Book value at period end	$ 16.75	$ 16.22	$ 16.07	3.3 %	4.2 %
Net interest margin (TE) from continuing operations	2.52 %	2.61 %	2.76 %	N/A	N/A

(a) The table entitled "GAAP to Non-GAAP Reconciliations" in the attached financial supplement presents the computations of certain financial measures related to "Return on average tangible common equity from continuing operations." The table reconciles the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.
(b) June 30, 2021 ratio is estimated.
TE = Taxable Equivalent, N/A = Not Applicable

INCOME STATEMENT HIGHLIGHTS

Revenue

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Net interest income (TE)	**$ 1,023**	$ 1,012	$ 1,025	1.1 %	(.2)%
Noninterest income	**750**	738	692	1.6	8.4
Total revenue	**$ 1,773**	$ 1,750	$ 1,717	1.3 %	3.3 %

TE = Taxable Equivalent

Taxable-equivalent net interest income was $1.0 billion for the second quarter of 2021, a decrease of $2 million from the second quarter of 2020. The decrease in net interest income reflects a decrease in the net interest margin, largely offset by higher earning asset balances. The net interest margin was impacted by lower interest rates and a change in balance sheet mix, including elevated levels of liquidity.

Compared to the first quarter of 2021, taxable-equivalent net interest income increased by $11 million, and the net interest margin decreased by 9 basis points. Both net interest income and the net interest margin were impacted by higher earning asset balances, including elevated levels of liquidity, lower interest-bearing deposit costs, and higher loan fees from the Paycheck Protection Program ("PPP") forgiveness, partially offset by lower earning asset yields. Net interest income also benefited from one additional day in the second quarter of 2021.

Noninterest Income

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Trust and investment services income	**$ 133**	$ 133	$ 123	— %	8.1 %
Investment banking and debt placement fees	**217**	162	156	34.0	39.1
Service charges on deposit accounts	**83**	73	68	13.7	22.1
Operating lease income and other leasing gains	**36**	38	60	(5.3)	(40.0)
Corporate services income	**55**	64	52	(14.1)	5.8
Cards and payments income	**113**	105	91	7.6	24.2
Corporate-owned life insurance income	**30**	31	35	(3.2)	(14.3)
Consumer mortgage income	**26**	47	62	(44.7)	(58.1)
Commercial mortgage servicing fees	**44**	34	12	29.4	266.7
Other income	**13**	51	33	(74.5)	(60.6)
Total noninterest income	**$ 750**	$ 738	$ 692	1.6 %	8.4 %

Compared to the second quarter of 2020, noninterest income increased by $58 million, primarily driven by a $61 million increase in investment banking and debt placement fees. Commercial mortgage servicing fees increased $32 million. Additionally, cards and payments income increased $22 million, reflecting broad-based growth across credit, debit, and merchant product categories. Partially offsetting these increases were consumer mortgage income and other income, which decreased $36 million and $20 million, respectively.

Compared to the first quarter of 2021, noninterest income increased by $12 million. The largest driver of the quarter-over-quarter increase was a $55 million increase in investment banking and debt placement fees, reflecting broad-based growth in all areas. Commercial mortgage servicing fees and service charges on deposit accounts both increased $10 million. Partially offsetting these increases were a $38 million decrease in other income, reflecting market-related valuation adjustments, and a $21 million decrease in consumer mortgage income.

Noninterest Expense

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Personnel expense	**$ 623**	$ 624	$ 572	(.2)%	8.9 %
Nonpersonnel expense	**453**	447	441	1.3	2.7
Total noninterest expense	**$ 1,076**	$ 1,071	$ 1,013	.5 %	6.2 %

Key’s noninterest expense was $1.1 billion for the second quarter of 2021, an increase of $63 million from the year-ago period. The increase is primarily related to higher personnel costs of $51 million, reflecting higher incentive and stock-based compensation, attributed to an increase in revenue and stock performance and an increase in employee benefits. Additionally, other drivers for the year-over-year increase include higher computer processing expense and marketing expense.

Compared to the first quarter of 2021, noninterest expense increased $5 million. Incentive and stock-based compensation increased $14 million, reflecting Key's strong investment banking performance, offset by a $15 million decrease in employee benefits.

BALANCE SHEET HIGHLIGHTS

Average Loans

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Commercial and industrial [(a)]	**$ 51,808**	$ 52,581	$ 60,480	(1.5)%	(14.3)%
Other commercial loans	**19,034**	18,848	19,850	1.0	(4.1)
Total consumer loans	**29,972**	29,299	27,611	2.3	8.6
Total loans	**$ 100,814**	$ 100,728	$ 107,941	.1 %	(6.6)%

(a) Commercial and industrial average loan balances include $132 million, $126 million, and $135 million of assets from commercial credit cards at June 30, 2021, March 31, 2021, and June 30, 2020, respectively.

Average loans were $100.8 billion for the second quarter of 2021, a decrease of $7.1 billion compared to the second quarter of 2020. Commercial loans decreased $9.5 billion, reflecting decreased utilization versus the year-ago period, partly offset by growth in PPP loans. Consumer loans increased $2.4 billion, reflecting strength from Laurel Road and Key's consumer mortgage business, partly offset by Key's exit from the indirect auto lending business.

Compared to the first quarter of 2021, average loans increased by $86 million. Commercial loans declined due to lower commercial utilization rates, partly offset by growth in PPP loans. Consumer loans continue to reflect strength from Key's consumer mortgage business, partly offset by Key's exit from the indirect auto lending business.

Average Deposits

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Non-time deposits	**$139,480**	$132,267	$118,694	5.5 %	17.5 %
Certificates of deposit ($100,000 or more)	**2,212**	2,571	4,950	(14.0)	(55.3)
Other time deposits	**2,630**	2,902	4,333	(9.4)	(39.3)
Total deposits	**$144,322**	$137,740	$127,977	4.8 %	12.8 %
Cost of total deposits	.05 %	.06 %	.30 %	N/A	N/A

N/A = Not Applicable

Average deposits totaled $144.3 billion for the second quarter of 2021, an increase of $16.3 billion compared to the year-ago quarter, reflecting growth from consumer and commercial relationships, partially offset by a decline in time deposits.

Compared to the first quarter of 2021, average deposits increased by $6.6 billion, primarily driven by broad-based commercial growth and higher consumer balances.

ASSET QUALITY

dollars in millions				Change 2Q21 vs.	
	2Q21	**1Q21**	**2Q20**	**1Q21**	**2Q20**
Net loan charge-offs	$ 22	$ 114	$ 96	(80.7)%	(77.1)%
Net loan charge-offs to average total loans	.09 %	.46 %	.36 %	N/A	N/A
Nonperforming loans at period end	$ 694	$ 728	$ 760	(4.7)	(8.7)
Nonperforming assets at period end	738	790	951	(6.6)	(22.4)
Allowance for loan and lease losses	1,220	1,438	1,708	(15.2)	(28.6)
Allowance for credit losses	1,372	1,616	1,906	(15.1)	(28.0)
Allowance for loan and lease losses to nonperforming loans	175.8 %	197.5 %	224.7 %	N/A	N/A
Allowance for credit losses to nonperforming loans	197.7	222.0	250.8	N/A	N/A
Provision for credit losses	$ (222)	$ (93)	$ 482	138.7 %	(146.1)%

N/A = Not Applicable

Key's provision for credit losses was a net benefit of $222 million, including a $244 million reserve release for the second quarter of 2021, compared to an expense of $482 million in the second quarter of 2020 and a net benefit of $93 million in the first quarter of 2021. The reserve release was largely driven by a continued improvement in the economic outlook.

Net loan charge-offs for the second quarter of 2021 totaled $22 million, or .09% of average total loans. These results compare to $96 million, or .36%, for the second quarter of 2020 and $114 million, or .46%, for the first quarter of 2021. Key's allowance for credit losses was $1.4 billion, or 1.36% of total period-end loans at June 30, 2021, compared to 1.80% at June 30, 2020, and 1.60% at March 31, 2021.

At June 30, 2021, Key's nonperforming loans totaled $694 million, which represented .69% of period-end portfolio loans. These results compare to .72% at June 30, 2020, and .72% at March 31, 2021. Nonperforming assets at June 30, 2021, totaled $738 million, and represented .73% of period-end portfolio loans and OREO and other nonperforming assets. These results compare to .89% at June 30, 2020, and .78% at March 31, 2021.

CAPITAL

Key's estimated risk-based capital ratios included in the following table continued to exceed all "well-capitalized" regulatory benchmarks at June 30, 2021.

Capital Ratios

	6/30/2021	3/31/2021	6/30/2020
Common Equity Tier 1 [(a)]	**9.9 %**	9.9 %	9.1 %
Tier 1 risk-based capital [(a)]	**11.3**	11.3	10.5
Total risk based capital [(a)]	**13.2**	13.4	12.8
Tangible common equity to tangible assets [(b)]	**7.4**	7.5	7.6
Leverage [(a)]	**8.7**	8.9	8.8

(a) June 30, 2021 ratio is estimated and reflects Key's election to adopt the CECL optional transition provision.
(b) The table entitled "GAAP to Non-GAAP Reconciliations" in the attached financial supplement presents the computations of certain financial measures related to "tangible common equity." The table reconciles the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.

Key's capital position remained strong in the second quarter of 2021. As shown in the preceding table, at June 30, 2021, Key's estimated Common Equity Tier 1 and Tier 1 risk-based capital ratios stood at 9.9% and 11.3%, respectively. Key's tangible common equity ratio was 7.4% at June 30, 2021.

Key has elected the CECL phase-in option provided by regulatory guidance which delays for two years the estimated impact of CECL on regulatory capital and phases it in over three years beginning in 2022. On a fully phased-in basis, Key's Common Equity Tier 1 ratio would be reduced by 20 basis points.

Summary of Changes in Common Shares Outstanding

in thousands				Change 2Q21 vs.	
	2Q21	1Q21	2Q20	1Q21	2Q20
Shares outstanding at beginning of period	**972,587**	975,773	975,319	(.3)%	(.3)%
Open market repurchases and return of shares under employee compensation plans	**(13,304)**	(9,277)	(19)	43.4	N/M
Shares issued under employee compensation plans (net of cancellations)	**993**	6,091	647	(83.7)	53.5
Shares outstanding at end of period	**960,276**	972,587	975,947	(1.3)%	(1.6)%

N/M = Not Meaningful

During the second quarter of 2021, Key declared a dividend of $.185 per common share and completed $300 million of common share repurchases. Capital distributions for the quarter were consistent with the regulatory capital distribution guidelines. In July of 2021, Key's Board of Directors approved a new share repurchase authorization program of up to $1.5 billion, applicable for the third quarter of 2021 through the third quarter of 2022, that supersedes the remaining capacity under the previous authorization. Additionally, Key will evaluate an increase to the per share common dividend in the fourth quarter of 2021, subject to Board approval.

LINE OF BUSINESS RESULTS

The following table shows the contribution made by each major business segment to Key's taxable-equivalent revenue from continuing operations and income (loss) from continuing operations attributable to Key for the periods presented. For more detailed financial information pertaining to each business segment, see the tables at the end of this release.

Major Business Segments

dollars in millions	2Q21	1Q21	2Q20	Change 2Q21 vs. 1Q21	Change 2Q21 vs. 2Q20
Revenue from continuing operations (TE)					
Consumer Bank	**$ 854**	$ 867	$ 835	(1.5)%	2.3 %
Commercial Bank	**874**	859	879	1.7	(.6)
Other [(a)]	**45**	24	3	87.5	1,400.0
Total	**$ 1,773**	$ 1,750	$ 1,717	1.3 %	3.3 %
Income (loss) from continuing operations attributable to Key					
Consumer Bank	**$ 259**	$ 220	$ 98	17.7 %	164.3 %
Commercial Bank	**434**	384	106	13.0	309.4
Other [(a)]	**31**	14	(19)	121.4	N/M
Total	**$ 724**	$ 618	$ 185	17.2 %	291.4 %

(a) Other includes other segments that consists of corporate treasury, our principal investing unit, and various exit portfolios as well as reconciling items which primarily represents the unallocated portion of nonearning assets of corporate support functions. Charges related to the funding of these assets are part of net interest income and are allocated to the business segments through noninterest expense. Reconciling items also includes intercompany eliminations and certain items that are not allocated to the business segments because they do not reflect their normal operations.

TE = Taxable Equivalent, N/M = Not Meaningful

Consumer Bank

dollars in millions	2Q21	1Q21	2Q20	Change 2Q21 vs. 1Q21	Change 2Q21 vs. 2Q20
Summary of operations					
Net interest income (TE)	**$ 600**	$ 610	$ 589	(1.6)%	1.9 %
Noninterest income	**254**	257	246	(1.2)	3.3
Total revenue (TE)	**854**	867	835	(1.5)	2.3
Provision for credit losses	**(70)**	(23)	155	(204.3)	(145.2)
Noninterest expense	**584**	601	552	(2.8)	5.8
Income (loss) before income taxes (TE)	**340**	289	128	17.6	165.6
Allocated income taxes (benefit) and TE adjustments	**81**	69	30	17.4	170.0
Net income (loss) attributable to Key	**$ 259**	$ 220	$ 98	17.7 %	164.3 %
Average balances					
Loans and leases	**$ 40,598**	$ 39,249	$ 37,300	3.4 %	8.8 %
Total assets	**43,991**	42,476	42,194	3.6	4.3
Deposits	**88,412**	85,033	79,235	4.0	11.6
Assets under management at period end	**$ 47,737**	$ 45,218	$ 39,722	5.6 %	20.2 %

TE = Taxable Equivalent

Additional Consumer Bank Data

dollars in millions	2Q21	1Q21	2Q20	Change 2Q21 vs. 1Q21	Change 2Q21 vs. 2Q20
Noninterest income					
Trust and investment services income	**$ 104**	$ 101	$ 87	3.0 %	19.5 %
Service charges on deposit accounts	**47**	38	36	23.7	30.6
Cards and payments income	**62**	54	47	14.8	31.9
Consumer mortgage income	**26**	47	61	(44.7)	(57.4)
Other noninterest income	**15**	17	15	(11.8)	.0
Total noninterest income	**$ 254**	$ 257	$ 246	(1.2)%	3.3 %
Average deposit balances					
NOW and money market deposit accounts	**$ 56,038**	$ 54,685	$ 49,143	2.5 %	14.0 %
Savings deposits	**6,523**	5,878	4,816	11.0	35.4
Certificates of deposit ($100,000 or more)	**2,083**	2,424	4,520	(14.1)	(53.9)
Other time deposits	**2,615**	2,888	4,296	(9.5)	(39.1)
Noninterest-bearing deposits	**21,153**	19,159	16,460	10.4	28.5
Total deposits	**$ 88,412**	$ 85,033	$ 79,235	4.0	11.6 %
Home equity loans					
Average balance	**$ 9,081**	$ 9,234	$ 9,893		
Combined weighted-average loan-to-value ratio (at date of origination)	**68 %**	69 %	70 %		
Percent first lien positions	**70**	68	63		
Other data					
Branches	**1,014**	1,068	1,077		
Automated teller machines	**1,329**	1,368	1,394		

Consumer Bank Summary of Operations (2Q21 vs. 2Q20)

- Net income attributable to Key of $259 million for the second quarter of 2021, compared to $98 million for the year-ago quarter
- Taxable-equivalent net interest income increased by $11 million, or 1.9%, compared to the second quarter of 2020, driven by strong consumer mortgage balance sheet growth and fees related to PPP loans, partially offset by the lower interest rate environment
- Average loans and leases increased $3.3 billion, or 8.8%, driven by growth in consumer mortgage and benefit from the PPP
- Average deposits increased $9.2 billion, or 11.6%, from the second quarter of 2020, driven by retention of consumer stimulus payments and relationship growth
- Provision for credit losses decreased $225 million, compared to the second quarter of 2020. The provision for credit losses was a net benefit and was driven by expected improvements in economic conditions and continued strength in client credit quality
- Noninterest income increased $8 million, or 3.3%, from the year ago quarter, driven by higher trust and investment services income and client spend activity, partially offset by lower consumer mortgage income, due to lower gain on sale volume
- Noninterest expense increased $32 million, or 5.8%, from the year ago quarter, driven by higher variable compensation and support expenses related to higher loan volumes

Commercial Bank

dollars in millions	2Q21	1Q21	2Q20	Change 2Q21 vs. 1Q21	Change 2Q21 vs. 2Q20
Summary of operations					
Net interest income (TE)	**$ 419**	$ 413	$ 458	1.5 %	(8.5)%
Noninterest income	**455**	446	421	2.0	8.1
Total revenue (TE)	**874**	859	879	1.7	(.6)
Provision for credit losses	**(131)**	(67)	326	95.5	(140.2)
Noninterest expense	**451**	443	441	1.8	2.3
Income (loss) before income taxes (TE)	**554**	483	112	14.7	394.6
Allocated income taxes and TE adjustments	**120**	99	6	21.2	N/M
Net income (loss) attributable to Key	**$ 434**	$ 384	$ 106	13.0 %	309.4 %
Average balances					
Loans and leases	**$ 59,953**	$ 61,221	$ 70,336	(2.1)%	(14.8)%
Loans held for sale	**1,341**	1,237	2,012	8.4	(33.3)
Total assets	**69,101**	70,448	79,267	(1.9)	(12.8)
Deposits	**54,814**	51,894	47,954	5.6 %	14.3 %

TE = Taxable Equivalent, N/M = Not Meaningful

Additional Commercial Bank Data

dollars in millions	2Q21	1Q21	2Q20	Change 2Q21 vs. 1Q21	Change 2Q21 vs. 2Q20
Noninterest income					
Trust and investment services income	**$ 27**	$ 32	$ 37	(15.6)%	(27.0)
Investment banking and debt placement fees	**215**	162	156	32.7	37.8 %
Operating lease income and other leasing gains	**35**	38	59	(7.9)	(40.7)
Corporate services income	**47**	56	45	(16.1)	4.4
Service charges on deposit accounts	**34**	33	30	3.0	13.3
Cards and payments income	**49**	52	45	(5.8)	8.9
Payments and services income	**130**	141	120	(7.8)	8.3
Commercial mortgage servicing fees	**44**	34	12	29.4	266.7
Other noninterest income	**4**	39	37	(89.7)	(89.2)
Total noninterest income	**$ 455**	$ 446	$ 421	2.0 %	8.1 %

N/M = Not Meaningful

Commercial Bank Summary of Operations (2Q21 vs. 2Q20)

- Net income attributable to Key of $434 million for the second quarter of 2021, compared to $106 million for the year-ago quarter
- Taxable-equivalent net interest income decreased by $39 million, compared to the second quarter of 2020, as lower average loan balances offset fees related to PPP loans
- Average loan and lease balances decreased $10.4 billion, compared to the second quarter of 2020, driven by lower commercial and industrial line draws
- Average deposit balances increased $6.9 billion, or 14.3%, compared to the second quarter of 2020, driven by growth in targeted relationships and the impact of government programs
- Provision for credit losses decreased $457 million, compared to the second quarter of 2020. The provision for credit losses was a net benefit and was driven by expected improvements in economic conditions
- Noninterest income increased $34 million, from the year-ago quarter, driven by elevated investment banking client activity and commercial mortgage servicing fees, partially offset by favorable market-related adjustments to customer derivatives in the year-ago period
- Noninterest expense increased by $10 million, or 2.3%, from the second quarter of 2020, driven by higher personnel-related costs

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KeyCorp's roots trace back nearly 200 years to Albany, New York. Headquartered in Cleveland, Ohio, Key is one of the nation’s largest bank-based financial services companies, with assets of approximately $181.1 billion at June 30, 2021.

Key provides deposit, lending, cash management, and investment services to individuals and businesses in 15 states under the name KeyBank National Association through a network of more than 1,000 branches and approximately 1,300 ATMs. Key also provides a broad range of sophisticated corporate and investment banking products, such as merger and acquisition advice, public and private debt and equity, syndications and derivatives to middle market companies in selected industries throughout the United States under the KeyBanc Capital Markets trade name. For more information, visit https://www.key.com/. KeyBank is Member FDIC.

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This earnings release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as "goal," "objective," "plan," "expect," "assume," "anticipate," "intend," "project," "believe," "estimate," or other words of similar meaning. Forward-looking statements provide our current expectations or forecasts of future events, circumstances, results, or aspirations. Forward-looking statements, by their nature, are subject to assumptions, risks and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause Key's actual results to differ from those described in the forward-looking statements can be found in KeyCorp's Form 10-K for the year ended December 31, 2020, as well as in KeyCorp's subsequent SEC filings, all of which have been or will be filed with the Securities and Exchange Commission (the "SEC") and are or will be available on Key's website (www.key.com/ir) and on the SEC's website (www.sec.gov). These factors may include, among others, deterioration of commercial real estate market fundamentals, adverse changes in credit quality trends, declining asset prices, a worsening of the U.S. economy due to financial, political, or other shocks, the extensive regulation of the U.S. financial services industry, and the impact of the COVID-19 global pandemic on us, our clients, our third-party service providers, and the markets. Any forward-looking statements made by us or on our behalf speak only as of the date they are made and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances.

Notes to Editors:
A live Internet broadcast of KeyCorp's conference call to discuss quarterly results and currently anticipated earnings trends and to answer analysts' questions can be accessed through the Investor Relations section at ***https://www.key.com/ir*** *at 10:00 a.m. ET, on July 20, 2021. A replay of the call will be available through July 29, 2021.*

For up-to-date company information, media contacts, and facts and figures about Key's lines of business, visit our Media Newsroom at ***https://www.key.com/newsroom****.*

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KeyCorp
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Financial Supplement

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Financial Highlights

(dollars in millions, except per share amounts)

	Three months ended		
	6/30/2021	3/31/2021	6/30/2020
Summary of operations			
Net interest income (TE)	$ 1,023	$ 1,012	$ 1,025
Noninterest income	750	738	692
Total revenue (TE)	1,773	1,750	1,717
Provision for credit losses	(222)	(93)	482
Noninterest expense	1,076	1,071	1,013
Income (loss) from continuing operations attributable to Key	724	618	185
Income (loss) from discontinued operations, net of taxes	5	4	2
Net income (loss) attributable to Key	729	622	187
Income (loss) from continuing operations attributable to Key common shareholders	698	591	159
Income (loss) from discontinued operations, net of taxes	5	4	2
Net income (loss) attributable to Key common shareholders	703	595	161
Per common share			
Income (loss) from continuing operations attributable to Key common shareholders	$ .73	$ .61	$ .16
Income (loss) from discontinued operations, net of taxes	—	—	—
Net income (loss) attributable to Key common shareholders [a]	.73	.62	.17
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	.72	.61	.16
Income (loss) from discontinued operations, net of taxes — assuming dilution	—	—	—
Net income (loss) attributable to Key common shareholders — assuming dilution [a]	.73	.61	.17
Cash dividends declared	.185	.185	.185
Book value at period end	16.75	16.22	16.07
Tangible book value at period end	13.81	13.30	13.12
Market price at period end	20.65	19.98	12.18
Performance ratios			
From continuing operations:			
Return on average total assets	1.63 %	1.44 %	.45 %
Return on average common equity	18.21	14.98	4.05
Return on average tangible common equity [b]	22.34	18.25	4.96
Net interest margin (TE)	2.52	2.61	2.76
Cash efficiency ratio [b]	59.9	60.3	57.9
From consolidated operations:			
Return on average total assets	1.64 %	1.45 %	.46 %
Return on average common equity	18.34	15.08	4.10
Return on average tangible common equity [b]	22.50	18.37	5.02
Net interest margin (TE)	2.55	2.60	2.76
Loan to deposit [c]	70.4	73.1	80.4
Capital ratios at period end			
Key shareholders' equity to assets	9.9 %	10.0 %	10.2 %
Key common shareholders' equity to assets	8.9	9.0	9.2
Tangible common equity to tangible assets [b]	7.4	7.5	7.6
Common Equity Tier 1 [d]	9.9	9.9	9.1
Tier 1 risk-based capital [d]	11.3	11.3	10.5
Total risk-based capital [d]	13.2	13.4	12.8
Leverage [d]	8.7	8.9	8.8
Asset quality — from continuing operations			
Net loan charge-offs	$ 22	$ 114	$ 96
Net loan charge-offs to average loans	.09 %	.46 %	.36 %
Allowance for loan and lease losses	$ 1,220	$ 1,438	$ 1,708
Allowance for credit losses	1,372	1,616	1,906
Allowance for loan and lease losses to period-end loans	1.21 %	1.42 %	1.61 %
Allowance for credit losses to period-end loans	1.36	1.60	1.80
Allowance for loan and lease losses to nonperforming loans	175.8	197.5	224.7
Allowance for credit losses to nonperforming loans	197.7	222.0	250.8
Nonperforming loans at period-end	$ 694	$ 728	$ 760
Nonperforming assets at period-end	738	790	951
Nonperforming loans to period-end portfolio loans	.69 %	.72 %	.72 %
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	.73	.78	.89
Trust assets			
Assets under management	$ 47,737	$ 45,218	$ 39,722
Other data			
Average full-time equivalent employees	17,157	17,086	16,646
Branches	1,014	1,068	1,077
Taxable-equivalent adjustment	$ 6	$ 7	$ 7

Financial Highlights (continued)

(dollars in millions, except per share amounts)

	Six months ended	
	6/30/2021	6/30/2020
Summary of operations		
Net interest income (TE)	$ 2,035	$ 2,014
Noninterest income	1,488	1,169
Total revenue (TE)	3,523	3,183
Provision for credit losses	(315)	841
Noninterest expense	2,147	1,944
Income (loss) from continuing operations attributable to Key	1,342	330
Income (loss) from discontinued operations, net of taxes	9	3
Net income (loss) attributable to Key	1,351	333
Income (loss) from continuing operations attributable to Key common shareholders	1,289	277
Income (loss) from discontinued operations, net of taxes	9	3
Net income (loss) attributable to Key common shareholders	1,298	280
Per common share		
Income (loss) from continuing operations attributable to Key common shareholders	$ 1.34	$ .29
Income (loss) from discontinued operations, net of taxes	.01	—
Net income (loss) attributable to Key common shareholders [(a)]	1.35	.29
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	1.33	.28
Income (loss) from discontinued operations, net of taxes — assuming dilution	.01	—
Net income (loss) attributable to Key common shareholders — assuming dilution [(a)]	1.34	.29
Cash dividends paid	.37	.37
Performance ratios		
From continuing operations:		
Return on average total assets	1.55 %	.43 %
Return on average common equity	16.64	3.58
Return on average tangible common equity [(b)]	20.34	4.40
Net interest margin (TE)	2.56	2.88
Cash efficiency ratio [(b)]	60.1	60.0
From consolidated operations:		
Return on average total assets	1.55 %	.43 %
Return on average common equity	16.76	3.62
Return on average tangible common equity [(b)]	20.48	4.45
Net interest margin (TE)	2.57	2.87
Asset quality — from continuing operations		
Net loan charge-offs	$ 136	$ 180
Net loan charge-offs to average total loans	.27 %	.35 %
Other data		
Average full-time equivalent employees	17,122	16,587
Taxable-equivalent adjustment	13	15

(a) Earnings per share may not foot due to rounding.
(b) The following table entitled “GAAP to Non-GAAP Reconciliations” presents the computations of certain financial measures related to “tangible common equity” and “cash efficiency.” The table reconciles the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.
(c) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits.
(d) June 30, 2021, ratio is estimated and reflects Key's election to adopt the CECL optional transition provision.

GAAP to Non-GAAP Reconciliations

(dollars in millions)

The table below presents certain non-GAAP financial measures related to “tangible common equity,” “return on average tangible common equity,” “pre-provision net revenue," and “cash efficiency ratio."

The tangible common equity ratio and the return on average tangible common equity ratio have been a focus for some investors, and management believes these ratios may assist investors in analyzing Key’s capital position without regard to the effects of intangible assets and preferred stock.

The table also shows the computation for pre-provision net revenue, which is not formally defined by GAAP. Management believes that eliminating the effects of the provision for credit losses makes it easier to analyze the results by presenting them on a more comparable basis.

The cash efficiency ratio is a ratio of two non-GAAP performance measures. As such, there is no directly comparable GAAP performance measure. The cash efficiency ratio performance measure removes the impact of Key’s intangible asset amortization from the calculation. Management believes this ratio provide greater consistency and comparability between Key’s results and those of its peer banks. Additionally, this ratio is used by analysts and investors as they develop earnings forecasts and peer bank analysis.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP.

	Three months ended			Six months ended	
	6/30/2021	**3/31/2021**	**6/30/2020**	**6/30/2021**	**6/30/2020**
Tangible common equity to tangible assets at period-end					
Key shareholders’ equity (GAAP)	**$ 17,941**	$ 17,634	$ 17,542		
Less: Intangible assets [(a)]	**2,828**	2,842	2,877		
Preferred Stock [(b)]	**1,856**	1,856	1,856		
Tangible common equity (non-GAAP)	**$ 13,257**	$ 12,936	$ 12,809		
Total assets (GAAP)	**$181,115**	$176,203	$171,192		
Less: Intangible assets [(a)]	**2,828**	2,842	2,877		
Tangible assets (non-GAAP)	**$178,287**	$173,361	$168,315		
Tangible common equity to tangible assets ratio (non-GAAP)	**7.44 %**	7.46 %	7.61 %		
Pre-provision net revenue					
Net interest income (GAAP)	**$ 1,017**	$ 1,005	$ 1,018	**$ 2,022**	$ 1,999
Plus: Taxable-equivalent adjustment	**6**	7	7	**13**	15
Noninterest income	**750**	738	692	**1,488**	1,169
Less: Noninterest expense	**1,076**	1,071	1,013	**2,147**	1,944
Pre-provision net revenue from continuing operations (non-GAAP)	**$ 697**	$ 679	$ 704	**$ 1,376**	$ 1,239
Average tangible common equity					
Average Key shareholders' equity (GAAP)	**$ 17,271**	$ 17,769	$ 17,688	**$ 17,519**	$ 17,452
Less: Intangible assets (average) [(c)]	**2,840**	2,844	2,886	**2,840**	2,894
Preferred stock (average)	**1,900**	1,900	1,900	**1,900**	1,900
Average tangible common equity (non-GAAP)	**$ 12,531**	$ 13,025	$ 12,902	**$ 12,779**	$ 12,658
Return on average tangible common equity from continuing operations					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	**$ 698**	$ 591	$ 159	**$ 1,289**	$ 277
Average tangible common equity (non-GAAP)	**12,531**	13,025	12,902	**12,779**	12,658
Return on average tangible common equity from continuing operations (non-GAAP)	**22.34 %**	18.25 %	4.96 %	**20.34 %**	4.40 %
Return on average tangible common equity consolidated					
Net income (loss) attributable to Key common shareholders (GAAP)	**$ 703**	$ 595	$ 161	**$ 1,298**	$ 280
Average tangible common equity (non-GAAP)	**12,531**	13,025	12,902	**12,779**	12,658
Return on average tangible common equity consolidated (non-GAAP)	**22.50 %**	18.37 %	5.02 %	**20.48 %**	4.45 %

GAAP to Non-GAAP Reconciliations (continued)

(dollars in millions)

	Three months ended			Six months ended	
	6/30/2021	**3/31/2021**	**6/30/2020**	**6/30/2021**	**6/30/2020**
Cash efficiency ratio					
Noninterest expense (GAAP)	**$ 1,076**	$ 1,071	$ 1,013	**$ 2,147**	$ 1,944
Less: Intangible asset amortization	**14**	15	18	**29**	35
Adjusted noninterest expense (non-GAAP)	**$ 1,062**	$ 1,056	$ 995	**$ 2,118**	$ 1,909
Net interest income (GAAP)	**$ 1,017**	$ 1,005	$ 1,018	**$ 2,022**	$ 1,999
Plus: Taxable-equivalent adjustment	**6**	7	7	**13**	15
Noninterest income	**750**	738	692	**1,488**	1,169
Total taxable-equivalent revenue (non-GAAP)	**$ 1,773**	$ 1,750	$ 1,717	**$ 3,523**	$ 3,183
Cash efficiency ratio (non-GAAP)	**59.9 %**	60.3 %	57.9 %	**60.1 %**	60.0 %

(a) For the three months ended June 30, 2021, March 31, 2021, and June 30, 2020, intangible assets exclude $4 million, $4 million, and $5 million, respectively, of period-end purchased credit card receivables.
(b) Net of capital surplus.
(c) For the three months ended June 30, 2021, March 31, 2021, and June 30, 2020, average intangible assets exclude $4 million, $4 million, and $6 million, respectively, of average purchased credit card receivables. For the six months ended June 30, 2021, and June 30, 2020, average intangible assets exclude $4 million and $6 million, respectively, of average purchased credit card receivables

GAAP = U.S. generally accepted accounting principles

Consolidated Balance Sheets

(dollars in millions)

	6/30/2021	3/31/2021	6/30/2020
Assets			
Loans	**$ 100,730**	$ 100,926	$ 106,159
Loans held for sale	**1,537**	2,296	2,007
Securities available for sale	**34,638**	33,923	23,600
Held-to-maturity securities	**6,175**	6,857	9,075
Trading account assets	**851**	811	645
Short-term investments	**20,460**	15,376	14,036
Other investments	**635**	621	655
Total earning assets	**165,026**	160,810	156,177
Allowance for loan and lease losses	**(1,220)**	(1,438)	(1,708)
Cash and due from banks	**792**	938	1,059
Premises and equipment	**785**	737	776
Goodwill	**2,673**	2,673	2,664
Other intangible assets	**159**	173	218
Corporate-owned life insurance	**4,304**	4,296	4,251
Accrued income and other assets	**7,966**	7,347	6,976
Discontinued assets	**630**	667	779
Total assets	**$ 181,115**	176,203	171,192
Liabilities			
Deposits in domestic offices:			
NOW and money market deposit accounts	**$ 85,242**	$ 82,777	$ 78,853
Savings deposits	**6,993**	6,655	5,371
Certificates of deposit ($100,000 or more)	**2,064**	2,437	4,476
Other time deposits	**2,493**	2,782	4,011
Total interest-bearing deposits	**96,792**	94,651	92,711
Noninterest-bearing deposits	**49,280**	47,532	42,802
Total deposits	**146,072**	142,183	135,513
Federal funds purchased and securities sold under repurchase agreements	**211**	281	267
Bank notes and other short-term borrowings	**723**	744	1,716
Accrued expense and other liabilities	**2,957**	2,862	2,420
Long-term debt	**13,211**	12,499	13,734
Total liabilities	**163,174**	158,569	153,650
Equity			
Preferred stock	**1,900**	1,900	1,900
Common shares	**1,257**	1,257	1,257
Capital surplus	**6,232**	6,213	6,240
Retained earnings	**13,689**	13,166	12,154
Treasury stock, at cost	**(5,287)**	(5,005)	(4,945)
Accumulated other comprehensive income (loss)	**150**	103	936
Key shareholders' equity	**17,941**	17,634	17,542
Noncontrolling interests	**—**	—	—
Total equity	**17,941**	17,634	17,542
Total liabilities and equity	**$ 181,115**	$ 176,203	$ 171,192
Common shares outstanding (000)	**960,276**	972,587	975,947

Consolidated Statements of Income

(dollars in millions, except per share amounts)

	Three months ended			Six months ended	
	6/30/2021	3/31/2021	6/30/2020	6/30/2021	6/30/2020
Interest income					
Loans	**$ 888**	$ 889	$ 980	**$ 1,777**	$ 2,006
Loans held for sale	**11**	11	21	**22**	40
Securities available for sale	**133**	130	121	**263**	250
Held-to-maturity securities	**45**	45	56	**90**	118
Trading account assets	**5**	5	5	**10**	13
Short-term investments	**6**	5	7	**11**	13
Other investments	**2**	2	—	**4**	1
Total interest income	**1,090**	1,087	1,190	**2,177**	2,441
Interest expense					
Deposits	**16**	21	96	**37**	265
Federal funds purchased and securities sold under repurchase agreements	**—**	—	—	**—**	6
Bank notes and other short-term borrowings	**3**	1	5	**4**	10
Long-term debt	**54**	60	71	**114**	161
Total interest expense	**73**	82	172	**155**	442
Net interest income	**1,017**	1,005	1,018	**2,022**	1,999
Provision for credit losses	**(222)**	(93)	482	**(315)**	841
Net interest income after provision for credit losses	**1,239**	1,098	536	**2,337**	1,158
Noninterest income					
Trust and investment services income	**133**	133	123	**266**	256
Investment banking and debt placement fees	**217**	162	156	**379**	272
Service charges on deposit accounts	**83**	73	68	**156**	152
Operating lease income and other leasing gains	**36**	38	60	**74**	90
Corporate services income	**55**	64	52	**119**	114
Cards and payments income	**113**	105	91	**218**	157
Corporate-owned life insurance income	**30**	31	35	**61**	71
Consumer mortgage income	**26**	47	62	**73**	82
Commercial mortgage servicing fees	**44**	34	12	**78**	30
Other income	**13**	51	33	**64**	(55)
Total noninterest income	**750**	738	692	**1,488**	1,169
Noninterest expense					
Personnel	**623**	624	572	**1,247**	1,087
Net occupancy	**75**	76	71	**151**	147
Computer processing	**71**	73	56	**144**	111
Business services and professional fees	**51**	50	49	**101**	93
Equipment	**25**	25	25	**50**	49
Operating lease expense	**31**	34	34	**65**	70
Marketing	**31**	26	24	**57**	45
Intangible asset amortization	**14**	15	18	**29**	35
Other expense	**155**	148	164	**303**	307
Total noninterest expense	**1,076**	1,071	1,013	**2,147**	1,944
Income (loss) from continuing operations before income taxes	**913**	765	215	**1,678**	383
Income taxes	**189**	147	30	**336**	53
Income (loss) from continuing operations	**724**	618	185	**1,342**	330
Income (loss) from discontinued operations, net of taxes	**5**	4	2	**9**	3
Net income (loss)	**729**	622	187	**1,351**	333
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	—	**—**	—
Net income (loss) attributable to Key	**$ 729**	$ 622	$ 187	**$ 1,351**	$ 333
Income (loss) from continuing operations attributable to Key common shareholders	**$ 698**	$ 591	$ 159	**$ 1,289**	$ 277
Net income (loss) attributable to Key common shareholders	**703**	595	161	**1,298**	280
Per common share					
Income (loss) from continuing operations attributable to Key common shareholders	**$ .73**	$ .61	$ .16	**$ 1.34**	$ .29
Income (loss) from discontinued operations, net of taxes	**—**	—	—	**.01**	—
Net income (loss) attributable to Key common shareholders [(a)]	**.73**	.62	.17	**1.35**	.29
Per common share — assuming dilution					
Income (loss) from continuing operations attributable to Key common shareholders	**$ .72**	$ .61	$ .16	**$ 1.33**	$ .28
Income (loss) from discontinued operations, net of taxes	**—**	—	—	**.01**	—
Net income (loss) attributable to Key common shareholders [(a)]	**.73**	.61	.17	**1.34**	.29
Cash dividends declared per common share	**$ .185**	$ .185	$ .185	**$ .370**	$ .370
Weighted-average common shares outstanding (000)	**961,292**	964,878	967,147	**957,423**	967,380
Effect of common share options and other stock awards	**9,514**	9,419	4,994	**9,740**	6,892
Weighted-average common shares and potential common shares outstanding (000) [(b)]	**970,806**	974,297	972,141	**967,163**	974,272

(a) Earnings per share may not foot due to rounding.
(b) Assumes conversion of common share options and other stock awards, as applicable.

Consolidated Average Balance Sheets, and Net Interest Income and Yields/Rates From Continuing Operations

(dollars in millions)

	Second Quarter 2021			First Quarter 2021			Second Quarter 2020		
	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]
Assets									
Loans: [b], [c]									
Commercial and industrial [d]	$ 51,808	$ 450	3.52	$ 52,581	$ 453	3.48	$ 60,480	$ 518	3.44
Real estate — commercial mortgage	12,825	117	3.67	12,658	114	3.67	13,510	128	3.80
Real estate — construction	$ 2,149	$ 20	3.68	$ 2,048	$ 19	3.75	$ 1,756	$ 17	3.97
Commercial lease financing	4,060	30	2.98	4,142	31	2.99	4,584	33	2.96
Total commercial loans	$ 70,842	$ 617	3.53	$ 71,429	$ 617	3.50	$ 80,330	$ 696	3.49
Real estate — residential mortgage	11,055	81	2.92	9,699	76	3.12	7,783	69	3.57
Home equity loans	$ 9,089	$ 85	3.76	$ 9,282	$ 85	3.73	$ 9,949	$ 97	3.89
Consumer direct loans	4,910	57	4.69	4,817	56	4.72	4,152	55	5.24
Credit cards	$ 908	$ 22	9.79	$ 933	$ 24	10.45	$ 983	$ 25	10.22
Consumer indirect loans	4,010	32	3.23	4,568	37	3.30	4,744	45	3.82
Total consumer loans	$ 29,972	$ 277	3.74	$ 29,299	$ 278	3.84	$ 27,611	$ 291	4.22
Total loans	100,814	894	3.59	100,728	895	3.60	107,941	987	3.67
Loans held for sale	$ 1,616	$ 11	2.60	$ 1,531	$ 11	2.89	$ 2,463	$ 21	3.50
Securities available for sale [b], [e]	33,623	133	3.13	30,039	130	1.76	20,749	121	2.43
Held-to-maturity securities [b]	$ 6,452	$ 45	2.75	$ 7,188	$ 46	2.53	$ 9,331	$ 56	2.43
Trading account assets	837	5	2.56	848	5	2.15	760	5	2.43
Short-term investments	$ 18,817	$ 6	0.13	$ 16,510	$ 5	0.13	$ 7,892	$ 7	0.31
Other investments [e]	622	2	1.02	614	2	1.40	672	—	0.29
Total earning assets	$ 162,781	$ 1,096	2.72	$ 157,458	$ 1,094	2.81	$ 149,808	$ 1,197	3.22
Allowance for loan and lease losses	(1,442)			(1,623)			(1,413)		
Accrued income and other assets	$ 16,531			$ 16,398			$ 15,704		
Discontinued assets	650			686			793		
Total assets	$ 178,520			$ 172,919			$ 164,892		
Liabilities									
NOW and money market deposit accounts	$ 83,981	$ 9	.05	$ 81,439	$ 10	.05	$ 75,297	$ 56	.30
Savings deposits	6,859	1	.03	6,203	1	.03	5,130	—	.04
Certificates of deposit ($100,000 or more)	$ 2,212	$ 4	.72	$ 2,571	$ 6	.96	$ 4,950	$ 24	1.93
Other time deposits	2,630	2	.38	2,902	4	.57	4,333	16	1.52
Total interest-bearing deposits	$ 95,682	$ 16	.07	$ 93,115	$ 21	.09	$ 89,710	$ 96	.43
Federal funds purchased and securities sold under repurchase agreements	251	—	.02	243	—	.04	242	—	.03
Bank notes and other short-term borrowings	$ 744	$ 3	1.19	$ 878	$ 1	.64	$ 2,869	$ 5	.57
Long-term debt [f], [g]	11,978	54	1.83	12,831	60	1.93	12,954	71	2.30
Total interest-bearing liabilities	$ 108,655	$ 73	.27	$ 107,067	$ 82	.31	$ 105,775	$ 172	.66
Noninterest-bearing deposits	48,640			44,625			38,267		
Accrued expense and other liabilities	$ 3,304			$ 2,772			$ 2,369		
Discontinued liabilities [g]	650			686			793		
Total liabilities	$ 161,249			$ 155,150			$ 147,204		
Equity									
Key shareholders' equity	$ 17,271			$ 17,769			$ 17,688		
Noncontrolling interests	—			—			—		
Total equity	$ 17,271			$ 17,769			$ 17,688		
Total liabilities and equity	$ 178,520			$ 172,919			$ 164,892		
Interest rate spread (TE)			2.45 %			2.50 %			2.56 %
Net interest income (TE) and net interest margin (TE)		1,023	2.52 %		1,012	2.61 %		1,025	2.76 %
TE adjustment [b]		6			7			7	
Net interest income, GAAP basis		$ 1,017			$ 1,005			$ 1,018	

(a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g) below, calculated using a matched funds transfer pricing methodology.
(b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 21% for the three months ended June 30, 2021, March 31, 2021, and June 30, 2020.
(c) For purposes of these computations, nonaccrual loans are included in average loan balances.
(d) Commercial and industrial average balances include $132 million, $126 million, and $135 million of assets from commercial credit cards for the three months ended June 30, 2021, March 31, 2021, and June 30, 2020, respectively.
(e) Yield is calculated on the basis of amortized cost.
(f) Rate calculation excludes basis adjustments related to fair value hedges.
(g) A portion of long-term debt and the related interest expense is allocated to discontinued liabilities as a result of applying Key's matched funds transfer pricing methodology to discontinued operations.

TE = Taxable Equivalent, GAAP = U.S. generally accepted accounting principles

Consolidated Average Balance Sheets, and Net Interest Income and Yields/Rates From Continuing Operations

(dollars in millions)

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]
Assets						
Loans: [b], [c]						
Commercial and industrial [d]	**$ 52,194**	**$ 902**	**3.48 %**	$ 54,973	$ 1,026	3.75 %
Real estate — commercial mortgage	**12,742**	**232**	**3.67**	13,529	283	4.20
Real estate — construction	**2,099**	**39**	**3.71**	1,711	37	4.35
Commercial lease financing	**4,101**	**61**	**2.99**	4,575	72	3.17
Total commercial loans	**71,136**	**1,234**	**3.49**	74,788	1,418	3.81
Real estate — residential mortgage	**10,380**	**154**	**2.97**	7,500	137	3.66
Home equity loans	**9,189**	**173**	**3.79**	10,052	210	4.19
Consumer direct loans	**4,864**	**113**	**4.70**	3,930	109	5.56
Credit cards	**920**	**46**	**10.12**	1,032	56	10.89
Consumer indirect loans	**4,288**	**69**	**3.25**	4,756	91	3.84
Total consumer loans	**29,641**	**555**	**3.77**	27,270	603	4.44
Total loans	**100,777**	**1,789**	**3.58**	102,058	2,021	3.98
Loans held for sale	**1,574**	**22**	**2.74**	2,174	40	3.71
Securities available for sale [b], [e]	**31,841**	**263**	**1.66**	20,960	250	2.46
Held-to-maturity securities [b]	**6,818**	**90**	**2.63**	9,575	118	2.47
Trading account assets	**842**	**10**	**2.35**	913	13	2.73
Short-term investments	**17,670**	**11**	**0.13**	4,828	13	0.52
Other investments [e]	**618**	**4**	**1.21**	643	1	0.34
Total earning assets	**160,140**	**2,189**	**2.75**	141,151	2,456	3.51
Allowance for loan and lease losses	**(1532)**			(1255)		
Accrued income and other assets	**16,463**			15,268		
Discontinued assets	**668**			815		
Total assets	**$ 175,739**			$ 155,979		
Liabilities						
NOW and money market deposit accounts	**$ 82,717**	**20**	**.05**	$ 71,009	168	.47
Savings deposits	**6,533**	**1**	**.03**	4,893	1	.04
Certificates of deposit ($100,000 or more)	**2,390**	**10**	**.85**	5,630	58	2.08
Other time deposits	**2,766**	**6**	**.48**	4,617	38	1.67
Total interest-bearing deposits	**94,406**	**37**	**.08**	86,149	265	.62
Federal funds purchased and securities sold under repurchase agreements	**247**	**—**	**.03**	1,122	6	1.05
Bank notes and other short-term borrowings	**811**	**4**	**.89**	2,135	10	.90
Long-term debt [f], [g]	**12,402**	**114**	**1.87**	12,698	161	2.62
Total interest-bearing liabilities	**107,866**	**155**	**.29**	102,104	442	.87
Noninterest-bearing deposits	**46,638**			33,004		
Accrued expense and other liabilities	**3,048**			2,604		
Discontinued liabilities [g]	**668**			815		
Total liabilities	**158,220**			138,527		
Equity						
Key shareholders' equity	**17,519**			17,452		
Noncontrolling interests	**—**			—		
Total equity	**17,519**			17,452		
Total liabilities and equity	**$ 175,739**			$ 155,979		
Interest rate spread (TE)			**2.46 %**			2.64 %
Net interest income (TE) and net interest margin (TE)		**2,035**	**2.56 %**		2,014	2.88 %
TE adjustment [b]		**13**			15	
Net interest income, GAAP basis		**$ 2,022**			$ 1,999	

(a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g) below, calculated using a matched funds transfer pricing methodology.
(b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 21% for the six months ended June 30, 2021, and June 30, 2020, respectively.
(c) For purposes of these computations, nonaccrual loans are included in average loan balances.
(d) Commercial and industrial average balances include $129 million and $140 million of assets from commercial credit cards for the six months ended June 30, 2021, and June 30, 2020, respectively.
(e) Yield is calculated on the basis of amortized cost.
(f) Rate calculation excludes basis adjustments related to fair value hedges.
(g) A portion of long-term debt and the related interest expense is allocated to discontinued liabilities as a result of applying Key's matched funds transfer pricing methodology to discontinued operations.

TE = Taxable Equivalent, GAAP = U.S. generally accepted accounting principles

Noninterest Expense

(dollars in millions)

	Three months ended			Six months ended	
	6/30/2021	3/31/2021	6/30/2020	**6/30/2021**	6/30/2020
Personnel [a]	**$ 623**	$ 624	$ 572	**$ 1,247**	$ 1,087
Net occupancy	**75**	76	71	**151**	147
Computer processing	**71**	73	56	**144**	111
Business services and professional fees	**51**	50	49	**101**	93
Equipment	**25**	25	25	**50**	49
Operating lease expense	**31**	34	34	**65**	70
Marketing	**31**	26	24	**57**	45
Intangible asset amortization	**14**	15	18	**29**	35
Other expense	**155**	148	164	**303**	307
Total noninterest expense	**$ 1,076**	$ 1,071	$ 1,013	**$ 2,147**	$ 1,944
Average full-time equivalent employees [b]	**17,157**	17,086	16,646	**17,122**	16,587

(a) Additional detail provided in Personnel Expense table below.
(b) The number of average full-time equivalent employees has not been adjusted for discontinued operations.

Personnel Expense

(in millions)

	Three months ended			Six months ended	
	6/30/2021	3/31/2021	6/30/2020	**6/30/2021**	6/30/2020
Salaries and contract labor	$ 321	$ 320	$ 332	**$ 641**	$ 648
Incentive and stock-based compensation	210	196	162	**406**	264
Employee benefits	92	107	76	**199**	168
Severance	—	1	2	**1**	7
Total personnel expense	$ 623	$ 624	$ 572	**$ 1,247**	$ 1,087

Loan Composition

(dollars in millions)

	6/30/2021	3/31/2021	6/30/2020	Percent change 6/30/2021 vs 3/31/2021	Percent change 6/30/2021 vs 6/30/2020
Commercial and industrial [a]	**$ 50,672**	$ 52,486	$ 58,297	(3.5)%	(13.1)%
Commercial real estate:					
Commercial mortgage	**12,965**	12,702	13,465	2.1	(3.7)
Construction	**2,132**	2,122	1,919	.5	11.1
Total commercial real estate loans	**15,097**	14,824	15,384	1.8	(1.9)
Commercial lease financing [b]	**4,061**	4,104	4,524	(1.0)	(10.2)
Total commercial loans	**69,830**	71,414	78,205	(2.2)	(10.7)
Residential — prime loans:					
Real estate — residential mortgage	**12,131**	10,300	8,149	17.8	48.9
Home equity loans	**9,047**	9,158	9,782	(1.2)	(7.5)
Total residential — prime loans	**21,178**	19,458	17,931	8.8	18.1
Consumer direct loans	**5,049**	4,862	4,327	3.8	16.7
Credit cards	**923**	909	974	1.5	(5.2)
Consumer indirect loans	**3,750**	4,283	4,722	(12.4)	(20.6)
Total consumer loans	**30,900**	29,512	27,954	4.7	10.5
Total loans [c], [d]	**$ 100,730**	$ 100,926	$ 106,159	(.2)%	(5.1)%

(a) Loan balances include $135 million, $126 million, and $132 million of commercial credit card balances at June 30, 2021, March 31, 2021, and June 30, 2020, respectively.
(b) Commercial lease financing includes receivables held as collateral for a secured borrowing of $19 million, $21 million, and $18 million at June 30, 2021, March 31, 2021, and June 30, 2020, respectively. Principal reductions are based on the cash payments received from these related receivables.
(c) Total loans exclude loans of $636 million at June 30, 2021, $675 million at March 31, 2021, and $780 million at June 30, 2020, related to the discontinued operations of the education lending business.
(d) Accrued interest of $225 million, $241 million, and $225 million at June 30, 2021, March 31, 2021, and June 30, 2020, respectively, presented in "other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.

Loans Held for Sale Composition

(dollars in millions)

	6/30/2021	3/31/2021	6/30/2020	Percent change 6/30/2021 vs 3/31/2021	Percent change 6/30/2021 vs 6/30/2020
Commercial and industrial	**$ 233**	$ 1,175	$ 419	(80.2)%	(44.4)%
Real estate — commercial mortgage	**1,073**	837	1,107	28.2	(3.1)
Commercial lease financing	**—**	—	—	N/M	N/M
Real estate — residential mortgage	**231**	236	250	(2.1)	(7.6)
Consumer direct loans	**—**	48	231	N/M	N/M
Total loans held for sale	**$ 1,537**	$ 2,296	$ 2,007	(33.1)%	(23.4)%

N/M = Not Meaningful

Summary of Changes in Loans Held for Sale

(in millions)

	2Q21	1Q21	4Q20	3Q20	2Q20
Balance at beginning of period	**$ 2,296**	$ 1,583	$ 1,724	$ 2,007	$ 2,143
New originations	**3,573**	4,010	3,835	3,282	3,621
Transfers from (to) held to maturity, net	**(71)**	83	(24)	75	(15)
Loan sales	**(4,195)**	(3,303)	(3,932)	(3,583)	(3,679)
Loan draws (payments), net	**(27)**	(73)	(19)	(57)	(61)
Valuation and other adjustments	**(39)**	(4)	—	—	(2)
Balance at end of period	**$ 1,537**	$ 2,296	$ 1,583	$ 1,724	$ 2,007

Summary of Loan and Lease Loss Experience From Continuing Operations
(dollars in millions)

	Three months ended			Six months ended	
	6/30/2021	3/31/2021	6/30/2020	**6/30/2021**	6/30/2020
Average loans outstanding	**$100,814**	$100,728	$107,941	**$100,777**	$102,058
Allowance for loan and lease losses at the end of the prior period	**$ 1,438**	$ 1,626	$ 1359	**$ 1,626**	$ 900
Cumulative effect from change in accounting principle [a]	**—**	—	—	**—**	204
Allowance for loan and lease losses at the beginning of the period	**1,438**	1,626	1,359	**1,626**	1,104
Loans charged off:					
Commercial and industrial	**41**	73	71	**114**	351
Real estate — commercial mortgage	**4**	35	2	**39**	19
Real estate — construction	**—**	—	—	**—**	—
Total commercial real estate loans	**4**	35	2	**39**	19
Commercial lease financing	**—**	4	4	**4**	35
Total commercial loans	**45**	112	77	**157**	405
Real estate — residential mortgage	**1**	—	2	**1**	2
Home equity loans	**4**	2	2	**6**	11
Consumer direct loans	**7**	8	10	**15**	37
Credit cards	**9**	6	12	**15**	39
Consumer indirect loans	**5**	7	7	**12**	28
Total consumer loans	**26**	23	33	**49**	117
Total loans charged off	**71**	135	110	**206**	522
Recoveries:					
Commercial and industrial	**32**	8	5	**40**	34
Real estate — commercial mortgage	**6**	1	—	**7**	3
Real estate — construction	**—**	—	—	**—**	—
Total commercial real estate loans	**6**	1	—	**7**	3
Commercial lease financing	**—**	1	1	**1**	1
Total commercial loans	**38**	10	6	**48**	38
Real estate — residential mortgage	**—**	1	—	**1**	1
Home equity loans	**1**	1	1	**2**	7
Consumer direct loans	**2**	2	2	**4**	7
Credit cards	**3**	2	2	**5**	8
Consumer indirect loans	**5**	5	3	**10**	18
Total consumer loans	**11**	11	8	**22**	41
Total recoveries	**49**	21	14	**70**	78
Net loan charge-offs	**(22)**	(114)	(96)	**(136)**	(443)
Provision (credit) for loan and lease losses	**(196)**	(74)	445	**(270)**	965
Allowance for loan and lease losses at end of period	**$ 1,220**	$ 1,438	$ 1,708	**$ 1,220**	$ 1,626
Liability for credit losses on lending-related commitments at the end of the prior period	**$ 178**	$ 197	$ 161	**$ 197**	$ 68
Liability for credit losses on contingent guarantees at the end of the prior period	**—**	—	—	**—**	7
Cumulative effect from change in accounting principle [a], [b]	**—**	—	—	**—**	66
Liability for credit losses on lending-related commitments at beginning of period	**178**	197	161	**197**	141
Provision (credit) for losses on lending-related commitments	**(26)**	(19)	37	**(45)**	56
Liability for credit losses on lending-related commitments at end of period [c]	**$ 152**	$ 178	$ 198	**$ 152**	$ 197
Total allowance for credit losses at end of period	**$ 1,372**	$ 1,616	$ 1,906	**$ 1,372**	$ 1,823
Net loan charge-offs to average total loans	**.09 %**	.46 %	.36 %	**.27 %**	.35 %
Allowance for loan and lease losses to period-end loans	**1.21**	1.42	1.61	**1.21**	1.61
Allowance for credit losses to period-end loans	**1.36**	1.60	1.80	**1.36**	1.80
Allowance for loan and lease losses to nonperforming loans	**175.8**	197.5	224.7	**175.8**	224.7
Allowance for credit losses to nonperforming loans	**197.7**	222.0	250.8	**197.7**	250.8
Discontinued operations — education lending business:					
Loans charged off	**$ 1**	1	$ 2	**$ 2**	$ 5
Recoveries	**—**	1	2	**1**	5
Net loan charge-offs	**$ (1)**	—	$ —	**(1)**	$ (1)

(a) The cumulative effect from change in accounting principle relates to the January 1, 2020, adoption of ASU 2016-13.
(b) Six months ended June 30, 2020, excludes $4 million related to the provision for other financial assets as a result of the change in accounting principle.
(c) Included in "Accrued expense and other liabilities" on the balance sheet.

Asset Quality Statistics From Continuing Operations

(dollars in millions)

	2Q21	1Q21	4Q20	3Q20	2Q20
Net loan charge-offs	$ 22	$ 114	$ 135	$ 128	$ 96
Net loan charge-offs to average total loans	.09 %	.46 %	.53 %	.49 %	.36 %
Allowance for loan and lease losses	$ 1,220	$ 1,438	$ 1,626	$ 1,730	$ 1,708
Allowance for credit losses [(a)]	1,372	1,616	1,823	1,938	1,906
Allowance for loan and lease losses to period-end loans	1.21 %	1.42 %	1.61 %	1.68 %	1.61 %
Allowance for credit losses to period-end loans	1.36	1.60	1.80	1.88	1.80
Allowance for loan and lease losses to nonperforming loans	175.8	197.5	207.1	207.4	224.7
Allowance for credit losses to nonperforming loans	197.7	222.0	232.2	232.4	250.8
Nonperforming loans at period end	$ 694	$ 728	$ 785	$ 834	$ 760
Nonperforming assets at period end	738	790	937	1,003	951
Nonperforming loans to period-end portfolio loans	.69 %	.72 %	.78 %	.81 %	.72 %
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	.73	.78	.92	.97	.89

(a) Includes the allowance for loan and lease losses plus the liability for credit losses on lending-related commitments.

Summary of Nonperforming Assets and Past Due Loans From Continuing Operations

(dollars in millions)

	6/30/2021	3/31/2021	12/31/2020	9/30/2020	6/30/2020
Commercial and industrial	**$ 355**	$ 387	$ 385	$ 459	$ 404
Real estate — commercial mortgage	**66**	66	104	104	91
Real estate — construction	**—**	—	—	1	1
Total commercial real estate loans	**66**	66	104	105	92
Commercial lease financing	**7**	8	8	6	9
Total commercial loans	**428**	461	497	570	505
Real estate — residential mortgage	**99**	95	110	96	89
Home equity loans	**146**	148	154	146	141
Consumer direct loans	**4**	5	5	3	3
Credit cards	**3**	3	2	2	2
Consumer indirect loans	**14**	16	17	17	20
Total consumer loans	**266**	267	288	264	255
Total nonperforming loans	**694**	728	785	834	760
OREO	**9**	12	100	105	112
Nonperforming loans held for sale	**32**	47	49	61	75
Other nonperforming assets	**3**	3	3	3	4
Total nonperforming assets	**$ 738**	$ 790	$ 937	$ 1,003	$ 951
Accruing loans past due 90 days or more	**74**	92	86	73	87
Accruing loans past due 30 through 89 days	**190**	191	241	336	419
Restructured loans — accruing and nonaccruing [(a)]	**334**	376	363	306	310
Restructured loans included in nonperforming loans [(a)]	**177**	192	229	168	166
Nonperforming assets from discontinued operations — education lending business	**5**	5	5	6	7
Nonperforming loans to period-end portfolio loans	**.69 %**	.72 %	.78 %	.81 %	.72 %
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	**.73**	.78	.92	.97	.89

(a) Restructured loans (i.e., troubled debt restructuring) are those for which Key, for reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. These concessions are made to improve the collectability of the loan and generally take the form of a reduction of the interest rate, extension of the maturity date or reduction in the principal balance.

Summary of Changes in Nonperforming Loans From Continuing Operations

(in millions)

	2Q21	1Q21	4Q20	3Q20	2Q20
Balance at beginning of period	**$ 728**	$ 785	$ 834	$ 760	$ 632
Loans placed on nonaccrual status	**186**	196	300	387	293
Charge-offs	**(74)**	(135)	(160)	(150)	(111)
Loans sold	**(10)**	(13)	(9)	(6)	(5)
Payments	**(92)**	(37)	(83)	(83)	(29)
Transfers to OREO	**—**	(3)	(3)	—	—
Transfers to nonperforming loans held for sale	**—**	—	—	—	—
Loans returned to accrual status	**(44)**	(65)	(94)	(74)	(20)
Balance at end of period	**$ 694**	$ 728	$ 785	$ 834	$ 760

Line of Business Results

(dollars in millions)

	2Q21	1Q21	4Q20	3Q20	2Q20	Percentage change 2Q21 vs. 1Q21	Percentage change 2Q21 vs. 2Q20
Consumer Bank							
Summary of operations							
Total revenue (TE)	**$ 854**	$ 867	$ 899	$ 866	$ 835	(1.5)%	2.3 %
Provision for credit losses	**(70)**	(23)	(5)	(3)	155	(204.3)	145.2
Noninterest expense	**584**	601	606	567	552	(2.8)	5.8
Net income (loss) attributable to Key	**259**	220	228	231	98	17.7	164.3
Average loans and leases	**40,598**	39,249	39,455	38,476	37,300	3.4	8.8
Average deposits	**88,412**	85,033	82,854	82,836	79,235	4.0	11.6
Net loan charge-offs	**34**	36	28	23	40	(5.6)	(15.0)
Net loan charge-offs to average total loans	**.34 %**	.37 %	.28 %	.24 %	.43 %	(8.1)	(20.9)
Nonperforming assets at period end	**$ 274**	$ 345	$ 374	$ 353	$ 332	(20.6)	(17.5)
Return on average allocated equity	**28.74 %**	26.10 %	25.95 %	26.44 %	11.50 %	10.1	149.9
Commercial Bank							
Summary of operations							
Total revenue (TE)	**$ 874**	$ 859	$ 923	$ 813	$ 879	1.7 %	(.6)%
Provision for credit losses	**(131)**	(67)	44	150	326	95.5	(120.6)
Noninterest expense	**451**	443	498	447	441	1.8	2.3
Net income (loss) attributable to Key	**434**	384	311	174	106	13.0	309.4
Average loans and leases	**59,953**	61,221	62,016	66,264	70,336	(2.1)	(14.8)
Average loans held for sale	**1,341**	1,237	1,285	1,383	2,012	8.4	(33.3)
Average deposits	**54,814**	51,894	52,489	51,585	47,954	5.6	14.3
Net loan charge-offs	**9**	78	108	103	57	(88.5)	(84.2)
Net loan charge-offs to average total loans	**.06 %**	.52 %	.69 %	.62 %	.33 %	N/A	N/A
Nonperforming assets at period end	**$ 464**	$ 441	$ 558	$ 645	$ 616	5.2	(24.7)
Return on average allocated equity	**20.79 %**	17.45 %	23.87 %	13.43 %	8.66 %	N/A	N/A

TE = Taxable Equivalent, N/A = Not Applicable, N/M = Not Meaningful