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THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

KeyCorp (NYSE:KEY)

RANDY PAINE is the President of KeyBanc Capital Markets, Co-Head of Key Corporate Bank and a member of KeyCorp's executive leadership team. Key's Corporate Bank is comprised of several business units including KeyBanc Capital Markets, KeyBank Real Estate Capital, Key Equipment Finance and Key's Commercial Payments business. KeyBanc Capital Markets is an integrated business unit comprised of Key's Corporate and Investment Banking, Public Finance and Capital Markets businesses. Previously, Mr. Paine served as Co-Head of KeyBanc Capital Markets and Head of the Corporate and Investment Banking business. Prior to that, he led the Industrial and Energy Groups within KeyBanc Capital Markets. Mr. Paine was a Managing Director within the Investment Banking Division of McDonald Investments Inc., a registered broker/dealer acquired by KeyCorp in 1998. Mr. Paine joined Key in 1993 from Arthur Andersen & Company, where he served in the Special Services Division. He is actively involved in various charities and not-for-profit organizations, and currently serves as Chairman of the board of directors of the Make-A-Wish Foundation of Ohio, Indiana and Kentucky. He also served on the board of visitors for DePauw University and the board of directors for Special Olympics Indiana and Meals on Wheels in Indianapolis, Indiana. Mr. Paine graduated cum laude from DePauw University with a B.A. in economics.

SECTOR — BANKING

TWST: We last spoke to you in 2014. Can you tell us how the company and your role have since changed?

Mr. Paine: KeyBanc Capital Markets, which I have led over the last few years, has changed dramatically. We've grown both organically and inorganically, resulting in revenue growth in excess of 30% over the last two years. In late 2014, we acquired Pacific Crest Securities, which was transformational for our business because it added a technology vertical to our corporate and investment banking platform. The Pacific Crest acquisition drove about 40% of our growth over the past two years, with the balance coming from organic initiatives. This has included investments in our platform across our various industry groups, as well as product areas: debt capital markets, equity capital markets, mergers and acquisitions, loan syndications and leveraged finance.

As for my role, I was recently asked to co-head Key Corporate Bank along with Angela Mago, who runs our commercial real estate business — KeyBank Real Estate Capital — within the Corporate Bank. We stepped into this role when Christopher Gorman, who had previously run the Corporate Bank, was tasked with leading the integration efforts for KeyCorp's acquisition of First Niagara. Angela and I continue to lead our respective businesses, KeyBanc Capital Markets and KeyBank Real Estate Capital.

As I mentioned previously, our responsibilities leading the Corporate Bank include oversight of Key's Commercial Payments and Equipment Finance businesses. Key's Commercial Payments business is very significant because it serves our business clients and segments across the entire bank. Key's Equipment Finance business serves three areas: one, bank channel, which includes aspects of our community bank, the business banking and middle-market lending groups, as well as KeyBanc Capital Markets and KeyBank Real Estate Capital; two, vendor channel, which is a growth platform for us that serves various clients in the technology, equipment and government/municipal areas, among others; and three, the specialty finance lending channel.

TWST: What differentiates you from competitors?

Mr. Paine: Three things really differentiate KeyBanc Capital Markets from the competition. First, we are very focused on emerging-growth and middle-market companies in the industrial, consumer, real estate, health care, technology, public sector and energy/power industry verticals with a broad range of corporate and investment banking solutions — ones they're not going to get from virtually any other regional bank or boutique investment bank.

Second, other large banks may have all the capabilities that we offer, but we work to bring integrated solutions to emerging-growth and middle-market clients in a seamless fashion. Our culture of collaboration allows us to deliver a broad set of solutions to our clients based on their needs. The final differentiator, which is incredibly important, is that we execute for our clients. It takes a specialized focus to help emerging-growth and middle-market companies — be it with capital markets, payments or merger and acquisition advice — compared to mega- and large-cap companies. Quite frankly, we know the middle-market space as well as anybody, and as a result, we can execute and deliver great value for our clients.

TWST: Tell us more about your corporate banking business. What have been the key drivers of growth for this business in recent years, and how do these play into your vision of the future?

Mr. Paine: We've had good growth. Since 2010, our investment banking and debt placement fees have grown more than $230 million to $445 million in 2015, which is a much higher rate of growth than the capital we have put on our balance sheet. We're raising a tremendous amount of capital for our clients, serving as both an agent and a principal. Our goal is to take our clients to the most efficient pockets of capital needed to facilitate the growth of their businesses. Furthermore, we bring great ideas to our clients that we can help execute, like managing risk with foreign exchange, derivative or payments solutions, or helping them grow through acquisitions.

TWST: How do all of these things play into your view of the future for the corporate banking business?

Mr. Paine: The current U.S. economic environment is interesting. The economy continues to grow, however, at a lower rate than we would have anticipated given the significant level of monetary stimulus provided since the Great Recession. That being said, most parts of the world are behind the U.S. in terms of a recovery, and some are still having trouble coming out of the recession. As a result, what we're seeing right now is a lot of uncertainty and changing business models from European banks that operate in the U.S.

In many cases, what that means for the corporate and investment banking business is that those entities are pulling back from investments in U.S.-based operations. That's actually an opportunity for us, but at the same time, the U.S. banking industry is healthy, and it's well-capitalized. So we're not alone. The competitive dynamic will remain intense, but the nice thing about the emerging-growth and middle-market space is that it's significant. There are thousands of companies we can serve with unique and differentiated solutions, even in a less than optimal growth environment.

you combine our local relationships with the deep industry and capital markets capabilities in KeyBanc Capital Markets and Key Real Estate Capital, it's powerful.

Additionally, we've made significant investments in our payments business over the last few years to ensure we have the best capabilities. That business provides an essential service to our community bank, as well as our corporate banking clients. Security is obviously top of mind for all of our customers, and we're continually addressing those evolving needs. We've also changed our sales approach to make it more industry-focused and more solutions-based, which will help us drive returns on the investments that we've made.

TWST: Throughout the recent market turmoil, what aspects of your core business have helped you to maintain margins and fulfill earnings expectations?

Mr. Paine: The recent market turmoil has been a challenge for the industry, but we've navigated it well, especially in our real estate mortgage and loan syndications areas. We hope to capitalize on the recent market volatility by attracting new clients whose banking partners may have not navigated the markets well and are pulling back. Additionally, in some of our key industry verticals, we've seen that the current market environment has produced opportunities for companies to tap the capital markets. To date, we've been very active as a book runner on a number of public equity offerings in the REIT space. With interest rates pulling back, equity prices have improved for many REITs, and we have used that opportunity to raise capital for our clients.

TWST: How does the recent acquisition of Pacific Crest Securities support your business strategy?

Mr. Paine: Pacific Crest was important to us for a number of reasons. One, as I mentioned earlier, KeyBanc Capital Markets had a very limited presence in the technology space, and that part of the economy is both large and growing. Pacific Crest was focused exclusively in the technology space and built a leading franchise as one of the most active underwriters of technology IPOs and had developed one of the most decorated equity research teams focused on the space. Together we are bringing solutions to clients in traditional industry verticals that are being transformed because of the impact that technology has had on their businesses.

For example, the economics of the restaurant business have drastically changed because of technology. With a team that understands both the restaurant industry and the technology that is changing the space,

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TWST: How will you leverage Key's community bank footprint to grow your businesses in the Corporate Bank?

Mr. Paine: We're really excited about how we can leverage our community bank to drive growth. Our size is a real competitive advantage in today's world. We're big enough to have a full suite of capital markets solutions but small enough to make the connection of our investment banking teams to clients in our community bank. We've put in a tremendous amount of work and investment over the last few years to build points of connectivity between our corporate and investment bank and our middle-market business within Key's community bank. When

KeyBanc Capital Markets is really well-positioned to help our clients navigate a rapidly changing environment. Our success with Pacific Crest has been more rapid than anticipated. Many clients were in need of a broader solution set that Key provides.

TWST: Looking ahead in 2016 and beyond, what are the most significant business challenges, and how will these be shaped by the evolving regulatory environment?

Mr. Paine: The economy has been in a period of gradual expansion for upward of eight years now, though we're clearly a lot closer to some type of downturn than we've been at in any point in this recovery.

We have to be prepared for cycles in the economy. Therefore, we are focused on working to make sure we can support our clients through all parts of the economic cycle. From a regulatory standpoint, we expect the environment to remain active and challenging. We have to be proactive in working with our regulators, while continuing to expand and improve our business.

TWST: What is your vision for the company over the next five years? What are the key aspects of your strategy that will allow you to achieve that vision?

Mr. Paine: Our vision is to be the best regional bank in the U.S. The underpinnings of that vision stem from excelling as a relationship bank that helps both our clients and communities thrive. By staying focused on these priorities, I am confident we will make significant progress toward our goals.

TWST: Thank you. (KK)

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