

KEYCORP /NEW/
Form 10-Q
November 02, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2015
Commission File Number 001-11302

Exact name of registrant as specified in its charter:

Ohio

34-6542451

State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification Number:
127 Public Square, Cleveland, Ohio	44114-1306
Address of principal executive offices:	Zip Code:
(216) 689-3000	

Registrant's telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares with a par value of \$1 each
Title of class

835,366,925 Shares
Outstanding at October 29, 2015

Table of Contents

KEYCORP

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	Page Number
Item 1. <u>Financial Statements</u>	
<u>Consolidated Balance Sheets</u> <u>September 30, 2015 (Unaudited), December 31, 2014, and September 30, 2014 (Unaudited)</u>	5
<u>Consolidated Statements of Income (Unaudited)</u> <u>Three and nine months ended September 30, 2015, and September 30, 2014</u>	6
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u> <u>Three and nine months ended September 30, 2015, and September 30, 2014</u>	7
<u>Consolidated Statements of Changes in Equity (Unaudited)</u> <u>Nine months ended September 30, 2015, and September 30, 2014</u>	8
<u>Consolidated Statements of Cash Flows (Unaudited)</u> <u>Nine months ended September 30, 2015, and September 30, 2014</u>	9
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	
<u>Note 1. Basis of Presentation and Accounting Policies</u>	10
<u>Note 2. Earnings Per Common Share</u>	15
<u>Note 3. Loans and Loans Held for Sale</u>	16
<u>Note 4. Asset Quality</u>	18
<u>Note 5. Fair Value Measurements</u>	33
<u>Note 6. Securities</u>	49
<u>Note 7. Derivatives and Hedging Activities</u>	53
<u>Note 8. Mortgage Servicing Assets</u>	61
<u>Note 9. Variable Interest Entities</u>	62
<u>Note 10. Income Taxes</u>	64
<u>Note 11. Acquisitions and Discontinued Operations</u>	65
<u>Note 12. Securities Financing Activities</u>	73
<u>Note 13. Employee Benefits</u>	75
<u>Note 14. Trust Preferred Securities Issued by Unconsolidated Subsidiaries</u>	76
<u>Note 15. Contingent Liabilities and Guarantees</u>	77
<u>Note 16. Accumulated Other Comprehensive Income</u>	79
<u>Note 17. Shareholders' Equity</u>	82
<u>Note 18. Line of Business Results</u>	83
<u>Note 19. Subsequent Event</u>	87
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>	88

Table of Contents

Item 2. <u>Management's Discussion & Analysis of Financial Condition & Results of Operations</u>	89
<u>Introduction</u>	89
<u>Terminology</u>	89
<u>Selected financial data</u>	90
<u>Forward-looking statements</u>	91
<u>Economic overview</u>	92
<u>Long-term financial goals</u>	93
<u>Strategic developments</u>	93
<u>Demographics</u>	94
<u>Supervision and regulation</u>	95
<u>Highlights of Our Performance</u>	97
<u>Financial performance</u>	97
<u>Results of Operations</u>	101
<u>Net interest income</u>	101
<u>Noninterest income</u>	104
<u>Noninterest expense</u>	106
<u>Income taxes</u>	108
<u>Line of Business Results</u>	109
<u>Key Community Bank summary of operations</u>	109
<u>Key Corporate Bank summary of operations</u>	110
<u>Other Segments</u>	111
<u>Financial Condition</u>	112
<u>Loans and loans held for sale</u>	112
<u>Securities</u>	118
<u>Other investments</u>	121
<u>Deposits and other sources of funds</u>	121
<u>Capital</u>	122
<u>Risk Management</u>	126
<u>Overview</u>	126
<u>Market risk management</u>	127
<u>Liquidity risk management</u>	132
<u>Credit risk management</u>	135
<u>Operational and compliance risk management</u>	142
<u>Critical Accounting Policies and Estimates</u>	143
<u>European Sovereign and Non-Sovereign Debt Exposures</u>	144
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u>	145
Item 4. <u>Controls and Procedures</u>	145

Table of Contents

PART II. OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	145
Item 1A. <u>Risk Factors</u>	145
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	146
Item 6. <u>Exhibits</u>	146
<u>Signature</u>	147
Exhibits	148

Throughout the Notes to Consolidated Financial Statements (Unaudited) and Management's Discussion & Analysis of Financial Condition & Results of Operations, we use certain acronyms and abbreviations as defined in Note 1 (Basis of Presentation and Accounting Policies) that begins on page 10.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Consolidated Balance Sheets**

<i>in millions, except per share data</i>	September 30, 2015 (Unaudited)	December 31, 2014	September 30, 2014 (Unaudited)
ASSETS			
Cash and due from banks	\$ 470	\$ 653	\$ 651
Short-term investments	1,964	4,269	2,342
Trading account assets	811	750	965
Securities available for sale	14,376	13,360	12,245
Held-to-maturity securities (fair value: \$4,940, \$4,974, and \$4,911)	4,936	5,015	4,997
Other investments	691	760	822
Loans, net of unearned income of \$645, \$682, and \$685	60,085	57,381	56,155
Less: Allowance for loan and lease losses	790	794	804
Net loans	59,295	56,587	55,351
Loans held for sale	916	734	784
Premises and equipment	771	841	832
Operating lease assets	315	330	304
Goodwill	1,060	1,057	1,051
Other intangible assets	74	101	126
Corporate-owned life insurance	3,516	3,479	3,456
Derivative assets	793	609	413
Accrued income and other assets (including \$1, \$1, and \$1 of consolidated LIHTC guaranteed funds VIEs, see Note 9) ^(a)	3,348	2,952	3,024
Discontinued assets (including \$169 of portfolio loans held for sale at fair value and \$191 and \$201 of portfolio loans at fair value, see Note 11)	2,086	2,324	2,421
Total assets	\$ 95,422	\$ 93,821	\$ 89,784
LIABILITIES			
Deposits in domestic offices:			
NOW and money market deposit accounts	\$ 37,301	\$ 34,536	\$ 33,941
Savings deposits	2,338	2,371	2,390
Certificates of deposit (\$100,000 or more)	2,001	2,040	2,533
Other time deposits	3,020	3,259	3,338
Total interest-bearing deposits	44,660	42,206	42,202
Noninterest-bearing deposits	25,985	29,228	25,697
Deposits in foreign office interest-bearing	428	564	557

Total deposits	71,073	71,998	68,456
Federal funds purchased and securities sold under repurchase agreements	407	575	657
Bank notes and other short-term borrowings	677	423	996
Derivative liabilities	676	784	384
Accrued expense and other liabilities (including \$1, \$1, and \$2 of consolidated LIHTC guaranteed funds VIEs, see Note 9) ^(a)	1,562	1,621	1,613
Long-term debt	10,310	7,875	7,172
Discontinued liabilities		3	3
Total liabilities	84,705	83,279	79,281
EQUITY			
Preferred stock, \$1 par value, authorized 25,000,000 shares:			
7.75% Noncumulative Perpetual Convertible Preferred Stock, Series A, \$100 liquidation preference; authorized 7,475,000 shares; issued 2,900,234, 2,904,839, and 2,904,839 shares			
	290	291	291
Common shares, \$1 par value; authorized 1,400,000,000 shares; issued 1,016,969,905, 1,016,969,905, and 1,016,969,905 shares			
	1,017	1,017	1,017
Capital surplus	3,914	3,986	3,984
Retained earnings	8,764	8,273	8,082
Treasury stock, at cost (181,685,035, 157,566,493, and 148,492,881 shares)	(3,008)	(2,681)	(2,563)
Accumulated other comprehensive income (loss)	(272)	(356)	(325)
Key shareholders' equity	10,705	10,530	10,486
Noncontrolling interests	12	12	17
Total equity	10,717	10,542	10,503
Total liabilities and equity	\$ 95,422	\$ 93,821	\$ 89,784

(a) The assets of the VIEs can only be used by the particular VIE, and there is no recourse to Key with respect to the liabilities of the consolidated LIHTC VIEs.

See Notes to Consolidated Financial Statements (Unaudited).

Table of Contents**Consolidated Statements of Income (Unaudited)**

<i>dollars in millions, except per share amounts</i>	Three months ended September 30, 2015		Three months ended September 30, 2014	
	2015	2014	2015	2014
INTEREST INCOME				
Loans	\$ 542	\$ 531	\$ 1,597	\$ 1,576
Loans held for sale	10	4	29	13
Securities available for sale	75	67	217	210
Held-to-maturity securities	24	25	72	70
Trading account assets	5	6	15	19
Short-term investments	1	2	5	4
Other investments	4	4	14	16
Total interest income	661	639	1,949	1,908
INTEREST EXPENSE				
Deposits	27	28	79	91
Federal funds purchased and securities sold under repurchase agreements		1		2
Bank notes and other short-term borrowings	2	2	6	6
Long-term debt	41	33	118	98
Total interest expense	70	64	203	197
NET INTEREST INCOME	591	575	1,746	1,711
Provision for credit losses	45	19	121	35
Net interest income after provision for credit losses	546	556	1,625	1,676
NONINTEREST INCOME				
Trust and investment services income	108	99	328	291
Investment banking and debt placement fees	109	88	318	271
Service charges on deposit accounts	68	68	192	197
Operating lease income and other leasing gains	15	17	58	81
Corporate services income	57	42	143	125
Cards and payments income	47	42	136	123
Corporate-owned life insurance income	30	26	91	80
Consumer mortgage income	3	3	10	7
Mortgage servicing fees	11	9	33	35
Net gains (losses) from principal investing	11	9	51	60
Other income ^(a)	11	14	35	37
Total noninterest income	470	417	1,395	1,307
NONINTEREST EXPENSE				
Personnel	426	405	1,223	1,182
Net occupancy	60	66	191	198
Computer processing	41	39	121	118
Business services and professional fees	40	36	115	118

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Equipment	22	25	66	73
Operating lease expense	11	11	34	31
Marketing	17	15	40	33
FDIC assessment	8	9	24	21
Intangible asset amortization	9	10	27	29
OREO expense, net	2	1	5	3
Other expense	88	89	258	251
Total noninterest expense	724	706	2,104	2,057
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	292	267	916	926
Income taxes	72	64	230	232
INCOME (LOSS) FROM CONTINUING OPERATIONS	220	203	686	694
Income (loss) from discontinued operations, net of taxes of (\$2), (\$10), \$3, and (\$24) (see Note 11)	(3)	(17)	5	(41)
NET INCOME (LOSS)	217	186	691	653
Less: Net income (loss) attributable to noncontrolling interests	(2)		1	6
NET INCOME (LOSS) ATTRIBUTABLE TO KEY	\$ 219	\$ 186	\$ 690	\$ 647
Income (loss) from continuing operations attributable to Key common shareholders	\$ 216	\$ 197	\$ 668	\$ 671
Net income (loss) attributable to Key common shareholders	213	180	673	630
Per common share:				
Income (loss) from continuing operations attributable to Key common shareholders	\$.26	\$.23	\$.79	\$.77
Income (loss) from discontinued operations, net of taxes		(.02)	.01	(.05)
Net income (loss) attributable to Key common shareholders ^(b)	.26	.21	.80	.72
Per common share assuming dilution:				
Income (loss) from continuing operations attributable to Key common shareholders	\$.26	\$.23	\$.78	\$.76
Income (loss) from discontinued operations, net of taxes		(.02)	.01	(.05)
Net income (loss) attributable to Key common shareholders ^(b)	.25	.21	.79	.71
Cash dividends declared per common share	\$.075	\$.065	\$.215	\$.185
Weighted-average common shares outstanding (000)	831,430	867,350	839,758	875,728
Effect of convertible preferred stock				
Effect of common share options and other stock awards	7,450	6,772	7,613	6,723
Weighted-average common shares and potential common shares outstanding (000) ^(c)	838,880	874,122	847,371	882,451

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- (a) For each of the three months ended September 30, 2015, and September 30, 2014, net securities gains (losses) totaled less than \$1 million. For the three months ended September 30, 2015, and September 30, 2014, we did not have any impairment losses related to securities.
- (b) EPS may not foot due to rounding.
- (c) Assumes conversion of common share options and other stock awards and/or convertible preferred stock, as applicable.

See Notes to Consolidated Financial Statements (Unaudited).

Table of Contents**Consolidated Statements of Comprehensive Income (Unaudited)**

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 217	\$ 186	\$ 691	\$ 653
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities available for sale, net of income taxes of \$33, (\$20), \$35, and \$14	54	(33)	58	24
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of \$28, (\$6), \$37, and (\$3)	48	(8)	63	(4)
Foreign currency translation adjustments, net of income taxes of (\$3), (\$3), (\$11), and (\$3)	(5)	(9)	(18)	(12)
Net pension and postretirement benefit costs, net of income taxes of (\$15), \$10, (\$12), and \$13	(24)	14	(19)	19
Total other comprehensive income (loss), net of tax	73	(36)	84	27
Comprehensive income (loss)	290	150	775	680
Less: Comprehensive income attributable to noncontrolling interests	(2)		1	6
Comprehensive income (loss) attributable to Key	\$ 292	\$ 150	\$ 774	\$ 674

See Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

Consolidated Statements of Changes in Equity (Unaudited)

<i>dollars in millions, except per share amounts</i>	Key Shareholders Equity						Accumulated		
	Preferred Shares Outstanding (000)	Common Shares Outstanding (000)	Preferred Stock	Common Shares	Capital Surplus	Retained Earnings	Treasury Stock at Cost	Other Comprehensive Income (Loss)	Noncontrolling Interests
BALANCE AT DECEMBER 31, 2013	2,905	890,724	\$ 291	\$ 1,017	\$ 4,022	\$ 7,606	\$ (2,281)	\$ (352)	\$ 17
Net income (loss)						647			6
Other comprehensive income (loss):									
Net unrealized gains (losses) on securities available for sale, net of income taxes of \$14								24	
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of (\$3)								(4)	
Foreign currency translation adjustments, net of income taxes of (\$3)								(12)	
Net pension and postretirement benefit costs, net of income taxes of \$13									19
Deferred compensation									
Cash dividends declared on common shares (\$.185 per share)						(161)			
Cash dividends declared on Noncumulative Series A Preferred Stock (\$5.8125 per share)						(17)			
Common shares repurchased		(26,499)					(355)		
Common shares reissued (returned) for stock options and other employee benefit plans		4,252				(38)	73		
LIHTC guaranteed funds put						7			
Net contribution from (distribution to) noncontrolling interests									(6)
BALANCE AT SEPTEMBER 30, 2014	2,905	868,477	\$ 291	\$ 1,017	\$ 3,984	\$ 8,082	\$ (2,563)	\$ (325)	\$ 17
	2,905	859,403	\$ 291	\$ 1,017	\$ 3,986	\$ 8,273	\$ (2,681)	\$ (356)	\$ 12

Table of Contents**Consolidated Statements of Cash Flows (Unaudited)**

<i>in millions</i>	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income (loss)	\$ 691	\$ 653
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for credit losses	121	35
Provision (credit) for losses on LIHTC guaranteed funds		(6)
Depreciation, amortization and accretion expense, net	176	185
Increase in cash surrender value of corporate-owned life insurance	(75)	(73)
Stock-based compensation expense	47	31
FDIC reimbursement (payments), net of FDIC expense	(1)	1
Deferred income taxes (benefit)	(70)	(29)
Proceeds from sales of loans held for sale	5,362	2,832
Originations of loans held for sale, net of repayments	(5,428)	(2,951)
Net losses (gains) on sales of loans held for sale	(75)	(59)
Net losses (gains) from principal investing	(51)	(60)
Net losses (gains) and writedown on OREO	2	3
Net losses (gains) on leased equipment	(8)	(35)
Net securities losses (gains)	1	
Net losses (gains) on sales of fixed assets	6	5
Gain on sale of Victory		(10)
Loss on sale of residual interests and deconsolidation of securitization trusts		40
Net decrease (increase) in trading account assets	(61)	(227)
Other operating activities, net	(388)	130
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	249	465
INVESTING ACTIVITIES		
Cash received (used) in acquisitions, net of cash acquired		(113)
Proceeds from sale of residual interests		57
Proceeds from sale of Victory		10
Net decrease (increase) in short-term investments, excluding acquisitions	2,305	3,285
Purchases of securities available for sale	(3,314)	(1,993)
Proceeds from sales of securities available for sale	11	
Proceeds from prepayments and maturities of securities available for sale	2,357	2,123
Proceeds from prepayments and maturities of held-to-maturity securities	846	628
Purchases of held-to-maturity securities	(770)	(869)
Purchases of other investments	(24)	(42)
Proceeds from sales of other investments	107	266
Proceeds from prepayments and maturities of other investments	2	3
Net decrease (increase) in loans, excluding acquisitions, sales and transfers	(3,061)	(1,936)
Proceeds from sales of portfolio loans	89	91
Proceeds from corporate-owned life insurance	38	24
Purchases of premises, equipment, and software	(40)	(53)

Proceeds from sales of premises and equipment	1	1
Proceeds from sales of OREO	16	13
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,437)	1,495
FINANCING ACTIVITIES		
Net increase (decrease) in deposits, excluding acquisitions	(925)	(806)
Net increase (decrease) in short-term borrowings	86	(224)
Net proceeds from issuance of long-term debt	4,054	648
Payments on long-term debt	(1,582)	(1,034)
Repurchase of common shares	(448)	(355)
Net proceeds from reissuance of common shares	19	23
Cash dividends paid	(199)	(178)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,005	(1,926)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(183)	34
CASH AND DUE FROM BANKS AT BEGINNING OF PERIOD	653	617
CASH AND DUE FROM BANKS AT END OF PERIOD	\$ 470	\$ 651

Additional disclosures relative to cash flows:

Interest paid	\$ 221	\$ 250
Income taxes paid (refunded)	173	109
Noncash items:		
Reduction of secured borrowing and related collateral	\$ 132	\$ 78
Loans transferred to portfolio from held for sale	1	10
Loans transferred to held for sale from portfolio	41	5
Loans transferred to OREO	16	16
LIHTC guaranteed funds put		7
Assets acquired		35
Liabilities assumed		22

See Notes to Consolidated Financial Statements (Unaudited).

Table of Contents

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation and Accounting Policies

As used in these Notes, references to Key, we, our, us, and similar terms refer to the consolidated entity consisting of KeyCorp and its subsidiaries. KeyCorp refers solely to the parent holding company, and KeyBank refers to KeyCorp's subsidiary, KeyBank National Association.

The acronyms and abbreviations identified below are used in the Notes to Consolidated Financial Statements (Unaudited) as well as in the Management's Discussion & Analysis of Financial Condition & Results of Operations. You may find it helpful to refer back to this page as you read this report.

References to our 2014 Form 10-K refer to our Form 10-K for the year ended December 31, 2014, which was filed with the U.S. Securities and Exchange Commission and is available on its website (www.sec.gov) and on our website (www.key.com/ir).

AICPA: American Institute of Certified Public Accountants.	KREEC: Key Real Estate Equity Capital, Inc.
ALCO: Asset/Liability Management Committee.	LCR: Liquidity coverage ratio.
ALLL: Allowance for loan and lease losses.	LIBOR: London Interbank Offered Rate.
A/LM: Asset/liability management.	LIHTC: Low-income housing tax credit.
AOCI: Accumulated other comprehensive income (loss).	Moody's: Moody's Investor Services, Inc.
APBO: Accumulated postretirement benefit obligation.	MRM: Market Risk Management group.
Austin: Austin Capital Management, Ltd.	N/A: Not applicable.
BHCs: Bank holding companies.	NASDAQ: The NASDAQ Stock Market LLC.
Board: KeyCorp Board of Directors.	N/M: Not meaningful.
CCAR: Comprehensive Capital Analysis and Review.	NOW: Negotiable Order of Withdrawal.
CMBS: Commercial mortgage-backed securities.	NYSE: New York Stock Exchange.
CMO: Collateralized mortgage obligation.	OCC: Office of the Comptroller of the Currency.
Common shares: KeyCorp common shares, \$1 par value.	OCI: Other comprehensive income (loss).
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.	OREO: Other real estate owned.
EBITDA: Earnings before interest, taxes, depreciation, and amortization.	OTTI: Other-than-temporary impairment.
EPS: Earnings per share.	PBO: Projected benefit obligation.
	PCI: Purchased credit impaired.
ERM: Enterprise risk management.	S&P: Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc.
EVE: Economic value of equity.	SEC: U.S. Securities and Exchange Commission.
FASB: Financial Accounting Standards Board.	Series A Preferred Stock: KeyCorp's 7.750% Noncumulative Perpetual Convertible Preferred Stock, Series A.
FDIC: Federal Deposit Insurance Corporation.	SIFIs: Systemically important financial institutions, including BHCs with total consolidated assets of at least \$50 billion and nonbank financial companies designated by FSOC for
Federal Reserve: Board of Governors of the Federal Reserve System.	
FHLB: Federal Home Loan Bank of Cincinnati.	

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FHLMC: Federal Home Loan Mortgage Corporation.
FNMA: Federal National Mortgage Association, or Fannie Mae.

FSOC: Financial Stability Oversight Council.
GAAP: U.S. generally accepted accounting principles.

GNMA: Government National Mortgage Association.
ISDA: International Swaps and Derivatives Association.
KAHC: Key Affordable Housing Corporation.
KBCM: KeyBanc Capital Markets, Inc.
KCDC: Key Community Development Corporation.
KEF: Key Equipment Finance.

supervision by the Federal Reserve.
TDR: Troubled debt restructuring.

TE: Taxable-equivalent.
U.S. Treasury: United States Department of the Treasury.

VaR: Value at risk.
VEBA: Voluntary Employee Beneficiary Association.
Victory: Victory Capital Management and/or Victory Capital Advisors.
VIE: Variable interest entity.

Table of Contents

The consolidated financial statements include the accounts of KeyCorp and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Some previously reported amounts have been reclassified to conform to current reporting practices.

The consolidated financial statements include any voting rights entities in which we have a controlling financial interest. In accordance with the applicable accounting guidance for consolidations, we consolidate a VIE if we have: (i) a variable interest in the entity; (ii) the power to direct activities of the VIE that most significantly impact the entity's economic performance; and (iii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE (i.e., we are considered to be the primary beneficiary). Variable interests can include equity interests, subordinated debt, derivative contracts, leases, service agreements, guarantees, standby letters of credit, loan commitments, and other contracts, agreements, and financial instruments. See Note 9 (Variable Interest Entities) for information on our involvement with VIEs.

We use the equity method to account for unconsolidated investments in voting rights entities or VIEs if we have significant influence over the entity's operating and financing decisions (usually defined as a voting or economic interest of 20% to 50%, but not controlling). Unconsolidated investments in voting rights entities or VIEs in which we have a voting or economic interest of less than 20% generally are carried at cost. Investments held by our registered broker-dealer and investment company subsidiaries (principal investing entities and Real Estate Capital line of business) are carried at fair value.

We believe that the unaudited consolidated interim financial statements reflect all adjustments of a normal recurring nature and disclosures that are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our 2014 Form 10-K.

In preparing these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to all shareholders and other financial statement users, or filed with the SEC.

Offsetting Derivative Positions

In accordance with the applicable accounting guidance, we take into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts held with a single counterparty on a net basis, and to offset the net derivative position with the related cash collateral when recognizing derivative assets and liabilities. Additional information regarding derivative offsetting is provided in Note 7 (Derivatives and Hedging Activities).

Allowance for Loan and Lease Losses

In the third quarter of 2015, we enhanced the approach used to determine the commercial reserve factors used in estimating the commercial ALLL, which had the effect of capturing certain elements in the commercial quantitative reserve component that had formerly been included in the commercial qualitative component. Under the enhanced methodology, we began utilizing more refined commercial estimated loss rates that represent cumulative losses over the estimated average time period from the onset of credit deterioration to the initial loss recorded for an individual loan. In addition, we began utilizing an enhanced framework to quantify commercial ALLL adjustments resulting from qualitative factors that may not be fully captured within the statistical analysis of incurred loss. The impact of these changes was largely neutral to the total ALLL at September 30, 2015. However, because the quantitative reserve

is allocated to the business segments at a loan level, while the qualitative portion is allocated at the portfolio level, the impact of the methodology enhancements on the allowance for each business segment and each portfolio caused the business segment and commercial portfolio reserves to increase or decrease accordingly. The impact of the increases and decreases on the business segment and commercial portfolio reserves was not significant.

Accounting Guidance Adopted in 2015

Troubled debt restructurings. In August 2014, the FASB issued new accounting guidance that clarifies how to account for certain government-guaranteed mortgage loans upon foreclosure. This accounting guidance was effective for reporting periods beginning after December 15, 2014 (effective January 1, 2015, for us) and could be implemented using either a modified retrospective method or a prospective method. Early adoption was permitted. We elected to implement the new accounting guidance using a prospective approach. The adoption of this accounting guidance did not have a material effect on our financial condition or results of operations.

Table of Contents

Transfers and servicing of financial assets. In June 2014, the FASB issued new accounting guidance that applies secured borrowing accounting to repurchase-to-maturity transactions and linked repurchase financings and expands disclosure requirements. This accounting guidance was effective for interim and annual reporting periods beginning after December 15, 2014 (effective January 1, 2015, for us) and was implemented using a cumulative-effect approach to transactions outstanding as of the effective date with no adjustment to prior periods. The disclosure for secured borrowings will be presented for annual periods beginning after December 15, 2014, and has been presented for interim periods beginning after March 15, 2015 (June 30, 2015, for us). Early adoption was not permitted. The adoption of this accounting guidance did not have a material effect on our financial condition or results of operations.

Discontinued operations. In April 2014, the FASB issued new accounting guidance that revises the criteria for determining when disposals should be reported as discontinued operations and modifies the disclosure requirements. This accounting guidance was effective prospectively for reporting periods beginning after December 15, 2014 (effective January 1, 2015, for us). Early adoption was permitted. The adoption of this accounting guidance did not have a material effect on our financial condition or results of operations.

Investments in qualified affordable housing projects. In January 2014, the FASB issued new accounting guidance that modifies the conditions that must be met to make an election to account for investments in qualified affordable housing projects using the proportional amortization method or the practical expedient method to the proportional amortization method. This accounting guidance was effective retrospectively for reporting periods beginning after December 15, 2014 (effective January 1, 2015, for us). Early adoption was permitted. We elected to amortize our LIHTCs under the practical expedient method to the proportional amortization method. As our LIHTCs were previously accounted for under the effective yield method and related amortization expense was previously classified as income taxes in our Consolidated Statements of Income, the adoption of this accounting guidance did not have a material effect on our financial condition or results of operations. We provide additional information regarding our LIHTCs in Note 9.

Troubled debt restructurings. In January 2014, the FASB issued new accounting guidance that clarifies the definition of when an in substance repossession or foreclosure occurs for purposes of creditor reclassification of residential real estate collateralized consumer mortgage loans by derecognizing the loan and recognizing the collateral asset. This accounting guidance was effective for reporting periods beginning after December 15, 2014 (effective January 1, 2015, for us) and could be implemented using either a modified retrospective method or prospective method. Early adoption was permitted. We elected to implement the new accounting guidance using a prospective approach. The adoption of this accounting guidance did not have a material effect on our financial condition or results of operations. We provide the disclosure related to consumer residential mortgages required by this new accounting guidance in Note 4 (Asset Quality).

Accounting Guidance Pending Adoption at September 30, 2015

Business combinations. In September 2015, the FASB issued new accounting guidance that obligates an acquirer in a business combination to recognize adjustments to provisional amounts in the reporting period that the amounts were determined, eliminating the requirement for retrospective adjustments. The acquirer should record in the current period any income effects that resulted from the change in provisional amounts, calculated as if the accounting were completed at the acquisition date. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and should be implemented using the prospective method. Early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Fair value measurement. In May 2015, the FASB issued new disclosure guidance that eliminates the requirement to categorize investments measured using the net asset value practical expedient in the fair value hierarchy table. Entities will be required to disclose the fair value of investments measured using the net asset value practical expedient so that financial statement users can reconcile amounts reported in the fair value hierarchy table to amounts reported on the balance sheet. This disclosure will be presented for interim and annual reporting periods beginning after December 15, 2015 (March 31, 2016, for us) on a retrospective basis. Early adoption is permitted. The adoption of this disclosure guidance will not affect our financial condition or results of operations.

Table of Contents

Cloud computing fees. In April 2015, the FASB issued new accounting guidance that clarifies a customer's accounting for fees paid in a cloud computing arrangement. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and can be implemented using either a prospective method or a retrospective method. Early adoption is permitted. We have elected to implement this new accounting guidance using a prospective approach. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Imputation of interest. In April 2015, the FASB issued new accounting guidance that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and should be implemented using a retrospective method. Early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Consolidation. In February 2015, the FASB issued new accounting guidance that changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The new guidance amends the current accounting guidance to address limited partnerships and similar legal entities, certain investment funds, fees paid to a decision maker or service provider, and the impact of fee arrangements and related parties on the primary beneficiary determination. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and should be implemented using a modified retrospective basis. Retrospective application to all relevant prior periods and early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Derivatives and hedging. In November 2014, the FASB issued new accounting guidance that clarifies how current guidance should be interpreted when evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. An entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, when evaluating the nature of a host contract. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and should be implemented using a modified retrospective basis. Retrospective application to all relevant prior periods and early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Going concern. In August 2014, the FASB issued new accounting guidance that requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. Disclosure is required when conditions or events raise substantial doubt about an entity's ability to continue as a going concern. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2016 (effective January 1, 2017, for us). Early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Consolidation. In August 2014, the FASB issued new accounting guidance that clarifies how to measure the financial assets and the financial liabilities of a consolidated collateralized financing entity. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and can be implemented using either a retrospective method or a cumulative-effect approach. Early adoption is

permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Stock-based compensation. In June 2014, the FASB issued new accounting guidance that clarifies how to account for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and can be implemented using either a retrospective method or a prospective method. Early adoption is permitted. We have elected to implement this new accounting guidance using a prospective approach. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

Table of Contents

Revenue recognition. In May 2014, the FASB issued new accounting guidance that revises the criteria for determining when to recognize revenue from contracts with customers and expands disclosure requirements. This accounting guidance can be implemented using either a retrospective method or a cumulative-effect approach. In August 2015, the FASB issued an update that defers the effective date of the revenue recognition guidance by one year. This new guidance will be effective for interim and annual reporting periods beginning after December 15, 2017 (effective January 1, 2018, for us). Early adoption is permitted but only for interim and annual reporting periods beginning after December 15, 2016. We have elected to implement this new accounting guidance using a cumulative-effect approach. Our preliminary analysis suggests that the adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations. There are many aspects of this new accounting guidance that are still being interpreted, and the FASB has recently issued and proposed updates to certain aspects of the guidance. Therefore, the results of our materiality analysis may change based on the conclusions reached as to the application of the new guidance.

Table of Contents**2. Earnings Per Common Share**

Basic earnings per share is the amount of earnings (adjusted for dividends declared on our preferred stock) available to each common share outstanding during the reporting periods. Diluted earnings per share is the amount of earnings available to each common share outstanding during the reporting periods adjusted to include the effects of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for the conversion of our convertible Series A Preferred Stock, stock options, and other stock-based awards. Potentially dilutive common shares are excluded from the computation of diluted earnings per share in the periods where the effect would be antidilutive. For diluted earnings per share, net income available to common shareholders can be affected by the conversion of our convertible Series A Preferred Stock. Where the effect of this conversion would be dilutive, net income available to common shareholders is adjusted by the amount of preferred dividends associated with our Series A Preferred Stock.

Our basic and diluted earnings per common share are calculated as follows:

<i>dollars in millions, except per share amounts</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
EARNINGS				
Income (loss) from continuing operations	\$ 220	\$ 203	\$ 686	\$ 694
Less: Net income (loss) attributable to noncontrolling interests	(2)		1	6
Income (loss) from continuing operations attributable to Key	222	203	685	688
Less: Dividends on Series A Preferred Stock	6	6	17	17
Income (loss) from continuing operations attributable to Key common shareholders	216	197	668	671
Income (loss) from discontinued operations, net of taxes ^(a)	(3)	(17)	5	(41)
Net income (loss) attributable to Key common shareholders	\$ 213	\$ 180	\$ 673	\$ 630
WEIGHTED-AVERAGE COMMON SHARES				
Weighted-average common shares outstanding (000)	831,430	867,350	839,758	875,728
Effect of convertible preferred stock				
Effect of common share options and other stock awards	7,450	6,772	7,613	6,723
Weighted-average common shares and potential common shares outstanding (000) ^(b)	838,880	874,122	847,371	882,451

EARNINGS PER COMMON SHARE

Income (loss) from continuing operations attributable to Key common shareholders	\$.26	\$.23	\$.79	\$.77
Income (loss) from discontinued operations, net of taxes ^(a)				(.02)		.01		(.05)
Net income (loss) attributable to Key common shareholders ^(c)		.26		.21		.80		.72
Income (loss) from continuing operations attributable to Key common shareholders assuming dilution	\$.26	\$.23	\$.78	\$.76
Income (loss) from discontinued operations, net of taxes ^(a)				(.02)		.01		(.05)
Net income (loss) attributable to Key common shareholders assuming dilution ^(c)		.25		.21		.79		.71

- (a) In April 2009, we decided to wind down the operations of Austin, a subsidiary that specialized in managing hedge fund investments for institutional customers. In September 2009, we decided to discontinue the education lending business conducted through Key Education Resources, the education payment and financing unit of KeyBank. In February 2013, we decided to sell Victory to a private equity fund. As a result of these decisions, we have accounted for these businesses as discontinued operations. For further discussion regarding the income (loss) from discontinued operations, see Note 11 (Acquisitions and Discontinued Operations).
- (b) Assumes conversion of common share options and other stock awards and/or convertible preferred stock, as applicable.
- (c) EPS may not foot due to rounding.

Table of Contents**3. Loans and Loans Held for Sale**

Our loans by category are summarized as follows:

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Commercial, financial and agricultural ^(a)	\$ 31,095	\$ 27,982	\$ 26,683
Commercial real estate:			
Commercial mortgage	8,180	8,047	8,276
Construction	1,070	1,100	1,036
Total commercial real estate loans	9,250	9,147	9,312
Commercial lease financing ^(b)	3,929	4,252	4,135
Total commercial loans	44,274	41,381	40,130
Residential prime loans:			
Real estate residential mortgage	2,267	2,225	2,213
Home equity:			
Key Community Bank	10,282	10,366	10,380
Other	222	267	283
Total home equity loans	10,504	10,633	10,663
Total residential prime loans	12,771	12,858	12,876
Consumer other Key Community Bank	1,612	1,560	1,546
Credit cards	770	754	724
Consumer other:			
Marine	620	779	828
Other	38	49	51
Total consumer other	658	828	879
Total consumer loans	15,811	16,000	16,025
Total loans ^{(c) (d)}	\$ 60,085	\$ 57,381	\$ 56,155

(a) Loan balances include \$88 million, \$88 million, and \$90 million of commercial credit card balances at September 30, 2015, December 31, 2014, and September 30, 2014, respectively.

(b) Commercial lease financing includes receivables held as collateral for a secured borrowing of \$162 million, \$302 million, and \$367 million at September 30, 2015, December 31, 2014, and September 30, 2014, respectively. Principal reductions are based on the cash payments received from these related receivables. Additional information pertaining to this secured borrowing is included in Note 18 (Long-Term Debt) beginning on page 202 of our 2014 Form 10-K.

(c)

At September 30, 2015, total loans include purchased loans of \$119 million, of which \$12 million were PCI loans. At December 31, 2014, total loans include purchased loans of \$138 million, of which \$13 million were PCI loans. At September 30, 2014, total loans include purchased loans of \$143 million, of which \$14 million were PCI loans.

- (d) Total loans exclude loans of \$1.9 billion at September 30, 2015, \$2.3 billion at December 31, 2014, and \$2.4 billion at September 30, 2014, related to the discontinued operations of the education lending business. Additional information pertaining to these loans is provided in Note 11 (Acquisitions and Discontinued Operations).

Our loans held for sale are summarized as follows:

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Commercial, financial and agricultural	\$ 74	\$ 63	\$ 30
Real estate commercial mortgage	806	638	725
Commercial lease financing	10	15	10
Real estate residential mortgage	26	18	19
Total loans held for sale ^(a)	\$ 916	\$ 734	\$ 784

- (a) Total loans held for sale exclude loans held for sale of \$169 million at September 30, 2015, related to the discontinued operations of the education lending business. Additional information pertaining to these loans is provided in Note 11.

Table of Contents

Our quarterly summary of changes in loans held for sale follows:

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Balance at beginning of the period	\$ 835	\$ 784	\$ 435
New originations	1,673	2,465	1,593
Transfers from (to) held to maturity, net	24	2	
Loan sales	(1,616)	(2,516)	(1,243)
Loan draws (payments), net		(1)	(1)
Balance at end of period ^(a)	\$ 916	\$ 734	\$ 784

- (a) Total loans held for sale exclude loans held for sale of \$169 million at September 30, 2015, related to the discontinued operations of the education lending business. Additional information pertaining to these loans is provided in Note 11.

Table of Contents**4. Asset Quality**

We assess the credit quality of the loan portfolio by monitoring net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by management.

Nonperforming loans are loans for which we do not accrue interest income, and include commercial and consumer loans and leases, as well as current year TDRs and nonaccruing TDR loans from prior years. Nonperforming loans do not include loans held for sale or PCI loans. Nonperforming assets include nonperforming loans, nonperforming loans held for sale, OREO, and other nonperforming assets.

Our nonperforming assets and past due loans were as follows:

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Total nonperforming loans ^{(a), (b)}	\$ 400	\$ 418	\$ 401
Nonperforming loans held for sale			
OREO ^(c)	17	18	16
Other nonperforming assets			1
Total nonperforming assets	\$ 417	\$ 436	\$ 418
Nonperforming assets from discontinued operations education lending ^(d)	\$ 8	\$ 11	\$ 9
Restructured loans included in nonperforming loans	\$ 159	\$ 157	\$ 137
Restructured loans with an allocated specific allowance ^(e)	71	82	115
Specifically allocated allowance for restructured loans ^(f)	29	34	30
Accruing loans past due 90 days or more	\$ 54	\$ 96	\$ 71
Accruing loans past due 30 through 89 days	271	235	340

- (a) Loan balances exclude \$12 million, \$13 million, and \$14 million of PCI loans at September 30, 2015, December 31, 2014, and September 30, 2014, respectively.
- (b) Includes carrying value of consumer residential mortgage loans in the process of foreclosure of approximately \$114 million at September 30, 2015.
- (c) Includes carrying value of foreclosed residential real estate of approximately \$13 million at September 30, 2015.
- (d) Restructured loans of approximately \$20 million, \$17 million, and \$16 million are included in discontinued operations at September 30, 2015, December 31, 2014, and September 30, 2014, respectively. See Note 11 (Acquisitions and Discontinued Operations) for further discussion.
- (e) Included in individually impaired loans allocated a specific allowance.
- (f) Included in allowance for individually evaluated impaired loans.

We evaluate purchased loans for impairment in accordance with the applicable accounting guidance. Purchased loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that all contractually required payments will not be collected are deemed PCI and initially recorded at fair value without recording an allowance for loan losses. At the 2012 acquisition date, the estimated gross contractual amount receivable of all PCI loans totaled \$41 million. The estimated cash flows not expected to be collected (the nonaccretable amount) were \$11 million, and the accretable amount was approximately \$5 million. The difference between the fair value and the cash flows expected to be collected from the purchased loans is accreted to interest income over the remaining term of the loans.

At September 30, 2015, the outstanding unpaid principal balance and carrying value of all PCI loans was \$18 million and \$12 million, respectively. Changes in the accretable yield during the first nine months of 2015 included accretion and net reclassifications of less than \$1 million, resulting in an ending balance of \$5 million at September 30, 2015.

At September 30, 2015, the approximate carrying amount of our commercial nonperforming loans outstanding represented 74% of their original contractual amount owed, total nonperforming loans outstanding represented 79% of their original contractual amount owed, and nonperforming assets in total were carried at 79% of their original contractual amount owed.

At September 30, 2015, our 20 largest nonperforming loans totaled \$112 million, representing 28% of total loans on nonperforming status. At September 30, 2014, our 20 largest nonperforming loans totaled \$72 million, representing 18% of total loans on nonperforming status.

Table of Contents

Nonperforming loans and loans held for sale reduced expected interest income by \$12 million for the nine months ended September 30, 2015, and \$16 million for the year ended December 31, 2014.

The following tables set forth a further breakdown of individually impaired loans as of September 30, 2015, December 31, 2014, and September 30, 2014:

September 30, 2015 <i>in millions</i>	Recorded Investment ^(a)	Unpaid Principal Balance ^(b)	Specific Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial, financial and agricultural	\$ 30	\$ 54		\$ 19
Commercial real estate:				
Commercial mortgage	9	12		10
Construction	5	5		6
Total commercial real estate loans	14	17		16
Total commercial loans	44	71		35
Real estate residential mortgage	22	22		22
Home equity:				
Key Community Bank	58	58		59
Other	2	2		2
Total home equity loans	60	60		61
Consumer other:				
Marine	1	1		1
Total consumer other	1	1		1
Total consumer loans	83	83		84
Total loans with no related allowance recorded	127	154		119
With an allowance recorded:				
Commercial, financial and agricultural	43	56	\$ 9	58
Commercial real estate:				
Commercial mortgage	5	6	1	6
Total commercial real estate loans	5	6	1	6
Total commercial loans	48	62	10	64
Real estate residential mortgage	33	33	5	33
Home equity:				
Key Community Bank	54	54	17	53

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Other	10	10	1	10
Total home equity loans	64	64	18	63
Consumer other - Key Community Bank	3	3		3
Credit cards	3	3	1	3
Consumer other:				
Marine	38	38	2	39
Other	2	2		2
Total consumer other	40	40	2	41
Total consumer loans	143	143	26	143
Total loans with an allowance recorded	191	205	36	207
Total	\$ 318	\$ 359	\$ 36	\$ 326

- (a) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on our consolidated balance sheet.
- (b) The Unpaid Principal Balance represents the customer's legal obligation to us.

Table of Contents

December 31, 2014 <i>in millions</i>	Recorded Investment ^(a)	Unpaid Principal Balance ^(b)	Specific Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial, financial and agricultural	\$ 6	\$ 17		\$ 8
Commercial real estate:				
Commercial mortgage	15	20		19
Construction	5	6		7
Total commercial real estate loans	20	26		26
Total commercial loans	26	43		34
Real estate residential mortgage	24	24		30
Home equity:				
Key Community Bank	62	63		63
Other	1	1		2
Total home equity loans	63	64		65
Consumer other:				
Marine	2	2		2
Total consumer other	2	2		2
Total consumer loans	89	90		97
Total loans with no related allowance recorded	115	133		131
With an allowance recorded:				
Commercial, financial and agricultural	37	37	\$ 9	28
Commercial real estate:				
Commercial mortgage	6	6	2	6
Construction	3	3	1	2
Total commercial real estate loans	9	9	3	8
Total commercial loans	46	46	12	36
Real estate residential mortgage	31	31	5	25
Home equity:				
Key Community Bank	46	46	16	43
Other	11	11	2	11
Total home equity loans	57	57	18	54
Consumer other Key Community Bank	4	4		3
Credit cards	4	4		4
Consumer other:				
Marine	43	43	5	45

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Other	2	2		2
Total consumer other	45	45	5	47
Total consumer loans	141	141	28	133
Total loans with an allowance recorded	187	187	40	169
Total	\$ 302	\$ 320	\$ 40	\$ 300

- (a) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on our consolidated balance sheet.
- (b) The Unpaid Principal Balance represents the customer's legal obligation to us.

Table of Contents

September 30, 2014 <i>in millions</i>	Recorded Investment (a)	Unpaid Principal Balance (b)	Specific Allowance	Average Recorded Investment
With no related allowance recorded:				
Commercial, financial and agricultural	\$ 11	\$ 20		\$ 12
Commercial real estate:				
Commercial mortgage	22	27		23
Construction	9	20		7
Total commercial real estate loans	31	47		30
Total commercial loans	42	67		42
Real estate residential mortgage	36	36		30
Home equity:				
Key Community Bank	64	64		65
Other	2	2		2
Total home equity loans	66	66		67
Consumer other:				
Marine	2	2		2
Total consumer other	2	2		2
Total consumer loans	104	104		99
Total loans with no related allowance recorded	146	171		141
With an allowance recorded:				
Commercial, financial and agricultural	20	21	\$ 7	12
Commercial real estate:				
Commercial mortgage	7	7	2	5
Total commercial real estate loans	7	7	2	5
Total commercial loans	27	28	9	17
Real estate residential mortgage	19	19	4	24
Home equity:				
Key Community Bank	41	41	16	39
Other	11	11	2	11
Total home equity loans	52	52	18	50
Consumer other Key Community Bank	3	3		3
Credit cards	3	3	1	3
Consumer other:				
Marine	46	46	5	47
Other	2	2	1	2

Total consumer other	48	48	6	49
Total consumer loans	125	125	29	129
Total loans with an allowance recorded	152	153	38	146
Total	\$ 298	\$ 324	\$ 38	\$ 287

- (a) The Recorded Investment represents the face amount of the loan increased or decreased by applicable accrued interest, net deferred loan fees and costs, and unamortized premium or discount, and reflects direct charge-offs. This amount is a component of total loans on our consolidated balance sheet.
- (b) The Unpaid Principal Balance represents the customer's legal obligation to us.
- For each of the nine months ended September 30, 2015, and September 30, 2014, interest income recognized on the outstanding balances of accruing impaired loans totaled \$5 million.

At September 30, 2015, aggregate restructured loans (accrual and nonaccrual loans) totaled \$287 million, compared to \$270 million at December 31, 2014, and \$264 million at September 30, 2014. We added \$87 million in restructured loans during the first nine months of 2015, which were partially offset by \$70 million in payments and charge-offs.

Table of Contents

A further breakdown of TDRs included in nonperforming loans by loan category as of September 30, 2015, follows:

September 30, 2015 <i>dollars in millions</i>	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
LOAN TYPE			
Nonperforming:			
Commercial, financial and agricultural	12	\$ 56	\$ 50
Commercial real estate:			
Real estate commercial mortgage	11	30	7
Total commercial real estate loans	11	30	7
Total commercial loans	23	86	57
Real estate residential mortgage	356	21	21
Home equity:			
Key Community Bank	1,093	79	70
Other	122	3	3
Total home equity loans	1,215	82	73
Consumer other Key Community Bank	26	1	1
Credit cards	314	2	2
Consumer other:			
Marine	92	6	5
Other	16		
Total consumer other	108	6	5
Total consumer loans	2,019	112	102
Total nonperforming TDRs	2,042	198	159
Prior-year accruing: ^(a)			
Commercial, financial and agricultural	12	6	3
Commercial real estate:			
Real estate commercial mortgage	1	2	1
Total commercial real estate loans	1	2	1
Total commercial loans	13	8	4
Real estate residential mortgage	499	36	36
Home equity:			
Key Community Bank	794	49	42
Other	327	10	8
Total home equity loans	1,121	59	50

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Consumer other	Key Community Bank	45	2	1
Credit cards		473	2	2
Consumer other:				
Marine		398	59	33
Other		68	2	2
Total consumer other		466	61	35
Total consumer loans		2,604	160	124
Total prior-year accruing TDRs		2,617	168	128
Total TDRs		4,659	\$ 366	\$ 287

(a) All TDRs that were restructured prior to January 1, 2015, and are fully accruing.

Table of Contents

A further breakdown of TDRs included in nonperforming loans by loan category as of December 31, 2014, follows:

December 31, 2014 <i>dollars in millions</i>	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
LOAN TYPE			
Nonperforming:			
Commercial, financial and agricultural	14	\$ 25	\$ 23
Commercial real estate:			
Real estate commercial mortgage	10	38	13
Real estate construction	1	5	
Total commercial real estate loans	11	43	13
Total commercial loans	25	68	36
Real estate residential mortgage	453	27	27
Home equity:			
Key Community Bank	1,184	79	72
Other	158	4	4
Total home equity loans	1,342	83	76
Consumer other Key Community Bank	37	2	1
Credit cards	290	2	2
Consumer other:			
Marine	206	17	14
Other	38	1	1
Total consumer other	244	18	15
Total consumer loans	2,366	132	121
Total nonperforming TDRs	2,391	200	157
Prior-year accruing: ^(a)			
Commercial, financial and agricultural	20	6	3
Commercial real estate:			
Real estate commercial mortgage	1	2	1
Total commercial real estate loans	1	2	1
Total commercial loans	21	8	4
Real estate residential mortgage	381	29	29
Home equity:			
Key Community Bank	674	41	36
Other	310	9	8

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Total home equity loans	984	50	44
Consumer other Key Community Bank	45	2	2
Credit cards	514	4	2
Consumer other:			
Marine	373	54	31
Other	67	2	1
Total consumer other	440	56	32
Total consumer loans	2,364	141	109
Total prior-year accruing TDRs	2,385	149	113
Total TDRs	4,776	\$ 349	\$ 270

(a) All TDRs that were restructured prior to January 1, 2014, and are fully accruing.

Table of Contents

A further breakdown of TDRs included in nonperforming loans by loan category as of September 30, 2014, follows:

September 30, 2014 <i>dollars in millions</i>	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
LOAN TYPE			
Nonperforming:			
Commercial, financial and agricultural	20	\$ 16	\$ 9
Commercial real estate:			
Real estate commercial mortgage	12	39	14
Real estate construction	3	15	1
Total commercial real estate loans	15	54	15
Total commercial loans	35	70	24
Real estate residential mortgage	464	28	28
Home equity:			
Key Community Bank	1,125	70	64
Other	133	4	4
Total home equity loans	1,258	74	68
Consumer other Key Community Bank	31	1	1
Credit cards	156	1	1
Consumer other:			
Marine	211	16	14
Other	40	1	1
Total consumer other	251	17	15
Total consumer loans	2,160	121	113
Total nonperforming TDRs	2,195	191	137
Prior-year accruing: ^(a)			
Commercial, financial and agricultural	25	6	3
Commercial real estate:			
Real estate commercial mortgage	4	18	8
Total commercial real estate loans	4	18	8
Total commercial loans	29	24	11
Real estate residential mortgage	359	28	28
Home equity:			
Key Community Bank	731	45	40
Other	325	10	8

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Total home equity loans	1,056	55	48
Consumer other Key Community Bank	53	2	2
Credit cards	564	4	3
Consumer other:			
Marine	402	58	34
Other	72	2	1
Total consumer other	474	60	35
Total consumer loans	2,506	149	116
Total prior-year accruing TDRs	2,535	173	127
Total TDRs	4,730	\$ 364	\$ 264

(a) All TDRs that were restructured prior to January 1, 2014, and are fully accruing.

We classify loan modifications as TDRs when a borrower is experiencing financial difficulties and we have granted a concession without commensurate financial, structural, or legal consideration. All commercial and consumer loan TDRs, regardless of size, are individually evaluated for impairment to determine the probable loss content and are assigned a specific loan allowance if deemed appropriate. This designation has the effect of moving the loan from the general reserve methodology (i.e., collectively evaluated) to the specific reserve methodology (i.e., individually evaluated) and may impact the ALLL through a charge-off or increased loan loss provision. These components affect the ultimate allowance level. Additional information regarding TDRs for discontinued operations is provided in Note 11.

Commercial loan TDRs are considered defaulted when principal and interest payments are 90 days past due. Consumer loan TDRs are considered defaulted when principal and interest payments are more than 60 days past due. During the three months ended September 30, 2015, there were no significant commercial loan TDRs, and 61 consumer loan TDRs with a combined recorded investment of \$3 million that experienced payment defaults from modifications resulting in TDR status during 2014. During the three months ended September 30, 2014, there were no significant commercial loan TDRs, and 93 consumer loan TDRs with a combined recorded investment of \$4 million that experienced payment defaults from modifications resulting in TDR status during 2013. As TDRs are individually evaluated for impairment under the specific reserve methodology, subsequent defaults do not generally have a significant additional impact on the ALLL.

Table of Contents

Our loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet the borrower's financial needs. Our concession types are primarily interest rate reductions, forgiveness of principal, and other modifications. The commercial TDR other concession category includes modification of loan terms, covenants, or conditions. The consumer TDR other concession category primarily includes those borrowers' debts that are discharged through Chapter 7 bankruptcy and have not been formally re-affirmed.

The following table shows the post-modification outstanding recorded investment by concession type for our commercial and consumer accruing and nonaccruing TDRs and other selected financial data.

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Commercial loans:			
Interest rate reduction	\$ 58	\$ 13	\$ 24
Forgiveness of principal	2	2	5
Other	1	25	6
Total	\$ 61	\$ 40	\$ 35
Consumer loans:			
Interest rate reduction	\$ 139	\$ 140	\$ 140
Forgiveness of principal	4	4	4
Other	83	86	85
Total	\$ 226	\$ 230	\$ 229
Total commercial and consumer TDRs	\$ 287	\$ 270	\$ 264
(a)			
Total loans	60,085	57,381	56,155

(a) Commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs are \$8 million, \$5 million, and \$1 million at September 30, 2015, December 31, 2014, and September 30, 2014, respectively.

Our policies for determining past due loans, placing loans on nonaccrual, applying payments on nonaccrual loans, and resuming accrual of interest for our commercial and consumer loan portfolios are disclosed in Note 1 (Summary of Significant Accounting Policies) under the heading Nonperforming Loans beginning on page 116 of our 2014 Form 10-K.

At September 30, 2015, approximately \$59.3 billion, or 98.8%, of our total loans were current, compared to \$56.6 billion, or 98.7%, at December 31, 2014, and \$55.3 billion, or 98.5%, at September 30, 2014. At September 30, 2015, total past due loans and nonperforming loans of \$724 million represented approximately 1.2% of total loans, compared to \$749 million, or 1.3%, at December 31, 2014, and \$813 million, or 1.5% at September 30, 2014.

Table of Contents

The following aging analysis of past due and current loans as of September 30, 2015, December 31, 2014, and September 30, 2014, provides further information regarding Key's credit exposure.

September 30, 2015 <i>in millions</i>	Current	30-59 Days Past Due	60-89 Days Past Due	90 and Greater Days Past Due	Nonperforming Loans	Total Past Due and Nonperforming Loans	Purchased Credit Impaired	Total Loans
LOAN TYPE								
Commercial, financial and agricultural	\$ 30,901	\$ 58	\$ 30	\$ 17	\$ 89	\$ 194		\$ 31,095
Commercial real estate:								
Commercial mortgage	8,127	18	7	5	23	53		8,180
Construction	1,060	1			9	10		1,070
Total commercial real estate loans	9,187	19	7	5	32	63		9,250
Commercial lease financing	3,875	29	3	1	21	54		3,929
Total commercial loans	\$ 43,963	\$ 106	\$ 40	\$ 23	\$ 142	\$ 311		\$ 44,274
Real estate residential mortgage	\$ 2,171	\$ 11	\$ 4	\$ 3	\$ 67	\$ 85	\$ 11	\$ 2,267
Home equity:								
Key Community Bank	10,027	49	20	11	174	254	1	10,282
Other	208	4	2	1	7	14		222
Total home equity loans	10,235	53	22	12	181	268	1	10,504
Consumer other Key Community Bank	1,595	7	4	5	1	17		1,612
Credit cards	750	6	4	8	2	20		770
Consumer other:								
Marine	601	10	2	1	6	19		620
Other	34	1	1	1	1	4		38
Total consumer other	635	11	3	2	7	23		658
Total consumer loans	\$ 15,386	\$ 88	\$ 37	\$ 30	\$ 258	\$ 413	\$ 12	\$ 15,811
Total loans	\$ 59,349	\$ 194	\$ 77	\$ 53	\$ 400	\$ 724	\$ 12	\$ 60,085

December 31, 2014 <i>in millions</i>	Current	30-59 Days Past Due	60-89 Days Past Due	90 and Greater Days Past Due	Nonperforming Loans	Total Past Due and Nonperforming Loans	Purchased Credit Impaired	Total Loans
LOAN TYPE								
Commercial, financial and agricultural	\$ 27,858	\$ 19	\$ 14	\$ 32	\$ 59	\$ 124		\$ 27,982
Commercial real estate:								

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Commercial mortgage	7,981	6	10	16	34	66	8,047
Construction	1,084	2		1	13	16	1,100
Total commercial real estate loans	9,065	8	10	17	47	82	9,147
Commercial lease financing	4,172	30	21	11	18	80	4,252
Total commercial loans	\$ 41,095	\$ 57	\$ 45	\$ 60	\$ 124	\$ 286	\$ 41,381
Real estate residential mortgage	\$ 2,111	\$ 12	\$ 7	\$ 4	\$ 79	\$ 102	\$ 2,225
Home equity:							
Key Community Bank	10,098	46	22	14	185	267	10,366
Other	249	5	2	1	10	18	267
Total home equity loans	10,347	51	24	15	195	285	10,633
Consumer other Key Community Bank	1,541	9	3	5	2	19	1,560
Credit cards	733	6	4	9	2	21	754
Consumer other:							
Marine	746	11	5	2	15	33	779
Other	46	1		1	1	3	49
Total consumer other	792	12	5	3	16	36	828
Total consumer loans	\$ 15,524	\$ 90	\$ 43	\$ 36	\$ 294	\$ 463	\$ 16,000
Total loans	\$ 56,619	\$ 147	\$ 88	\$ 96	\$ 418	\$ 749	\$ 57,381

Table of Contents

September 30, 2014 <i>in millions</i>	30-59 Days Past Due	60-89 Days Past Due	90 and Greater Days Past Due	Nonperforming Loans	Total Past Due and Purchased Credit Loans Impaired	Total Loans		
LOAN TYPE								
Commercial, financial and agricultural	\$ 26,534	\$ 50	\$ 34	\$ 18	\$ 47	\$ 149	\$ 26,683	
Commercial real estate:								
Commercial mortgage	8,201	17	7	9	41	74	\$ 1	8,276
Construction	1,017	3	2		14	19		1,036
Total commercial real estate loans	9,218	20	9	9	55	93	1	9,312
Commercial lease financing	4,017	74	24	6	14	118		4,135
Total commercial loans	\$ 39,769	\$ 144	\$ 67	\$ 33	\$ 116	\$ 360	\$ 1	\$ 40,130
Real estate residential mortgage	\$ 2,091	\$ 17	\$ 7	\$ 5	\$ 81	\$ 110	\$ 12	\$ 2,213
Home equity:								
Key Community Bank	10,124	46	19	16	174	255	1	10,380
Other	266	4	2	1	10	17		283
Total home equity loans	10,390	50	21	17	184	272	1	10,663
Consumer other Key Community								
Bank	1,528	7	3	6	2	18		1,546
Credit cards	705	5	4	9	1	19		724
Consumer other:								
Marine	796	11	4	1	16	32		828
Other	49	1			1	2		51
Total consumer other	845	12	4	1	17	34		879
Total consumer loans	\$ 15,559	\$ 91	\$ 39	\$ 38	\$ 285	\$ 453	\$ 13	\$ 16,025
Total loans	\$ 55,328	\$ 235	\$ 106	\$ 71	\$ 401	\$ 813	\$ 14	\$ 56,155

The prevalent risk characteristic for both commercial and consumer loans is the risk of loss arising from an obligor's inability or failure to meet contractual payment or performance terms. Evaluation of this risk is stratified and monitored by the loan risk rating grades assigned for the commercial loan portfolios and the regulatory risk ratings assigned for the consumer loan portfolios.

Most extensions of credit are subject to loan grading or scoring. Loan grades are assigned at the time of origination, verified by credit risk management, and periodically re-evaluated thereafter. This risk rating methodology blends our judgment with quantitative modeling. Commercial loans generally are assigned two internal risk ratings. The first rating reflects the probability that the borrower will default on an obligation; the second rating reflects expected recovery rates on the credit facility. Default probability is determined based on, among other factors, the financial strength of the borrower, an assessment of the borrower's management, the borrower's competitive position within its industry sector, and our view of industry risk in the context of the general economic outlook. Types of exposure, transaction structure, and collateral, including credit risk mitigants, affect the expected recovery assessment.

Credit quality indicators for loans are updated on an ongoing basis. Bond rating classifications are indicative of the credit quality of our commercial loan portfolios and are determined by converting our internally assigned risk rating grades to bond rating categories. Payment activity and the regulatory classifications of pass and substandard are indicators of the credit quality of our consumer loan portfolios.

Credit quality indicators for our commercial and consumer loan portfolios, excluding \$12 million and \$14 million of PCI loans at September 30, 2015, and September 30, 2014, respectively, based on bond rating, regulatory classification, and payment activity as of September 30, 2015, and September 30, 2014, are as follows:

Table of Contents**Commercial Credit Exposure****Credit Risk Profile by Creditworthiness Category ^(a)**

September 30,
in millions

		Commercial, financial and agricultural RE Commercial RE Construction Commercial Lease Total									
RATING ^{(b), (c)}		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
AAA	AA	\$ 384	\$ 342	\$ 3	\$ 2		\$ 1	\$ 501	\$ 528	\$ 888	\$ 873
A		1,439	1,147	4	2			478	596	1,921	1,745
BBB	BB	27,438	23,822	7,690	7,736	\$ 935	895	2,808	2,848	38,871	35,301
B		639	594	272	298	89	100	88	75	1,088	1,067
CCC	C	1,195	778	211	238	46	40	54	88	1,506	1,144
Total		\$ 31,095	\$ 26,683	\$ 8,180	\$ 8,276	\$ 1,070	\$ 1,036	\$ 3,929	\$ 4,135	\$ 44,274	\$ 40,130

- (a) Credit quality indicators are updated on an ongoing basis and reflect credit quality information as of the dates indicated.
- (b) Our bond rating to internal loan grade conversion system is as follows: AAA - AA = 1, A = 2, BBB - BB = 3 - 13, B = 14 - 16, and CCC - C = 17 - 20.
- (c) Our internal loan grade to regulatory-defined classification is as follows: Pass = 1-16, Special Mention = 17, Substandard = 18, Doubtful = 19, and Loss = 20.

Consumer Credit Exposure**Credit Risk Profile by Regulatory Classifications ^{(a), (b)}**

September 30,
in millions

GRADE	Residential 2015	Prime 2014
Pass	\$ 12,496	\$ 12,576
Substandard	263	287
Total	\$ 12,759	\$ 12,863

Credit Risk Profile Based on Payment Activity ^(a)

September 30,	Consumer Bank	Key Community Credit	cards	Consumer Mortgages	Consumer Other	Total
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<i>in millions</i>	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Performing	\$ 1,611	\$ 1,544	\$ 768	\$ 723	\$ 614	\$ 812	\$ 37	\$ 50	\$ 3,030	\$ 3,129
Nonperforming	1	2	2	1	6	16	1	1	10	20
Total	\$ 1,612	\$ 1,546	\$ 770	\$ 724	\$ 620	\$ 828	\$ 38	\$ 51	\$ 3,040	\$ 3,149

- (a) Credit quality indicators are updated on an ongoing basis and reflect credit quality information as of the dates indicated.
- (b) Our past due payment activity to regulatory classification conversion is as follows: pass = less than 90 days; and substandard = 90 days and greater plus nonperforming loans.

We determine the appropriate level of the ALLL on at least a quarterly basis. The methodology is described in Note 1 (Summary of Significant Accounting Policies) under the heading Allowance for Loan and Lease Losses beginning on page 117 of our 2014 Form 10-K. We apply expected loss rates to existing loans with similar risk characteristics as noted in the credit quality indicator table above and exercise judgment to assess the impact of qualitative factors such as changes in economic conditions, changes in credit policies or underwriting standards, and changes in the level of credit risk associated with specific industries and markets.

In the third quarter of 2015, we enhanced the approach used to determine the commercial reserve factors used in estimating the commercial ALLL, which had the effect of capturing certain elements in the commercial quantitative reserve component that had formerly been included in the commercial qualitative component. Under the enhanced methodology, we began utilizing more refined commercial estimated loss rates that represent cumulative losses over the estimated average time period from the onset of credit deterioration to the initial loss recorded for an individual loan. In addition, we began utilizing an enhanced framework to quantify commercial ALLL adjustments resulting from qualitative factors that may not be fully captured within the statistical analysis of incurred loss. The impact of these changes was largely neutral to the total ALLL at September 30, 2015. However, because the quantitative reserve is allocated to the business segments at a loan level, while the qualitative portion is allocated at the portfolio level, the impact of the methodology enhancements on the allowance for each portfolio caused the commercial portfolio ALLL to increase or decrease accordingly. The impact of the increases and decreases on the commercial portfolio ALLL was not significant.

Table of Contents

For all commercial and consumer loan TDRs, regardless of size, as well as impaired commercial loans with an outstanding balance of \$2.5 million or greater, we conduct further analysis to determine the probable loss content and assign a specific allowance to the loan if deemed appropriate. We estimate the extent of the individual impairment for commercial loans and TDRs by comparing the recorded investment of the loan with the estimated present value of its future cash flows, the fair value of its underlying collateral, or the loan's observable market price. Secured consumer loan TDRs that are discharged through Chapter 7 bankruptcy and not formally re-affirmed are adjusted to reflect the fair value of the underlying collateral, less costs to sell. Non-Chapter 7 consumer loan TDRs are combined in homogenous pools and assigned a specific allocation based on the estimated present value of future cash flows using the loan's effective interest rate. A specific allowance also may be assigned even when sources of repayment appear sufficient if we remain uncertain about whether the loan will be repaid in full. On at least a quarterly basis, we evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. The ALLL at September 30, 2015, represents our best estimate of the probable credit losses inherent in the loan portfolio at that date.

Commercial loans generally are charged off in full or charged down to the fair value of the underlying collateral when the borrower's payment is 180 days past due. Consumer loans generally are charged off when payments are 120 days past due. Home equity and residential mortgage loans generally are charged down to net realizable value when payment is 180 days past due. Credit card loans, and similar unsecured products, are charged off when payments are 180 days past due.

At September 30, 2015, the ALLL was \$790 million, or 1.31% of loans, compared to \$804 million, or 1.43% of loans, at September 30, 2014. At September 30, 2015, the ALLL was 197.5% of nonperforming loans, compared to 200.5% at September 30, 2014.

A summary of the changes in the ALLL for the periods indicated is presented in the table below:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Balance at beginning of period continuing operations	\$ 796	\$ 814	\$ 794	\$ 848
Charge-offs	(53)	(49)	(152)	(162)
Recoveries	12	18	47	81
Net loans and leases charged off	(41)	(31)	(105)	(81)
Provision for loan and lease losses from continuing operations	36	21	102	37
Foreign currency translation adjustment	(1)		(1)	
Balance at end of period continuing operations	\$ 790	\$ 804	\$ 790	\$ 804

The changes in the ALLL by loan category for the periods indicated are as follows:

<i>in millions</i>	December 31,		September 30,	
	2014	Provision	Charge-offs	Recoveries
				2015

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Commercial, financial and agricultural	\$	391	\$	93	\$	(59)	\$	13	\$	438
Real estate commercial mortgage		148		(9)		(2)		2		139
Real estate construction		28		(3)		(1)		1		25
Commercial lease financing		56		(13)		(5)		7		45
Total commercial loans		623		68		(67)		23		647
Real estate residential mortgage		23		(1)		(4)		1		19
Home equity:										
Key Community Bank		66		4		(21)		5		54
Other		5		(1)		(4)		4		4
Total home equity loans		71		3		(25)		9		58
Consumer other Key Community Bank		22		11		(18)		5		20
Credit cards		33		20		(23)		2		32
Consumer other:										
Marine		21				(14)		6		13
Other		1				(1)		1		1
Total consumer other:		22				(15)		7		14
Total consumer loans		171		33		(85)		24		143
Total ALLL continuing operations		794		101^(a)		(152)		47		790
Discontinued operations		29		9		(25)		10		23
Total ALLL including discontinued operations	\$	823	\$	110	\$	(177)	\$	57	\$	813

(a) Includes a \$1 million foreign currency translation adjustment. Excludes a provision for losses on lending-related commitments of \$19 million.

Table of Contents

<i>in millions</i>	December 31,			September 30,	
	2013	Provision	Charge-offs	Recoveries	2014
Commercial, financial and agricultural	\$ 362	\$ 32	\$ (35)	\$ 27	\$ 386
Real estate commercial mortgage	165	(7)	(3)	4	159
Real estate construction	32	(16)	(4)	16	28
Commercial lease financing	62	(9)	(6)	8	55
Total commercial loans	621		(48)	55	628
Real estate residential mortgage	37	(10)	(7)	2	22
Home equity:					
Key Community Bank	84	9	(29)	7	71
Other	11	(1)	(8)	4	6
Total home equity loans	95	8	(37)	11	77
Consumer other Key Community Bank	29	14	(23)	4	24
Credit cards	34	24	(27)	1	32
Consumer other:					
Marine	29	1	(18)	7	19
Other	3		(2)	1	2
Total consumer other:	32	1	(20)	8	21
Total consumer loans	227	37	(114)	26	176
Total ALLL continuing operations	848	37^(a)	(162)	81	804
Discontinued operations	39	15	(34)	11	31
Total ALLL including discontinued operations	\$ 887	\$ 52	\$ (196)	\$ 92	\$ 835

(a) Excludes a credit for losses on lending-related commitments of \$2 million.

Our ALLL from continuing operations decreased by \$14 million, or 1.7%, from the third quarter of 2014 primarily because of the improvement in the credit quality of our loan portfolios. The quality of new loan originations as well as decreasing levels of classified and nonperforming loans also resulted in a reduction in our general allowance. Our general allowance applies expected loss rates to our existing loans with similar risk characteristics as well as any adjustments to reflect our current assessment of qualitative factors such as changes in economic conditions, underwriting standards, and concentrations of credit. Our delinquency trends declined during 2014 and into 2015 due to continued improved credit quality, relatively stable economic conditions, and continued run-off in our exit loan portfolio, reflecting our effort to maintain a moderate enterprise risk tolerance.

For continuing operations, the loans outstanding individually evaluated for impairment totaled \$318 million, with a corresponding allowance of \$36 million at September 30, 2015. Loans outstanding collectively evaluated for impairment totaled \$59.8 billion, with a corresponding allowance of \$753 million at September 30, 2015. At September 30, 2015, PCI loans evaluated for impairment totaled \$12 million, with a corresponding allowance of \$1 million. There was no provision for loan and lease losses on these PCI loans during the nine months ended September 30, 2015. At September 30, 2014, the loans outstanding individually evaluated for impairment totaled \$299 million, with a corresponding allowance of \$38 million. Loans outstanding collectively evaluated for impairment

totaled \$55.8 billion, with a corresponding allowance of \$765 million at September 30, 2014. At September 30, 2014, PCI loans evaluated for impairment totaled \$14 million, with a corresponding allowance of \$1 million. There was no provision for loan and lease losses on these PCI loans during the nine months ended September 30, 2014.

Table of Contents

A breakdown of the individual and collective ALLL and the corresponding loan balances as of September 30, 2015, follows:

September 30, 2015 <i>in millions</i>	Allowance			Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired Loans	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired
Commercial, financial and agricultural	\$ 9	\$ 429	\$ 31,095	\$ 72	\$ 31,023	
Commercial real estate:						
Commercial mortgage	1	138	8,180	15	8,165	
Construction		25	1,070	5	1,065	
Total commercial real estate loans	1	163	9,250	20	9,230	
Commercial lease financing		45	3,929		3,929	
Total commercial loans	10	637	44,274	92	44,182	
Real estate residential mortgage	5	13	\$ 1 2,267	56	2,200	\$ 11
Home equity:						
Key Community Bank	17	37	10,282	113	10,168	1
Other	2	2	222	11	211	
Total home equity loans	19	39	10,504	124	10,379	1
Consumer other Key Community Bank		20	1,612	3	1,609	
Credit cards		32	770	3	767	
Consumer other:						
Marine	2	11	620	38	582	
Other		1	38	2	36	
Total consumer other	2	12	658	40	618	
Total consumer loans	26	116	1 15,811	226	15,573	12
Total ALLL continuing operations	36	753	1 60,085	318	59,755	12
Discontinued operations	2	21	1,891	20	1,871	
Total ALLL including discontinued operations	\$ 38	\$ 774	\$ 1 \$ 61,976	\$ 338	\$ 61,626	\$ 12

A breakdown of the individual and collective ALLL and the corresponding loan balances as of December 31, 2014, follows:

December 31, 2014	Allowance			Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired Loans	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired

<i>in millions</i>	Impairment	Impairment	Impaired Loans	Impairment	Impairment	Impaired
Commercial, financial and agricultural	\$ 9	\$ 382	\$ 27,982	\$ 43	\$ 27,939	
Commercial real estate:						
Commercial mortgage	2	146	8,047	21	8,025	\$ 1
Construction	1	27	1,100	8	1,092	
Total commercial real estate loans	3	173	9,147	29	9,117	1
Commercial lease financing		56	4,252		4,252	
Total commercial loans	12	611	41,381	72	41,308	1
Real estate residential mortgage	5	17	\$ 1 2,225	55	2,159	11
Home equity:						
Key Community Bank	16	50	10,366	108	10,257	1
Other	2	3	267	12	255	
Total home equity loans	18	53	10,633	120	10,512	1
Consumer other Key Community Bank		22	1,560	4	1,556	
Credit cards		33	754	4	750	
Consumer other:						
Marine	5	16	779	45	734	
Other		1	49	2	47	
Total consumer other	5	17	828	47	781	
Total consumer loans	28	142	1 16,000	230	15,758	12
Total ALLL continuing operations	40	753	1 57,381	302	57,066	13
Discontinued operations	1	28	2,295 ^(a)	17	2,278 ^(a)	
Total ALLL including discontinued operations	\$ 41	\$ 781	\$ 1 \$ 59,676	\$ 319	\$ 59,344	\$ 13

(a) Amount includes \$191 million of loans carried at fair value that are excluded from ALLL consideration.

Table of Contents

A breakdown of the individual and collective ALLL and the corresponding loan balances as of September 30, 2014, follows:

September 30, 2014 <i>in millions</i>	Allowance			Outstanding		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired Loans	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired
Commercial, financial and agricultural	\$ 7	\$ 379	\$ 26,683	\$ 31	\$ 26,652	
Commercial real estate:						
Commercial mortgage	2	157	8,276	29	8,246	\$ 1
Construction		28	1,036	10	1,026	
Total commercial real estate loans	2	185	9,312	39	9,272	1
Commercial lease financing		55	4,135		4,135	
Total commercial loans	9	619	40,130	70	40,059	1
Real estate residential mortgage	4	17	\$ 1 2,213	55	2,146	12
Home equity:						
Key Community Bank	16	55	10,380	105	10,274	1
Other	2	4	283	12	271	
Total home equity loans	18	59	10,663	117	10,545	1
Consumer other Key Community Bank		24	1,546	4	1,542	
Credit cards	1	31	724	3	721	
Consumer other:						
Marine	5	14	828	48	780	
Other	1	1	51	2	49	
Total consumer other	6	15	879	50	829	
Total consumer loans	29	146	1 16,025	229	15,783	13
Total ALLL continuing operations	38	765	1 56,155	299	55,842	14
Discontinued operations	1	30	2,392 ^(a)	16	2,376 ^(a)	
Total ALLL including discontinued operations	\$ 39	\$ 795	\$ 1 \$ 58,547	\$ 315	\$ 58,218	\$ 14

(a) Amount includes \$201 million of loans carried at fair value that are excluded from ALLL consideration. The liability for credit losses inherent in lending-related unfunded commitments, such as letters of credit and unfunded loan commitments, is included in accrued expense and other liabilities on the balance sheet. We establish the amount of this reserve by considering both historical trends and current market conditions quarterly, or more often if deemed necessary. Our liability for credit losses on lending-related commitments was \$54 million at September 30, 2015. When combined with our ALLL, our total allowance for credit losses represented 1.40% of loans at September 30,

2015, compared to 1.49% at September 30, 2014.

Changes in the liability for credit losses on unfunded lending-related commitments are summarized as follows:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Balance at beginning of period	\$ 45	\$ 37	\$ 35	\$ 37
Provision (credit) for losses on lending-related commitments	9	(2)	19	(2)
Balance at end of period	\$ 54	\$ 35	\$ 54	\$ 35

Table of Contents**5. Fair Value Measurements****Fair Value Determination**

As defined in the applicable accounting guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in our principal market. We have established and documented our process for determining the fair values of our assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, we determine the fair value of our assets and liabilities using valuation models or third-party pricing services. Both of these approaches rely on market-based parameters, when available, such as interest rate yield curves, option volatilities, and credit spreads, or unobservable inputs. Unobservable inputs may be based on our judgment, assumptions, and estimates related to credit quality, liquidity, interest rates, and other relevant inputs.

Valuation adjustments, such as those pertaining to counterparty and our own credit quality and liquidity, may be necessary to ensure that assets and liabilities are recorded at fair value. Credit valuation adjustments are made when market pricing does not accurately reflect the counterparty's or our own credit quality. We make liquidity valuation adjustments to the fair value of certain assets to reflect the uncertainty in the pricing and trading of the instruments when we are unable to observe recent market transactions for identical or similar instruments. Liquidity valuation adjustments are based on the following factors:

the amount of time since the last relevant valuation;

whether there is an actual trade or relevant external quote available at the measurement date; and

volatility associated with the primary pricing components.

We ensure that our fair value measurements are accurate and appropriate by relying upon various controls, including:

an independent review and approval of valuation models and assumptions;

recurring detailed reviews of profit and loss; and

a validation of valuation model components against benchmark data and similar products, where possible. We recognize transfers between levels of the fair value hierarchy at the end of the reporting period. Quarterly, we review any changes to our valuation methodologies to ensure they are appropriate and justified, and refine our valuation methodologies if more market-based data becomes available. The Fair Value Committee, which is governed by ALCO, oversees the valuation process for all lines of business and support areas, as applicable. Various Working Groups that report to the Fair Value Committee analyze and approve the underlying assumptions and valuation adjustments. Changes in valuation methodologies for Level 1 and Level 2 instruments are presented to the Accounting Policy group for approval. Changes in valuation methodologies for Level 3 instruments are presented to the Fair Value Committee for approval. The Working Groups are discussed in more detail in the qualitative disclosures within

this note and in Note 11 (Acquisitions and Discontinued Operations). Formal documentation of the fair valuation methodologies is prepared by the lines of business and support areas as appropriate. The documentation details the asset or liability class and related general ledger accounts, valuation techniques, fair value hierarchy level, market participants, accounting methods, valuation methodology, group responsible for valuations, and valuation inputs.

Additional information regarding our accounting policies for determining fair value is provided in Note 1 (Summary of Significant Accounting Policies) under the heading Fair Value Measurements beginning on page 118 of our 2014 Form 10-K.

Qualitative Disclosures of Valuation Techniques

Loans. Most loans recorded as trading account assets are valued based on market spreads for similar assets since they are actively traded. Therefore, these loans are classified as Level 2 because the fair value recorded is based on observable market data for similar assets.

Table of Contents

Securities (trading and available for sale). We own several types of securities, requiring a range of valuation methods:

Securities are classified as Level 1 when quoted market prices are available in an active market for the identical securities. Level 1 instruments include exchange-traded equity securities.

Securities are classified as Level 2 if quoted prices for identical securities are not available, and fair value is determined using pricing models (either by a third-party pricing service or internally) or quoted prices of similar securities. These instruments include municipal bonds; bonds backed by the U.S. government; corporate bonds; certain mortgage-backed securities; securities issued by the U.S. Treasury; money markets; and certain agency and corporate CMOs. Inputs to the pricing models include: standard inputs, such as yields, benchmark securities, bids, and offers; actual trade data (i.e., spreads, credit ratings, and interest rates) for comparable assets; spread tables; matrices; high-grade scales; and option-adjusted spreads.

Securities are classified as Level 3 when there is limited activity in the market for a particular instrument. To determine fair value in such cases, depending on the complexity of the valuations required, we use internal models based on certain assumptions or a third-party valuation service. At September 30, 2015, our Level 3 instruments consist of two convertible preferred securities. Our Strategy group is responsible for reviewing the valuation model and determining the fair value of these investments on a quarterly basis. The securities are valued using a cash flow analysis of the associated private company issuers. The valuations of the securities are negatively impacted by projected net losses of the associated private companies and positively impacted by projected net gains.

The fair values of our Level 2 securities available for sale are determined by a third-party pricing service. The valuations provided by the third-party pricing service are based on observable market inputs, which include benchmark yields, reported trades, issuer spreads, benchmark securities, bids, offers, and reference data obtained from market research publications. Inputs used by the third-party pricing service in valuing CMOs and other mortgage-backed securities also include new issue data, monthly payment information, whole loan collateral performance, and To Be Announced prices. In valuations of securities issued by state and political subdivisions, inputs used by the third-party pricing service also include material event notices.

On a monthly basis, we validate the pricing methodologies utilized by our third-party pricing service to ensure the fair value determination is consistent with the applicable accounting guidance and that our assets are properly classified in the fair value hierarchy. To perform this validation, we:

review documentation received from our third-party pricing service regarding the inputs used in their valuations and determine a level assessment for each category of securities;

substantiate actual inputs used for a sample of securities by comparing the actual inputs used by our third-party pricing service to comparable inputs for similar securities; and

substantiate the fair values determined for a sample of securities by comparing the fair values provided by our third-party pricing service to prices from other independent sources for the same and similar securities. We analyze variances and conduct additional research with our third-party pricing service and take appropriate steps based on our findings.

Private equity and mezzanine investments. Private equity and mezzanine investments consist of investments in debt and equity securities through our Real Estate Capital line of business. They include direct investments made in specific properties, as well as indirect investments made in funds that pool assets of many investors to invest in properties. There is no active market for these investments, so we employ other valuation methods. The portion of our Real Estate Capital line of business involved with private equity and mezzanine investments is accounted for as an investment company in accordance with the applicable accounting guidance, whereby all investments are recorded at fair value.

Private equity and mezzanine investments are classified as Level 3 assets since our judgment significantly influences the determination of fair value. Our Fund Management, Asset Management, and Accounting groups are responsible for reviewing the valuation models and determining the fair value of these investments on a quarterly basis. Direct investments in properties are initially valued based upon the transaction price. This amount is then adjusted to fair value based on current market conditions using the discounted cash flow method based on the expected investment exit date. The fair values of the assets are reviewed and adjusted quarterly. There were no significant direct equity and mezzanine investments at September 30, 2015.

Table of Contents

Consistent with accounting guidance, indirect investments are valued using a methodology that allows the use of statements from the investment manager to calculate net asset value per share. A primary input used in estimating fair value is the most recent value of the capital accounts as reported by the general partners of the funds in which we invest. The calculation to determine the investment's fair value is based on our percentage ownership in the fund multiplied by the net asset value of the fund, as provided by the fund manager. Under the requirements of the Volcker Rule, we will be required to dispose of some or all of our indirect investments. As of September 30, 2015, management has not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology. For more information about the Volcker Rule, see the discussion under the heading "Other Regulatory Developments under the Dodd-Frank Act - Volcker Rule" in the section entitled "Supervision and Regulation" beginning on page 16 of our 2014 Form 10-K.

Investments in real estate private equity funds are included within private equity and mezzanine investments. The main purpose of these funds is to acquire a portfolio of real estate investments that provides attractive risk-adjusted returns and current income for investors. Certain of these investments do not have readily determinable fair values and represent our ownership interest in an entity that follows measurement principles under investment company accounting.

The following table presents the fair value of our indirect investments and related unfunded commitments at September 30, 2015. We did not provide any financial support to investees related to our direct and indirect investments for the nine months ended September 30, 2015, and September 30, 2014.

September 30, 2015 <i>in millions</i>	Fair Value	Unfunded Commitments
INVESTMENT TYPE		
Indirect investments		
Passive funds ^(a)	\$ 9	\$ 1
Total	\$ 9	\$ 1

- (a) We invest in passive funds, which are multi-investor private equity funds. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying investments in the funds. Some funds have no restrictions on sale, while others require investors to remain in the fund until maturity. The funds will be liquidated over a period of one to four years. The purpose of KREEC's funding is to allow funds to make additional investments and keep a certain market value threshold in the funds. KREEC is obligated to provide financial support, as all investors are required, to fund based on their ownership percentage, as noted in the Limited Partnership Agreements.

Principal investments. Principal investments consist of investments in equity and debt instruments made by our principal investing entities. They include direct investments (investments made in a particular company) and indirect investments (investments made through funds that include other investors). Our principal investing entities are accounted for as investment companies in accordance with the applicable accounting guidance, whereby each investment is adjusted to fair value with any net realized or unrealized gain/loss recorded in the current period's earnings. This process is a coordinated and documented effort by the Principal Investing Entities Deal Team (individuals from one of the independent investment managers who oversee these instruments), accounting staff, and the Investment Committee (individual employees and a former employee of Key and one of the independent

investment managers). This process involves an in-depth review of the condition of each investment depending on the type of investment.

Our direct investments include investments in debt and equity instruments of both private and public companies. When quoted prices are available in an active market for the identical direct investment, we use the quoted prices in the valuation process, and the related investments are classified as Level 1 assets. However, in most cases, quoted market prices are not available for our direct investments, and we must perform valuations using other methods. These direct investment valuations are an in-depth analysis of the condition of each investment and are based on the unique facts and circumstances related to each individual investment. There is a certain amount of subjectivity surrounding the valuation of these investments due to the combination of quantitative and qualitative factors that are used in the valuation models. Therefore, these direct investments are classified as Level 3 assets. The specific inputs used in the valuations of each type of direct investment are described below.

Interest-bearing securities (i.e., loans) are valued on a quarterly basis. Valuation adjustments are determined by the Principal Investing Entities Deal Team and are subject to approval by the Investment Committee. Valuations of debt instruments are based on the Principal Investing Entities Deal Team's knowledge of the current financial status of the subject company, which is regularly monitored throughout the term of the investment. Significant unobservable inputs used in the valuations of these investments include the company's payment history, adequacy of cash flows from operations, and current operating results, including market multiples and historical and forecast EBITDA. Inputs can also include the seniority of the debt, the nature of any pledged collateral, the extent to which the security interest is perfected, and the net liquidation value of collateral.

Table of Contents

Valuations of equity instruments of private companies, which are prepared on a quarterly basis, are based on current market conditions and the current financial status of each company. A valuation analysis is performed to value each investment. The valuation analysis is reviewed by the Principal Investing Entities Deal Team Member, and reviewed and approved by the Chief Administrative Officer of one of the independent investment managers. Significant unobservable inputs used in these valuations include adequacy of the company's cash flows from operations, any significant change in the company's performance since the prior valuation, and any significant equity issuances by the company. Equity instruments of public companies are valued using quoted prices in an active market for the identical security. If the instrument is restricted, the fair value is determined considering the number of shares traded daily, the number of the company's total restricted shares, and price volatility.

Our indirect investments are classified as Level 3 assets since our significant inputs are not observable in the marketplace. Indirect investments include primary and secondary investments in private equity funds engaged mainly in venture- and growth-oriented investing. These investments do not have readily determinable fair values. Indirect investments are valued using a methodology that is consistent with accounting guidance that allows us to estimate fair value based upon net asset value per share (or its equivalent, such as member units or an ownership interest in partners capital to which a proportionate share of net assets is attributed). The significant unobservable input used in estimating fair value is primarily the most recent value of the capital accounts as reported by the general partners of the funds in which we invest. Under the requirements of the Volcker Rule, we will be required to dispose of some or all of our indirect investments. As of September 30, 2015, management has not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology.

For indirect investments, management may make adjustments it deems appropriate to the net asset value if it is determined that the net asset value does not properly reflect fair value. In determining the need for an adjustment to net asset value, management performs an analysis of the private equity funds based on the independent fund manager's valuations as well as management's own judgment. Significant unobservable inputs used in these analyses include current fund financial information provided by the fund manager, an estimate of future proceeds expected to be received on the investment, and market multiples. Management also considers whether the independent fund manager adequately marks down an impaired investment, maintains financial statements in accordance with GAAP, or follows a practice of holding all investments at cost.

The following table presents the fair value of our direct and indirect principal investments and related unfunded commitments at September 30, 2015, as well as financial support provided for the three and nine months ended September 30, 2015, and September 30, 2014:

<i>in millions</i>	September 30, 2015	Financial support provided							
		Three months ended September 30,				Nine months ended September 30,			
		Fair Value	Unfunded Commitments	Funded Commitments	Other	Fair Value	Unfunded Commitments	Funded Commitments	Other
INVESTMENT TYPE									
Direct investments ^(a)	\$ 66			\$		\$ 2			\$ 2
Indirect investments ^(b)	271	\$ 53	\$ 2		\$ 3	\$ 7		\$ 10	
Total	\$ 337	\$ 53	\$ 2	\$	\$ 3	\$ 7	\$ 2	\$ 10	\$ 2

- (a) Our direct investments consist of equity and debt investments directly in independent business enterprises. Operations of the business enterprises are handled by management of the portfolio company. The purpose of funding these enterprises is to provide financial support for business development and acquisition strategies. We infuse equity capital based on an initial contractual cash contribution and later from additional requests on behalf of the companies' management.
- (b) Our indirect investments consist of buyout funds, venture capital funds, and fund of funds. These investments are generally not redeemable. Instead, distributions are received through the liquidation of the underlying investments of the fund. An investment in any one of these funds typically can be sold only with the approval of the fund's general partners. We estimate that the underlying investments of the funds will be liquidated over a period of one to nine years. The purpose of funding our capital commitments to these investments is to allow the funds to make additional follow-on investments and pay fund expenses until the fund dissolves. We, and all other investors in the fund, are obligated to fund the full amount of our respective capital commitments to the fund based on our and their respective ownership percentages, as noted in the applicable Limited Partnership Agreement.

Table of Contents

Other. We have one indirect equity investment in the form of limited partnership units of less than five percent. The investment is classified as Level 3 asset since our significant inputs are not observable in the marketplace. This investment is valued using a methodology that is consistent with accounting guidance that allows us to estimate fair value based upon net asset value per share (or its equivalent, such as an ownership interest in partners' capital to which a proportionate share of net asset is attributed). The significant unobservable input used in estimating fair value is primarily the most recent value of the capital account as reported by the general partner of the partnership in which we invest. Under the requirements of the Volcker Rule, we will be required to dispose of this investment. As of September 30, 2015, management has not committed to a plan to sell this investment. Therefore, the investment continues to be valued using the net asset value per share methodology.

Derivatives. Exchange-traded derivatives are valued using quoted prices and, therefore, are classified as Level 1 instruments. However, only a few types of derivatives are exchange-traded. The majority of our derivative positions are valued using internally developed models based on market convention that use observable market inputs, such as interest rate curves, yield curves, LIBOR and Overnight Index Swap (OIS) discount rates and curves, index pricing curves, foreign currency curves, and volatility surfaces (a three-dimensional graph of implied volatility against strike price and maturity). These derivative contracts, which are classified as Level 2 instruments, include interest rate swaps, certain options, cross currency swaps, and credit default swaps.

In addition, we have several customized derivative instruments and risk participations that are classified as Level 3 instruments. These derivative positions are valued using internally developed models, with inputs consisting of available market data, such as bond spreads and asset values, as well as unobservable internally derived assumptions, such as loss probabilities and internal risk ratings of customers. These derivatives are priced monthly by our MRM group using a credit valuation adjustment methodology. Swap details with the customer and our related participation percentage, if applicable, are obtained from our derivatives accounting system, which is the system of record. Applicable customer rating information is obtained from the particular loan system and represents an unobservable input to this valuation process. Using these various inputs, a valuation of these Level 3 derivatives is performed using a model that was acquired from a third party. In summary, the fair value represents an estimate of the amount that the risk participation counterparty would need to pay/receive as of the measurement date based on the probability of customer default on the swap transaction and the fair value of the underlying customer swap. Therefore, a higher loss probability and a lower credit rating would negatively affect the fair value of the risk participations and a lower loss probability and higher credit rating would positively affect the fair value of the risk participations.

Market convention implies a credit rating of AA equivalent in the pricing of derivative contracts, which assumes all counterparties have the same creditworthiness. To reflect the actual exposure on our derivative contracts related to both counterparty and our own creditworthiness, we record a fair value adjustment in the form of a credit valuation adjustment. The credit component is determined by individual counterparty based on the probability of default and considers master netting and collateral agreements. The credit valuation adjustment is classified as Level 3. Our MRM group is responsible for the valuation policies and procedures related to this credit valuation adjustment. A weekly reconciliation process is performed to ensure that all applicable derivative positions are covered in the calculation, which includes transmitting customer exposures and reserve reports to trading management, derivative traders and marketers, derivatives middle office, and corporate accounting personnel. On a quarterly basis, MRM prepares the credit valuation adjustment calculation, which includes a detailed reserve comparison with the previous quarter, an analysis for change in reserve, and a reserve forecast to ensure that the credit valuation adjustment recorded at period end is sufficient.

Other assets and liabilities. The value of our short positions is driven by the valuation of the underlying securities. If quoted prices for identical securities are not available, fair value is determined by using pricing models or quoted prices of similar securities, resulting in a Level 2 classification. For the interest rate-driven products, such as

government bonds, U.S. Treasury bonds and other products backed by the U.S. government, inputs include spreads, credit ratings, and interest rates. For the credit-driven products, such as corporate bonds and mortgage-backed securities, inputs include actual trade data for comparable assets and bids and offers.

Table of Contents**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Certain assets and liabilities are measured at fair value on a recurring basis in accordance with GAAP. The following tables present these assets and liabilities at September 30, 2015, December 31, 2014, and September 30, 2014.

September 30, 2015*in millions*

	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		\$ 694		\$ 694
States and political subdivisions		35		35
Collateralized mortgage obligations				
Other mortgage-backed securities		46		46
Other securities	\$ 4	23		27
Total trading account securities	4	798		802
Commercial loans		9		9
Total trading account assets	4	807		811
Securities available for sale:				
States and political subdivisions		15		15
Collateralized mortgage obligations		12,003		12,003
Other mortgage-backed securities		2,330		2,330
Other securities	11		\$ 17	28
Total securities available for sale	11	14,348	17	14,376
Other investments:				
Principal investments:				
Direct			66	66
Indirect			271	271
Total principal investments			337	337
Equity and mezzanine investments:				
Direct				
Indirect			9	9
Total equity and mezzanine investments			9	9
Other			4	4
Total other investments			350	350
Derivative assets:				
Interest rate		1,097	22	1,119
Foreign exchange	120	10		130
Commodity		482		482
Credit		4	3	7

Derivative assets	120	1,593	25	1,738
Netting adjustments ^(a)				(945)
Total derivative assets	120	1,593	25	793
Accrued income and other assets		2		2
Total assets on a recurring basis at fair value	\$ 135	\$ 16,750	\$ 392	\$ 16,332
LIABILITIES MEASURED ON A RECURRING BASIS				
Bank notes and other short-term borrowings:				
Short positions		\$ 677		\$ 677
Derivative liabilities:				
Interest rate		656		656
Foreign exchange	\$ 102	10		112
Commodity		469		469
Credit		5		5
Derivative liabilities	102	1,140		1,242
Netting adjustments ^(a)				(566)
Total derivative liabilities	102	1,140		676
Accrued expense and other liabilities		2		2
Total liabilities on a recurring basis at fair value	\$ 102	\$ 1,819		\$ 1,355

- (a) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.

Table of Contents**December 31, 2014***in millions*

	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		\$ 555		\$ 555
States and political subdivisions		38		38
Collateralized mortgage obligations				
Other mortgage-backed securities		124		124
Other securities	\$ 2	29		31
Total trading account securities	2	746		748
Commercial loans		2		2
Total trading account assets	2	748		750
Securities available for sale:				
States and political subdivisions		23		23
Collateralized mortgage obligations		11,270		11,270
Other mortgage-backed securities		2,035		2,035
Other securities	22		\$ 10	32
Total securities available for sale	22	13,328	10	13,360
Other investments:				
Principal investments:				
Direct	2		102	104
Indirect			302	302
Total principal investments	2		404	406
Equity and mezzanine investments:				
Direct				
Indirect			10	10
Total equity and mezzanine investments			10	10
Other			4	4
Total other investments	2		418	420
Derivative assets:				
Interest rate		924	13	937
Foreign exchange	91	2		93
Commodity		608		608
Credit		2	3	5
Derivative assets	91	1,536	16	1,643
Netting adjustments ^(a)				(1,034)
Total derivative assets	91	1,536	16	609
Accrued income and other assets				
Total assets on a recurring basis at fair value	\$ 117	\$ 15,612	\$ 444	\$ 15,139

LIABILITIES MEASURED ON A RECURRING BASIS

Bank notes and other short-term borrowings:				
Short positions		\$ 423		\$ 423
Derivative liabilities:				
Interest rate		644		644
Foreign exchange	\$ 77	4		81
Commodity		594		594
Credit		6	\$ 1	7
Derivative liabilities	77	1,248	1	1,326
Netting adjustments ^(a)				(542)
Total derivative liabilities	77	1,248	1	784
Accrued expense and other liabilities				
Total liabilities on a recurring basis at fair value	\$ 77	\$ 1,671	\$ 1	\$ 1,207

- (a) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.

Table of Contents**September 30, 2014***in millions*

	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		\$ 596		\$ 596
States and political subdivisions		24		24
Collateralized mortgage obligations				
Other mortgage-backed securities		186		186
Other securities	\$ 13	145		158
Total trading account securities	13	951		964
Commercial loans		1		1
Total trading account assets	13	952		965
Securities available for sale:				
States and political subdivisions		27		27
Collateralized mortgage obligations		10,009		10,009
Other mortgage-backed securities		2,177		2,177
Other securities	22		\$ 10	32
Total securities available for sale	22	12,213	10	12,245
Other investments:				
Principal investments:				
Direct			115	115
Indirect			353	353
Total principal investments			468	468
Equity and mezzanine investments:				
Direct				
Indirect			13	13
Total equity and mezzanine investments			13	13
Other			4	4
Total other investments			485	485
Derivative assets:				
Interest rate		827	19	846
Foreign exchange	73	8		81
Commodity		95		95
Credit		1	3	4
Derivative assets	73	931	22	1,026
Netting adjustments ^(a)				(613)
Total derivative assets	73	931	22	413
Accrued income and other assets				
Total assets on a recurring basis at fair value	\$ 108	\$ 14,096	\$ 517	\$ 14,108

LIABILITIES MEASURED ON A RECURRING BASIS

Bank notes and other short-term borrowings:				
Short positions	\$ 6	\$ 490		\$ 496
Derivative liabilities:				
Interest rate		616		616
Foreign exchange	55	9		64
Commodity		89	\$ 1	90
Credit		7		7
Derivative liabilities	55	721	1	777
Netting adjustments ^(a)				(393)
Total derivative liabilities	55	721	1	384
Accrued expense and other liabilities				
Total liabilities on a recurring basis at fair value	\$ 61	\$ 1,211	\$ 1	\$ 880

- (a) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.

Table of Contents**Changes in Level 3 Fair Value Measurements**

The following table shows the change in the fair values of our Level 3 financial instruments for the three and nine months ended September 30, 2015, and September 30, 2014. We mitigate the credit risk, interest rate risk, and risk of loss related to many of these Level 3 instruments by using securities and derivative positions classified as Level 1 or Level 2. Level 1 and Level 2 instruments are not included in the following table. Therefore, the gains or losses shown do not include the impact of our risk management activities.

<i>in millions</i>	Beginning Gains of (Losses) Period Included in Balance		Purchases Sales Settlements		Transfers into Level 3 ^(d)	Transfers out of Level 3 ^(d)	Unrealized End of Period Gains (Losses) Included in Balance ^(f) Earnings	
Nine months ended September 30, 2015								
Securities available for sale								
Other securities	\$ 10		\$ 7				\$ 17	
Other investments								
Principal investments								
Direct	102	\$ 20 ^(b)	5	\$ (61)			66	
Indirect	302	33 ^(b)	6	(70)			271	\$ (23) ^(b)
Equity and mezzanine investments								
Direct		2 ^(b)		(2)				2 ^(b)
Indirect	10	6 ^(b)		(7)			9	6 ^(b)
Other	4						4	
Derivative instruments ^(a)								
Interest rate	13	5 ^(c)	1		\$ 10 ^(e)	\$ (7) ^(e)	22	
Commodity								
Credit	2	(7) ^(c)		8			3	
Three months ended September 30, 2015								
Securities available for sale								
Other securities	\$ 10		\$ 7				\$ 17	
Other investments								
Principal investments								
Direct	70	\$ 4 ^(b)	3	\$ (11)			66	\$ 3 ^(b)
Indirect	282	8 ^(b)	2	(21)			271	(8) ^(b)
Equity and mezzanine investments								
Direct								
Indirect	9						9	
Other	4						4	
Derivative instruments ^(a)								

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Interest rate	16	6 ^(c)		\$ 2 ^(e)	\$ (2) ^(e)	22
Commodity						
Credit	3	(3) ^(c)	8	\$ (5)		3

Table of Contents

<i>in millions</i>	Beginning Gains of (Losses) Period Included in Balance Earnings		Purchases	Sales	Settlements	Transfers into Level 3 (d)	Transfers out of Level 3 (d)	End of Period Included in Balance (f)	Unrealized Gains (Losses) Earnings
Nine months ended September 30, 2014									
Securities available for sale									
Other securities			\$ 10					\$ 10	
Other investments									
Principal investments									
Direct	\$ 141	\$ 9 (b)	1	\$ (36)				115	\$ 18 (b)
Indirect	413	49 (b)	8	(117)				353	8 (b)
Equity and mezzanine investments									
Direct									
Indirect	23	(1) (b)		(9)				13	(1) (b)
Other	4							4	
Derivative instruments (a)									
Interest rate	25	2 (c)	3	(2)		\$ 7 (e)	\$ (16) (e)	19	
Commodity			(1)			1 (e)	(1) (e)	(1)	
Credit	3	(7) (c)			\$ 7			3	
Three months ended September 30, 2014									
Securities available for sale									
Other securities			\$ 10					\$ 10	
Other investments									
Principal investments									
Direct	\$ 146	\$ (2) (b)		\$ (29)				115	\$ (2) (b)
Indirect	399	9 (b)	3	(58)				353	(4) (b)
Equity and mezzanine investments									
Direct									
Indirect	16			(3)				13	
Other	4							4	
Derivative instruments (a)									
Interest rate	20					\$ 2 (e)	\$ (3) (e)	19	
Commodity	1		(1)				(1) (e)	(1)	
Credit	3	(2) (c)			\$ 2			3	

(a) Amounts represent Level 3 derivative assets less Level 3 derivative liabilities.

(b) Realized and unrealized gains and losses on principal investments are reported in net gains (losses) from principal investing on the income statement. Realized and unrealized losses on other and private equity and mezzanine investments are reported in other income on the income statement.

(c)

Realized and unrealized gains and losses on derivative instruments are reported in corporate services income and other income on the income statement.

- (d) Our policy is to recognize transfers into and transfers out of Level 3 as of the end of the reporting period.
- (e) Certain derivatives previously classified as Level 2 were transferred to Level 3 because Level 3 unobservable inputs became significant. Certain derivatives previously classified as Level 3 were transferred to Level 2 because Level 3 unobservable inputs became less significant.
- (f) There were no issuances for the nine-month periods ended September 30, 2015, and September 30, 2014.

Table of Contents**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Certain assets and liabilities are measured at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value generally result from the application of accounting guidance that requires assets and liabilities to be recorded at the lower of cost or fair value, or assessed for impairment. There were no liabilities measured at fair value on a nonrecurring basis at September 30, 2015, December 31, 2014, and September 30, 2014. The following table presents our assets measured at fair value on a nonrecurring basis at September 30, 2015, December 31, 2014, and September 30, 2014:

<i>in millions</i>	September 30, 2015			Total
	Level 1	Level 2	Level 3	
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			\$ 3	\$ 3
Loans held for sale ^(a)				
Accrued income and other assets			6	6
Total assets on a nonrecurring basis at fair value			\$ 9	\$ 9

<i>in millions</i>	December 31, 2014			Total
	Level 1	Level 2	Level 3	
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			\$ 5	\$ 5
Loans held for sale ^(a)				
Accrued income and other assets			7	7
Total assets on a nonrecurring basis at fair value			\$ 12	\$ 12

<i>in millions</i>	September 30, 2014			Total
	Level 1	Level 2	Level 3	
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			\$ 6	\$ 6
Loans held for sale ^(a)				
Accrued income and other assets			4	4
Total assets on a nonrecurring basis at fair value			\$ 10	\$ 10

- (a) During the first nine months of 2015, we transferred \$24 million of commercial and consumer loans and leases at their current fair value from held-for-sale status to the held-to-maturity portfolio, compared to \$11 million during 2014, and \$10 million during the first nine months of 2014.

Impaired loans. We typically adjust the carrying amount of our impaired loans when there is evidence of probable loss and the expected fair value of the loan is less than its contractual amount. The amount of the impairment may be determined based on the estimated present value of future cash flows, the fair value of the underlying collateral, or the loan's observable market price. Impaired loans with a specifically allocated allowance based on cash flow analysis or the value of the underlying collateral are classified as Level 3 assets. Impaired loans with a specifically allocated allowance based on an observable market price that reflects recent sale transactions for similar loans and collateral are classified as Level 2 assets.

The evaluations for impairment are prepared by the responsible relationship managers in our Asset Recovery Group and are reviewed and approved by the Asset Recovery Group Executive. The Asset Recovery Group is part of the Risk Management Group and reports to our Chief Credit Officer. These evaluations are performed in conjunction with the quarterly ALLL process.

Loans are evaluated for impairment on a quarterly basis. Loans included in the previous quarter's review are re-evaluated, and if their values have changed materially, the underlying information (loan balance and in most cases, collateral value) is compared. Material differences are evaluated for reasonableness, and the relationship managers and their senior managers consider these differences and determine if any adjustment is necessary. The inputs are developed and substantiated on a quarterly basis based on current borrower developments, market conditions, and collateral values.

The following two internal methods are used to value impaired loans:

Cash flow analysis considers internally developed inputs, such as discount rates, default rates, costs of foreclosure, and changes in collateral values.

Table of Contents

The fair value of the collateral, which may take the form of real estate or personal property, is based on internal estimates, field observations, and assessments provided by third-party appraisers. We perform or reaffirm appraisals of collateral-dependent impaired loans at least annually. Appraisals may occur more frequently if the most recent appraisal does not accurately reflect the current market, the debtor is seriously delinquent or chronically past due, or there has been a material deterioration in the performance of the project or condition of the property. Adjustments to outdated appraisals that result in an appraisal value less than the carrying amount of a collateral-dependent impaired loan are reflected in the ALLL.

Impairment valuations are back-tested each quarter, based on a look-back of actual incurred losses on closed deals previously evaluated for impairment. The overall percent variance of actual net loan charge-offs on closed deals compared to the specific allocations on such deals is considered in determining each quarter's specific allocations.

Loans held for sale. Through a quarterly analysis of our loan portfolios held for sale, which include both performing and nonperforming loans, we determine any adjustments necessary to record the portfolios at the lower of cost or fair value in accordance with GAAP. Our analysis concluded that there were no loans held for sale adjusted to fair value at September 30, 2015, December 31, 2014, or September 30, 2014.

Market inputs, including updated collateral values, and reviews of each borrower's financial condition influenced the inputs used in our internal models and other valuation methodologies. The valuations are prepared by the responsible relationship managers or analysts in our Asset Recovery Group and are reviewed and approved by the Asset Recovery Group Executive. Actual gains or losses realized on the sale of various loans held for sale provide a back-testing mechanism for determining whether our valuations of these loans held for sale that are adjusted to fair value are appropriate.

Valuations of performing commercial mortgage and construction loans held for sale are conducted using internal models that rely on market data from sales or nonbinding bids on similar assets, including credit spreads, treasury rates, interest rate curves, and risk profiles. These internal models also rely on our own assumptions about the exit market for the loans and details about individual loans within the respective portfolios. Therefore, we classify these loans as Level 3 assets. The inputs related to our assumptions and other internal loan data include changes in real estate values, costs of foreclosure, prepayment rates, default rates, and discount rates.

Valuations of nonperforming commercial mortgage and construction loans held for sale are based on current agreements to sell the loans or approved discounted payoffs. If a negotiated value is not available, we use third-party appraisals, adjusted for current market conditions. Since valuations are based on unobservable data, these loans are classified as Level 3 assets.

Direct financing leases and operating lease assets held for sale. Our KEF Accounting and Capital Markets groups are responsible for the valuation policies and procedures related to these assets. The Managing Director of the KEF Capital Markets group reports to the President of the KEF line of business. A weekly report is distributed to both groups that lists all equipment finance deals booked in the warehouse portfolio. On a quarterly basis, the KEF Accounting group prepares a detailed held-for-sale roll-forward schedule that is reconciled to the general ledger and the above mentioned weekly report. KEF management uses the held-for-sale roll-forward schedule to determine if an impairment adjustment is necessary in accordance with lower of cost or fair value guidelines.

Valuations of direct financing leases and operating lease assets held for sale are performed using an internal model that relies on market data, such as swap rates and bond ratings, as well as our own assumptions about the exit market for the leases and details about the individual leases in the portfolio. The inputs based on our assumptions include changes in the value of leased items and internal credit ratings. These leases have been classified as Level 3 assets. KEF has master sale and assignment agreements with numerous institutional investors. Historically, multiple quotes

are obtained, with the most reasonable formal quotes retained. These nonbinding quotes generally lead to a sale to one of the parties who provided the quote. Leases for which we receive a current nonbinding bid, and the sale is considered probable, may be classified as Level 2. The validity of these quotes is supported by historical and continued dealings with these institutions that have fulfilled the nonbinding quote in the past. In a distressed market where market data is not available, an estimate of the fair value of the leased asset may be used to value the lease, resulting in a Level 3 classification. In an inactive market, the market value of the assets held for sale is determined as the present value of the future cash flows discounted at the current buy rate. KEF Accounting calculates an estimated fair value buy rate based on the credit premium inherent in the relevant bond index and the appropriate swap rate on the measurement date. The amount of the adjustment is calculated as book value minus the present value of future cash flows discounted at the calculated buy rate.

Table of Contents

Goodwill and other intangible assets. On a quarterly basis, we review impairment indicators to determine whether we need to evaluate the carrying amount of goodwill and other intangible assets assigned to Key Community Bank and Key Corporate Bank. We also perform an annual impairment test for goodwill. Accounting guidance permits an entity to first assess qualitative factors to determine whether additional goodwill impairment testing is required. However, we did not choose to utilize a qualitative assessment in our annual goodwill impairment testing performed during the fourth quarter of 2014. Fair value of our reporting units is determined using both an income approach (discounted cash flow method) and a market approach (using publicly traded company and recent transactions data), which are weighted equally.

Inputs used include market-available data, such as industry, historical, and expected growth rates, and peer valuations, as well as internally driven inputs, such as forecasted earnings and market participant insights. Since this valuation relies on a significant number of unobservable inputs, we have classified goodwill as Level 3. We use a third-party valuation services provider to perform the annual, and if necessary, any interim, Step 1 valuation process, and to perform a Step 2 analysis, if needed, on our reporting units. Annual and any interim valuations prepared by the third-party valuation services provider are reviewed by the appropriate individuals within Key to ensure that the assumptions used in preparing the analysis are appropriate and properly supported. For additional information on the results of recent goodwill impairment testing, see Note 10 (Goodwill and Other Intangible Assets) beginning on page 173 of our 2014 Form 10-K.

The fair value of other intangible assets is calculated using a cash flow approach. While the calculation to test for recoverability uses a number of assumptions that are based on current market conditions, the calculation is based primarily on unobservable assumptions. Accordingly, these assets are classified as Level 3. Our lines of business, with oversight from our Accounting group, are responsible for routinely, at least quarterly, assessing whether impairment indicators are present. All indicators that signal impairment may exist are appropriately considered in this analysis. An impairment loss is only recognized for a held-and-used long-lived asset if the sum of its estimated future undiscounted cash flows used to test for recoverability is less than its carrying value.

Our primary assumptions include attrition rates, alternative costs of funds, and rates paid on deposits. For additional information on the results of other intangible assets impairment testing, see Note 10 beginning on page 173 of our 2014 Form 10-K.

Other assets. OREO and other repossessed properties are valued based on inputs such as appraisals and third-party price opinions, less estimated selling costs. Generally, we classify these assets as Level 3, but OREO and other repossessed properties for which we receive binding purchase agreements are classified as Level 2. Returned lease inventory is valued based on market data for similar assets and is classified as Level 2. Assets that are acquired through, or in lieu of, loan foreclosures are recorded initially as held for sale at fair value less estimated selling costs at the date of foreclosure. After foreclosure, valuations are updated periodically, and current market conditions may require the assets to be marked down further to a new cost basis.

Commercial Real Estate Valuation Process: When a loan is reclassified from loan status to OREO because we took possession of the collateral, the Asset Recovery Group Loan Officer, in consultation with our OREO group, obtains a broker price opinion or a third-party appraisal, which is used to establish the fair value of the underlying collateral. The determined fair value of the underlying collateral less estimated selling costs becomes the carrying value of the OREO asset. In addition to valuations from independent third-party sources, our OREO group also writes down the carrying balance of OREO assets once a bona fide offer is contractually accepted, where the accepted price is lower than the current balance of the

particular OREO asset. The fair value of OREO property is re-evaluated every 90 days, and the OREO asset is adjusted as necessary.

Consumer Real Estate Valuation Process: The Asset Management team within our Risk Operations group is responsible for valuation policies and procedures in this area. The current vendor partner provides monthly reporting of all broker price opinion evaluations, appraisals, and the monthly market plans. Market plans are reviewed monthly, and valuations are reviewed and tested monthly to ensure proper pricing has been established and guidelines are being met. Risk Operations Compliance validates and provides periodic testing of the valuation process. The Asset Management team reviews changes in fair value measurements. Third-party broker price opinions are reviewed every 180 days, and the fair value is written down based on changes to the valuation. External factors are documented and monitored as appropriate.

Table of Contents**Quantitative Information about Level 3 Fair Value Measurements**

The range and weighted-average of the significant unobservable inputs used to fair value our material Level 3 recurring and nonrecurring assets at September 30, 2015, December 31, 2014, and September 30, 2014, along with the valuation techniques used, are shown in the following table:

September 30, 2015	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
<i>dollars in millions</i>				
Recurring				
Other investments principal investments direct:	\$ 66	Individual analysis of the condition of each investment		
Debt instruments			EBITDA multiple	N/A (5.40)
Equity instruments of private companies			EBITDA multiple (where applicable)	5.40 - 6.50 (6.40)
Equity instruments of public companies		Market approach	Discount	N/A (6.00)
Nonrecurring				
Impaired loans	3	Fair value of underlying collateral	Discount	00.00 - 50.00% (14.00%)
Goodwill	1,060	Discounted cash flow and market data	Earnings multiple of peers	11.40 - 15.90 (12.92)
			Equity multiple of peers	1.20 - 1.22 (1.21)
			Control premium	10.00 - 30.00% (19.70%)
			Weighted-average cost of capital	13.00 - 14.00% (13.52%)
December 31, 2014	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
<i>dollars in millions</i>				
Recurring				
Other investments principal investments direct:	\$ 102	Individual analysis of the condition of each investment		
Debt instruments			EBITDA multiple	5.40 - 6.00 (5.50)
Equity instruments of private companies			EBITDA multiple (where applicable)	5.50 - 6.20 (5.80)
			Revenue multiple (where applicable)	4.30 - 4.30 (4.30)
Nonrecurring				

Impaired loans	5	Fair value of underlying collateral	Discount	10.00 - 64.00% (62.00%)
Goodwill	1,057	Discounted cash flow and market data	Earnings multiple of peers	11.40 - 15.90 (12.92)
			Equity multiple of peers	1.20 - 1.22 (1.21)
			Control premium	10.00 - 30.00% (19.70%)
			Weighted-average cost of capital	13.00 - 14.00% (13.52%)

September 30, 2014	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
<i>dollars in millions</i>				
Recurring				
Other investments principal investments direct:	\$ 115	Individual analysis of the condition of each investment		
Debt instruments			EBITDA multiple	6.00 - 6.40 (6.30)
Equity instruments of private companies			EBITDA multiple (where applicable)	5.50 - 6.00 (5.70)
			Revenue multiple (where applicable)	4.30 - 4.30 (4.30)
Nonrecurring				
Impaired loans	6	Fair value of underlying collateral	Discount	10.00 - 90.00% (24.00%)
Goodwill	1,051	Discounted cash flow and market data	Earnings multiple of peers	10.10 - 14.40 (11.59)
			Equity multiple of peers	1.17 - 1.29 (1.24)
			Control premium	N/A (35.00%)
			Weighted-average cost of capital	N/A (13.00%)

Table of Contents**Fair Value Disclosures of Financial Instruments**

The levels in the fair value hierarchy ascribed to our financial instruments and the related carrying amounts at September 30, 2015, December 31, 2014, and September 30, 2014, are shown in the following table.

<i>in millions</i>	Carrying Amount	September 30, 2015 Fair Value			Netting Adjustment	Total
		Level 1	Level 2	Level 3		
ASSETS						
Cash and short-term investments ^(a)	\$ 2,434	\$ 2,434				\$ 2,434
Trading account assets ^(b)	811	4	\$ 807			811
Securities available for sale ^(b)	14,376	11	14,348	\$ 17		14,376
Held-to-maturity securities ^(c)	4,936		4,940			4,940
Other investments ^(b)	691			691		691
Loans, net of allowance ^(d)	59,295			57,497		57,497
Loans held for sale ^(b)	916			916		916
Derivative assets ^(b)	793	120	1,593	25	\$ (945) ^(f)	793
LIABILITIES						
Deposits with no stated maturity ^(a)	\$ 65,624		\$ 65,624			\$ 65,624
Time deposits ^(e)	5,449	\$ 427	5,075			5,502
Short-term borrowings ^(a)	1,084		677			677
Long-term debt ^(e)	10,310	10,146	463			10,609
Derivative liabilities ^(b)	676	102	1,140		\$ (566) ^(f)	676

<i>in millions</i>	Carrying Amount	December 31, 2014 Fair Value			Netting Adjustment	Total
		Level 1	Level 2	Level 3		
ASSETS						
Cash and short-term investments ^(a)	\$ 4,922	\$ 4,922				\$ 4,922
Trading account assets ^(b)	750	2	\$ 748			750
Securities available for sale ^(b)	13,360	22	13,328	\$ 10		13,360
Held-to-maturity securities ^(c)	5,015		4,974			4,974
Other investments ^(b)	760	2		758		760
Loans, net of allowance ^(d)	56,587			54,993		54,993
Loans held for sale ^(b)	734			734		734
Derivative assets ^(b)	609	91	1,536	16	\$ (1,034) ^(f)	609
LIABILITIES						
Deposits with no stated maturity ^(a)	\$ 66,135		\$ 66,135			\$ 66,135
Time deposits ^(e)	5,863	\$ 564	5,361			5,925
Short-term borrowings ^(a)	998		998			998
Long-term debt ^(e)	7,875	7,625	626			8,251
Derivative liabilities ^(b)	784	77	1,248	\$ 1	\$ (542) ^(f)	784

September 30, 2014

<i>in millions</i>	Carrying Amount	Level 1	Level 2	Fair Value Level 3	Netting Adjustment	Total
ASSETS						
Cash and short-term investments ^(a)	\$ 2,993	\$ 2,993				\$ 2,993
Trading account assets ^(b)	965	13	\$ 952			965
Securities available for sale ^(b)	12,245	22	12,213	\$ 10		12,245
Held-to-maturity securities ^(c)	4,997		4,911			4,911
Other investments ^(b)	822			822		822
Loans, net of allowance ^(d)	55,351			53,996		53,996
Loans held for sale ^(b)	784			784		784
Mortgage servicing assets ^(e)	308			370		370
Derivative assets ^(b)	413	73	931	22	\$ (613) ^(f)	413
LIABILITIES						
Deposits with no stated maturity ^(a)	\$ 62,028		\$ 62,028			\$ 62,028
Time deposits ^(e)	6,428	\$ 556	5,937			6,493
Short-term borrowings ^(a)	1,653	6	1,647			1,653
Long-term debt ^(e)	7,172	6,854	1,202			8,056
Derivative liabilities ^(b)	384	55	721	\$ 1	\$ (393) ^(f)	384

Table of Contents**Valuation Methods and Assumptions**

- (a) Fair value equals or approximates carrying amount. The fair value of deposits with no stated maturity does not take into consideration the value ascribed to core deposit intangibles.
- (b) Information pertaining to our methodology for measuring the fair values of these assets and liabilities is included in the sections entitled *Qualitative Disclosures of Valuation Techniques* and *Assets Measured at Fair Value on a Nonrecurring Basis* in this note.
- (c) Fair values of held-to-maturity securities are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, interest rate spreads on relevant benchmark securities, and certain prepayment assumptions. We review the valuations derived from the models to ensure they are reasonable and consistent with the values placed on similar securities traded in the secondary markets.
- (d) The fair value of loans is based on the present value of the expected cash flows. The projected cash flows are based on the contractual terms of the loans, adjusted for prepayments and use of a discount rate based on the relative risk of the cash flows, taking into account the loan type, maturity of the loan, liquidity risk, servicing costs, and a required return on debt and capital. In addition, an incremental liquidity discount is applied to certain loans, using historical sales of loans during periods of similar economic conditions as a benchmark. The fair value of loans includes lease financing receivables at their aggregate carrying amount, which is equivalent to their fair value.
- (e) Fair values of time deposits and long-term debt are based on discounted cash flows utilizing relevant market inputs.
- (f) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.

We use valuation methods based on exit market prices in accordance with applicable accounting guidance. We determine fair value based on assumptions pertaining to the factors that a market participant would consider in valuing the asset. A substantial portion of our fair value adjustments are related to liquidity. During 2014 and the first nine months of 2015, the fair values of our loan portfolios have generally remained stable, primarily due to increasing liquidity in the loan markets. If we were to use different assumptions, the fair values shown in the preceding table could change. Also, because the applicable accounting guidance for financial instruments excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements, the fair value amounts shown in the table above do not, by themselves, represent the underlying value of our company as a whole.

Education lending business. The discontinued education lending business consists of loans in portfolio (recorded at carrying value with appropriate valuation reserves) and loans in portfolio held for sale (recorded at fair value). Prior periods included assets and liabilities (recorded at fair value) in the securitization trusts and loans in portfolio (recorded at fair value) that were outside the trusts. All of these loans were excluded from the table above as follows:

Loans at carrying value, net of allowance, of \$1.9 billion (\$1.5 billion at fair value) at September 30, 2015, \$2.1 billion (\$1.8 billion at fair value) at December 31, 2014, and \$2.1 billion (\$1.9 billion at fair value) at September 30, 2014;

Portfolio loans held for sale at fair value of \$169 million at September 30, 2015; and

Portfolio loans at fair value of \$191 million at December 31, 2014, and \$201 million at September 30, 2014. These loans and securities are classified as Level 3 because we rely on unobservable inputs when determining fair value since observable market data is not available.

On September 30, 2014, we sold the residual interests in all of our outstanding education loan securitization trusts to a third party. With that transaction, in accordance with the applicable accounting guidance, we deconsolidated the securitization trusts and removed the trust assets and liabilities from our balance sheet at September 30, 2014. Additional information regarding the sale of the residual interests and deconsolidation of the securitization trusts is provided in Note 11.

Residential real estate mortgage loans. Residential real estate mortgage loans with carrying amounts of \$2.3 billion at September 30, 2015, and \$2.2 billion at both December 31, 2014, and September 30, 2014, are included in Loans, net of allowance in the previous table.

Short-term financial instruments. For financial instruments with a remaining average life to maturity of less than six months, carrying amounts were used as an approximation of fair values.

Table of Contents

6. Securities

Securities available for sale. These are securities that we intend to hold for an indefinite period of time but that may be sold in response to changes in interest rates, prepayment risk, liquidity needs, or other factors. Securities available for sale are reported at fair value. Unrealized gains and losses (net of income taxes) deemed temporary are recorded in equity as a component of AOCI on the balance sheet. Unrealized losses on equity securities deemed to be other-than-temporary, and realized gains and losses resulting from sales of securities using the specific identification method, are included in other income on the income statement. Unrealized losses on debt securities deemed to be other-than-temporary are included in other income on the income statement or in AOCI on the balance sheet in accordance with the applicable accounting guidance related to the recognition of OTTI of debt securities.

Other securities held in the available-for-sale portfolio consist of marketable equity securities that are traded on a public exchange such as the NYSE or NASDAQ and convertible preferred stock of a privately held company.

Held-to-maturity securities. These are debt securities that we have the intent and ability to hold until maturity. Debt securities are carried at cost and adjusted for amortization of premiums and accretion of discounts using the interest method. This method produces a constant rate of return on the adjusted carrying amount.

Other securities held in the held-to-maturity portfolio consist of foreign bonds and capital securities.

Unrealized losses on equity securities deemed to be other-than-temporary, and realized gains and losses resulting from sales of securities using the specific identification method, are included in other income on the income statement. Unrealized losses on debt securities deemed to be other-than-temporary are included in other income on the income statement or in AOCI on the balance sheet in accordance with the applicable accounting guidance related to the recognition of OTTI of debt securities.

The amortized cost, unrealized gains and losses, and approximate fair value of our securities available for sale and held-to-maturity securities are presented in the following tables. Gross unrealized gains and losses represent the difference between the amortized cost and the fair value of securities on the balance sheet as of the dates indicated. Accordingly, the amount of these gains and losses may change in the future as market conditions change.

Table of Contents

<i>in millions</i>	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
States and political subdivisions	\$ 14	\$ 1		\$ 15
Collateralized mortgage obligations	11,938	127	\$ 62	12,003
Other mortgage-backed securities	2,309	22	1	2,330
Other securities	27	1		28
Total securities available for sale	\$ 14,288	\$ 151	\$ 63	\$ 14,376
HELD-TO-MATURITY SECURITIES				
Collateralized mortgage obligations	\$ 4,299	\$ 24	23	\$ 4,300
Other mortgage-backed securities	617	3		620
Other securities	20			20
Total held-to-maturity securities	\$ 4,936	\$ 27	\$ 23	\$ 4,940

<i>in millions</i>	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
States and political subdivisions	\$ 22	\$ 1		\$ 23
Collateralized mortgage obligations	11,310	96	\$ 136	11,270
Other mortgage-backed securities	2,004	32	1	2,035
Other securities	29	3		32
Total securities available for sale	\$ 13,365	\$ 132	\$ 137	\$ 13,360
HELD-TO-MATURITY SECURITIES				
Collateralized mortgage obligations	\$ 4,755	\$ 15	\$ 57	\$ 4,713
Other mortgage-backed securities	240	1		241
Other securities	20			20
Total held-to-maturity securities	\$ 5,015	\$ 16	\$ 57	\$ 4,974

<i>in millions</i>	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
States and political subdivisions	\$ 26	\$ 1		\$ 27
Collateralized mortgage obligations	10,096	109	\$ 196	10,009
Other mortgage-backed securities	2,156	24	3	2,177

Other securities	28	4	32
Total securities available for sale	\$ 12,306	\$ 138	\$ 12,245
HELD-TO-MATURITY SECURITIES			
Collateralized mortgage obligations	\$ 4,977	\$ 10	\$ 4,891
Other securities	20	20	
Total held-to-maturity securities	\$ 4,997	\$ 10	\$ 4,911

Table of Contents

The following table summarizes our securities that were in an unrealized loss position as of September 30, 2015, December 31, 2014, and September 30, 2014.

<i>in millions</i>	Duration of Unrealized Loss Position				Total	
	Less than 12 Months		12 Months or Longer		Gross Unrealized	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2015						
Securities available for sale:						
Collateralized mortgage obligations	\$ 770	\$ 3	\$ 3,348	\$ 59	\$ 4,118	\$ 62
Other mortgage-backed securities	420	1			420	1
Other securities ^(a)	2		3		5	
Held-to-maturity:						
Collateralized mortgage obligations	214	1	1,355	22	1,569	23
Other mortgage-backed securities	110				110	
Other securities ^(b)	4				4	
Total temporarily impaired securities	\$ 1,520	\$ 5	\$ 4,706	\$ 81	\$ 6,226	\$ 86
December 31, 2014						
Securities available for sale:						
Collateralized mortgage obligations	\$ 3,019	\$ 52	\$ 2,932	\$ 84	\$ 5,951	\$ 136
Other mortgage-backed securities			78	1	78	1
Other securities ^(a)	4		2		6	
Held-to-maturity:						
Collateralized mortgage obligations	1,005	11	1,994	46	2,999	57
Total temporarily impaired securities	\$ 4,028	\$ 63	\$ 5,006	\$ 131	\$ 9,034	\$ 194
September 30, 2014						
Securities available for sale:						
Collateralized mortgage obligations	\$ 605	\$ 7	\$ 4,379	\$ 189	\$ 4,984	\$ 196
Other mortgage-backed securities	811	1	81	2	892	3
Other securities ^(a)	1		2		3	
Held-to-maturity:						
Collateralized mortgage obligations	1,288	13	2,342	83	3,630	96
Total temporarily impaired securities	\$ 2,705	\$ 21	\$ 6,804	\$ 274	\$ 9,509	\$ 295

(a) Gross unrealized losses totaled less than \$1 million for other securities available for sale as of September 30, 2015, December 31, 2014, and September 30, 2014.

(b)

Gross unrealized losses totaled less than \$1 million for other securities held-to-maturity as of September 30, 2015.

At September 30, 2015, we had \$62 million of gross unrealized losses related to 56 fixed-rate CMOs that we invested in as part of our overall A/LM strategy. These securities had a weighted-average maturity of 4.2 years at September 30, 2015. We also had \$1 million of gross unrealized losses related to 17 other mortgage-backed securities positions, which had a weighted-average maturity of 5.2 years at September 30, 2015. Because these securities have a fixed interest rate, their fair value is sensitive to movements in market interest rates. These unrealized losses are considered temporary since we expect to collect all contractually due amounts from these securities. Accordingly, these investments were reduced to their fair value through OCI, not earnings.

We regularly assess our securities portfolio for OTTI. The assessments are based on the nature of the securities, the underlying collateral, the financial condition of the issuer, the extent and duration of the loss, our intent related to the individual securities, and the likelihood that we will have to sell securities prior to expected recovery.

The debt securities identified as other-than-temporarily impaired are written down to their current fair value. For those debt securities that we intend to sell, or more-likely-than-not will be required to sell, prior to the expected recovery of the amortized cost, the entire impairment (i.e., the difference between amortized cost and the fair value) is recognized in earnings. For those debt securities that we do not intend to sell, or more-likely-than-not will not be required to sell, prior to expected recovery, the credit portion of OTTI is recognized in earnings, while the remaining OTTI is recognized in equity as a component of AOCI on the balance sheet. As shown in the following table, we did not have any impairment losses recognized in earnings for the three months ended September 30, 2015.

Table of Contents**Three months ended September 30, 2015***in millions***Balance at June 30, 2015** **\$ 4**

Impairment recognized in earnings

Balance at September 30, 2015 **\$ 4**

Realized gains and losses related to securities available for sale were as follows:

Nine months ended September 30, 2015*in millions*

Realized gains

Realized losses **\$ 1**Net securities gains (losses) **\$(1)**

At September 30, 2015, securities available for sale and held-to-maturity securities totaling \$6.5 billion were pledged to secure securities sold under repurchase agreements, to secure public and trust deposits, to facilitate access to secured funding, and for other purposes required or permitted by law.

The following table shows securities by remaining maturity. CMOs and other mortgage-backed securities (both of which are included in the securities available-for-sale portfolio) as well as the CMOs in the held-to-maturity portfolio are presented based on their expected average lives. The remaining securities, in both the available-for-sale and held-to-maturity portfolios, are presented based on their remaining contractual maturity. Actual maturities may differ from expected or contractual maturities since borrowers have the right to prepay obligations with or without prepayment penalties.

September 30, 2015	Securities Available for Sale		Held-to-Maturity Securities	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>in millions</i>				
Due in one year or less	\$ 297	\$ 302	\$ 9	\$ 9
Due after one through five years	12,659	12,735	4,310	4,311
Due after five through ten years	1,329	1,336	617	620
Due after ten years	3	3		
Total	\$ 14,288	\$ 14,376	\$ 4,936	\$ 4,940

Table of Contents

7. Derivatives and Hedging Activities

We are a party to various derivative instruments, mainly through our subsidiary, KeyBank. Derivative instruments are contracts between two or more parties that have a notional amount and an underlying variable, require a small or no net investment, and allow for the net settlement of positions. A derivative's notional amount serves as the basis for the payment provision of the contract, and takes the form of units, such as shares or dollars. A derivative's underlying variable is a specified interest rate, security price, commodity price, foreign exchange rate, index, or other variable. The interaction between the notional amount and the underlying variable determines the number of units to be exchanged between the parties and influences the fair value of the derivative contract.

The primary derivatives that we use are interest rate swaps, caps, floors, and futures; foreign exchange contracts; commodity derivatives; and credit derivatives. Generally, these instruments help us manage exposure to interest rate risk, mitigate the credit risk inherent in the loan portfolio, hedge against changes in foreign currency exchange rates, and meet client financing and hedging needs. As further discussed in this note:

interest rate risk represents the possibility that the EVE or net interest income will be adversely affected by fluctuations in interest rates;

credit risk is the risk of loss arising from an obligor's inability or failure to meet contractual payment or performance terms; and

foreign exchange risk is the risk that an exchange rate will adversely affect the fair value of a financial instrument.

Derivative assets and liabilities are recorded at fair value on the balance sheet, after taking into account the effects of bilateral collateral and master netting agreements. These agreements allow us to settle all derivative contracts held with a single counterparty on a net basis, and to offset net derivative positions with related cash collateral, where applicable. As a result, we could have derivative contracts with negative fair values included in derivative assets on the balance sheet and contracts with positive fair values included in derivative liabilities.

At September 30, 2015, after taking into account the effects of bilateral collateral and master netting agreements, we had \$157 million of derivative assets and a positive \$34 million of derivative liabilities that relate to contracts entered into for hedging purposes. Our hedging derivative liabilities are in an asset position largely because we have contracts with positive fair values as a result of master netting agreements. As of the same date, after taking into account the effects of bilateral collateral and master netting agreements and a reserve for potential future losses, we had derivative assets of \$636 million and derivative liabilities of \$710 million that were not designated as hedging instruments.

Additional information regarding our accounting policies for derivatives is provided in Note 1 (Summary of Significant Accounting Policies) under the heading Derivatives beginning on page 121 of our 2014 Form 10-K.

Derivatives Designated in Hedge Relationships

Net interest income and the EVE change in response to changes in the mix of assets, liabilities, and off-balance sheet instruments; associated interest rates tied to each instrument; differences in the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities; and changes in interest rates. We utilize derivatives that have

been designated as part of a hedge relationship in accordance with the applicable accounting guidance to minimize the exposure and volatility of net interest income and EVE to interest rate fluctuations. The primary derivative instruments used to manage interest rate risk are interest rate swaps, which convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index.

We designate certain receive fixed/pay variable interest rate swaps as fair value hedges. These contracts convert certain fixed-rate long-term debt into variable-rate obligations, thereby modifying our exposure to changes in interest rates. As a result, we receive fixed-rate interest payments in exchange for making variable-rate payments over the lives of the contracts without exchanging the notional amounts.

Similarly, we designate certain receive fixed/pay variable interest rate swaps as cash flow hedges. These contracts effectively convert certain floating-rate loans into fixed-rate loans to reduce the potential adverse effect of interest rate decreases on future interest income. Again, we receive fixed-rate interest payments in exchange for making variable-rate payments over the lives of the contracts without exchanging the notional amounts.

Table of Contents

We also designate certain pay fixed/receive variable interest rate swaps as cash flow hedges. These swaps convert certain floating-rate debt into fixed-rate debt. We also use these swaps to manage the interest rate risk associated with anticipated sales of certain commercial real estate loans. The swaps protect against the possible short-term decline in the value of the loans that could result from changes in interest rates between the time they are originated and the time they are sold.

Interest rate swaps are also used to hedge the floating-rate debt that funds fixed-rate leases entered into by our equipment finance line of business. These swaps are designated as cash flow hedges to mitigate the interest rate mismatch between the fixed-rate lease cash flows and the floating-rate payments on the debt. These hedge relationships were terminated during the quarter ended March 31, 2014.

We use foreign currency forward transactions to hedge the foreign currency exposure of our net investment in various foreign equipment finance entities. These entities are denominated in a non-U.S. currency. These swaps are designated as net investment hedges to mitigate the exposure of measuring the net investment at the spot foreign exchange rate.

Derivatives Not Designated in Hedge Relationships

On occasion, we enter into interest rate swap contracts to manage economic risks but do not designate the instruments in hedge relationships. Excluding contracts addressing customer exposures, the amount of derivatives hedging risks on an economic basis at September 30, 2015, was not significant.

Like other financial services institutions, we originate loans and extend credit, both of which expose us to credit risk. We actively manage our overall loan portfolio and the associated credit risk in a manner consistent with asset quality objectives and concentration risk tolerances to mitigate portfolio credit risk. Purchasing credit default swaps enables us to transfer to a third party a portion of the credit risk associated with a particular extension of credit, including situations where there is a forecasted sale of loans. Beginning in the first quarter of 2014, we began purchasing credit default swaps to reduce the credit risk associated with the debt securities held in our trading portfolio. We may also sell credit derivatives to offset our purchased credit default swap position prior to maturity. Although we use credit default swaps for risk management purposes, they are not treated as hedging instruments.

We also enter into derivative contracts for other purposes, including:

interest rate swap, cap, and floor contracts entered into generally to accommodate the needs of commercial loan clients;

energy and base metal swap and options contracts entered into to accommodate the needs of clients;

futures contracts and positions with third parties that are intended to offset or mitigate the interest rate or market risk related to client positions discussed above; and

foreign exchange forward contracts and options entered into primarily to accommodate the needs of clients. These contracts are not designated as part of hedge relationships.

Fair Values, Volume of Activity, and Gain/Loss Information Related to Derivative Instruments

The following table summarizes the fair values of our derivative instruments on a gross and net basis as of September 30, 2015, December 31, 2014, and September 30, 2014. The change in the notional amounts of these derivatives by type from December 31, 2014, to September 30, 2015, indicates the volume of our derivative transaction activity during the first nine months of 2015. The notional amounts are not affected by bilateral collateral and master netting agreements. The derivative asset and liability balances are presented on a gross basis, prior to the application of bilateral collateral and master netting agreements. Total derivative assets and liabilities are adjusted to take into account the impact of legally enforceable master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Where master netting agreements are not in effect or are not enforceable under bankruptcy laws, we do not adjust those derivative assets and liabilities with counterparties. Securities collateral related to legally enforceable master netting agreements is not offset on the balance sheet. Our derivative instruments are included in derivative assets or derivative liabilities on the balance sheet, as indicated in the following table:

Table of Contents

	September 30, 2015			December 31, 2014			September 30, 2014		
	Fair Value			Fair Value			Fair Value		
<i>in millions</i>	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:									
Interest rate	\$ 17,910	\$ 394	\$ 12	\$ 15,095	\$ 272	\$ 26	\$ 13,946	\$ 237	\$ 44
Foreign exchange	319	11		371	8		413	13	
Total	18,229	405	12	15,466	280	26	14,359	250	44
Derivatives not designated as hedging instruments:									
Interest rate	57,006	725	644	43,771	665	618	42,088	608	572
Foreign exchange	6,161	119	112	4,024	85	81	4,433	69	64
Commodity	1,394	482	469	1,544	608	594	1,780	95	90
Credit	580	7	5	512	5	7	618	4	7
Total	65,141	1,333	1,230	49,851	1,363	1,300	48,919	776	733
Netting adjustments (a)		(945)	(566)		(1,034)	(542)		(613)	(393)
Net derivatives in the balance sheet	83,370	793	676	65,317	609	784	63,278	413	384
Other collateral (b)		(113)	(232)		(155)	(241)		(71)	(268)
Net derivative amounts	\$ 83,370	\$ 680	\$ 444	\$ 65,317	\$ 454	\$ 543	\$ 63,278	\$ 342	\$ 116

- (a) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance.
- (b) Other collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The other collateral consists of securities and is exchanged under bilateral collateral and master netting agreements that allow us to offset the net derivative position with the related collateral. The application of the other collateral cannot reduce the net derivative position below zero. Therefore, excess other collateral, if any, is not reflected above.

Fair value hedges. Instruments designated as fair value hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. The effective portion of a change in the fair value of an instrument designated as a fair value hedge is recorded in earnings at the same time as a change in fair value of the hedged item, resulting in no effect on net income. The ineffective portion of a change in the fair value of such a hedging instrument is recorded in other income on the income statement with no corresponding offset. During the nine-month period ended September 30, 2015, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness. While there is some immaterial ineffectiveness in our hedging relationships, all of our fair value hedges remained highly effective as of September 30, 2015.

The following table summarizes the pre-tax net gains (losses) on our fair value hedges for the nine-month periods ended September 30, 2015, and September 30, 2014, and where they are recorded on the income statement.

		Nine months ended September 30, 2015			
		Net Gains		Net Gains (Losses)	
<i>in millions</i>	Income Statement Location of (Losses) on	Net Gains (Losses) on Derivative	Derivative Hedged Item	Net Gains (Losses) on Hedged Item	on Hedged Item
Interest rate	Other income	\$ 66	Long-term debt	Other income	\$ (66) ^(a)
Interest rate	Interest expense	91			
Total		\$ 157			\$ (66)

		Nine months ended September 30, 2014			
		Net Gains		Net Gains (Losses)	
<i>in millions</i>	Income Statement Location of (Losses) on	Net Gains (Losses) on Derivative	Derivative Hedged Item	Net Gains (Losses) on Hedged Item	on Hedged Item
Interest rate	Other income	\$ (21)	Long-term debt	Other income	\$ 21 ^(a)
Interest rate	Interest expense	91			
Total		\$ 70			\$ 21

(a) Net gains (losses) on hedged items represent the change in fair value caused by fluctuations in interest rates. **Cash flow hedges.** Instruments designated as cash flow hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. Initially, the effective portion of a gain or loss on a cash flow hedge is recorded as a component of AOCI on the balance sheet. This amount is subsequently reclassified into income when the hedged transaction affects earnings (e.g., when we pay variable-rate interest on debt, receive variable-rate interest on commercial loans, or sell commercial real estate loans). The ineffective portion of cash flow hedging transactions is included in other income on the income statement. During the nine-month period ended September 30, 2015, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness. While there is some immaterial ineffectiveness in our hedging relationships, all of our cash flow hedges remained highly effective as of September 30, 2015.

Table of Contents

Considering the interest rates, yield curves, and notional amounts as of September 30, 2015, we would expect to reclassify an estimated \$37 million of after-tax net losses on derivative instruments from AOCI to income during the next 12 months for our cash flow hedges. In addition, we expect to reclassify approximately \$1 million of net losses related to terminated cash flow hedges from AOCI to income during the next 12 months. As of September 30, 2015, the maximum length of time over which we hedge forecasted transactions is 13 years.

Net investment hedges. We enter into foreign currency forward contracts to hedge our exposure to changes in the carrying value of our investments as a result of changes in the related foreign exchange rates. Instruments designated as net investment hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. Initially, the effective portion of a gain or loss on a net investment hedge is recorded as a component of AOCI on the balance sheet when the terms of the derivative match the notional and currency risk being hedged. The effective portion is subsequently reclassified into income when the hedged transaction affects earnings (e.g., when we dispose of or liquidate a foreign subsidiary). At September 30, 2015, AOCI reflected unrecognized after-tax gains totaling \$35 million related to cumulative changes in the fair value of our net investment hedges, which offset the unrecognized after-tax foreign currency losses on net investment balances. The ineffective portion of net investment hedging transactions is included in other income on the income statement, but there was no net investment hedge ineffectiveness as of September 30, 2015. We did not exclude any portion of our hedging instruments from the assessment of hedge effectiveness during the nine-month period ended September 30, 2015.

The following table summarizes the pre-tax net gains (losses) on our cash flow and net investment hedges for the nine-month periods ended September 30, 2015, and September 30, 2014, and where they are recorded on the income statement. The table includes the effective portion of net gains (losses) recognized in OCI during the period, the effective portion of net gains (losses) reclassified from OCI into income during the current period, and the portion of net gains (losses) recognized directly in income, representing the amount of hedge ineffectiveness.

Nine months ended September 30, 2015					
	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)			Income Statement Location of Net Gains (Losses) Recognized in Income (Ineffective Portion)	
	Net Gains (Losses) Recognized in OCI (Effective Portion)	OCI Into Income (Effective Portion)	Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)	(Losses) Recognized in Income	Net Gains (Losses) Recognized in Income (Ineffective Portion)
<i>in millions</i>					
Cash Flow Hedges					
Interest rate	\$ 147	Interest income Loans	\$ 73	Other income	
Interest rate	(3)	Interest expense Long-term debt	(3)	Other income	
Interest rate	(3)	Investment banking and debt placement fees		Other income	

Net Investment Hedges				
Foreign exchange contracts	29	Other Income		Other income
Total	\$ 170		\$ 70	

<i>in millions</i>	Nine months ended September 30, 2014				
	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)		Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)	Income Statement Location of Net Gains (Losses) Recognized in Income (Ineffective Portion)	
Cash Flow Hedges					
Interest rate	\$ 27	Interest income Loans	\$ 49		Other income
Interest rate	(5)	Interest expense Long-term debt	(3)		Other income
Interest rate	(1)	Investment banking and debt placement fees			Other income

Net Investment Hedges				
Foreign exchange contracts	17	Other Income		Other income
Total	\$ 38		\$ 46	

The after-tax change in AOCI resulting from cash flow and net investment hedges is as follows:

<i>in millions</i>	December 31, 2014	2015 Hedging Activity	Reclassification of Gains to Net Income	September 30, 2015
AOCI resulting from cash flow and net investment hedges	\$ (8)	\$ 107	\$ (44)	\$ 55

Table of Contents

Nonhedging instruments. Our derivatives that are not designated as hedging instruments are recorded at fair value in derivative assets and derivative liabilities on the balance sheet. Adjustments to the fair values of these instruments, as well as any premium paid or received, are included in corporate services income and other income on the income statement.

The following table summarizes the pre-tax net gains (losses) on our derivatives that are not designated as hedging instruments for the nine-month periods ended September 30, 2015, and September 30, 2014, and where they are recorded on the income statement.

<i>in millions</i>	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
	Corporate Services Income	Other Income	Total	Corporate Services Income	Other Income	Total
NET GAINS (LOSSES)						
Interest rate	\$ 18		\$ 18	\$ 11		\$ 11
Foreign exchange	27		27	25		25
Commodity	5		5	3		3
Credit		\$ (10)	(10)		\$ (16)	(16)
Total net gains (losses)	\$ 50	\$ (10)	\$ 40	\$ 39	\$ (16)	\$ 23

Counterparty Credit Risk

Like other financial instruments, derivatives contain an element of credit risk. This risk is measured as the expected positive replacement value of the contracts. We use several means to mitigate and manage exposure to credit risk on derivative contracts. We generally enter into bilateral collateral and master netting agreements that provide for the net settlement of all contracts with a single counterparty in the event of default. Additionally, we monitor counterparty credit risk exposure on each contract to determine appropriate limits on our total credit exposure across all product types. We review our collateral positions on a daily basis and exchange collateral with our counterparties in accordance with standard ISDA documentation, central clearing rules, and other related agreements. We generally hold collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or GNMA. The cash collateral netted against derivative assets on the balance sheet totaled \$394 million at September 30, 2015, \$518 million at December 31, 2014, and \$230 million at September 30, 2014. The cash collateral netted against derivative liabilities totaled \$14 million at September 30, 2015, \$26 million at December 31, 2014, and \$10 million at September 30, 2014. The relevant agreements that allow us to access the central clearing organizations to clear derivative transactions are not considered to be qualified master netting agreements. Therefore, we cannot net derivative contracts or offset those contracts with related cash collateral with these counterparties. At September 30, 2015, we posted \$112 million of cash collateral with clearing organizations and held \$105 million of cash collateral from clearing organizations. At December 31, 2014, we posted \$56 million of cash collateral with clearing organizations and did not hold any cash collateral from clearing organizations. At September 30, 2014, we posted \$51 million of cash collateral with clearing organizations and did not hold any cash collateral from clearing organizations. This additional cash collateral is included in accrued income and other assets and accrued expense and other liabilities on the balance sheet.

The following table summarizes our largest exposure to an individual counterparty at the dates indicated.

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Largest gross exposure (derivative asset) to an individual counterparty	\$ 137	\$ 133	\$ 106
Collateral posted by this counterparty	55	100	44
Derivative liability with this counterparty	78	31	103
Collateral pledged to this counterparty			47
Net exposure after netting adjustments and collateral	4	2	6

Table of Contents

The following table summarizes the fair value of our derivative assets by type at the dates indicated. These assets represent our gross exposure to potential loss after taking into account the effects of bilateral collateral and master netting agreements and other means used to mitigate risk.

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Interest rate	\$ 807	\$ 607	\$ 556
Foreign exchange	48	41	39
Commodity	328	478	47
Credit	4	1	1
Derivative assets before collateral	1,187	1,127	643
Less: Related collateral	394	518	230
Total derivative assets	\$ 793	\$ 609	\$ 413

We enter into derivative transactions with two primary groups: broker-dealers and banks, and clients. Since these groups have different economic characteristics, we have different methods for managing counterparty credit exposure and credit risk.

We enter into transactions with broker-dealers and banks for various risk management purposes. These types of transactions generally are high dollar volume. We generally enter into bilateral collateral and master netting agreements with these counterparties. We began clearing certain types of derivative transactions with these counterparties in June 2013, whereby the central clearing organizations become our counterparties subsequent to novation of the original derivative contracts. In addition, we began entering into derivative contracts through swap execution facilities during the quarter ended March 31, 2014. The swap clearing and swap trade execution requirements were mandated by the Dodd-Frank Act for the purpose of reducing counterparty credit risk and increasing transparency in the derivative market. At September 30, 2015, we had gross exposure of \$952 million to broker-dealers and banks. We had net exposure of \$303 million after the application of master netting agreements and cash collateral, where such qualifying agreements exist. We had net exposure of \$172 million after considering \$131 million of additional collateral held in the form of securities.

We enter into transactions with clients to accommodate their business needs. These types of transactions generally are low dollar volume. We generally enter into master netting agreements with these counterparties. In addition, we mitigate our overall portfolio exposure and market risk by buying and selling U.S. Treasuries and Eurodollar futures, and entering into offsetting positions and other derivative contracts, sometimes with entities other than broker-dealers and banks. Due to the smaller size and magnitude of the individual contracts with clients, we generally do not exchange collateral in connection with these derivative transactions. To address the risk of default associated with the uncollateralized contracts, we have established a credit valuation adjustment (included in derivative assets) in the amount of \$8 million at September 30, 2015, which we estimate to be the potential future losses on amounts due from client counterparties in the event of default. At September 30, 2015, we had gross exposure of \$525 million to client counterparties and other entities that are not broker-dealers or banks for derivatives that have associated master netting agreements. We had net exposure of \$490 million on our derivatives with these counterparties after the application of master netting agreements, collateral, and the related reserve. In addition, the derivatives for one counterparty were guaranteed by a third party with a letter of credit totaling \$30 million.

Credit Derivatives

We are both a buyer and seller of credit protection through the credit derivative market. We purchase credit derivatives to manage the credit risk associated with specific commercial lending and swap obligations as well as exposures to debt securities. We may also sell credit derivatives, mainly single-name credit default swaps, to offset our purchased credit default swap position prior to maturity.

The following table summarizes the fair value of our credit derivatives purchased and sold by type as of September 30, 2015, December 31, 2014, and September 30, 2014. The fair value of credit derivatives presented below does not take into account the effects of bilateral collateral or master netting agreements.

<i>in millions</i>	September 30, 2015		December 31, 2014		September 30, 2014	
	Purchased	Sold	Net Purchased	Sold	Net Purchased	Sold
Single-name credit default swaps	\$ (2)		\$ (2)	\$ (3)	\$ (3)	\$ (1)
Traded credit default swap indices	4		4	1	1	(2)
Other ^(a)						
Total credit derivatives	\$ 2		\$ 2	\$ (2)	\$ (2)	\$ (3)

(a) As of September 30, 2015, December 31, 2014, and September 30, 2014, the fair value of other credit derivatives sold totaled less than \$1 million.

Table of Contents

Single-name credit default swaps are bilateral contracts whereby the seller agrees, for a premium, to provide protection against the credit risk of a specific entity (the reference entity) in connection with a specific debt obligation. The protected credit risk is related to adverse credit events, such as bankruptcy, failure to make payments, and acceleration or restructuring of obligations, identified in the credit derivative contract. As the seller of a single-name credit derivative, we may settle in one of two ways if the underlying reference entity experiences a predefined credit event. We may be required to pay the purchaser the difference between the par value and the market price of the debt obligation (cash settlement) or receive the specified referenced asset in exchange for payment of the par value (physical settlement). If we effect a physical settlement and receive our portion of the related debt obligation, we will join other creditors in the liquidation process, which may enable us to recover a portion of the amount paid under the credit default swap contract. We also may purchase offsetting credit derivatives for the same reference entity from third parties that will permit us to recover the amount we pay should a credit event occur.

A traded credit default swap index represents a position on a basket or portfolio of reference entities. As a seller of protection on a credit default swap index, we would be required to pay the purchaser if one or more of the entities in the index had a credit event. Upon a credit event, the amount payable is based on the percentage of the notional amount allocated to the specific defaulting entity.

The majority of transactions represented by the other category shown in the above table are risk participation agreements. In these transactions, the lead participant has a swap agreement with a customer. The lead participant (purchaser of protection) then enters into a risk participation agreement with a counterparty (seller of protection), under which the counterparty receives a fee to accept a portion of the lead participant's credit risk. If the customer defaults on the swap contract, the counterparty to the risk participation agreement must reimburse the lead participant for the counterparty's percentage of the positive fair value of the customer swap as of the default date. If the customer swap has a negative fair value, the counterparty has no reimbursement requirements. If the customer defaults on the swap contract and the seller fulfills its payment obligations under the risk participation agreement, the seller is entitled to a *pro rata* share of the lead participant's claims against the customer under the terms of the swap agreement.

The following table provides information on the types of credit derivatives sold by us and held on the balance sheet at September 30, 2015, December 31, 2014, and September 30, 2014. The notional amount represents the maximum amount that the seller could be required to pay. The payment/performance risk assessment is based on the default probabilities for the underlying reference entities' debt obligations using a Moody's credit ratings matrix known as Moody's Idealized Cumulative Default Rates. The payment/performance risk shown in the table represents a weighted-average of the default probabilities for all reference entities in the respective portfolios. These default probabilities are directly correlated to the probability that we will have to make a payment under the credit derivative contracts.

	September 30, 2015			December 31, 2014			September 30, 2014		
	Average	Payment		Average	Payment		Average	Payment	
<i>dollars in millions</i>	Notional	Term	Performance	Notional	Term	Performance	Notional	Term	Performance
	Amount	(Years)	Risk	Amount	(Years)	Risk	Amount	(Years)	Risk
Single-name credit default swaps				\$ 5	.72	.87%	\$ 5	.97	.87%
Other	\$ 9	2.95	7.45%	6	2.89	9.58	6	2.92	5.59
	\$ 9			\$ 11			\$ 11		

Total credit derivatives
sold

Credit Risk Contingent Features

We have entered into certain derivative contracts that require us to post collateral to the counterparties when these contracts are in a net liability position. The amount of collateral to be posted is based on the amount of the net liability and thresholds generally related to our long-term senior unsecured credit ratings with Moody's and S&P. Collateral requirements also are based on minimum transfer amounts, which are specific to each Credit Support Annex (a component of the ISDA Master Agreement) that we have signed with the counterparties. In a limited number of instances, counterparties have the right to terminate their ISDA Master Agreements with us if our ratings fall below a certain level, usually investment-grade level (i.e., Baa3 for Moody's and BBB- for S&P). At September 30, 2015, KeyBank's rating was A3 with Moody's and A- with S&P, and KeyCorp's rating was Baa1 with Moody's and BB with S&P. As of September 30, 2015, the aggregate fair value of all derivative contracts with credit risk contingent features (i.e., those containing collateral posting or termination provisions based on our ratings) held by KeyBank that were in a net liability position totaled \$249 million, which includes \$216 million in derivative assets and \$465 million in derivative liabilities. We had \$232 million in cash and securities collateral posted to cover those positions as of September 30, 2015. The aggregate fair value of all derivative contracts with credit risk contingent features held by KeyCorp as of September 30, 2015, that were in a net liability position totaled \$8 million, which consists solely of derivative liabilities. We had \$8 million in collateral posted to cover those positions as of September 30, 2015.

Table of Contents

The following table summarizes the additional cash and securities collateral that KeyBank would have been required to deliver under the ISDA Master Agreements had the credit risk contingent features been triggered for the derivative contracts in a net liability position as of September 30, 2015, December 31, 2014, and September 30, 2014. The additional collateral amounts were calculated based on scenarios under which KeyBank's ratings are downgraded one, two, or three ratings as of September 30, 2015, December 31, 2014, and September 30, 2014, and take into account all collateral already posted. A similar calculation was performed for KeyCorp, and no additional collateral would have been required as of September 30, 2015, while additional collateral of less than \$1 million as of December 31, 2014, and \$3 million as of September 30, 2014, would have been required. For more information about the credit ratings for KeyBank and KeyCorp, see the discussion under the heading "Factors affecting liquidity" in the section entitled "Liquidity risk management" in Item 2 of this report.

<i>in millions</i>	September 30, 2015		December 31, 2014		September 30, 2014	
	Moody's	S&P	Moody's	S&P	Moody's	S&P
KeyBank's long-term senior unsecured credit ratings	A3	A-	A3	A-	A3	A-
One rating downgrade	\$ 4	\$ 4	\$ 1	\$ 1	\$ 1	\$ 1
Two rating downgrades	5	5	1	1	4	4
Three rating downgrades	6	6	3	3	6	6

KeyBank's long-term senior unsecured credit rating is currently four ratings above noninvestment grade at Moody's and S&P. If KeyBank's ratings had been downgraded below investment grade as of September 30, 2015, payments of up to \$7 million would have been required to either terminate the contracts or post additional collateral for those contracts in a net liability position, taking into account all collateral already posted. If KeyCorp's ratings had been downgraded below investment grade as of September 30, 2015, payments of less than \$1 million would have been required to either terminate the contracts or post additional collateral for those contracts in a net liability position, taking into account all collateral already posted.

Table of Contents**8. Mortgage Servicing Assets**

We originate and periodically sell commercial mortgage loans but continue to service those loans for the buyers. We also may purchase the right to service commercial mortgage loans for other lenders. We record a servicing asset if we purchase or retain the right to service loans in exchange for servicing fees that exceed the going market servicing rate and are considered more than adequate compensation for servicing. Changes in the carrying amount of mortgage servicing assets are summarized as follows:

<i>in millions</i>	Nine months ended September 30,	
	2015	2014
Balance at beginning of period	\$ 323	\$ 332
Servicing retained from loan sales	39	19
Purchases	29	33
Amortization	(71)	(76)
Balance at end of period	\$ 320	\$ 308
Fair value at end of period	\$ 427	\$ 370

The fair value of mortgage servicing assets is determined by calculating the present value of future cash flows associated with servicing the loans. This calculation uses a number of assumptions that are based on current market conditions. The range and weighted-average of the significant unobservable inputs used to fair value our mortgage servicing assets at September 30, 2015, and September 30, 2014, along with the valuation techniques, are shown in the following table:

September 30, 2015

	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
<i>dollars in millions</i>			
Mortgage servicing assets	Discounted cash flow	Prepayment speed	1.70 - 16.30% (4.90%)
		Expected defaults	1.00 - 3.00% (1.70%)
		Residual cash flows discount rate	7.00 - 15.00% (7.80%)
		Escrow earn rate	0.90 - 3.50% (2.30%)
		Servicing cost	\$150 - \$2,719 (\$1,151)
		Loan assumption rate	0.00 - 3.00% (1.37%)
		Percentage late	0.00 - 2.00% (0.33%)

September 30, 2014

	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
<i>dollars in millions</i>			
Mortgage servicing assets	Discounted cash flow	Prepayment speed	1.90 - 12.30% (5.90%)
		Expected defaults	1.00 - 3.00% (1.90%)
		Residual cash flows discount rate	7.00 - 14.10% (7.80%)
		Escrow earn rate	0.50 - 3.10% (1.70%)

Servicing cost	\$150 - \$2,700 (\$1,053)
Loan assumption rate	0.20 - 3.00% (1.52%)
Percentage late	0.00 - 2.00% (0.32%)

If these economic assumptions change or prove incorrect, the fair value of mortgage servicing assets may also change. Expected credit losses, escrow earn rates, and discount rates are critical to the valuation of servicing assets. Estimates of these assumptions are based on how a market participant would view the respective rates and reflect historical data associated with the loans, industry trends, and other considerations. Actual rates may differ from those estimated due to changes in a variety of economic factors. A decrease in the value assigned to the escrow earn rates would cause a decrease in the fair value of our mortgage servicing assets. An increase in the assumed default rates of commercial mortgage loans or an increase in the assigned discount rates would cause a decrease in the fair value of our mortgage servicing assets.

Contractual fee income from servicing commercial mortgage loans totaled \$33 million for the nine-month period ended September 30, 2015, and \$35 million for the nine-month period ended September 30, 2014. We have elected to account for servicing assets using the amortization method. The amortization of servicing assets is determined in proportion to, and over the period of, the estimated net servicing income. The amortization of servicing assets for each period, as shown in the table at the beginning of this note, is recorded as a reduction to fee income. Both the contractual fee income and the amortization are recorded in mortgage servicing fees on the income statement.

Additional information pertaining to the accounting for mortgage and other servicing assets is included in Note 1 (Summary of Significant Accounting Policies) under the heading Servicing Assets on page 122 of our 2014 Form 10-K.

Table of Contents**9. Variable Interest Entities**

A VIE is a partnership, limited liability company, trust, or other legal entity that meets any one of the following criteria:

The entity does not have sufficient equity to conduct its activities without additional subordinated financial support from another party.

The entity's investors lack the power to direct the activities that most significantly impact the entity's economic performance.

The entity's equity at risk holders do not have the obligation to absorb losses or the right to receive residual returns.

The voting rights of some investors are not proportional to their economic interests in the entity, and substantially all of the entity's activities involve, or are conducted on behalf of, investors with disproportionately few voting rights.

Our significant VIEs are summarized below. We define a significant interest in a VIE as a subordinated interest that exposes us to a significant portion, but not the majority, of the VIE's expected losses or residual returns, even though we do not have the power to direct the activities that most significantly impact the entity's economic performance.

On September 30, 2014, we sold the residual interests in all of our outstanding education loan securitization trusts and therefore no longer have a significant interest in those trusts. We deconsolidated the securitization trusts as of September 30, 2014, and removed the trust assets and liabilities from our balance sheet. Further information regarding these education loan securitization trusts is provided in Note 11 (Acquisitions and Discontinued Operations) under the heading Education lending.

During the third quarter of 2015, we noted that not all liabilities related to our unconsolidated VIEs were captured in the table below. The amounts in the Total Liabilities column for our unconsolidated VIEs were revised to incorporate all liabilities for the periods ended December 31, 2014, and September 30, 2014.

<i>in millions</i>	Consolidated VIEs		Unconsolidated VIEs		
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Maximum Exposure to Loss
September 30, 2015					
LIHTC funds	\$ 1	\$ 1	\$ 26	\$ 14	
LIHTC investments					
KCDC	N/A	N/A	834	271	\$ 543
KAHC	N/A	N/A	260	231	14
December 31, 2014					
LIHTC funds	\$ 1	\$ 1	\$ 55	\$ 36	

LIHTC investments						
KCDC	N/A	N/A	764	258	\$	507
KAHC	N/A	N/A	470	462		14
September 30, 2014						
LIHTC funds	\$ 1	\$ 2	\$ 55	\$ 36		
LIHTC investments						
KCDC	N/A	N/A	775	263	\$	498
KAHC	N/A	N/A	470	462		9

Our involvement with VIEs is described below.

Consolidated VIEs

LIHTC guaranteed funds. KAHC formed limited partnership funds that invested in LIHTC operating partnerships. Interests in these funds were offered in syndication to qualified investors who paid a fee to KAHC for a guaranteed return. We also earned syndication fees from the guaranteed funds and continue to earn asset management fees. The guaranteed funds' assets, primarily investments in LIHTC operating partnerships, totaled \$1 million at September 30, 2015, December 31, 2014, and September 30, 2014. These investments are recorded in accrued income and other assets on the balance sheet and serve as collateral for the guaranteed funds' limited obligations, which are recorded in accrued expense and other liabilities on the balance sheet.

Table of Contents

We have not formed new guaranteed funds or added LIHTC partnerships since October 2003. However, we continue to act as asset manager and to provide occasional funding for existing funds under a guarantee obligation. As a result of this guarantee obligation, we have determined that we are the primary beneficiary of these guaranteed funds. Additional information on return guarantee agreements with LIHTC investors is presented in Note 15 (Contingent Liabilities and Guarantees) under the heading Guarantees.

In accordance with the applicable accounting guidance for distinguishing liabilities from equity, third-party interests associated with our LIHTC guaranteed funds are considered mandatorily redeemable instruments and are recorded in accrued expense and other liabilities on the balance sheet. However, the FASB has indefinitely deferred the measurement and recognition provisions of this accounting guidance for mandatorily redeemable third-party interests associated with finite-lived subsidiaries, such as our LIHTC guaranteed funds. We adjust our financial statements each period for the third-party investors' share of the guaranteed funds' profits and losses. At September 30, 2015, we estimated the settlement value of these third-party interests to be between zero and \$4 million, while the recorded value, including reserves, totaled \$4 million. Information regarding our exposure to loss in connection with these guaranteed funds is included in Note 15 under the heading Return guarantee agreement with LIHTC investors. The partnership agreement for each of our guaranteed funds requires the fund to be dissolved by a certain date.

Unconsolidated VIEs

LIHTC nonguaranteed funds. Although we hold interests in certain nonguaranteed funds that we formed and funded, we have determined that we are not the primary beneficiary because we do not absorb the majority of the funds' expected losses and do not have the power to direct activities that most significantly influence the economic performance of these entities. Our maximum exposure to loss in connection with these funds is minimal and represents the remaining investment balance. We do not have any liability recorded related to the funds. We have not formed nonguaranteed funds since October 2003.

LIHTC investments. Through KCDC, we have made investments directly in LIHTC operating partnerships formed by third parties. As a limited partner in these operating partnerships, we are allocated tax credits and deductions associated with the underlying properties. We have determined that we are not the primary beneficiary of these investments because the general partners have the power to direct the activities that most significantly influence the economic performance of their respective partnerships and have the obligation to absorb expected losses and the right to receive benefits. Our maximum exposure to loss in connection with these partnerships consists of our unamortized investment balance plus any unfunded equity commitments and tax credits claimed but subject to recapture. These investments are recorded in other investments on the balance sheet. We do not have any liability recorded related to these investments because we believe the likelihood of any loss is remote. We continue to invest in these LIHTC operating partnerships.

Through KAHC, we have additional investments in unconsolidated LIHTC operating partnerships that are held by the consolidated LIHTC guaranteed funds. The tax credits and deductions associated with these properties are allocated to the funds' investors based on their ownership percentages. We have determined that we are not the primary beneficiary of these partnerships because the general partners have the power to direct the activities that most significantly impact their economic performance and have the obligation to absorb expected losses and the right to receive residual returns. Our maximum exposure to loss in connection with these partnerships consists of our remaining investment balance. These investments are recorded in other investments on the balance sheet. Information regarding our exposure to loss in connection with these guaranteed funds is described above in the consolidated LIHTC guaranteed funds section and is also included in Note 15 under the heading Return guarantee agreement with LIHTC investors. We have not obtained any significant direct investments (either individually or in the aggregate) in LIHTC operating partnerships since September 2003.

We amortize our LIHTC investments over the period that we expect to receive the tax benefits. During the first nine months of 2015, we recognized \$85 million of amortization and \$99 million of tax credits associated with these investments within income taxes on our income statement. During the first nine months of 2014, we recognized \$72 million of amortization and \$84 million of tax credits associated with these investments within income taxes on our income statement. We had \$1 billion and \$926 million of investments in LIHTC operating partnerships at September 30, 2015, and September 30, 2014, respectively. These investments are recorded in accrued income and other assets on our balance sheet.

Commercial and residential real estate investments and principal investments. Our Principal Investing unit and the Real Estate Capital line of business make equity and mezzanine investments, some of which are in VIEs. These investments are held by nonregistered investment companies subject to the provisions of the AICPA Audit and Accounting Guide, Audits of Investment Companies. We currently are not applying the accounting or disclosure provisions in the applicable accounting guidance for consolidations to these investments, which remain unconsolidated. The FASB had previously deferred the effective date of this guidance for such nonregistered investment companies. New accounting guidance was issued in February 2015 that removes this deferral. The effective date for this guidance is January 1, 2016, for us. Additional information regarding this new accounting guidance is provided in Note 1 (Basis of Presentation and Accounting Policies).

Table of Contents

10. Income Taxes

Income Tax Provision

In accordance with the applicable accounting guidance, the principal method established for computing the provision for income taxes in interim periods requires us to make our best estimate of the effective tax rate expected to be applicable for the full year. This estimated effective tax rate is then applied to interim consolidated pre-tax operating income to determine the interim provision for income taxes.

The effective tax rate, which is the provision for income taxes as a percentage of income from continuing operations before income taxes, was 24.4% for the third quarter of 2015 and 24.1% for the third quarter of 2014. The effective tax rates are below our combined federal and state statutory tax rate of 37.2% primarily due to income from investments in tax-advantaged assets such as corporate-owned life insurance and credits associated with investments in low-income housing projects.

Deferred Tax Asset

At September 30, 2015, from continuing operations, we had a net federal deferred tax asset of \$190 million and a net state deferred tax asset of \$26 million, compared to a net federal deferred tax asset of \$174 million and a net state deferred tax asset of \$20 million at December 31, 2014, and a net federal deferred tax asset of \$153 million and a net state deferred tax asset of \$19 million at September 30, 2014, included in accrued income and other assets on the balance sheet. To determine the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded, we conduct a quarterly assessment of all available evidence. This evidence includes, but is not limited to, taxable income in prior periods, projected future taxable income, and projected future reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo change. Based on these criteria, we had a valuation allowance of less than \$1 million at September 30, 2015, and at December 31, 2014, and \$1 million at September 30, 2014, associated with certain state net operating loss carryforwards and state credit carryforwards.

Unrecognized Tax Benefits

As permitted under the applicable accounting guidance for income taxes, it is our policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense.

Deferred tax assets were reduced in the financial statements for unrecognized tax benefits by \$2.8 million at September 30, 2015, and by \$1 million at both December 31, 2014, and September 30, 2014.

Table of Contents**11. Acquisitions and Discontinued Operations****Acquisitions**

Pacific Crest Securities. On September 3, 2014, we acquired Pacific Crest Securities, a leading technology-focused investment bank and capital markets firm based in Portland, Oregon. This acquisition, which was accounted for as a business combination, expanded our corporate and investment banking business unit and added technology to our other industry verticals. During the fourth quarter of 2014, we recorded identifiable intangible assets of \$13 million and goodwill of \$78 million in Key Corporate Bank for this acquisition. During the third quarter of 2015, goodwill increased \$3 million to account for a tax item associated with the business combination. The identifiable intangible assets and the goodwill related to this acquisition are non-deductible for tax purposes. Additional information regarding the identifiable intangible assets and the goodwill related to this acquisition is provided in Note 10 (Goodwill and Other Intangible Assets) beginning on page 173 of our 2014 Form 10-K.

Discontinued operations

Education lending. In September 2009, we decided to exit the government-guaranteed education lending business. As a result, we have accounted for this business as a discontinued operation.

As of January 1, 2010, we consolidated our 10 outstanding education lending securitization trusts since we held the residual interests and are the master servicer with the power to direct the activities that most significantly influence the economic performance of the trusts.

On September 30, 2014, we sold the residual interests in all of our outstanding education lending securitization trusts to a third party for \$57 million. In selling the residual interests, we no longer have the obligation to absorb losses or the right to receive benefits related to the securitization trusts. Therefore, in accordance with the applicable accounting guidance, we deconsolidated the securitization trusts and removed trust assets of \$1.7 billion and trust liabilities of \$1.6 billion from our balance sheet at September 30, 2014. As part of the sale and deconsolidation, we recognized an after-tax loss of \$25 million, which was recorded in income (loss) from discontinued operations, net of tax on our income statement. We continue to service the securitized loans in eight of the securitization trusts and receive servicing fees, whereby we are adequately compensated, as well as remain a counterparty to derivative contracts with three of the securitization trusts. We retained interests in the securitization trusts through our ownership of an insignificant percentage of certificates in two of the securitization trusts and two interest-only strips in one of the securitization trusts. These retained interests were remeasured at fair value on September 30, 2014, and their fair value of \$1 million was recorded in discontinued assets on our balance sheet. These assets were valued using a similar approach and inputs that have been used to value the education loan securitization trust loans and securities, which are further discussed later in this note.

Income (loss) from discontinued operations, net of taxes on the income statement includes (i) the changes in fair value of the assets and liabilities of the education loan securitization trusts, the loans at fair value in portfolio, and the loans held for sale at fair value in portfolio (discussed later in this note), and (ii) the interest income and expense from the loans and the securities of the trusts, the loans in portfolio, and the loans held for sale in portfolio at both amortized cost and fair value. These amounts are shown separately in the following table. Gains and losses attributable to changes in fair value are recorded as a component of noninterest income or noninterest expense. Interest income and interest expense related to the loans and securities are included as components of net interest income.

The components of income (loss) from discontinued operations, net of taxes for the education lending business are as follows:

<i>in millions</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net interest income	\$ 9	\$ 21	\$ 29	\$ 67
Provision for credit losses	7	5	9	15
Net interest income after provision for credit losses	2	16	20	52
Noninterest income	(2)	(41)	1	(111)
Noninterest expense	5	7	13	19
Income (loss) before income taxes	(5)	(32)	8	(78)
Income taxes	(2)	(12)	3	(29)
Income (loss) from discontinued operations, net of taxes ^(a)	\$ (3)	\$ (20)	\$ 5	\$ (49)

- (a) Includes after-tax charges of \$7 million and \$9 million for the three-month periods ended September 30, 2015, and September 30, 2014, respectively, and \$18 million and \$26 million for the nine-month periods ended September 30, 2015, and September 30, 2014, respectively, determined by applying a matched funds transfer pricing methodology to the liabilities assumed necessary to support the discontinued operations.

Table of Contents

The discontinued assets of our education lending business included on the balance sheet are as follows. There were no discontinued liabilities for the periods presented below.

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Held-to-maturity securities	\$ 1	\$ 1	\$ 1
Portfolio loans at fair value		191	201
Loans, net of unearned income ^(a)	1,891	2,104	2,174
Less: Allowance for loan and lease losses	23	29	31
Net loans	1,868	2,266	2,344
Portfolio loans held for sale at fair value	169		
Accrued income and other assets	33	38	40
Total assets	\$ 2,071	\$ 2,305	\$ 2,385

(a) At September 30, 2015, December 31, 2014, and September 30, 2014, unearned income was less than \$1 million. The discontinued education lending business consisted of loans in portfolio (recorded at fair value) and loans in portfolio (recorded at carrying value with appropriate valuation reserves). As of June 30, 2015, we decided to sell the portfolio loans that are recorded at fair value, and these loans were reclassified to portfolio loans held for sale at fair value within discontinued operations. The assets and liabilities in the securitization trusts (recorded at fair value) were removed with the deconsolidation of the securitization trusts on September 30, 2014.

At September 30, 2015, education loans included 1,845 TDRs with a recorded investment of approximately \$20 million (pre-modification and post-modification). A specifically allocated allowance of \$2 million was assigned to these loans as of September 30, 2015. There have been no significant payment defaults. There are no significant commitments outstanding to lend additional funds to these borrowers. Additional information regarding TDR classification and ALLL methodology is provided in Note 4 (Asset Quality).

In the past, as part of our education lending business model, we originated and securitized education loans. The process of securitization involved taking a pool of loans from our balance sheet and selling them to a bankruptcy-remote qualifying special purpose entity, or trust. This trust then issued securities to investors in the capital markets to raise funds to pay for the loans. The cash flows generated from the loans pays holders of the securities issued. As the transferor, we retained a portion of the risk in the form of a residual interest and also retained the right to service the securitized loans and receive servicing fees.

The trust assets can be used only to settle the obligations or securities the trusts issue; the assets cannot be sold and the liabilities cannot be transferred. The loans in the trusts consist of both private and government-guaranteed loans. The security holders or beneficial interest holders do not have recourse to Key. We no longer had economic interest or risk of loss associated with these education loan securitization trusts as of September 30, 2014, and therefore, the securitization trusts were deconsolidated. During the second quarter of 2014, additional market information became available. Based on this information and our related internal analysis, we adjusted certain assumptions related to valuing the loans in the securitization trusts. As a result, we recognized a net after-tax loss of \$22 million during the second quarter of 2014 related to the fair value of the loans and securities in the securitization trusts. These losses

resulted in a reduction in the value of our economic interest in these trusts. We record all income and expense (including fair value adjustments) through income (loss) from discontinued operations, net of tax on our income statement.

On June 27, 2014, we purchased the private loans from one of the education loan securitization trusts through the execution of a clean-up call option. The trust used the cash proceeds from the sale of these loans to retire the outstanding securities related to these private loans, and there are no future commitments or obligations to the holders of the securities. The portfolio loans were valued using an internal discounted cash flow method, which was affected by assumptions for defaults, expected credit losses, discount rates, and prepayments. The portfolio loans are considered to be Level 3 assets since we rely on unobservable inputs when determining fair value.

At September 30, 2015, there were loans held for sale with a contractual amount of \$173 million that were previously purchased from three of the outstanding securitizations trusts pursuant to the legal terms of these particular trusts. These loans were transferred to held for sale in June 2015 and continue to be accounted for at fair value. As of September 30, 2015, the portfolio loans held for sale were valued based on indicative bids to sell the loans. These portfolio loans were previously

Table of Contents

valued using an internal discounted cash flow model, which was affected by assumptions for defaults, loss severity, discount rates, and prepayments. These loans are considered Level 3 assets since we rely on unobservable inputs when determining fair value. Our valuation process for these loans as well as the trust loans and securities is discussed in more detail below. Portfolio loans held for sale accounted for at fair value had a value of \$169 million at September 30, 2015. On October 29, 2015, \$117 million of these loans were sold. Portfolio loans accounted for at fair value had a value of \$191 million at December 31, 2014, and \$201 million at September 30, 2014.

When we first consolidated the education loan securitization trusts, we made an election to record them at fair value. Carrying the assets and liabilities of the trusts at fair value better depicted our economic interest. The fair value of the assets and liabilities of the trusts was determined by calculating the present value of the future expected cash flows. We relied on unobservable inputs (Level 3) when determining the fair value of the assets and liabilities of the trusts because observable market data was not available. Our valuation process is described in more detail below.

Corporate Treasury, within our Finance area, is responsible for the quarterly valuation process that previously determined the fair value of our student loans held in portfolio that were accounted for at fair value and for our loans and securities in our education loan securitization trusts. Corporate Treasury provided these fair values to a Working Group Committee (the Working Group) comprising representatives from the line of business, Credit and Market Risk Management, Accounting, Business Finance (part of our Finance area), and Corporate Treasury. The Working Group is a subcommittee of the Fair Value Committee that is discussed in more detail in Note 5 (Fair Value Measurements). The Working Group reviewed all significant inputs and assumptions and approved the resulting fair values.

The Working Group reviewed actual performance trends of the loans on a quarterly basis and used statistical analysis and qualitative measures to determine assumptions for future performance. Predictive models that incorporate delinquency and charge-off trends along with economic outlooks assisted the Working Group to forecast future defaults. The Working Group used this information to formulate the credit outlook related to the loans. Higher projected defaults, fewer expected recoveries, elevated prepayment speeds, and higher discount rates would be expected to result in a lower fair value of the portfolio loans at fair value. Default expectations and discount rate changes had the most significant impact on the fair values of the loans. Increased cash flow uncertainty, whether through higher defaults and prepayments or fewer recoveries, can result in higher discount rates for use in the fair value process for these loans. This process was previously used in the valuation of the education loan securitization trust loans.

The valuation process for the portfolio loans that were accounted for at fair value was based on a discounted cash flow analysis using a model purchased from a third party and maintained by Corporate Treasury. The valuation process began with loan-level data that was aggregated into pools based on underlying loan structural characteristics (i.e., current unpaid principal balance, contractual term, interest rate). Cash flows for these loan pools were developed using a financial model that reflected certain assumptions for defaults, recoveries, status changes, and prepayments. A net earnings stream, taking into account cost of funding, was calculated and discounted back to the measurement date using an appropriate discount rate. This resulting amount was used to determine the present value of the loans, which represented their fair value to a market participant.

The unobservable inputs set forth in the following table are reviewed and approved by the Working Group on a quarterly basis. The Working Group determines these assumptions based on available data, discussions with appropriate individuals within and outside of Key, and the knowledge and experience of the Working Group members.

A similar discounted cash flow approach to that described above was used on a quarterly basis by Corporate Treasury to determine the fair value of the trust securities. In valuing these securities, the discount rates used were provided by

a third-party valuation consultant. These discount rates were based primarily on secondary market spread indices for similar student loans and asset-backed securities and were developed by the consultant using market-based data. On a quarterly basis, the Working Group reviewed the discount rate inputs used in the valuation process for reasonableness.

A quarterly variance analysis reconciled valuation changes in the model used to calculate the fair value of the trust loans and securities and the portfolio loans at fair value. This quarterly analysis considered loan and securities run-off, yields, future default and recovery changes, and the timing of cash releases to us from the trusts. We also performed back-testing to compare expected defaults to actual experience; the impact of future defaults could significantly affect the fair value of these loans and securities over time. In addition, our internal model validation group periodically performed a review to ensure the accuracy and validity of the model for determining the fair value of these loans and securities.

Table of Contents

The following table shows the significant unobservable inputs used to measure the fair value of the portfolio loans held for sale and portfolio loans accounted for at fair value at September 30, 2015, December 31, 2014, and September 30, 2014:

September 30, 2015

<i>dollars in million</i>	Fair Value of Level 3		Significant Unobservable Input	Range
	Assets and Liabilities	Valuation Technique		
Portfolio loans held for sale accounted for at fair value	\$ 169	Market approach	Indicative bids	84.50 - 104.00%

<i>dollars in million</i>	Fair Value of Level 3 Assets and Liabilities	Valuation Technique	Significant Unobservable Input	Range
				(Weighted-Average)
Portfolio loans accounted for at fair value	\$ 191	Discounted cash flow	Prepayment speed	5.40 - 5.60% (5.50%)
			Loss severity	2.00 - 77.00% (25.66%)
			Discount rate	3.90 - 4.00% (3.92%)
			Default rate	.86 - 1.70% (1.12%)

September 30, 2014

<i>dollars in million</i>	Fair Value of Level 3		Significant Unobservable Input	Range
	Assets and Liabilities	Valuation Technique		(Weighted-Average)
Portfolio loans accounted for at fair value	\$ 201	Discounted cash flow	Prepayment speed	5.00 - 5.80% (5.25%)
			Loss severity	2.00 - 77.00% (25.71%)
			Discount rate	3.60 - 3.90% (3.69%)
			Default rate	.93 - 1.91% (1.24%)

The following table shows the principal and fair value amounts for our portfolio loans held for sale at fair value, portfolio loans at carrying value, and portfolio loans at fair value at September 30, 2015, December 31, 2014, and September 30, 2014. Our policies for determining past due loans, placing loans on nonaccrual, applying payments on nonaccrual loans, and resuming accrual of interest are disclosed in Note 1 (Summary of Significant Accounting Policies) under the heading Nonperforming Loans beginning on page 116 of our 2014 Form 10-K.

<i>in millions</i>	September 30, 2015		December 31, 2014		September 30, 2014	
	Principal	Fair Value	Principal	Fair Value	Principal	Fair Value
Portfolio loans held for sale at fair value						
Accruing loans past due 90 days or more	\$ 5	\$ 4				

Portfolio loans at carrying value						
Accruing loans past due 90 days or more	\$ 26	N/A	\$ 29	N/A	\$ 31	N/A
Loans placed on nonaccrual status	8	N/A	11	N/A	9	N/A
Portfolio loans at fair value						
Accruing loans past due 90 days or more			\$ 5	\$ 5	\$ 5	\$ 5

Table of Contents

The following table shows the portfolio loans held for sale at fair value and portfolio loans at fair value and their related contractual amounts at September 30, 2015, December 31, 2014, and September 30, 2014.

<i>in millions</i>	September 30, 2015	September 30, 2014	December 31, 2014	September 30, 2014	September 30, 2014
	Contractual Amount	Fair Value	Contractual Amount	Fair Value	Contractual Amount
ASSETS					
Portfolio loans held for sale	\$ 173	\$ 169			
Portfolio loans			\$ 192	\$ 191	\$ 199

The following tables present the assets of the portfolio loans held for sale and portfolio loans measured at fair value on a recurring basis at September 30, 2015, December 31, 2014, and September 30, 2014.

September 30, 2015

<i>in millions</i>	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Portfolio loans held for sale			\$ 169	\$ 169
Total assets on a recurring basis at fair value			\$ 169	\$ 169

December 31, 2014

<i>in millions</i>	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Portfolio loans			\$ 191	\$ 191
Total assets on a recurring basis at fair value			\$ 191	\$ 191

September 30, 2014

<i>in millions</i>	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Portfolio loans			\$ 201	\$ 201
Total assets on a recurring basis at fair value			\$ 201	\$ 201

Table of Contents

The following table shows the change in the fair values of the Level 3 portfolio loans held for sale, portfolio loans, and consolidated education loan securitization trusts for the three- and nine-month periods ended September 30, 2015, and September 30, 2014.

<i>in millions</i>	Portfolio Student Loans Held For Sale	Portfolio Student Loans	Trust Student Loans	Trust Other Assets	Trust Securities	Trust Other Liabilities
Balance at December 31, 2014		\$ 191				
Gains (losses) recognized in earnings ^(a)	\$ (4)	1				
Settlements	(6)	(13)				
Loans transferred to held for sale	179	(179)				
Balance at September 30, 2015 ^(b)	\$ 169					
Balance at June 30, 2015	\$ 179					
Gains (losses) recognized in earnings ^(a)	(4)					
Settlements	(6)					
Balance at September 30, 2015 ^(b)	\$ 169					
Balance at December 31, 2013		\$ 147	\$ 1,960	\$ 20	\$ 1,834	\$ 20
Gains (losses) recognized in earnings ^(a)		(4)	(34)		33	
Purchases		74				
Sales			(74)			
Settlements		(16)	(202)	(1)	(278)	(3)
Transfers out due to deconsolidation			(1,650)	(19)	(1,589)	(17)
Balance at September 30, 2014 ^(b)		\$ 201				
Balance at June 30, 2014		\$ 209	\$ 1,711	\$ 19	\$ 1,660	\$ 17
Gains (losses) recognized in earnings ^(a)						
Purchases						
Sales						
Settlements		(8)	(61)		(71)	
Transfers out due to deconsolidation			(1,650)	(19)	(1,589)	(17)
Balance at September 30, 2014 ^(b)		\$ 201				

(a) Gains (losses) were driven primarily by fair value adjustments.

(b) There were no issuances, transfers into Level 3, or transfers out of Level 3 for the three- and nine-month periods ended September 30, 2015. There were no issuances or transfers into Level 3 for the three- and nine-month periods ended September 30, 2014.

Victory Capital Management and Victory Capital Advisors. On July 31, 2013, we completed the sale of Victory to a private equity fund. During March 2014, client consents were secured and assets under management were finalized and, as a result, we recorded an additional after-tax cash gain of \$6 million as of March 31, 2014. Since February 21, 2013, when we agreed to sell Victory, we have accounted for this business as a discontinued operation.

The results of this discontinued business are included in income (loss) from discontinued operations, net of taxes on the income statement. The components of income (loss) from discontinued operations, net of taxes for Victory, which includes the additional gain recorded as of March 31, 2014, on the sale of this business, are as follows:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Net interest income		\$ 5		\$ 7
Noninterest income				10
Noninterest expense				
Income (loss) before income taxes		5		17
Income taxes		2		7
Income (loss) from discontinued operations, net of taxes		\$ 3		\$ 10

Table of Contents

The discontinued assets of Victory included on the balance sheet are as follows. There were no discontinued liabilities for the periods presented below.

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Seller note (a)			\$ 17
Total assets			\$ 17

(a) At September 30, 2014, the only remaining asset of Victory was the Seller note. The Seller note was paid off during the fourth quarter of 2014.

Austin Capital Management, Ltd. In April 2009, we decided to wind down the operations of Austin, a subsidiary that specialized in managing hedge fund investments for institutional customers. As a result, we have accounted for this business as a discontinued operation.

The results of this discontinued business are included in income (loss) from discontinued operations, net of taxes on the income statement. The components of income (loss) from discontinued operations, net of taxes for Austin are as follows:

<i>in millions</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Noninterest expense				\$ 4
Income (loss) before income taxes				(4)
Income taxes				(2)
Income (loss) from discontinued operations, net of taxes				\$ (2)

The discontinued assets and liabilities of Austin included on the balance sheet are as follows:

<i>in millions</i>	September 30, 2015	December 31, 2014	September 30, 2014
Cash and due from banks	\$ 15	\$ 19	\$ 19
Total assets	\$ 15	\$ 19	\$ 19
Accrued expense and other liabilities		\$ 3	\$ 3
Total liabilities		\$ 3	\$ 3

Table of Contents

Combined discontinued operations. The combined results of the discontinued operations are as follows:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Net interest income	\$ 9	\$ 26	\$ 29	\$ 74
Provision for credit losses	7	5	9	15
Net interest income after provision for credit losses	2	21	20	59
Noninterest income	(2)	(41)	1	(101)
Noninterest expense	5	7	13	23
Income (loss) before income taxes	(5)	(27)	8	(65)
Income taxes	(2)	(10)	3	(24)
Income (loss) from discontinued operations, net of taxes ^(a)	\$ (3)	\$ (17)	\$ 5	\$ (41)

(a) Includes after-tax charges of \$7 million and \$9 million for the three-month periods ended September 30, 2015, and September 30, 2014, respectively, and \$18 million and \$26 million for the nine-month periods ended September 30, 2015, and September 30, 2014, respectively, determined by applying a matched funds transfer pricing methodology to the liabilities assumed necessary to support the discontinued operations.

The combined assets and liabilities of the discontinued operations are as follows:

<i>in millions</i>	September 30,	December 31,	September 30,
	2015	2014	2014
Cash and due from banks	\$ 15	\$ 19	\$ 19
Held-to-maturity securities	1	1	1
Seller note			17
Portfolio loans at fair value		191	201
Loans, net of unearned income ^(a)	1,891	2,104	2,174
Less: Allowance for loan and lease losses	23	29	31
Net loans	1,868	2,266	2,344
Portfolio loans held for sale at fair value	169		
Accrued income and other assets	33	38	40
Total assets	\$ 2,086	\$ 2,324	\$ 2,421
Accrued expense and other liabilities		\$ 3	\$ 3
Total liabilities		\$ 3	\$ 3

(a) At September 30, 2015, December 31, 2014, and September 30, 2014, unearned income was less than \$1 million.

Table of Contents

12. Securities Financing Activities

We enter into repurchase and reverse repurchase agreements and securities borrowed transactions (securities financing agreements) primarily to finance our inventory positions, acquire securities to cover short positions, and to settle other securities obligations. We account for these securities financing agreements as collateralized financing transactions. Repurchase and reverse repurchase agreements are recorded on the balance sheet at the amounts that the securities will be subsequently sold or repurchased. Securities borrowed transactions are recorded on the balance sheet at the amounts of cash collateral advanced. While our securities financing agreements incorporate a right of set off, the assets and liabilities are reported on a gross basis. Repurchase agreements and securities borrowed transactions are included in short-term investments on the balance sheet; reverse repurchase agreements are included in federal funds purchased and securities sold under repurchase agreements.

During the third quarter of 2014, our broker-dealer subsidiary, KBCM, moved from a self-clearing organization to using a third-party organization for clearing purposes. In connection with this change, KBCM became an introducing broker-dealer, whereby it no longer needs to fund its business operations by entering into repurchase, reverse repurchase, or securities borrowed agreements. As a result, KBCM did not have any outstanding securities financing agreements at September 30, 2015, December 31, 2014, and September 30, 2014.

Table of Contents

The following table summarizes our securities financing agreements at September 30, 2015, December 31, 2014, and September 30, 2014:

<i>in millions</i>	September 30, 2015			
	Gross Amount	Netting		Net
	Presented			
	in	Adjustments	Collateral	Amounts
	Balance	(a)	(b)	
	Sheet			
Offsetting of financial assets:				
Reverse repurchase agreements	\$ 4	\$	(4)	
Total	\$ 4	\$	(4)	
Offsetting of financial liabilities:				
Repurchase agreements (c)	\$ 6	\$	(4)	\$ (2)
Total	\$ 6	\$	(4)	\$ (2)

<i>in millions</i>	December 31, 2014			
	Gross	Netting		Net
	Amount			
	Presented	Adjustments	Collateral	
	Balance	(a)	(b)	Amounts
	Sheet			
Offsetting of financial assets:				
Reverse repurchase agreements	\$ 3	\$	(1)	\$ (2)
Total	\$ 3	\$	(1)	\$ (2)
Offsetting of financial liabilities:				
Repurchase agreements	\$ 1	\$	(1)	
Total	\$ 1	\$	(1)	

<i>in millions</i>	September 30, 2014			
	Gross	Netting		Net
	Amount			
	Presented	Adjustments	Collateral	
	Balance	(a)	(b)	Amounts
	Sheet			
Offsetting of financial assets:				

Reverse repurchase agreements	\$ 6	\$	(4)	\$	(2)
Total	\$ 6	\$	(4)	\$	(2)
Offsetting of financial liabilities:					
Repurchase agreements	\$ 4	\$	(4)		
Total	\$ 4	\$	(4)		

- (a) Netting adjustments take into account the impact of master netting agreements that allow us to settle with a single counterparty on a net basis.
- (b) These adjustments take into account the impact of bilateral collateral agreements that allow us to offset the net positions with the related collateral. The application of collateral cannot reduce the net position below zero. Therefore, excess collateral, if any, is not reflected above.
- (c) Repurchase agreements are collateralized by U.S. Treasury securities and contracted on an overnight basis. Like other financing transactions, securities financing agreements contain an element of credit risk. To mitigate and manage credit risk exposure, we generally enter into master netting agreements and other collateral arrangements that give us the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. Additionally, we establish and monitor limits on our counterparty credit risk exposure by product type. For the reverse repurchase agreements, we monitor the value of the underlying securities we received from counterparties and either request additional collateral or return a portion of the collateral based on the value of those securities. We generally hold collateral in the form of highly rated securities issued by the U.S. Treasury and fixed income securities. In addition, we may need to provide collateral to counterparties under our repurchase agreements and securities borrowed transactions. In general, the collateral we pledge and receive can be sold or repledged by the secured parties.

Table of Contents**13. Employee Benefits****Pension Plans**

Effective December 31, 2009, we amended our cash balance pension plan and other defined benefit plans to freeze all benefit accruals and close the plans to new employees. We will continue to credit participants' existing account balances for interest until they receive their plan benefits. We changed certain pension plan assumptions after freezing the plans.

During the third quarters of 2015 and 2014, year-to-date lump sum payments made under certain pension plans triggered settlement accounting. In accordance with the applicable accounting guidance for defined benefit plans, we performed a remeasurement of the affected plans in conjunction with the settlement and recognized the settlement losses reflected in the following table. We will also recognize a settlement loss in the fourth quarter of 2015 related to additional lump sum payments made during the fourth quarter.

The components of net pension cost (benefit) for all funded and unfunded plans are as follows:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Interest cost on PBO	\$ 10	\$ 12	\$ 30	\$ 36
Expected return on plan assets	(14)	(17)	(42)	(51)
Amortization of losses	4	4	13	12
Settlement loss	19	20	19	20
Net pension cost	\$ 19	\$ 19	\$ 20	\$ 17

Other Postretirement Benefit Plans

We sponsor a retiree healthcare plan that all employees age 55 with five years of service (or employees age 50 with 15 years of service who are terminated under conditions that entitle them to a severance benefit) are eligible to participate. Participant contributions are adjusted annually. We may provide a subsidy toward the cost of coverage for certain employees hired before 2001 with a minimum of 15 years of service at the time of termination. We use a separate VEBA trust to fund the retiree healthcare plan.

The components of net postretirement benefit cost for all funded and unfunded plans are as follows:

<i>in millions</i>	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2015	2014	2015	2014
Interest cost on APBO	\$ 1	\$ 1	\$ 3	\$ 3
Expected return on plan assets	(1)	(1)	(2)	(3)
Amortization of unrecognized prior service credit			(1)	

Net postretirement benefit cost

75

Table of Contents**14. Trust Preferred Securities Issued by Unconsolidated Subsidiaries**

We own the outstanding common stock of business trusts formed by us that issued corporation-obligated mandatorily redeemable trust preferred securities. The trusts used the proceeds from the issuance of their trust preferred securities and common stock to buy debentures issued by KeyCorp. These debentures are the trusts' only assets; the interest payments from the debentures finance the distributions paid on the mandatorily redeemable trust preferred securities.

We unconditionally guarantee the following payments or distributions on behalf of the trusts:

required distributions on the trust preferred securities;

the redemption price when a capital security is redeemed; and

the amounts due if a trust is liquidated or terminated.

The Regulatory Capital Rules, discussed in "Supervision and regulation" in Item 2 of this report, implement a phase-out of trust preferred securities as Tier 1 capital, consistent with the requirements of the Dodd-Frank Act. For "standardized approach" banking organizations such as Key, the phase-out period began on January 1, 2015, and by 2016 will require us to treat our mandatorily redeemable trust preferred securities as Tier 2 capital.

As of September 30, 2015, the trust preferred securities issued by the KeyCorp capital trusts represent \$85 million, or .8%, of our total qualifying Tier 1 capital, net of goodwill.

The trust preferred securities, common stock, and related debentures are summarized as follows:

	Trust Preferred Securities, Common Stock Net of Discount		of Debentures, Securities and Debentures (c)		Interest Rate	Maturity
	Principal Amount	of Trust Preferred Securities, Common Stock Net of Discount	Principal Amount	of Debentures, Securities and Debentures (c)	Interest Rate	Maturity
<i>dollars in millions</i>						
September 30, 2015						
KeyCorp Capital I	\$ 156	\$ 6	\$ 162		1.024%	2028
KeyCorp Capital II	111	4	115		6.875	2029
KeyCorp Capital III	145	4	149		7.750	2029
Total	\$ 412	\$ 14	\$ 426		4.968%	
December 31, 2014	\$ 408	\$ 14	\$ 422		4.926%	
September 30, 2014	\$ 397	\$ 14	\$ 411		4.856%	

- (a) The trust preferred securities must be redeemed when the related debentures mature, or earlier if provided in the governing indenture. Each issue of trust preferred securities carries an interest rate identical to that of the related debenture. Certain trust preferred securities include basis adjustments related to fair value hedges totaling \$72 million at September 30, 2015, \$68 million at December 31, 2014, and \$57 million at September 30, 2014. See Note 7 (Derivatives and Hedging Activities) for an explanation of fair value hedges.
- (b) We have the right to redeem these debentures. If the debentures purchased by KeyCorp Capital I are redeemed before they mature, the redemption price will be the principal amount, plus any accrued but unpaid interest. If the debentures purchased by KeyCorp Capital II or KeyCorp Capital III are redeemed before they mature, the redemption price will be the greater of: (i) the principal amount, plus any accrued but unpaid interest, or (ii) the sum of the present values of principal and interest payments discounted at the Treasury Rate (as defined in the applicable indenture), plus 20 basis points for KeyCorp Capital II or 25 basis points for KeyCorp Capital III or 50 basis points in the case of redemption upon either a tax or a capital treatment event for either KeyCorp Capital II or KeyCorp Capital III, plus any accrued but unpaid interest. The principal amount of certain debentures includes basis adjustments related to fair value hedges totaling \$72 million at September 30, 2015, \$68 million at December 31, 2014, and \$57 million at September 30, 2014. See Note 7 for an explanation of fair value hedges. The principal amount of debentures, net of discounts, is included in long-term debt on the balance sheet.
- (c) The interest rates for the trust preferred securities issued by KeyCorp Capital II and KeyCorp Capital III are fixed. KeyCorp Capital I has a floating interest rate, equal to three-month LIBOR plus 74 basis points, that reprices quarterly. The total interest rates are weighted-average rates.

Table of Contents**15. Contingent Liabilities and Guarantees****Legal Proceedings**

See Note 20 (Commitments, Contingent Liabilities and Guarantees) under the heading Legal Proceedings on page 206 of our 2014 Form 10-K for a description of a proceeding styled *In Re: Checking Account Overdraft Litigation*.

Other litigation. From time to time, in the ordinary course of business, we and our subsidiaries are subject to various other litigation, investigations, and administrative proceedings. Private, civil litigations may range from individual actions involving a single plaintiff to putative class action lawsuits with potentially thousands of class members. Investigations may involve both formal and informal proceedings, by both government agencies and self-regulatory bodies. These other matters may involve claims for substantial monetary relief. At times, these matters may present novel claims or legal theories. Due to the complex nature of these various other matters, it may be years before some matters are resolved. While it is impossible to ascertain the ultimate resolution or range of financial liability, based on information presently known to us, we do not believe there is any other matter to which we are a party, or involving any of our properties that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on our financial condition. We continually monitor and reassess the potential materiality of these other litigation matters. We note, however, that in light of the inherent uncertainty in legal proceedings there can be no assurance that the ultimate resolution will not exceed established reserves. As a result, the outcome of a particular matter, or a combination of matters, may be material to our results of operations for a particular period, depending upon the size of the loss or our income for that particular period.

Guarantees

We are a guarantor in various agreements with third parties. The following table shows the types of guarantees that we had outstanding at September 30, 2015. Information pertaining to the basis for determining the liabilities recorded in connection with these guarantees is included in Note 1 (Summary of Significant Accounting Policies) under the heading Guarantees beginning on page 124 of our 2014 Form 10-K.

September 30, 2015 <i>in millions</i>	Maximum Potential	
	Undiscounted	Liability
	Future Payments	Recorded
Financial guarantees:		
Standby letters of credit	\$ 11,498	\$ 63
Recourse agreement with FNMA	1,747	4
Return guarantee agreement with LIHTC investors	4	4
Written put options ^(a)	2,131	117
Total	\$ 15,380	\$ 188

(a) The maximum potential undiscounted future payments represent notional amounts of derivatives qualifying as guarantees.

We determine the payment/performance risk associated with each type of guarantee described below based on the probability that we could be required to make the maximum potential undiscounted future payments shown in the

preceding table. We use a scale of low (0% to 30% probability of payment), moderate (greater than 30% to 70% probability of payment), or high (greater than 70% probability of payment) to assess the payment/performance risk, and have determined that the payment/performance risk associated with each type of guarantee outstanding at September 30, 2015, is low.

Standby letters of credit. KeyBank issues standby letters of credit to address clients' financing needs. These instruments obligate us to pay a specified third party when a client fails to repay an outstanding loan or debt instrument or fails to perform some contractual nonfinancial obligation. Any amounts drawn under standby letters of credit are treated as loans to the client; they bear interest (generally at variable rates) and pose the same credit risk to us as a loan. At September 30, 2015, our standby letters of credit had a remaining weighted-average life of 3 years, with remaining actual lives ranging from less than one year to as many as 11 years.

Recourse agreement with FNMA. We participate as a lender in the FNMA Delegated Underwriting and Servicing program. FNMA delegates responsibility for originating, underwriting, and servicing mortgages, and we assume a limited portion of the risk of loss during the remaining term on each commercial mortgage loan that we sell to FNMA. We maintain a reserve for such potential losses in an amount that we believe approximates the fair value of our liability. At September 30, 2015, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 7.85 years, and the unpaid

Table of Contents

principal balance outstanding of loans sold by us as a participant was \$6.1 billion. As shown in the preceding table, the maximum potential amount of undiscounted future payments that we could be required to make under this program is equal to approximately one-third of the principal balance of loans outstanding at September 30, 2015. If we are required to make a payment, we would have an interest in the collateral underlying the related commercial mortgage loan; any loss we incur could be offset by the amount of any recovery from the collateral.

Return guarantee agreement with LIHTC investors. KAHC, a subsidiary of KeyBank, offered limited partnership interests to qualified investors. Partnerships formed by KAHC invested in low-income residential rental properties that qualify for federal low-income housing tax credits under Section 42 of the Internal Revenue Code. In certain partnerships, investors paid a fee to KAHC for a guaranteed return that is based on the financial performance of the property and the property's confirmed LIHTC status throughout a 15-year compliance period. Typically, KAHC fulfills these guaranteed returns by distributing tax credits and deductions associated with the specific properties. If KAHC defaults on its obligation to provide the guaranteed return, KeyBank is obligated to make any necessary payments to investors. No recourse or collateral is available to offset our guarantee obligation other than the underlying income streams from the properties and the residual value of the operating partnership interests.

As shown in the previous table, KAHC maintained a reserve in the amount of \$4 million at September 30, 2015, which is sufficient to cover estimated future obligations under the guarantees. The maximum exposure to loss reflected in the table represents undiscounted future payments due to investors for the return on and of their investments.

These guarantees have expiration dates that extend through 2018, but KAHC has not formed any new partnerships under this program since October 2003. Additional information regarding these partnerships is included in Note 9 (Variable Interest Entities).

Written put options. In the ordinary course of business, we write put options for clients that wish to mitigate their exposure to changes in interest rates and commodity prices. At September 30, 2015, our written put options had an average life of 2 years. These instruments are considered to be guarantees, as we are required to make payments to the counterparty (the client) based on changes in an underlying variable that is related to an asset, a liability, or an equity security that the client holds. We are obligated to pay the client if the applicable benchmark interest rate or commodity price is above or below a specified level (known as the strike rate). These written put options are accounted for as derivatives at fair value, as further discussed in Note 7 (Derivatives and Hedging Activities). We mitigate our potential future payment obligations by entering into offsetting positions with third parties.

Written put options where the counterparty is a broker-dealer or bank are accounted for as derivatives at fair value but are not considered guarantees since these counterparties typically do not hold the underlying instruments. In addition, we are a purchaser and seller of credit derivatives, which are further discussed in Note 7.

Default guarantees. Some lines of business participate in guarantees that obligate us to perform if the debtor (typically a client) fails to satisfy all of its payment obligations to third parties. We generally undertake these guarantees for one of two possible reasons: (i) either the risk profile of the debtor should provide an investment return, or (ii) we are supporting our underlying investment in the debtor. We do not hold collateral for the default guarantees. If we were required to make a payment under a guarantee, we would receive a pro rata share should the third party collect some or all of the amounts due from the debtor. At September 30, 2015, we did not have any default guarantees.

Other Off-Balance Sheet Risk

Other off-balance sheet risk stems from financial instruments that do not meet the definition of a guarantee as specified in the applicable accounting guidance, and from other relationships.

Indemnifications provided in the ordinary course of business. We provide certain indemnifications, primarily through representations and warranties in contracts that we execute in the ordinary course of business in connection with loan and lease sales and other ongoing activities, as well as in connection with purchases and sales of businesses. We maintain reserves, when appropriate, with respect to liability that reasonably could arise as a result of these indemnities.

Intercompany guarantees. KeyCorp, KeyBank, and certain of our affiliates are parties to various guarantees that facilitate the ongoing business activities of other affiliates. These business activities encompass issuing debt, assuming certain lease and insurance obligations, purchasing or issuing investments and securities, and engaging in certain leasing transactions involving clients.

Table of Contents**16. Accumulated Other Comprehensive Income**

Our changes in AOCI for the three and nine months ended September 30, 2015, and September 30, 2014, are as follows:

<i>in millions</i>	Unrealized Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative financial instruments	Foreign currency translation adjustment	Net pension and postretirement benefit costs	Total
Balance at December 31, 2014	\$ (4)	\$ (8)	\$ 22	\$ (366)	\$ (356)
Other comprehensive income before reclassification, net of income taxes	57	107	(19)	(38)	107
Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)	1	(44)	1	19	(23)
Net current-period other comprehensive income, net of income taxes	58	63	(18)	(19)	84
Balance at September 30, 2015	54	\$ 55	\$ 4	\$ (385)	\$ (272)
Balance at June 30, 2015	\$ 54	\$ 7	\$ 9	\$ (361)	\$ (345)
Other comprehensive income before reclassification, net of income taxes	54	65	(5)	(38)	76
Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)		(17)		14	(3)
Net current-period other comprehensive income, net of income taxes	54	48	(5)	(24)	73
Balance at September 30, 2015	54	\$ 55	\$ 4	\$ (385)	\$ (272)
Balance at December 31, 2013	\$ (63)	\$ (11)	\$ 42	\$ (320)	\$ (352)
Other comprehensive income before reclassification, net of income taxes	24	25	(9)		40
Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)		(29)	(3)	19	(13)
Net current-period other comprehensive income, net of income taxes	24	(4)	(12)	19	27
Balance at September 30, 2014	\$ (39)	\$ (15)	\$ 30	\$ (301)	\$ (325)
Balance at June 30, 2014	\$ (6)	\$ (7)	\$ 39	\$ (315)	\$ (289)
Other comprehensive income before reclassification, net of income taxes	(33)	3	(9)		(39)

Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)

		(11)		14	3
Net current-period other comprehensive income, net of income taxes	(33)	(8)	(9)	14	(36)
Balance at September 30, 2014	\$ (39)	\$ (15)	\$ 30	\$ (301)	\$ (325)

(a) See table below for details about these reclassifications.

Table of Contents

Our reclassifications out of AOCI for the three and nine months ended September 30, 2015, and September 30, 2014, are as follows:

Nine months ended September 30, 2015	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
<i>in millions</i>		
Unrealized gains (losses) on available for sale securities		
Realized losses	\$ (1)	Other income
	(1)	Income (loss) from continuing operations before income taxes
		Income taxes
	\$ (1)	Income (loss) from continuing operations
Unrealized gains (losses) on derivative financial instruments		
Interest rate	\$ 73	Interest income Loans
Interest rate	(3)	Interest expense Long term debt
	70	Income (loss) from continuing operations before income taxes
	26	Income taxes
	\$ 44	Income (loss) from continuing operations
Foreign currency translation adjustment		
	\$ (2)	Corporate services income
	(2)	Income (loss) from continuing operations before income taxes
	(1)	Income taxes
	\$ (1)	Income (loss) from continuing operations
Net pension and postretirement benefit costs		
Amortization of losses	\$ (13)	Personnel expense
Settlement loss	(19)	Personnel expense

Amortization of unrecognized prior service cost	1	Personnel expense
	(31)	Income (loss) from continuing operations before income taxes
	(12)	Income taxes
	\$ (19)	Income (loss) from continuing operations
	Amount	
	Reclassified	
	from	
	Accumulated	
	Other	
Three months ended September 30, 2015	Comprehensive	Affected Line Item in the Statement
<i>in millions</i>	Income	Where Net Income is Presented
Unrealized gains (losses) on derivative financial instruments		
Interest rate	\$ 28	Interest income Loans
Interest rate	(1)	Interest expense Long term debt
	27	Income (loss) from continuing operations before income taxes
	10	Income taxes
	\$ 17	Income (loss) from continuing operations
Foreign currency translation adjustment	\$ (1)	Corporate services income
	(1)	Income (loss) from continuing operations before income taxes
	(1)	Income taxes
		Income (loss) from continuing operations
Net pension and postretirement benefit costs		
Amortization of losses	\$ (4)	Personnel expense
Settlement loss	(19)	Personnel expense
	(23)	Income (loss) from continuing operations before income taxes
	(9)	Income taxes
	\$ (14)	Income (loss) from continuing operations

Table of Contents

Nine months ended September 30, 2014	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
<i>in millions</i>		
Unrealized gains (losses) on derivative financial instruments		
Interest rate	\$ 49	Interest income Loans
Interest rate	(3)	Interest expense Long term debt
	46	Income (loss) from continuing operations before income taxes
	17	Income taxes
	\$ 29	Income (loss) from continuing operations
Foreign currency translation adjustment		
	\$ 3	Corporate services income
	3	Income (loss) from continuing operations before income taxes
		Income taxes
	\$ 3	Income (loss) from continuing operations
Net pension and postretirement benefit costs		
Amortization of losses	\$ (12)	Personnel expense
Settlement loss	(20)	Personnel expense
	(32)	Income (loss) from continuing operations before income taxes
	(13)	Income taxes
	\$ (19)	Income (loss) from continuing operations

Three months ended September 30, 2014	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
<i>in millions</i>		

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Unrealized gains (losses) on derivative financial instruments			
Interest rate	\$	18	Interest income Loans
Interest rate		(1)	Interest expense Long term debt
Foreign exchange contracts		1	Other income
		18	Income (loss) from continuing operations before income taxes
		7	Income taxes
	\$	11	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	\$	(4)	Personnel expense
Settlement loss		(20)	Personnel expense
		(24)	Income (loss) from continuing operations before income taxes
		(10)	Income taxes
	\$	(14)	Income (loss) from continuing operations

Table of Contents

17. Shareholders Equity

Comprehensive Capital Plan

As previously reported and as authorized by the Board and pursuant to our 2015 capital plan submitted to and not objected to by the Federal Reserve, we have authority to repurchase up to \$725 million of our common shares, which include repurchases to offset issuances of common shares under our employee compensation plans. During the third quarter of 2015, we completed \$123 million of common share repurchases under this authorization.

Consistent with our 2015 capital plan, the Board declared a quarterly dividend of \$.075 per common share for the third quarter of 2015. An additional potential increase in our quarterly common share dividend, up to \$.085 per share, will be considered by the Board in 2016 for the fifth quarter of the 2015 capital plan.

Preferred Stock

We made a quarterly dividend payment of \$1.9375 per share, or \$5.6 million, on our Series A Preferred Stock during the third quarter of 2015.

Table of Contents

18. Line of Business Results

The specific lines of business that constitute each of the major business segments (operating segments) are described below.

Key Community Bank

Key Community Bank serves individuals and small to mid-sized businesses through its 12-state branch network.

Individuals are provided branch-based deposit and investment products, personal finance services, and loans, including residential mortgages, home equity, credit card, and various types of installment loans. In addition, financial, estate and retirement planning, asset management services, and Delaware Trust capabilities are offered to assist high-net-worth clients with their banking, trust, portfolio management, insurance, charitable giving, and related needs.

Small businesses are provided deposit, investment and credit products, and business advisory services. Mid-sized businesses are provided products and services that include commercial lending, cash management, equipment leasing, investment and employee benefit programs, succession planning, access to capital markets, derivatives, and foreign exchange.

Key Corporate Bank

Key Corporate Bank is a full-service corporate and investment bank focused principally on serving the needs of middle market clients in seven industry sectors: consumer, energy, healthcare, industrial, public sector, real estate, and technology. Key Corporate Bank delivers a broad product suite of banking and capital markets products to its clients, including syndicated finance, debt and equity capital markets, commercial payments, equipment finance, commercial mortgage banking, derivatives, foreign exchange, financial advisory, and public finance. Key Corporate Bank is also a significant servicer of commercial mortgage loans and a significant special servicer of CMBS. Key Corporate Bank also delivers many of its product capabilities to clients of Key Community Bank.

Other Segments

Other Segments consist of Corporate Treasury, Principal Investing, and various exit portfolios.

Reconciling Items

Total assets included under Reconciling Items primarily represent the unallocated portion of nonearning assets of corporate support functions. Charges related to the funding of these assets are part of net interest income and are allocated to the business segments through noninterest expense. Reconciling Items also includes intercompany eliminations and certain items that are not allocated to the business segments because they do not reflect their normal operations.

The table on the following pages shows selected financial data for our major business segments for the three- and nine- month periods ended September 30, 2015, and September 30, 2014.

The information was derived from the internal financial reporting system that we use to monitor and manage our financial performance. GAAP guides financial accounting, but there is no authoritative guidance for management accounting the way we use our judgment and experience to make reporting decisions. Consequently, the line of

business results we report may not be comparable to line of business results presented by other companies.

The selected financial data is based on internal accounting policies designed to compile results on a consistent basis and in a manner that reflects the underlying economics of the businesses. In accordance with our policies:

Net interest income is determined by assigning a standard cost for funds used or a standard credit for funds provided based on their assumed maturity, prepayment, and/or repricing characteristics.

Indirect expenses, such as computer servicing costs and corporate overhead, are allocated based on assumptions regarding the extent that each line of business actually uses the services.

The consolidated provision for credit losses is allocated among the lines of business primarily based on their actual net loan charge-offs, adjusted periodically for loan growth and changes in risk profile. The amount of the consolidated provision is based on the methodology that we use to estimate our consolidated ALLL. This methodology is described in Note 1 (Summary of Significant Accounting Policies) under the heading Allowance for Loan and Lease Losses beginning on page 117 of our 2014 Form 10-K.

Table of Contents

In the third quarter of 2015, we enhanced the approach used to determine the commercial reserve factors used in estimating the quantitative component of the commercial ALLL. In addition, we began utilizing an enhanced framework to quantify commercial ALLL adjustments resulting from qualitative factors not fully captured within the statistical analysis of incurred loss. The enhancements of the methodology are described in Note 1 (Basis of Presentation and Accounting Policies) under the heading Allowance for Loan and Lease Losses. As a result of the methodology enhancements, the current period provision for credit losses within each business segment has increased or decreased accordingly. The impact of the increases and decreases on the business segment provision for credit losses was not significant.

Income taxes are allocated based on the statutory federal income tax rate of 35% and a blended state income tax rate (net of the federal income tax benefit) of 2.2%.

Capital is assigned to each line of business based on economic equity. Developing and applying the methodologies that we use to allocate items among our lines of business is a dynamic process. Accordingly, financial results may be revised periodically to reflect enhanced alignment of expense base allocation drivers, changes in the risk profile of a particular business, or changes in our organizational structure.

Table of Contents

Three months ended September 30, <i>dollars in millions</i>	Key Community Bank		Key Corporate Bank	
	2015	2014	2015	2014
SUMMARY OF OPERATIONS				
Net interest income (TE)	\$ 379	\$ 359	\$ 220	\$ 215
Noninterest income	200	199	234	185
Total revenue (TE) ^(a)	579	558	454	400
Provision for credit losses	18	21	30	2
Depreciation and amortization expense	14	16	11	8
Other noninterest expense	434	425	235	205
Income (loss) from continuing operations before income taxes (TE)	113	96	178	185
Allocated income taxes and TE adjustments	42	36	42	51
Income (loss) from continuing operations	71	60	136	134
Income (loss) from discontinued operations, net of taxes				
Net income (loss)	71	60	136	134
Less: Net income (loss) attributable to noncontrolling interests			(2)	
Net income (loss) attributable to Key	\$ 71	\$ 60	\$ 138	\$ 134
AVERAGE BALANCES ^(b)				
Loans and leases	\$ 31,039	\$ 30,103	\$ 26,425	\$ 23,215
Total assets ^(a)	33,090	32,173	32,163	28,268
Deposits	51,234	50,303	18,809	17,599
OTHER FINANCIAL DATA				
Net loan charge-offs ^(b)	\$ 21	\$ 28	\$ 20	\$ (1)
Return on average allocated equity ^(b)	10.49%	8.89%	28.65%	31.59%
Return on average allocated equity	10.49	8.89	28.65	31.59
Average full-time equivalent employees ^(c)	7,326	7,573	2,173	1,998
Nine months ended September 30, <i>dollars in millions</i>				
	Key Community Bank		Key Corporate Bank	
	2015	2014	2015	2014
SUMMARY OF OPERATIONS				
Net interest income (TE)	\$ 1,098	\$ 1,084	\$ 661	\$ 621
Noninterest income	589	574	671	566
Total revenue (TE) ^(a)	1,687	1,658	1,332	1,187
Provision for credit losses	50	48	77	7
Depreciation and amortization expense	42	49	31	22
Other noninterest expense	1,297	1,274	681	599
Income (loss) from continuing operations before income taxes (TE)	298	287	543	559
Allocated income taxes and TE adjustments	111	107	143	158

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Income (loss) from continuing operations	187	180	400	401
Income (loss) from discontinued operations, net of taxes				
Net income (loss)	187	180	400	401
Less: Net income (loss) attributable to noncontrolling interests			(1)	2
Net income (loss) attributable to Key	\$ 187	\$ 180	\$ 401	\$ 399
AVERAGE BALANCES ^(b)				
Loans and leases	\$ 30,804	\$ 29,979	\$ 25,488	\$ 22,702
Total assets ^(a)	32,853	32,063	31,236	27,829
Deposits	50,808	50,151	19,029	16,655
OTHER FINANCIAL DATA				
Net loan charge-offs ^(b)	\$ 69	\$ 89	\$ 28	\$ (15)
Return on average allocated equity ^(b)	9.27%	8.81%	28.82%	33.74%
Return on average allocated equity	9.27	8.81	28.82	33.74
Average full-time equivalent employees ^(c)	7,392	7,613	2,096	1,952

- (a) Substantially all revenue generated by our major business segments is derived from clients that reside in the United States. Substantially all long-lived assets, including premises and equipment, capitalized software, and goodwill held by our major business segments, are located in the United States.
- (b) From continuing operations.
- (c) The number of average full-time equivalent employees was not adjusted for discontinued operations.

Table of Contents

Other Segments		Total Segments		Reconciling Items		Key	
2015	2014	2015	2014	2015	2014	2015	2014
\$ (4)	\$ 6	\$ 595	\$ 580	\$ 3	\$ 1	\$ 598	\$ 581
39	38	473	422	(3)	(5)	470	417
35	44	1,068	1,002		(4)	1,068	998
(4)	(4)	44	19	1		45	19
2	3	27	27	35	38	62	65
13	17	682	647	(20)	(6)	662	641
24	28	315	309	(16)	(36)	299	273
(2)	1	82	88	(3)	(18)	79	70
26	27	233	221	(13)	(18)	220	203
				(3)	(17)	(3)	(17)
26	27	233	221	(16)	(35)	217	186
		(2)				(2)	
\$ 26	\$ 27	\$ 235	\$ 221	\$ (16)	\$ (35)	\$ 219	\$ 186
\$ 1,780	\$ 2,396	\$ 59,244	\$ 55,714	\$ 37	\$ 82	\$ 59,281	\$ 55,796
26,871	26,017	92,124	86,458	527	665	92,651	87,123
455	564	70,498	68,466	(29)	(130)	70,469	68,336
\$ 1	\$ 4	\$ 42	\$ 31	\$ (1)		\$ 41	\$ 31
33.27%	24.63%	19.00%	18.28%	(.90)%	(1.26)%	8.30%	7.69%
33.27	24.63	19.00	18.28	(1.11)	(2.45)	8.19	7.05
14	34	9,513	9,605	4,042	4,300	13,555	13,905
Other Segments		Total Segments		Reconciling Items		Key	
2015	2014	2015	2014	2015	2014	2015	2014
	\$ 21	\$ 1,759	\$ 1,726	\$ 7	\$ 3	\$ 1,766	\$ 1,729
\$ 146	174	1,406	1,314	(11)	(7)	1,395	1,307
146	195	3,165	3,040	(4)	(4)	3,161	3,036
(7)	(19)	120	36	1	(1)	121	35
6	9	79	80	112	115	191	195
38	54	2,016	1,927	(103)	(65)	1,913	1,862
109	151	950	997	(14)	(53)	936	944
7	27	261	292	(11)	(42)	250	250
102	124	689	705	(3)	(11)	686	694
				5	(41)	5	(41)
102	124	689	705	2	(52)	691	653
2	4	1	6			1	6

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\$ 100	\$ 120	\$ 688	\$ 699	\$ 2	\$ (52)	\$ 690	\$ 647
\$ 1,908	\$ 2,639	\$ 58,200	\$ 55,320	\$ 63	\$ 68	\$ 58,263	\$ 55,388
26,617	25,944	90,706	85,836	618	676	91,324	86,512
454	591	70,291	67,397	(62)	(138)	70,229	67,259
\$ 8	\$ 8	\$ 105	\$ 82		\$ (1)	\$ 105	\$ 81
40.39%	36.38%	18.81%	19.66%	(.05)%	(.26)%	6.48%	6.59%
40.39	36.38	18.81	19.66	.07	(1.22)	6.52	6.20
15	50	9,503	9,615	4,022	4,327	13,525	13,942

Table of Contents

19. Subsequent Event

Planned Acquisition of First Niagara Financial Group, Inc.

On October 30, 2015, we announced that KeyCorp has entered into a definitive agreement and plan of merger (Agreement) pursuant to which it will acquire all of the outstanding capital stock of First Niagara Financial Group, Inc. (NASDAQ: FNFG) (First Niagara). Under the terms of the Agreement, at the effective time of the merger, each share of First Niagara common stock will be converted into the right to receive (i) 0.680 of a share of KeyCorp common stock and (ii) \$2.30 in cash. The exchange ratio of KeyCorp stock for First Niagara stock is fixed and will not adjust based on changes in KeyCorp s share trading price. First Niagara equity awards outstanding immediately prior to the effective time of the merger will be converted into equity awards for KeyCorp common stock as provided in the Agreement. Each share of First Niagara s Fixed Rate-to-Floating Rate Perpetual Non-Cumulative Preferred Stock, Series B, will be converted into a share of a newly created series of preferred stock of KeyCorp having substantially the same terms as First Niagara s preferred stock. Based on the closing price of KeyCorp common shares on Thursday, October 29, 2015, of \$13.38 and assuming First Niagara has 356.272 million shares outstanding on a fully-diluted basis, the value of the total consideration to be paid by KeyCorp pursuant to the Agreement is approximately \$4.1 billion.

The merger is currently expected to be completed during the third quarter of 2016 and is subject to customary closing conditions including the approval of regulators and the shareholders of both KeyCorp and First Niagara.

As of September 30, 2015, First Niagara, headquartered in Buffalo, New York, had 394 branches with approximately \$39 billion of total assets and \$29 billion of deposits.

Table of Contents

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of KeyCorp

We have reviewed the consolidated balance sheets of KeyCorp as of September 30, 2015 and 2014, and the related consolidated statements of income and comprehensive income for the three- and nine-month periods ended September 30, 2015 and 2014, and the consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2015 and 2014. These financial statements are the responsibility of KeyCorp's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of KeyCorp as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated March 2, 2015. In our opinion, the accompanying consolidated balance sheet of KeyCorp as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Cleveland, Ohio
November 2, 2015

Ernst & Young LLP

Table of Contents

Item 2. Management's Discussion & Analysis of Financial Condition & Results of Operations

Introduction

This section reviews the financial condition and results of operations of KeyCorp and its subsidiaries for the quarterly and year-to-date periods ended September 30, 2015, and September 30, 2014. Some tables may include additional periods to comply with disclosure requirements or to illustrate trends in greater depth. When you read this discussion, you should also refer to the consolidated financial statements and related notes in this report. The page locations of specific sections and notes that we refer to are presented in the table of contents.

References to our 2014 Form 10-K refer to our Form 10-K for the year ended December 31, 2014, which has been filed with the SEC and is available on its website (www.sec.gov) and on our website (www.key.com/ir).

Terminology

Throughout this discussion, references to Key, we, our, us, and similar terms refer to the consolidated entity consisting of KeyCorp and its subsidiaries. KeyCorp refers solely to the parent holding company, and KeyBank refers to KeyCorp's subsidiary bank, KeyBank National Association.

We want to explain some industry-specific terms at the outset so you can better understand the discussion that follows.

We use the phrase *continuing operations* in this document to mean all of our businesses other than the education lending business, Victory, and Austin. The education lending business and Austin have been accounted for as *discontinued operations* since 2009. Victory was classified as a *discontinued operation* in our first quarter 2013 financial reporting as a result of the sale of this business as announced on February 21, 2013, and closed on July 31, 2013.

Our *exit loan portfolios* are separate from our *discontinued operations*. These portfolios, which are in a run-off mode, stem from product lines we decided to cease because they no longer fit with our corporate strategy. These exit loan portfolios are included in *Other Segments*.

We engage in *capital markets activities* primarily through business conducted by our Key Corporate Bank segment. These activities encompass a variety of products and services. Among other things, we trade securities as a dealer, enter into derivative contracts (both to accommodate clients' financing needs and to mitigate certain risks), and conduct transactions in foreign currencies (both to accommodate clients' needs and to benefit from fluctuations in exchange rates).

For regulatory purposes, capital is divided into two classes. Federal regulations currently prescribe that at least one-half of a bank or BHC's *total risk-based capital* must qualify as *Tier 1 capital*. Both total and Tier 1 capital serve as bases for several measures of capital adequacy, which is an important indicator of financial stability and condition. As described under the heading "Regulatory capital and liquidity" Capital planning and stress testing in the section entitled "Supervision and Regulation" that begins on page 9 of our 2014 Form 10-K, the regulators are required to conduct a supervisory capital assessment of all BHCs with assets of at least \$50 billion, including

KeyCorp. As part of this capital adequacy review, banking regulators evaluated a component of Tier 1 capital, known as ***Tier 1 common equity***, using the definitions of Tier 1 capital and total risk-weighted assets that were in effect in 2014, as well as a transition plan for full implementation of the ***Regulatory Capital Rules***. The Capital section of this report under the heading Capital adequacy provides more information on total capital, Tier 1 capital, Tier 1 common equity, and the Regulatory Capital Rules, including ***Common Equity Tier 1***, and describes how these measures are calculated.

Additionally, a comprehensive list of the acronyms and abbreviations used throughout this discussion is included in Note 1 (Basis of Presentation and Accounting Policies).

Table of Contents**Selected financial data**

Our financial performance for each of the last five quarters is summarized in Figure 1.

Figure 1. Selected Financial Data

Amounts in millions, except per share amounts	2015		2014			Nine months ended	
	Third	Second	First	Fourth	Third	2015	2014
PER THE PERIOD							
Investment income	\$ 661	\$ 652	\$ 636	\$ 646	\$ 639	\$ 1,949	\$ 1,900
Investment expense	70	68	65	64	64	203	199
Interest income	591	584	571	582	575	1,746	1,711
Provision for credit losses	45	41	35	22	19	121	33
Interest expense	470	488	437	490	417	1,395	1,300
Interest expense	724	711	669	704	706	2,104	2,050
Income (loss) from continuing operations before income taxes	292	320	304	346	267	916	922
Income (loss) from continuing operations attributable to Key	222	235	228	251	203	685	688
Income (loss) from discontinued operations, net of taxes ^(a)	(3)	3	5	2	(17)	5	(4)
Income (loss) attributable to Key	219	238	233	253	186	690	644
Income (loss) from continuing operations attributable to Key common shareholders	216	230	222	246	197	668	677
Income (loss) from discontinued operations, net of taxes ^(a)	(3)	3	5	2	(17)	5	(4)
Income (loss) attributable to Key common shareholders	213	233	227	248	180	673	633
PER COMMON SHARE							
Income (loss) from continuing operations attributable to Key common shareholders	\$.26	\$.27	\$.26	\$.29	\$.23	\$.79	\$.77
Income (loss) from discontinued operations, net of taxes ^(a)			.01		(.02)	.01	(.01)
Income (loss) attributable to Key common shareholders ^(b)	.26	.28	.27	.29	.21	.80	.76
Income (loss) from continuing operations attributable to Key common shareholders assuming dilution	\$.26	\$.27	\$.26	\$.28	\$.23	\$.78	\$.77
Income (loss) from discontinued operations, net of taxes assuming dilution ^(a)			.01		(.02)	.01	(.01)
Income (loss) attributable to Key common shareholders assuming dilution ^(b)	.25	.27	.26	.28	.21	.79	.76
Dividends paid	.075	.075	.065	.065	.065	.215	.180
Book value at period end	12.47	12.21	12.12	11.91	11.74	12.47	11.74

tangible book value at period end	11.17	10.92	10.84	10.65	10.47	11.17	10.4
arket price:							
an	15.46	15.70	14.74	14.18	14.62	15.70	14.7
	12.65	13.90	12.04	11.55	12.97	12.04	12.2
e	13.01	15.02	14.16	13.90	13.33	13.01	13.3
ghted-average common shares standing (000)	831,430	839,454	848,580	858,811	867,350	839,758	875,72
ghted-average common shares and ntial common shares outstanding (000) ^(c)	838,880	846,312	857,122	886,186	874,122	847,371	882,45
PERIOD END							
as	\$ 60,085	\$ 58,264	\$ 57,953	\$ 57,381	\$ 56,155	\$ 60,085	\$ 56,15
ing assets	83,779	82,964	82,624	82,269	78,310	83,779	78,31
l assets	95,422	94,606	94,206	93,821	89,784	95,422	89,78
osits	71,073	70,669	71,622	71,998	68,456	71,073	68,45
g-term debt	10,310	10,267	8,713	7,875	7,172	10,310	7,17
common shareholders' equity	10,415	10,300	10,313	10,239	10,195	10,415	10,19
shareholders' equity	10,705	10,590	10,603	10,530	10,486	10,705	10,48
PERFORMANCE RATIOS FROM CONTINUING OPERATIONS							
rn on average total assets	.95%	1.03%	1.03%	1.12%	.92%	1.00%	1.0
rn on average common equity	8.30	8.96	8.76	9.50	7.68	8.67	8.8
rn on average tangible common equity ^(d)	9.27	10.01	9.80	10.64	8.55	9.69	9.8
nterest margin (TE)	2.87	2.88	2.91	2.94	2.96	2.88	2.9
n efficiency ratio ^(d)	66.9	65.1	65.1	64.4	69.7	65.7	66
PERFORMANCE RATIOS FROM CONSOLIDATED OPERATIONS							
rn on average total assets	.92%	1.02%	1.03%	1.10%	.81%	.99%	.9
rn on average common equity	8.19	9.07	8.96	9.58	7.01	8.74	8.3
rn on average tangible common equity ^(d)	9.14	10.14	10.02	10.72	7.81	9.76	9.2
nterest margin (TE)	2.84	2.85	2.88	2.93	2.94	2.85	2.9
n-to-deposit ^(e)	89.3	87.3	86.9	84.6	87.4	89.3	87
CAPITAL RATIOS AT PERIOD END							
shareholders' equity to assets	11.22%	11.19%	11.26%	11.22%	11.68%	11.22%	11.6
common shareholders' equity to assets	10.91	10.89	10.95	10.91	11.36	10.91	11.3
gible common equity to tangible assets ^(d)	9.90	9.86	9.92	9.88	10.26	9.90	10.2
mon Equity Tier 1 ^(d)	10.47	10.71	10.64	N/A	N/A	10.47	N/A
l common equity ^(d)	N/A	N/A	N/A	11.17	11.26	N/A	11.2
l risk-based capital	10.87	11.11	11.04	11.90	12.01	10.87	12.0
l risk-based capital	12.47	12.66	12.79	13.89	14.10	12.47	14.1
verage	10.68	10.74	10.91	11.26	11.15	10.68	11.1
JUST AND BROKERAGE ASSETS							
ets under management	\$ 35,158	\$ 38,399	\$ 39,281	\$ 39,157	\$ 39,283	\$ 35,158	\$ 39,28
managed and brokerage assets	46,796	48,789	49,508	49,147	48,273	46,796	48,27
OTHER DATA							
verage full-time-equivalent employees	13,555	13,455	13,591	13,590	13,905	13,525	13,94

ches	972	989	992	994	997	972	99
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- (a) In April 2009, we decided to wind down the operations of Austin, a subsidiary that specialized in managing hedge fund investments for institutional customers. In September 2009, we decided to discontinue the education lending business conducted through Key Education Resources, the education payment and financing unit of KeyBank. In February 2013, we decided to sell Victory to a private equity fund. As a result of these decisions, we have accounted for these businesses as discontinued operations. For further discussion regarding the income (loss) from discontinued operations, see Note 11 (Acquisitions and Discontinued Operations).
- (b) EPS may not foot due to rounding.
- (c) Assumes conversion of common share options and other stock awards and/or convertible preferred stock, as applicable.
- (d) See Figure 7 entitled GAAP to Non-GAAP Reconciliations, which presents the computations of certain financial measures related to tangible common equity, Common Equity Tier 1 (compliance date of January 1, 2015, under the Regulatory Capital Rules), Tier 1 common equity (prior to January 1, 2015), and cash efficiency. The table reconciles the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.
- (e) Represents period-end consolidated total loans and loans held for sale (excluding education loans in the securitizations trusts for periods prior to September 30, 2014) divided by period-end consolidated total deposits (excluding deposits in foreign office).

Table of Contents

Forward-looking statements

From time to time, we have made or will make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as goal, objective, plan, expect, assume, anticipate, intend, project, believe, estimate, or other words of similar meaning. Forward-looking statements provide our current expectations or forecasts of future events, circumstances, results or aspirations. Our disclosures in this report contain forward-looking statements. We may also make forward-looking statements in other documents filed with or furnished to the SEC. In addition, we may make forward-looking statements orally to analysts, investors, representatives of the media, and others.

Forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause our actual results to differ from those described in forward-looking statements include, but are not limited to:

deterioration of commercial real estate market fundamentals;

defaults by our loan counterparties or clients;

adverse changes in credit quality trends;

declining asset prices;

our concentrated credit exposure in commercial, financial and agricultural loans;

the extensive and increasing regulation of the U.S. financial services industry;

changes in accounting policies, standards, and interpretations;

breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;

operational or risk management failures by us or critical third parties;

negative outcomes from claims or litigation;

the occurrence of natural or man-made disasters or conflicts or terrorist attacks;

increasing capital and liquidity standards under applicable regulatory rules;

unanticipated changes in our liquidity position, including but not limited to, changes in the cost of liquidity, our ability to enter the financial markets, and to secure alternative funding sources;

our ability to receive dividends from our subsidiary, KeyBank;

downgrades in our credit ratings or those of KeyBank;

a reversal of the U.S. economic recovery due to financial, political, or other shocks;

our ability to anticipate interest rate changes and manage interest rate risk;

deterioration of economic conditions in the geographic regions where we operate;

the soundness of other financial institutions;

Table of Contents

our ability to attract and retain talented executives and employees and to manage our reputational risks;

our ability to timely and effectively implement our strategic initiatives;

increased competitive pressure due to industry consolidation;

unanticipated adverse effects of strategic partnerships or acquisitions and dispositions of assets or businesses; and

our ability to develop and effectively use the quantitative models we rely upon in our business planning. Any forward-looking statements made by us or on our behalf speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances. Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in our SEC filings, including this report on Form 10-Q and our subsequent reports on Forms 8-K, 10-Q, and 10-K, and our registration statements under the Securities Act of 1933, as amended, all of which are or will upon filing be accessible on the SEC's website at www.sec.gov and on our website at www.key.com/ir.

Economic overview

The economy slowed again in the third quarter of 2015, with real GDP tracking .9% after a second quarter rebound in real GDP of 3.9% on the heels of strong inventory investment. While confidence remains high, job growth has slowed, substantial wage growth has yet to materialize, and consumer spending remains modest. Additionally, housing market data has underwhelmed, with slow growth in single-family construction and only modest gains in existing home sales and home price appreciation in 2015. Concerns regarding the global economy, particularly slowing in emerging markets and the uncertainty around Chinese growth, as well as prospective Federal Reserve actions and mixed economic data in the U.S. have kept markets in check throughout the third quarter of 2015.

In the third quarter of 2015, weak income growth continued to be a constraint on consumption, although fundamentals appear to be strengthening. Real spending was modest, growing slowly at .4% in July and August. Vehicle sales continued their positive momentum, averaging a seasonally adjusted annual rate of 17.8 million units in the third quarter, up from an average seasonally adjusted annual rate of 17.2 million units during the second quarter. Consumer confidence was high, with the Conference Board measure ending the third quarter of 2015 at 103, up from 99.8 at the end of the second quarter and remaining at levels not seen since before the Great Recession. Inflation remains well below the Federal Reserve target, with the core personal consumption expenditure index up just 1.3% year-over-year as of August 2015.

In the labor market, average monthly job gains decreased to 167,000 during the third quarter of 2015, compared to the average of 231,000 in the second quarter of 2015. Gains were broad, with improvement across industry sectors. The unemployment rate declined, finishing the quarter at 5.1%; however, this decrease was driven in part by post-recession low labor force participation as 350,000 workers exited the labor force in September. In addition, wage growth has yet to accelerate, with average hourly earnings ending the quarter flat month-over-month after rising .4% in August and .2% in July.

The housing market was fairly sluggish in the third quarter of 2015, with different results between indicators on a month-to-month basis. Existing home sales increased, ending the third quarter of 2015 at 5.6 million units, or 1.3% quarter-over-quarter, and reversing a 5% month-over-month drop in August sales. New home sales ended the third quarter of 2015 flat from the second quarter as September sales dropped 11.5% from August. Additionally, housing starts were flat over the quarter, totaling a seasonally adjusted annual rate of 1.21 million in September 2015, as multi-family starts contracted 11.1% over the quarter. Permits ended the third quarter 17.5% lower, primarily due to a significant decline in multi-family dwelling permits of 37.1% over the quarter. Home price appreciation modestly increased, up 6.9% year-over-year in August 2015.

The Federal Reserve remained accommodative in the third quarter of 2015, continuing to reinvest principal payments to ease financial conditions. Forward guidance is unclear as to when the Federal Open Market Committee will raise the federal funds target rate, as economic data and inflation measures remain weaker than their established targets, and global growth is slowing, particularly in emerging economies. Weaker economic data, geopolitical tensions, and cautious forward guidance have held rates in check. The yield on the 10-year U.S. Treasury declined 37 basis points during the third quarter of 2015 and finished the quarter at 2.06% as volatility in U.S. and global equity markets put downward pressure on yields.

Table of Contents**Long-term financial goals**

Our long-term financial goals are as follows:

Improve balance sheet efficiency by targeting a loan-to-deposit ratio range of 90% to 100%;

Maintain a moderate risk profile by targeting a net loan charge-offs to average loans ratio and provision for credit losses to average loans ratio in the range of .40% to .60%;

Grow high quality and diverse revenue streams by targeting a net interest margin in excess of 3.50%, and a ratio of noninterest income to total revenue of greater than 40%;

Generate positive operating leverage and target a cash efficiency ratio of less than 60%; and

Maintain disciplined capital management and target a return on average assets in the range of 1.00% to 1.25%. Figure 2 shows the evaluation of our long-term financial goals for the three and nine months ended September 30, 2015.

Figure 2. Evaluation of Our Long-Term Financial Goals

KEY Business Model	Key Metrics ^(a)	3Q15	YTD 2015	Targets
Balance sheet efficiency	Loan-to-deposit ratio ^(b)	89%	89%	90 - 100%
Moderate risk profile	Net loan charge-offs to average loans	.27%	.24%	.40 - .60%
	Provision for credit losses to average loans	.30%	.28%	
High quality, diverse revenue streams	Net interest margin	2.87%	2.88%	> 3.50%
	Noninterest income to total revenue	44%	44%	> 40%
Positive operating leverage	Cash efficiency ratio ^(c)	66.9%	65.7%	< 60%
Disciplined capital management	Return on average assets	.95%	1.00%	1.00 - 1.25%

(a) Calculated from continuing operations, unless otherwise noted.

(b) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits (excluding deposits in foreign office).

(c) Excludes intangible asset amortization; non-GAAP measure: see Figure 7 for reconciliation.

Strategic developments

We initiated the following actions during the first nine months of 2015 to support our corporate strategy described in the Introduction section under the Corporate strategy heading on page 36 of our 2014 Form 10-K.

We continue to focus on growing our businesses and remain committed to improving productivity and efficiency. During the first nine months of 2015, we generated positive operating leverage, with revenue up 4.1% from 2014. Net interest income benefited from solid loan growth, driven by a 12% increase in average commercial, financial and agricultural loans. Noninterest income benefited from increases in several of our core fee-based businesses: investment banking and debt placement fees, which had record high fees in the second quarter of 2015 due to stronger financial advisory fees and loan syndications, trust and investment services income, corporate services income, and cards and payments income. Although noninterest expense increased from prior year, this increase was primarily due to higher performance-based compensation and the third quarter 2014 acquisition of Pacific Crest Securities.

Our strong risk management practices and a more favorable credit environment resulted in another quarter of solid credit quality trends. For the nine months ended September 30, 2015, net loan charge-offs were .24% of average loans and the provision for credit losses was .28% of average loans, both well below our targeted range.

Table of Contents

Capital management remains a priority for the remainder of 2015. On March 11, 2015, the Federal Reserve announced that it did not object to our 2015 capital plan submitted as part of the annual CCAR process. The 2015 capital plan includes a common share repurchase program of up to \$725 million, including repurchases to offset issuances of common shares under our employee compensation plans. Common share repurchases under the 2015 capital plan began in the second quarter of 2015. During the second and third quarters of 2015, we completed \$252 million of common share repurchases under this authorization.

Our 2015 capital plan also proposed a 15% increase in our quarterly common share dividend to \$.075 per share, which was approved by our Board in May 2015. Consistent with our 2015 capital plan, we made a dividend payment of \$.075 per common share for each of the second and third quarters of 2015. An additional potential increase in our quarterly common share dividend, up to \$.085 per share, will be considered by the Board in 2016 for the fifth quarter of the 2015 capital plan. We anticipate these actions will lead to an estimated payout ratio that is among the highest in our peer group for the third consecutive year.

Demographics

We have two major business segments: Key Community Bank and Key Corporate Bank.

Key Community Bank serves individuals and small to mid-sized businesses by offering a variety of deposit, investment, lending, credit card, and personalized wealth management products and business advisory services. These products and services are provided through our relationship managers and specialists working in our 12-state branch network, which is organized into eight internally defined geographic regions: Pacific, Rocky Mountains, Indiana, Western Ohio and Michigan, Eastern Ohio, Western New York, Eastern New York, and New England.

Figure 3 shows the geographic diversity of Key Community Bank's average deposits, commercial loans, and home equity loans.

Figure 3. Key Community Bank Geographic Diversity

Three months ended	Geographic Region								Total	
	Pacific	Rocky Mountains	Indiana	West Ohio/ Michigan	East Ohio	Western New York	Eastern New York	New England		
September 30, 2015										
<i>Dollars in millions</i>									NonRegion ^(a)	
Average deposits	\$ 12,007	\$ 5,335	\$ 2,370	\$ 4,540	\$ 9,485	\$ 4,871	\$ 7,747	\$ 2,886	\$ 1,993	\$ 51,234
Percent of total	23.5%	10.4%	4.6%	8.9%	18.5%	9.5%	15.1%	5.6%	3.9%	100.0%
Average commercial loans	\$ 3,600	\$ 1,745	\$ 864	\$ 1,164	\$ 2,385	\$ 615	\$ 1,853	\$ 847	\$ 3,140	\$ 16,213
Percent of total	22.2%	10.8%	5.3%	7.2%	14.7%	3.8%	11.4%	5.2%	19.4%	100.0%
Average home equity loans	\$ 3,265	\$ 1,562	\$ 500	\$ 834	\$ 1,266	\$ 837	\$ 1,277	\$ 662	\$ 78	\$ 10,281
Percent of total	31.8%	15.2%	4.9%	8.1%	12.3%	8.1%	12.4%	6.4%	.8%	100.0%

(a)

Represents average deposits, commercial loan products, and home equity loan products centrally managed outside of our eight Key Community Bank regions.

Key Corporate Bank is a full-service corporate and investment bank focused principally on serving the needs of middle market clients in seven industry sectors: consumer, energy, healthcare, industrial, public sector, real estate, and technology. Key Corporate Bank delivers a broad suite of banking and capital markets products to its clients, including syndicated finance, debt and equity capital markets, commercial payments, equipment finance, commercial mortgage banking, derivatives, foreign exchange, financial advisory, and public finance. Key Corporate Bank is also a significant servicer of commercial mortgage loans and a significant special servicer of CMBS. Key Corporate Bank delivers many of its product capabilities to clients of Key Community Bank.

Further information regarding the products and services offered by our Key Community Bank and Key Corporate Bank segments is included in this report in Note 18 (Line of Business Results).

Table of Contents**Supervision and regulation****Regulatory reform developments**

On July 21, 2010, the Dodd-Frank Act became law. It was intended to address perceived deficiencies and gaps in the regulatory framework for financial services in the U.S., reduce the risks of bank failures, better equip the nation's regulators to guard against or mitigate any future financial crises, and manage systemic risk through increased supervision of bank and nonbank SIFIs, such as KeyCorp and KeyBank. Further discussion concerning the Dodd-Frank Act, related regulatory developments, and the risks that they present to Key is available under the heading "Supervision and Regulation" in Item 1. Business and under the heading "II. Compliance Risks" in Item 1A. Risk Factors of our 2014 Form 10-K. Many proposed rules referenced in our prior reports remain pending. The following discussion provides a summary of relevant regulatory developments relating to the Dodd-Frank Act or that relate to our results this quarter.

Regulatory capital rules

In October 2013, federal banking regulators published the final Basel III capital framework for U.S. banking organizations (the "Regulatory Capital Rules"). The Regulatory Capital Rules generally implement in the U.S. the Basel III capital framework published by the Basel Committee in December 2010 and revised in June 2011 (the "Basel III capital framework"). The Basel III capital framework and the U.S. implementation of the Basel III capital framework are discussed in more detail in Item 1. Business of our 2014 Form 10-K under the heading "Supervision and Regulation - Basel III capital and liquidity frameworks."

While the Regulatory Capital Rules became effective on January 1, 2014, the mandatory compliance date for Key as a "standardized approach" banking organization was January 1, 2015, subject to transitional provisions extending to January 1, 2019.

New minimum capital and leverage ratio requirements

Under the Regulatory Capital Rules, "standardized approach" banking organizations, like Key, are required to meet the minimum capital and leverage ratios set forth in Figure 4 below. At September 30, 2015, Key had an estimated Common Equity Tier 1 Capital Ratio of 10.37% under the fully phased-in Regulatory Capital Rules. Also at September 30, 2015, based on the fully phased-in Regulatory Capital Rules, Key estimates that its capital and leverage ratios, after adjustment for market risk, would be as set forth in Figure 4.

Figure 4. Estimated Ratios vs. Minimum Capital Ratios Calculated Under the Fully Phased-In Regulatory Capital Rules

Ratios (including Capital conservation buffer)	Key		Phase-in Period	Minimum January 1, 2019
	September 30, 2015 Estimated	Minimum January 1, 2015		
Common Equity Tier 1 ^(a)	10.4%	4.5%	None	4.5%
Capital conservation buffer ^(b)			1/1/16 - 1/1/19	2.5
Common Equity Tier 1 + Capital conservation buffer		4.5	1/1/16 - 1/1/19	7.0
Tier 1 Capital	10.7	6.0	None	6.0

Tier 1 Capital + Capital conservation buffer		6.0	1/1/16 - 1/1/19	8.5
Total Capital	12.4	8.0	None	8.0
Total Capital + Capital conservation buffer		8.0	1/1/16 - 1/1/19	10.5
Leverage ^(c)	10.5	4.0	None	4.0

- (a) See Figure 7 entitled GAAP to Non-GAAP Reconciliations, which presents the computation for estimated Common Equity Tier 1. The table reconciles the GAAP performance measure to the corresponding non-GAAP measure, which provides a basis for period-to-period comparisons.
- (b) Capital conservation buffer must consist of Common Equity Tier 1 capital. As a standardized approach banking organization, KeyCorp is not subject to the countercyclical capital buffer of up to 2.5% imposed upon an advanced approaches banking organization under the Regulatory Capital Rules.
- (c) As a standardized approach banking organization, KeyCorp is not subject to the 3% supplemental leverage ratio requirement, which becomes effective January 1, 2018.

Table of Contents*Revised prompt corrective action capital category ratios*

Under the Regulatory Capital Rules, the prompt corrective action capital category threshold ratios applicable to FDIC-insured depository institutions such as KeyBank were revised effective January 1, 2015. Figure 5 identifies the capital category threshold ratios for a well capitalized and an adequately capitalized institution under the Regulatory Capital Rules.

Figure 5. Well Capitalized and Adequately Capitalized Capital Category Ratios under Revised Prompt Corrective Action Rules

Prompt Corrective Action Ratio	Capital Category	
	Well Capitalized ^(a)	Adequately Capitalized
Common Equity Tier 1 Risk-Based	6.5%	4.5%
Tier 1 Risk-Based	8.0	6.0
Total Risk-Based	10.0	8.0
Tier 1 Leverage ^(b)	5.0	4.0

(a) A well capitalized institution also must not be subject to any written agreement, order or directive to meet and maintain a specific capital level for any capital measure.

(b) As a standardized approach banking organization, KeyBank is not subject to the 3% supplemental leverage ratio requirement, which becomes effective January 1, 2018.

As of September 30, 2015, KeyBank meets all well capitalized capital adequacy requirements under the Regulatory Capital Rules.

Liquidity coverage ratio

In October 2014, federal banking agencies published the final Basel III liquidity framework for U.S. banking organizations (the Liquidity Coverage Rules) that create a minimum LCR for certain internationally active bank and nonbank financial companies (excluding KeyCorp) and a modified version of the LCR (Modified LCR) for bank holding companies and other depository institution holding companies with over \$50 billion in consolidated assets that are not internationally active (including KeyCorp).

As a Modified LCR bank holding company under the Liquidity Coverage Rules, Key will be required to maintain high-quality liquid assets of at least 100% of its total net cash outflow amount determined by prescribed assumptions in a standardized hypothetical stress scenario over a 30-calendar day period. Implementation for Modified LCR banking organizations, like Key, will begin on January 1, 2016, with a minimum requirement of 90% coverage, reaching 100% coverage by January 1, 2017. For the third quarter of 2015, our estimated Modified LCR was above 100%. In the future, we may change the composition of our investment portfolio, increase the size of the overall investment portfolio, and modify product offerings to enhance or optimize our liquidity position.

KeyBank will not be subject to the LCR or the Modified LCR under the Liquidity Coverage Rules unless the OCC affirmatively determines that application of the LCR or the Modified LCR to KeyBank is appropriate in light of its asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

Net stable funding ratio

As previously disclosed in the Supervision and Regulation section of Item 1. Business of our 2014 Form 10-K under the heading Basel III capital and liquidity frameworks, the Basel Committee finalized the Basel III net stable funding ratio (NSFR) in October 2014. The Basel Committee published final Basel III NSFR disclosure standards in June 2015. The federal banking regulators, however, have yet to issue any proposal to implement either the final Basel III NSFR or the final Basel III NSFR disclosure standards.

Common equity surcharge

In July 2015, the Federal Reserve adopted a final rule to implement the common equity surcharge on U.S. global systemically important banks (G-SIBs). The final rule is effective December 1, 2015, although the surcharge, which will be added to the capital conservation buffer under the Regulatory Capital Rules, will be phased in during the January 1, 2016, through January 1, 2019, period. Notably this final rule applies to advanced approaches banking organizations, not standardized approach banking organizations like Key. In addition, unlike what was proposed under the U.S. G-SIB Notice of Proposed Rulemaking, the final rule does not require KeyCorp to determine annually whether it is a U.S. G-SIB unless it becomes an advanced approaches banking organization.

Table of Contents**Highlights of Our Performance****Financial performance**

For the third quarter of 2015, we announced net income from continuing operations attributable to Key common shareholders of \$216 million, or \$.26 per common share. Our third quarter of 2015 results compare to net income from continuing operations attributable to Key common shareholders of \$197 million, or \$.23 per common share, for the third quarter of 2014.

Our taxable-equivalent net interest income was \$598 million for the third quarter of 2015, and the net interest margin was 2.87%. These results compare to taxable-equivalent net interest income of \$581 million and a net interest margin of 2.96% for the third quarter of 2014. The increase in net interest income reflects higher earning asset balances moderated by lower earning asset yields, which also drove the decline in the net interest margin. For the full year of 2015, without the benefit of higher rates, we expect low-single-digit growth in net interest income compared to the prior year. We expect the net interest margin to be relatively stable with the third quarter of 2015, reflecting continued elevated levels of liquidity.

Our noninterest income was \$470 million for the third quarter of 2015, compared to \$417 million for the year-ago quarter. The increase from the prior year was primarily attributable to strength in our core fee-based businesses, which included a full-quarter impact of the September 2014 acquisition of Pacific Crest Securities. The third quarter of 2015 included \$21 million of higher investment banking and debt placement fees, \$15 million of increased corporate services income, and \$9 million of higher trust and investment services income. Additionally, cards and payments income increased \$5 million due to higher revenue from credit card and merchant fees. For the full year of 2015, we expect mid-single-digit growth in our noninterest income compared to the prior year.

Our noninterest expense was \$724 million for the third quarter of 2015, compared to \$706 million in the third quarter of last year. Personnel costs increased \$21 million year-over-year primarily due to increased performance-based compensation related to a strong capital markets business performance, along with a full-quarter impact of the September 2014 acquisition of Pacific Crest Securities. Nonpersonnel expense remained relatively stable as lower occupancy costs offset an increase in business services and professional fees. For the full year of 2015, we expect noninterest expense to be relatively stable with 2014.

Average loans were \$59.3 billion for the third quarter of 2015, an increase of \$3.5 billion compared to the third quarter of 2014. The loan growth occurred primarily in the commercial, financial and agricultural portfolio, which increased \$3.9 billion and was broad-based across our commercial lines of business. Consumer loans declined \$214 million as a result of the run-off in our consumer exit portfolios. Our core consumer loan portfolio remained relatively stable to the year-ago quarter. For the full year of 2015, we anticipate average loan growth in the mid-single-digit range, benefiting from the strength in our commercial business.

Average deposits, excluding deposits in foreign office, totaled \$70 billion for the third quarter of 2015, an increase of \$2.2 billion compared to the year-ago quarter. NOW and money market deposit accounts increased by \$2.3 billion, and noninterest-bearing deposits increased by \$966 million, reflecting continued growth in the commercial mortgage servicing business and inflows from commercial and consumer clients. These increases were partially offset by a decline in certificates of deposit.

Our provision for credit losses was \$45 million for the third quarter of 2015, compared to \$19 million for the year-ago quarter. Our ALLL was \$790 million, or 1.31% of total period-end loans at September 30, 2015, compared to 1.43% at September 30, 2014. We expect our provision for credit losses to approximate the level of net loan charge-offs for

the remainder of the year.

Net loan charge-offs for the third quarter of 2015 totaled \$41 million, or .27% of average total loans, compared to .22% for the same period last year. We expect net loan charge-offs to average total loans to continue to be below our targeted range of .40% to .60% for the remainder of the year.

At September 30, 2015, our nonperforming loans totaled \$400 million and represented .67% of period-end portfolio loans, compared to .71% at September 30, 2014. Nonperforming assets at September 30, 2015, totaled \$417 million and represented .69% of period-end portfolio loans and OREO and other nonperforming assets, compared to .74% at September 30, 2014.

Our capital ratios remain strong. Our tangible common equity and Tier 1 risk-based capital ratios at September 30, 2015, are 9.90% and 10.87%, respectively, compared to 10.26% and 12.01%, respectively, at September 30, 2014. In addition, our Common Equity Tier 1 ratio is 10.47% at September 30, 2015. We continue to return capital to our shareholders by repurchasing common shares and through our quarterly common share dividend. In the third quarter of 2015, we repurchased \$123 million of common shares and paid a cash dividend of \$.075 per common share under our 2015 capital plan authorization.

Table of Contents

Figure 6 shows our continuing and discontinued operating results for the current, past, and year-ago quarters and the current and year-ago periods-to-date. Our financial performance for each of the past five quarters is summarized in Figure 1.

Figure 6. Results of Operations

<i>in millions, except per share amounts</i>	Three months ended			Nine months ended	
	9-30-15	6-30-15	9-30-14	9-30-15	9-30-14
Summary of operations					
Income (loss) from continuing operations attributable to Key	\$ 222	\$ 235	\$ 203	\$ 685	\$ 688
Income (loss) from discontinued operations, net of taxes ^(a)	(3)	3	(17)	5	(41)
Net income (loss) attributable to Key	\$ 219	\$ 238	\$ 186	\$ 690	\$ 647
Income (loss) from continuing operations attributable to Key	\$ 222	\$ 235	\$ 203	\$ 685	\$ 688
Less: Dividends on Series A Preferred Stock	6	5	6	17	17
Income (loss) from continuing operations attributable to Key common shareholders	216	230	197	668	671
Income (loss) from discontinued operations, net of taxes ^(a)	(3)	3	(17)	5	(41)
Net income (loss) attributable to Key common shareholders	\$ 213	\$ 233	\$ 180	\$ 673	\$ 630
Per common share assuming dilution					
Income (loss) from continuing operations attributable to Key common shareholders	\$.26	\$.27	\$.23	\$.78	\$.76
Income (loss) from discontinued operations, net of taxes ^(a)			(.02)	.01	(.05)
Net income (loss) attributable to Key common shareholders ^(b)	\$.25	\$.27	\$.21	\$.79	\$.71

(a) In April 2009, we decided to wind down the operations of Austin, a subsidiary that specialized in managing hedge fund investments for institutional customers. In September 2009, we decided to discontinue the education lending business conducted through Key Education Resources, the education payment and financing unit of KeyBank. In February 2013, we decided to sell Victory to a private equity fund. As a result of these decisions, we have accounted for these businesses as discontinued operations. For further discussion regarding the income (loss) from discontinued operations, see Note 11 (Acquisitions and Discontinued Operations).

(b) EPS may not foot due to rounding.

Figure 7 presents certain non-GAAP financial measures related to tangible common equity, return on tangible common equity, Common Equity Tier 1, Tier 1 common equity, pre-provision net revenue, cash efficiency ratio, Common Equity Tier 1 under the Regulatory Capital Rules (estimates).

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

BHC capital adequacy based on both the amount and the composition of capital, the calculation of which is prescribed in federal banking regulations. The Federal Reserve focuses its assessment of capital adequacy on a component of Tier 1 capital known as Common Equity Tier 1. Because the Federal Reserve has long indicated that voting common shareholders' equity (essentially Tier 1 risk-based capital less preferred stock, qualifying capital securities and noncontrolling interests in subsidiaries) generally should be the dominant element in Tier 1 risk-based capital, this focus on Common Equity Tier 1 is consistent with existing capital adequacy categories. The Regulatory Capital Rules, described in more detail under the section "Supervision and regulation" in Item 2 of this report, also make Common Equity Tier 1 a priority. The Regulatory Capital Rules change the regulatory capital standards that apply to BHCs by, among other changes, phasing out the treatment of trust preferred securities and cumulative preferred securities as Tier 1 eligible capital. By 2016, our trust preferred securities will only be included in Tier 2 capital. Since analysts and banking regulators may assess our capital adequacy using tangible common equity and Common Equity Tier 1, we believe it is useful to enable investors to assess our capital adequacy on these same bases. Figure 7 also reconciles the GAAP performance measures to the corresponding non-GAAP measures.

Figure 7 also shows the computation for and reconciliation of pre-provision net revenue, which is not formally defined by GAAP. We believe that eliminating the effects of the provision for credit losses makes it easier to analyze our results by presenting them on a more comparable basis.

The cash efficiency ratio is a ratio of two non-GAAP performance measures. Accordingly, there is no directly comparable GAAP performance measure. The cash efficiency ratio excludes the impact of our intangible asset amortization from the calculation. We believe this ratio provides greater consistency and comparability between our results and those of our peer banks. Additionally, this ratio is used by analysts and investors as they develop earnings forecasts and peer bank analysis.

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

Table of Contents**Figure 7. GAAP to Non-GAAP Reconciliations**

<i>dollars in millions</i>	Three months ended				
	9-30-15	6-30-15	3-31-15	12-31-14	9-30-14
Tangible common equity to tangible assets at period end					
Key shareholders equity (GAAP)	\$ 10,705	\$ 10,590	\$ 10,603	\$ 10,530	\$ 10,486
Less: Intangible assets ^(a)	1,084	1,085	1,088	1,090	1,105
Series A Preferred Stock ^(b)	281	281	281	282	282
Tangible common equity (non-GAAP)	\$ 9,340	\$ 9,224	\$ 9,234	\$ 9,158	\$ 9,099
Total assets (GAAP)	\$ 95,422	\$ 94,606	\$ 94,206	\$ 93,821	\$ 89,784
Less: Intangible assets ^(a)	1,084	1,085	1,088	1,090	1,105
Tangible assets (non-GAAP)	\$ 94,338	\$ 93,521	\$ 93,118	\$ 92,731	\$ 88,679
Tangible common equity to tangible assets ratio (non-GAAP)	9.90%	9.86%	9.92%	9.88%	10.26%
Common Equity Tier 1 at period end					
Key shareholders equity (GAAP)	\$ 10,705	\$ 10,590	\$ 10,603		
Less: Series A Preferred Stock ^(b)	281	281	281		
Common Equity Tier 1 capital before adjustments and deductions	10,424	10,309	10,322		
Less: Goodwill, net of deferred taxes	1,036	1,034	1,036		
Intangible assets, net of deferred taxes	29	33	36		
Deferred tax assets	1	1	1		
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	54		52		
Accumulated gains (losses) on cash flow hedges, net of deferred taxes	21	(20)	(8)		
Amounts in AOCI attributed to pension and postretirement benefit costs, net of deferred taxes	(385)	(361)	(364)		
Total Common Equity Tier 1 capital	\$ 9,668	\$ 9,622	\$ 9,569		
Net risk-weighted assets (regulatory)	\$ 92,307	\$ 89,851	\$ 89,967		
Common Equity Tier 1 ratio (non-GAAP)	10.47%	10.71%	10.64%		
Tier 1 common equity at period end					
Key shareholders equity (GAAP)				\$ 10,530	\$ 10,486
Qualifying capital securities				339	340
Less: Goodwill				1,057	1,051
				(395)	(366)

Accumulated other comprehensive income (loss) ^(c)					
Other assets ^(d)				83	110
Total Tier 1 capital (regulatory)				10,124	10,031
Less: Qualifying capital securities				339	340
Series A Preferred Stock ^(b)				282	282
Total Tier 1 common equity (non-GAAP)				\$ 9,503	\$ 9,409
Net risk-weighted assets (regulatory)				\$ 85,100	\$ 83,547
Tier 1 common equity ratio (non-GAAP)				11.17%	11.26%
Pre-provision net revenue					
Net interest income (GAAP)	\$ 591	\$ 584	\$ 571	\$ 582	\$ 575
Plus: Taxable-equivalent adjustment	7	7	6	6	6
Noninterest income (GAAP)	470	488	437	490	417
Less: Noninterest expense (GAAP)	724	711	669	704	706
Pre-provision net revenue from continuing operations (non-GAAP)	\$ 344	\$ 368	\$ 345	\$ 374	\$ 292
Average tangible common equity					
Average Key shareholders equity (GAAP)	\$ 10,614	\$ 10,590	\$ 10,570	\$ 10,562	\$ 10,473
Less: Intangible assets (average) ^(e)	1,083	1,086	1,089	1,096	1,037
Series A Preferred Stock (average)	290	290	290	291	291
Average tangible common equity (non-GAAP)	\$ 9,241	\$ 9,214	\$ 9,191	\$ 9,175	\$ 9,145
Return on average tangible common equity from continuing operations					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 216	\$ 230	\$ 222	\$ 246	\$ 197
Average tangible common equity (non-GAAP)	9,241	9,214	9,191	9,175	9,145
Return on average tangible common equity from continuing operations (non-GAAP)	9.27%	10.01%	9.80%	10.64%	8.55%
Return on average tangible common equity consolidated					
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 213	\$ 233	\$ 227	\$ 248	\$ 180
Average tangible common equity (non-GAAP)	9,241	9,214	9,191	9,175	9,145
Return on average tangible common equity consolidated (non-GAAP)	9.14%	10.14%	10.02%	10.72%	7.81%
Cash efficiency ratio					
Noninterest expense (GAAP)	\$ 724	\$ 711	\$ 669	\$ 704	\$ 706
Less: Intangible asset amortization (GAAP)	9	9	9	10	10
Adjusted noninterest expense (non-GAAP)	\$ 715	\$ 702	\$ 660	\$ 694	\$ 696
Net interest income (GAAP)	\$ 591	\$ 584	\$ 571	\$ 582	\$ 575
Plus: Taxable-equivalent adjustment	7	7	6	6	6

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Noninterest income (GAAP)	470	488	437	490	417
Total taxable-equivalent revenue (non-GAAP)	\$ 1,068	\$ 1,079	\$ 1,014	\$ 1,078	\$ 998
Cash efficiency ratio (non-GAAP)	66.9%	65.1%	65.1%	64.4%	69.7%

- (a) For the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014, and September 30, 2014, intangible assets exclude \$50 million, \$55 million, \$61 million, \$68 million, and \$72 million, respectively, of period-end purchased credit card receivables.
- (b) Net of capital surplus.
- (c) Includes net unrealized gains or losses on securities available for sale (except for net unrealized losses on marketable equity securities), net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.
- (d) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at any quarter-end during 2014.

Table of Contents**Figure 7. GAAP to Non-GAAP Reconciliations, continued**

<i>dollars in millions</i>	Three months ended	
	9-30-15	
Common Equity Tier 1 under the Regulatory Capital Rules (estimates)		
Common Equity Tier 1 under current Regulatory Capital Rules	\$	9,668
Adjustments from current Regulatory Capital Rules to the fully phased-in Regulatory Capital Rules:		
Deferred tax assets and other intangible assets ^(f)		(46)
Common Equity Tier 1 anticipated under the fully phased-in Regulatory Capital Rules ^(g)	\$	9,622
Net risk-weighted assets under current Regulatory Capital Rules	\$	92,307
Adjustments from current Regulatory Capital Rules to the fully phased-in Regulatory Capital Rules:		
Mortgage servicing assets ^(h)		479
All other assets ⁽ⁱ⁾		1
Total risk-weighted assets anticipated under the fully phased-in Regulatory Capital Rules ^(g)	\$	92,787
Common Equity Tier 1 ratio under the fully phased-in Regulatory Capital Rules ^(g)		10.37%
<i>dollars in millions</i>	Nine months ended	
	9-30-15	9-30-14
Pre-provision net revenue		
Net interest income (GAAP)	\$ 1,746	\$ 1,711
Plus: Taxable-equivalent adjustment	20	18
Noninterest income (GAAP)	1,395	1,307
Less: Noninterest expense (GAAP)	2,104	2,057
Pre-provision net revenue from continuing operations (non-GAAP)	\$ 1,057	\$ 979
Average tangible common equity		
Average Key shareholders equity (GAAP)	\$ 10,591	\$ 10,435

Less: Intangible assets (average) ⁽ⁱ⁾	1,086	1,020
Preferred Stock, Series A (average)	290	291
Average tangible common equity (non-GAAP)	\$ 9,215	\$ 9,124
Return on average tangible common equity from continuing operations		
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 668	\$ 671
Average tangible common equity (non-GAAP)	9,215	9,124
Return on average tangible common equity from continuing operations (non-GAAP)	9.69%	9.83%
Return on average tangible common equity consolidated		
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 673	\$ 630
Average tangible common equity (non-GAAP)	9,215	9,124
Return on average tangible common equity consolidated (non-GAAP)	9.76%	9.23%
Cash efficiency ratio		
Noninterest expense (GAAP)	\$ 2,104	\$ 2,057
Less: Intangible asset amortization (GAAP)	27	29
Adjusted noninterest expense (non-GAAP)	\$ 2,077	\$ 2,028
Net interest income (GAAP)	\$ 1,746	\$ 1,711
Plus: Taxable-equivalent adjustment	20	18
Noninterest income (GAAP)	1,395	1,307
Total taxable-equivalent revenue (non-GAAP)	\$ 3,161	\$ 3,036
Cash efficiency ratio (non-GAAP)	65.7%	66.8%

- (e) For the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014, and September 30, 2014, average intangible assets exclude \$52 million, \$58 million, \$64 million, \$69 million, and \$76 million, respectively, of average purchased credit card receivables.
- (f) Includes the deferred tax assets subject to future taxable income for realization, primarily tax credit carryforwards, as well as the deductible portion of purchased credit card receivables.
- (g) The anticipated amount of regulatory capital and risk-weighted assets is based upon the federal banking agencies Regulatory Capital Rules (as fully phased-in on January 1, 2019); Key is subject to the Regulatory Capital Rules under the standardized approach.
- (h) Item is included in the 10%/15% exceptions bucket calculation and is risk-weighted at 250%.
- (i) Includes the phase-in of deferred tax assets arising from temporary differences at 250% risk-weight. Additionally, under the fully implemented rule, certain deferred tax assets and intangible assets subject to the transition provision are no longer required to be risk-weighted because they are deducted directly from capital.
- (j) For the nine months ended September 30, 2015, and September 30, 2014, average intangible assets exclude \$58 million and \$82 million, respectively, of average ending purchased credit card receivables.

Table of Contents

Results of Operations

Net interest income

One of our principal sources of revenue is net interest income. Net interest income is the difference between interest income received on earning assets (such as loans and securities) and loan-related fee income, and interest expense paid on deposits and borrowings. There are several factors that affect net interest income, including:

the volume, pricing, mix, and maturity of earning assets and interest-bearing liabilities;

the volume and value of net free funds, such as noninterest-bearing deposits and equity capital;

the use of derivative instruments to manage interest rate risk;

interest rate fluctuations and competitive conditions within the marketplace; and

asset quality.

To make it easier to compare results among several periods and the yields on various types of earning assets (some taxable, some not), we present net interest income in this discussion on a taxable-equivalent basis (i.e., as if it were all taxable and at the same rate). For example, \$100 of tax-exempt income would be presented as \$154, an amount that if taxed at the statutory federal income tax rate of 35% would yield \$100.

Figure 8 shows the various components of our balance sheet that affect interest income and expense, and their respective yields or rates over the past five quarters. This figure also presents a reconciliation of taxable-equivalent net interest income to net interest income reported in accordance with GAAP for each of those quarters. The net interest margin, which is an indicator of the profitability of the earning assets portfolio less cost of funding, is calculated by dividing annualized taxable-equivalent net interest income by average earning assets.

Taxable-equivalent net interest income was \$598 million for the third quarter of 2015, and the net interest margin was 2.87%. These results compare to taxable-equivalent net interest income of \$581 million and a net interest margin of 2.96% for the third quarter of 2014. The increase in net interest income reflects higher earning asset balances moderated by lower earning asset yields, which also drove the decline in the net interest margin.

For the nine months ended September 30, 2015, taxable-equivalent net interest income increased \$37 million and the net interest margin declined by 10 basis points compared to the same period one year ago. The increase in net interest income was primarily attributable to earning asset growth while the decline in the net interest margin was the result of lower earning asset yields.

Average loans were \$59.3 billion for the third quarter of 2015, an increase of \$3.5 billion compared to the third quarter of 2014. The loan growth occurred primarily in the commercial, financial and agricultural portfolio, which increased \$3.9 billion and was broad-based across our commercial lines of business. Consumer loans declined \$214 million as a result of the run-off in our consumer exit portfolios. Our core consumer loan portfolio remained relatively

stable to the year-ago quarter.

Our average securities available for sale portfolio increased \$2.3 billion from the third quarter of 2014 due to higher levels of liquidity, driven by deposit growth and long-term debt issuances. These actions benefited KeyBank's liquidity coverage ratio and credit ratings profile.

Average deposits, excluding deposits in foreign office, totaled \$70 billion for the third quarter of 2015, an increase of \$2.2 billion compared to the year-ago quarter. NOW and money market deposit accounts increased by \$2.3 billion, and noninterest-bearing deposits increased by \$966 million, reflecting continued growth in the commercial mortgage servicing business and inflows from commercial and consumer clients. These increases were partially offset by a decline in certificates of deposit.

Table of Contents**Figure 8. Consolidated Average Balance Sheets, Net Interest Income and Yields/Rates From Continuing Operations**

	Third Quarter 2015			Second Quarter 2015		
	Average	Yield/	Average	Yield/	Average	Yield/
<i>dollars in millions</i>	Balance	Interest ^(a)	Rate ^(a)	Balance	Interest ^(a)	Rate ^(a)
ASSETS						
Loans ^{(b), (c)}						
Commercial, financial and agricultural ^(d)	\$ 30,374	\$ 244	3.19%	\$ 29,017	\$ 233	3.23%
Real estate commercial mortgage	7,988	73	3.65	7,981	74	3.70
Real estate construction	1,164	11	3.78	1,199	11	3.60
Commercial lease financing	3,946	35	3.57	3,981	36	3.58
Total commercial loans	43,472	363	3.32	42,178	354	3.36
Real estate residential mortgage	2,258	24	4.19	2,237	23	4.22
Home equity:						
Key Community Bank	10,281	101	3.88	10,266	99	3.89
Other	229	4	7.87	244	5	7.86
Total home equity loans	10,510	105	3.96	10,510	104	3.98
Consumer other Key Community Bank	1,597	26	6.51	1,571	26	6.52
Credit cards	759	21	10.74	737	19	10.57
Consumer other:						
Marine	645	10	6.38	702	11	6.30
Other	40	1	8.00	43	1	7.77
Total consumer other	685	11	6.47	745	12	6.38
Total consumer loans	15,809	187	4.69	15,800	184	4.69
Total loans	59,281	550	3.69	57,978	538	3.72
Loans held for sale	939	10	3.96	1,263	12	3.91
Securities available for sale ^{(b), (e)}	14,247	74	2.11	13,360	73	2.17
Held-to-maturity securities ^(b)	4,923	24	1.95	4,965	24	1.91
Trading account assets	699	5	2.50	805	5	2.55
Short-term investments	2,257	1	.26	3,228	2	.26
Other investments ^(e)	696	4	2.52	713	5	2.48
Total earning assets	83,042	668	3.21	82,312	659	3.21
Allowance for loan and lease losses	(790)			(793)		
Accrued income and other assets	10,399			10,140		
Discontinued assets	2,118			2,194		
Total assets	\$ 94,769			\$ 93,853		

LIABILITIES

NOW and money market deposit accounts	\$ 36,289	15	.16	\$ 36,122	14	.16
Savings deposits	2,371		.02	2,393		.02
Certificates of deposit (\$100,000 or more) ^(f)	1,985	6	1.27	2,010	6	1.25
Other time deposits	3,064	6	.70	3,136	5	.70
Deposits in foreign office	492		.23	583	1	.23
Total interest-bearing deposits	44,201	27	.24	44,244	26	.24
Federal funds purchased and securities sold under repurchase agreements	859		.08	557		.02
Bank notes and other short-term borrowings	567	2	1.51	657	2	1.39
Long-term debt ^{(f), (g)}	7,895	41	2.19	6,968	40	2.30
Total interest-bearing liabilities	53,522	70	.53	52,426	68	.52
Noninterest-bearing deposits	26,268			26,594		
Accrued expense and other liabilities	2,236			2,039		
Discontinued liabilities ^(g)	2,118			2,194		
Total liabilities	84,144			83,253		
EQUITY						
Key shareholders' equity	10,614			10,590		
Noncontrolling interests	11			10		
Total equity	10,625			10,600		
Total liabilities and equity	\$ 94,769			\$ 93,853		
Interest rate spread (TE)			2.68%			2.69%
Net interest income (TE) and net interest margin (TE)		598	2.87%		591	2.88%
TE adjustment ^(b)		7			7	
Net interest income, GAAP basis		\$ 591			\$ 584	

- (a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g) below, calculated using a matched funds transfer pricing methodology.
- (b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 35%.
- (c) For purposes of these computations, nonaccrual loans are included in average loan balances.
- (d) Commercial, financial and agricultural average balances include \$88 million, \$88 million, \$87 million, \$90 million, and \$92 million of assets from commercial credit cards for the three months ended September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014, and September 30, 2014, respectively.

Table of Contents**Figure 8. Consolidated Average Balance Sheets, Net Interest Income and Yields/Rates From Continuing Operations**

First Quarter 2015			Fourth Quarter 2014			Third Quarter 2014		
Average Balance	Interest (a)	Yield/Rate (a)	Average Balance	Interest (a)	Yield/Rate (a)	Average Balance	Interest (a)	Yield/Rate (a)
\$ 28,321	\$ 223	3.18%	\$ 27,188	\$ 223	3.24%	\$ 26,456	\$ 218	3.28%
8,095	73	3.67	8,161	77	3.73	8,142	78	3.79
1,139	11	3.90	1,077	10	3.90	1,030	10	3.78
4,070	36	3.57	4,119	38	3.67	4,145	38	3.66
41,625	343	3.33	40,545	348	3.40	39,773	344	3.44
2,229	24	4.26	2,223	24	4.28	2,204	24	4.35
10,316	99	3.89	10,365	103	3.91	10,368	102	3.91
260	5	7.82	274	5	7.84	290	6	7.80
10,576	104	3.99	10,639	108	4.01	10,658	108	4.01
1,546	25	6.66	1,552	27	6.78	1,534	26	6.87
732	20	11.01	728	20	11.02	716	20	11.12
755	12	6.35	802	13	6.29	856	13	6.23
49	1	7.32	52		7.52	55	2	7.63
804	13	6.41	854	13	6.36	911	15	6.32
15,887	186	4.74	15,996	192	4.76	16,023	193	4.78
57,512	529	3.72	56,541	540	3.79	55,796	537	3.82
795	7	3.33	871	8	3.72	502	4	3.87
13,087	70	2.17	12,153	67	2.20	11,939	67	2.25
4,947	24	1.93	4,947	23	1.91	5,108	25	1.90
717	5	2.80	868	6	2.84	893	6	2.68
2,399	2	.27	3,520	2	.27	3,048	2	.19
742	5	2.79	792	6	2.77	847	4	2.12
80,199	642	3.23	79,692	652	3.27	78,133	645	3.30
(793)			(798)			(809)		
10,223			9,868			9,799		
2,271			2,359			4,138		
\$ 91,900			\$ 91,121			\$ 91,261		

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\$ 34,952	13	.15	\$ 34,811	13	.14	\$ 33,969	12	.14
2,385		.02	2,388		.02	2,428	1	.02
2,017	7	1.30	2,277	7	1.25	2,629	8	1.23
3,217	6	.72	3,306	6	.76	3,413	7	.83
529		.22	543		.24	595		.23
43,100	26	.24	43,325	26	.24	43,034	28	.26
720		.03	621		.02	1,176	1	.19
506	2	1.56	772	3	1.17	484	2	1.79
6,126	37	2.52	5,135	35	2.80	4,868	33	2.88
50,452	65	.52	49,853	64	.51	49,562	64	.52
26,269			26,342			25,302		
2,327			1,989			1,768		
2,271			2,359			4,138		
81,319			80,543			80,770		
10,570			10,562			10,473		
11			16			18		
10,581			10,578			10,491		
\$ 91,900			\$ 91,121			\$ 91,261		
		2.71%			2.76%			2.78%
577		2.91%	588		2.94%	581		2.96%
6			6			6		
\$ 571			\$ 582			\$ 575		

(e) Yield is calculated on the basis of amortized cost.

(f) Rate calculation excludes basis adjustments related to fair value hedges.

(g) A portion of long-term debt and the related interest expense is allocated to discontinued liabilities as a result of applying our matched funds transfer pricing methodology to discontinued operations.

Table of Contents

Figure 9 shows how the changes in yields or rates and average balances from the prior year period affected net interest income. The section entitled "Financial Condition" contains additional discussion about changes in earning assets and funding sources.

Figure 9. Components of Net Interest Income Changes from Continuing Operations

<i>in millions</i>	From three months ended September 30, 2014 to three months ended September 30, 2015			From nine months ended September 30, 2014 to nine months ended September 30, 2015		
	Average Volume	Yield/ Rate	Net Change (a)	Average Volume	Yield/ Rate	Net Change (a)
INTEREST INCOME						
Loans	\$ 33	\$ (20)	\$ 13	\$ 81	\$ (58)	\$ 23
Loans held for sale	4	2	6	15	1	16
Securities available for sale	12	(5)	7	22	(15)	7
Held-to-maturity securities	(1)		(1)		2	2
Trading account assets	(1)		(1)	(4)		(4)
Short-term investments		(1)	(1)		1	1
Other investments	(1)	1		(3)	1	(2)
Total interest income (TE)	46	(23)	23	111	(68)	43
INTEREST EXPENSE						
NOW and money market deposit accounts	1	2	3	2	5	7
Savings deposits		(1)	(1)		(1)	(1)
Certificates of deposit (\$100,000 or more)	(2)		(2)	(7)	(2)	(9)
Other time deposits	(1)		(1)	(3)	(6)	(9)
Total interest-bearing deposits	(2)	1	(1)	(8)	(4)	(12)
Federal funds purchased and securities sold under repurchase agreements		(1)	(1)	(1)	(1)	(2)
Long-term debt	17	(9)	8	32	(12)	20
Total interest expense	15	(9)	6	23	(17)	6
Net interest income (TE)	\$ 31	\$ (14)	\$ 17	\$ 88	\$ (51)	\$ 37

(a) The change in interest not due solely to volume or rate has been allocated in proportion to the absolute dollar amounts of the change in each.

Noninterest income

As shown in Figure 10, noninterest income was \$470 million for the third quarter of 2015, compared to \$417 million for the year-ago quarter, an increase of \$53 million, or 12.7%. The increase from the prior year was primarily attributable to strength in our core fee-based businesses, which included a full-quarter impact of the September 2014 acquisition of Pacific Crest Securities. The third quarter of 2015 included \$21 million of higher investment banking and debt placement fees, \$15 million of increased corporate services income, and \$9 million of higher trust and investment services income. Additionally, cards and payments income increased \$5 million due to higher revenue from credit card and merchant fees.

For the nine months ended September 30, 2015, noninterest income increased \$88 million, or 6.7%, from the same period one year ago. The increase was primarily attributable to strength in our core fee-based businesses: higher investment banking and debt placement fees of \$47 million, trust and investment services income of \$37 million, corporate services income of \$18 million, and card and payments income of \$13 million. These increases were partially offset by a decrease of \$23 million in operating lease income and other leasing gains.

Figure 10. Noninterest Income

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30, 2015	September 30, 2014	Change Amount	Change Percent	September 30, 2015	September 30, 2014	Change Amount	Change Percent
Trust and investment services income	\$ 108	\$ 99	\$ 9	9.1%	\$ 328	\$ 291	\$ 37	12.7%
Investment banking and debt placement fees	109	88	21	23.9	318	271	47	17.3
Service charges on deposit accounts	68	68			192	197	(5)	(2.5)
Operating lease income and other leasing gains	15	17	(2)	(11.8)	58	81	(23)	(28.4)
Corporate services income	57	42	15	35.7	143	125	18	14.4
Cards and payments income	47	42	5	11.9	136	123	13	10.6
Corporate-owned life insurance income	30	26	4	15.4	91	80	11	13.8
Consumer mortgage income	3	3			10	7	3	42.9
Mortgage servicing fees	11	9	2	22.2	33	35	(2)	(5.7)
Net gains (losses) from principal investing	11	9	2	22.2	51	60	(9)	(15.0)
Other income ^(a)	11	14	(3)	(21.4)	35	37	(2)	(5.4)
Total noninterest income	\$ 470	\$ 417	\$ 53	12.7%	\$ 1,395	\$ 1,307	\$ 88	6.7%

(a) Included in this line item is our Dealer trading and derivatives income (loss). Additional detail is provided in Figure 11.

Table of Contents**Figure 11. Dealer Trading and Derivatives Income (Loss)**

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30, 2015	2014	Change Amount	Change Percent	September 30, 2015	2014	Change Amount	Change Percent
Dealer trading and derivatives income (loss), proprietary ^{(a), (b)}	\$ (4)	\$ (5)	\$ 1	N/M	\$ (9)	\$ (13)	\$ 4	N/M
Dealer trading and derivatives income (loss), nonproprietary ^(b)	11	(3)	14	N/M	16	3	13	433.3%
Total dealer trading and derivatives income (loss)	\$ 7	\$ (8)	\$ 15	N/M	\$ 7	\$ (10)	\$ 17	N/M

(a) For the quarter ended September 30, 2015, income of \$1 million related to foreign exchange and commodity derivative trading was offset by losses related to fixed income, equity securities trading, interest rate, and credit portfolio management activities. For the quarter ended September 30, 2014, income of \$1 million related to foreign exchange, interest rate and commodity derivative trading was offset by losses related to equity securities trading, fixed income, and credit portfolio management activities.

(b) The allocation between proprietary and nonproprietary is made based upon whether the trade is conducted for the benefit of Key or Key's clients rather than based upon rulemaking under the Volcker Rule. Prohibitions and restrictions on proprietary trading activities imposed by the Volcker Rule became effective April 1, 2014. For more information, see the discussion under the heading "Other Regulatory Developments under the Dodd-Frank Act - Volcker Rule" in the section entitled "Supervision and Regulation" in Item 1 of our 2014 Form 10-K. The following discussion explains the composition of certain elements of our noninterest income and the factors that caused those elements to change.

Trust and investment services income

Trust and investment services income is one of our largest sources of noninterest income and consists of brokerage commissions, trust and asset management commissions, and insurance income. The assets under management that primarily generate these revenues are shown in Figure 12. For the three and nine months ended September 30, 2015, trust and investment services income increased \$9 million, or 9.1%, and \$37 million, or 12.7%, respectively, compared to the same periods one year ago. These increases were primarily attributable to the full-period impact of the September 2014 Pacific Crest Securities acquisition as well as an increase in our brokerage commissions.

A significant portion of our trust and investment services income depends on the value and mix of assets under management. At September 30, 2015, our bank, trust, and registered investment advisory subsidiaries had assets under management of \$35.2 billion, compared to \$39.3 billion at September 30, 2014. As shown in Figure 12, decreases within all of the investment types were primarily attributable to market declines. Client attrition also contributed to the decrease in the securities lending portfolio.

Figure 12. Assets Under Management

<i>in millions</i>		2015			2014	
	Third	Second	First	Fourth	Third	
Assets under management by investment type:						
Equity	\$ 19,728	\$ 21,226	\$ 21,681	\$ 21,393	\$ 21,035	
Securities lending	2,872	4,438	4,625	4,835	5,514	
Fixed income	9,823	9,899	10,127	10,023	9,975	
Money market	2,735	2,836	2,848	2,906	2,759	
Total	\$ 35,158	\$ 38,399	\$ 39,281	\$ 39,157	\$ 39,283	

Investment banking and debt placement fees

Investment banking and debt placement fees consist of syndication fees, debt and equity financing fees, financial advisor fees, gains on sales of commercial mortgages, and agency origination fees. Investment banking and debt placement fees increased \$21 million, or 23.9%, for the third quarter of 2015 and \$47 million, or 17.3%, for the nine months ended September 30, 2015, compared to the same periods one year ago. These increases were primarily driven by strength in debt and equity financing fees as well as the full-period impact of the September 2014 acquisition of Pacific Crest Securities.

Service charges on deposit accounts

Service charges on deposit accounts were flat for the third quarter of 2015 compared to one year ago and decreased \$5 million, or 2.5%, for the nine months ended September 30, 2015, compared to the year-ago period. This decrease was primarily due to a decline in overdraft fees.

Table of Contents**Operating lease income and other leasing gains**

Operating lease income and other leasing gains decreased \$2 million, or 11.8%, for the third quarter of 2015 compared to the year-ago quarter due to product run-off, partially offset by increased gains on lease syndications. For the nine months ended September 30, 2015, operating lease income and other leasing gains declined \$23 million, or 28.4%, compared to the same period one year ago. The year-to-date decline was due to a \$25 million gain on leveraged lease terminations in 2014. The expense related to the rental of leased equipment is presented in Figure 13 as operating lease expense.

Cards and payments income

Cards and payments income, which consists of debit card, consumer and commercial credit card, and merchant services income, increased \$5 million, or 11.9%, from the year-ago quarter, and \$13 million, or 10.6%, for the nine months ended September 30, 2015, compared to the same period one year ago. The increases were due to higher credit card and merchant fees and increased usage of our corporate purchase and prepaid cards.

Consumer mortgage income

Consumer mortgage income was flat from the year-ago quarter, and increased \$3 million, or 42.9%, for the nine months ended September 30, 2015, compared to the same period one year ago. This increase was primarily driven by gains on the sales of consumer mortgage loans.

Mortgage servicing fees

Mortgage servicing fees increased \$2 million, or 22.2%, from the year-ago quarter due to higher transactional fees and decreased \$2 million, or 5.7%, for the nine months ended September 30, 2015, compared to the same period one year ago due to lower special servicing fees.

Other income

Other income, which consists primarily of gain on sale of certain loans, other service charges, and certain dealer trading income, decreased \$3 million, or 21.4%, from the year-ago quarter and decreased \$2 million, or 5.4%, for the nine months ended September 30, 2015, compared to the same period one year ago, primarily attributable to changes in various miscellaneous income categories.

Noninterest expense

As shown in Figure 13, noninterest expense was \$724 million for the third quarter of 2015, compared to \$706 million for the year-ago quarter, representing an increase of \$18 million, or 2.5%. Personnel costs increased \$21 million year-over-year, primarily due to higher performance-based compensation related to a strong capital markets business performance, along with a full-quarter impact of the September 2014 acquisition of Pacific Crest Securities. Nonpersonnel expense remained relatively stable as lower occupancy costs offset an increase in business services and professional fees.

For the nine months ended September 30, 2015, noninterest expense increased \$47 million, or 2.3%, compared to the same period one year ago. Personnel expense increased \$41 million, primarily due to higher performance-based compensation, and nonpersonnel expense increased \$6 million from one year ago due to changes in several expense categories. The full-period impact of the September 2014 acquisition of Pacific Crest Securities also contributed to

these increases.

Table of Contents**Figure 13. Noninterest Expense**

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30,		Change		September 30,		Change	
	2015	2014	Amount	Percent	2015	2014	Amount	Percent
Personnel	\$ 426	\$ 405	\$ 21	5.2 %	\$ 1,223	\$ 1,182	\$ 41	3.5 %
Net occupancy	60	66	(6)	(9.1)	191	198	(7)	(3.5)
Computer processing	41	39	2	5.1	121	118	3	2.5
Business services and professional fees	40	36	4	11.1	115	118	(3)	(2.5)
Equipment	22	25	(3)	(12.0)	66	73	(7)	(9.6)
Operating lease expense	11	11			34	31	3	9.7
Marketing	17	15	2	13.3	40	33	7	21.2
FDIC assessment	8	9	(1)	(11.1)	24	21	3	14.3
Intangible asset amortization	9	10	(1)	(10.0)	27	29	(2)	(6.9)
OREO expense, net	2	1	1	100.0	5	3	2	66.7
Other expense	88	89	(1)	(1.1)	258	251	7	2.8
Total noninterest expense	\$ 724	\$ 706	\$ 18	2.5 %	\$ 2,104	\$ 2,057	\$ 47	2.3 %
Average full-time equivalent employees ^(a)	13,555	13,905	(350)	(2.5)%	13,525	13,942	(417)	(3.0)%

(a) The number of average full-time-equivalent employees was not adjusted for discontinued operations. The following discussion explains the composition of certain elements of our noninterest expense and the factors that caused those elements to change.

Personnel

As shown in Figure 14, personnel expense, the largest category of our noninterest expense, increased by \$21 million, or 5.2%, for the third quarter of 2015 compared to the year-ago quarter. For the nine months ended September 30, 2015, personnel expense increased \$41 million, or 3.5%, from the same period one year ago. Salaries and incentive and stock-based compensation expenses increased from one year ago primarily due to higher performance-based compensation and the full-period impact of the September 2014 acquisition of Pacific Crest Securities. These expenses also increased from one year ago due to our investment in senior bankers and client-facing personnel in Key Community Bank and Key Corporate Bank. Employee benefits also increased from the same periods last year due to higher health care and pension costs. These increases were partially offset by a decrease in severance expense.

Figure 14. Personnel Expense

	Three months ended	Change	Nine months ended	Change
	September 30,		September 30,	

<i>dollars in millions</i>	2015	2014	Amount	Percent	2015	2014	Amount	Percent
Salaries	\$ 234	\$ 227	\$ 7	3.1 %	\$ 681	\$ 667	\$ 14	2.1 %
Technology contract labor, net	13	11	2	18.2	33	43	(10)	(23.3)
Incentive and stock-based compensation	103	89	14	15.7	295	263	32	12.2
Employee benefits	75	71	4	5.6	202	187	15	8.0
Severance	1	7	(6)	(85.7)	12	22	(10)	(45.5)
Total personnel expense	\$ 426	\$ 405	\$ 21	5.2 %	\$ 1,223	\$ 1,182	\$ 41	3.5 %

Net occupancy

Net occupancy expense decreased \$6 million, or 9.1%, for the third quarter of 2015 and \$7 million, or 3.5%, for the nine months ended September 30, 2015, compared to the same periods one year ago. These declines were primarily due to lower property reserve charges and rental expenses.

Operating lease expense

Operating lease expense was flat from the year-ago quarter and increased \$3 million, or 9.7%, from the nine-month period ended one year ago due to increased depreciation expense on operating lease equipment. Income related to the rental of leased equipment is presented in Figure 10 as operating lease income and other leasing gains.

Table of Contents

Other expense

Other expense comprises various miscellaneous expense items. The \$1 million, or 1.1%, decrease in the current quarter and the \$7 million, or 2.8%, increase in the first nine months of 2015 compared to the same periods one year ago reflect fluctuations in several of those line items.

Income taxes

We recorded tax expense from continuing operations of \$72 million for the third quarter of 2015 and \$64 million for the third quarter of 2014. For the first nine months of 2015, we recorded tax expense from continuing operations of \$230 million, compared to \$232 million for the same period last year.

Our federal tax expense (benefit) differs from the amount that would be calculated using the federal statutory tax rate, primarily because we generate income from investments in tax-advantaged assets, such as corporate-owned life insurance, earn credits associated with investments in low-income housing projects, and make periodic adjustments to our tax reserves. In addition, during the first nine months of 2015, our effective tax rate was reduced by additional federal tax credit refunds filed for prior years.

Additional information pertaining to how our tax expense (benefit) and the resulting effective tax rates were derived is included in Note 12 (Income Taxes) beginning on page 177 of our 2014 Form 10-K.

Table of Contents**Line of Business Results**

This section summarizes the financial performance and related strategic developments of our two major business segments (operating segments): Key Community Bank and Key Corporate Bank. Note 18 (Line of Business Results) describes the products and services offered by each of these business segments, provides more detailed financial information pertaining to the segments, and explains Other Segments and Reconciling Items.

Figure 15 summarizes the contribution made by each major business segment to our taxable-equivalent revenue from continuing operations and income (loss) from continuing operations attributable to Key for the three- and nine-month periods ended September 30, 2015, and September 30, 2014.

In the third quarter of 2015, we enhanced the approach used to determine the commercial reserve factors used in estimating the quantitative component of the commercial ALLL. In addition, we began utilizing an enhanced framework to quantify commercial ALLL adjustments resulting from qualitative factors not fully captured within the statistical analysis of incurred loss. The enhancements of the methodology are described in Note 1 (Basis of Presentation and Accounting Policies) under the heading Allowance for Loan and Lease Losses. As a result of these methodology enhancements, the current period provision for credit losses within each business segment has increased or decreased accordingly. The impact of the increases and decreases on the business segment provision for credit losses was not significant.

Figure 15. Major Business Segments Taxable-Equivalent (TE) Revenue from Continuing Operations and Income

(Loss) from Continuing Operations Attributable to Key

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30, 2015	2014	Change Amount	Change Percent	September 30, 2015	2014	Change Amount	Change Percent
REVENUE FROM CONTINUING OPERATIONS (TE)								
Key Community Bank	\$ 579	\$ 558	\$ 21	3.8%	\$ 1,687	\$ 1,658	\$ 29	1.7%
Key Corporate Bank	454	400	54	13.5	1,332	1,187	145	12.2
Other Segments	35	44	(9)	(20.5)	146	195	(49)	(25.1)
Total Segments	1,068	1,002	66	6.6	3,165	3,040	125	4.1
Reconciling Items		(4)	4	N/M	(4)	(4)		N/M
Total	\$ 1,068	\$ 998	\$ 70	7.0%	\$ 3,161	\$ 3,036	\$ 125	4.1%
INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO KEY								
Key Community Bank	\$ 71	\$ 60	\$ 11	18.3%	\$ 187	\$ 180	\$ 7	3.9%
Key Corporate Bank	138	134	4	3.0	401	399	2	.5
Other Segments	26	27	(1)	(3.7)	100	120	(20)	(16.7)

Total Segments	235	221	14	6.3	688	699	(11)	(1.6)
Reconciling Items	(13)	(18)	5	N/M	(3)	(11)	8	N/M
Total	\$ 222	\$ 203	\$ 19	9.4%	\$ 685	\$ 688	\$ (3)	(.4)%

Key Community Bank summary of operations

Positive operating leverage from prior year

Net income increased to \$71 million, up 18.3% from prior year

Commercial, financial and agricultural loan growth of \$1 billion, or 8.7% from prior year

Average deposits up \$931 million, or 1.9% from the prior year

As shown in Figure 16, Key Community Bank recorded net income attributable to Key of \$71 million for the third quarter of 2015, compared to net income attributable to Key of \$60 million for the year-ago quarter.

Taxable-equivalent net interest income increased by \$20 million, or 5.6%, from the third quarter of 2014 due to an increase in average loans and leases of 3.1%, including commercial, financial and agricultural loans, which grew by \$1 billion, or 8.7%, from the prior year. Average deposits increased 1.9% from one year ago.

Noninterest income remained relatively stable from the year-ago quarter. Core revenue continues to improve, driven by growth in cards and payments income of \$4 million, mostly offset by lower service charges on deposit accounts and a decrease in other income.

The provision for credit losses decreased by \$3 million, or 14.3%, from the third quarter of 2014, due to the enhancements to the approach utilized to determine the allowance for loan and lease losses discussed above.

Table of Contents

Noninterest expense increased by \$7 million, or 1.6%, from the year-ago quarter. Personnel expense increased \$1 million while nonpersonnel expense increased by \$6 million.

Figure 16. Key Community Bank

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30,		Change		September 30,		Change	
	2015	2014	Amount	Percent	2015	2014	Amount	Percent
SUMMARY OF OPERATIONS								
Net interest income (TE)	\$ 379	\$ 359	\$ 20	5.6%	\$ 1,098	\$ 1,084	\$ 14	1.3%
Noninterest income	200	199	1	.5	589	574	15	2.6
Total revenue (TE)	579	558	21	3.8	1,687	1,658	29	1.7
Provision for credit losses	18	21	(3)	(14.3)	50	48	2	4.2
Noninterest expense	448	441	7	1.6	1,339	1,323	16	1.2
Income (loss) before income taxes (TE)	113	96	17	17.7	298	287	11	3.8
Allocated income taxes (benefit) and TE adjustments	42	36	6	16.7	111	107	4	3.7
Net income (loss) attributable to Key	\$ 71	\$ 60	\$ 11	18.3%	\$ 187	\$ 180	\$ 7	3.9%
AVERAGE BALANCES								
Loans and leases	\$ 31,039	\$ 30,103	\$ 936	3.1%	\$ 30,804	\$ 29,979	\$ 825	2.8%
Total assets	33,090	32,173	917	2.9	32,853	32,063	790	2.5
Deposits	51,234	50,303	931	1.9	50,808	50,151	657	1.3
Assets under management at period end	\$ 35,158	\$ 39,249	\$ (4,091)	(10.4)%	\$ 35,158	\$ 39,249	\$ (4,091)	(10.4)%
ADDITIONAL KEY COMMUNITY BANK DATA								

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30,		Change		September 30,		Change	
	2015	2014	Amount	Percent	2015	2014	Amount	Percent
NONINTEREST INCOME								
Trust and investment services income	\$ 73	\$ 73			\$ 224	\$ 216	\$ 8	3.7%
Services charges on deposit accounts	56	57	\$ (1)	(1.8)%	159	164	(5)	(3.0)
Cards and payments income	43	39	4	10.3	124	113	11	9.7

Other noninterest income	28	30	(2)	(6.7)	82	81	1	1.2
Total noninterest income	\$ 200	\$ 199	\$ 1	.5%	\$ 589	\$ 574	\$ 15	2.6%

AVERAGE DEPOSITS OUTSTANDING

NOW and money market deposit accounts	\$ 28,568	\$ 27,403	\$ 1,165	4.3%	\$ 28,244	\$ 27,471	\$ 773	2.8%
Savings deposits	2,362	2,419	(57)	(2.4)	2,374	2,456	(82)	(3.3)
Certificates of deposits (\$100,000 or more)	1,560	2,072	(512)	(24.7)	1,555	2,134	(579)	(27.1)
Other time deposits	3,061	3,406	(345)	(10.1)	3,134	3,552	(418)	(11.8)
Deposits in foreign office	271	320	(49)	(15.3)	301	308	(7)	(2.3)
Noninterest-bearing deposits	15,412	14,683	729	5.0	15,200	14,230	970	6.8
Total deposits	\$ 51,234	\$ 50,303	\$ 931	1.9%	\$ 50,808	\$ 50,151	\$ 657	1.3%

HOME EQUITY LOANS

Average balance	\$ 10,281	\$ 10,368
Weighted-average loan-to-value ratio (at date of origination)	71%	71%
Percent first lien positions	60	59

OTHER DATA

Branches	972	997
Automated teller machines	1,259	1,290

Key Corporate Bank summary of operations

Investment banking and debt placement fees up 25.6% from the prior year

Revenue up 13.5% from the prior year

Average loan and lease balances up 13.8% from the prior year

As shown in Figure 17, Key Corporate Bank recorded net income attributable to Key of \$138 million for the third quarter of 2015, an increase of \$4 million, or 3%, from the same period one year ago.

Taxable-equivalent net interest income increased by \$5 million, or 2.3%, compared to the third quarter of 2014. Average earning assets increased \$3 billion, or 12.2%, from the year-ago quarter, primarily driven by growth in commercial, financial and agricultural loans. Average deposit balances increased \$1.2 billion, or 6.9%, from the year-ago quarter, driven by commercial mortgage servicing deposits and other commercial client inflows.

Table of Contents

Noninterest income was up \$49 million, or 26.5% from the prior year. Investment banking and debt placement fees increased \$22 million, or 25.6%, driven by strength in syndications, debt underwriting, and financial advisory fees. Corporate services income increased \$16 million, or 53.3%, due to higher derivatives income and loan commitment fees. Trust and investment services income increased \$9 million, or 34.6%, primarily due to the full-quarter impact of the September 2014 acquisition of Pacific Crest Securities.

The provision for credit losses increased \$28 million from the same period one year ago, primarily due to the enhancements to the approach utilized to determine the allowance for loan and lease losses discussed above, as well as a 13.8% increase in average loan balances.

Noninterest expense increased by \$33 million, or 15.5%, from the third quarter of 2014. This increase was driven primarily by higher personnel expense, from increased performance-based compensation related to a strong capital markets business performance, along with a full-quarter impact of the September 2014 acquisition of Pacific Crest Securities.

Figure 17. Key Corporate Bank

<i>dollars in millions</i>	Three months ended				Nine months ended			
	September 30, 2015	September 30, 2014	Change Amount	Change Percent	September 30, 2015	September 30, 2014	Change Amount	Change Percent
SUMMARY OF OPERATIONS								
Net interest income (TE)	\$ 220	\$ 215	\$ 5	2.3%	\$ 661	\$ 621	\$ 40	6.4%
Noninterest income	234	185	49	26.5	671	566	105	18.6
Total revenue (TE)	454	400	54	13.5	1,332	1,187	145	12.2
Provision for credit losses	30	2	28	N/M	77	7	70	N/M
Noninterest expense	246	213	33	15.5	712	621	91	14.7