HOLDCO
ASSET MANAGEMENT

To The Independent Directors of KeyCorp: Read My Lips: No New Acquisitions

December 5, 2025

<u>The Independent Directors</u>

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I. How We Arrived at This Moment

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Read My Lips: No New Taxes[a] — Shareholders Are Tired of The Dilution Tax. When It Comes To Bank Acquisitions, Your Conflicted Chairman[b] Is — Most of The Time — Saying What His Constituents Want to Hear. And What They Want to Hear Is: "I Won't Do Them."

2/11/2025

*"It's **not an area of focus for me right now [M&A].** And the reason it's not an area of focus is we have so many tailwinds behind us..."*

-Conference, Chris Gorman

5/28/2025

*"I think we need to prove to the market that we can execute the plan that we have, which is a **very significant organic growth plan.**"*

-Conference, Chris Gorman

5/28/2025

*"...our **Board authorized a $1 billion share repurchase**...want the flexibility of potentially going into the market and doing a share repurchase."*

-Conference, Chris Gorman

10/16/2025

*"Specifically as it relates to bank **M&A, that's pretty far down the capital priorities.**"*

-3Q Earnings, Chris Gorman

11/5/2025

*"[Do you feel like you need to make this happen, **do you need to participate?**] No **we really don't, we have a great path for organic growth** which creates a ton of value..."*

-Bloomberg TV, Chris Gorman

11/6/2025

*"Our capital priorities haven't changed, right? And **very, very low down on that list is depository M&A.**"*

*"So candidly, we're just **not spending a lot of time on that** right now."*

-Conference, Clark Khayat

2/2025 | 3/2025 | 4/2025 | 5/2025 | 6/2025 | 7/2025 | 8/2025 | 9/2025 | 10/2025 | 11/2025 | 12/2025

Source: *S&P Global, KeyCorp Presents at Bank of America Securities Financial Services Conference (2/11/2025); S&P Global, KeyCorp Presents at Bernstein 41st Annual Strategic Decisions Conference (5/28/2025); S&P Global, KEY Q3 2025 Earnings Call (10/16/2025); Bloomberg TV (11/5/2025); S&P Global, KeyCorp Presents at The BancAnalysts Association of Boston Conference (11/6/2025).*

(a) The phrase "Read My Lips: No New Taxes" is used here as a humorous paraphrase of management's public comments regarding acquisitions and is not intended as an exact quotation.

(b) We refer to Mr. Gorman as the "Conflicted Chairman" because, in our view, he faces material conflicts of interest in evaluating and/or negotiating future acquisitions — in large part because executive compensation in banking is often strongly correlated with balance-sheet size — that may influence his incentives. Our assessment is based solely on publicly available disclosures, and we make no allegation of wrongdoing.

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But How Can He Be Trusted When He Gives Statements Like These To The Press?

"America's regional banks are staking their claims to states primed for growth, focusing on Florida, Texas and other parts of the US South with expanding populations and increasing wealth. KeyCorp, meanwhile, is eyeing a different region: the Northwest.

A commercial bank at its core, Cleveland-based KeyCorp plans to push westward to increase its share of retail deposits in new-economy states such as Washington, home to blue-chip names including Microsoft Corp. and Amazon.com Inc.

"I think the markets in the Pacific Northwest are very rational markets," Chief Executive Officer Chris Gorman said in an interview. "There's no question that there has been a tremendous amount of wealth created in the Pacific Northwest."

The race is heating up among the nation's top regional banks to secure dominant positions in markets outside their home bases. KeyCorp's peers in Ohio — Cincinnati-based Fifth Third Bancorp and Huntington Bancshares Inc., headquartered in Columbus — are charging into the South. After years of branch building, they're striking some of the year's biggest bank deals.

Huntington agreed last month to buy Cadence Bank for $7.4 billion, its second major acquisition this year to expand in southern and southeastern states. Earlier in October, Fifth Third said it's purchasing Dallas-based Comerica Inc. — the largest US bank takeover of 2025 — as part of its southeastern push.

"Across the industry there is a feeling that there's definitely a window to do deals right now," said Brian Foran, a managing director at Truist Securities. "I do think it's creating a sense of urgency across the industry to really figure out what you want to do here."

The way Gorman sees it, KeyCorp has a great path for organic growth and will focus on that. If he were to consider potential bank acquisitions, however, the Northwest would be the most strategic market for his company to target.

"You can't look at your business in kind of two- and three-year increments," Gorman said. "You got to take the long view."

\- Bloomberg, "KeyCorp Turns to Northwest as Regional Banks Plot US Expansions" (11/12/2025)

"Bloomberg's report on Wednesday that KeyCorp is turning Northwest for growth sent shares of the lender lower, as it reconfirmed a widely held view that bank mergers and acquisitions among regional lenders is set to continue, according to Stephens. The share move also pointed to KeyCorp as a next possible target for activist investor HoldCo, Stephens analysts added."

"The report reconfirmed a popular view that M&A activity, including among the Super Regional banks, will persist and that the Northwest is a priority market for KeyCorp," Stephens analyst Terry McEvoy wrote in a note

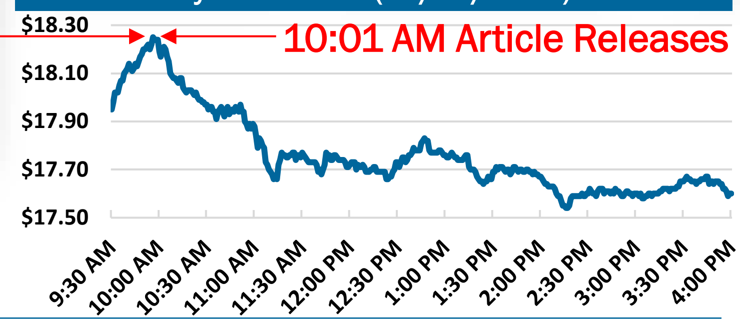
"Last week, we wondered to ourselves who could be next to see a HoldCo presentation: CFG (2 mil. shares) or KEY (5 mil. shares). After yesterday, we may have our answer," McEvoy wrote

KeyCorp has discussed on multiple occasions "taking share in the West and the region's attractive demographics"

KeyCorp shares closed 1.6% lower on Wednesday; the KBW Bank Index rose 1.2%

\- Bloomberg, "KeyCorp's Shares Declined After M&A Speculation" (11/13/2025)

KEY Intraday Stock Price (11/12/2025)



Gorman makes these acquisition-happy statements, and KEY's stock immediately tanks minutes later

Source: S&P Capital IQ Pro; Bloomberg, *KeyCorp Turns to Northwest as Regional Banks Plot US Expansions* (11/12/2025); Bloomberg, KeyCorp's Shares Declined After M&A Speculation, Stephens Says (11/13/2025).

Or In Light of Market Fears That KEY Was Bidding — Alongside PNC — In The FirstBank Holding Co. Auction, a Process Clearly Run To Maximize Price, Unlike Some of The Friendlier "Sale Processes" We've Seen Lately?

"Between late June and early July 2025, representatives of Goldman Sachs and Morgan Stanley contacted eight potential counterparties, including PNC, to gauge their interest in a potential strategic transaction with FBHC. FBHC subsequently entered into customary confidentiality agreements with six such parties…

…On August 18, 2025, all six counterparties submitted non-binding indications of interest…aggregate consideration offered in these proposals ranged from $3.25 billion to $3.8 billion. PNC's initial indication of interest had an indicative aggregate valuation of $3.75 billion…

…On August 30, 2025, PNC and representatives of Morgan Stanley discussed PNC's ability and interest in entering into a transaction on an accelerated time frame, targeting a September 5, 2025 execution date...

…On August 31, 2025, FBHC's CEO conducted a further series of calls…[the FBHC] directors agreed that, if PNC was willing to sufficiently increase its purchase price, they would support working with PNC's accelerated timeframe…On August 31, FBHC's CEO called PNC's CEO…In the conversations, PNC's CEO initially offered to increase the aggregate price to $4 billion and FBHC's CEO requested $4.25 billion. The CEOs ultimately agreed on an implied aggregate purchase price valuation of $4.125 billion..."

- PNC / FirstBank S-4 (10/7/2025)[a]

KEY Potential Involvement

*"I assume **KeyCorp may have been one of multiple unnamed bidders listed in the S-4 filing for Denver-based FirstBank Holding Co.**, which PNC Financial Services Group Inc. is in the process of acquiring."*

- S&P Global, Capital management religion (11/24/2025)

FirstBank's (FBHC) Marketing Process[a]

2022 Process	• Reached out to 13 counterparties • 6 signed confidentiality agreements • 4 submitted first round IOIs • FBHC passed on the IOIs
2025 Process	• Reached out to 6 counterparties • All 6 submitted IOIs with valuation ranges of $3.25-$3.8Bn • 3 selected to proceed to Round 2 • PNC offered accelerated timeframe • PNC and FBHC settled on $4.125Bn valuation, +$375MM vs. initial offer

Relative Resilience of Currency After Recent Merger Announcements[c]

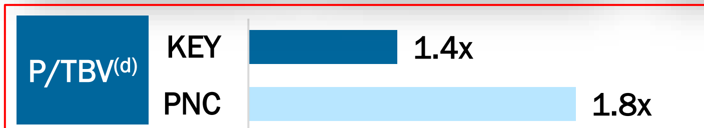
PNC's Offer Had a 3.3 Year Earn-Back[b]

PNC Announces Agreement to Buy FirstBank

Significantly Growing Presence in Colorado & Arizona

September 8, 2025

Key Financial Metrics
- ~ 25% internal rate of return
- 3.8% TBV dilution; earn-back of 3.3 years



If FirstBank was a >3-year earn-back for PNC, what would the earn-back have been using KEY's significantly weaker currency?

Mr. Gorman should tell the public if KEY was a bidder of FirstBank, and if KEY did bid, we believe it should be grounds for immediate termination of Mr. Gorman and the entire board

Source: S&P Capital IQ Pro; S&P Global, Capital management religion (11/24/2025).
(a) PNC and FirstBank S-4 (10/7/25).
(b) PNC Merger Presentation, "PNC Announces Agreement to Acquire FirstBank," (9/8/2025.)
(c) Calculated for PNC as % change in PNC's share price from 9/5/25 close to 9/8/25 close less the change in KRE's price over the same timeframe. Calculated for FITB as % change in FITB's share price from 10/3/25 close to 10/6/25 close less the change in KRE's price over the same timeframe (KRE based on the SPSIRBK Index on Bloomberg, the S&P Regional Banks Select Industry Index).
(d) Market Data as of November 28, 2025.

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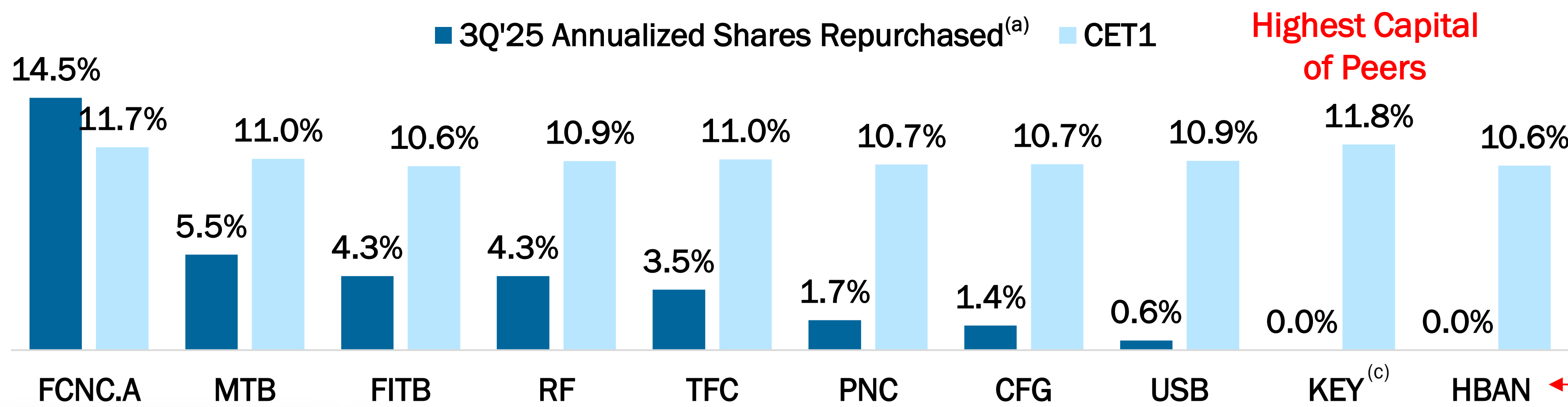
Or Given His Mystifying Reluctance To Deploy Capital Into Buybacks, Even as Peers With Lower Capital Ratios — Precisely Because They Never Raised Dilutive Capital Like KEY — Are Returning Far More To Shareholders?

Recent Repurchase Activity[a] & CET1 vs. Peers[b]



Chris Gorman (Chairman/CEO):
"To this end, consistent with my comments last quarter that we would crawl, walk, run when it comes to share buybacks…"
(3Q25 Earnings Call)

As we titled our Initial Comerica Deck, "If Not Now, Then When?"

And we'd add,

Besides sounding like a warm, fuzzy word salad, why would you "crawl, walk, run" on buybacks instead of buying stock hand-over-fist today — unless there's some other agenda you're not willing to say out loud?

After inexplicably sitting on the sidelines, KEY is finally buying back stock — but in amounts that are utterly insufficient relative to its abundant capital base and trajectory

Has been in acquisition mode

Source: *S&P Capital IQ Pro.*
(a) Measured as 3Q'25 Shares Repurchased annualized as a percentage of Common Shares Outstanding via S&P Capital IQ Pro.
(b) See Appendix for more detail on how the peer group was chosen.
(c) KEY 10Q 3Q25: "We did not complete any open market share repurchases in the third quarter of 2025."

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Or When One Remembers That KEY Executed a Large, Overpriced Deal That Completely Blindsided Investors — and Your Conflicted Chairman, Who Was The "Deal Guy" Behind It, Still Treats It as a Point of Pride?

"When KeyCorp announced in October 2015 that it was buying First Niagara Financial Group in Buffalo, N.Y., for $4.1 billion, the reaction from investors ranged somewhere between disappointment and shock. Though flush with capital that it needed to put to work, Key to that point had given little indication that it was interested in pursuing acquisitions. Investors, who hate surprises to begin with, viewed the price tag — roughly 170% of First Niagara's book value — as too high and the projected revenue gains and cost savings as overly optimistic. They were particularly spooked by the anticipated dilution to tangible book value that Key officials said would take roughly a decade to earn back…

[Former Key CEO] said she can understand why investors reacted negatively to the deal. It was the most significant acquisition in Key's history and among the largest announced since the financial crisis… [Former Key CEO] said shareholders needed assurance that she and her team were up to the task of managing the integration. The merger agreement also surprised the market, and some investors simply needed time to let it sink in, she said. "We had not talked about being acquisitive and we had said that we had everything we needed to succeed, but this was a unique and compelling opportunity," [Former Key CEO] explained during a recent interview in her office on the 56th floor of the KeyBank Tower in downtown Cleveland. "The market didn't see it coming, but we squared our shoulders and went out and explained the rationale for it."

- American Banker (11/29/2017)

"…***I had the privilege of leading our First Niagara acquisition which was the biggest one we've done***…"

– Chris Gorman, Chairman, President & CEO, 2Q2024 Earnings Call (7/18/2024)

KEY itself has acknowledged that shareholders were completely blindsided by this transaction, as it ran directly counter to everything leadership had been telling them

Source: *American Banker, Banker of the Year (11/27/2017); S&P Capital IQ Pro; KEY 2Q24 Earnings Call.*

Or That KEY Is Now Partially Steered By Scotiabank — a So-Called Passive Investor With Board Seats, an Openly Strategic Agenda, and Every Incentive To Use KEY as Its U.S. Outpost — and May, Perhaps at Scotia's Urging, Be Chasing Scale Instead of Delivering What Shareholders Actually Want: a Sale To PNC or WFC, or a Hard Pivot To Buybacks and Returns?

"So first, as you think about the strategic agenda, moving capital from developing markets to developed markets is a huge part of building out this North American corridor. And through that process, we spent a lot of work thinking about the US, and Key was a great company that we had highlighted, complementary to our wholesale capital markets business, wholesale business, strong commercial franchise, growing wealth business and, frankly, a great team, cultural fit, and I had the opportunity to spend a lot of time with Chris and his team. So aligned with -- as we deploy capital into that North American corridor and finding a partner to do that with."

- Scott Thompson (Scotia CEO), Conference Call (8/12/2024)

What exactly is this? Scotiabank calls it a "passive investment," yet their language about "finding a partner" to pursue a "strategic agenda" sounds like they've acquired the company. Board seats, strategic alignment, cross-border collaboration — this looks and sounds like a stealth acquisition. So what are their actual interests?

"Three, we get Board seats out of this, which will allow us to participate in the oversight of Key, but also learn as we've deployed this capital."

- Scott Thompson (Scotia CEO), Conference Call (8/12/2024)

Is Scotiabank treating its stake in KEY as a hands-on learning exercise in U.S. banking — using shareholder capital to fund its strategic education?

"And then lastly, it's a low-risk, low-cost optionality in North America."

- Scott Thompson (Scotia CEO), Conference Call (8/12/2024)

"Low-risk optionality in the U.S.?" What does that even mean? Is this just corporate-speak for Scotiabank angling for a future takeover — using KEY's balance sheet to pave the road, then stepping in when the time is right?

"But make no mistake, this is a -- as I said, this is a strategic investment at a premium. It just so happens that it happens to be by an industry participant."

- Chris Gorman (Keycorp CEO), Conference Call (8/12/2024)

Let's be clear about what we're being asked to accept: Scotiabank injects capital into KEY at a premium as a "strategic investment," secures board representation — and yet claims to have no agenda and to be merely a financial investor that "happens to be an industry participant." Does anyone genuinely find that credible?

"The third-largest Canadian Bank's proposed minority stake in KeyCorp is an unconventional way to generate more U.S. revenue. Analysts say it's a less risky approach than buying an American Bank outright."

"But this month, the bank adopted an unconventional tactic to help drive its U.S. strategy. It intends to pay $2.8 billion for a minority stake in KeyCorp, one of the nation's largest regional banks with operations in 15 states. When the deal closes next year, Scotiabank will be KeyCorp's largest shareholder."

"It's a sharply different approach from other Canadian banks that have expanded in the U.S. – one that involves more caution and less regulatory scrutiny, some analysts said. TD Bank Group, Bank of Montreal and Royal Bank of Canada all have expanded into the U.S. market by acquiring American banks, and each of them have since established substantial U.S. operations."

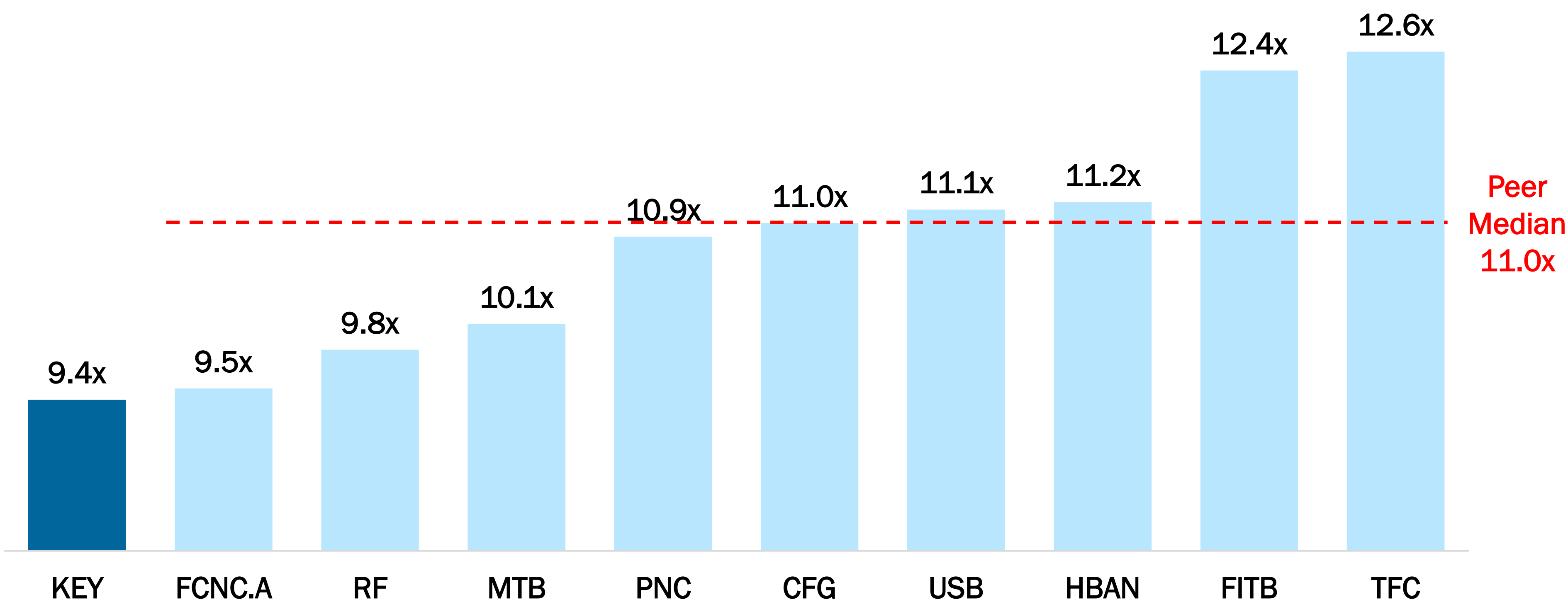
- American Banker, "Scotiabank's cautious U.S. expansion: A departure from Canadian peers" (8/23/2024)

There's no shortage of words to describe how unusual this arrangement is — but we need more than adjectives. We need to know exactly what Scotiabank's board members are pushing for behind closed doors.

Source: *S&P Capital IQ Pro, Transcripts; American Banker, Scotiabank's cautious U.S. expansion: A departure from Canadian peers (8/23/2025).*

But Set The Presidential Metaphors Aside — How Did We Get To a Place Where a Leader With Such a Short, Failure-Laced Tenure Now Seemingly Holds Shareholders Hostage, Dangling The Debasement Of The Cheapest Currency In The Super-Regional Space Instead Of Simply Committing To The Obvious Long-Term Strategy: Buying Back Perennially Cheap Shares?

Price / LTM Core EPS, Adjusted for Excess Capital & Swaps[(a)(b)(c)(d)]



Source: *Bloomberg, S&P Capital IQ Pro, company filings.*

Note: Market data as of 11/28/2025. See Appendix for more detail on how the peer group was chosen.

(a) "Core EPS" based on Bloomberg's Adjusted EPS figures ("IS_COMP_EPS_ADJUSTED", "FPT=LTM"), excluding the impact of swaps (see footnote (c)).

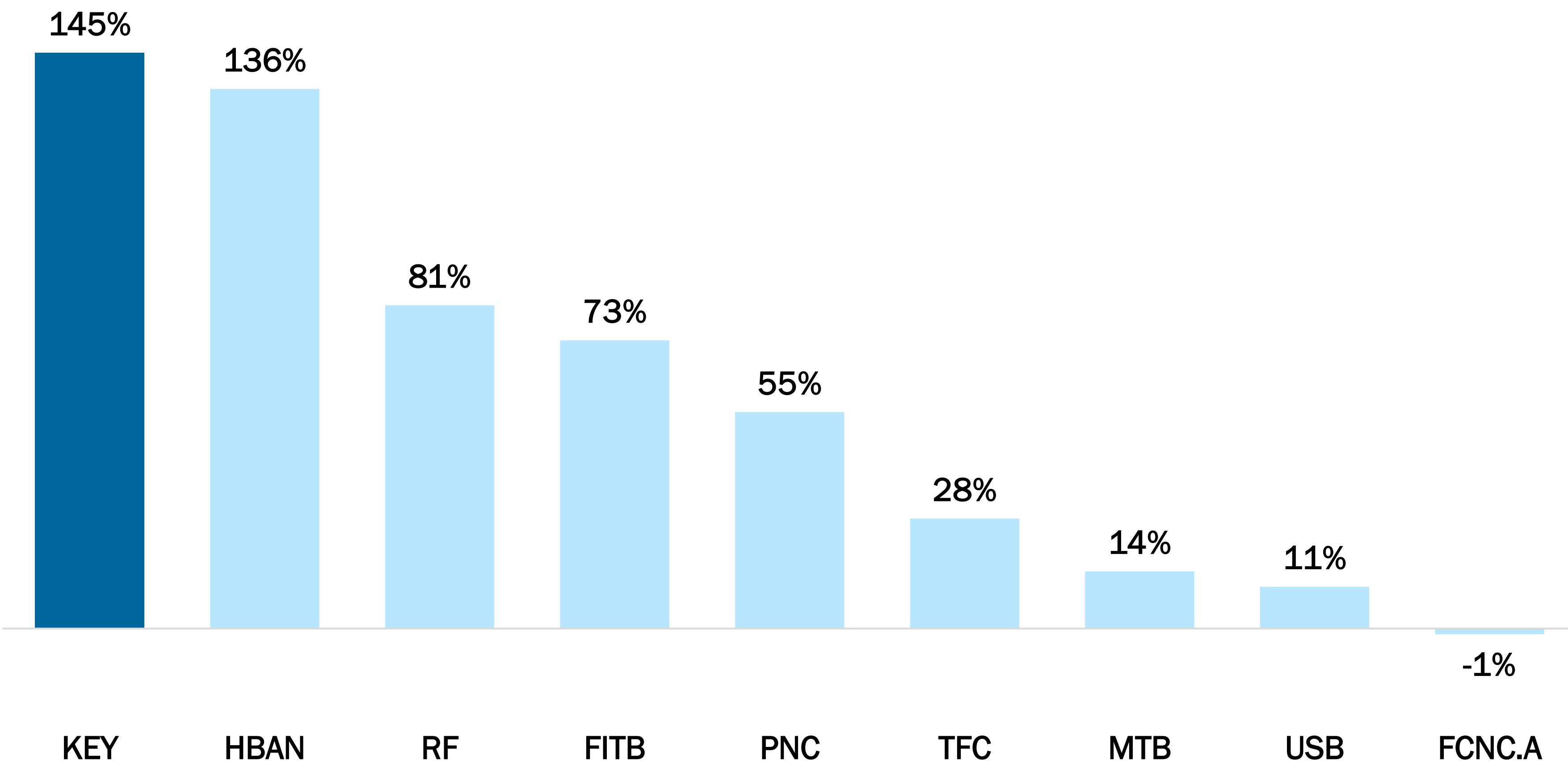
(b) "Excess Capital" defined as amounts greater than 9.75% of "Marked CET1", which is KEY's target CET1 inclusive of AOCI. KEY mentioned in their 2Q25 Earnings Call that they target a 9.5%-10% marked CET1, and HoldCo utilizes the midpoint of this range (9.75%) to normalize for the varied capital levels across the peer group. Excess capital per share is then subtracted from share price. For banks with a Marked CET1 below 9.75%, the capital deficit per share was added back to share price.

(c) Swaps are assumed to be terminated and impacts on earnings from the swaps are excluded for illustrative purposes. Core EPS is presented excluding the impacts of fair value and cash flow swaps on net income. After-tax figures were taken from company filings for banks that disclose them; for banks that do not disclose after-tax impacts on either fair value swaps, cash flow swaps, or both fair value and cash flow swaps, HoldCo utilizes an LTM tax rate from Bloomberg.

(d) "Termination of Swaps" is not assumed to have an impact on "Marked CET1" capital, as changes in fair value swaps already flow through CET1, and AOCI on cash flow swaps is included in the "Marked CET1" figure.

To Answer This, We Need To Go Back In Time. Leading Up To The GFC, In Our View, KEY and HBAN Took The Most Risk, Came Closest To The Edge, and Ultimately Suffered The Deepest Dilution of Any of Their Peers.

Common Share Dilution[(a)] During Great Financial Crisis (2007 to 2011) vs. Peers[(b)]



Source: *S&P Capital IQ Pro.*

(a) Measured as percent change of Common Shares Outstanding via S&P Capital IQ Pro as of period end 2007 to period end 2011.

(b) See Appendix for more detail on how the peer group was chosen. Excludes CFG due to September 2014 Initial Public Offering.

And HBAN's Directors Removed The Prior Regime and Installed New Leadership From The Outside.

*"Hoaglin [Prior HBAN CEO] commented, 'A year **ago the Board and I recognized that we needed to put in place a succession plan. In late summer the Board decided to begin a formal CEO search and engaged the firm of Spencer Stuart to assist**. Today's announcement of the appointment of Steve Steinour represents a highly successful conclusion to the succession process.'"*

- HBAN Press Release (1/14/2009)

*"**Steinour also installed two new board members, both with banking experience, and hired a number of key managers**—including those in credit, strategy and development and commercial real estate. **Others were let go.** "We had some individuals who let the company down in our risk area," he says. "They're not with the company any longer."*

The entire organization was restructured to foster better controls and accountability."

- American Banker, "Back from The Brink" (7/1/2010)

Source: *HBAN Press Release (1/14/2009); American Banker, Back From The Brink (7/1/2010).*

But You Didn't. You Elevated an Internal KEY Executive Who Had Previously Served as CFO of AmSouth In The Years Leading Up To Its Sale To Regions In 2006, The Same AmSouth Whose Florida Exposure Nearly Took Regions Down.

"Regions Financial Corp…reported an unexpected $6.22 billion quarterly loss, reflecting a huge writeoff for its banking business and a surge in soured real estate loans, especially in Florida. The Birmingham, Alabama-based lender said it took a $6 billion non-cash goodwill write-down because the value of its banking and Treasury operations had fallen below book value, following two large mergers earlier this decade."

- Reuters, "Regions Financial has $6.2 billion loss on writeoff" (1/20/2009)[a]

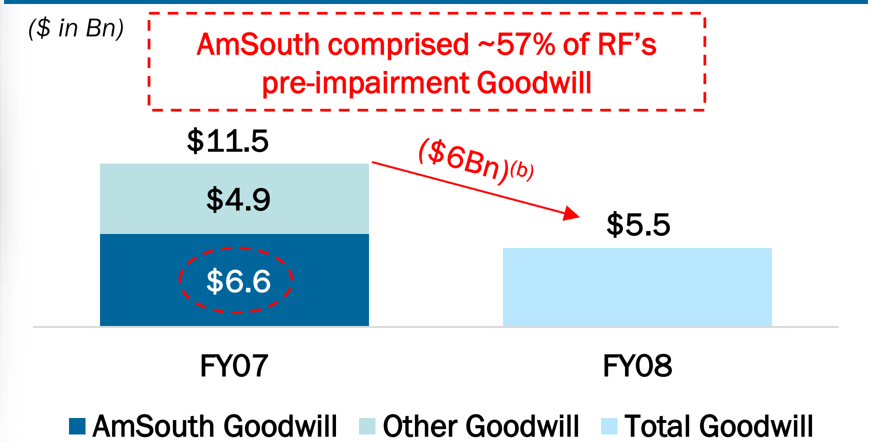
"Problems continue to be centered in our homebuilder, Florida home equity second lien, and condominium portfolios…"

- Dowd Ritter, RF CEO, 4Q08 Earnings Call (1/20/2009)

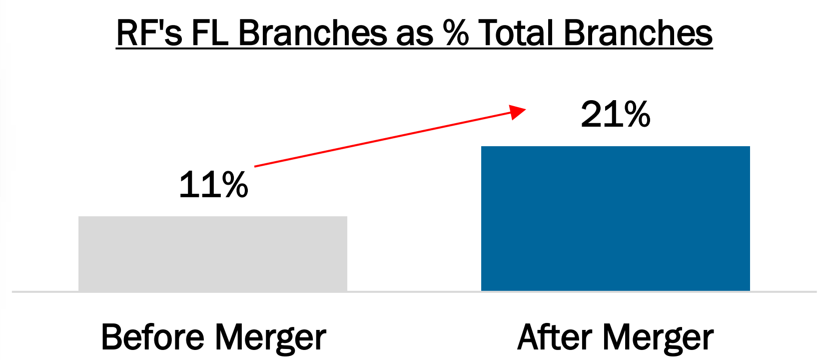
"But in our most stressed markets, nearly all of which are in Florida, [home] prices have fallen much more precipitously, greater than 20% in many markets in fact…contributing heavily is Florida's high and rapidly rising unemployment rate"

- Irene Esteves, RF CFO, 4Q08 Earnings Call (1/20/2009)

RF Recognized a $6Bn Goodwill Impairment…



…as AmSouth Increased RF's Exposure to FL Markets[c]



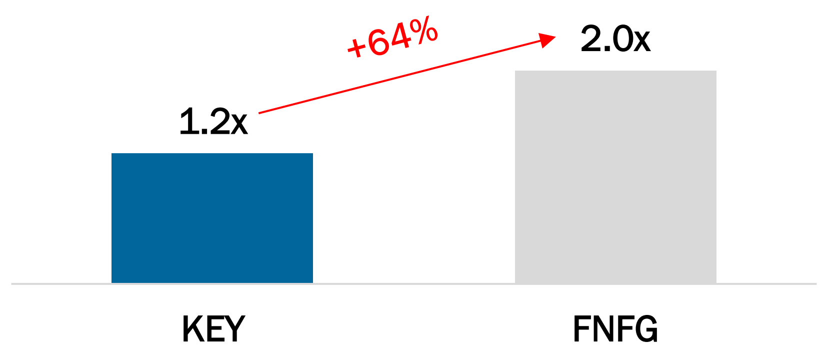
Source: S&P Capital IQ Pro, Earnings Call Transcripts, Reuters, Company filings, FDIC.
(a) Reuters, "Regions Financial has $6.2 billion loss on writeoff" (1/20/2009).
(b) Includes ~$0.1Bn of other, non-goodwill impairment changes.
(c) Calculated using FDIC's deposit data. "Before Merger" refers to FDIC data from 6/30/2006, and "After Merger" refers to FDIC data from 6/30/2007.

And In The Ensuing Years, Rather Than Capitalize On Your Cheap Valuation By Repurchasing Stock and Shrinking Share Count – Reversing Some of The Hyper-Dilution Damage From The GFC – You Did The Exact Opposite…

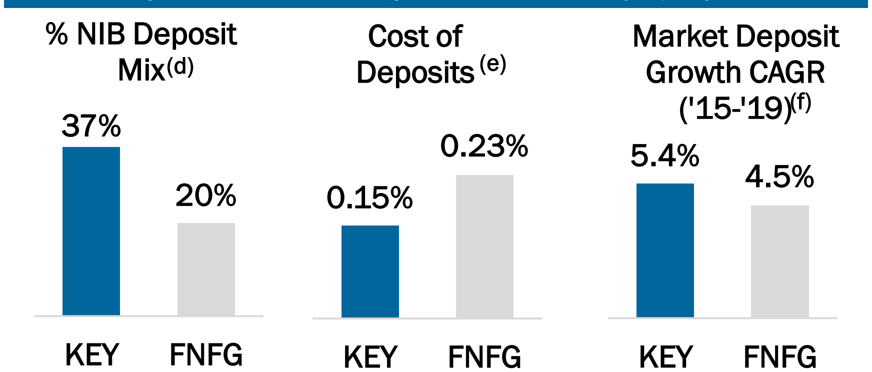
You paid ~2.0x[(a)(b)] TBV for First Niagara ("FNFG") – a deal so large the price was 36% of your own market cap – and issued shares at 1.2x TBV to buy a franchise with worse deposits and lower-growth markets

- KEY's stock fell 7% on the day of announcement, as double-digit TBV dilution, minimal EPS accretion, and cessation of buybacks discouraged investors[(c)]

P / TBV (Excl. FMV Marks & Incl. Restructuring Charges[(a)(b)])



KEY's Deposit Base was Superior to FNFG's (3Q15)



"Could you give us a sense of what the decision tree was in terms of buying a franchise at nearly 2x tangible book after the marks…versus buying back your stock at below 1.3x tangible book?..." – Erika Najarian, BofA Merrill Lynch, M&A Call (10/30/2015)

"…As I look at the opportunity to invest and the ability to be more efficient on our return on assets, our return on equity, our market presence ability to add the clients and grow and efficiently deploy some of our capital, we felt like this was a very strong investment for Key and our shareholders." – Former CEO and Chairwoman, M&A Call (10/30/2015)

Instead of addressing the question with math, management offers canned, cliché responses and seems to think that's acceptable

"The acquired company had a…considerably higher cost of deposits than Key." – John Gregory Micenko, Susquehanna Financial Group, M&A Call (10/30/2015)

Source: *Company filings, S&P Capital IQ Pro, Merger Call and Earnings Transcripts.*
Note: Financial data referenced is from the quarter prior to deal announcement (3Q15). Market price data as of 10/29/15 close (referenced in the Merger Presentation).
(a) FNFG includes the ~$358MM after-tax restructuring charge from the Merger Presentation, which HoldCo assumes to occur on day one.
(b) KEY is pro forma for estimated existing FMV marks from prior deals.
(c) Per KBW. "The combination of these factors (TBV dilution, management guiding to less EPS accretion than hoped, and the elimination of share repurchase activity) may cause a mix shift in KEY's current ownership base." (11/1/15).
(d) "% NIB Deposit Mix" based on period-end balances.
(e) "Cost of Deposits" based on 3-month averages.
(f) "Market Deposit Growth CAGR" calculated using bank deposit market share and state growth data from the FDIC as of 6/30/2015. The "Market Deposit Growth CAGR ('15'19') is a 4-year CAGR calculated using a weighted-average of state growth rates and deposits for each bank by state.

…And a Stated 10-Year Earn Back, Which Is So Absurd It Barely Requires Comment…

Mike Mayo (Research Analyst):

"I think we're in a – correct my thinking here, but what I think is unique here is that you're doing a deal one-third your size using mostly stock. And stock that's trading close to book value. So it seems like you're really using a depressed currency for the biggest deal in your company's history. So I'm just looking for some clarification of numbers that you gave. ***So as it relates to the 6-year payback for tangible book value dilution, that assumes revenue synergies. If you don't have revenue synergies is that payback period 10 years or 15 years or even 20 years? If you could clarify that****…"*

Donald Kimble (Former KEY CFO)

"…And ***the tangible book value payback period is closer to the 10 years time period that you'd talked about without the revenue synergies*** *versus the 6 years within the revenue synergies."*

- KEY / First Niagara M&A Transcript (10/30/2015)

Source: *Bloomberg Call Transcript.*

...Which Resulted In The Worst Tangible Book Value Per Share Dilution and The Longest Earn-Back Period Of Any Large M&A Deal Over The Last 10 Years [a].

TBV / Share Dilution (%) and Earn-Back at Announcement Date: Recent Large Bank Deals Over The Last 10 Years[a][b][c][d]

	KEY-FNFG	PNFP-SNV	FITB-MBFI	HBAN-CADE	HBAN-TCF	UMPQ-COLB	WBS-STL	USB-Union	FITB-CMA	MTB-PBCT	BBT-STI
Earn-Back (Years)	10.0	2.6	6.8	3.0	2.7	2.6	<1Y	1.5	No dilution	Accretive	Accretive
TBV / Share Dilution %	(12.0%)	(9.0%)	(7.7%)	(7.0%)	(7.0%)	(5.9%)	(2.0%)	(1.0%)	0.0%	0.4%	6.0%
Announce-ment Date	10/30/15	7/24/25	5/21/18	10/27/25	12/13/20	10/12/21	4/19/21	9/21/21	10/6/25	2/22/21	2/7/19
MOE?	No	Yes	No	No	No	No	Yes	No	No	No	Yes

Absolute worst compared to any other deals

Source: *Company SEC Filings, S&P Capital IQ Pro and Bloomberg.*

(a) Historical bank deals pulled using a 'SNL Mergers & Acquisitions' screen from S&P Capital IQ Pro based on following criteria: i) banks, savings banks/thrifts for deal type, ii) USA for geography, iii) both pending and completed for deal status. The list of the deals reflects the top 10 largest deals since 2015 (captures every deal above $4.5Bn of deal value), excluding some of the deals that didn't explicitly state the earn-back period (including BMO-BNP, PNC-BBVA, RY-CYN and CM-PVTB).

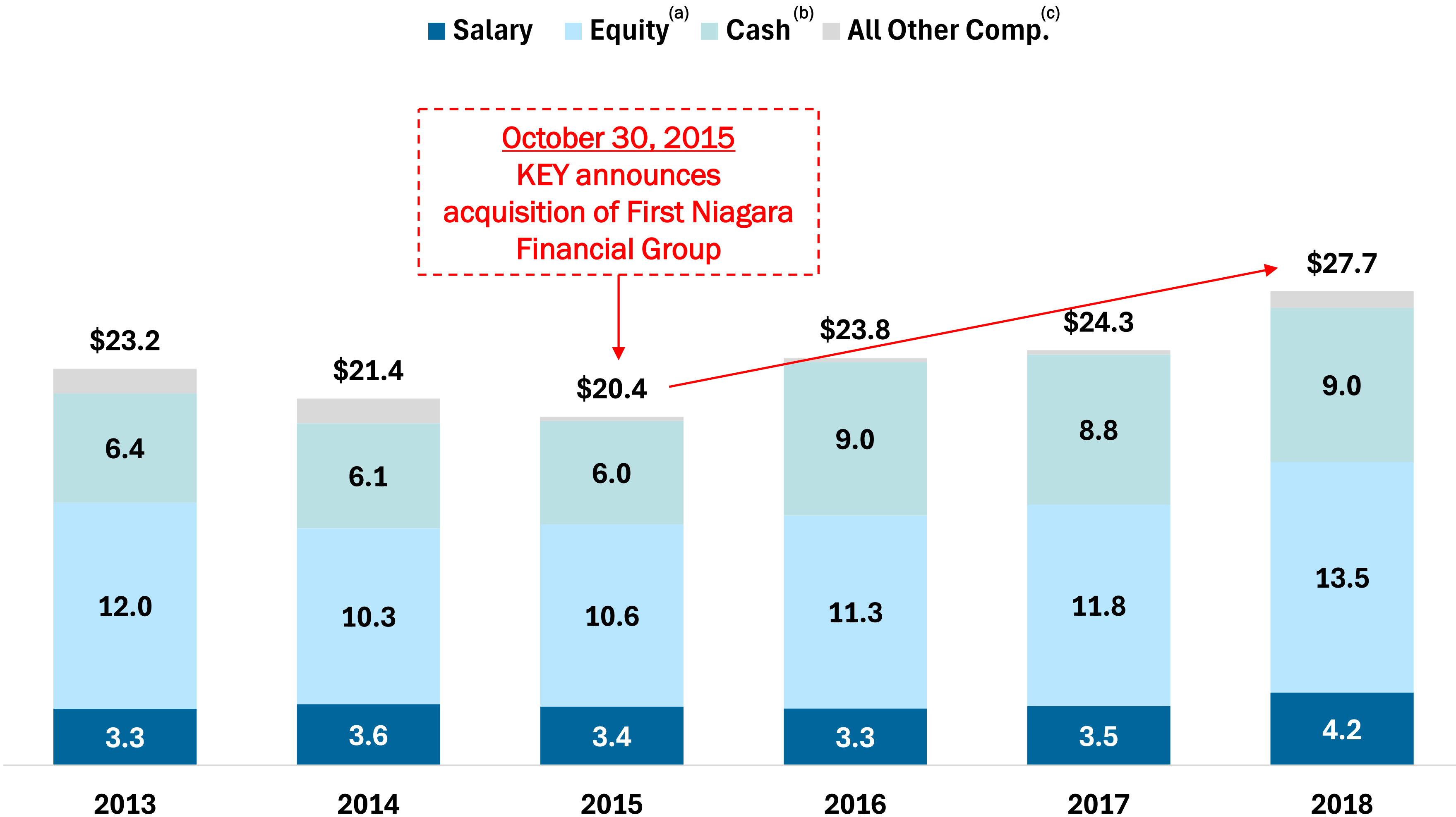
(b) Earn-back period and TBV/share dilution % are based on reported methodologies per each of the merger presentations at the announcement date.

(c) HBAN-CADE TBV/share dilution % based on the TBV/share dilution % to 1Q26E. USB-Union earn-back based on cross-over methodology. WSB-STL TBV/share dilution % represents 'less than 2%'.

(d) KEY-First Niagara TBV/share dilution earn-back based on the M&A call, excluding the revenue synergies.

But Rather Than Say “We Messed Up” and Hold Executives Accountable, The Board Chose To Reward Them.

Total Executive Compensation ($ in MM)



Source: *Company Proxy Statements.*

Note: Values shown as disclosed in Proxy Statements. Data represents yearly total executive compensation per summary compensation tables via Proxy Statements.

(a) “Equity” represents the aggregate grant date fair value of equity and option awards per summary compensation tables via Proxy Statements.

(b) “Cash” represents non-equity incentive plan compensation per summary compensation tables via Proxy Statements.

(c) “All Other Comp” includes change in pension value and nonqualified deferred compensation earnings, bonus, and all other compensation per summary compensation tables via Proxy Statements

And After That "Great-Except-For-The-Insane-Price" Acquisition, You Had Another Opportunity To Change Course. But Again, You Didn't. Instead, You Elevated an Internal Executive To The Role of CEO — a Handpicked Golden Child With His Fingerprints All Over The Massively Overpriced Merger.

"Today [9/19/2019] KeyCorp (NYSE: KEY) announced that Chairman and Chief Executive Officer, Beth Mooney, will retire on May 1, 2020.

In anticipation of Mooney's retirement, ***the Board is announcing that Chris Gorman has been appointed President and Chief Operating Officer and a member of the Board of Directors, effective immediately****."*

\- KEY Press Release (9/19/2019)

*"****The integration of the 2 companies is critical****…We plan to include some of our strongest leaders from both organizations to drive to a successful outcome.* ***We have selected Chris Gorman, President of our Key Corporate Bank to lead this effort****."*

\- Donald R. Kimble, Former CFO, First Niagara Financial Group M&A Call (10/30/2015)

"Also in the room is ***Chris Gorman****, President of Our Corporate Bank, who* ***will also be leading this important integration effort****…"*

\- Beth Mooney, Former CEO, First Niagara Financial Group M&A Call (10/30/2015)

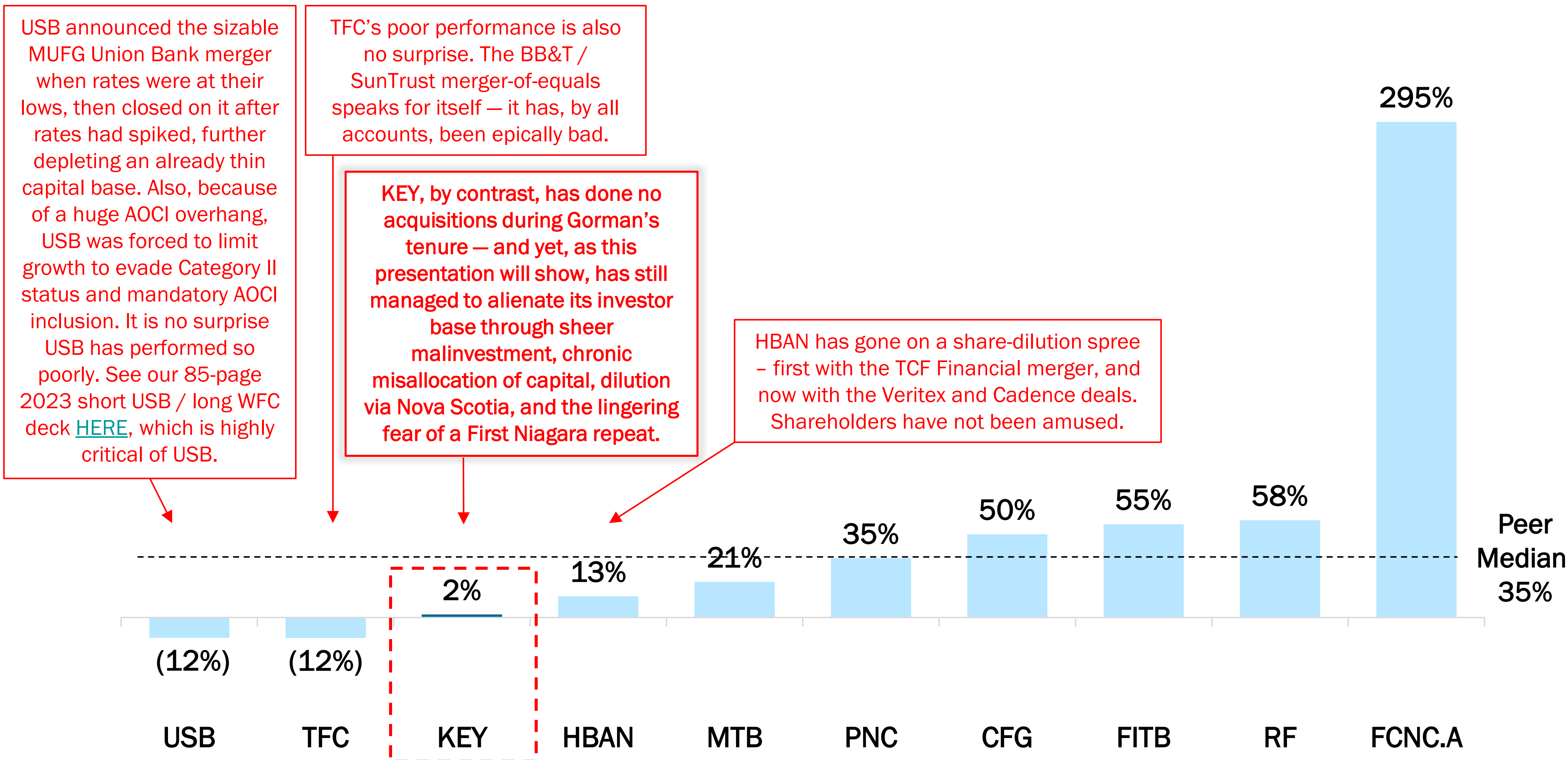
Chris Gorman, former investment banker at McDonald Investments, was the First Niagara "deal guy" – which should not have been viewed as a good thing

Sources: S&P Capital IQ Pro, KEY Press Release (9/19/2019), M&A Call Transcript.

HOLDCO ASSET MANAGEMENT

And Since Then, Your Stock Has Been Among The Worst Performers Among Peers as Your Conflicted Chairman Has Made Unforced Error After Unforced Error…

Stock Price Performance Since Mr. Gorman's CEO Announcement on 9/19/2019



Source: KEY Press Release (9/19/2019); Bloomberg; HoldCo Asset Management, The Unsafest and Unsoundest of Them All – U.S. Bancorp (Ticker: USB) (4/17/2023).

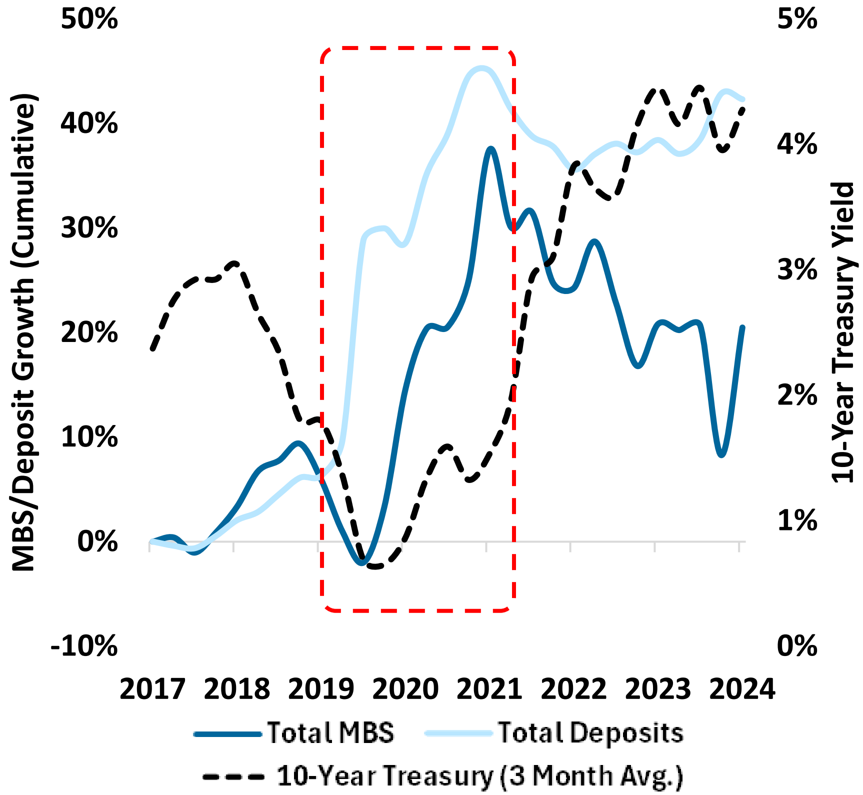
Note: Above chart represents stock price performance (excluding dividends) from 9/19/2019 to 11/28/2025 calculated using Bloomberg's "TRA function" under "Price Change." See Appendix for more detail on how the peer group was chosen.

HOLDCO ASSET MANAGEMENT

…First By Loading The Boat With MBS and Swaps at The Worst Possible Time, à la Comerica…

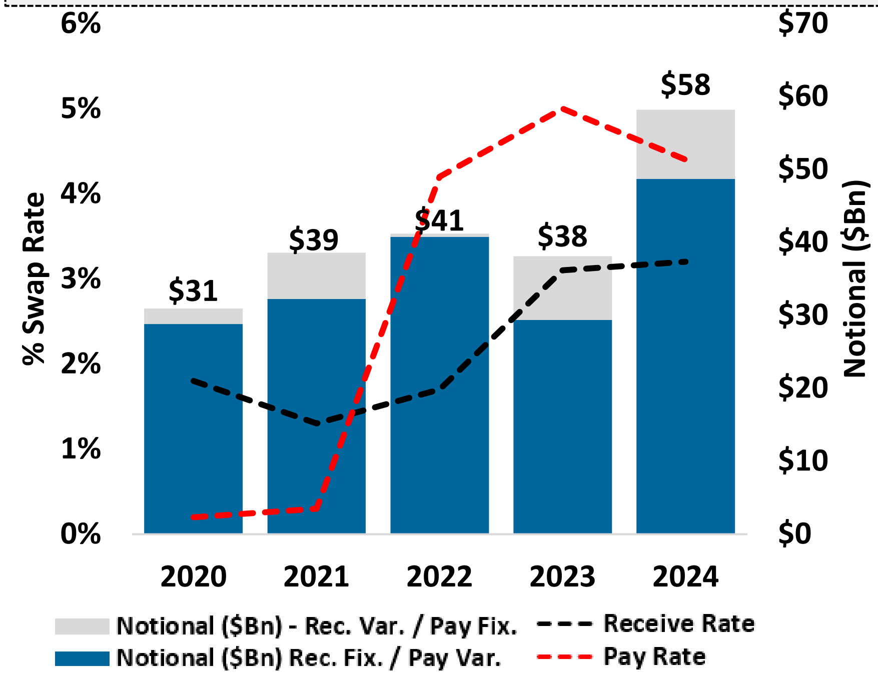
KEY's Historical Balance Sheet Growth vs. Rates

In search for yield KEY loaded up on mortgage-backed securities as deposits flooded and rates were low



KEY's Historical Swap Exposure[a]

Meanwhile KEY loaded up on receive fixed/pay floating swap contracts at the wrong time



($ in MM)	2022	2023	2024
Net Income (Expense) on Hedges[b]	($145)	($1,163)	($883)

KEY's poor decisions led to substantial losses within its swap portfolio, preventing the bank from realizing the full benefits of higher rates on its floating rate loan portfolio

We recycled this page from our July Comerica deck, since on this issue you and Comerica together stand in a league of your own

Source: *Regulatory Bank Filings, Company SEC Filings, Federal Reserve Bank of St. Louis, S&P Capital IQ Pro.*

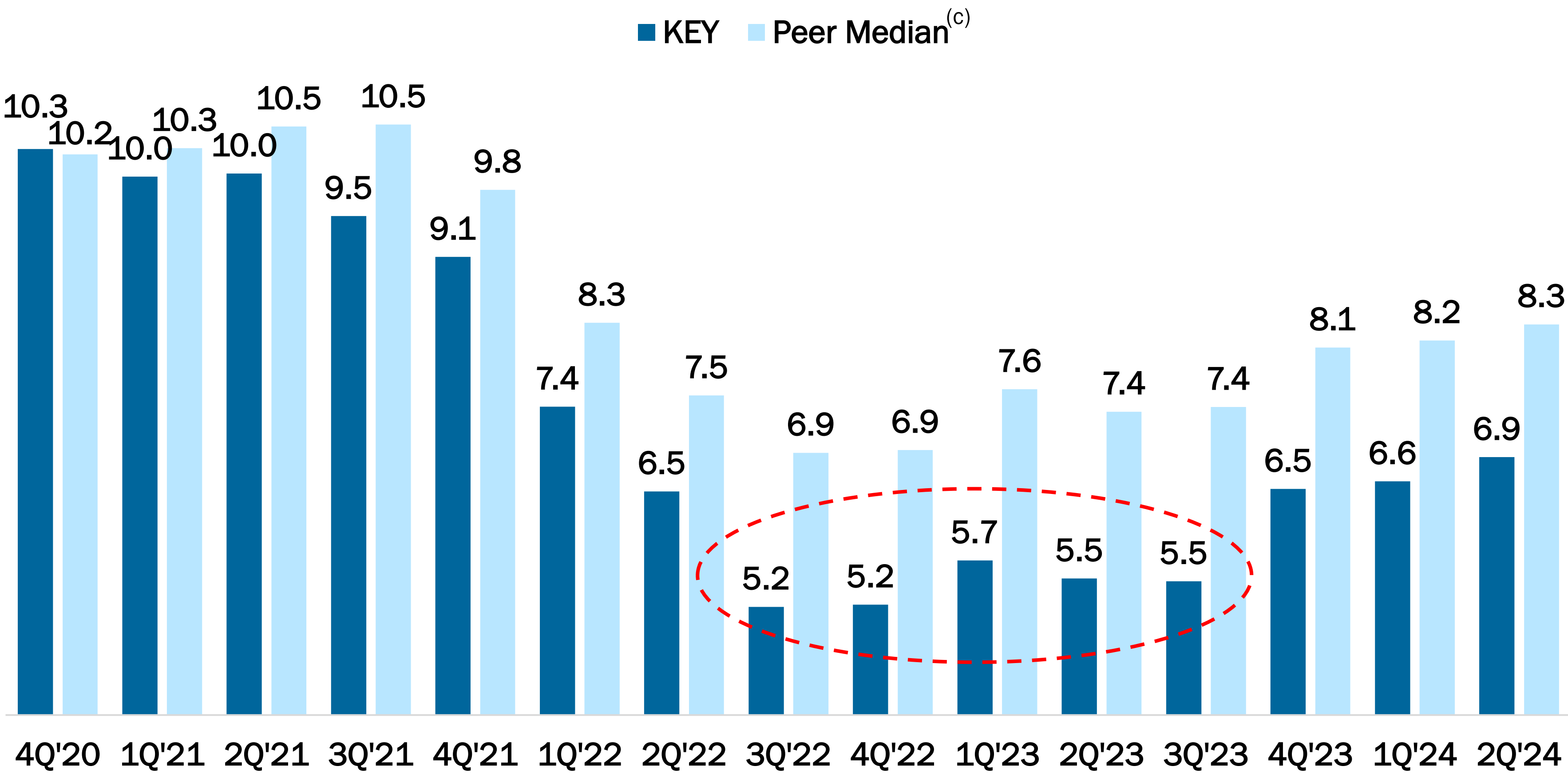
Note: 10-Year Treasury Yield calculated as 3-month average. Total MBS calculated as summation of HTM at Cost and AFS at Fair Value of MBS and Structured Financial Products per Y9C consolidated regulatory filings via S&P Capital IQ Pro. Swap details taken from respective annual 10K filings.

(a) Notional balance includes current and forward-starting swaps on loans, securities, long-term debt, and A/LM (asset/liability management).

(b) Figures represent the sum of "Net gains (losses) on fair value hedging relationships" and "Net gain (loss) on cash flow hedging relationships" as shown in the 10-K and may include the impact from hedges other than swaps.

…Driving Your Marked CET1[(a)] Below Every Peer and Triggering Panicked Selling of Your Debt To Severely Stressed Levels No Other Peer Experienced — Levels at Which We Were Able To Buy It For Prices as Low as 72 Cents On The Dollar[(b)]…

Marked CET1%[(a)] vs. Peer[(c)] Median (4Q20 to 2Q24)



Source: *S&P Capital IQ Pro.*

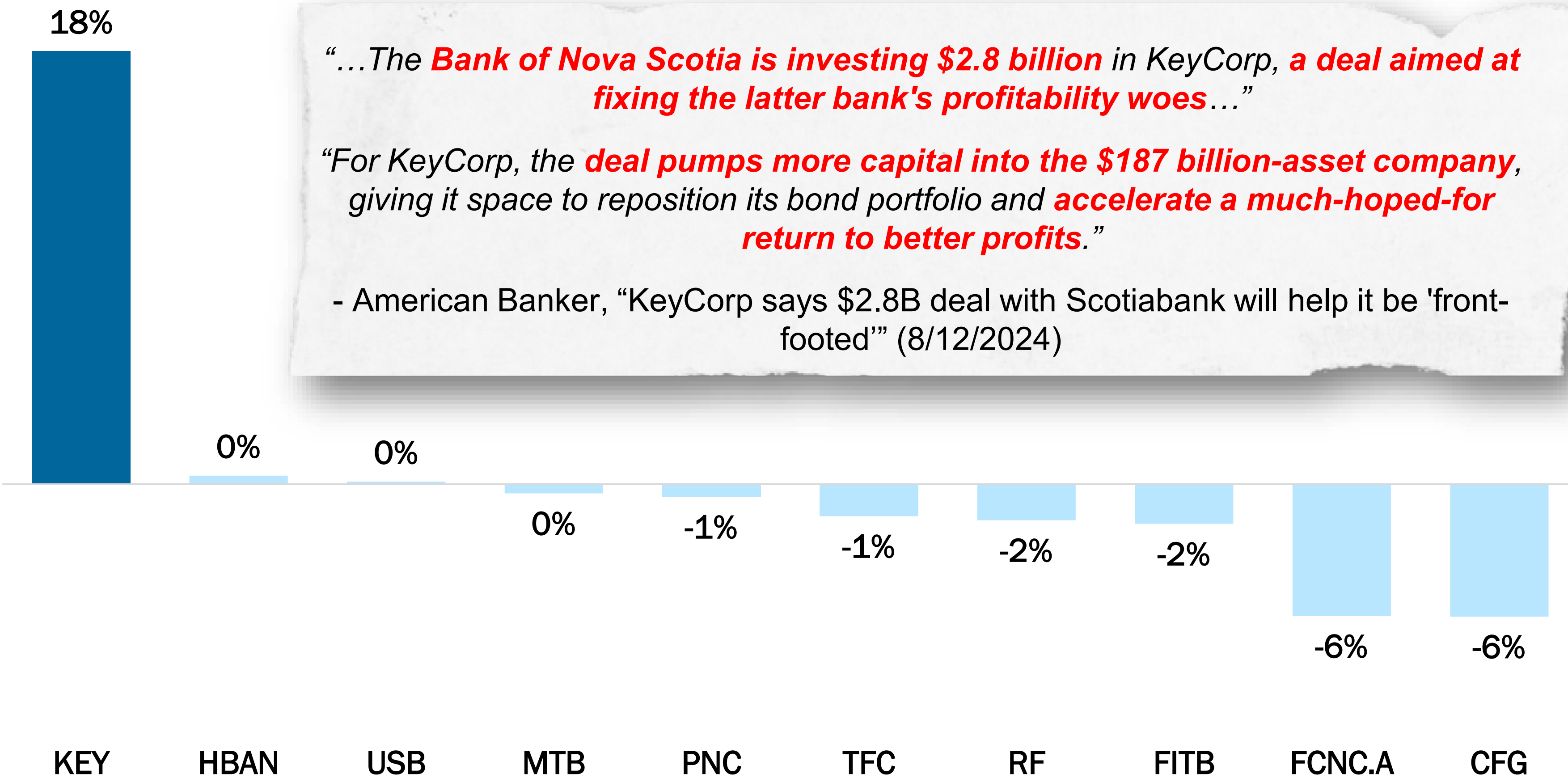
(a) Calculated as Common Equity Tier 1 Capital adjusted to include AOCI as a percentage of Risk Weighted Assets. Differs from KEY's "Marked CET1" methodology as the entirety of AOCI is deducted from CET1.

(b) KEY debt purchased by an investment fund managed by HoldCo prior to the launch of HoldCo Opportunities Fund V, L.P.

(c) See Appendix for more detail on how the peer group was chosen.

...And Forcing You To Do What No Peer Was Forced To Do: Tap Rescue Financing — and Charge Shareholders What Now Feels Like an All-Too-Routine Dilution Tax — To Quell a Panic In a Desperate Situation Of Your Own Making.

Common Share Dilution[a] During 2024 vs. Peers[b]



"…The ***Bank of Nova Scotia is investing $2.8 billion*** *in KeyCorp,* ***a deal aimed at fixing the latter bank's profitability woes****…"*

"For KeyCorp, the ***deal pumps more capital into the $187 billion-asset company****, giving it space to reposition its bond portfolio and* ***accelerate a much-hoped-for return to better profits****."*

- American Banker, "KeyCorp says $2.8B deal with Scotiabank will help it be 'front-footed'" (8/12/2024)

Source: S&P Capital IQ Pro; American Banker, KeyCorp says $2.8B deal with Scotiabank will help it be 'front-footed' (8/12/2024).

(a) Measured as percent change of Common Shares Outstanding as of period end 2023 to period end 2024.

(b) See Appendix for more detail on how the peer group was chosen.

HOLDCO
ASSET MANAGEMENT

And at That Point — Humbled By Bad Decisions Gone Wrong But Relieved To Live Another Day — You Were Lucky Enough To Get Yet Another Chance To Bring In New Leadership and Change Course. But You Didn't. You Instead Rewarded Your Conflicted Chairman For a Rescue Made Necessary Only By His Own Bad Decisions…

Executive Supplemental Awards From 2024 Capital Raise

After raising capital from Scotiabank and diluting shareholders by over 17% in 2024, each Named Executive Officer received substantial stock awards, totaling $16.7MM

Executive	2024 Capital and Earnings Improvement Awards[a]
Christopher M. Gorman	$7,570,295
Clark Khayat	$2,928,983
Andrew J. "Randy" Paine III	$2,613,551
Angela G. Mago	$1,982,688
Amy G. Brady	$1,622,199
Total	**$16,717,716**

Your Conflicted Chairman was awarded $7.5MM while shareholders were significantly diluted as a result of bad decisions he himself made

2023 Compensation "True-up"[b]

In 2023 the Compensation Committee changed management's Annual Cash Bonus plan mid-period, which ensured higher payouts for executives despite their bad decisions

Metric	Weight	Funding
Pre-Crisis (Jan. 1-Mar. 31)		
Adj. EPS	20%	10%
Adj. ROTCE	20%	14%
Cash Efficiency Ratio	20%	11%
Relative Perf. to Peers	20%	10%
Operational Excellence	20%	20%
Total	**100%**	**66%**
Post-Crisis (Mar. 31-Dec. 31)		
Strengthen Balance Sheet	60%	60%
Regulatory Remediation	40%	27%
Total	**100%**	**87%**
Weighted Performance		**81%**

Funding rate calculations for executive compensation increased by 21% after changes

Source: *Company Proxy Filings.*

(a) Per Proxy: "On December 30, 2024, the Compensation Committee granted to each of Key's NEOs a supplemental Capital and Earnings Improvement Award that will be earned, if at all, based on the achievement of rigorous performance goals tied to Key successfully realizing the value from the Scotiabank strategic minority investment."

(b) Annual Cash Bonus Compensation inventive structure changed March 31, 2023, per company proxy filing.

…And You Did It Despite Clear Objections From Independent Proxy Advisors Who Rightly Flagged Your Incentive Structure as Fundamentally Misaligned.

*"…**falling investor support for its executives' pay**, after a proposal to ratify the company's compensation packages **drew significantly fewer "yes" votes compared with last year**."*

*"…Key's advisory **say-on-pay measure passed with 63%** of shareholder support. **That's down 26 percentage points from 2024**, when 89% of shareholders voted in favor."*

*"The results come after proxy advisory firms **Glass Lewis and Institutional Shareholder Services recommended that shareholders withhold their support** for the proposal."*

*"…raised concerns about Key's recent decision to grant **special bonuses worth a combined $16.7 million to named executives.** They said **executive pay and financial performance are misaligned** at the Cleveland-based bank."*

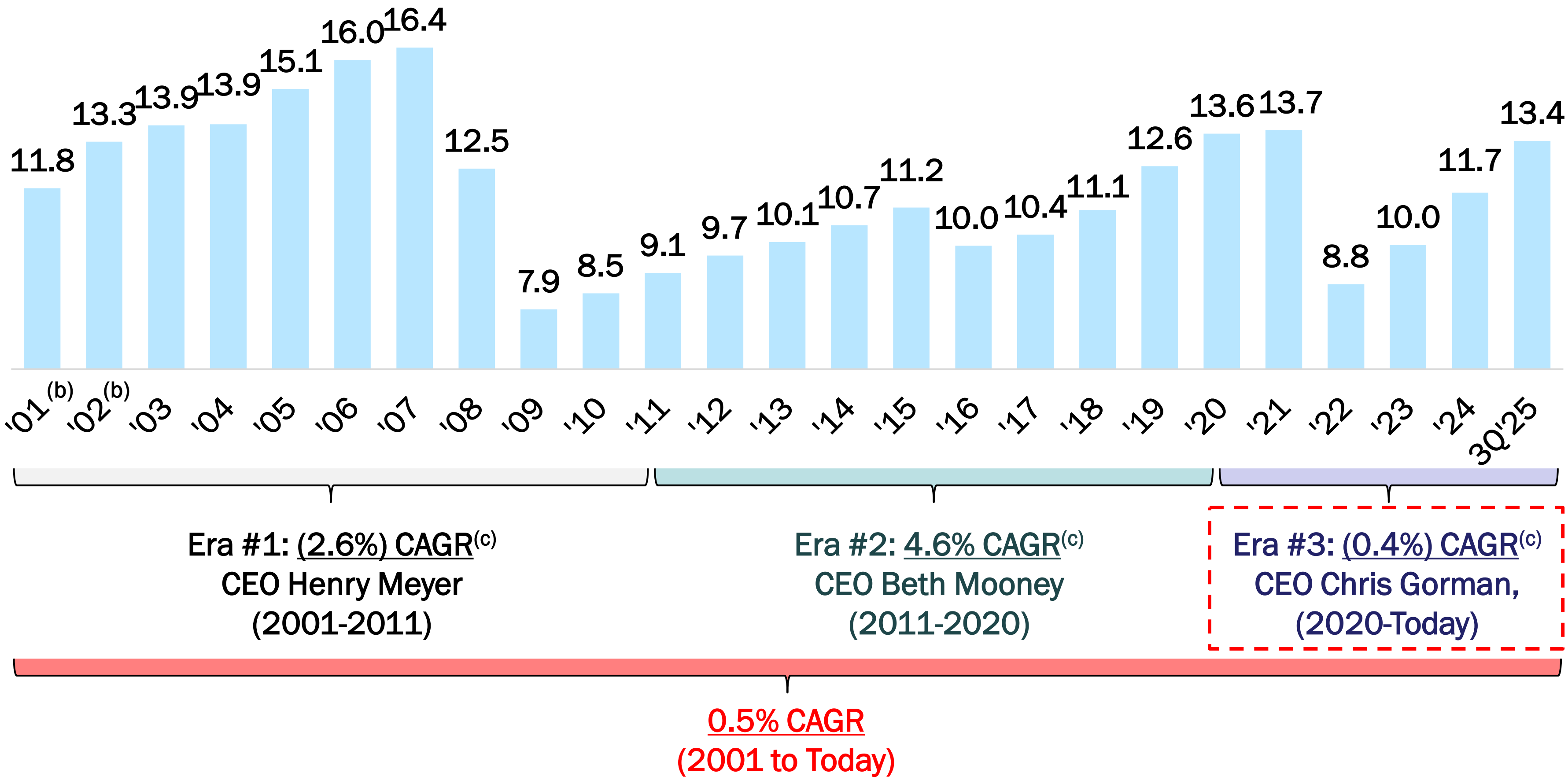
"ISS expects banks with less than 70% say-on-pay approval to conduct shareholder outreach to better understand their concerns. Glass Lewis expects such outreach when approval is below 80%."

- American Banker, "Key's say-on-pay support dwindles following 2024 bonuses" (5/15/2025)

Source: American Banker, Key's say-on-pay support dwindles following 2024 bonuses (5/15/2025).

And Back To Our Initial Question: How Did We Get To a Place Where a Leader With Such a Short, Failure-Laced Tenure Now Seemingly Holds Shareholders Hostage, Dangling The Debasement Of The Cheapest Currency In The Super-Regional Space Instead Of Simply Committing To The Obvious Long-Term Strategy: Buying Back Perennially Cheap Shares? In Our View, We Got Here Because You Treated This Company's Capital as Something To Be Risked, Not Protected.

Reported Tangible Book Value per Share Over The Three CEO Eras(a)



Source: *S&P Capital IQ Pro.*

(a) Henry Meyer appointed CEO February 2001; Beth Mooney appointed CEO May 1, 2011; Chris Gorman appointed CEO May 1, 2020.

(b) Calculated by S&P Capital IQ Pro as ratio of tangible common equity to common equity multiplied by book value per share, book value per share calculated as common equity per common share.

(c) Era #1 calculated as TBVPS CAGR from EOP 2001 to EOP 2011, Era #2 calculated as TBVPS CAGR from EOP 2011 to EOP 2020, Era #3 calculated as TBVPS CAGR from EOP 2020 to EOP 3Q'25.

HOLDCO ASSET MANAGEMENT

We Got Here Because You Did Not Stand Up For Shareholders. At Every Turn, You Seemed To Choose Management and Your Own Preservation Over The People Who Actually Own This Company.

KEY Current Board Members

Board Member	Director Since[a]	Oversaw Decisions Leading Up To GFC	Approved First Niagara Merger	Approved Gorman's CEO Appointment	Oversaw Errors Leading To Capital Raise	Reward Gorman For Capital Raise
Alexander M. Cutler	8/15/2000	✓	✓	✓	✓	✓
H. James Dallas	5/05/2005	✓	✓	✓	✓	✓
Ruth Ann M. Gillis	11/18/2009		✓	✓	✓	✓
Elizabeth R. Gile	3/15/2010		✓	✓	✓	✓
Barbara R. Snyder	7/15/2010		✓	✓	✓	✓
Richard J. Hipple	3/08/2012		✓	✓	✓	✓
David K. Wilson	7/09/2014		✓	✓	✓	✓
Carlton I. Highsmith	4/22/2016			✓	✓	✓
Christopher M. Gorman	9/19/2019		✓		✓	
Todd J. Vasos	7/09/2020				✓	✓
Robin N. Hayes	11/19/2020				✓	✓
Devina A. Rankin	11/19/2020				✓	✓
Richard J. Tobin	12/10/2021				✓	✓
Jacqueline L. Allard	12/27/2024					✓
Somesh Khanna	12/27/2024					✓

Source: *Company SEC filings.*

(a) Due to lack of information, assumes Alexander M. Cutler joined KEY's Board in the middle of the month in August 2000 and H. James Dallas joined KEY's Board at the time of the 2005 annual meeting.

Only In a Boardroom Where Every Single Director Has Objectively Failed Their Constituents – From Lead Independent Director Cutler, Under Whose 25-Year Tenure The Stock Is Lower, To The Newest – Could The Gorman-Led Errors Culminating In The Capital Raise Be Dressed Up as a Success and Management So Indulgently Coddled.

KEY Current Board Members

Board Member	Director Since [a]	Difference Between Cumulative Total Return Since Director Appoint. of KEY vs. BKX Index[b][c]
Alexander M. Cutler	8/15/2000	(114%)
H. James Dallas	5/05/2005	(162%)
Ruth Ann M. Gillis	11/18/2009	(3%)
Elizabeth R. Gile	3/15/2010	(52%)
Barbara R. Snyder	7/15/2010	(89%)
Richard J. Hipple	3/08/2012	(118%)
David K. Wilson	7/09/2014	(99%)
Carlton I. Highsmith	4/22/2016	(74%)
Christopher M. Gorman	9/19/2019	(50%)
Todd J. Vasos	7/09/2020	(47%)
Robin N. Hayes	11/19/2020	(52%)
Devina A. Rankin	11/19/2020	(52%)
Richard J. Tobin	12/10/2021	(35%)
Jacqueline L. Allard	12/27/2024	(12%)
Somesh Khanna	12/27/2024	(12%)

Mr. Cutler, KEY's Lead Independent Director, has overseen tremendous underperformance over the past 25 years and has watched the dilution tax play out again and again and again: first during the GFC, then with First Niagara, and now with Nova Scotia

Source: Company SEC filings and press releases, Bloomberg as of 11/28/2025.

(a) Due to lack of information, assumes Alexander M. Cutler joined KEY's Board in the middle of the month in August 2000 and H. James Dallas joined KEY's Board at the time of the 2005 annual meeting.

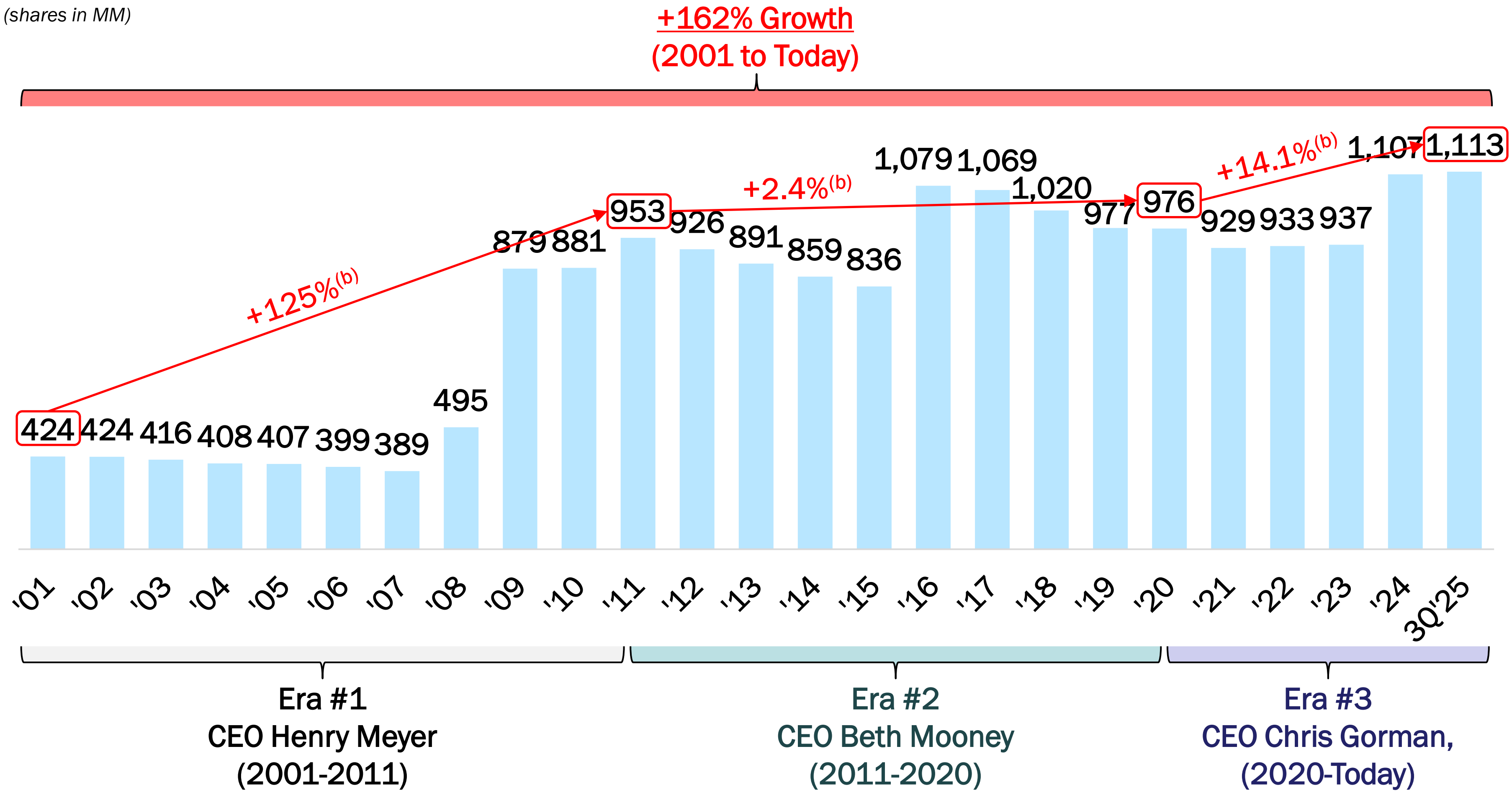
(b) Total return calculated based on Bloomberg's TRA function with the holding strategy based on "Divs Reinvested In Security" for KEY from the effective date on the Board to 11/28/2025.

(c) Based on the KBW Bank Index (BKX Index).

HOLDCO
ASSET MANAGEMENT

For This Never-Ending Dilution Tax — Spent on Palaces Only You Enjoy — Has Debased This Currency and Driven It Cheaper, as Shareholders Brace For More of The Same.

Common Shares Outstanding Over The Three CEO Eras[a]



Source: *S&P Capital IQ Pro.*

(a) Henry Meyer appointed CEO February 2001; Beth Mooney appointed CEO May 1, 2011; Chris Gorman appointed CEO May 1, 2020.

(b) Era #1 calculated as change in shares from EOP 2001 to EOP 2011, Era #2 calculated as change in shares from EOP 2011 to EOP 2020, Era #3 calculated as change in shares from EOP 2020 to EOP 3Q'25.

We Respectfully Ask You To Break The Chains Of Habit Before They Become Too Heavy — Because Once They Do, Only Shareholders Can Break Them at The Ballot Box, Just as Voters Did In ’92 After President George H. W. Bush Broke His “No New Taxes” Promise.

“The chains of habit are too light to be felt until they are too heavy to be broken.”

- Warren Buffett

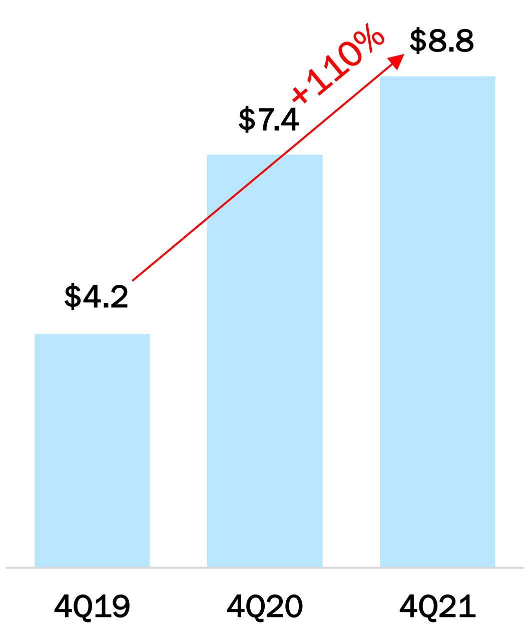
HOLDCO
ASSET MANAGEMENT

II. Chairman Gorman's Tenure: Decisions That Put The Franchise at Risk

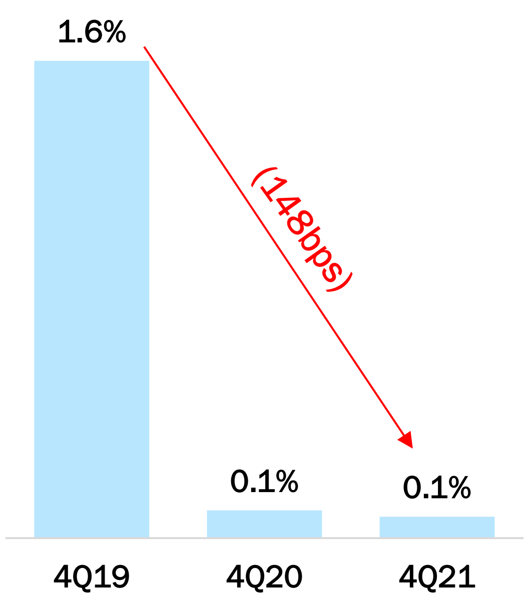
But We Need to Slow Down and Go Deeper Into What You Do In The Years Leading Up To The 2023 Crisis To Evaluate Whether You Are Just Unlucky or Whether You Are Reckless. In March 2020, COVID Hits and Rates Collapse Across The Curve and Stay Low For Two Years, as The Fed Expands Its Balance Sheet Dramatically, Triggering a Gold Rush of Deposits Flowing Into KEY…

Federal Reserve's Total Assets[a]

($ in Tn)

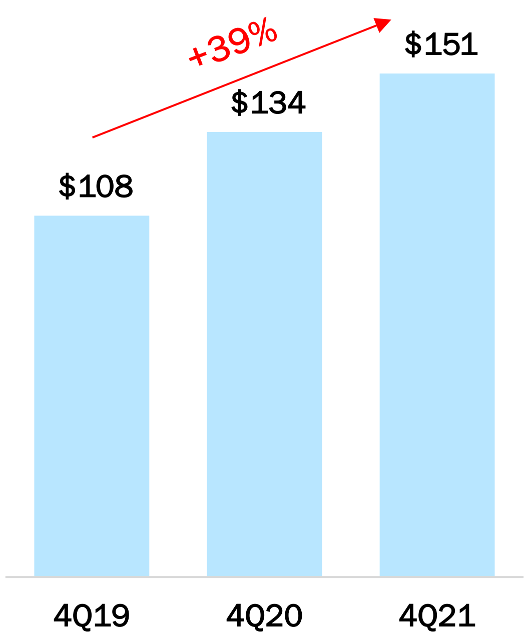


Federal Funds Rate[b]



KEY Core Deposits[c]

($ in Bn)

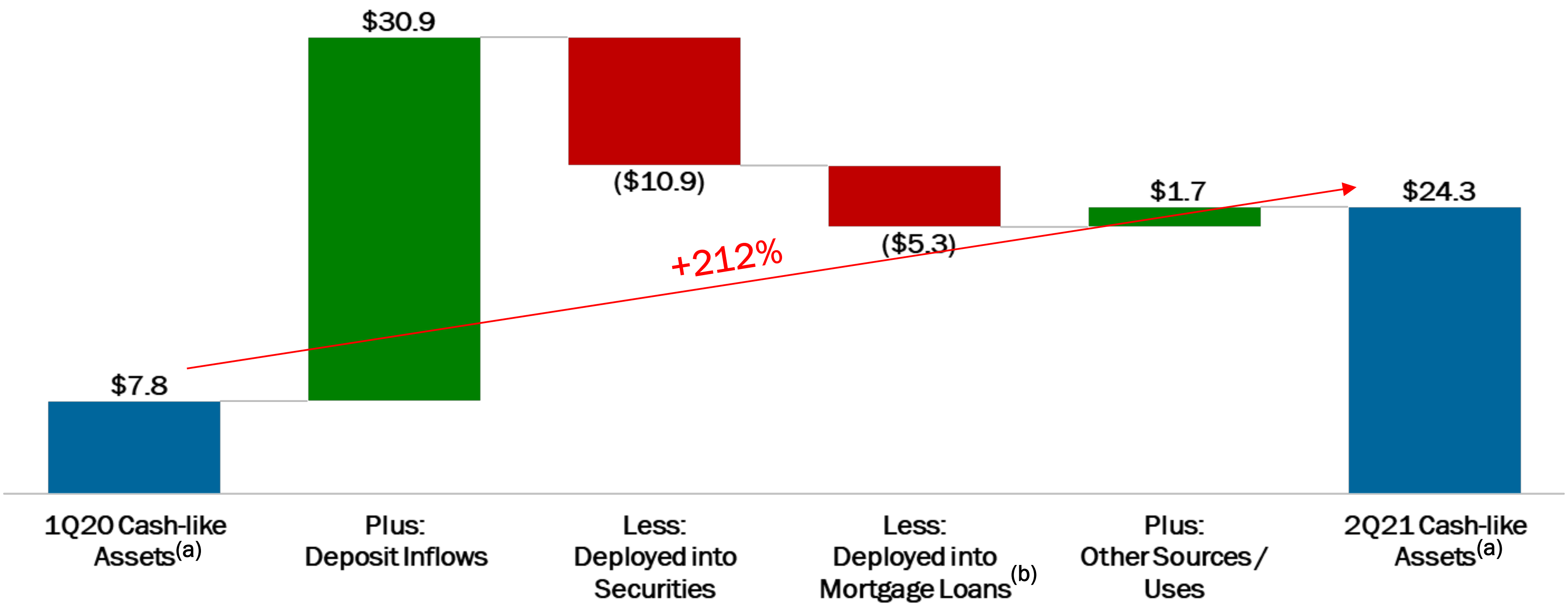


Source: *Company filings, regulatory filings, Federal Reserve.*
(a) "Total assets" from the Federal Reserve's Balance Sheet data (H.4.1).
(b) Federal Reserve Bank of New York, "Effective Federal Funds Rate." Rates shown are end-of-quarter.
(c) "Core Deposits" defined by S&P Capital IQ Pro as Total Transaction Accounts, MMDAs/Other Savings Deposits, and Retail Time Deposits <=$250K and excludes brokered deposits.

…And a Little More Than a Year Later, After More Than $30 Billion of Deposits Rush In, Commercial Loans Haven't Grown at All. Instead, You Deploy Roughly Half of That $30 Billion Into Fixed-Rate Securities and Fixed-Rate Mortgage Loans, Leaving a Massive $24 Billion Pile of Liquidity Sitting on Your Balance Sheet Earning Nothing…

Sources and Uses of Liquidity from 1Q20 to 2Q21

($ in Bn)



Source: S&P Capital IQ Pro, company filings, regulatory filings.

Note: Balances are end-of-period based on consolidated regulatory data.

(a) Includes cash and balances due, federal funds sold and reverse repurchase agreements, and assets held in trading accounts.

(b) "Mortgage Loans" are 1-4 family closed-end loans.

HOLDCO
ASSET MANAGEMENT

…And You Acknowledge There Is No Real Risk In Holding This $20 Billion Cash Pile — Even If Rates Go Negative — Beyond Foregone Income. With Rates Likely To Rise, Loan Demand Poised To Pick Up, and a Real Risk These Deposits Don't Stick, You Talk Up The Boring But Prudent Course: Hold The Cash and Let Your Swaps Roll Off, Relying On Commercial Loan Floors To Protect NII If Rates Fall Further. In This Moment, You Sound Like a Responsible Category IV Bank…

"Right now, we don't have a whole lot of downside risk because if rates -- even if they do go below 0, we have a lot of floors in place in some of our commercial portfolios. And so we're protected on the downside. And so we're again looking for more opportunities to start to deploy some of that excess cash."

- Donald R. Kimble, KEY Former CFO, Earnings Call (7/20/2021)

You acknowledge there is no real risk — existential or even material — in just sitting on excess liquidity, even if the unthinkable happens and U.S. rates go negative, à la Europe. This is consistent with statements made in your 2020 presentations

"Exposure to negative short rates effectively negated by floating rate loan portfolio that includes $39 billion in floors at or above zero, coupled with $7.8 billion of purchased interest rate floors."

- KEY, Earnings Presentation (10/21/2020)

"90+% of existing Libor loan portfolio contain floors (at or above 0%), with floors incorporated into all new Libor loan contracts."

- KEY, Earnings Presentation (1/21/2021)

"Today's market environment would still have in that, say, 1.25, 1.30 range for the same type of securities. And -- so if you look at $20 billion of excess liquidity and apply that kind of a yield to it, it would be a lift of over $200 million, probably close to $250 million as far as the added revenues compared to where we would be today."

- Donald R. Kimble, KEY Former CFO, Earnings Call (7/20/2021)

You acknowledge that the only downside of not taking this cash and reaching for longer-duration fixed-rate yield (at a measly 1.3%, which is still higher than zero) is some lost near-term income — certainly not nothing, but nowhere close to an existential risk

"On the hedge or swap portfolio that you might have seen in the slide deck, we actually terminated swaps that were maturing throughout 2021. And so the value of the swap -- the notional value of the swap book has actually declined. We're not looking to add additional swaps there…"

- Donald R. Kimble, KEY Former CFO, Earnings Call (7/20/2021)

In fact, because you realize you don't need to be as "fixed" with rates this low against the backdrop of loan floors, you start letting your swaps roll off — exactly as you've said in prior presentations

Source: *Company SEC filings, call transcripts,*

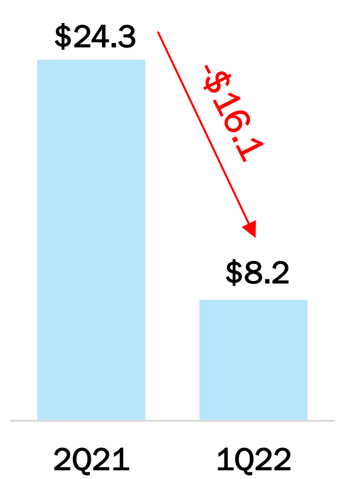
…But You Can't Take Your Own Advice. Despite Having Acknowledged That There Is No Real Risk In Holding Zero-Earning Cash, You Apparently Can't Stomach Missing That Short-Term Income Boost. Over The Next Three Quarters, With Fed Funds Still Glued To Zero and Even More Deposits Pouring In, You Somehow Manage To Reduce Your Liquidity as You Load Up On Rock-Bottom-Yielding Fixed-Rate Securities and Mortgage Loans. And Your Swaps? You Don't Let Them Roll Off — You Add To Them In This Zero-Rate Environment…

Deposits

($ in Bn)

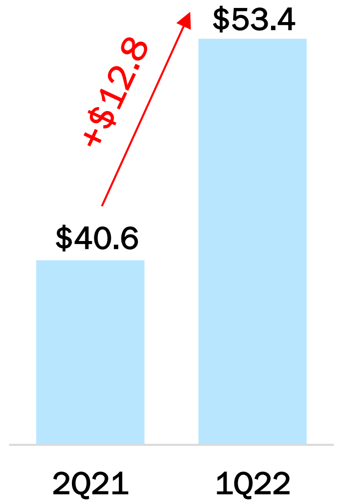
Liquidity[a]

Despite another round of ~$2.5bn of deposit inflows, you burn through all of it - and then another $16.1bn of cash-equivalent on balance sheet…



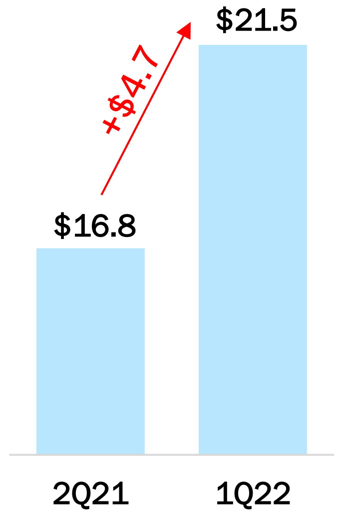
Fixed-Rate Securities[b]

…in part through $12.8bn of fixed rate securities net purchases…



Mortgage Loans[c]

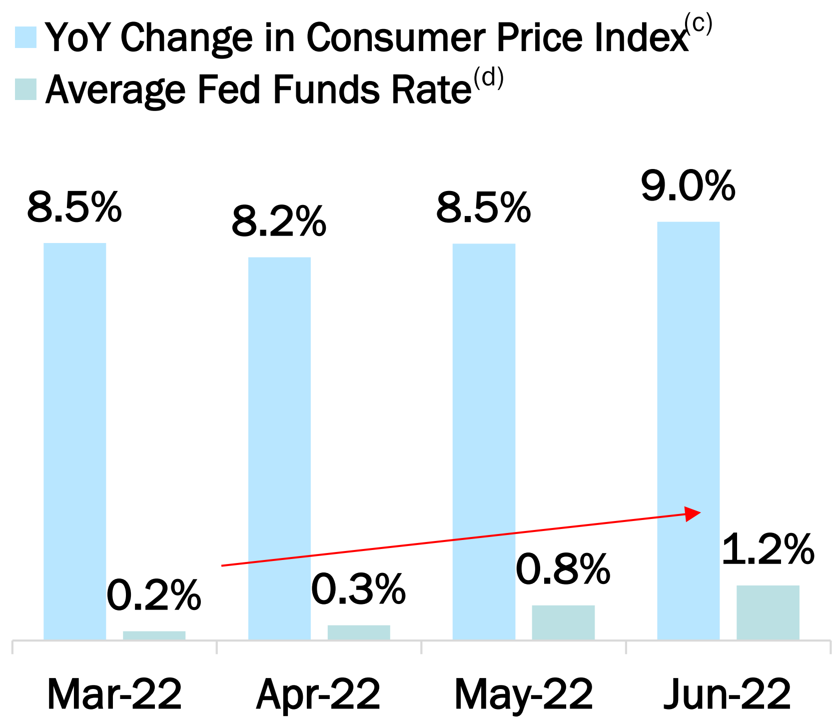
…and $4.7bn of fixed rate mortgage loan net originations



Source: *S&P Capital IQ Pro, company filings, regulatory filings.*
Note: Balances are end-of-period based on consolidated regulatory data.
(a) For purposes of our analysis, we are defining "Liquidity" as cash-like assets, which includes cash and balances due, federal funds sold and reverse repurchase agreements, and assets held in trading accounts.
(b) Assuming all securities are fixed rate, as regulatory data shows MBS and debt securities that reprice within <3 months are approximately 0-1% of total securities. Figures shown are at amortized cost.
(c) "Mortgage loans" are 1-4 family closed-end loans.

...And Now It Gets Interesting. It's March 2022, and You're Sitting On Over $8 Billion of Liquidity[(a)], Which Sounds Impressive Until You Remember Deposits Are Up $37 Billion or 33% In Two Years[(b)] — Money That Can Leave as Quickly as It Arrived. But That's Not Even The Main Problem. Inflation Is Raging at 8.5%. The Fed Starts Hiking. And QE Turns On a Dime Into QT...

CPI Inflation and Fed Funds Rate from 1Q'22 to 2Q'22



*"Consistent with the Principles for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in January 2022, **all Committee participants agreed to the following plans for significantly reducing the Federal Reserve's securities holdings**."*

*"The Committee **intends to reduce the Federal Reserve's securities holdings over time in a predictable manner** primarily by adjusting the amounts reinvested of principal payments received from securities held in the System Open Market Account (SOMA). Beginning on June 1, principal payments from securities held in the SOMA will be reinvested to the extent that they exceed monthly caps."*

*"Over time, the Committee intends to maintain securities holdings in amounts needed to **implement monetary policy efficiently and effectively** in its ample reserves regime."*

- Board of Governors of the Federal Reserve System, "Plans for Reducing the Size of the Federal Reserve's Balance Sheet" (5/4/2022)

Source: S&P Capital IQ Pro, Federal Reserve Bank of St. Louis; Board of Governors of the Federal Reserve System, "Plans for Reducing the Size of the Federal Reserve's Balance Sheet" (5/4/2022).

(a) For purposes of our analysis, we are defining "Liquidity" as cash-like assets, which includes cash and balances due, federal funds sold and reverse repurchase agreements, and assets held in trading accounts.

(b) Calculated as change in total deposits from 4Q'19 to 1Q'22.

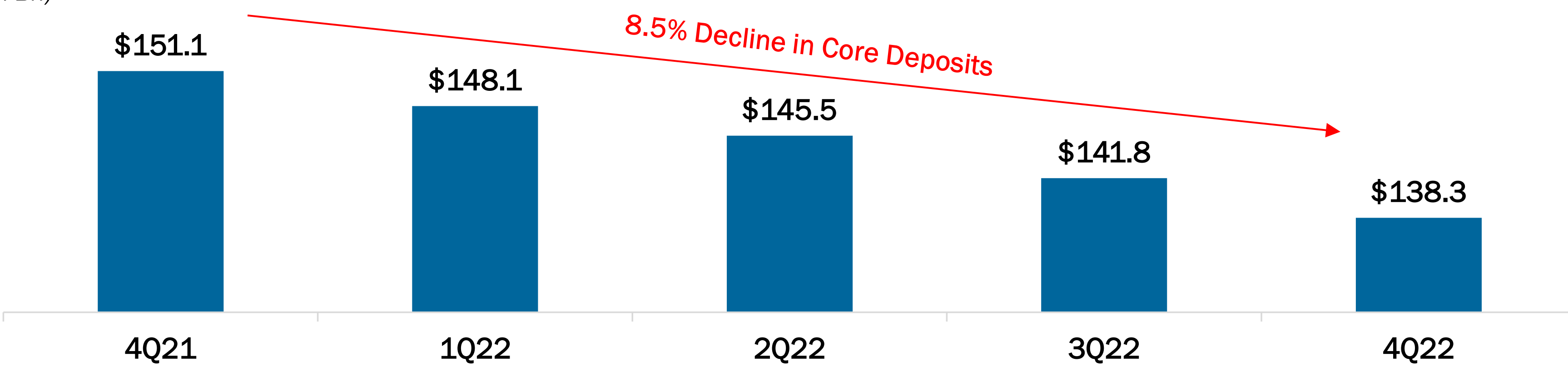
(c) U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis. Calculated as change in CPI value over 12-month period.

(d) Per Bloomberg, US Federal Funds Effective Rate Index (FEDL01 Index).

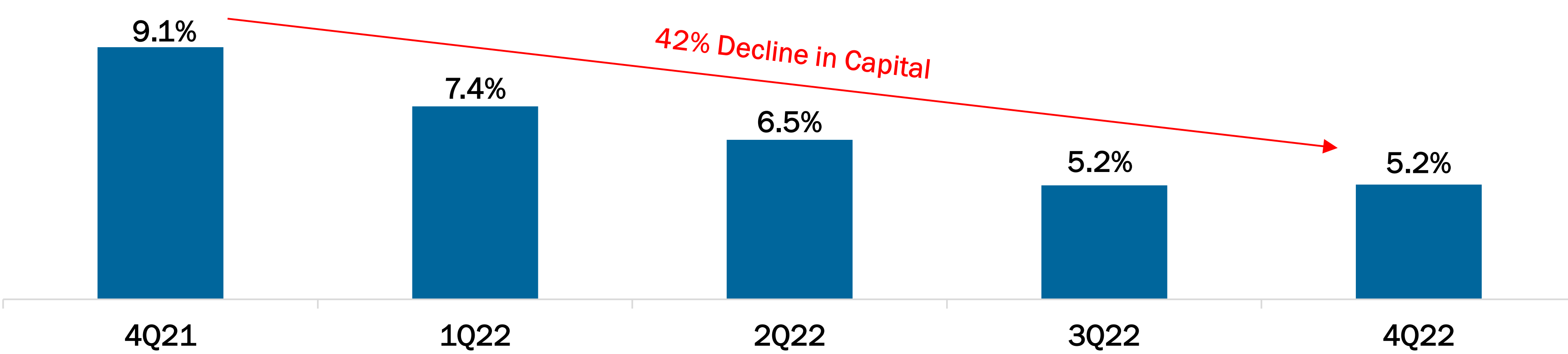
…And So With Every Passing Quarter In 2022 — as The Fed Hikes and Unwinds — Core Deposits Leave KEY and Must Be Funded With Cash, With No End In Sight. As Rates Rise, AOCI Losses Grow and AOCI-Adjusted CET1 Falls — With No End In Sight…

KEY Core Deposits (4Q21-4Q22)[(a)]

($ in Bn)



KEY AOCI-Adjusted CET1 (4Q21-4Q22)[(b)]



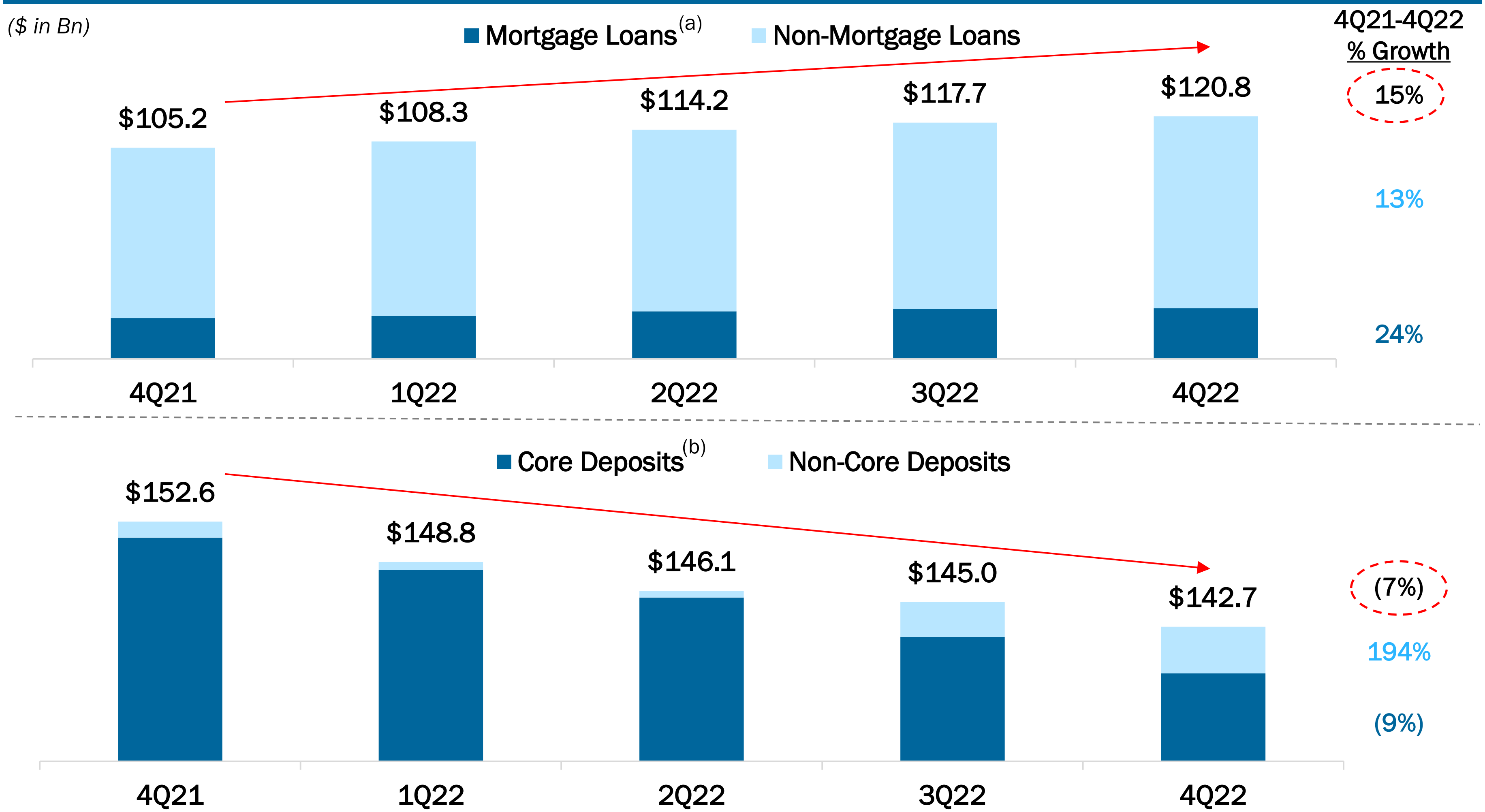
Source: Bank regulatory filings.

(a) "Core Deposits" defined by S&P Capital IQ Pro as Total Transaction Accounts, MMDAs/Other Savings Deposits, and Retail Time Deposits <=$250K and excludes brokered deposits.

(b) AOCI-Adjusted CET1 differs from KEY's "Marked CET1" methodology as the entirety of AOCI is deducted from CET1.

…And Against This Worsening Liquidity and Capital Backdrop — What Do You, a Category IV Bank, Do? Quarter After Quarter In 2022, as Deposits Flee, You Don't Defend Liquidity; You Chase Loan Growth Instead, Because You Seemingly Can't Bear Missing Out On The Action…

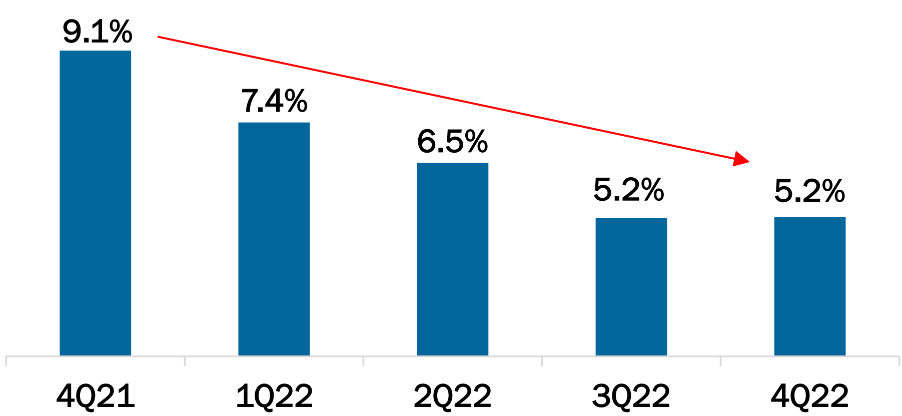
KEY Loan/Deposit Metrics (4Q21-4Q22)



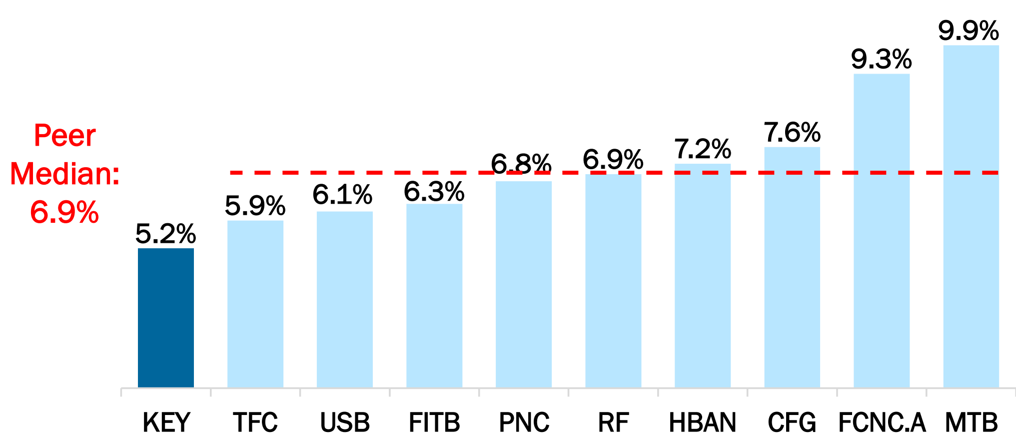
Source: Bank regulatory filings, Bloomberg Transcripts.
Note: Loan balances includes loans held-for-sale.
(a) Represents total closed-end 1-4 family loans per Y9C.
(b) "Core Deposits" defined by S&P Capital IQ Pro as Total Transaction Accounts, MMDAs/Other Savings Deposits, and Retail Time Deposits <=$250K and excludes brokered deposits.

...And Now We're In The Denial Stage. By The End of 2022, Your AOCI-Adjusted CET1 Has Fallen To ~5% and Sits at The Bottom of Your Peer Group — By a Lot — and Your Conflicted Chairman Brushes It Off as Nothing To Worry About. Unadjusted Capital Levels Are at The Low End of Your Target, and, To Add Seeming Aggressive Misjudgment To The Fire, He Says He Doesn't Mind If You "Stray" Below That Target...

KEY AOCI-Adjusted CET1[(a)] (4Q21-4Q22)



AOCI-Adjusted CET1[(a)] of Peers (4Q22)



We believe this is wrong on many levels. Staring down a hiking cycle against the backdrop of QT with deposits walking out the door, Gorman says he's okay with capital drifting lower

"We manage our business to CET1 and the 9% to 9.5% is our internal number. I personally wouldn't be concerned if we strayed below that at some point. In terms of TCE, it's frankly not an issue with regulators, not an issue with rating agencies. It's part of short-term AOCI adjustments"

- Chris Gorman (Chairman/CEO, 12/6/2022, GS 2022 US Financial Services Conference)

The AOCI is largely driven by mortgage-backed securities, which we do not view as "short-term" at all

Source: *Bank regulatory filings, Bloomberg Transcripts.*
(a) AOCI-Adjusted CET1 differs from KEY's "Marked CET1" methodology as the entirety of AOCI is deducted from CET1.

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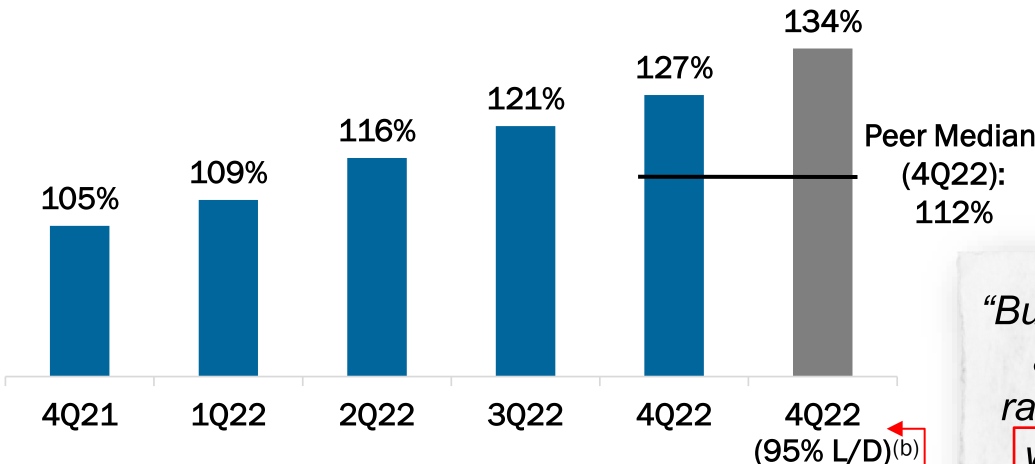
...And The Denial Deepens. With Rates Having Skyrocketed and Your Unadjusted CET1 Stuck at 9.1% (~5% AOCI-Adjusted), It's Clear You Can't Afford To Sell Securities and Crystallize The Loss, So They Are Now Effectively as Illiquid as Loans. Illiquid Assets Are No Longer Covered By Core Deposits[a] — Not Even Close — and Those Deposits Are Still Fleeing. Yet Leadership Acts Unconcerned, Professing a Willingness To Push Illiquidity Even Higher, Even Though They Have No Idea When Deposit Outflows Will Stop...

KEY Illiquid Assets / Core Deposits[a]



If we assume KEY takes its loans-to-core-deposit ratio to 95%, its illiquid-assets-to-core-deposit ratio jumps to 134% — even with deposit outflows still at risk — and KEY seems totally fine with it. This is denial personified.

Leadership seems willing to take illiquid assets materially higher even as deposits flee and KEY's liquidity profile is already worse than that of all its peers

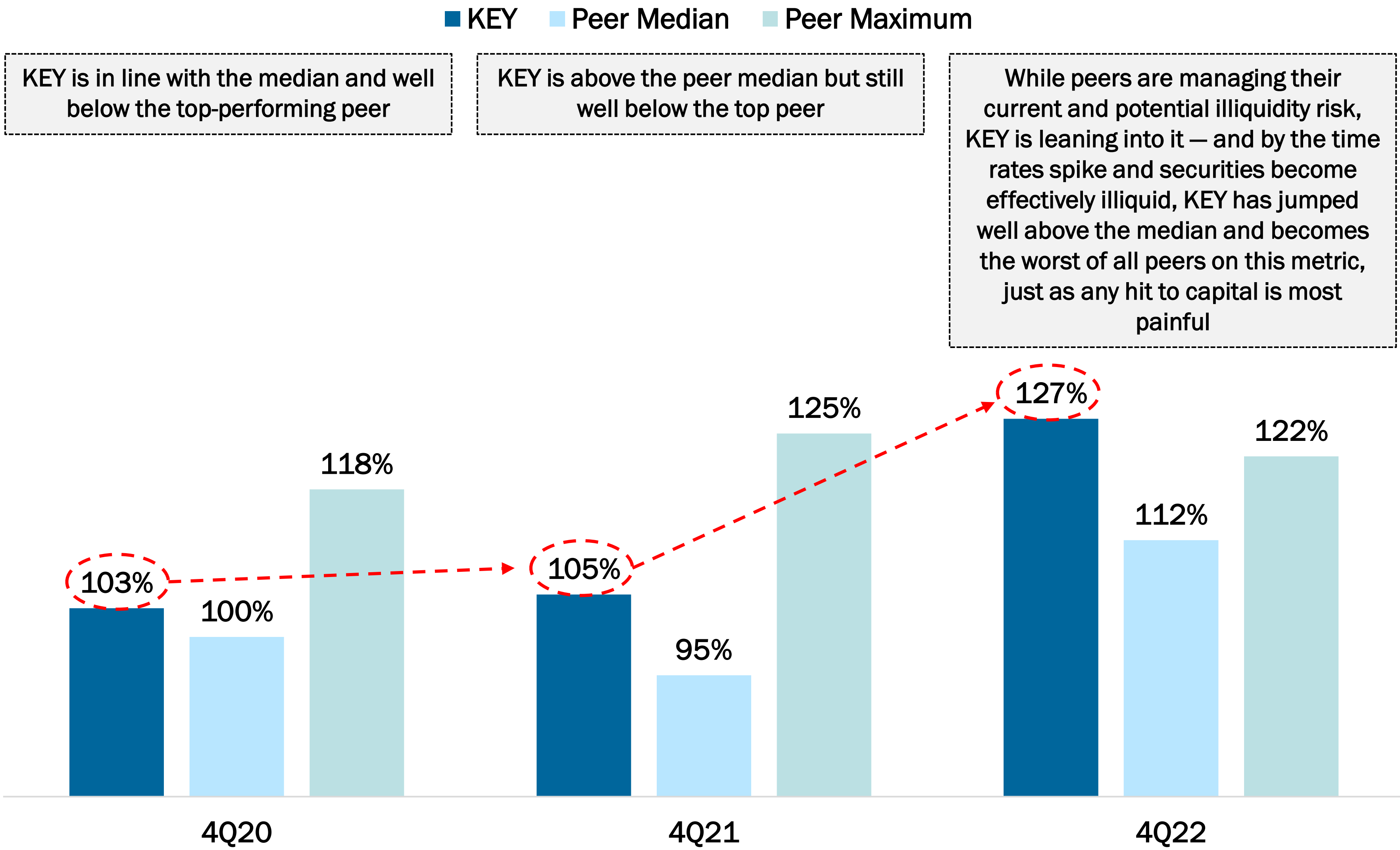
"But I would say, traditionally, we would look at a loan-to-deposit ratio in the 90% to 95% range, and we're still well below that. And so we've got plenty of capacity to continue to leverage that funding source as needed."

- Donald Kimble (Former CFO, 4Q22 Earnings Call)

Source: *Bank regulatory filings, S&P Capital IQ Pro.*
Note: See Appendix for more detail on how the peer group was chosen.
(a) We are defining Illiquid Assets as end of period Earning Assets less cash-like-assets (which includes total cash & balances due to depository institutions + fed funds and reverse repos + trading assets). Earning Assets calculated based on the sum of Cash-Like-Assets, Total Securities (at amortized cost) and Total Loans/Leases (incl. loans held-for-sale). "Core Deposits" defined by S&P Capital IQ Pro as Total Transaction Accounts, MMDAs/Other Savings Deposits, and Retail Time Deposits <=$250K and excludes brokered deposits.
(b) Assumes loans increase to 95% of 4Q22 Core Deposits.

...And While Peers See This Risk and Adjust, KEY Does Not...

Illiquid Assets / Core Deposits[(a)] vs. Peers[(b)]



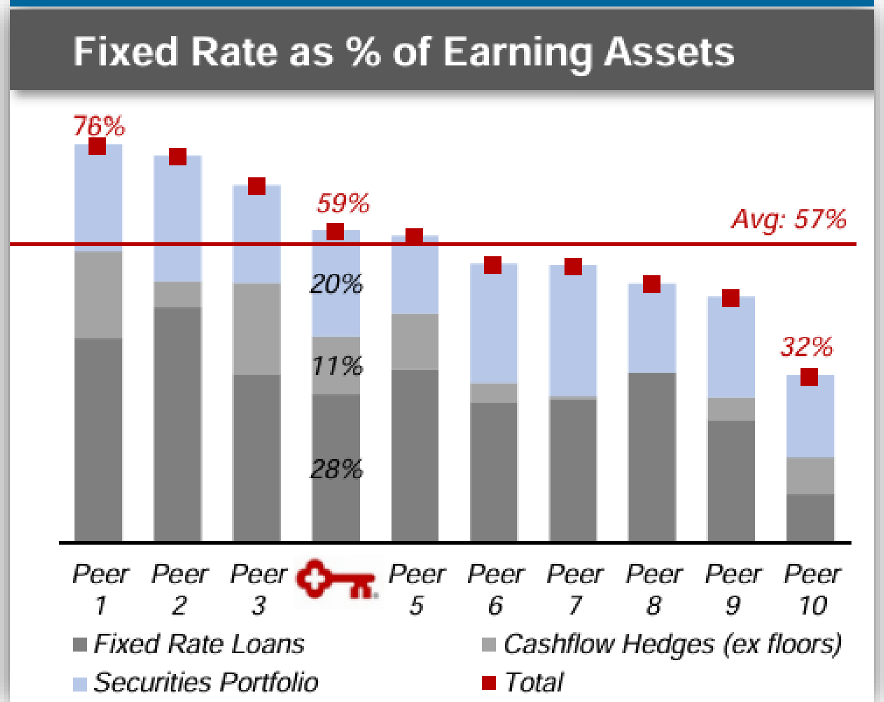
Source: *Bank regulatory filings, S&P Capital IQ Pro.*

(a) We are defining Illiquid Assets as end of period Earning Assets less cash-like-assets (which includes total cash & balances due to depository institutions + fed funds and reverse repos + trading assets). Earning Assets calculated based on the sum of Cash-Like-Assets, Total Securities (at amortized cost) and Total Loans/Leases (incl. loans held-for-sale). "Core Deposits" defined by S&P Capital IQ Pro as Total Transaction Accounts, MMDAs/Other Savings Deposits, and Retail Time Deposits <=$250K and excludes brokered deposits.

(b) See Appendix for more detail on how the peer group was chosen.

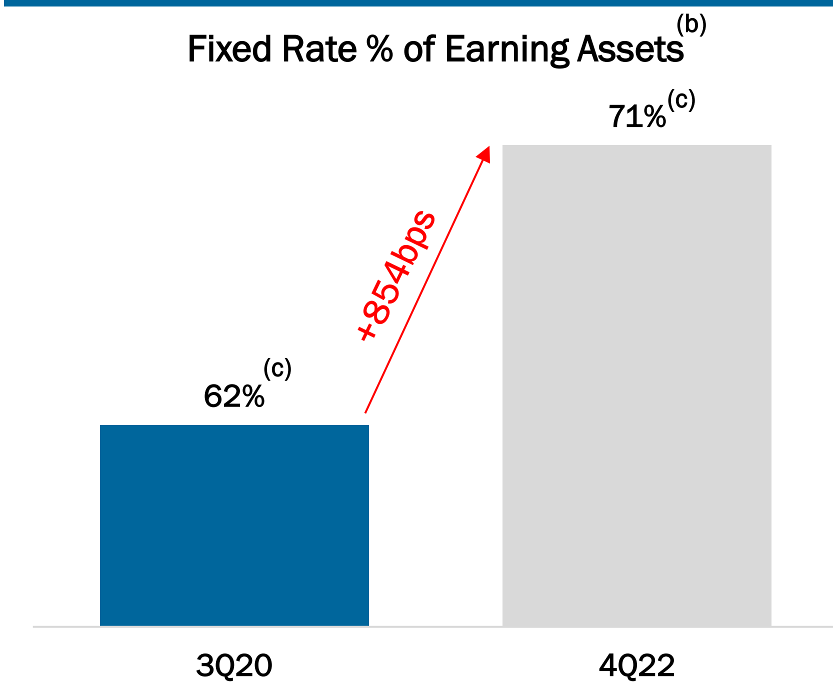
…And as We Close The Book On 2022, Any Narrative That KEY Ramps Up Its MBS Investments and Swaps In Low-Rate 2021 Simply To Keep a Steady Fixed-Rate Slice of Earning Assets — as It Claims Is The Purpose In 2020 — Is Flatly Betrayed By The Numbers. The Only Plausible Conclusion Is That Fixed-Rate Duration Is Chased To Juice Short-Term Income, Not To Hedge Anything…

3Q20: KEY Strives to Maintain a Fixed % Ratio of EA…[a]



"A lower exposure to unhedged floating rate loans combined with floors (purchased and written into loans) better protect Key from further declines in short interest rates" – KEY's 3Q20 Presentation

…Yet Later Increased Its Fixed Exposure



We believe KEY did not keep its fixed asset ratio constant through use of fixed rate securities and swaps, but rather loaded up on them for the purpose of taking its fixed asset ratio from 62%[c] to 71% in two years – and got burned in the process

Source: *Company filings, regulatory filings, Investor Presentation.*

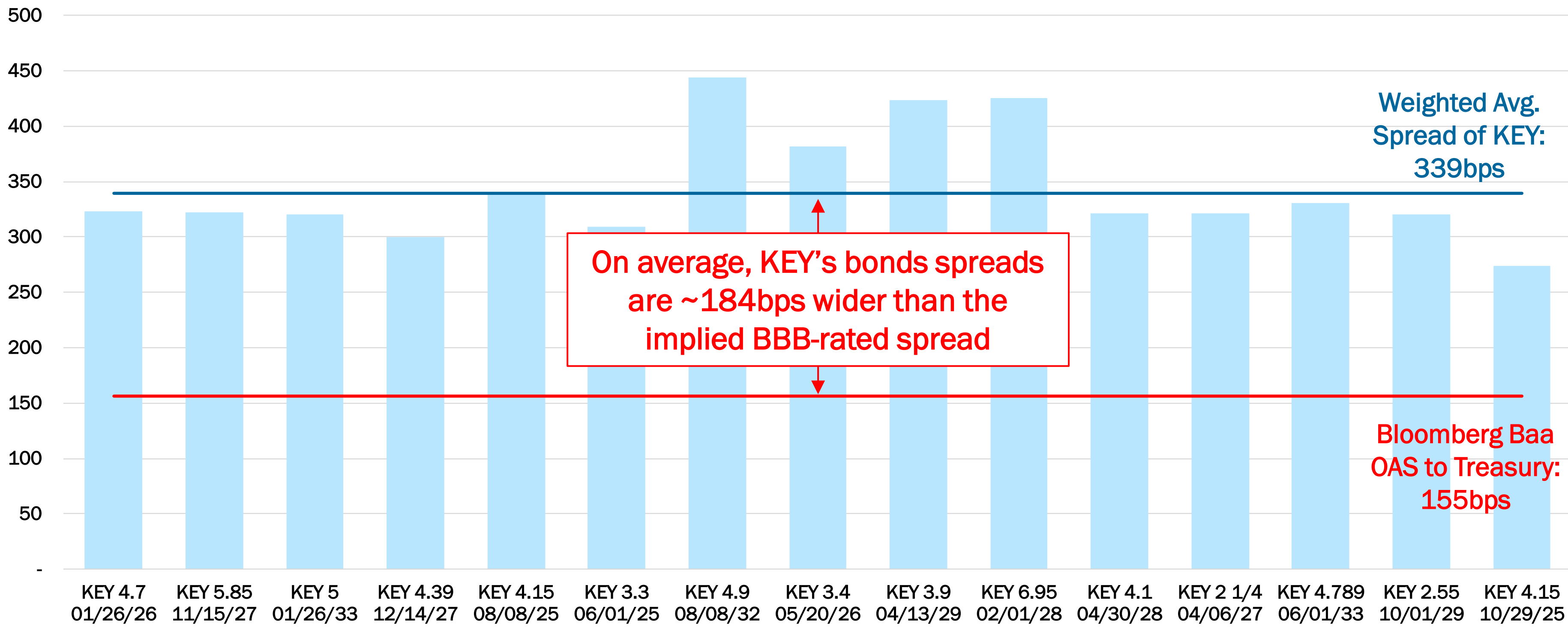
(a) Per KEY's 3Q20 Investor Presentation. "EA" means "Earning Assets."

(b) HoldCo calculates Earning Assets based on the sum of cash-like-assets (which includes total cash & balances due to depository institutions + fed funds and reverse repos + trading assets), Total Securities (at amortized cost) and Total Loans/Leases (incl. loans held-for-sale).

(c) 3Q20 figure is higher than the 59% figure KEY shows in its 3Q20 Investor Presentation due to balance differences of securities. HoldCo calculates this figure as the sum of fixed-rate loans (assuming 28% of end-of-period earning assets per the Investor Presentation in 3Q20 or 37% of end-of-period loans per the Investor Presentation in 4Q22), end-of-period securities at amortized cost, and end-of-period cash flow swaps (excluding forward-starting swaps).

…And Then Silicon Valley Fails. KEY's Debt Trades Down For an Extended Period, With Millions of Dollars Changing Hands — at Severely Stressed Levels. HoldCo Steps In and Buys Some of That Debt at Prices Primarily Between 72 and 79 Cents On The Dollar[(a)]. But After Purchasing $68 Million, We Stop (Compare That To Our Purchase of $109 Million Face Value of a Peer's Preferred Stock, PNC). Because, Truth Be Told, We Don't Love The Risk-Reward, Even At These Prices…

Spreads of KEY Bonds vs. Spread of BBB-Rated Bonds as of 10/31/2023[(b)(c)(d)]



Mdy's/S&P Ratings[(e)]	Baa1/ BBB+	Baa1/ BBB+	Baa1/ BBB+	Baa1/ BBB+	Baa1/ BBB+	Baa1/ BBB+	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB	Baa2/ BBB

Source: Bloomberg.

(a) KEY debt purchased by an investment fund managed by HoldCo prior to the launch of HoldCo Opportunities Fund V, L.P., including 'KEY 4.9 08/08/32', 'KEY 2 1/4 04/06/27', 'KEY 2.55 10/01/29' and 'KEY Float 07/01/28'.

(b) The list of bonds is based on Bloomberg's CAST function as of 10/31/23, which is the date when many of these bonds traded at their trough levels. Significant fixed-rate senior and subordinated holdco- and bank-level bonds are included; TruPS and PERPs were screened out.

(c) Spreads of KEY Bonds are calculated based on Bloomberg's 'G-spread' and pricing data as of 10/31/25, using Bloomberg's Yield and Spread Analysis (YAS) function. 'Weighted Avg. Spread of KEY is calculated based on the size of each bond as of 10/31/23.

(d) BBB-rated corporate bonds are based on Bloomberg Baa Corporate Index (LCB1TRUU Index). Spread based on 'Index OAS to Treasury Curve Basis Points'.

(e) Ratings as of 10/31/23.

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...And Its Bonds Priced In a Greater Than 40% Probability of The Bank Failing[(a)] Over The Next 9-10 Years...

Estimated Probability of Default of KEY Bonds (as of 10/31/23)[(a)(b)(c)(d)]

Security Name	HoldCo/ Bank?	Senior /Sub.?	Mdy's Rating (e)	S&P Rating (e)	Size ($MM)	Price (10/31/23)	YAS Bond Yield	YAS G-Sprd	YAS Z-Sprd	Maturity (Yrs) from 10/31/23	Est. Recovery %	Annual Probabilty of Default	Cumulative Probabilty of Default
KEY 4.7 01/26/26	Bank	Snr	Baa1	BBB+	500	92.99	8.19	323	335	2.2	40.0%	5.4%	11.8%
KEY 5.85 11/15/27	Bank	Snr	Baa1	BBB+	1,000	92.65	8.02	322	346	4.0	40.0%	5.6%	20.8%
KEY 5 01/26/33	Bank	Snr	Baa1	BBB+	1,000	80.42	8.04	321	354	9.2	40.0%	5.7%	42.1%
KEY 4.39 12/14/27	Bank	Snr	Baa1	BBB+	300	88.21	7.79	300	324	4.1	40.0%	5.3%	20.0%
KEY 4.15 08/08/25	Bank	Snr	Baa1	BBB+	1,250	93.04	8.46	338	346	1.8	40.0%	5.6%	9.7%
KEY 3.3 06/01/25	Bank	Snr	Baa1	BBB+	750	92.79	8.25	309	316	1.6	40.0%	5.1%	8.0%
KEY 4.9 08/08/32	Bank	Sub	Baa2	BBB	750	74.11	9.28	444	478	8.8	20.0%	5.8%	40.8%
KEY 3.4 05/20/26	Bank	Sub	Baa2	BBB	600	88.04	8.72	382	398	2.6	20.0%	4.9%	11.9%
KEY 3.9 04/13/29	Bank	Sub	Baa2	BBB	350	78.37	9.01	423	451	5.5	20.0%	5.5%	26.5%
KEY 6.95 02/01/28	Bank	Sub	Baa2	BBB	300	92.75	9.04	425	448	4.3	20.0%	5.4%	21.2%
KEY 4.1 04/30/28	HoldCo	Snr	Baa2	BBB	750	85.54	7.99	321	347	4.5	40.0%	5.6%	22.9%
KEY 2 1/4 04/06/27	HoldCo	Snr	Baa2	BBB	800	82.96	8.03	321	344	3.4	40.0%	5.6%	17.9%
KEY 4.789 06/01/33	HoldCo	Snr	Baa2	BBB	750	78.85	8.14	330	365	9.6	40.0%	5.9%	44.2%
KEY 2.55 10/01/29	HoldCo	Snr	Baa2	BBB	750	74.71	8.00	320	351	5.9	40.0%	5.7%	29.3%
KEY 4.15 10/29/25	HoldCo	Snr	Baa2	BBB	500	93.48	7.74	274	283	2.0	40.0%	4.6%	9.0%

Source: *Bloomberg.*

(a) Probability of default is calculated by HoldCo as (1 - exp(-(S/(1-R))*t), where S is the Z-spread (in decimal), R is the recovery rate (40% for senior, 20% for sub), and t is the time horizon in years.

(b) The list of bonds is based on Bloomberg's CAST function as of 10/31/23, which is the date when many of these bonds traded at their trough levels. Significant fixed-rate senior and subordinated holdco- and bank-level bonds are included; TruPS and PERPs were screened out.

(c) 'YAS Bond Yield', 'YAS G-Sprd' and 'YAS Z-Sprd' are based on Bloomberg's Yield and Spread Analysis (YAS) function for each bond, using pricing data as of 10/31/23.

(d) Assumed 40% recovery for senior bonds and 20% recovery for subordinated bonds for 'Est. Recovery %'.

(e) Ratings as of 10/31/23.

...And In The Months That Follow, Both Major Rating Agencies Downgrade KEY's Debt Rating – One of Only Two Category I, II, III, or IV Banks To Earn That Distinction[(a)]...

MOODY'S[(b)]

Moody's downgrades KeyCorp's senior unsecured ratings to Baa2; outlook remains negative

Rating Action | *8 min read* | 20 Oct 2023 Moody's Ratings

New York, October 20, 2023 -- Moody's Investors Service (Moody's) has downgraded all the long-term ratings of KeyCorp (Key, long-term senior unsecured to Baa2 from Baa1), including the standalone Baseline Credit Assessment (BCA) of its lead bank, KeyBank National Association to baa1 from a3 (long-term deposits to A2 from A1). The outlook on long-term senior unsecured debt, issuer and deposit ratings remains negative.

The action today reflects challenges that Key faces with respect to its core profitability and capitalization that have in part been driven by weaknesses in managing interest rate risk through the current cycle. While management has indicated that it expects net interest income over the next five quarters to improve meaningfully (roughly $1 billion) from the maturity of low-yielding US Treasury securities and fixed rate swaps, it is unclear to what extent higher funding costs, particularly for deposits, will offset the positive effect of maturing low-yielding Treasuries and swaps.

Key's capitalization remains a rating constraint despite its recent improvement. Key's Moody's tangible common equity (TCE) over risk-weighted asset (RWA) ratio was 8.6% at Q2 2023, weaker than peers, although it did increase slightly from 8.4% at the end of 2022. The bank's common equity tier 1 (CET1) capital ratio came in at 9.8% at the end of Q3 2023, which is above management's CET1 targeted range of 9.0%-9.5%, and largely reflects a reduction in RWAs. The difference between reported CET1 and Moody's TCE ratios is driven by Moody's cap on the contribution of deferred tax assets from unrealized available-for-sale (AFS) losses. Additionally, unrealized losses on Key's available-for-sale and held-to-maturity securities portfolios were nearly 50% of Moody's TCE at Q2 2023, and have increased meaningfully in Q3 2023 as Treasury yields rose sharply during the quarter.

S&P Global[(c)]

21-Aug-2023 | 18:04 EDT

KeyCorp Ratings Lowered To 'BBB' From 'BBB+' On Constrained Profitability; Outlook Stable

— We believe that interest rate risk management amid higher-for-longer rates will constrain profitability at KeyCorp more than at large regional bank peers.

— In addition, the bank's capital ratios--including its Tier 1 risk-based capital ratio inclusive of unrealized losses on available-for-sale securities--are at the low end of the peer average.

— We lowered our long-term ratings on KeyCorp to 'BBB' from 'BBB+' and those on its bank to 'BBB+' from 'A-'.

The downgrade reflects S&P Global Ratings' view that higher interest rates will continue to pressure profitability for longer and to a greater degree at Key than at Category IV bank peers. Specifically, we believe that interest rate risk management amid higher-for-longer rates will constrain profitability at Key more than at large regional bank peers. In addition, we expect that this pressure will only gradually abate until the cumulative benefit of hedge and treasury securities portfolio maturities builds substantially by the end of 2024.

Banks with over $100 billion in assets--such as Key--will ultimately need to include accumulated other comprehensive income (AOCI) in their regulatory capital ratios over an extended timeframe (by mid-2025), based on proposed changes to regulations for Category IV banks. We calculate that Key's Tier 1 risk-based capital ratio, adjusted for AOCI, was 7% on June 30, 2023--which is meaningfully lower than the corresponding ratios at Category IV peers. Management estimates that about 44% of the bank's AOCI should accrete by the end of 2024, mostly because of maturities and cash flows; that should be supportive of capital metrics over time.

Nonetheless, we believe Key's weaker-than-peer earnings power and high dividend payout limit its ability to meaningfully accrete capital over the next few years, despite its cessation of share repurchases. (Key's return on average assets was .62% for the first six months of 2023, and its common dividend payout ratio was 64%.) We therefore expect management to pursue balance-sheet optimization strategies to help the company build capital so that it can meet new regulatory requirements.

Source: *Moody's, S&P Global Ratings.*

Note: Quotes from the articles shown above have been abbreviated for illustrative purposes.

(a) Based on ratings changes from 3/10/23 to 12/31/23 (after SIVB failure), using Bloomberg's Moody's Senior Unsecured Debt Ratings and Junior Subordinated Debt Ratings as well as S&P's Long-Term and Short-Term Local Currency Issuer Credit Ratings.

(b) Moodys, "Moody's downgrades KeyCorp's senior unsecured ratings to Baa2; outlook remains negative" (10/20/2023).

(c) S&P Global Ratings, "KeyCorp Ratings Lowered To 'BBB' From 'BBB+' On Constrained Profitability; Outlook Stable" (8/21/23).

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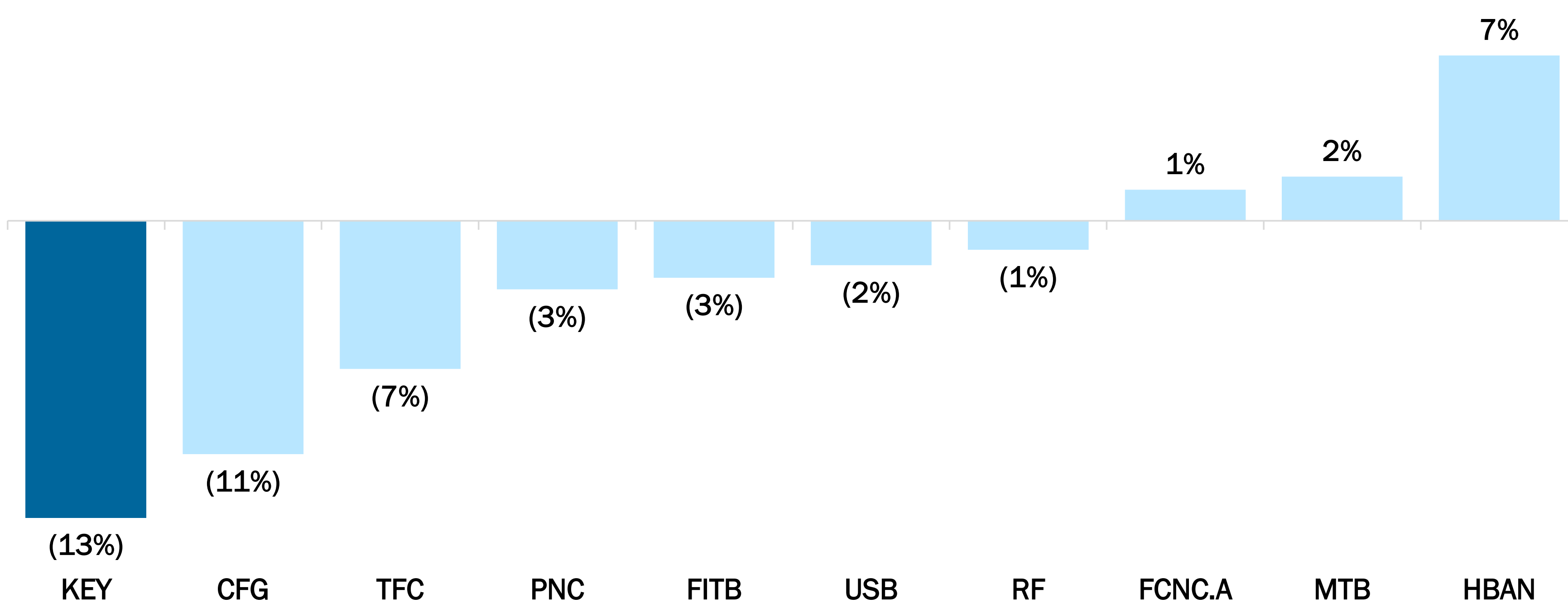
…And at That Point, There Is Nothing Perhaps KEY Can Do But Pray and Desperately Try To Shrink The Book — Which Isn't Easy Given How Illiquid It Has Become. The Key Decisions That Got Them Here Are Already Made, and They Are Entirely Locked In. KEY Ends Up Shrinking More Than Any of Its Peers, Because at This Stage Understandably All That Matters Is Survival — Not Profits, Not Growth, Not Anything Else…

Loan Growth % Change From 1Q23 to 4Q24



Source: *Bank regulatory filings.*
Note: See Appendix for more detail on how the peer group was chosen.
(a) Based on total loans & leases (including held-for-sale loans) per Y9C.

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…And Regulators Propose a New Capital and Liquidity Framework That Will Subject Banks Like KEY To AOCI Inclusion, Require New Debt To Be Raised, and Require Greater Levels of Liquidity, All While The Dividend Is Put at Risk and Debt Spreads Remain Elevated Throughout 2024.

"I will recommend that the enhanced capital rules apply to banks and bank holding companies with $100 billion or more in assets…the proposed adjustments would ***require banks with assets of $100 billion or more to account for unrealized losses and gains in their available-for-sale (AFS) securities when calculating their regulatory capital****...These changes…* ***would principally raise capital requirements for the largest, most complex banks****…One can think of the proposal's more accurate risk measures as* ***equivalent to requiring the largest banks hold an additional 2 percentage points of capital****...A related proposal will be to introduce a long-term debt requirement for all large banks…* ***I support applying a long-term debt requirement to all institutions with $100 billion or more in assets****… "*[(a)]

\- Michael Barr, Vice Chair of Supervision (7/10/23)

"President Biden urges the federal banking agencies, in consultation with the Treasury Department, to consider a set of reforms…including: " ***Reinstating rules*** *that were rolled back in the previous Administration…* ***including: Liquidity requirements and enhanced liquidity stress testing…annual supervisory capital stress tests…strong capital requirements for banks…expanding long-term debt requirements to a broader range of banks****…"*

- White House Fact Sheet (3/30/23)[(b)]

"[I wanted to first follow up on your answer, Chris, to Ebrahim's question. Are you signaling that the door is not open at all in terms of ***potentially rightsizing the dividend****?]* ***I wouldn't say it's not open at all. The reason I would put that caveat is I've yet to see the new capital rules****. But what I'm saying is I'm very comfortable with our dividend payout and the trajectory of our business under the current construct."*

- Chris Gorman, Chairman, President & CEO, KEY's 2Q23 Earnings Call (7/20/23)[(c)]

Source: S&P Capital IQ Pro, Company filings, Barr Testimony, The White House.

(a) Barr, "Holistic Capital Review" (7/10/2023).

(b) The White House, "FACT SHEET: President Biden Urges Regulators to Reverse Trump Administration Weakening of Common-Sense Safeguards and Supervision for Large Regional Banks" (3/30/2023).

(c) 2Q23 Earnings Call Transcript.

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But Most Importantly, KEY Survives. It Lives To See Another Day — at The Price of Raising Much Needed Capital From Scotiabank In a Rescue Deal We Agree Was Necessary, But That Raises Serious Concerns About Scotia's True Intent, Its Conflicts With Purely Economically Minded Shareholders, and The Substantial Board Influence It Now Wields (See Page 9 For More On This)…

*"…The **Bank of Nova Scotia is investing $2.8 billion** in KeyCorp, **a deal aimed at fixing the latter bank's profitability woes**…"*

*"For KeyCorp, the **deal pumps more capital into the $187 billion-asset company**, giving it space to reposition its bond portfolio and **accelerate a much-hoped-for return to better profits**."*

*"The bank has been **stuck with some low-yielding bonds it bought a couple of years ago**, and it has been **unable to replace them** with higher-paying ones without taking a loss."*

*"But **with Scotiabank's investment, KeyCorp would get more wiggle room for a "potential repositioning"** of its bond portfolio, the company said in a press release."*

- American Banker, "KeyCorp says $2.8B deal with Scotiabank will help it be 'front-footed'" (8/12/2024)

*"**Scotiabank is buying a 14.9% stake** in American regional lender KeyCorp for $2.8 billion"*

*"KeyCorp said it would also **look to reposition its available-for-sale securities portfolio** to speed up its push for profitability, liquidity and capital improvements."*

- Reuters, "Canada's Scotiabank buys 14.9% stake in US regional lender KeyCorp for $2.8 bln" (8/12/2024)

*"Following the completion of the capital raise, KEY plans to evaluate **repositioning its available-for-sale (AFS) securities portfolio by divesting low-yielding, longer-duration AFS securities** and investing the proceeds in higher-yielding, more liquid securities."*

- Yahoo Finance, "KeyCorp-Scotiabank Deal Closes, to Support KEY's NII Expansion in 2025" (12/30/2024)

Source: *American Banker, KeyCorp says $2.8B deal with Scotiabank will help it be 'front-footed' (8/12/2024); Reuters, Canada's Scotiabank buys 14.9% stake in US regional lender KeyCorp for $2.8 bln (8/12/2024); Yahoo Finance, KeyCorp-Scotiabank Deal Closes, to Support KEY's NII Expansion in 2025 (12/30/2024)*

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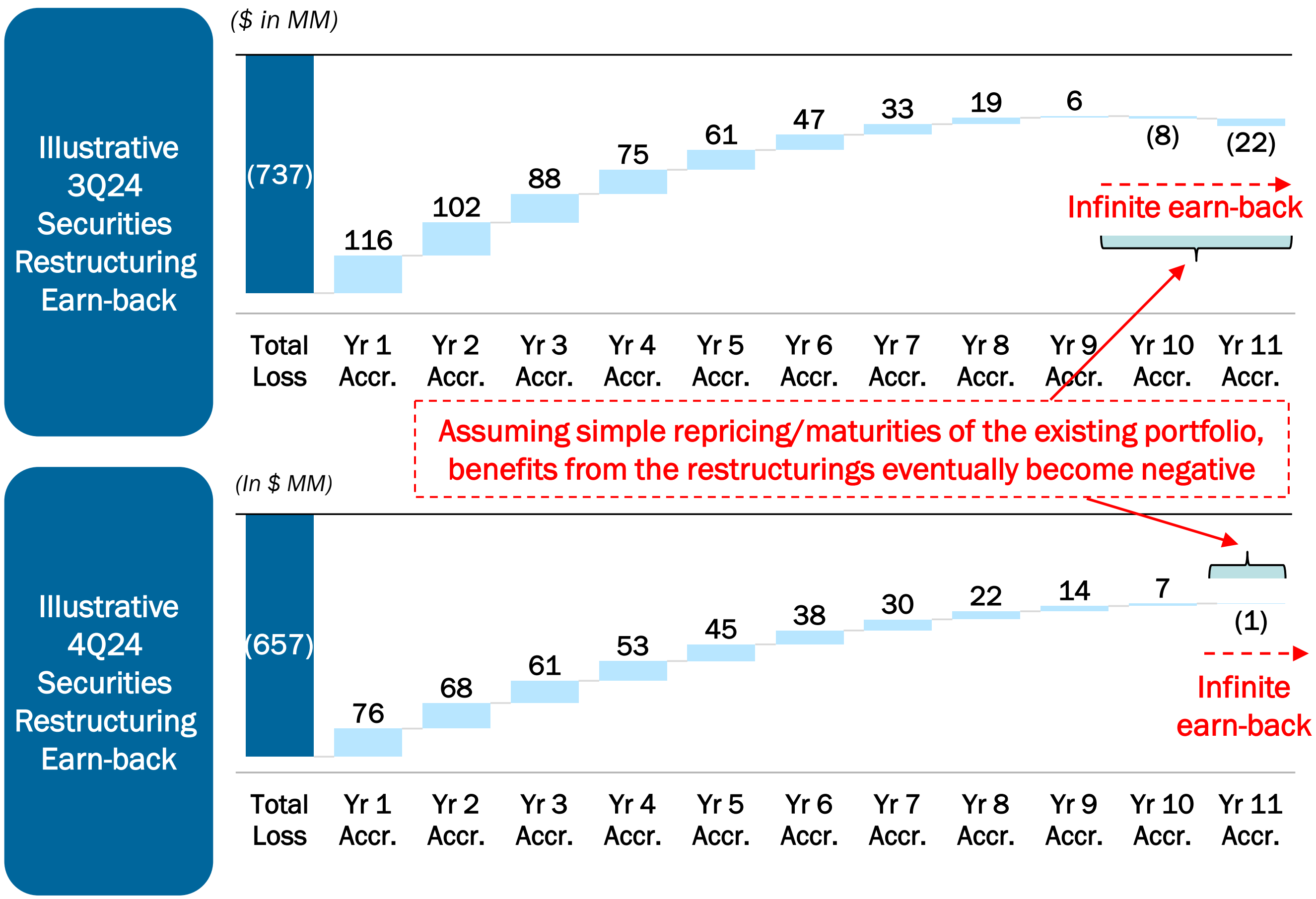
…And Then, With Fresh Capital In Hand, Rather Than Buy Back Stock at Dirt-Cheap Levels, KEY Chose To Allocate Half of It On a Seemingly "Infinite Earn-Back" Securities Restructuring That Appears To Have a Negative IRR.



Key Assumptions

- Repricing/maturities schedules for the old securities (i.e. sold securities) based on durations of the portfolio as provided, assuming a straight-line/mid-point repricing:
  - 3Q24 Trans: 6 Yrs (8.3%/yr)
  - 4Q24 Trans: 8 Yrs (6.3%/yr)
- Yields on the sold securities (@ amortized cost):
  - 3Q24 Trans: 2.3%
  - 4Q24 Trans: 1.5%
- Assuming principal proceeds of the old portfolio reinvested into the same securities at the same yield as the newly purchased portfolio:
  - 3Q24 Trans: 4.95%
  - 4Q24 Trans: 5.50%
- Newly purchased portfolios yield remain the same with repricing/maturities assumptions, as the reinvested yields are the same

Source: Company SEC Filings and S&P Capital IQ Pro.

Note: Based on the Company's security repositioning of $7 billion in market value of AFS securities for the 3Q24 transaction and $3 billion for the 4Q24 transaction. Total losses based on the after-tax figures provided by the company. 'Yr 1, Yr 2, Yr 3… Accr.' represent after-tax benefit (@ 21% tax-rate) from the securities restructurings, assuming a straight-line/mid-point repricing/maturity schedule for the existing portfolio (i.e., a 6-year duration portfolio reprices 8.3% (1/12) per year, etc.) based on the 'Key Assumptions' above.

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And Credit To Leadership For Conceding That All of This Could Have Been Avoided By Simply Running a Scenario Where Rates Rise Quickly. But If The Management of a Category IV Bank Can't Clear a Bar That Low, Should They Really Be Running a Category IV Bank?

Steven A. Alexopoulos (J.P. Morgan):

"…But how do you think about big picture?"

Clark Khayat (KEY CFO):

"Yes. It's a great question. I think -- and it probably requires a longer answer. But short story, Steve, I think you just have to be probably considering a variety of additional scenarios and being a little bit more dynamic in the direction and pace of rate movements. So I think if rates had moved in an orderly fashion, this would be much less of an issue. They did not, as you know and I think we just have to be more dynamic in our thinking about putting on certain positions."

- 2Q23 Earnings Call (7/20/23)

In hindsight, your leadership acknowledges the obvious: sound risk management requires contemplating multiple scenarios, not a single point forecast

Leadership admits that they simply did not consider that rates could move up in a disorderly fashion

"Fourth quarter closes out a challenging year… we acknowledge that our balance sheet coming into the year was not well positioned for the rapid rise in interest rates that transpired…As a result, we missed our own expectations and yours."

- Gorman, KEY CEO, KEY's 4Q23 Earnings Call (1/18/24)

Gorman acknowledges that he made a significant error in balance sheet risk management

Source: S&P Capital IQ Pro, Earnings Call Transcripts.

And Just Like In The GFC, We Find Out Again: KEY's Been Swimming Naked.

> ***"Only when the tide goes out do you discover who's been swimming naked."***
>
> ***– Warren Buffett***

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III. Next Steps

HoldCo's Recommendation To The Board...

- **HoldCo Opportunities Fund V, L.P. owns $142 million market value and 7.5 million shares of KEY[(a)]**
- **We believe the Board should take the following actions:**

1. **Adopt a clear "no acquisitions" policy:**
   - Commit that the Board will not consider any future bank acquisitions.
2. **Use all excess capital for buybacks:**
   - Deploy all excess capital – now and in the future – remaining after funding organic growth and paying the regular dividend to repurchase stock. Given KEY's extraordinary undervaluation on normalized earnings and capital, basic math makes this the obvious choice.
3. **Terminate CEO Gorman:**
   - Since assuming leadership, Chairman and CEO Christopher Gorman has exhibited extremely poor judgment, and the decisions made on his watch created existential risks for this 200-year institution.
4. **Do not re-nominate Lead Independent Director Cutler:**
   - Mr. Cutler has presided over enormous shareholder value destruction during his roughly 25-year tenure on the Board and should not be re-nominated.
5. **Do not re-nominate directors who approved the First Niagara acquisition:**
   - Do not re-nominate, at the next election, those directors who believed it was acceptable to tell shareholders that KEY had no interest in being acquisitive and then abruptly announce a massive transaction priced so richly that even the Company's own statements indicated a 10-year earn-back.
6. **Create an independent Capital Allocation Committee (excluding Nova Scotia designees):**
   - Require that all major capital allocation decisions be made by an independent committee of directors that excludes the two Nova Scotia–nominated directors, whose interests may not be aligned with the broader shareholder base's goal of maximizing long-term per-share value.

(a) As of 12/4/2025.

And One Small Request: Given That You're an S&P 500 Bank With a Heavily Institutional Holder Base, Is It Too Much To Ask For a Little Bit of Responsiveness — Even If We're Not Scotiabank?

HoldCo meets with KEY over Zoom to better understand the company and then follows up with two technical questions.

From: Vik Ghei [redacted]
Sent: Tuesday, May 6, 2025 1:17 PM
To: Nima Attar [redacted] White, Kori [redacted] Mauney, Brian [redacted]
Cc: Misha Zaitzeff [redacted] Sean Lim [redacted] James Nassab [redacted]
Subject: RE: Call with HoldCo Asset Management

Brian,
I hope that you are well. We greatly appreciated your time on Friday and got a lot out of the discussion. In particular, we appreciated your technical grasp of some of the numerical topics we raised and found that to be very helpful. I wanted to follow up on one thing that we were confused about. With regards to the slide 24 of the investor deck ("Balance Sheet Management Detail"), we had two questions:

(1) With regards to the "fixed rate loans cash flows / maturities" and "fixed rate investment securities cash flows / maturities", do the mentioned amounts (i.e. $6.9bn in 2025 for the loans) include interest or just principal and principal prepayments? And if they do include interest, for the securities do the amounts include interest on all securities (i.e. $46.6bn) or just the securities that are the subject of the principal inflows?
(2) For those same categories, with respect to "weighted-average rate received (%)", does the rate (i.e. 3.18% for securities in 2025) reflect the rate associated with the loans/securities being repaid (i.e. the $6.9bn of loans in 2025 have coupons of 3.9%) or does it mean something different?

Thanks,
Vik / Misha

KEY does not respond. HoldCo follows up again and requests a call.

From: Nima Attar
Sent: Thursday, May 8, 2025 10:21 AM
To: Mauney, Brian [redacted] White, Kori [redacted]
Cc: Misha Zaitzeff [redacted] Sean Lim [redacted] James Nassab [redacted] Vik Ghei [redacted]
Subject: RE: Call with HoldCo Asset Management

Brian,

Hope all is well. We enjoyed our conversation last week and have continued to do research on our end. We have a few follow-up questions and wanted to see if you had time for a call over the next week.

Please let us know if there are any times that work best.

Thank you,
Nima

And One Small Request: Given That You're an S&P 500 Bank With a Heavily Institutional Holder Base, Is It Too Much To Ask For a Little Bit of Responsiveness — Even If We're Not Scotiabank? (cont'd)

Still no response. Nearly a month later, HoldCo emails a third time and notes it is now a large shareholder.

From: Nima Attar [redacted]
Sent: Tuesday, June 3, 2025 10:41 AM
To: Mauney, Brian [redacted] White, Kori [redacted] Investor Relations [redacted]
Cc: Misha Zaitzeff [redacted] Sean Lim [redacted] James Nassab [redacted] Vik Ghei [redacted]
Subject: RE: Call with HoldCo Asset Management

Brian,

We have recently become a large shareholder of KEY and wanted to follow-up on the below if you are available for a call over the next week to go through a few additional questions.

Please let us know if there are any times that work for you. We are generally free on our end.

Thanks,
Nima

That finally prompts a response from KEY.

From: Mauney, Brian [redacted]
Sent: Tuesday, June 3, 2025 10:44 AM
To: Nima Attar [redacted] White, Kori [redacted] Investor Relations [redacted]
Cc: Misha Zaitzeff [redacted] Sean Lim [redacted] James Nassab [redacted] Vik Ghei [redacted]
Subject: RE: Call with HoldCo Asset Management

Hi Nima,

Absolutely. Just got through a number of conferences and NDRs. Kori can you set up some time please?

Thanks
Brian

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Next Steps

- In the coming days, we intend to listen very carefully to the comments of your Conflicted Chairman, to see whether it is possible to determine with any confidence where he truly stands on issues of capital allocation
- Today's presentation tells a story, but it does not yet prove, with full analytical rigor, the errors of judgment this Board has made over the years

Absent a meaningful shift in rhetoric toward using all current and future excess capital for buybacks and recognizing that KEY has neither the judgment nor the valuation to pursue any acquisition, we intend to publish at least three additional presentations next year

- These presentations will rigorously dissect specific decisions and non-decisions made by this Board — with the same level of detail and analytical rigor as our presentation "Where Has All the Capital Gone?" on Eastern Bankshares (EBC), available HERE
- We also intend to lay out – in the next presentation we issue – in detail the case for why buybacks are far superior for generating future shareholder returns than acquiring another bank, with analytical rigor similar to the case we made for First Interstate BancSystem (FIBK) available HERE
- We believe these presentations will help educate shareholders. We strongly believe in the intelligence of KEY's shareholder base, and we are confident that, once the facts are laid out, perceptions of this Board will converge to reality

We are also evaluating other remedies available to us — including a near-term proxy contest and/or pressing for a sale of KEY to a stronger buyer, such as PNC, Wells Fargo or Certain Canadian Banks

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Appendix

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Appendix: Peer Group Selection

All Category I to IV Banks[a]

Name	Ticker
Ally Financial Inc.	ALLY
American Express Company	AXP
Bank of America Corporation	BAC
The Bank of New York Mellon Corporation	BK
Barclays US LLC	BARC
BMO Financial Corp.	BMO
Capital One Financial Corporation	COF
The Charles Schwab Corporation	SCHW
Citigroup Inc.	C
Citizens Financial Group, Inc.	CFG
DB USA Corporation	DBK
Fifth Third Bancorp	FITB
First Citizens BancShares, Inc.	FCNC.A
The Goldman Sachs Group, Inc.	GS
HSBC North America Holdings Inc.	HSBA
Huntington Bancshares Incorporated	HBAN
JPMorgan Chase & Co.	JPM
Keycorp	KEY
M&T Bank Corporation	MTB
Morgan Stanley	MS
Northern Trust Corporation	NTRS
The PNC Financial Services Group, Inc.	PNC
RBC US Group Holdings LLC	RY
Regions Financial Corporation	RF
Santander Holdings USA, Inc.	SAN
State Street Corporation	STT
TD Group US Holdings LLC	TD
Truist Financial Corporation	TFC
UBS Americas Holding LLC1	UBSG
U.S. Bancorp	USB
Wells Fargo & Company	WFC

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Excluded Banks[b]

Excluded: Money Center Banks

Name	Ticker
Bank of America Corporation	BAC
Citigroup Inc.	C
The Goldman Sachs Group, Inc.	GS
JPMorgan Chase & Co.	JPM
Morgan Stanley	MS
Wells Fargo & Company	WFC

Excluded: Trust Banks

Name	Ticker
The Bank of New York Mellon Corporation	BK
Northern Trust Corporation	NTRS
State Street Corporation	STT

Excluded: Specialized Banks

Name	Ticker
Ally Financial Inc.	ALLY
American Express Company	AXP
Capital One Financial Corporation	COF
The Charles Schwab Corporation	SCHW

Excluded: Foreign Banks

Name	Ticker
Barclays US LLC	BARC
BMO Financial Group	BMO
DB USA Corporation	DBK
HSBC North America Holdings Inc.	HSBA
RBC US Group Holdings LLC	RY
Santander Holdings USA, Inc.	SAN
TD Group US Holdings LLC	TD
UBS Americas Holding LLC	UBSG

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Peer Group[b]

Name	Ticker
Citizens Financial Group, Inc.	CFG
Fifth Third Bancorp	FITB
First Citizens BancShares, Inc.	FCNC.A
Huntington Bancshares Incorporated	HBAN
Keycorp	KEY
M&T Bank Corporation	MTB
The PNC Financial Services Group, Inc.	PNC
Regions Financial Corporation	RF
Truist Financial Corporation	TFC
U.S. Bancorp	USB

Excludes:

- Money Center Banks
- Trust Banks
- Specialized Banks
- Foreign Banks

Source: S&P Capital IQ Pro; Federal Reserve, 2024 Federal Reserve Stress Test Results (6/2024); Federal Reserve, 2025 Federal Reserve Stress Test Results (6/2025).

(a) Population includes all Institutions classified as Category I-IV banks per 2024 and 2025 Federal Reserve Stress Tests. Population excludes Discover Financial Services (DFS) due to acquisition & includes First Citizens BancShares, Inc. (FCNC.A) due to Category IV asset size.

(b) Peer Group excludes banks per HoldCo's view of their unique business models categorized into the following: Money Center Banks, Trust Banks, Specialized Banks or Foreign Banks.