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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 March 31, 2024

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-11302

KeyCorp

keylogoa11.jpg

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:

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $1 par value	KEY	New York Stock Exchange
Depositary Shares (each representing a 1/40th interest in a share of Fixed-to-Floating Rate Perpetual Non-Cumulative Preferred Stock, Series E)	KEY PrI	New York Stock Exchange
Depositary Shares (each representing a 1/40th interest in a share of Fixed Rate Perpetual Non-Cumulative Preferred Stock, Series F)	KEY PrJ	New York Stock Exchange
Depositary Shares (each representing a 1/40th interest in a share of Fixed Rate Perpetual Non-Cumulative Preferred Stock, Series G)	KEY PrK	New York Stock Exchange
Depositary Shares (each representing a 1/40th interest in a share of Fixed Rate Reset Perpetual Non-Cumulative Preferred Stock, Series H)	KEY PrL	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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	942,860,462 shares
Title of class	**Outstanding at April 29, 2024**

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PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

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 periods ended March 31, 2024, and March 31, 2023. 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 "2023 Form 10-K" refer to our Form 10-K for the year ended December 31, 2023, 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 solely to KeyCorp's subsidiary bank, KeyBank National Association. "KeyBank (consolidated)" refers to the consolidated entity consisting of KeyBank and its subsidiaries.

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 our government-guaranteed and private education lending business, which are accounted for as **discontinued operations**.
- We engage in **capital markets activities** primarily through business conducted by our Commercial 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 (to accommodate clients' needs).
- 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. Banking regulators evaluate a component of Tier 1 capital, known as **Common Equity Tier 1**, under the **Regulatory Capital Rules**. The "Capital" section of this report under the heading "Capital adequacy" provides more information on total capital, Tier 1 capital, and the Regulatory Capital Rules, including Common Equity Tier 1, and describes how these measures are calculated.

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

ABO: Accumulated benefit obligation.
ALCO: Asset/Liability Management Committee.
ALLL: Allowance for loan and lease losses.
A/LM: Asset/liability management.
AML: Anti-money laundering.
AOCI: Accumulated other comprehensive income (loss).
APBO: Accumulated postretirement benefit obligation.
ARRC: Alternative Reference Rates Committee.
ASC: Accounting Standards Codification.
ASR: Accelerated share repurchase.
ASU: Accounting Standards Update.
ATMs: Automated teller machines.
BSA: Bank Secrecy Act.
BHCA: Bank Holding Company Act of 1956, as amended.
BHCs: Bank holding companies.
Board: KeyCorp Board of Directors.
CAPM: Capital Asset Pricing Model.
CARES Act: Coronavirus Aid, Relief, and Economic Security Act.
CCAR: Comprehensive Capital Analysis and Review.
CECL: Current Expected Credit Losses.
CFPB: Consumer Financial Protection Bureau, also known as the Bureau of Consumer Financial Protection.
CFTC: Commodities Futures Trading Commission.
CMBS: Commercial mortgage-backed securities.
CMO: Collateralized mortgage obligation.
Common Shares: KeyCorp common shares, $1 par value.
CVA: Credit valuation adjustment.
DCF: Discounted cash flow.
DIF: Deposit Insurance Fund of the FDIC.
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
EAD: Exposure at default.
EBITDA: Earnings before interest, taxes, depreciation, and amortization.
EPS: Earnings per share.
ERISA: Employee Retirement Income Security Act of 1974.
ERM: Enterprise risk management.
ESG: Environmental, social, and governance.
EVE: Economic value of equity.
FASB: Financial Accounting Standards Board.
FDIA: Federal Deposit Insurance Act, as amended.
FDIC: Federal Deposit Insurance Corporation.
Federal Reserve: Board of Governors of the Federal Reserve System.
FHLB: Federal Home Loan Bank of Cincinnati.
FHLMC: Federal Home Loan Mortgage Corporation.
FICO: Fair Isaac Corporation.
FVA: Fair value of employee benefit plan assets.
GAAP: U.S. generally accepted accounting principles.
GNMA: Government National Mortgage Association.
HTC: Historic tax credit.
IDI: Insured depository institution.
IRS: Internal Revenue Service.
ISDA: International Swaps and Derivatives Association.
KBCM: KeyBanc Capital Markets, Inc.
KCC: Key Capital Corporation.
KCDC: Key Community Development Corporation.
KCIC: Key Community Investment Capital LLC.
KEF: Key Equipment Finance.
LCR: Liquidity coverage ratio.
LGD: Loss given default.
LIBOR: London Interbank Offered Rate.
LIHTC: Low-income housing tax credit.
LTV: Loan-to-value.
Moody’s: Moody’s Investor Services, Inc.
MRM: Market Risk Management group.
MRC: Market Risk Committee.
N/A: Not applicable.
NAV: Net asset value.
NFA: National Futures Association.
N/M: Not meaningful.
NMTC: New market tax credit.
NPR: Notice of proposed rulemaking.
NSF: Non-sufficient funds.
NYSE: New York Stock Exchange.
OCC: Office of the Comptroller of the Currency.
OCI: Other comprehensive income (loss).
OREO: Other real estate owned.
PBO: Projected benefit obligation.
PCCR: Purchased credit card relationship.
PCD: Purchased credit deteriorated.
PD: Probability of default.
PPP: Paycheck Protection Program.
RMBS: Residential mortgage-backed securities.
S&P: Standard and Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc.
SEC: U.S. Securities & Exchange Commission.
SIFIs: Systemically important financial institutions, including large, interconnected BHCs and nonbank financial companies designated by FSOC for supervision by the Federal Reserve.
SOFR: Secured Overnight Financing Rate.
TDR: Troubled debt restructuring.
TE: Taxable-equivalent.
TROC: Treasury Risk Oversight Committee.
U.S. Treasury: United States Department of the Treasury.
VaR: Value at risk.

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,” “will,” “would,” “should,” “could,” 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.

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There is no assurance that any list of risks and uncertainties or risk factors is complete. In addition, no assurance can be given that any plan, initiative, projection, goal, commitment, expectation, or prospect set forth in this report can or will be achieved. Factors that could cause our actual results to differ from those described in forward-looking statements include, but are not limited to:

- our concentrated credit exposure in commercial and industrial loans;
- deterioration of commercial real estate market fundamentals;
- defaults by our loan clients or counterparties;
- adverse changes in credit quality trends;
- declining asset prices;
- geopolitical destabilization;
- deterioration of asset quality and an increase in credit losses;
- labor shortages and supply chain constraints, as well as the impact of inflation;
- the extensive regulation of the U.S. financial services industry;
- complex and evolving laws and regulations regarding privacy and cybersecurity;
- changes in accounting policies, standards, and interpretations;
- operational or risk management failures by us or critical third parties;
- breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;
- negative outcomes from claims, litigation, investigations, or governmental proceedings;
- failure or circumvention of our controls and procedures;
- the occurrence of natural disasters, which may be exacerbated by climate change;
- societal responses to climate change;
- increased operational risks resulting from remote work;
- evolving capital and liquidity standards under applicable regulatory rules;
- disruption of the U.S. financial system, including the impact of inflation and a potential global economic downturn or recession;
- our ability to receive dividends from our subsidiaries, including KeyBank;
- unanticipated changes in our liquidity position, including but not limited to, changes in our access to or the cost of funding and our ability to secure alternative funding sources;
- downgrades in our credit ratings or those of KeyBank;
- a worsening of the U.S. economy 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, including instability in the financial industry;
- impairment of goodwill;
- our ability to manage our reputational risks, including ESG-related risks;
- our ability to timely and effectively implement our strategic initiatives;
- increased competitive pressure;
- our ability to adapt our products and services to industry standards and consumer preferences;
- our ability to attract and retain talented executives and employees;
- 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, except as required by applicable securities laws. Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in our 2023 Form 10-K, in Part II, Item 1A. "Risk Factors" of this report, and in any subsequent reports filed with the SEC by Key, as well as 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.

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Long-term financial targets

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(a) See the section entitled “GAAP to Non-GAAP Reconciliations,” which presents the computations of certain financial measures related to “cash efficiency.” The section includes tables that reconcile the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.

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(a) See the section entitled “GAAP to Non-GAAP Reconciliations,” which presents the computations of certain financial measures related to “tangible common equity.” The section includes tables that reconcile the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.

Positive Operating Leverage

Generate positive operating leverage and a cash efficiency ratio in the range of 54% to 56%.

For the first quarter of 2024, both our operating leverage and our cash efficiency ratio compared to the year-ago period were impacted by an expected decrease in net interest income stemming from lower loan balances and higher funding costs. This decrease was slightly offset by an increase in noninterest income primarily due to a record first quarter performance in investment banking. Positive operating leverage remains a long-term financial target.

Moderate Risk Profile

Maintain a moderate risk profile by targeting a net loan charge-offs to average loans ratio in the range of .40% to .60% through a credit cycle.

Our net charge-offs to average loans ratio remains near historically low levels and continues to reflect our proven underwrite-to-distribute model. We believe our strong risk management practices will allow us to continue supporting our clients, while maintaining our moderate risk profile, and will position Key to perform well through all business cycles.

Financial Return

A return on average tangible common equity in the range of 16% to 19%.

We remain focused on efforts to deliver sound profitable growth and value for our stakeholders. At the end of the first quarter, our CET1 ratio improved to 10.27% and our tangible common equity to tangible assets ratio held steady at 5.04%, despite the impact of increased rates, reflecting the work we have done to improve balance sheet resiliency to changes in interest rates, up or down.

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Strategic developments

Our actions and results during the first quarter of 2024 support our corporate strategy described in the "Introduction" section under the "Corporate strategy" heading on page 50 of our 2023 Form 10-K.

- Our relationship-based business model and our long-term strategic commitment to primacy, that is, serving as our client's primary bank, continues to serve us well, highlighted by 6% year-over-year commercial client growth and 2.5% year-over-year net new relationship household growth.
- Our recent launch of Key Private Client helps us to penetrate a large, growing mass affluent segment within our consumer base and with our commercial business owners. Overall, our Assets Under Management have now surpassed $57 billion.
- We announced a strategic partnership that will help us accelerate growth in our commercial platform, another example of how we are delivering best-in-class execution services for our clients, while concurrently managing risk.
- Our continuous focus on maintaining our risk discipline has and will continue to position us to perform well through all business cycles. Net charge-offs and delinquencies remain low by historical standards.
- We ended the quarter with a Common Equity Tier 1 ratio of 10.3%[(a)], up approximately 120 basis points from a year ago, representing our fastest rate of organic capital build over a 12-month period since the industry began tracking this metric.

Current year expectations - full year 2024 vs. full year 2023

Category	Expectations
Average loans	down 5% to 7%[(b)]
Average deposits	flat to down 2%
Net interest income (TE)	down 2% to 5%[(b)]
Noninterest income	up 5%+
Noninterest expense	relatively stable[(c)(d)]
Net charge-offs to average loans	30 to 40 basis points (FY2024)
Effective tax rate	~20% (FY2024)

(a) March 31, 2024 capital ratios are estimates

(b) Additional Guidance: End of period loans: relatively stable vs. year-end 2023 balances; Net interest income (TE): Up low-single digits vs. 4Q23 annualized exit rate, 10%+ 4Q24 vs. 4Q23.

(c) Relatively stable: +/- 2%

(d) Noninterest expense guidance excludes the FDIC special assessment of $190 million, efficiency related expenses of $131 million, and a pension settlement charge of $18 million recorded in 2023. The noninterest expense guidance excludes the FDIC special assessment of $29 million in 2024.

Demographics

The Consumer Bank serves individuals and small businesses throughout our 15-state branch footprint and through our Laurel Road digital brand by offering a variety of deposit and investment products, personal finance and financial wellness services, lending, student loan refinancing, mortgage and home equity, credit card, treasury services, and business advisory services. In addition, wealth management and investment services are offered to assist non-profit and high-net-worth clients with their banking, trust, portfolio management, charitable giving, and related needs.

The Commercial Bank consists of the Commercial and Institutional operating segments. The Commercial operating segment is a full-service, commercial banking platform that focuses primarily on serving the borrowing, cash management, and capital markets needs of middle market clients within Key’s 15-state branch footprint. The Institutional operating segment operates nationally in providing lending, equipment financing, and banking products and services to large corporate and institutional clients. The industry coverage and product teams have established expertise in the following sectors: Consumer, Energy, Healthcare, Industrial, Public Sector, Real Estate, and Technology. The Institutional operating segment is also a significant, national, commercial real estate lender and third-party servicer of commercial mortgage loans and special servicer of CMBS. The operating segment also includes the KBCM platform which provides a broad suite of capital markets products and services including syndicated finance, debt and equity capital markets, derivatives, foreign exchange, financial advisory, public finance, commercial payments, equipment finance, and commercial mortgage banking. Additionally, KBCM provides fixed income and equity sales and trading services to investor clients.

Supervision and regulation

The following discussion provides a summary of recent regulatory developments and should be read in conjunction with the disclosure included in our 2023 Form 10-K under the heading “Supervision and Regulation” in Item 1. Business and under the heading “II. Compliance Risk” in Item 1A. Risk Factors as well as the disclosure included in Part II, Item 1A. "Risk Factors" of this report.

Regulatory capital requirements

KeyCorp and KeyBank are subject to regulatory capital requirements that are based largely on the Basel III international capital framework (“Basel III”). The Basel III capital framework and the U.S. implementation of the Basel III capital framework (“Regulatory Capital Rules”) are discussed in more detail in Item 1. Business of our 2023 Form 10-K under the heading “Supervision and Regulation — Regulatory capital requirements.”

Under the Regulatory Capital Rules, standardized approach banking organizations, such as KeyCorp and KeyBank, are required to meet the minimum capital and leverage ratios set forth in Figure 1 below. At March 31, 2024, KeyCorp’s ratios under the fully phased-in Regulatory Capital Rules are set forth in Figure 1.

Figure 1. Minimum Capital Ratios and KeyCorp Ratios Under the Regulatory Capital Rules

Ratios (including stress capital buffer)	Regulatory Minimum Requirement	Stress Capital Buffer [b]	Regulatory Minimum With Stress Capital Buffer	KeyCorp March 31, 2024 [c]
Common Equity Tier 1	4.5 %	2.5 %	7.0 %	10.3 %
Tier 1 Capital	6.0	2.5	8.5	12.0
Total Capital	8.0	2.5	10.5	14.5
Leverage [a]	4.0	N/A	4.0	9.1

(a) As a standardized approach banking organization, KeyCorp is not subject to the 3% supplementary leverage ratio requirement, which became effective January 1, 2018. However, KeyCorp will be subject to the supplementary leverage ratio if proposed revisions to the Regulatory Capital Rules discussed below are adopted.

(b) Stress capital 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. However, KeyCorp will be subject to the countercyclical capital buffer if proposed revisions to the Regulatory Capital Rules discussed below are adopted.

(c) March 31, 2024 ratios are estimated and reflect the five-year transition of CECL impacts on regulatory ratios.

Revised prompt corrective action framework

The federal prompt corrective action (“PCA”) framework under the FDIA groups FDIC-insured depository institutions into one of five prompt corrective action capital categories: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” In addition to implementing the Basel III capital framework in the United States, the Regulatory Capital Rules also revised the PCA capital category threshold ratios applicable to FDIC-insured depository institutions such as KeyBank, with an effective date of January 1, 2015. The revised PCA framework table in Figure 2 identifies the capital category thresholds for a “well capitalized” and an “adequately capitalized” institution under the PCA Framework.

Figure 2. "Well Capitalized" and "Adequately Capitalized" Capital Category Ratios under Revised PCA Framework

Prompt Corrective Action	Capital Category	
Ratio	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% supplementary leverage ratio requirement, which became effective January 1, 2018. However, KeyCorp will be subject to the supplementary leverage ratio if proposed revisions to the Regulatory Capital Rules discussed below are adopted.

As of March 31, 2024, KeyBank (consolidated) satisfied the risk-based and leverage capital requirements necessary to be considered “well capitalized” for purposes of the PCA framework. However, investors should not regard this determination as a representation of the overall financial condition or prospects of KeyBank because the PCA framework is intended to serve a limited supervisory function. Moreover, it is important to note that the PCA framework does not apply to BHCs, like KeyCorp.

Recent regulatory capital-related changes

On July 27, 2023, the federal banking agencies issued a proposal (the “Capital Proposal”) that would make significant changes to the Regulatory Capital Rules applicable to banking organizations with total assets of $100 billion or more and their depository institution subsidiaries (“Large Banking Organizations”) (including KeyCorp and KeyBank) and banking organizations with significant trading activity. This proposal would implement the final elements of the Basel III capital framework and make other changes to the Regulatory Capital Rules in response to the bank failures that occurred in 2023. The Capital Proposal would establish a new framework for calculating risk-weighted assets (the “expanded risk-based approach”) that would apply to Large Banking Organizations. The expanded risk-based approach would include a new more risk-sensitive standardized approach for measuring credit risk and operational risk. It would also include new standardized approaches for measuring market risk and credit valuation adjustment risk but would allow the use of internal models for market risk in certain circumstances with regulatory approval. Under the Capital Proposal, a Large Banking Organization would be required to calculate its risk-based capital ratios under both the expanded risk-based approach and the current standardized approach and would use the lower of the two. All capital buffer requirements, including the stress capital buffer requirement, would apply regardless of whether the expanded risk-based approach or the existing standardized approach produces the lower ratio.

The Capital Proposal would also align the calculation of regulatory capital for Category III and IV banking organizations with the calculation of regulatory capital for Category I and II banking organizations. KeyCorp and KeyBank are Category IV banking organizations. Under the proposal, Category III and IV banking organizations would be required to include most components of AOCI, including net unrealized gains and losses on available-for-sale securities, in regulatory capital. Category III and IV banking organizations would also be required to apply the same capital deductions and minority interest treatments that currently apply to Category I and Category II banking organizations. In addition, all Large Banking Organizations would be subject to the supplementary leverage ratio and countercyclical capital buffer requirement and would be required to make certain enhanced public disclosures.

The expanded total risk-weighted assets calculation used in the expanded risk-based approach would be phased in over a three-year period starting on July 1, 2025. For Category III and IV banking organizations, the requirement to reflect AOCI in regulatory capital would also be phased in over a three-year period starting on July 1, 2025. All other elements of the calculation of regulatory capital would apply on the effective date of the final rule, which is expected to be on or about July 1, 2025. Comments on this proposal were due by January 16, 2024.

See Item 1. Business of our 2023 Form 10-K under the heading “Supervision and Regulation - Recent regulatory capital requirements” for a discussion of other developments concerning recent regulatory capital-related changes.

Capital planning and stress testing

As a Category IV banking organization subject to a supervisory stress test every other year, KeyCorp was not required to participate in the Federal Reserve’s supervisory stress test in

2023. On July 27, 2023, the Federal Reserve confirmed that KeyCorp's required stress capital buffer (based on the results of KeyCorp's June 2022 stress test) is 2.5%, which is the minimum buffer required for banking organizations the size of KeyCorp. This stress capital buffer requirement will remain in effect until September 30, 2024 unless KeyCorp receives an updated stress capital buffer requirement from the Federal Reserve before that date.

See Item 1. Business of our 2023 Form 10-K under the heading "Supervision and Regulation - Regulatory capital requirements - Capital planning and stress testing" for a discussion of other developments concerning capital planning and stress testing requirements.

Deposit insurance and assessments

On October 18, 2022, the FDIC adopted a final rule, applicable to all insured depository institutions (including KeyBank), to increase the initial base deposit insurance assessment rate schedules uniformly by two basis points consistent with the Amended Restoration Plan approved by the FDIC on June 21, 2022. The FDIC indicated that it was taking this action in order to restore the DIF reserve ratio to the required statutory minimum of 1.35% by the statutory deadline of September 30, 2028. Under the final rule, the increase in rates began with the first quarterly assessment period of 2023 and will remain in effect unless and until the reserve ratio meets or exceeds 2% in order to support growth in the DIF in progressing toward the FDIC's long-term goal of a 2% reserve ratio.

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On March 10, 2023, and March 12, 2023, Silicon Valley Bank ("SVB") and Signature Bank ("Signature") were closed by the state banking authorities in California and New York, respectively, and the FDIC was appointed as receiver of SVB and Signature. All deposits of SVB and Signature were transferred to bridge banks established by the FDIC under the systemic risk exception to the least cost test in the FDIA so that the uninsured deposits as well as the insured deposits of both banks were protected by the FDIC. Under the FDIA, the loss to the DIF arising from the use of the systemic risk exception must be recovered through one or more special assessments.

On November 16, 2023, the FDIC issued a final rule to impose a special assessment on IDIs to recover the loss to the DIF resulting from the use of the systemic risk exception to protect the uninsured depositors of SVB and Signature. Under the final rule, the FDIC would collect a special assessment from IDIs at an annual rate of approximately 13.4 basis points over eight quarterly assessment periods, starting with the first quarterly assessment period of 2024. The assessment base for the proposed special assessment is equal to an IDI's estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits held by the IDI. Because the estimated loss to the DIF from the use of the systemic risk exception will be periodically adjusted and because the total assessments collected may change due to corrective amendments filed by covered IDIs regarding the reported amount of uninsured deposits for the December 31, 2022 reporting period, the FDIC may cease collection of the special assessment early, extend the special assessment collection period, or impose a final shortfall special assessment.

In the final rule, the FDIC indicated that the special assessment is a tax-deductible operating expense for IDIs, and that it assumed that the effect on income of the entire amount of the special assessment would occur in one quarter for the IDIs subject to the assessment. The impact of the special assessment to Key was approximately $190 million in pre-tax expense, which was recognized upon issuance of the final rule in the fourth quarter of 2023.

The FDIC has indicated that the loss estimates to be recovered by the special assessment will be periodically adjusted as the FDIC (as receiver of the failed banks) sells assets, satisfies liabilities, and incurs receivership expenses. The FDIC said that it will provide any updates regarding the amount and collection period for the special assessment when it sends the quarterly deposit insurance assessment invoices to the IDIs subject to the special assessment. In the first quarter of 2024, the FDIC announced an increase in its estimate of losses from protecting the uninsured depositors of SVB and Signature and, therefore, increased the amount that it would collect through the special assessment. Because of this updated estimate, Key incurred an incremental pre-tax expense of $29 million in the first quarter of 2024.

The FDIC's final rule for a special assessment discussed above was not intended to recover the loss to the DIF from the failure of First Republic Bank in May 2023 (initially estimated as a $13 billion loss) or to the DIF from the failures of SVB and Signature that was not related to the protection of uninsured depositors (initially estimated as a $2.7 billion loss). The FDIC indicated that no further adjustments to assessments are contemplated at this time to recover those losses but that it will re-evaluate this issue in the future when it updates projections for the DIF balance and the reserve ratio in connection with its periodic review of the DIF Restoration Plan that was adopted in 2022. The FDIC updates these projections at least semiannually.

See Item 1. Business of our 2023 Form 10-K under the heading "Supervision and Regulation – FDIA, Resolution Authority and Financial Stability - Deposit insurance and assessments" for a discussion of other developments concerning deposit insurance and assessments.

Long-term debt requirement

On August 29, 2023, the federal banking agencies issued for public comment a proposal that would require certain large BHCs and certain large IDIs to issue and maintain minimum amounts of long-term debt ("LTD"). This proposal would apply to Category II, III, and IV BHCs (including KeyCorp) and IDIs that (i) are not consolidated subsidiaries of U.S. global systemically important banks and (ii) have at least $100 billion in total assets (including KeyBank) or are affiliated with an IDI that has at least $100 billion in total assets. Under the proposal, the required minimum amount of LTD would be the greater of 6 percent of an entity's total risk-weighted assets, 3.5 percent of an entity's average total consolidated assets, and 2.5 percent of an entity's total leverage exposure if it is subject to the supplementary leverage ratio. IDIs that are consolidated subsidiaries of BHCs would be required to issue the LTD to their parent company or another entity that consolidates the IDI.

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Debt instruments issued to satisfy the minimum LTD requirement would have to meet certain criteria including, among other things, being unsecured, have a remaining maturity of more than one year, and not provide the holder with acceleration rights except in limited circumstances. BHCs subject to the proposal would also have to comply with certain “clean holding-company” requirements such as a cap on liabilities other than eligible LTD and a prohibition on entering into most qualified financial contracts with third parties. The proposal would provide a three-year transition period with the incremental phase-in of the requirements during this period. The federal banking agencies indicated that the proposal would improve the resolvability of the covered entities in case of their failure, reduce costs to the DIF, and mitigate contagion and financial stability risks by reducing the risk of loss to uninsured depositors. Comments on the proposal were due by January 16, 2024.

Community Reinvestment Act

On October 24, 2023, the federal banking agencies adopted a final rule to strengthen and modernize their regulations implementing the Community Reinvestment Act (“CRA”) to better achieve the purposes of the law, adapt to changes in the banking industry, and provide clarity and consistency in the application of their regulations. Among other things, the final rule (1) clarifies what activities constitute eligible community development activities, (2) adopts four new tests under which large banks with more than $2 billion in assets (including KeyBank) will be evaluated, (3) applies a new framework for assigning conclusions and ratings to banks, (4) updates requirements for delineating facility-based assessment areas, (5) provides for the evaluation of certain large banks in retail lending assessment areas as well as facility-based assessment areas, and (6) imposes new data collection and reporting requirements. The four new tests under which large banks will be evaluated are a retail lending test, a retail services and products test, a community development financing test, and a community development services test. Various metrics and performance standards will be applied under these tests. Most provisions of the final rule will be effective on January 1, 2026, while certain reporting requirements will be effective on January 1, 2027. KeyBank is subject to the final rule.

Various trade associations filed a lawsuit in the United States District Court for the Northern District of Texas seeking to invalidate the CRA final rule. In their lawsuit, the trade associations argued that the federal banking agencies exceeded their authority in adopting the CRA final rule. On March 29, 2024, the court in that case issued a preliminary injunction barring the federal banking agencies from enforcing the CRA final rule against the plaintiffs pending the resolution of this lawsuit. The court also extended all implementation dates under the CRA final rule, day for day, for each day that the injunction remains in place. The court concluded that the plaintiffs had demonstrated a substantial likelihood of success on the merits and would suffer irreparable harm if they had to incur costs to prepare to comply with a rule that might later be invalidated. Key is monitoring developments in this case.

See Item 1. Business of our 2023 Form 10-K under the heading “Supervision and Regulation - Other Regulatory Developments – Community Reinvestment Act” for a discussion of other recent developments relating to the Community Reinvestment Act.

Debit Card Interchange Fee Cap

On October 25, 2023, the Federal Reserve issued for public comment a proposal to lower the maximum interchange fee that a debit card issuer with $10 billion or more in total consolidated assets (including KeyBank) can receive for a debit card transaction. The interchange fee cap is currently set at the sum of 21 cents for each transaction plus an amount equal to 0.05% of the value of the transaction and a one cent fraud prevention adjustment for issuers that satisfy certain criteria. In the new proposal, the Federal Reserve proposed to lower the cap to the sum of 14.4 cents for each transaction plus an amount equal to 0.04% of the value of the transaction and a 1.3 cent fraud prevention adjustment. The Federal Reserve indicated that it was proposing this revision to the fee cap to reflect changes in issuer costs. The Federal Reserve also proposed to update the amount of the fee cap every other year going forward by using data it collects in a biennial survey of large debit card issuers. Comments on the proposal are due by May 12, 2024.

Developments relating to climate change

On March 6, 2024, the SEC adopted final rules under the Securities Act of 1933 and the Securities Exchange Act of 1934 to require public companies (including KeyCorp) to provide detailed climate-related information in their registration statements and periodic reports. Among other things, the final rules require public companies to disclose information about (i) climate-related risks that have had, or are reasonably likely to have, a material impact on the company's business strategy, results of operations, or financial condition; (ii) the actual and potential material impacts of such risks on the company's strategy, business model, and outlook; (iii) a company's activities, if any, to mitigate or adapt to material climate-related risks; (iv) the role of the board of directors in overseeing climate-related risks and management's role in assessing and managing the company's material climate-related risks; (v) processes the company uses for identifying, assessing, and managing material climate-related risks; (vi) the company's Scope 1 Greenhouse Gas ("GHG") emissions (direct GHG emissions) and Scope 2 GHG emissions (indirect GHG emissions resulting from purchased energy) when such emissions are material and an attestation report covering such disclosures; and (vii) expenditures, costs, and losses incurred as a result of severe weather events and other natural conditions (subject to disclosure thresholds) to be disclosed in a note to the financial statements. Compliance with these requirements will be phased in over a period of years, with disclosure by large accelerated filers (including KeyCorp) starting in 2026 with respect to information for the 2025 fiscal year.

Various organizations have filed lawsuits seeking to invalidate the SEC's final rules that mandate climate-related disclosures. These lawsuits, which challenge the authority of the SEC to adopt these rules, have been consolidated in the United States Court of Appeals for the Eighth Circuit. On April 4, 2024, the SEC issued an order staying its final climate disclosure rules pending the completion of judicial review of these lawsuits. Key is monitoring developments in these lawsuits.

Results of Operations

Earnings overview

The following chart provides a reconciliation of net income from continuing operations attributable to Key common shareholders for the three months ended March 31, 2023, to the three months ended March 31, 2024 (dollars in millions):

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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;
- asset quality; and
- fair value accounting of acquired earning assets and interest-bearing liabilities.

To make it easier to compare both the results across 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 “TE basis” (i.e., as if all income were taxable and at the same rate). For example, $100 of tax-exempt income would be presented as $126, an amount that, if taxed at the statutory federal income tax rate of 21%, would yield $100.

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Net interest income (TE) was $886 million for the first quarter of 2024 and the net interest margin was 2.02%. Compared to the first quarter of 2023, net interest income (TE) decreased $220 million and net interest margin decreased by 45 basis points. While both net interest income and the net interest margin benefited from the reinvestment of proceeds from maturing interest rate swaps, investments, and U.S. Treasury securities into higher-yielding cash and swaps, the decline in net interest income and the net interest margin reflects the higher interest rate environment and Key’s balance sheet optimization efforts, which resulted in planned reductions in loan balances. The higher interest rate environment drove earning asset yields higher, but were outpaced by the higher cost of deposits and borrowings. Additionally, the balance sheet experienced a shift in funding mix from noninterest-bearing deposits to higher-cost deposits and borrowings.

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Average loans were $111.0 billion for the first quarter of 2024, a decrease of $8.8 billion compared to the first quarter of 2023, reflective of Key’s planned balance sheet optimization efforts. The decline in average loans was mostly driven by lower commercial and industrial loans, as well as a decline in commercial mortgage real estate loans. Additionally, average consumer loans decreased by $2.2 billion, reflective of broad-based declines across all consumer loan categories.

Average deposits totaled $142.9 billion for the first quarter of 2024, a decrease of $527 million compared to the year-ago quarter. The decrease was driven by continued changing client behavior reflective of higher interest rates, as well as a decline in wholesale deposit balances.

Figure 3 shows the various components of our balance sheet that affect interest income and expense and their respective yields or rates for the current periods and comparative year ago periods. This figure also presents a reconciliation of TE 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 TE net interest income by average earning assets.

Figure 3. Consolidated Average Balance Sheets, Net Interest Income, and Yields/Rates and Components of Net Interest Income Changes from Continuing Operations[h]

Dollars in millions	Three months ended March 31, 2024 Average Balance	Interest [a]	Yield/ Rate [a]	Three months ended March 31, 2023 Average Balance	Interest [a]	Yield/ Rate [a]	Change in Net interest income due to Volume	Yield/ Rate	Total
ASSETS									
Loans [b], [c]									
Commercial and industrial [d]	**$ 55,220**	**$ 853**	**6.22 %**	$ 60,281	$ 807	5.42 %	$ (71)	$ 117	$ 46
Real estate — commercial mortgage	**14,837**	**229**	**6.21**	16,470	224	5.52	(23)	28	5
Real estate — construction	**3,039**	**57**	**7.50**	2,525	39	6.30	9	9	18
Commercial lease financing	**3,346**	**27**	**3.23**	3,783	27	2.87	(3)	3	—
Total commercial loans	**76,442**	**1,166**	**6.14**	83,059	1,097	5.35	(88)	157	69
Real estate — residential mortgage	**20,814**	**171**	**3.29**	21,436	172	3.21	(5)	4	(1)
Home equity loans	**7,024**	**104**	**5.97**	7,879	106	5.47	(12)	10	(2)
Other consumer loans	**5,800**	**72**	**4.99**	6,480	76	4.69	(8)	4	(4)
Credit cards	**954**	**36**	**14.93**	983	32	13.37	(1)	5	4
Total consumer loans	**34,592**	**383**	**4.44**	36,778	386	4.23	(26)	23	(3)
Total loans	**111,034**	**1,549**	**5.61**	119,837	1,483	5.01	(114)	180	66
Loans held for sale	**888**	**14**	**6.15**	907	13	5.86	—	1	1
Securities available for sale [b], [e]	**37,089**	**232**	**2.17**	39,172	194	1.72	(11)	49	38
Held-to-maturity securities [b]	**8,423**	**75**	**3.57**	8,931	74	3.32	(4)	5	1
Trading account assets	**1,110**	**14**	**5.21**	1,001	12	4.86	1	1	2
Short-term investments	**10,243**	**142**	**5.59**	3,532	42	4.80	92	8	100
Other investments [e]	**1,236**	**17**	**5.39**	1,309	13	4.01	(1)	5	4
Total earning assets	**170,023**	**2,043**	**4.67**	174,689	1,831	4.09	(37)	249	212
Allowance for loan and lease losses	**(1,505)**			(1,336)					
Accrued income and other assets	**17,350**			17,498					
Discontinued assets	**329**			419					
Total assets	**$ 186,197**			$ 191,270					
LIABILITIES									
Money market deposits	**$ 37,659**	**$ 264**	**2.82 %**	$ 33,853	$ 78	.94 %	$ 10	$ 176	$ 186
Demand deposits	**56,137**	**357**	**2.56**	52,365	183	1.42	14	160	174
Savings deposits	**5,253**	**1**	**.07**	7,346	1	.03	—	—	—
Time deposits	**14,430**	**160**	**4.45**	10,498	88	3.39	39	33	72
Total interest-bearing deposits	**113,479**	**782**	**2.77**	104,062	350	1.36	63	369	432
Federal funds purchased and securities sold under repurchase agreements	**106**	**1**	**4.03**	2,087	22	4.34	(19)	(2)	(21)
Bank notes and other short-term borrowings	**3,325**	**46**	**5.63**	6,597	78	4.80	(44)	12	(32)
Long-term debt [f], [g]	**19,537**	**328**	**6.72**	20,141	275	5.47	(8)	61	53
Total interest-bearing liabilities	**136,447**	**1,157**	**3.41**	132,887	725	2.20	(8)	440	432
Noninterest-bearing deposits	**29,399**			39,343					
Accrued expense and other liabilities	**5,373**			4,804					
Discontinued liabilities [g]	**329**			419					
Total liabilities	**171,548**			177,453					
EQUITY									
Key shareholders' equity	**14,649**			13,817					
Noncontrolling interests	**—**			—					

(a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g), calculated using a matched funds transfer pricing methodology.

(b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 21% for the three months ended March 31, 2024, and March 31, 2023.

(c) For purposes of these computations, nonaccrual loans are included in average loan balances.

(d) Commercial and industrial average balances include $211 million and $178 million of assets from commercial credit cards for the three months ended March 31, 2024, and March 31, 2023, respectively.

(e) Yield is calculated on the basis of amortized cost. The average amortized cost for securities available for sale was $42.7 billion and $45.3 billion for the three months ended March 31, 2024 and March 31, 2023, respectively.

(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.

(h) Average balances presented are based on daily average balances over the respective stated period.

Provision for credit losses

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Key’s provision for credit losses was $101 million for the three months ended March 31, 2024, compared to $139 million for the three months ended March 31, 2023. The decline from the year-ago period reflects a more stable economic outlook and the impact of balance sheet optimization efforts, partly offset by portfolio migration.

Noninterest income

As shown in Figure 4, noninterest income was $647 million, and represented 42% of total revenue for the first quarter of 2024, compared to $608 million, representing 35% of total revenue, for the year-ago quarter.

The following discussion explains the composition of certain elements of our noninterest income and the factors that caused those elements to change.

Figure 4. Noninterest Income

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(a) Other noninterest income includes operating lease income and other leasing gains, corporate services income, corporate-owned life insurance income, consumer mortgage income, commercial mortgage servicing fees, and other income. See the "Consolidated Statements of Income" in Item 1. Financial Statements of this report.

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Trust and investment services income

Trust and investment services income consists of brokerage commissions, trust and asset management fees, and insurance income. The assets under management that primarily generate certain trust and asset management fees are shown in Figure 5. For the three months ended March 31, 2024, trust and investment services income was up $8 million, or 6.3%, compared to the same period one year ago. The increase was driven primarily by investment management fees associated with higher assets under management.

A significant portion of our trust and investment services income depends on the value and mix of assets under management. As shown in Figure 5, at March 31, 2024, our bank, trust, and registered investment advisory subsidiaries had assets under management of $57.3 billion, up 6.7% compared to March 31, 2023. The increase was driven by market impacts on portfolios.

Figure 5. Assets Under Administration

Dollars in millions	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Discretionary assets under management by investment type:					
Equity	**$ 32,369**	$ 30,724	$ 28,866	$ 30,320	$ 29,139
Fixed income	**14,096**	13,775	13,646	13,819	14,615
Money market	**6,177**	6,187	6,308	6,094	6,490
Total discretionary assets under management	**52,642**	50,686	48,820	50,233	50,244
Non-discretionary assets under administration	**4,663**	4,173	3,696	3,719	3,445
Total	**$ 57,305**	$ 54,859	$ 52,516	$ 53,952	$ 53,689

Investment banking and debt placement fees

Investment banking and debt placement fees consist of syndication fees, debt and equity securities underwriting fees, merger and acquisition and financial advisory fees, gains on sales of commercial mortgages, and agency origination fees. For the three months ended March 31, 2024, investment banking and debt placement fees were up $25 million, or 17.2%, compared to the same period a year ago. The increase was driven by strong commercial mortgage and debt capital markets activity.

Service charges on deposit accounts

Service charges on deposit accounts decreased $4 million, or 6.0%, for the three months ended March 31, 2024, compared to the same period one year ago. The decline was driven primarily by decreased maintenance fees.

Cards and payments income

Cards and payments income, which consists of debit card, prepaid card, consumer and commercial credit card, and merchant services income, decreased $4 million for the three months ended March 31, 2024, compared to the same period one year ago. The decrease was driven by lower fees merchant services and card fees, slightly offset by an increase in ATM fees.

Other noninterest income

Other noninterest income includes operating lease income and other leasing gains, corporate services income,
corporate-owned life insurance income, consumer mortgage income, commercial mortgage servicing fees, and other income. Other noninterest income for the three months ended March 31, 2024, increased $14 million, or 7.5%, from the year-ago quarter. The increase was primarily driven by increased commercial mortgage servicing fees as well as increased margins on mortgage sales, with a slight offset from decreased corporate services income stemming from reduced derivatives related activity.

Noninterest expense

As shown in Figure 6, noninterest expense was $1.1 billion for the first quarter of 2024, compared to $1.2 billion for the first quarter of 2023.

The following discussion explains the composition of certain elements of our noninterest expense and the factors that caused those elements to change.

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Figure 6. Noninterest Expense

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(a) Other noninterest expense includes equipment, operating lease expense, marketing, and other expense. See the "Consolidated Statements of Income" in Item 1. Financial Statements of this report.

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Personnel

Personnel expense, the largest category of our noninterest expense, decreased by $27 million, or 3.9%, for the three months ended March 31, 2024, compared to the same period one year ago. The decrease was driven by lower headcount from efficiency-related actions taken last year.

Nonpersonnel expense

Nonpersonnel expenses includes net occupancy, computer processing, business services and professional fees, equipment, operating lease expense, marketing, and other miscellaneous expense categories. Nonpersonnel expenses for the three months ended March 31, 2024 including the impact of the additional FDIC special assessment of $29 million, decreased $6 million, or 1.3%, from the year-ago quarter, primarily due to decreases across most other expense categories.

Income taxes

We recorded tax expense of $59 million for the first quarter of 2024 and $81 million for the first quarter of 2023.

Our federal tax expense and effective tax rate differs from the amount that would be calculated using the federal statutory tax rate; primarily due to investments in tax-advantaged assets, such as corporate-owned life insurance, tax credits associated with low-income housing investments, and periodic adjustments to our tax reserves.

Additional information pertaining to how our tax expense (benefit) and the resulting effective tax rates were derived is included in Note 14 (“Income Taxes”) beginning on page 157 of our 2023 Form 10-K.

Business Segment Results

This section summarizes the financial performance of our two major business segments (operating segments): Consumer Bank and Commercial Bank. Note 20 (“Business Segment Reporting”) describes the products and services offered by each of these business segments and provides more detailed financial information pertaining to the segments. For more information on the segment imperatives and market and business overview, see “Business Segment Results” beginning on page 58 of our 2023 Form 10-K. Dollars in the charts are presented in millions.

Consumer Bank

Summary of operations

- Net income attributable to Key of $55 million for the first quarter of 2024, compared to $89 million for the year-ago quarter
- Taxable-equivalent net interest income attributable to the Consumer Bank decreased by $63 million, or 10.3%, compared to the first quarter of 2023, reflective of a shift in funding mix from noninterest-bearing deposits to higher-cost deposits and borrowings, as well as Key’s balance sheet optimization efforts
- Average loans and leases decreased $2.6 billion, or 6.1%, from the first quarter of 2023, driven by broad-based declines across loan categories
- Average deposits decreased $320 million, or 0.4%, from the first quarter of 2023

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- Provision for credit losses decreased $62 million compared to the first quarter of 2023, driven by planned balance sheet optimization efforts and an improving economic outlook, partly offset by higher net charge-offs
- Noninterest income decreased $4 million, or 1.8%, from the first quarter of 2023, driven by declines in service charges on deposit accounts and cards and payments income
- Noninterest expense increased $40 million, or 6.0%, from the first quarter of 2023, primarily reflective of the FDIC special assessment charge

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Commercial Bank

Summary of operations

- Net income attributable to Key of $200 million for the first quarter of 2024, compared to $255 million for the year-ago quarter
- Taxable-equivalent net interest income decreased by $87 million, compared to the first quarter of 2023, reflecting higher interest-bearing deposit costs and a shift in funding mix to higher-cost deposits, as well as Key’s balance sheet optimization efforts
- Average loan and lease balances decreased $6.2 billion, compared to the first quarter of 2023, driven by a decline in commercial and industrial loans
- Average deposit balances increased $3.9 billion, or 7.4%, compared to the first quarter of 2023, driven by our focus on growing deposits across our commercial businesses

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- Provision for credit losses increased $22 million compared to the first quarter of 2023, driven by portfolio migration, partly offset by a more stable economic outlook and the impact of balance sheet optimization efforts
- Noninterest income increased $34 million, from the first quarter of 2023, primarily driven by an increase in investment banking and debt placement fees and commercial mortgage servicing fees
- Noninterest expense remained unchanged compared the first quarter of 2023

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Financial Condition

Loans and loans held for sale

Figure 7. Breakdown of Loans at March 31, 2024

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(a) Consumer loans include Consumer loans and Credit cards. See Note 3 (“Loan Portfolio”) in Item 1. Financial Statements of this report.

At March 31, 2024, total loans outstanding from continuing operations were $109.9 billion, compared to $112.6 billion at December 31, 2023. For more information on balance sheet carrying value, see Note 1 (“Summary of Significant Accounting Policies”) under the headings “Loans” and “Loans Held for Sale” starting on page 107 of our 2023 Form 10-K.

Commercial loan portfolio

Commercial loans outstanding were $75.7 billion at March 31, 2024, a decrease of $1.9 billion, or 2.5%, compared to December 31, 2023, driven by a decline in commercial and industrial loans and commercial real estate loans.

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Figure 8 provides our commercial loan portfolios by industry classification at March 31, 2024, and December 31, 2023.

Figure 8. Commercial Loans by Industry

March 31, 2024

Dollars in millions	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	**$ 849**	**$ 107**	**$ 83**	**$ 1,039**	**1.4 %**
Automotive	**2,194**	**793**	**3**	**2,990**	**3.9**
Business services	**3,367**	**243**	**110**	**3,720**	**4.9**
Commercial real estate	**7,956**	**12,703**	**8**	**20,667**	**27.3**
Construction materials and contractors	**2,200**	**281**	**248**	**2,729**	**3.6**
Consumer goods	**3,734**	**581**	**244**	**4,559**	**6.0**
Consumer services	**4,358**	**751**	**315**	**5,424**	**7.2**
Equipment	**2,364**	**165**	**154**	**2,683**	**3.5**
Finance	**9,119**	**112**	**269**	**9,500**	**12.6**
Healthcare	**3,110**	**1,356**	**277**	**4,743**	**6.3**
Materials and extraction	**2,459**	**235**	**149**	**2,843**	**3.8**
Oil and gas	**2,165**	**29**	**8**	**2,202**	**2.9**
Public exposure	**2,214**	**8**	**477**	**2,699**	**3.6**
Technology, media, and telecom	**819**	**11**	**71**	**901**	**1.2**
Transportation	**907**	**97**	**323**	**1,327**	**1.8**
Utilities	**6,291**	**6**	**388**	**6,685**	**8.8**
Other	**687**	**75**	**178**	**940**	**1.2**
Total	**$ 54,793**	**$ 17,553**	**$ 3,305**	**$ 75,651**	**100.0 %**

December 31, 2023

Dollars in millions	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	$ 925	$ 114	$ 74	$ 1,113	1.4 %
Automotive	2,153	833	4	2,990	3.9
Business services	3,387	243	112	3,742	4.8
Commercial real estate	8,229	13,113	8	21,350	27.5
Construction materials and contractors	2,311	292	265	2,868	3.7
Consumer goods	3,851	622	268	4,741	6.1
Consumer services	4,568	774	327	5,669	7.3
Equipment	2,405	171	168	2,744	3.5
Finance	8,908	104	284	9,296	12.0
Healthcare	3,222	1,456	303	4,981	6.4
Materials and extraction	2,402	304	152	2,858	3.7
Oil and gas	2,212	37	12	2,261	2.9
Public exposure	2,241	8	513	2,762	3.6
Technology, media, and telecom	807	11	78	896	1.2
Transportation	988	97	466	1,551	2.0
Utilities	6,418	6	459	6,883	8.9
Other	788	68	30	886	1.1
Total	$ 55,815	$ 18,253	$ 3,523	$ 77,591	100.0 %

Commercial and industrial. Commercial and industrial loans are the largest component of our loan portfolio, representing 50% of our total loan portfolio at March 31, 2024, and 50% at December 31, 2023. This portfolio is approximately 88% variable rate and consists of loans originated primarily to large corporate, middle market, and small business clients.

Commercial and industrial loans totaled $54.8 billion at March 31, 2024, a decrease of $1.0 billion, or 1.8%, compared to December 31, 2023. The decrease was broad-based across most industry categories and reflects the competitive environment, low client demand, and the residual impact of our balance sheet optimization efforts during the second half of 2023.

Commercial real estate loans. Our commercial real estate portfolio includes project loans primarily focused in market-rate and affordable multi-family housing loans, owner-occupied commercial and industrial operating company buildings, and community center grocer-anchored retail centers. These three commercial real estate segments make up 75% of our commercial real estate portfolio. Our non-owner-occupied portfolio is focused on operators of commercial real estate who not only utilize our loan products, but also utilize our broader industry-focused products and services and provide consistent pipelines into our agency, CMBS, and other long-term market take out products. This focus ensures our relationship clients foster and build portfolios with stable, recurring cash flows, with adequate, balanced cash reserves to support our balance sheet exposures through the economic cycle.

At March 31, 2024, commercial real estate loans totaled $17.6 billion, which includes $14.5 billion of mortgage loans and $3.0 billion of construction loans. Compared to December 31, 2023, this portfolio decreased $700 million, or 3.8%, driven by decreases in nonowner-occupied. Nonowner-occupied properties, generally properties for which at least 50% of the debt service is provided by rental income from nonaffiliated third parties, represented 80% of total commercial real estate loans outstanding at March 31, 2024.

Since the global financial crisis in 2008, we have limited our construction business and reduced our overall construction loans from 45% to 17% of commercial real estate loans as of March 31, 2024. Construction loans provide a stream of funding for properties not fully leased at origination to support debt service payments over the term of the contract or project. As of March 31, 2024, 79% of our construction portfolio are multi-family project loans. Our office exposure only represents 5% of commercial real estate loans at period end.

As shown in Figure 9, our commercial real estate loan portfolio includes various property types and geographic locations of the underlying collateral. These loans include commercial mortgage and construction loans in both Consumer Bank and Commercial Bank.

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Figure 9. Commercial Real Estate Loans

Dollars in millions	Geographic Region West	Southwest	Central	Midwest	Southeast	Northeast	National	Total	Percent of Total	Construction	Commercial Mortgage
March 31, 2024											
Nonowner-occupied:											
Diversified	**$ 2**	**$ —**	**$ —**	**$ 3**	**$ —**	**$ 15**	**$ 122**	**$ 142**	**.8 %**	**$ —**	**$ 142**
Industrial	**47**	**24**	**82**	**106**	**231**	**281**	**20**	**791**	**4.5**	**131**	**660**
Land & Residential	**5**	**2**	**3**	**5**	**—**	**21**	**—**	**36**	**.2**	**13**	**23**
Lodging	**48**	**—**	**3**	**4**	**46**	**65**	**56**	**222**	**1.3**	**5**	**217**
Medical Office	**37**	**—**	**43**	**2**	**21**	**100**	**75**	**278**	**1.6**	**32**	**246**
Multifamily	**1,320**	**530**	**1,213**	**1,250**	**2,574**	**1,268**	**453**	**8,608**	**49.0**	**2,367**	**6,241**
Office	**141**	**1**	**153**	**75**	**111**	**277**	**87**	**845**	**4.8**	**—**	**845**
Retail	**167**	**6**	**82**	**172**	**77**	**257**	**216**	**977**	**5.6**	**62**	**915**
Self Storage	**54**	**—**	**45**	**15**	**75**	**30**	**176**	**395**	**2.3**	**8**	**387**
Senior Housing	**122**	**22**	**145**	**93**	**65**	**117**	**191**	**755**	**4.3**	**135**	**620**
Skilled Nursing	**—**	**—**	**—**	**31**	**—**	**202**	**186**	**419**	**2.4**	**—**	**419**
Student Housing	**—**	**—**	**—**	**27**	**158**	**—**	**—**	**185**	**1.1**	**50**	**135**
Other	**1**	**13**	**8**	**35**	**35**	**64**	**139**	**295**	**1.7**	**—**	**295**
Total nonowner-occupied	**1,944**	**598**	**1,777**	**1,818**	**3,393**	**2,697**	**1,721**	**13,948**	**79.5**	**2,803**	**11,145**
Owner-occupied	**1,085**	**1**	**325**	**695**	**156**	**1,140**	**203**	**3,605**	**20.5**	**210**	**3,395**
Total	**$ 3,029**	**$ 599**	**$ 2,102**	**$ 2,513**	**$ 3,549**	**$ 3,837**	**$ 1,924**	**$17,553**	**100.0 %**	**$ 3,013**	**$ 14,540**
Nonperforming loans	**$ 3**	**$ —**	**$ 45**	**$ 29**	**$ 2**	**$ 5**	**$ 29**	**$ 113**	**N/M**	**$ —**	**$ 113**
Accruing loans past due 90 days or more	**5**	**—**	**—**	**1**	**—**	**6**	**—**	**12**	**N/M**	**—**	**12**
Accruing loans past due 30 through 89 days	**4**	**—**	**—**	**2**	**41**	**14**	**—**	**61**	**N/M**	**1**	**60**
December 31, 2023											
Nonowner-occupied:											
Diversified	$ 3	$ —	$ —	$ 3	$ —	$ 16	$ 164	$ 186	1.0 %	$ —	$ 186
Industrial	58	24	80	110	230	280	20	802	4.4	168	634
Land & Residential	5	3	3	5	3	21	—	40	.2	18	22
Lodging	48	—	3	4	46	66	55	222	1.2	5	217
Medical Office	37	—	42	1	21	97	75	273	1.5	27	246
Multifamily	1,237	552	1,271	1,272	2,707	1,370	444	8,853	48.5	2,389	6,464
Office	142	—	153	76	118	285	50	824	4.5	—	824
Retail	213	6	84	183	102	297	213	1,098	6.0	75	1,023
Self Storage	62	—	45	15	72	32	171	397	2.2	4	393
Senior Housing	124	22	143	88	65	120	213	775	4.2	126	649
Skilled Nursing	—	—	—	66	—	202	215	483	2.6	—	483
Student Housing	—	—	—	27	158	—	—	185	1.0	59	126
Other	1	12	8	35	37	67	160	320	1.8	—	320
Total nonowner-occupied	1,930	619	1,832	1,885	3,559	2,853	1,780	14,458	79.2	2,871	11,587

West –	Alaska, California, Hawaii, Idaho, Montana, Oregon, Washington, and Wyoming
Southwest –	Arizona, Nevada, and New Mexico
Central –	Arkansas, Colorado, Oklahoma, Texas, and Utah
Midwest –	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin
Southeast –	Alabama, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, Washington D.C., and West Virginia
Northeast –	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont
National –	Accounts in three or more regions

Consumer loan portfolio

Consumer loans outstanding as of March 31, 2024, totaled $34.2 billion, a decrease of $781 million, or 2.2%, from December 31, 2023. The decrease was driven by declines across all consumer loan categories and reflect the higher interest rate environment and our focus on originating salable loans.

The residential mortgage portfolio is comprised of loans originated by our Consumer Bank and is the largest segment of our consumer loan portfolio as of March 31, 2024, representing 60% of consumer loans outstanding. This is followed by our home equity portfolio representing 20% of consumer loans outstanding at March 31, 2024.

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We held the first lien position for approximately 64% of the home equity portfolio at March 31, 2024, and 64% at December 31, 2023. For loans with real estate collateral, we track borrower performance monthly. Regardless of the lien position, credit metrics are refreshed quarterly, including recent FICO scores as well as updated loan-to-value ratios. This information is used in establishing the ALLL. Our methodology is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses” of our 2023 Form 10-K.

Figure 10 presents our consumer loans by geography.

Figure 10. Consumer Loans by State

Dollars in millions	Real estate — residential mortgage	Home equity loans	Other consumer loans	Credit cards	Total
March 31, 2024					
Washington	**$ 4,439**	**$ 996**	**$ 220**	**$ 85**	**$ 5,740**
Ohio	**2,707**	**986**	**208**	**187**	**4,088**
New York	**786**	**1,928**	**756**	**322**	**3,792**
Colorado	**2,978**	**269**	**143**	**30**	**3,420**
California	**2,275**	**15**	**483**	**3**	**2,776**
Oregon	**1,252**	**572**	**104**	**41**	**1,969**
Pennsylvania	**435**	**499**	**366**	**59**	**1,359**
Florida	**770**	**41**	**403**	**12**	**1,226**
Utah	**840**	**240**	**62**	**17**	**1,159**
Connecticut	**749**	**247**	**116**	**28**	**1,140**
Other	**3,473**	**1,112**	**2,829**	**151**	**7,565**
Total	**$ 20,704**	**$ 6,905**	**$ 5,690**	**$ 935**	**$ 34,234**
December 31, 2023					
Washington	$ 4,520	$ 1,020	$ 227	$ 88	$ 5,855
Ohio	2,704	1,029	251	203	4,187
New York	805	1,993	775	347	3,920
Colorado	3,001	277	149	32	3,459
California	2,294	14	500	3	2,811
Oregon	1,269	585	108	43	2,005
Pennsylvania	445	517	379	63	1,404
Florida	782	42	416	14	1,254
Utah	851	252	64	18	1,185
Connecticut	765	255	113	29	1,162
Other	3,522	1,155	2,934	162	7,773
Total	$ 20,958	$ 7,139	$ 5,916	$ 1,002	$ 35,015

Figure 11 summarizes our loan sales for the three months ended March 31, 2024, and all of 2023.

Figure 11. Loans Sold (Including Loans Held for Sale)

Dollars in millions	Commercial	Commercial Real Estate	Commercial Lease Financing	Residential Real Estate	Total
2024					
First quarter	**86**	**1,554**	**104**	**209**	**1,953**
Total	**$ 86**	**$ 1,554**	**$ 104**	**$ 209**	**$ 1,953**
2023					
Fourth quarter	$ 34	$ 1,735	$ 21	$ 340	$ 2,130
Third quarter	85	2,861	49	345	3,340
Second quarter	118	1,431	28	283	1,860
First quarter	125	1,121	164	135	1,545
Total	$ 362	$ 7,148	$ 262	$ 1,103	$ 8,875

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Figure 12 shows loans that are either administered or serviced by us, but not recorded on the balance sheet; this includes loans that were sold.

Figure 12. Loans Administered or Serviced

Dollars in millions	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Commercial real estate loans	**$ 505,152**	$ 499,449	$ 500,373	$ 493,396	$ 493,865
Residential mortgage	**11,166**	11,193	11,094	11,003	10,951
Education loans	**230**	248	263	278	294
Commercial lease financing	**1,888**	1,946	2,005	1,732	1,673
Commercial loans	**660**	667	685	708	712
Consumer direct	**386**	408	431	455	480
Consumer indirect	**649**	792	947	1,120	1,316
Total	**$ 520,131**	$ 514,703	$ 515,798	$ 508,692	$ 509,291

In the event of default by a borrower, we are subject to recourse with respect to approximately $7.6 billion of the $520.1 billion of loans administered or serviced at March 31, 2024. Additional information about this recourse arrangement is included in Note 17 (“Contingent Liabilities and Guarantees”) under the heading “Recourse agreement with FNMA.”

We derive income from several sources when retaining the right to administer or service loans that are sold. We earn noninterest income (recorded as “Consumer mortgage income” and “Commercial mortgage servicing fees”) from fees for servicing or administering loans. This fee income is reduced by the amortization of related servicing assets. In addition, we earn interest income from investing funds generated by escrow deposits collected in connection with the servicing loans. Additional information about our mortgage servicing assets is included in Note 8 (“Mortgage Servicing Assets”).

Securities

Our securities portfolio is constructed to help manage overall interest rate risk and provide a source of liquidity, including holding securities used to accommodate pledging requirements. Our securities portfolio totaled $45.6 billion at March 31, 2024, compared to $45.8 billion at December 31, 2023. Available-for-sale securities were $37.3 billion at March 31, 2024, compared to $37.2 billion at December 31, 2023. Held-to-maturity securities were $8.3 billion at March 31, 2024, and $8.6 billion at December 31, 2023.

As shown in Figure 13, all of our mortgage-backed securities, which include both securities available-for-sale and held-to-maturity securities, are issued by government-sponsored enterprises or GNMA, and are traded in liquid secondary markets. These securities are recorded on the balance sheet at fair value for the available-for-sale portfolio and at amortized cost for the held-to-maturity portfolio. For more information about these securities, refer to our 2023 Form 10-K within Note 1 (“Summary of Significant Accounting Policies”) under the heading “Securities” and Note 6 (“Fair Value Measurements”) under the heading

“Qualitative Disclosures of Valuation Techniques.” Additionally refer to Note 6 (“Securities”) within this report.

Figure 13. Mortgage-Backed Securities by Issuer

Dollars in millions	March 31, 2024	December 31, 2023
FHLMC & FNMA	**$ 23,743**	$ 24,302
GNMA	**12,048**	11,665
Total (a)	**$ 35,791**	$ 35,967

(a) Includes securities in the available-for-sale portfolio recorded at fair value and securities in the held-to-maturity portfolio recorded at amortized cost.

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Securities available for sale

The majority of our securities available-for-sale portfolio consists of Federal Agency CMOs and mortgage-backed securities. CMOs are debt securities secured by a pool of mortgages or mortgage-backed securities. Figure 14 shows the composition, yields, and remaining maturities of our securities available for sale. For more information about these securities, including gross unrealized gains and losses by type of security and securities pledged, see Note 6 (“Securities”).

Figure 14. Securities Available for Sale

Dollars in millions	U.S. Treasury, Agencies, and Corporations	Agency Residential Collateralized Mortgage Obligations [a]	Agency Residential Mortgage-backed Securities [a]	Agency Commercial Mortgage-backed Securities [a]	Total	Weighted-Average Yield [b]
March 31, 2024						
Remaining maturity:						
One year or less	**$ 7,437**	**$ 27**	**$ 3**	**$ 72**	**$ 7,539**	**.52 %**
After one through five years	**1,599**	**2,384**	**2,210**	**2,730**	**8,923**	**2.88**
After five through ten years	**39**	**9,259**	**798**	**5,518**	**15,614**	**2.09**
After ten years	**67**	**4,046**	**440**	**669**	**5,222**	**1.62**
Fair value	**$ 9,142**	**$ 15,716**	**$ 3,451**	**$ 8,989**	**$ 37,298**	**— %**
Amortized cost	**$ 9,354**	**$ 19,285**	**$ 4,090**	**$ 10,276**	**$ 43,005**	**1.91 %**
Weighted-average yield [b]	**1.13 %**	**1.92 %**	**1.61 %**	**2.70 %**	**1.91 %**	**—**
Weighted-average maturity	**1.0 years**	**8.2 years**	**5.9 years**	**6.6 years**	**6.0 years**	**—**
December 31, 2023						
Fair value	$ 9,026	$ 15,478	$ 3,589	$ 9,092	$ 37,185	— %
Amortized cost	9,300	18,911	4,189	10,295	42,695	1.79

(a) Maturity is based upon expected average lives rather than contractual terms.

(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate of 21%.

Held-to-maturity securities

The majority of our held-to-maturity portfolio consists of Federal agency CMOs and mortgage-backed securities. This portfolio is also comprised of asset-backed securities and foreign bonds. Figure 15 shows the composition, yields, and remaining maturities of these securities.

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Figure 15. Held-to-Maturity Securities

Dollars in millions	Agency Residential Collateralized Mortgage Obligations [a]	Agency Residential Mortgage-backed Securities [a]	Agency Commercial Mortgage-backed Securities [a]	Asset-backed securities	Other Securities	Total	Weighted-Average Yield [b]
March 31, 2024							
Remaining maturity:							
One year or less	**$ 11**	**$ —**	**$ 4**	**$ 607**	**$ 2**	**$ 624**	**2.10 %**
After one through five years	**1,901**	**109**	**2,129**	**1**	**24**	**4,164**	**3.40**
After five through ten years	**2,092**	**8**	**279**	**3**	**—**	**2,382**	**3.66**
After ten years	**1,021**	**45**	**36**	**—**	**—**	**1,102**	**4.23**
Amortized cost	**$ 5,025**	**$ 162**	**$ 2,448**	**$ 611**	**$ 26**	**$ 8,272**	**3.49 %**
Fair value	**$ 4,686**	**$ 145**	**$ 2,232**	**$ 592**	**$ 25**	**$ 7,680**	**— %**
Weighted-average yield [b]	**3.79 %**	**2.81 %**	**3.25 %**	**2.09 %**	**4.17 %**	**3.49 %**	**—**
Weighted-average maturity	**6.7 years**	**7.2 years**	**3.8 years**	**0.4 years**	**2.7 years**	**5.4 years**	**—**
December 31, 2023							
Amortized cost	$ 5,170	$ 165	$ 2,473	$ 738	$ 29	$ 8,575	3.49 %
Fair value	4,896	152	2,270	709	29	8,056	—

(a) Maturity is based upon expected average lives rather than contractual terms.

(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate of 21%.

Deposits and other sources of funds

Figure 16. Breakdown of Deposits at March 31, 2024

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The following presents the breakdown of our deposits by product for the noted periods.

Dollars in billions	March 31, 2024	December 31, 2023
Money market deposits	**$ 38.8**	**$ 37.0**
Demand deposits	**55.4**	**57.7**
Savings deposits	**5.3**	**5.4**
Time deposits	**15.1**	**14.8**
Noninterest bearing deposits	**29.6**	**30.7**
Total	**$ 144.2**	**$ 145.6**

Our highly diversified deposit base is our primary source of funding. At March 31, 2024, our deposits totaled $144.2 billion, a decrease of $1.4 billion, compared to December 31, 2023, reflecting normal seasonal deposit outflows.

Uninsured deposits are defined as the portion of deposit accounts in U.S. offices that exceed the FDIC insurance limit or similar state deposit insurance regimes and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regimes. Figure 17 presents estimated uninsured deposits for the noted periods which reflect amounts disclosed in KeyBank's Call Report adjusted for intercompany deposits, which are not customer facing and are eliminated in consolidation, and accrued interest.

Figure 17. Estimated Uninsured Deposits

Dollars in billions	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**
Uninsured deposits[a]	**$ 62.1**	$ 61.5	$ 61.5	$ 61.6	$ 63.3
Total deposits	**144.2**	145.6	144.3	145.1	144.1
Uninsured % of Deposits	**43 %**	42 %	43 %	42 %	44 %
[a] Intercompany deposits and accrued interest excluded from uninsured deposits	**$ 10.0**	$ 9.5	$ 8.7	$ 8.6	$ 8.3

As of March 31, 2024, approximately $15.1 billion of uninsured deposits were collateralized by government-backed securities compared to $13.1 billion as of December 31, 2023.

Wholesale funds, consisting of short-term borrowings and long-term debt, totaled $23.7 billion at March 31, 2024, compared to $22.6 billion at December 31, 2023. The increase in wholesale funds reflects our desire to maintain increased levels of cash at the Federal Reserve in accordance with our liquidity risk management policy. For more information regarding our wholesale funds, see Part II, Item 2. Management's Discussion & Analysis of Financial Condition & Results of Operations under the heading "Risk Management - Liquidity risk management" of this report.

Capital

The objective of capital management is to maintain capital levels consistent with our risk appetite and of a sufficient amount to operate under a wide range of economic conditions. Our current capital levels position us well to execute against our capital priorities including supporting organic growth and paying dividends.

The following sections discuss certain ways we have deployed our capital. For further information, see the Consolidated Statements of Changes in Equity and Note 19 ("Shareholders' Equity").

Dividends

Consistent with our capital plan, we paid a quarterly dividend of $.205 per Common Share for the first quarter of 2024. Further information regarding the capital planning process and CCAR is included under the heading "Capital planning and stress testing" beginning on page 16 in the "Supervision and Regulation" section of our 2023 Form 10-K.

Common shares outstanding

Our Common Shares are traded on the NYSE under the symbol KEY with 28,216 holders of record at March 31, 2024. Our book value per Common Share was $12.84 based on 942.8 million shares outstanding at March 31, 2024, compared to $13.02 per Common Share based on 936.6 million shares outstanding at December 31, 2023. At March 31, 2024, our tangible book value per Common Share was $9.87, compared to $10.02 per Common Share at December 31, 2023.

Figure 18 shows activities that caused the change in outstanding Common Shares over the past five quarters.

Figure 18. Changes in Common Shares Outstanding

	2024	2023			
In thousands	First	Fourth	Third	Second	First
Shares outstanding at beginning of period	**936,564**	936,161	935,733	935,229	933,325
Open market share repurchases	**—**	—	—	—	(2,550)
Shares issued under employee compensation plans (net of cancellations and returns)	**6,212**	403	428	504	4,454
Shares outstanding at end of period	**942,776**	936,564	936,161	935,733	935,229

As shown above, Common Shares outstanding increased by 6.2 million shares during the first quarter of 2024. We did not complete any open market share repurchases in the first quarter of 2024.

At March 31, 2024, we had 313.9 million treasury shares, compared to 320.1 million treasury shares at December 31, 2023. Going forward we expect to reissue treasury shares as needed in connection with stock-based compensation awards and for other corporate purposes.

Information on repurchases of Common Shares by KeyCorp is included in Part II, Item 2. “Unregistered Sales of Equity Securities and Use of Proceeds” of this report.

Capital adequacy

Capital adequacy is an important indicator of financial stability and performance. All of our capital ratios remained in excess of regulatory requirements at March 31, 2024. Our capital and liquidity levels are intended to position us to weather an adverse operating environment while continuing to serve our clients’ needs, as well as to meet the Regulatory Capital Rules described in Item 1. Business of our 2023 Form 10-K under the heading “Supervision and Regulation.” Our shareholders’ equity to assets ratio was 7.8% at both March 31, 2024, and December 31, 2023, respectively. Our tangible common equity to tangible assets ratio was 5.0% and 5.1% at March 31, 2024, and December 31, 2023, respectively. See the section entitled “GAAP to Non-GAAP Reconciliations,” which presents the computations of certain financial measures related to “tangible common equity.” The minimum capital and leverage ratios under the Regulatory Capital Rules together with the ratios of KeyCorp at March 31, 2024, are set forth in the “Supervision and regulation — Regulatory capital requirements” section in Part I, Item 2 of this report.

Figure 19 represents the details of our regulatory capital positions at March 31, 2024, and December 31, 2023, under the Regulatory Capital Rules. Information regarding the regulatory capital ratios of KeyCorp’s banking subsidiaries is presented annually, with the most recent information included in Note 24 (“Shareholders' Equity”) beginning on page 175 of our 2023 Form 10-K.

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Figure 19. Capital Components and Risk-Weighted Assets

Dollars in millions	March 31, 2024	December 31, 2023
COMMON EQUITY TIER 1		
Key shareholders' equity (GAAP)	**$ 14,547**	$ 14,637
Less: Preferred Stock [(a)]	**2,446**	2,446
Add: CECL phase-in [(b)]	**59**	118
Common Equity Tier 1 capital before adjustments and deductions	**12,160**	12,309
Less: Goodwill, net of deferred taxes	**2,590**	2,594
Intangible assets, net of deferred taxes	**43**	49
Deferred tax assets	**20**	1
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	**(4,332)**	(4,296)
Accumulated gains (losses) on cash flow hedges, net of deferred taxes	**(706)**	(656)
Amounts in AOCI attributed to pension and postretirement benefit costs, net of deferred taxes	**(276)**	(277)
Total Common Equity Tier 1 capital	**$ 14,821**	$ 14,894
TIER 1 CAPITAL		
Common Equity Tier 1	**$ 14,821**	$ 14,894
Additional Tier 1 capital instruments and related surplus	**2,446**	2,446
Less: Deductions	**—**	—
Total Tier 1 capital	**$ 17,267**	$ 17,340
TIER 2 CAPITAL		
Tier 2 capital instruments and related surplus	**$ 1,956**	$ 2,020
Allowance for losses on loans and liability for losses on lending-related commitments [(c)]	**1,761**	1,668
Less: Deductions	**—**	—
Total Tier 2 capital	**3,717**	3,688
Total risk-based capital	**$ 20,984**	$ 21,028
RISK-WEIGHTED ASSETS[(e)]		
Risk-weighted assets on balance sheet	**$ 112,202**	$ 115,861
Risk-weighted off-balance sheet exposure	**30,981**	31,555
Market risk-equivalent assets	**1,118**	1,159
Gross risk-weighted assets	**144,301**	148,575
Less: Excess allowance for loan and lease losses	**—**	—
Net risk-weighted assets	**$ 144,301**	$ 148,575
AVERAGE QUARTERLY TOTAL ASSETS	**$ 189,449**	$ 191,948
CAPITAL RATIOS[(e)]		
Tier 1 risk-based capital	**11.97 %**	11.67 %
Total risk-based capital	**14.54 %**	14.15 %
Leverage [(d)]	**9.11 %**	9.03 %
Common Equity Tier 1	**10.27 %**	10.02 %

(a) Net of capital surplus.

(b) Amount reflects our decision to adopt the CECL transitional provision.

(c) The ALLL included in Tier 2 capital is limited by regulation to 1.25% of the institution's standardized total risk-weighted assets (excluding its standardized market risk-weighted assets). The ALLL includes $15 million and $16 million of allowance classified as "discontinued assets" on the balance sheet at March 31, 2024, and December 31, 2023, respectively.

(d) This ratio is Tier 1 capital divided by average quarterly total assets as defined by the Federal Reserve less: (i) goodwill, (ii) the disallowed intangible and deferred tax assets, and (iii) other deductions from assets for leverage capital purposes.

(e) March 31, 2024 capital ratios and risk weighted assets are estimates.

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Risk Management

Overview

Like all financial services companies, we engage in business activities and assume the related risks. The most significant risks we face are credit, compliance, operational, liquidity, market, reputation, strategic, and model risks. Our risk management activities are focused on ensuring that we properly identify, measure, and manage such risks across the entire enterprise to maintain safety and soundness, and to maximize profitability. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented under the heading “Risk Management” beginning on page 74 of our 2023 Form 10-K.

Market risk management

Market risk is the risk that movements in market risk factors, including interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, and volatilities, will reduce Key’s income and the value of its portfolios. These factors influence prospective yields, values, or prices associated with the instrument. We are exposed to market risk both in our trading and nontrading activities, which include asset and liability management activities. Information regarding our fair value policies, procedures, and methodologies is provided in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” on page 111 of our 2023 Form 10-K and Note 5 (“Fair Value Measurements”) in this report.

Trading market risk

Key incurs market risk as a result of trading activities that are used in support of client facilitation and hedging activities, principally within our investment banking and capital markets businesses. Key has exposures to a wide range of risk factors including interest rates, equity prices, foreign exchange rates, credit spreads, and commodity prices, as well as the associated implied volatilities and spreads. Our primary market risk exposures are a result of trading and hedging activities in the derivative and fixed income markets, including securitization exposures. At March 31, 2024, we did not have any re-securitization positions. We maintain modest trading inventories to facilitate customer flow, make markets in securities, and hedge certain risks including but not limited to credit risk and interest rate risk. The risks associated with these activities are mitigated in accordance with the Market Risk hedging policy. The majority of our positions are traded in active markets.

Market risk management is an integral part of Key’s risk culture. The Risk Committee of our Board provides oversight of trading market risks. The ERM Committee and the Market Risk Committee regularly review and discuss market risk reports prepared by our MRM that contain our market risk exposures and results of monitoring activities. Market risk policies and procedures have been defined and take into account our tolerance for risk and consideration for the business environment. For more information regarding monitoring of trading positions and the activities related to the Market Risk Rule compliance, see “Market Risk Management” beginning on page 76 of our 2023 Form 10-K.

VaR and stressed VaR. VaR is the estimate of the maximum amount of loss on an instrument or portfolio due to adverse market conditions during a given time interval within a stated confidence level. Stressed VaR is used to assess extreme conditions on market risk within our trading portfolios. The MRM calculates VaR and stressed VaR on a daily basis, and the results are distributed to appropriate management. VaR and stressed VaR results are also provided to our regulators and utilized in regulatory capital calculations.

We use a historical simulation VaR model to measure the potential adverse effect of changes in interest rates, foreign exchange rates, equity prices, and credit spreads on the fair value of our covered positions and other non-covered positions. We analyze market risk by portfolios and do not separately measure and monitor our portfolios by risk type. Historical scenarios are customized for specific positions, and numerous risk factors are incorporated in the calculation. Additional consideration is given to the risk factors to estimate the exposures that contain optionality features, such as options and cancellable provisions. VaR is calculated using daily observations over a one-year time horizon and approximates a 95% confidence level. Statistically, this means that we would expect to incur losses greater than VaR, on average, five out of 100 trading days, or three to four times each quarter. We also calculate VaR and stressed VaR at a 99% confidence level. For more information regarding our VaR model, its governance, and assumptions, see “Market Risk Management” on page 76 of our 2023 Form 10-K.

Actual losses for the total covered portfolios did not exceed aggregate daily VaR for any day during the quarter ended March 31, 2024, and did not exceed aggregate daily VaR for any day during the quarter ended March 31, 2023. The MRM backtests our VaR model on a daily basis to evaluate its predictive power. The test compares VaR model results at the 99% confidence level to daily held profit and loss. Results of backtesting are provided to the Market Risk Committee. Backtesting exceptions occur when trading losses exceed VaR. We do not engage in correlation trading or utilize the internal model approach for measuring default and credit migration risk. Our net VaR approach incorporates diversification, but our VaR calculation does not include the impact of counterparty risk and our own credit spreads on derivatives.

The aggregate VaR at the 99% confidence level with a one day holding period for all covered positions was $1.3 million at March 31, 2024, and $1.7 million at March 31, 2023. Figure 20 summarizes our VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended March 31, 2024, and March 31, 2023.

Figure 20. VaR for Significant Portfolios of Covered Positions

	2024				**2023**			
	Three months ended March 31,				**Three months ended March 31,**			
Dollars in millions	**High**	**Low**	**Mean**	**March 31,**	**High**	**Low**	**Mean**	**March 31,**
Trading account assets:								
Fixed income	**$ 1.1**	**$ .4**	**$ .8**	**$ .9**	$ 1.3	$ .4	$ .8	$ 1.1
Derivatives:								
Interest rate	**$ .4**	**$ .2**	**$ .3**	**$ .3**	$ .7	$ .3	$ .4	$ .4

Stressed VaR is calculated by running the portfolios through a predetermined stress period which is approved by the Market Risk Committee and is calculated at the 99% confidence level using the same model and assumptions used for general VaR. The aggregate stressed VaR for all covered positions was $3.7 million at March 31, 2024, and $2.3 million at March 31, 2023. Figure 21 summarizes our stressed VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended March 31, 2024, and March 31, 2023. The increase in stressed VaR is due to a change in the size and composition of our fixed income inventory.

Figure 21. Stressed VaR for Significant Portfolios of Covered Positions

	2024				**2023**			
	Three months ended March 31,				**Three months ended March 31,**			
Dollars in millions	**High**	**Low**	**Mean**	**March 31,**	**High**	**Low**	**Mean**	**March 31,**
Trading account assets:								
Fixed income	**$ 4.1**	**$ 1.6**	**$ 2.6**	**$ 3.0**	$ 2.2	$ .9	$ 1.6	$ 1.6
Derivatives:								
Interest rate	**$ .4**	**$ .2**	**$ .3**	**$ .4**	$ .8	$ .2	$ .5	$ .5

Internal capital adequacy assessment. Market risk is a component of our internal capital adequacy assessment. Our risk-weighted assets include a market risk-equivalent asset amount, which consists of a VaR component, stressed VaR component, a de minimis exposure amount, and a specific risk add-on including the securitization positions. The aggregate market value of the securitization positions as defined by the Market Risk Rule was $19 million at March 31, 2024, all of which were mortgage-backed security positions. Specific risk is the price risk of individual financial instruments, which is not accounted for by changes in broad market risk factors and is measured through a standardized approach. Market risk weighted assets, including the specific risk calculations, are run quarterly by the MRM in accordance with the Market Risk Rule, and approved by the Chief Market Risk Officer.

Nontrading market risk

Most of our nontrading market risk is derived from interest rate fluctuations and its impacts on our traditional loan and deposit products, as well as investments, hedging relationships, long-term debt, and certain short-term borrowings. Interest rate risk, which is inherent in the banking industry, is measured by the potential for fluctuations in net interest income and the EVE. Such fluctuations may result from changes in interest rates and differences in the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities. We manage the exposure to changes in net interest income and the EVE in accordance with our risk appetite and in accordance with the Board approved ERM policy.

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Interest rate risk positions are influenced by a number of factors, including the balance sheet positioning that arises out of customer preferences for loan and deposit products, economic conditions, the competitive environment within our markets, changes in market interest rates that affect client activity, and our hedging, investing, funding, and capital positions. The primary components of interest rate risk exposure consist of reprice risk, basis risk, yield curve risk, and option risk.

- **"Reprice risk"** is the exposure to changes in the level of interest rates and occurs when the volume of interest-bearing liabilities and the volume of interest-earning assets they fund (e.g., deposits used to fund loans) do not mature or reprice at the same time.
- **"Basis risk"** is the exposure to asymmetrical changes in interest rate indexes and occurs when floating-rate assets and floating-rate liabilities reprice at the same time, but in response to different market factors or indexes.
- **"Yield curve risk"** is the exposure to nonparallel changes in the slope of the yield curve (where the yield curve depicts the relationship between the yield on a particular type of security and its term to maturity) and occurs when interest-bearing liabilities and the interest-earning assets that they fund do not price or reprice to the same term point on the yield curve.
- **"Option risk"** is the exposure to a customer or counterparty's ability to take advantage of the interest rate environment and terminate or reprice one of our assets, liabilities, or off-balance sheet instruments prior to contractual maturity without a penalty. Option risk occurs when exposures to customer and counterparty early withdrawals or prepayments are not mitigated with an offsetting position or appropriate compensation.

The management of nontrading market risk is centralized within Corporate Treasury. The Risk Committee of our Board provides oversight of nontrading market risk. The ERM Committee, the ALCO, and the Treasury Risk Oversight Committee ("TROC") review reports on the interest rate risk exposures described above. In addition, the ALCO reviews reports on stress tests and sensitivity analyses related to interest rate risk. These committees have various responsibilities related to managing nontrading market risk, including recommending, approving, and monitoring strategies that maintain risk positions within approved tolerance ranges. The A/LM policy provides the framework for the oversight and management of interest rate risk and is administered by the ALCO. The MRM, as the second line of defense, provides additional oversight.

Net interest income simulation analysis. The primary tool we use to measure our interest rate risk is simulation analysis. For purposes of this analysis, we estimate our net interest income based on the current and projected composition of our on- and off-balance sheet positions, accounting for recent and anticipated trends in customer activity. The analysis also incorporates assumptions for the current and projected interest rate environments and balance sheet growth projections based on a most likely macroeconomic view. The modeling incorporates investment portfolio and swap portfolio balances consistent with management's desired interest rate risk positioning. The simulation model estimates the amount of net interest income at risk by simulating the change in net interest income that would occur if rates were to gradually increase or decrease from current levels over the next 12 months (subject to a floor on market interest rates at zero).

Figure 22 presents the results of the simulation analysis at March 31, 2024, and March 31, 2023. At March 31, 2024, our simulated impact to changes in interest rates was low. The exposure to declining rates has changed from 1.37% as of March 31, 2023 to (1.21)% as of March 31, 2024, as a result of the change in balance sheet mix. Tolerance levels for risk management require the development of remediation plans to maintain residual risk within tolerance if simulation modeling demonstrates that a gradual, parallel 200 basis point increase or 200 basis point decrease in interest rates over the next 12 months would adversely affect net interest income over the same period by more than 5.5%. Current modeled exposure is within Board approved tolerances. If a tolerance level is breached and determined inconsistent with risk appetite, the development of a remediation plan is required to reduce exposure back to within tolerance.

Figure 22. Simulated Change in Net Interest Income

	March 31, 2024		**March 31, 2023**	
Basis point change assumption	**-200**	**+200**	-200	+200
Assumed floor in market rates (in basis points)	**—**	**N/A**	—	N/A
Rising rate beta	**N/A**	**High 50s**	N/A	Mid 40s
Tolerance level	**(5.50)%**	**(5.50)%**	(5.50)%	(5.50)%
Interest rate risk assessment	**(1.21)%**	**(0.76)%**	1.37 %	(3.27)%

+200 NII at risk beta sensitivity	March 31, 2024			
Beta assumption	**High 60s**	**Mid 60s**	**Mid 50s**	**High 40s**
Interest rate risk assessment	**(3.42)%**	**(2.09)%**	**0.53 %**	**1.78 %**

Simulation analyses produce a sophisticated estimate of interest rate exposure based on assumption inputs within the model. Assumptions are tailored to the specific interest rate environment and validated on a regular basis. However, actual results may differ from those derived in simulation analyses due to unanticipated changes to the balance sheet composition, customer behavior, product pricing, market interest rates, changes in management's desired interest rate risk positioning, investment, funding and hedging activities or repercussions from exogenous events.

Regular stress tests and sensitivity analyses are performed on the model inputs that could materially change the resulting risk assessments. Assessments are performed using different yield curve shapes, including steepening or flattening of the curve, immediate changes in market interest rates, and changes in the relationship of money market interest rates. Assessments are also performed on changes to the following assumptions: loan and deposit balances, the pricing of deposits without contractual maturities, changes in lending spreads, prepayments on loans and securities, investment, funding and hedging activities, and liquidity and capital management strategies.

The results of additional assessments indicate that net interest income could increase or decrease from the base simulation results presented in Figure 22. Net interest income is highly dependent on the timing, magnitude, frequency, and path of interest rate changes and the associated assumptions for deposit repricing relationships, lending spreads, and the balance behavior of transaction accounts. If fixed rate assets increase by $1 billion, or fixed rate liabilities decrease by $1 billion, then the potential benefit to rising rates would decrease by approximately 27 basis points. If the interest-bearing deposit beta assumption increases or decreases by 5 percentage points (e.g., 60% to 65% or 55%), then the potential benefit to rising rates would decrease or increase by approximately 133 basis points.

The current interest rate risk position could fluctuate to higher or lower levels of risk depending on the competitive environment and client behavior that may affect the actual volume, mix, maturity, and repricing characteristics of loan and deposit flows. Corporate Treasury discretionary activities related to funding, investing, and hedging may also change as a result of changes in customer business flows or changes in management's desired interest rate risk positioning. As changes occur to both the configuration of the balance sheet and the outlook for the economy, management proactively evaluates hedging opportunities that may change the interest rate risk profile.

Simulations are also conducted that measure the effect of changes in market interest rates in the second and third years of a three-year horizon. These simulations are conducted in a similar manner to those based on a 12-month horizon. To capture longer-term exposures, changes in the EVE are calculated as discussed in the following section.

Economic value of equity modeling. EVE complements net interest income simulation analysis as it estimates risk exposure beyond 12-, 24-, and 36-month horizons. EVE modeling measures the extent to which the economic values of assets, liabilities, and off-balance sheet instruments may change in response to fluctuations in interest rates. EVE is calculated by subjecting the balance sheet to an immediate increase or decrease in interest rates, measuring the resulting change in the values of assets, liabilities, and off-balance sheet instruments, and comparing those amounts with the base case of the current interest rate environment. EVE policy limits are measured against a +200 basis point/policy decline scenario. The resulting rate in the policy decline scenario is equal to the greater of the current fed funds target and zero. As of March 31, 2024, the policy decline scenario is minus 200 basis points. This analysis is highly dependent upon assumptions applied to assets and liabilities with non-contractual maturities. Those assumptions are based on historical behaviors, as well as forward expectations. Remediation plans are similarly developed if the analysis indicates that the EVE will decrease by 15% or more in response to an instantaneous increase or decrease in interest rates. The position is within these guidelines as of March 31, 2024.

Management of interest rate exposure. The results of the various interest rate risk analyses are used to formulate A/LM strategies to achieve the desired risk profile while managing to objectives for capital adequacy and liquidity risk exposures. Specifically, risk positions are managed by purchasing securities, issuing term debt with floating or fixed interest rates, and using derivatives. Interest rate swaps and options are predominantly used, which modify the interest rate characteristics of certain assets and liabilities.

Figure 23 shows all swap positions held for A/LM purposes. These positions are used to convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index. For example, fixed-rate debt is converted to a floating rate through a “receive fixed/pay variable” interest rate swap. The volume, maturity, and mix of portfolio swaps change frequently to reflect broader A/LM objectives and the balance sheet positions to be hedged. For more information about how interest rate swaps are used to manage the risk profile, see Note 7 (“Derivatives and Hedging Activities”).

Figure 23. Portfolio Swaps by Interest Rate Risk Management Strategy

	March 31, 2024					December 31, 2023	
			Weighted-Average				
Dollars in millions	Notional Amount	Fair Value	Maturity (Years)	Receive Rate	Pay Rate	Notional Amount	Fair Value
Receive fixed/pay variable — conventional loans	**$ 17,250**	**$ (784)**	**2.1**	**2.2 %**	**5.4 %**	$ 15,000	$ (641)
Receive fixed/pay variable — conventional debt	**10,388**	**(572)**	**4.1**	**2.6**	**5.4**	8,976	(395)
Receive fixed/pay variable — forward loans	**2,000**	**(26)**	**2.5**	**3.6**	**5.0**	4,000	(27)
Receive fixed/pay variable — forward debt	**950**	**5**	**9.9**	**3.8**	**4.4**	1,411	(40)
Pay fixed/receive variable — conventional debt	**50**	**1**	**4.3**	**5.6**	**3.6**	50	1
Pay fixed/receive variable — securities	**9,405**	**20**	**3.8**	**5.3**	**3.7**	8,655	(152)
Total portfolio swaps	**$ 40,043**	**$ (1,356)** (a)	**3.2**	**3.1 %**	**4.9 %**	$ 38,092	$ (1,254) (a)
Floors — forward purchased	**$ 3,250**	**$ 8**	**1.9**	**— %**	**— %**	$ 3,250	$ 26
Floors — forward sold	**3,250**	**(3)**	**1.9**	**—**	**—**	3,250	(11)
Total floors	**$ 6,500**	**$ 5**	**—**	**— %**	**— %**	$ 6,500	$ 15

(a) Excludes accrued interest of $54 million at March 31, 2024, and accrued interest of $58 million at December 31, 2023.

Liquidity risk management

Liquidity risk, which is inherent in the banking industry, is measured by our ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund new business opportunities at a reasonable cost, in a timely manner, and without adverse consequences. Liquidity management involves maintaining sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets and liabilities under both normal and adverse conditions.

Governance structure

We manage liquidity for all of our affiliates on a consolidated basis. This approach considers the funding sources available to each entity, as well as each entity’s capacity to manage through adverse conditions. The approach also recognizes that adverse market conditions or other events that could negatively affect the availability or cost of liquidity will affect the access of all affiliates to sufficient wholesale funding.

The management of consolidated liquidity risk is centralized within Corporate Treasury. Oversight and governance is provided by the Board, the ERM Committee, the ALCO, the TROC, and the Chief Risk Officer. The Asset Liability Management Policy provides the framework for the oversight and management of liquidity risk and is administered by the ALCO. The Corporate Treasury Oversight group within the MRM, as the second line of defense, provides additional oversight. Our current liquidity risk management practices are in compliance with the Federal Reserve Board’s Enhanced Prudential Standards.

These committees regularly review liquidity and funding summaries, liquidity trends, peer comparisons, variance analyses, liquidity projections, internal liquidity stress tests, and goal tracking reports. The reviews generate a discussion of positions, trends, and directives on liquidity risk and shape a number of our decisions. When liquidity pressure is elevated, positions are monitored more closely and reporting is more frequent. To ensure that emerging issues are identified, we also communicate with individuals inside and outside of the company on a daily basis.

Factors affecting liquidity

Our liquidity could be adversely affected by both direct and indirect events. An example of a direct event would be a downgrade in our public credit ratings by a rating agency. Examples of indirect events (events unrelated to us) that could impair our access to liquidity would be an act of terrorism or war, natural disasters, global pandemics, political events, or the default or bankruptcy of a major corporation, mutual fund, or hedge fund. Similarly, market speculation, or rumors about us or the banking industry in general, may adversely affect the cost and availability of normal funding sources. For a discussion of certain risks which may impact our liquidity, see Part II, Item 1A. "Risk

Factors" in this report. For more information on recent liquidity activity, see the header "Our liquidity position and recent activity" in this report below.

Our credit ratings at March 31, 2024, are shown in Figure 24. While we believe these credit ratings, under normal conditions in the capital markets, will enable KeyCorp or KeyBank to issue fixed income securities to investors, downgrades in our credit ratings could increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us.

Figure 24. Credit Ratings

March 31, 2024	Short-Term Borrowings	Long-Term Deposits [(a)]	Senior Long-Term Debt	Subordinated Long-Term Debt	Capital Securities	Preferred Stock
KEYCORP						
Standard & Poor's	A-2	N/A	BBB	BBB-	BB	BB
Moody's	P-2	N/A	Baa2	Baa2	Baa3	Ba1
Fitch Ratings, Inc.	F2	N/A	BBB+	N/A	BB	BB
DBRS, Inc.	R-1 (low)	N/A	A	A (low)	A (low)	BBB
KEYBANK						
Standard & Poor's	A-2	N/A	BBB+	BBB	N/A	N/A
Moody's	P-2	P-1/A2	Baa1	Baa2	N/A	N/A
Fitch Ratings, Inc.	F2	F2/A-	BBB+	BBB	N/A	N/A
DBRS, Inc.	R-1 (middle)	A (high)	A (high)	A	N/A	N/A

(a) P-1 rating assigned by Moody's is specific to KeyBank's short-term bank deposit ratings. F2 assigned by Fitch Ratings, Inc. is specific to KeyBank's short-term deposit ratings.

Managing liquidity risk

Most of our liquidity risk is derived from our business model, which involves taking in deposits, many of which can be withdrawn at any time, and lending them out in the form of illiquid loan assets. The assessments of liquidity risk are measured under the assumption of normal operating conditions as well as under stressed environments. We manage these exposures in accordance with our risk appetite, and within Board-approved policy limits.

We regularly monitor our liquidity position and funding sources and measure our capacity to obtain funds in a variety of hypothetical scenarios in an effort to maintain an appropriate mix of available and affordable funding. In the normal course of business, we perform a monthly internal stress test for both KeyCorp and KeyBank. When we sense or detect emerging conditions that may strain liquidity, we may conduct internal liquidity stress tests more frequently, and use assumptions to reflect the changed market environment. Our testing incorporates estimates for loan and deposit lives based on our historical studies. Internal liquidity stress tests analyze potential liquidity scenarios under various funding constraints and time periods. Ultimately, they determine the periodic effects that major direct and indirect events would have on our access to funding markets and our ability to fund our normal operations. To compensate for the effect of these assumed liquidity pressures, we consider alternative sources of liquidity and maturities over different time periods to project how funding needs would be managed.

Our primary source of funding for KeyBank are customer deposits resulting in a consolidated loan-to-deposit ratio of 77% as of March 31, 2024. If the cash flows needed to support operating and investing activities are not satisfied by deposit balances, we rely on wholesale funding or on-balance sheet liquid reserves. Conversely, excess cash generated by operating, investing, and deposit-gathering activities may be used to repay outstanding debt or invest in liquid assets. We maintain a Contingency Funding Plan that outlines the process for addressing a liquidity crisis. As part of the plan, we maintain on-balance sheet liquid reserves referred to as our liquid asset portfolio, which consists of high quality liquid assets. During a problem period, that reserve could be used as a source of funding to provide time to develop and execute a longer-term strategy. Figure 25 shows our available contingent liquidity at March 31, 2024, and December 31, 2023. During the first quarter of 2024, our secured term borrowings totaled $9.8 billion, which were flat compared to the fourth quarter of 2023.

Figure 25. Available Contingent Liquidity

Dollars in billions	March 31, 2024	December 31, 2023
Available contingent liquidity:		
Unpledged securities	**$ 20.9**	$ 7.5
Net balances of federal funds sold and balances in our Federal Reserve account	**13.1**	10.7
Unused secured borrowing capacity at the Federal Reserve Bank of Cleveland	**39.3**	54.7
Unused secured borrowing capacity at the FHLB	**12.0**	13.6
Total	**$ 85.3**	$ 86.5

Liquidity programs

We have several liquidity programs, which are described in Note 20 ("Long-term Debt") beginning on page 169 of our 2023 Form 10-K, that are designed to enable KeyCorp and KeyBank to raise funds in the public and private debt markets. The proceeds from most of these programs can be used for general corporate purposes, including acquisitions. These liquidity programs are reviewed from time to time by the Board and are renewed and replaced as necessary. There are no restrictive financial covenants in any of these programs.

Liquidity for KeyCorp

The primary source of liquidity for KeyCorp is from subsidiary dividends, primarily from KeyBank. KeyCorp has sufficient liquidity when it can service its debt; support customary corporate operations and activities (including acquisitions); support occasional guarantees of subsidiaries' obligations in transactions with third parties at a reasonable cost, in a timely manner, and without adverse consequences; and fund capital distributions in the form of dividends and share buybacks.

We use a parent cash coverage months metric as the primary measure to assess parent company liquidity. The parent cash coverage months metric measures the number of months into the future where projected obligations can be met with the current quantity of liquidity. We generally issue term debt to supplement dividends from KeyBank to manage our liquidity position at or above our targeted levels. KeyCorp, the parent company, generally maintains cash and short-term investments in an amount sufficient to meet projected debt maturities over at least the next 24 months. At March 31, 2024, KeyCorp held $3.4 billion in cash, which we projected to be sufficient to meet our projected obligations, including the repayment of our maturing debt obligations for the periods prescribed by our risk tolerance.

Typically, KeyCorp meets its liquidity requirements through regular dividends from KeyBank, supplemented with term debt. Federal banking law limits the amount of capital distributions that a bank can make to its holding company without prior regulatory approval. A national bank's dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the two previous calendar years and for the current year, up to the date of dividend declaration. KeyCorp issued debt of $1.0 billion during the first quarter of 2024. During the first quarter of 2024, KeyBank paid $250 million cash dividends to KeyCorp. As of March 31, 2024, KeyBank had regulatory capacity to pay $2.3 billion in dividends to KeyCorp without prior regulatory approval.

Our liquidity position and recent activity

Over the past quarter, our liquid asset portfolio, which includes overnight and short-term investments, as well as unencumbered, high quality liquid securities held as protection against a range of potential liquidity stress scenarios, has increased primarily due to an increase in Key's cash position. The liquid asset portfolio continues to exceed the amount that we estimate would be necessary to manage through an adverse liquidity event by providing sufficient time to develop and execute a longer-term solution.

From time to time, KeyCorp or KeyBank may seek to retire, repurchase, or exchange outstanding debt, capital securities, preferred shares, or common shares through cash purchase, privately negotiated transactions or other means. Additional information on repurchases of Common Shares by KeyCorp is included in Part II, Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities beginning on page 46 of our 2023 Form 10-K and Part II, Item 2 of this report. Such transactions depend on prevailing market conditions, our liquidity and capital requirements, contractual restrictions, regulatory requirements, and other factors. The amounts involved may be material, individually or collectively.

The Consolidated Statements of Cash Flows summarize our sources and uses of cash by type of activity for the three-month periods ended March 31, 2024, and March 31, 2023.

For more information regarding liquidity governance structure, management of liquidity risk at KeyBank and KeyCorp, long-term liquidity strategies, and other liquidity programs, see “Liquidity Risk Management” beginning on page 82 of our 2023 Form 10-K as well as the disclosure included in Part II, Item 1A. “Risk Factors” of this report.

Credit risk management

Credit risk is the risk of loss arising from an obligor’s inability or failure to meet contractual payment or performance terms. Like other financial services institutions, we make loans, extend credit, distribute credit risk, purchase securities, provide financial and payments products, and enter into financial derivative contracts, all of which have related credit risk.

Credit policy, approval, and evaluation

We manage credit risk exposure through a multifaceted program. The Credit Risk Committee approves management credit policies and recommends significant credit policies to the Enterprise Risk Management Committee, the KeyBank Board, and the Risk Committee of the KeyCorp Board for approval. These policies are communicated throughout the organization to foster a consistent approach to granting credit.

Our credit risk management team and certain individuals within our lines of business, to whom credit risk management has delegated limited credit authority, are responsible for credit approval. Individuals with assigned credit authority are authorized to grant exceptions to credit policies. It is not unusual to make exceptions to established policies when mitigating circumstances dictate, however, a corporate level tolerance has been established to keep exceptions at an acceptable level based upon portfolio and economic considerations.

Our credit risk management team uses risk models to evaluate consumer loans. These models, known as scorecards, forecast the probability of serious delinquency and default for an applicant. The scorecards are embedded in the application processing system, which allows for real-time scoring and automated decisions for many of our products. We periodically validate the loan scoring processes.

We maintain an active concentration management program to mitigate concentration risk in our credit portfolios. For individual obligors, we employ a sliding scale of exposure, known as hold limits, which is dictated by the type of loan and strength of the borrower.

Allowance for loan and lease losses

We estimate the appropriate level of the ALLL on at least a quarterly basis. The methodology used is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses” beginning on page 109 of our 2023 Form 10-K. Briefly, the ALLL estimate uses various models and estimation techniques based on our historical loss experience, current borrower characteristics, current economic conditions, reasonable and supportable forecasts, and other relevant factors. The ALLL at March 31, 2024, represents our best estimate of the lifetime expected credit losses inherent in the loan portfolio at that date.

As shown in Figure 26, our ALLL from continuing operations increased by $34 million, or 2.3%, from December 31, 2023. The commercial ALLL increased by $71 million, or 6.7%, from December 31, 2023, through March 31, 2024. Our consumer ALLL decreased by $37 million, or 8.3%, from December 31, 2023, through March 31, 2024. Refer to Note 4 ("Asset Quality") within this report for further discussion of changes in the ALLL.

Figure 26. Allocation of the Allowance for Loan and Lease Losses

	March 31, 2024			December 31, 2023		
Dollars in millions	Amount	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans
Commercial and industrial	$ **653**	**42.3 %**	**49.9 %**	$ 556	36.9 %	49.6 %
Commercial real estate:						
Commercial mortgage	**389**	**25.2**	**13.2**	419	27.8	13.5
Construction	**61**	**4.0**	**2.7**	52	3.4	2.7
Total commercial real estate loans	**450**	**29.2**	**15.9**	471	31.2	16.2
Commercial lease financing	**28**	**1.8**	**3.0**	33	2.2	3.1
Total commercial loans	**1,131**	**73.3**	**68.8**	1,060	70.3	68.9
Real estate — residential mortgage	**121**	**7.9**	**18.8**	162	10.7	18.6
Home equity loans	**79**	**5.1**	**6.3**	86	5.7	6.4
Other consumer loans	**133**	**8.6**	**5.2**	122	8.1	5.2
Credit cards	**78**	**5.1**	**0.9**	78	5.2	0.9
Total consumer loans	**411**	**26.7**	**31.2**	448	29.7	31.1
Total ALLL — continuing operations (a)	$ **1,542**	**100.0 %**	**100.0 %**	$ 1,508	100.0 %	100.0 %

(a) Excludes allocations of the ALLL related to the discontinued operations of the education lending business in the amount of $15 million at March 31, 2024, and $16 million at December 31, 2023.

Net loan charge-offs

Figure 27 shows the trend in our net loan charge-offs by loan type, while the composition of loan charge-offs and recoveries by type of loan is presented in Figure 29. Figure 28 shows the ratios of net charge-offs by loan category as a percentage of the respective average loan balance.

Net loan charge-offs for the three months ended March 31, 2024, increased $36 million compared to the year-ago quarter.

Figure 27. Net Loan Charge-offs from Continuing Operations (a)

	2024	2023			
Dollars in millions	**First**	**Fourth**	**Third**	**Second**	**First**
Commercial and industrial	**$ 54**	$ 38	$ 52	$ 27	$ 27
Real estate — Commercial mortgage	**5**	23	1	8	5
Real estate — Construction	**—**	(1)	—	—	—
Commercial lease financing	**(2)**	(1)	(1)	(1)	(2)
Total commercial loans	**57**	59	52	34	30
Real estate — Residential mortgage	**(1)**	(1)	(1)	—	(1)
Home equity loans	**—**	(2)	—	1	—
Other consumer loans	**14**	13	12	10	8
Credit cards	**11**	7	8	7	8
Total consumer loans	**24**	17	19	18	15
Total net loan charge-offs	**$ 81**	$ 76	$ 71	$ 52	$ 45
Net loan charge-offs to average loans	**.29 %**	.26 %	.24 %	.17 %	.15 %
Net loan charge-offs from discontinued operations — education lending business	**$ 1**	$ 1	$ —	$ 1	$ 1

(a) Credit amounts indicate that recoveries exceeded charge-offs.

Figure 28. Net Loan Charge-offs to Average Loans from Continuing Operations [a]

	2024	2023			
Dollars in millions	**First**	**Fourth**	**Third**	**Second**	**First**
Commercial and industrial	**0.39 %**	0.27 %	0.35 %	0.18 %	0.18 %
Real estate — commercial mortgage	**0.14**	0.59	0.03	0.20	0.12
Real estate — construction	**—**	(0.13)	—	—	—
Commercial lease financing	**(0.24)**	(0.11)	(0.11)	(0.11)	(0.21)
Total commercial loans	**0.30**	0.30	0.25	0.16	0.14
Real estate — residential mortgage	**(0.02)**	(0.02)	(0.02)	—	(0.02)
Home equity loans	**—**	(0.11)	—	0.05	—
Other consumer loans	**0.97**	0.86	0.77	0.57	0.56
Credit cards	**4.64**	2.81	3.20	2.85	3.26
Total consumer loans	**0.28**	0.19	0.21	0.20	0.16
Total net loan charge-offs	**0.29 %**	0.26 %	0.24 %	0.17 %	0.15 %

(a) Credit amounts indicate that recoveries exceeded charge-offs.

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Figure 29. Summary of Loan and Lease Loss Experience from Continuing Operations

Dollars in millions	Three months ended March 31, 2024	Three months ended March 31, 2023
Average loans outstanding	**$ 111,034**	$ 119,837
Allowance for loan and lease losses at beginning of period	**1,508**	1,337
Loans charged off:		
Commercial and industrial	**62**	35
Real estate — commercial mortgage	**5**	5
Real estate — construction	**—**	—
Commercial lease financing	**—**	(1)
Total commercial loans	**67**	39
Real estate — residential mortgage	**1**	—
Home equity loans	**1**	1
Other consumer loans	**16**	11
Credit cards	**12**	9
Total consumer loans	**30**	21
Total loans charged off	**97**	60
Recoveries:		
Commercial and industrial	**8**	8
Real estate — commercial mortgage	**—**	—
Real estate — construction	**—**	—
Commercial lease financing	**2**	1
Total commercial loans	**10**	9
Real estate — residential mortgage	**2**	1
Home equity loans	**1**	1
Other consumer loans	**2**	3
Credit cards	**1**	1
Total consumer loans	**6**	6
Total recoveries	**16**	15
Net loan charge-offs	**(81)**	(45)
Provision (credit) for loan and lease losses	**115**	88
Allowance for loan and lease losses at end of period	**$ 1,542**	$ 1,380
Liability for credit losses on off-balance sheet exposures at beginning of period	**296**	225
Provision (credit) for losses on off-balance sheet exposures	**(14)**	51
Other	**(1)**	—
Liability for credit losses on off-balance sheet exposures at end of period[a]	**$ 281**	$ 276
Total allowance for credit losses at end of period	**$ 1,823**	$ 1,656
Net loan charge-offs to average total loans	**.29 %**	.15 %
Allowance for loan and lease losses to period-end loans	**1.40**	1.15
Allowance for credit losses to period-end loans	**1.66**	1.38
Allowance for loan and lease losses to nonperforming loans	**234.3**	331.7
Allowance for credit losses to nonperforming loans	**277.1**	398.1
Discontinued operations — education lending business:		
Loans charged off	**$ 1**	$ 1
Recoveries	**—**	—
Net loan charge-offs	**$ (1)**	$ (1)

(a) Included in "Accrued expense and other liabilities" on the balance sheet.

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Nonperforming assets

Figure 30 shows the composition of our nonperforming assets. As shown in Figure 30, nonperforming assets at March 31, 2024, increased $83 million from December 31, 2023.

See Note 1 ("Summary of Significant Accounting Policies") of our 2023 Form 10-K under the headings "Nonperforming Loans," "Impaired Loans," and "Allowance for Loan and Lease Losses" for a summary of our nonaccrual and charge-off policies.

Figure 30. Summary of Nonperforming Assets and Past Due Loans from Continuing Operations

Dollars in millions	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Commercial and industrial	**$ 360**	$ 297	$ 214	$ 188	$ 170
Real estate — commercial mortgage	**113**	100	63	65	59
Real estate — construction	**—**	—	—	—	—
Total commercial real estate loans [a]	**113**	100	63	65	59
Commercial lease financing	**1**	—	1	1	1
Total commercial loans [b]	**474**	397	278	254	230
Real estate — residential mortgage	**79**	71	72	73	75
Home equity loans	**95**	97	97	97	104
Other consumer loans	**4**	4	4	4	4
Credit cards	**6**	5	4	3	3
Total consumer loans	**184**	177	177	177	186
Total nonperforming loans	**658**	574	455	431	416
OREO	**16**	17	16	15	13
Nonperforming loans held for sale	**—**	—	—	16	18
Other nonperforming assets	**—**	—	—	—	—
Total nonperforming assets	**$ 674**	$ 591	$ 471	$ 462	$ 447
Accruing loans past due 90 days or more	**$ 119**	$ 107	$ 52	$ 73	$ 55
Accruing loans past due 30 through 89 days	**242**	222	178	139	164
Nonperforming assets from discontinued operations — education lending business	**2**	3	2	2	3
Nonperforming loans to period-end portfolio loans	**.60 %**	.51 %	.39 %	.36 %	.35 %
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	**.61**	.52	.41	.39	.37

(a) See Figure 9 and the accompanying discussion in the "Loans and loans held for sale" section for more information related to our commercial real estate loan portfolio.

(b) See Figure 8 and the accompanying discussion in the "Loans and loans held for sale" section for more information related to our commercial loan portfolio.

Figure 31 shows the activity that caused the change in our nonperforming loan balance during each of the last five quarters.

Figure 31. Summary of Changes in Nonperforming Loans from Continuing Operations

	2024	2023			
Dollars in millions	First	Fourth	Third	Second	First
Balance at beginning of period	**$ 574**	$ 455	$ 431	$ 416	$ 387
Loans placed on nonaccrual status	**243**	297	159	169	143
Charge-offs	**(97)**	(95)	(87)	(76)	(60)
Loans sold	**(5)**	(9)	(4)	(23)	(2)
Payments	**(35)**	(56)	(25)	(20)	(31)
Transfers to OREO	**(2)**	(2)	(3)	(2)	(2)
Loans returned to accrual status	**(20)**	(16)	(16)	(33)	(19)
Balance at end of period	**$ 658**	$ 574	$ 455	$ 431	$ 416

Operational and compliance risk management

Like all businesses, we are subject to operational risk, which is the risk of loss resulting from human error or malfeasance, inadequate or failed internal processes and systems, and external events. These events include, among other things, threats to our cybersecurity, as we are reliant upon information systems and the internet to conduct our business activities. Operational risk intersects with compliance risk, which is the risk of loss from violations of, or noncompliance with, laws, rules and regulations, prescribed practices, and ethical standards. Under the Dodd-Frank Act, large financial companies like Key are subject to heightened prudential standards and regulation. This heightened level of regulation has increased our operational risk. While operational and compliance risk are separate risk disciplines in KeyCorp's ERM framework, losses and/or additional regulatory compliance costs are included in operational loss reporting and could take the form of explicit charges, increased operational costs, or harm to our reputation.

We seek to mitigate operational risk through identification and measurement of risk, alignment of business strategies with risk appetite and tolerance, and a system of internal controls and reporting. We continuously strive to strengthen our system of internal controls to improve the oversight of our operational risk and to ensure compliance with laws, rules, and regulations. For example, an operational event database tracks the amounts and sources of operational risk and losses. This tracking mechanism helps to identify weaknesses and to highlight the need to take corrective action. We also rely upon software programs designed to assist in assessing operational risk and monitoring our control processes. This technology has enhanced the reporting of the effectiveness of our controls to senior management and the Board.

The Operational Risk Management Program provides the framework for the structure, governance, roles, and responsibilities, as well as the content, to manage operational risk for Key. The Compliance Risk Management Program serves the same function in managing compliance risk for Key. The Operational Risk Committee and the Compliance Risk Committee support the ERM Committee by identifying early warning events and trends, escalating emerging risks, and discussing forward-looking assessments. Both the Operational Risk Committee and the Compliance Risk Committee include attendees from each of the Three Lines of Defense. Primary responsibility for managing and monitoring internal control mechanisms lies with the managers of our various lines of business. The Operational Risk Committee and Compliance Risk Committee are senior management committees that oversee our level of operational and compliance risk and direct and support our operational and compliance infrastructure and related activities. These committees and the Operational Risk Management and Compliance Risk Management functions are an integral part of our ERM Program. Our Risk Review function regularly assesses the overall effectiveness of our Operational Risk Management and Compliance Risk Management Programs and our system of internal controls. Risk Review reports the results of reviews on internal controls and systems to senior management and the Audit Committee and updates the Risk Committee, as appropriate, on matters related to the oversight of these controls.

Cybersecurity

For information on our cybersecurity risk management and governance practices, please see Item 1C. Cybersecurity beginning on page 42 of our 2023 Form 10-K.

GAAP to Non-GAAP Reconciliations

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, nor as a substitute for analyses of results as reported under GAAP.

The tangible common equity ratio and the return on tangible common equity ratio have been a focus for some investors, and management believes that these ratios may assist investors in analyzing Key’s capital position without regard to the effects of intangible assets and preferred stock. Since analysts and banking regulators may assess our capital adequacy using tangible common equity, we believe it is useful to enable investors to assess our capital adequacy on these same bases.

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Dollars in millions	Three months ended 3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Tangible common equity to tangible assets at period-end					
Key shareholders' equity (GAAP)	**$ 14,547**	$ 14,637	$ 13,356	$ 13,844	$ 14,322
Less: Intangible assets [(a)]	**2,799**	2,806	2,816	2,826	2,836
Preferred Stock [(b)]	**2,446**	2,446	2,446	2,446	2,446
Tangible common equity (non-GAAP)	**$ 9,302**	$ 9,385	$ 8,094	$ 8,572	$ 9,040
Total assets (GAAP)	**$ 187,485**	$ 188,281	$ 187,851	$ 195,037	$ 197,519
Less: Intangible assets [(a)]	**2,799**	2,806	2,816	2,826	2,836
Tangible assets (non-GAAP)	**$ 184,686**	$ 185,475	$ 185,035	$ 192,211	$ 194,683
Tangible common equity to tangible assets ratio (non-GAAP)	**5.0 %**	5.1 %	4.4 %	4.5 %	4.6 %
Average tangible common equity					
Average Key shareholders' equity (GAAP)	**$ 14,649**	$ 13,471	$ 13,831	$ 14,412	$ 13,817
Less: Intangible assets (average) [(c)]	**2,802**	2,811	2,821	2,831	2,841
Preferred Stock (average)	**2,500**	2,500	2,500	2,500	2,500
Average tangible common equity (non-GAAP)	**$ 9,347**	$ 8,160	$ 8,510	$ 9,081	$ 8,476
Return on average tangible common equity from continuing operations					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	**$ 183**	$ 30	$ 266	$ 250	$ 275
Average tangible common equity (non-GAAP)	**9,347**	8,160	8,510	9,081	8,476
Return on average tangible common equity from continuing operations (non-GAAP)	**7.9 %**	1.5 %	12.4 %	11.0 %	13.2 %
Return on average tangible common equity consolidated					
Net income (loss) attributable to Key common shareholders (GAAP)	**$ 183**	$ 30	$ 267	$ 251	$ 276
Average tangible common equity (non-GAAP)	**9,347**	8,160	8,510	9,081	8,476
Return on average tangible common equity consolidated (non-GAAP)	**7.9 %**	1.5 %	12.4 %	11.1 %	13.2 %

(a) For the three months ended March 31, 2024, December 31, 2023, September 30, 2023, June 30, 2023, and March 31, 2023, intangible assets exclude $1 million, $1 million, $1 million, $1 million, and $1 million, respectively, of period-end purchased credit card receivables.

(b) Net of capital surplus.

(c) For the three months ended March 31, 2024, December 31, 2023, September 30, 2023, June 30, 2023, and March 31, 2023, average intangible assets exclude $1 million, $1 million, $1 million, $1 million, and $1 million, respectively, of average purchased credit card receivables.

The cash efficiency ratio is a ratio of two non-GAAP performance measures, adjusted noninterest expense and total taxable-equivalent revenue. 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 to evaluate how effectively management is controlling noninterest expenses in generating revenue, as they develop earnings forecasts and peer bank analysis.

	Three months ended				
Dollars in millions	**3/31/2024**	12/31/2023	9/30/2023	6/30/2023	3/31/2023
Cash efficiency ratio					
Noninterest expense (GAAP)	**$ 1,143**	$ 1,372	$ 1,110	$ 1,076	$ 1,176
Less: Intangible asset amortization	**8**	10	9	10	10
Adjusted noninterest expense (non-GAAP)	**$ 1,135**	$ 1,362	$ 1,101	$ 1,066	$ 1,166
Net interest income (GAAP)	**$ 875**	$ 921	$ 915	$ 978	$ 1,099
Plus: Taxable-equivalent adjustment	**11**	7	8	8	7
Noninterest income (GAAP)	**647**	610	643	609	608
Total taxable-equivalent revenue (non-GAAP)	**$ 1,533**	$ 1,538	$ 1,566	$ 1,595	$ 1,714
Cash efficiency ratio (non-GAAP)	**74.0 %**	88.6 %	70.3 %	66.8 %	68.0 %

Critical Accounting Policies and Estimates

Our business is dynamic and complex. Consequently, we must exercise judgment in choosing and applying accounting policies and methodologies. These choices are critical – not only are they necessary to comply with GAAP, they also reflect our view of the appropriate way to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 (“Summary of Significant Accounting Policies”) beginning on page 107 of our 2023 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. Note 1 (“Basis of Presentation and Accounting Policies”) of this report should also be reviewed for more information on accounting standards that have been adopted during the period.

In our opinion, some accounting policies are more likely than others to have a critical effect on our financial results and to expose those results to potentially greater volatility. These policies apply to areas of relatively greater business importance, or require us to exercise judgment and to make assumptions and estimates that affect amounts reported in the financial statements. Because these assumptions and estimates are based on current circumstances, they may prove to be inaccurate, or we may find it necessary to change them.

We rely heavily on the use of judgment, assumptions, and estimates to make a number of core decisions, including accounting for the ALLL; contingent liabilities, guarantees and income taxes; derivatives and related hedging activities; and assets and liabilities that involve valuation methodologies. In addition, we may employ outside valuation experts to assist us in determining fair values of certain assets and liabilities. A brief discussion of each of these areas appears on pages 90 through 95 of our 2023 Form 10-K. During the three months ended March 31, 2024, we did not significantly alter the manner in which we applied our critical accounting policies or developed related assumptions and estimates.

Goodwill

Effective in the first quarter of 2024, we realigned our real estate capital business from our Commercial Bank reporting unit to our Institutional Bank reporting unit. The move was done to align product-based teams to the client-facing businesses they serve with the goal of reducing overhead and complexity and creating a better client experience. This realignment was identified as a triggering event for purposes of goodwill impairment testing. As a result, interim goodwill impairment tests were performed during the first quarter reflecting the reporting units both immediately before and immediately after the realignment, neither of which resulted in impairment. Additionally, goodwill was reallocated from our Commercial Bank reporting unit to our Institutional Bank reporting unit related to the realignment based on the relative fair value of the transferred business. The results of the impairment test reflecting the realignment indicated the fair value of each of the three reporting units, Consumer, Commercial, and Institutional, exceeded their respective carrying values by more than 10%. Additionally, we monitored events and circumstances through March 31, 2024, including macroeconomic factors, industry and banking sector events, Key specific performance indicators, and the sensitivity of the interim quantitative test results to changes in assumptions through March 31, 2024. Based on these considerations, we concluded it was not more-likely-than-not that the fair value of one or more of the reporting units was below its respective carrying value as of March 31, 2024

Refer to Key’s 2023 Form 10-K for more information on valuation methodologies utilized for goodwill impairment testing. Refer to Note 10 (“Goodwill”) of this report for additional information on the realignment and reallocated goodwill amounts.

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Accounting and Reporting Developments

Accounting Guidance Pending Adoption at March 31, 2024

Standard	Required Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2023-05 Business Combinations — Joint Venture Formations (Subtopic 805-60)	January 1, 2025 Early adoption is permitted.	This guidance requires that a joint venture apply a new basis of accounting upon its initial formation. By doing this, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value, with certain exceptions. Existing joint ventures have the option to apply this new guidance retrospectively as long as they have sufficient information to do so.	The guidance is not expected to have any impact on Key's financial condition or results of operations.
ASU 2023-06 Disclosure Improvements	The date on which the SEC's removal of related disclosures from Regulation S-X or Regulation S-K becomes effective. Early adoption is prohibited.	This guidance clarifies and improves disclosure requirements for a variety of topics. The amendments should be applied prospectively.	The guidance is not expected to have a material impact on Key's disclosures.
ASU 2023-07 Segment Reporting (Topic 280)	Annual periods beginning January 1, 2024 Interim periods beginning January 1, 2025 Early adoption is permitted.	This guidance requires certain segment disclosures in annual and interim periods. It also clarifies that companies may report on additional measures if the chief operating decision maker uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The guidance should be applied on a retrospective basis.	We are still assessing the impact on Key's disclosures.
ASU 2023-09 Income Taxes (Topic 740)	January 1, 2025 Early adoption is permitted.	This guidance requires certain tax disclosures related to rate reconciliation and income taxes paid. The guidance should be applied on a prospective or retrospective basis.	We are still assessing the impact on Key's disclosures.
ASU 2024-01 Compensation—Stock Compensation (Topic 718)	January 1, 2025 Early adoption is permitted.	This guidance adds illustrative examples clarifying how to account for profits interest awards. The guidance should be applied on a prospective or retrospective basis.	This guidance is not expected to have a material impact on Key's financial condition or results of operations.
ASU 2024-02 Codification Improvements—Amendments to Remove References to	January 1, 2025 Early adoption is permitted.	This guidance simplifies the Codification by removing references to Concepts Statements. The guidance should be applied on a prospective or retrospective basis.	This guidance is not expected to have a material impact on Key's financial condition or results of operations.

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Item 1. Financial Statements

Consolidated Balance Sheets

Dollars in millions, except per share data	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Cash and due from banks	**$ 1,247**	$ 941
Short-term investments	**13,205**	10,817
Trading account assets	**1,171**	1,142
Securities available for sale	**37,298**	37,185
Held-to-maturity securities (fair value: $7,680 and $8,056)	**8,272**	8,575
Other investments	**1,247**	1,244
Loans, net of unearned income of $323 and $356	**109,885**	112,606
Less: Allowance for loan and lease losses	**(1,542)**	(1,508)
Net loans	**108,343**	111,098
Loans held for sale [(a)]	**228**	483
Premises and equipment	**650**	661
Goodwill	**2,752**	2,752
Other intangible assets	**48**	55
Corporate-owned life insurance	**4,392**	4,383
Accrued income and other assets	**8,314**	8,601
Discontinued assets	**318**	344
Total assets	**$ 187,485**	$ 188,281
LIABILITIES		
Deposits in domestic offices:		
Interest-bearing deposits	**$ 114,593**	$ 114,859
Noninterest-bearing deposits	**29,638**	30,728
Total deposits	**144,231**	145,587
Federal funds purchased and securities sold under repurchase agreements	**27**	38
Bank notes and other short-term borrowings	**2,896**	3,053
Accrued expense and other liabilities	**5,008**	5,412
Long-term debt	**20,776**	19,554
Total liabilities	**172,938**	173,644
EQUITY		
Preferred stock	**2,500**	2,500
Common Shares, $1 par value; authorized 2,100,000,000 shares; issued 1,256,702,081 shares	**1,257**	1,257
Capital surplus	**6,164**	6,281
Retained earnings	**15,662**	15,672
Treasury stock, at cost (313,926,505 and 320,138,094 shares)	**(5,722)**	(5,844)
Accumulated other comprehensive income (loss)	**(5,314)**	(5,229)
Total equity	**14,547**	14,637
Total liabilities and equity	**$ 187,485**	$ 188,281

(a) Total loans held for sale include real estate — residential mortgage loans held for sale at fair value of $73 million at March 31, 2024, and $51 million at December 31, 2023.

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Income

Dollars in millions, except per share amounts	Three months ended March 31,	
(Unaudited)	2024	2023
INTEREST INCOME		
Loans	**$ 1,538**	$ 1,476
Loans held for sale	**14**	13
Securities available for sale	**232**	194
Held-to-maturity securities	**75**	74
Trading account assets	**14**	12
Short-term investments	**142**	42
Other investments	**17**	13
Total interest income	**2,032**	1,824
INTEREST EXPENSE		
Deposits	**782**	350
Federal funds purchased and securities sold under repurchase agreements	**1**	22
Bank notes and other short-term borrowings	**46**	78
Long-term debt	**328**	275
Total interest expense	**1,157**	725
NET INTEREST INCOME	**875**	1,099
Provision for credit losses	**101**	139
Net interest income after provision for credit losses	**774**	960
NONINTEREST INCOME		
Trust and investment services income	**136**	128
Investment banking and debt placement fees	**170**	145
Cards and payments income	**77**	81
Service charges on deposit accounts	**63**	67
Corporate services income	**69**	76
Commercial mortgage servicing fees	**56**	46
Corporate-owned life insurance income	**32**	29
Consumer mortgage income	**14**	11
Operating lease income and other leasing gains	**24**	25
Other income	**6**	—
Total noninterest income	**647**	608
NONINTEREST EXPENSE		
Personnel	**674**	701
Net occupancy	**67**	70
Computer processing	**102**	92
Business services and professional fees	**41**	45
Equipment	**20**	22
Operating lease expense	**17**	20
Marketing	**19**	21
Other expense	**203**	205
Total noninterest expense	**1,143**	1,176
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**278**	392
Income taxes	**59**	81
INCOME (LOSS) FROM CONTINUING OPERATIONS	**219**	311
Income (loss) from discontinued operations		1

(a) EPS may not foot due to rounding.

(b) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.

See Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Comprehensive Income

Dollars in millions	Three months ended March 31,	
(Unaudited)	**2024**	**2023**
Net income (loss)	**$ 219**	$ 312
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities available for sale, net of income taxes of $47 and $(181)	**(151)**	575
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of $(20) and $(77)	**65**	245
Net pension and postretirement benefit costs, net of income taxes of $0 and $0	**1**	1
Total other comprehensive income (loss), net of tax	**(85)**	821
Comprehensive income (loss) attributable to Key	**$ 134**	$ 1,133

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Changes in Equity

	Key Shareholders' Equity								
Dollars in millions, except per share amounts (Unaudited)	Preferred Shares Outstanding (000)	Common Shares Outstanding (000)	Preferred Stock	Common Shares	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2023	1,996	936,564	$ 2,500	$ 1,257	$ 6,281	$ 15,672	$ (5,844)	$ (5,229)	$ 14,637
Net income (loss)						**219**			**219**
Other comprehensive income (loss)								**(85)**	**(85)**
Deferred compensation					**(4)**				**(4)**
Cash dividends declared									
Common Shares ($.205 per share)						**(193)**			**(193)**
Series D Preferred Stock ($12.50 per depositary share)						**(7)**			**(7)**
Series E Preferred Stock ($.382813 per depositary share)						**(8)**			**(8)**
Series F Preferred Stock ($.353125 per depositary share)						**(6)**			**(6)**
Series G Preferred Stock ($.351563 per depositary share)						**(6)**			**(6)**
Series H Preferred Stock ($.387500 per depositary share)						**(9)**			**(9)**
Employee equity compensation program									
Common Share repurchases		**(1,859)**			**—**		**(26)**		**(26)**
Common shares reissued (returned) for stock options and other employee benefit plans		**8,071**			**(113)**		**148**		**35**
BALANCE AT MARCH 31, 2024	**1,996**	**942,776**	**$ 2,500**	**$1,257**	**$6,164**	**$15,662**	**$(5,722)**	**$ (5,314)**	**$ 14,547**

Dollars in millions, except per share amounts (Unaudited)	Key Shareholders’ Equity								
	Preferred Shares Outstanding (000)	**Common Shares Outstanding (000)**	**Preferred Stock**	**Common Shares**	**Capital Surplus**	**Retained Earnings**	**Treasury Stock, at Cost**	**Accumulated Other Comprehensive Income (Loss)**	**Total Shareholders’ Equity**
BALANCE AT DECEMBER 31, 2022	1,996	933,325	$ 2,500	$ 1,257	$ 6,286	$ 15,616	$ (5,910)	$ (6,295)	$ 13,454
Net income (loss)						312			312
Other comprehensive income (loss)								821	821
Deferred compensation					(6)				(6)
Cash dividends declared									
Common Shares ($.205 per share)						(192)			(192)
Series D Preferred Stock ($12.50 per depositary share)						(7)			(7)
Series E Preferred Stock ($. 382813 per depositary share)						(8)			(8)
Series F Preferred Stock ($. 353125 per depositary share)						(6)			(6)
Series G Preferred Stock ($. 351563 per depositary share)						(6)			(6)
Series H Preferred Stock ($. 387500 per depositary share)						(9)			(9)
Open market Common Share repurchases		(2,550)					(38)		(38)
Employee equity compensation program Common Share repurchases		(1,783)			—		(34)		(34)
Common shares reissued (returned) for stock options and other employee benefit plans		6,237			(73)		114		41
BALANCE AT MARCH 31, 2023	1,996	935,229	$ 2,500	$ 1,257	$ 6,207	$ 15,700	$ (5,868)	$ (5,474)	$ 14,322

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Cash Flows

Dollars in millions (Unaudited)	Three months ended March 31, 2024	2023
OPERATING ACTIVITIES		
Net income (loss)	**$ 219**	$ 312
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for credit losses	**101**	139
Depreciation, amortization, and accretion, net	**24**	41
Increase in cash surrender value of corporate-owned life insurance	**(28)**	(26)
Stock-based compensation expense	**26**	34
Deferred income taxes (benefit)	**3**	75
Proceeds from sales of loans held for sale	**1,920**	1,534
Originations of loans held for sale, net of repayments	**(1,742)**	(1,779)
Net losses (gains) on sales of loans held for sale	**(28)**	(15)
Net losses (gains) on leased equipment	**(6)**	(1)
Net securities and other investments losses (gains)	**3**	—
Net losses (gains) on sales of fixed assets	**—**	12
Net change in:		
Trading account assets	**(29)**	(289)
Accrued income and other assets	**287**	691
Accrued expense and other liabilities	**(404)**	(260)
Other operating activities, net	**13**	250
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**359**	718
INVESTING ACTIVITIES		
Net decrease (increase) in short-term investments, excluding acquisitions	**(2,388)**	(5,978)
Purchases of securities available for sale	**(1,465)**	(200)
Proceeds from sales of securities available for sale	**637**	—
Proceeds from prepayments and maturities of securities available for sale	**515**	563
Proceeds from prepayments and maturities of held-to-maturity securities	**306**	333
Purchases of held-to-maturity securities	**—**	(1,179)
Net decrease (increase) in other investments	**(4)**	(286)
Net decrease (increase) in loans, excluding acquisitions, sales and transfers	**2,613**	(613)
Proceeds from sales of portfolio loans	**151**	25
Proceeds from corporate-owned life insurance	**20**	22
Purchases of premises, equipment, and software	**(12)**	(24)
Proceeds from sales of premises and equipment	**1**	1
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**374**	(7,336)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	**(1,356)**	1,553
Net increase (decrease) in short-term borrowings	**(168)**	1,972
Net proceeds from issuance of long-term debt	**1,350**	4,490
Payments on long-term debt	**(1)**	(1,201)
Open market common share repurchases	**—**	(38)
Employee equity compensation program Common Share repurchases	**(26)**	(34)
Net proceeds from reissuance of Common Shares	**3**	1
Cash dividends paid	**(229)**	(228)

See Notes to Consolidated Financial Statements (Unaudited).

Notes to Consolidated Financial Statements (Unaudited)
1. Basis of Presentation and Accounting Policies

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 in the statements of cash flows from “other operating activities, net” to either the net change in “accrued income and other assets” or “accrued expense and other liabilities” to align with updated presentation.

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 affect 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 11 (“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% are carried at the cost measurement alternative or at fair value. 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.

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 2023 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.

Accounting Guidance Adopted in 2024

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2022-03, Fair Value Measurement - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (Topic 820)	January 1, 2024 Early adoption is permitted.	The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and is not considered in measuring fair value. Entities cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments require disclosures for equity securities subject to contractual restrictions including; the fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet, the nature and remaining duration of the restriction(s) and the circumstances that could cause a lapse in the restriction(s). The guidance should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption.	The guidance did not have any impact on Key's financial condition or results of operations.

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 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.

Our basic and diluted earnings per Common Share are calculated as follows:

	Three months ended March 31,	
Dollars in millions, except per share amounts	**2024**	**2023**
EARNINGS		
Income (loss) from continuing operations	**$ 219**	$ 311
Less: Net income (loss) attributable to noncontrolling interests	**—**	—
Income (loss) from continuing operations attributable to Key	**219**	311
Less: Dividends on Preferred Stock	**36**	36
Income (loss) from continuing operations attributable to Key common shareholders	**183**	275
Income (loss) from discontinued operations, net of taxes	**—**	1
Net income (loss) attributable to Key common shareholders	**$ 183**	$ 276
WEIGHTED-AVERAGE COMMON SHARES		
Weighted-average Common Shares outstanding (000)	**929,692**	926,490
Effect of Common Share options and other stock awards	**7,319**	7,314
Weighted-average Common Shares and potential Common Shares outstanding (000) [a]	**937,011**	933,804
EARNINGS PER COMMON SHARE		
Income (loss) from continuing operations attributable to Key common shareholders	**$ .20**	$ .30
Income (loss) from discontinued operations, net of taxes	**—**	—
Net income (loss) attributable to Key common shareholders [b]	**.20**	.30
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	**$ .20**	$ .30
Income (loss) from discontinued operations, net of taxes — assuming dilution	**—**	—
Net income (loss) attributable to Key common shareholders — assuming dilution [b]	**.20**	.30

(a) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.

(b) EPS may not foot due to rounding.

3. Loan Portfolio

Loan Portfolio by Portfolio Segment and Financing Receivable [a]

Dollars in millions	March 31, 2024	December 31, 2023
Commercial and industrial [(b)]	**$ 54,793**	$ 55,815
Commercial real estate:		
Commercial mortgage	**14,540**	15,187
Construction	**3,013**	3,066
Total commercial real estate loans	**17,553**	18,253
Commercial lease financing [(c)]	**3,305**	3,523
Total commercial loans	**75,651**	77,591
Residential — prime loans:		
Real estate — residential mortgage	**20,704**	20,958
Home equity loans	**6,905**	7,139
Total residential — prime loans	**27,609**	28,097
Other consumer loans	**5,690**	5,916
Credit cards	**935**	1,002
Total consumer loans	**34,234**	35,015
Total loans [(d)]	**$ 109,885**	$ 112,606

(a) Accrued interest of $508 million and $522 million at March 31, 2024, and December 31, 2023, respectively, presented in "Accrued income and other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.

(b) Loan balances include $214 million and $207 million of commercial credit card balances at March 31, 2024, and December 31, 2023, respectively.

(c) Commercial and industrial includes receivables held as collateral for a secured borrowing of $349 million at March 31, 2024. Commercial lease financing includes receivables held as collateral for a secured borrowing of $6 million and $7 million at March 31, 2024, and December 31, 2023, 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 20 (“Long-Term Debt”) beginning on page 165 of our 2023 Form 10-K.

(d) Total loans exclude loans of $313 million at March 31, 2024, and $339 million at December 31, 2023, related to the discontinued operations of the education lending business. These amounts are included within “Discontinued assets” on the Consolidated Balance Sheet.

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4. Asset Quality

ALLL

We estimate 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 109 of our 2023 Form 10-K.

The ALLL at March 31, 2024, represents our current estimate of lifetime credit losses inherent in the loan portfolio at that date. The changes in the ALLL by loan category for the periods indicated are as follows:

Three months ended March 31, 2024:

Dollars in millions	December 31, 2023	Provision	Charge-offs	Recoveries	March 31, 2024
Commercial and Industrial	$ 556	$ 151	$ (62)	$ 8	$ 653
Commercial real estate:					
Real estate — commercial mortgage	419	(25)	(5)	—	389
Real estate — construction	52	9	—	—	61
Total commercial real estate loans	471	(16)	(5)	—	450
Commercial lease financing	33	(7)	—	2	28
Total commercial loans	1,060	128	(67)	10	1,131
Real estate — residential mortgage	162	(42)	(1)	2	121
Home equity loans	86	(7)	(1)	1	79
Other consumer loans	122	25	(16)	2	133
Credit cards	78	11	(12)	1	78
Total consumer loans	448	(13)	(30)	6	411
Total ALLL — continuing operations	1,508	115 (a)	(97)	16	1,542
Discontinued operations	16	—	(1)	—	15
Total ALLL — including discontinued operations	$ 1,524	$ 115	$ (98)	$ 16	$ 1,557

(a) Excludes a credit for losses on lending-related commitments of $14 million.

Three months ended March 31, 2023:

Dollars in millions	December 31, 2022	Provision	Charge-offs	Recoveries	March 31, 2023
Commercial and Industrial	$ 601	$ 31	$ (35)	$ 8	$ 605
Commercial real estate:					
Real estate — commercial mortgage	203	20	(5)	—	218
Real estate — construction	28	—	—	—	28
Total commercial real estate loans	231	20	(5)	—	246
Commercial lease financing	32	(1)	1	1	33
Total commercial loans	864	50	(39)	9	884
Real estate — residential mortgage	196	15	—	1	212
Home equity loans	98	(2)	(1)	1	96
Other consumer loans	113	12	(11)	3	117
Credit cards	66	13	(9)	1	71
Total consumer loans	473	38	(21)	6	496
Total ALLL — continuing operations	1,337	88 (a)	(60)	15	1,380
Discontinued operations	21	(1)	(1)	—	19
Total ALLL — including discontinued operations	$ 1,358	$ 87	$ (61)	$ 15	$ 1,399

(a) Excludes a provision for losses on lending-related commitments of $51 million.

As described in Note 1 ("Summary of Significant Accounting Policies"), under the heading “Allowance for Loan and Lease Losses” beginning on page 109 of our 2023 Form 10-K, we estimate the ALLL using relevant available information, from internal and external sources, relating to past events, current economic and portfolio conditions, and reasonable and supportable forecasts. In our estimation of expected credit losses, we use a two year reasonable and supportable period across all products. Following this two year period in which supportable forecasts can be generated, for all modeled loan portfolios, we revert expected credit losses to a level that is consistent with our historical information by reverting the macroeconomic variables (model inputs) to their long run average. We revert to historical loss rates for less complex estimation methods for smaller portfolios. A 20-year fixed length look back period is used to calculate the long run average of the macroeconomic variables. A four quarter reversion period is used where the macroeconomic variables linearly revert to their long run average following the two year reasonable and supportable period.

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We develop our reasonable and supportable forecasts using relevant data including, but not limited to, changes in economic output, unemployment rates, property values, and other factors associated with the credit losses on financial assets. Some macroeconomic variables apply to all portfolio segments, while others are more portfolio specific. The following table discloses key macroeconomic variables for each loan portfolio.

Segment	**Portfolio**	**Key Macroeconomic Variables [(a)]**
Commercial	Commercial and industrial	BBB corporate bond rate (spread), fixed investment, business bankruptcies, GDP, industrial production, unemployment rate, and Producer Price Index
	Commercial real estate	Property & real estate price indices, unemployment rate, business bankruptcies, GDP, and SOFR
	Commercial lease financing	BBB corporate bond rate (spread), GDP, and unemployment rate
Consumer	Real estate — residential mortgage	GDP, home price index, unemployment rate, and 30 year mortgage rate
	Home equity	Home price index, unemployment rate, and 30 year mortgage rate
	Other consumer	Unemployment rate and U.S. household income
	Credit cards	Unemployment rate and U.S. household income
	Discontinued operations	Unemployment rate

(a) Variables include all transformations and interactions with other risk drivers. Additionally, variables may have varying impacts at different points in the economic cycle.

In addition to macroeconomic drivers, portfolio attributes such as remaining term, outstanding balance, risk ratings, utilization, FICO, LTV, and delinquency also drive ALLL changes. Our ALLL models were designed to capture the correlation between economic and portfolio changes. As such, evaluating shifts in individual portfolio attributes and macroeconomic variables in isolation may not be indicative of past or future performance.

Economic Outlook

As of March 31, 2024, economic uncertainty remains elevated. Unemployment rates remain at relatively low levels, but job growth is moderating. Inflation, in the United States, is more persistent than anticipated, but has eased as the restrictive monetary policy and higher interest rates have made an impact. Commercial real estate values remain under pressure, with office being the most vulnerable asset class. We utilized the Moody’s February 2024 Consensus forecast as our baseline forecast to estimate our expected credit losses as of March 31, 2024. We determined such forecast to be a reasonable view of the outlook for the economy given all available information at quarter end.

The baseline scenario reflects remaining weaknesses and the economy is expected to slow down through 2024. U.S. GDP is expected to grow at an annual rate of approximately 2.0% and 1.6% for 2024 and 2025, respectively, down from 2.5% in 2023. The national unemployment rate is expected to reach 4.3% by the fourth quarter of 2024; forecasted values remain at or above 4% through 2025. The U.S. Consumer Price Index annualized rate is forecasted at 2.7% for 2024 and expected to return to the Fed’s 2% target in 2025. The national home price index is expected to remain generally stable over 2024, while the commercial real estate price index is forecasted to drop approximately 6% in 2024.

To the extent we identified credit risk considerations that were not captured by the third-party economic forecast, we addressed the risk through management’s qualitative adjustments to the ALLL. As a result of the current economic uncertainty, our future loss estimates may vary considerably from our March 31, 2024 assumptions.

Commercial Loan Portfolio

The ALLL from continuing operations for the commercial segment increased by $71 million, or 6.7%, from December 31, 2023. The overall increase in the commercial allowance is driven by fluctuations in portfolio activity, partly offset by economic changes and the impact of balance sheet optimization efforts.

The reserve levels continue to reflect portfolio migration, considering the extended period of higher interest rates and the current inflationary environment. The increase in reserves from the previous quarter is concentrated in the commercial and industrial portfolio, reflecting downgrades and higher criticized levels. The increase is offset by decreasing reserves for the commercial real estate portfolio, driven by changes in the property price index economic projections.

Consumer Loan Portfolio

The ALLL from continuing operations for the consumer segment decreased by $37 million, or 8.3%, from December 31, 2023. The overall decrease in the consumer allowance was driven by improvement in the economic forecast, partly offset by credit quality normalization post-pandemic.

Reserve movements largely reflect favorable changes in the economic outlook quarter-over-quarter for home prices.

Credit Risk Profile

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 refreshed FICO score assigned for the consumer loan portfolios. The internal risk grades assigned to loans follow our definitions of Pass and Criticized, which are consistent with published definitions of regulatory risk classifications. Loans with a pass rating represent those loans not classified on our rating scale for credits, as minimal credit risk has been identified. Criticized loans are those loans that either have a potential weakness deserving management's close attention or have a well-defined weakness that may put full collection of contractual cash flows at risk. Borrower FICO scores provide information about the credit quality of our consumer loan portfolio as they provide an indication as to the likelihood that a debtor will repay its debts. The scores are obtained from a nationally recognized consumer rating agency and are presented in the tables below at the dates indicated.

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.

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Commercial Credit Exposure
Credit Risk Profile by Creditworthiness Category and Vintage [(a)(b)]

As of March 31, 2024	Term Loans Amortized Cost Basis by Origination Year and Internal Risk Rating								
Dollars in millions	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Commercial and Industrial									
Risk Rating:									
Pass	$ 1,131	$ 3,722	$ 9,183	$ 5,411	$ 2,329	$ 5,282	$ 23,724	$ 127	$ 50,909
Criticized (Accruing)	39	221	639	517	304	376	1,409	19	3,524
Criticized (Nonaccruing)	—	19	68	65	2	94	112	—	360
Total commercial and industrial	1,170	3,962	9,890	5,993	2,635	5,752	25,245	146	54,793
Current period gross write-offs	—	4	10	24	—	1	23	—	62
Real estate — commercial mortgage									
Risk Rating:									
Pass	85	792	3,470	2,729	711	3,715	927	48	12,477
Criticized (Accruing)	3	65	796	476	70	521	16	3	1,950
Criticized (Nonaccruing)	—	—	3	29	3	47	31	—	113
Total real estate — commercial mortgage	88	857	4,269	3,234	784	4,283	974	51	14,540
Current period gross write-offs	—	—	—	—	—	4	1	—	5
Real estate — construction									
Risk Rating:									
Pass	8	508	1,156	812	93	103	22	2	2,704
Criticized (Accruing)	—	10	87	65	73	74	—	—	309
Criticized (Nonaccruing)	—	—	—	—	—	—	—	—	—
Total real estate — construction	8	518	1,243	877	166	177	22	2	3,013
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial lease financing									
Risk Rating:									
Pass	52	550	749	491	318	1,027	—	—	3,187
Criticized (Accruing)	—	30	47	8	13	19	—	—	117
Criticized (Nonaccruing)	—	—	—	—	—	1	—	—	1
Total commercial lease financing	52	580	796	499	331	1,047		—	3,305
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Total commercial loans	$ 1,318	$ 5,917	$ 16,198	$ 10,603	$ 3,916	$ 11,259	$ 26,241	$ 199	$ 75,651
Total commercial loan current period gross write-offs	$ —	$ 4	$ 10	$ 24	$ —	$ 5	$ 24	$ —	$ 67

As of December 31, 2023	Term Loans Amortized Cost Basis by Origination Year and Internal Risk Rating								
Dollars in millions	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	Revolving Loans Converted to Term Loans Amortized Cost Basis	**Total**
Commercial and Industrial									
Risk Rating:									
Pass	$ 4,020	$ 10,145	$ 6,141	$ 2,539	$ 2,064	$ 3,534	$ 24,395	$ 123	$ 52,961
Criticized (Accruing)	84	361	427	233	127	170	1,140	15	2,557
Criticized (Nonaccruing)	14	49	50	2	28	70	84	—	297
Total commercial and industrial	4,118	10,555	6,618	2,774	2,219	3,774	25,619	138	55,815
Current period gross write-offs	1	7	35	8	11	21	105	—	188
Real estate — commercial mortgage									
Risk Rating:									
Pass	1,084	3,664	2,922	804	1,545	2,507	1,017	66	13,609
Criticized (Accruing)	6	646	411	15	186	193	20	1	1,478
Criticized (Nonaccruing)	—	—	1	3	7	55	34	—	100
Total real estate — commercial mortgage	1,090	4,310	3,334	822	1,738	2,755	1,071	67	15,187
Current period gross write-offs	—	1	1	11	2	21	3	—	39
Real estate — construction									
Risk Rating:									
Pass	401	1,185	912	157	62	48	31	8	2,804
Criticized (Accruing)	10	40	60	64	41	47	—	—	262
Criticized (Nonaccruing)	—	—	—	—	—	—	—	—	—
Total real estate — construction	411	1,225	972	221	103	95	31	8	3,066
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial lease financing									
Risk Rating:									
Pass	520	878	575	352	307	808	—	—	3,440
Criticized (Accruing)	11	30	9	9	8	16	—	—	83
Criticized (Nonaccruing)	—	—	—	—	—	—	—	—	—
Total commercial lease financing	531	908	584	361	315	824	—	—	3,523
Current period gross write-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total commercial loans	$ 6,150	$ 16,998	$ 11,508	$ 4,178	$ 4,375	$ 7,448	$ 26,721	$ 213	$ 77,591
Total commercial loan current period gross write-offs	$ 1	$ 8	$ 36	$ 19	$ 13	$ 42	$ 108	$ —	$ 227

(a) Accrued interest of $368 million and $383 million as of March 31, 2024, and December 31, 2023, respectively, presented in Other Assets on the Consolidated Balance Sheets, was excluded from the amortized cost basis disclosed in these tables.

(b) Gross write-off information is presented on a year-to-date basis for the three months ended March 31, 2024 and the twelve months ended December 31, 2023.

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Consumer Credit Exposure
Credit Risk Profile by FICO Score and Vintage [(a)(b)]

As of March 31, 2024	Term Loans								
	Amortized Cost Basis by Origination Year and FICO Score								
Dollars in millions	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate — residential mortgage									
FICO Score:									
750 and above	$ 13	$ 708	$ 5,958	$ 7,553	$ 2,380	$ 1,661	$ —	$ —	$ 18,273
660 to 749	9	138	685	736	222	313	—	—	2,103
Less than 660	—	16	65	57	21	146	—	—	305
No Score	—	2	1	1	1	17	1	—	23
Total real estate — residential mortgage	22	864	6,709	8,347	2,624	2,137	1	—	20,704
Current period gross write-offs	1	—	—	—	—	—	—	—	1
Home equity loans									
FICO Score:									
750 and above	8	36	154	842	673	813	1,973	310	4,809
660 to 749	3	23	61	216	143	219	840	101	1,606
Less than 660	—	4	14	39	27	93	279	28	484
No Score	—	—	—	—	—	2	4	—	6
Total home equity loans	11	63	229	1,097	843	1,127	3,096	439	6,905
Current period gross write-offs	—	—	—	—	—	1	—	—	1
Other consumer loans									
FICO Score:									
750 and above	18	179	1,268	1,345	632	306	87	—	3,835
660 to 749	11	137	333	322	154	134	189	—	1,280
Less than 660	1	26	64	64	31	32	56	—	274
No Score	6	24	30	17	8	20	196	—	301
Total consumer direct loans	36	366	1,695	1,748	825	492	528	—	5,690
Current period gross write-offs	—	1	4	3	2	2	4	—	16
Credit cards									
FICO Score:									
750 and above	—	—	—	—	—	—	442	—	442
660 to 749	—	—	—	—	—	—	381	—	381
Less than 660	—	—	—	—	—	—	111	—	111
No Score	—	—	—	—	—	—	1	—	1
Total credit cards	—	—	—	—	—	—	935	—	935
Current period gross write-offs	—	—	—	—	—	—	12	—	12
Total consumer loans	$ 69	$ 1,293	$ 8,633	$ 11,192	$ 4,292	$ 3,756	$ 4,560	$ 439	$ 34,234
Total consumer loan current period gross write-offs	$ 1	$ 1	$ 4	$ 3	$ 2	$ 3	$ 16	$ —	$ 30

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As of December 31, 2023	Term Loans Amortized Cost Basis by Origination Year and FICO Score								
Dollars in millions	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate — residential mortgage									
FICO Score:									
750 and above	$ 680	$ 5,992	$ 7,785	$ 2,392	$ 586	$ 923	$ —	$ —	$ 18,358
660 to 749	180	739	780	248	90	240	—	—	2,277
Less than 660	15	58	56	22	17	130	—	—	298
No Score	2	1	1	1	—	18	2	—	25
Total real estate — residential mortgage	877	6,790	8,622	2,663	693	1,311	2	—	20,958
Current period gross write-offs	—	—	—	—	—	1	—	—	1
Home equity loans									
FICO Score:									
750 and above	—	85	1,575	435	114	378	2,034	331	4,952
660 to 749	24	65	229	152	66	164	886	107	1,693
Less than 660	3	13	38	27	17	77	281	31	487
No Score	2	—	—	—	—	1	4	—	7
Total home equity loans	29	163	1,842	614	197	620	3,205	469	7,139
Current period gross write-offs	(1)	—	—	—	—	2	—	1	2
Other consumer loans									
FICO Score:									
750 and above	185	1,187	1,455	660	277	112	97	—	3,973
660 to 749	150	365	342	171	83	60	199	—	1,370
Less than 660	24	64	65	32	17	16	57	—	275
No Score	30	33	17	11	10	12	185	—	298
Total consumer direct loans	389	1,649	1,879	874	387	200	538	—	5,916
Current period gross write-offs	1	12	10	6	5	3	14	—	51
Credit cards									
FICO Score:									
750 and above	—	—	—	—	—	—	489	—	489
660 to 749	—	—	—	—	—	—	400	—	400
Less than 660	—	—	—	—	—	—	112	—	112
No Score	—	—	—	—	—	—	1	—	1
Total credit cards	—	—	—	—	—	—	1,002	—	1,002
Current period gross write-offs	—	—	—	—	—	—	37	—	37
Total consumer loans	$ 1,295	$ 8,602	$ 12,343	$ 4,151	$ 1,277	$ 2,131	$ 4,747	$ 469	$ 35,015
Total consumer current period gross write-offs	$ —	$ 12	$ 10	$ 6	$ 5	$ 6	$ 51	$ 1	$ 91

(a) Accrued interest of $140 million and $139 million as of March 31, 2024, and December 31, 2023, respectively, presented in Other Assets on the Consolidated Balance Sheets, was excluded from the amortized cost basis disclosed in this table.

(b) Gross write-off information is presented on a year-to-date basis for the three months ended March 31, 2024 and the twelve months ended December 31, 2023.

Nonperforming and Past Due Loans

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 108 of our 2023 Form 10-K.

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The following aging analysis of past due and current loans as of March 31, 2024, and December 31, 2023, provides further information regarding Key's credit exposure.

Aging Analysis of Loan Portfolio[a]

As of March 31, 2024

Dollars in millions	Current [b]	30-59 Days Past Due [b]	60-89 Days Past Due [b]	90 and Greater Days Past Due [b]	Non-performing Loans	Total Past Due and Non-performing Loans [b]	Total Loans [c]
LOAN TYPE							
Commercial and industrial	$ 54,247	$ 54	$ 50	$ 82	$ 360	$ 546	$ 54,793
Commercial real estate:							
Commercial mortgage	14,355	34	26	12	113	185	14,540
Construction	3,012	1	—	—	—	1	3,013
Total commercial real estate loans	17,367	35	26	12	113	186	17,553
Commercial lease financing	3,303	—	—	1	1	2	3,305
Total commercial loans	$ 74,917	$ 89	$ 76	$ 95	$ 474	$ 734	$ 75,651
Real estate — residential mortgage	$ 20,610	$ 9	$ 6	$ —	$ 79	$ 94	$ 20,704
Home equity loans	6,776	24	6	4	95	129	6,905
Other consumer loans	5,655	14	8	9	4	35	5,690
Credit cards	908	5	5	11	6	27	935
Total consumer loans	$ 33,949	$ 52	$ 25	$ 24	$ 184	$ 285	$ 34,234
Total loans	$ 108,866	$ 141	$ 101	$ 119	$ 658	$ 1,019	$ 109,885

(a) Amounts in table represent amortized cost and exclude loans held for sale.

(b) Accrued interest of $508 million presented in "Accrued income and other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.

(c) Net of unearned income, net of deferred fees and costs, and unamortized discounts and premiums.

As of December 31, 2023

Dollars in millions	Current (b)	30-59 Days Past Due (b)	60-89 Days Past Due (b)	90 and Greater Days Past Due (b)	Non-performing Loans	Total Past Due and Non-performing Loans (b)	Total Loans (c)
LOAN TYPE							
Commercial and industrial	$ 55,354	$ 62	$ 30	$ 72	$ 297	$ 461	$ 55,815
Commercial real estate:							
Commercial mortgage	15,049	25	3	10	100	138	15,187
Construction	3,065	1	—	—	—	1	3,066
Total commercial real estate loans	18,114	26	3	10	100	139	18,253
Commercial lease financing	3,520	2	1	—	—	3	3,523
Total commercial loans	$ 76,988	$ 90	$ 34	$ 82	$ 397	$ 603	$ 77,591
Real estate — residential mortgage	$ 20,863	$ 17	$ 7	$ —	$ 71	$ 95	$ 20,958
Home equity loans	7,001	27	10	4	97	138	7,139
Other consumer loans	5,877	16	10	9	4	39	5,916
Credit cards	974	6	5	12	5	28	1,002
Total consumer loans	$ 34,715	$ 66	$ 32	$ 25	$ 177	$ 300	$ 35,015
Total loans	$ 111,703	$ 156	$ 66	$ 107	$ 574	$ 903	$ 112,606

(a) Amounts in table represent amortized cost and exclude loans held for sale.

(b) Accrued interest of $522 million presented in “Accrued income and other assets” on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.

(c) Net of unearned income, net of deferred fees and costs, and unamortized discounts and premiums.

At March 31, 2024, the approximate carrying amount of our commercial nonperforming loans outstanding represented 80% of their original contractual amount owed, total nonperforming loans outstanding represented 84% of their original contractual amount owed, and nonperforming assets in total were carried at 87% of their original contractual amount owed.

Nonperforming loans reduced expected interest income by $13 million for the three months ended March 31, 2024, and $8 million for the three months ended March 31, 2023.

The amortized cost basis of nonperforming loans on nonaccrual status for which there is no related allowance for credit losses was $245 million at March 31, 2024 and $301 million at December 31, 2023. As of March 31, 2024, 48% of our nonperforming loans were contractually current versus 51% as of December 31, 2023.

Collateral-dependent Financial Assets

We classify financial assets as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of the collateral. Our commercial loans have collateral that includes cash, accounts receivable, inventory, commercial machinery, commercial properties, commercial real estate construction projects, enterprise value, and stock or ownership interests in the borrowing entity. When appropriate we also consider the enterprise value of the borrower as a repayment source for collateral-dependent loans. Our consumer loans have collateral that includes residential real estate, automobiles, boats, and RVs.

At March 31, 2024 and March 31, 2023, the recorded investment of consumer residential mortgage and home equity loans in the process of foreclosure was approximately $133 million and $156 million, respectively.

There were no significant changes in the extent to which collateral secures our collateral-dependent financial assets during the three months ended March 31, 2024.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

The ALLL for loans modified for borrowers experiencing financial difficulty is determined based on Key's ALLL policy as described within Note 1 ("Summary of Significant Accounting Policies") of our 2023 Form 10-K.

Modifications for Borrowers Experiencing Financial Difficulty

Our strategy in working with commercial borrowers is to allow them time to improve their financial position through loan modification. Commercial borrowers that are rated substandard or worse in accordance with the regulatory definition, or that cannot otherwise restructure at market terms and conditions, are considered to be experiencing financial difficulty. A modification of a loan is subject to the normal underwriting standards and processes for other similar credit extensions, both new and existing. The modified loan is evaluated to determine if it is a new loan or a continuation of the prior loan.

Consumer loans in which a borrower requires a modification as a result of negative changes to their financial condition or to avoid default, generally indicate the borrower is experiencing financial difficulty. The primary modifications made to consumer loans are amortization, maturity date and interest rate changes. Consumer borrowers identified as experiencing financial difficulty are generally unable to refinance their loans through our normal origination channel or through other independent sources.

The following tables show the amortized cost basis at the end of the noted reporting periods of the loans modified to borrowers experiencing financial difficulty within the past 12 months or since the adoption of ASU 2022-02 for the reporting period in 2023. The tables do not include those modifications that only resulted in an insignificant payment delay. The tables do not include consumer loans that are still within a trial modification period. Trial modifications may be done for consumer borrowers where a trial payment plan period is offered in advance of a permanent loan modification. As of March 31, 2024, there were 79 loans totaling $11 million in a trial modification period. As of March 31, 2023, there were 136 loans totaling $17 million in a trial modification period.

Commitments outstanding to lend additional funds to borrowers experiencing financial difficulty whose loans were modified were $48 million and $23 million at March 31, 2024 and March 31, 2023, respectively.

As of March 31, 2024	Interest Rate Reduction	Term Extension	Other	Combination	Total	
Dollars in millions	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	% of Total Loan Type
LOAN TYPE						
Commercial and Industrial	$ —	$ 173	$ 48	$ 33	$ 254	0.46 %
Commercial real estate:						
Commercial mortgage	28	22	1	—	51	0.35
Construction	—	19	—	—	19	0.63
Total commercial real estate loans	28	41	1	—	70	0.40
Commercial lease financing	—	—	—	—	—	—
Total commercial loans	$ 28	$ 214	$ 49	$ 33	$ 324	0.43 %
Real estate — residential mortgage	1	—	—	12	13	0.06
Home equity loans	2	1	1	7	11	0.16
Other consumer loans	—	1	—	2	3	0.05
Credit cards	—	—	—	4	4	0.43
Total consumer loans	3	2	1	25	31	0.09
Total loans	$ 31	$ 216	$ 50	$ 58	$ 355	0.32 %

As of March 31, 2023	Interest Rate Reduction	Term Extension	Other	Combination	Total	
Dollars in millions	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	% of Total Loan Type
LOAN TYPE						
Commercial and Industrial	$ —	$ 79	$ 1	$ 4	$ 84	0.14 %
Commercial real estate:						
Commercial mortgage	—	4	—	—	4	0.02
Construction	—	—	—	—	—	—
Total commercial real estate loans	—	4	—	—	4	0.02
Commercial lease financing	—	—	—	—	—	—
Total commercial loans	$ —	$ 83	$ 1	$ 4	$ 88	0.11 %
Real estate — residential mortgage	—	—	—	1	1	—
Home equity loans	—	—	—	2	2	0.03
Other consumer loans	—	—	—	1	1	0.02
Credit cards	—	—	—	1	1	0.10
Total consumer loans	—	—	—	5	5	0.01
Total loans	$ —	$ 83	$ 1	$ 9	$ 93	0.08 %

Combination modifications consist primarily of loans modified with both an interest rate reduction and a term extension.

Financial Effects of Modifications to Borrowers Experiencing Financial Difficulty

The following table summarizes the financial impacts of loan modifications made to specific loans for the noted periods.

Three months ended March 31, 2024	Weighted-average Interest Rate Change	Weighted-average Term Extension (in years)
LOAN TYPE		
Commercial and Industrial	(6.40)%	0.33
Commercial mortgage	(1.91)%	0.39
Construction	— %	1.00
Real estate — residential mortgage	(1.53)%	7.62
Home equity loans	(2.78)%	5.74
Other consumer loans	(1.43)%	0.70
Credit cards	(14.11)%	0.25

Three months ended March 31, 2023	Weighted-average Interest Rate Change	Weighted-average Term Extension (in years)
LOAN TYPE		
Commercial and Industrial	— %	1.03
Commercial mortgage	— %	1.42
Real estate — residential mortgage	(1.33)%	6.68
Home equity loans	(3.72)%	2.90

Amortized Cost Basis of Modified Loans That Subsequently Defaulted

There were $51 million of Commercial and Industrial loans that were modified for borrowers experiencing financial difficulty that received term extension and other modifications and subsequently defaulted during the three-month period ended March 31, 2024.

There were $4 million of Commercial and Industrial loans that were modified for borrowers experiencing financial difficulty that received term extension and other modifications and subsequently defaulted during the three-month period ended March 31, 2023.

Key closely monitors the performance of loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified for borrowers experiencing financial difficulty within the past 12 months.

As of March 31, 2024

Dollars in millions	Current	30-89 Days Past Due	90 and Greater Days Past Due	Total
LOAN TYPE				
Commercial and Industrial	$ 184	$ 16	$ 54	$ 254
Commercial real estate				
Commercial mortgage	29	22	—	51
Construction	19	—	—	19
Total commercial real estate loans	232	38	54	324
Commercial lease financing	—	—	—	—
Total commercial loans	232	38	54	324
Real estate — residential mortgage	11	2	—	13
Home equity loans	9	1	1	11
Other consumer loans	3	—	—	3
Credit cards	4	—	—	4
Total consumer loans	$ 27	$ 3	$ 1	$ 31
Total loans	$ 259	$ 41	$ 55	$ 355

The following table depicts the performance of loans that have been modified for borrowers experiencing financial difficulty since the adoption of ASU 2022-02 on January 1, 2023 through March 31, 2023.

As of March 31, 2023

Dollars in millions	Current	30-89 Days Past Due	90 and Greater Days Past Due	Total
LOAN TYPE				
Commercial and Industrial	$ 80	$ 3	$ 1	$ 84
Commercial real estate				
Commercial mortgage	4	—	—	4
Construction	—	—	—	—
Total commercial real estate loans	84	3	1	88
Commercial lease financing	—	—	—	—
Total commercial loans	84	3	1	88
Real estate — residential mortgage	1	—	—	1
Home equity loans	2	—	—	2
Other consumer loans	1	—	—	1
Credit cards	1	—	—	1
Total consumer loans	$ 5	$ —	$ —	$ 5
Total loans	$ 89	$ 3	$ 1	$ 93

Liability for Credit Losses on Off Balance Sheet Exposures

The liability for credit losses on off balance sheet exposure is included in “accrued expense and other liabilities” on the balance sheet. This includes credit risk for recourse associated with loans sold under the Fannie Mae Delegated Underwriting and Servicing program and credit losses inherent in unfunded lending-related commitments, such as letters of credit and unfunded loan commitments, and certain financial guarantees.

Changes in the liability for credit losses for off balance sheet exposures are summarized as follows:

	Three months ended March 31,	
Dollars in millions	**2024**	2023
Balance at beginning of period	**$ 296**	$ 225
Provision (credit) for losses on off balance sheet exposures	**(14)**	51
Other	**(1)**	—
Balance at end of period	**$ 281**	$ 276

5. Fair Value Measurements

In accordance with GAAP, Key measures certain assets and liabilities at fair value. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market of the asset or liability. Additional information regarding our accounting policies for determining fair value is provided in Note 6 (“Fair Value Measurements”) and Note 1 (“Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” of our 2023 Form 10-K.

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. For more information on the valuation techniques used to measure classes of assets and liabilities reported at fair value on a recurring basis as well as the classification of each in the valuation hierarchy, refer to Note 6 (“Fair Value Measurements” in our 2023 Form 10-K. The following tables present these assets and liabilities at March 31, 2024, and December 31, 2023.

	March 31, 2024				December 31, 2023			
Dollars in millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS								
Trading account assets:								
U.S. Treasury, agencies and corporations	**$ —**	**$ 771**	**$ —**	**$ 771**	$ —	$ 685	$ —	$ 685
States and political subdivisions	**—**	**103**	**—**	**103**	—	93	—	93
Other mortgage-backed securities	**—**	**284**	**—**	**284**	—	340	—	340
Other securities	**—**	**10**	**—**	**10**	—	21	—	21
Total trading account securities	**—**	**1,168**	**—**	**1,168**	—	1,139	—	1,139
Commercial loans	**—**	**3**	**—**	**3**	—	3	—	3
Total trading account assets	**—**	**1,171**	**—**	**1,171**	—	1,142	—	1,142
Securities available for sale:								
U.S. Treasury, agencies and corporations	**—**	**9,142**	**—**	**9,142**	—	9,026	—	9,026
Agency residential collateralized mortgage obligations	**—**	**15,716**	**—**	**15,716**	—	15,478	—	15,478
Agency residential mortgage-backed securities	**—**	**3,451**	**—**	**3,451**	—	3,589	—	3,589
Agency commercial mortgage-backed securities	**—**	**8,989**	**—**	**8,989**	—	9,092	—	9,092
Other securities	**—**	**—**	**—**	**—**	—	—	—	—
Total securities available for sale	**—**	**37,298**	**—**	**37,298**	—	37,185	—	37,185
Other investments:								
Principal investments:								
Direct	**—**	**—**	**—**	**—**	—	—	—	—
Indirect (measured at NAV) [a]	**—**	**—**	**—**	**17**	—	—	—	17
Total principal investments	**—**	**—**	**—**	**17**	—	—	—	17
Equity investments:								
Direct	**—**	**—**	**2**	**2**	—	—	2	2
Direct (measured at NAV) [a]	**—**	**—**	**—**	**41**	—	—	—	40
Indirect (measured at NAV) [a]	**—**	**—**	**—**	**4**	—	—	—	4
Total equity investments	**—**	**—**	**2**	**47**	—	—	2	46
Total other investments	**—**	**—**	**2**	**64**	—	—	2	63
Loans, net of unearned income (residential)	**—**	**—**	**9**	**9**	—	—	9	9
Loans held for sale (residential)	**—**	**73**	**—**	**73**	—	51	—	51
Derivative assets:								
Interest rate	**—**	**122**	**—**	**122**	—	175	(2)	173
Foreign exchange	**77**	**15**	**—**	**92**	74	15	—	89
Commodity	**—**	**709**	**—**	**709**	—	721	—	721
Credit	**—**	**—**	**—**	**—**	—	—	—	—
Other	**—**	**4**	**1**	**5**	—	14	2	16
Derivative assets	**77**	**850**	**1**	**928**	74	925	—	999
Netting adjustments [b]	**—**	**—**	**—**	**(723)**	—	—	—	(818)
Total derivative assets	**77**	**850**	**1**	**205**	74	925	—	181
Total assets on a recurring basis at								

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(b) 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. 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.

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The following table presents the fair value of our direct and indirect principal investments and related unfunded commitments at March 31, 2024, as well as financial support provided for the three months ended March 31, 2024, and March 31, 2023.

			Financial support provided			
			Three months ended March 31,			
	March 31, 2024		2024		2023	
Dollars in millions	Fair Value	Unfunded Commit-ments	Funded Commit-ments	Funded Other	Funded Commit-ments	Funded Other
INVESTMENT TYPE						
Direct investments	**$ —**	**$ —**	$ —	$ —	$ —	$ —
Indirect investments (measured at NAV) [(a)]	**17**	**1**	—	—	—	—
Total	**$ 17**	**$ 1**	$ —	$ —	$ —	$ —

(a) 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. At March 31, 2024, no significant liquidation of the underlying investments has been communicated to Key. 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.

Changes in Level 3 Fair Value Measurements

The following table shows the components of the change in the fair values of our Level 3 financial instruments measured at fair value on a recurring basis for the three months ended March 31, 2024, and March 31, 2023.

Dollars in millions	Beginning of Period Balance	Gains (Losses) Included in Other Comprehensive Income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3	Transfers out of Level 3	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Three months ended March 31, 2024											
Other investments											
Equity investments											
Direct [(a)]	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2**	**—**
Loans, net of unearned income (residential)	**9**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9**	**—**
Derivative instruments [(b)]											
Interest rate	**(2)**	**—**	**(4)** [(c)]	**1**	**—**	**—**	**—**	**2** [(d)]	**3** [(d)]	**—**	**—**
Credit	**—**	**—**	**—** [(c)]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Other [(e)]	**2**	**—**	**—** [(c)]	**—**	**—**	**—**	**(1)**	**—**	**—**	**1**	**—**

Dollars in millions	Beginning of Period Balance	Gains (Losses) Included in Other Comprehensive Income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3	Transfers out of Level 3	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Three months ended March 31, 2023											
Other investments											
Principal investments											
Direct [a]	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Equity investments											
Direct [a]	2		—	—	—	—	—	—	—	2	—
Loans, net of unearned income (residential)	9	—	—	—	—	—	—	—	—	9	—
Derivative instruments [b]											
Interest rate	2	—	6 [c]	18	(1)	—	—	(8) [d]	(4) [d]	13	—
Credit	(2)	—	1 [c]	—	—	—	—	—	—	(1)	—
Other [e]	—	—	— [c]	—	—	—	1	—	—	1	—

(a) Realized and unrealized gains and losses on principal investments and other equity investments are reported in "other income" on the income statement.

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

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

(d) Certain instruments 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.

(e) Amounts represent Level 3 interest rate lock commitments.

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. For more information on the valuation techniques used to measure classes of assets and liabilities measured at fair value on a nonrecurring basis, refer to Note 6 ("Fair Value Measurements") in our 2023 Form 10-K. There were no liabilities measured at fair value on a nonrecurring basis at March 31, 2024, and December 31, 2023.

The following table presents our assets measured at fair value on a nonrecurring basis at March 31, 2024, and December 31, 2023:

	March 31, 2024				December 31, 2023			
Dollars in millions	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A NONRECURRING BASIS								
Collateral-dependent loans	**$ —**	**$ —**	**$ 207**	**$ 207**	$ —	$ —	$ 104	$ 104
Accrued income and other assets	**—**	**—**	**25**	**25**	—	—	29	29
Total assets on a nonrecurring basis at fair value	**$ —**	**$ —**	**$ 232**	**$ 232**	$ —	$ —	$ 133	$ 133

We have other investments in equity securities that do not have readily determinable fair values and do not qualify for the practical expedient to measure the investment using a net asset value per share. We have elected to measure these securities at cost less impairment plus or minus adjustments due to observable orderly transactions. Impairment is recorded when there is evidence that the expected fair value of the investment has declined to below the recorded cost. At each reporting period, we assess if these investments continue to qualify for this measurement alternative. At March 31, 2024, and December 31, 2023, the carrying amount of equity investments under this method was $359 million and $339 million, respectively. No adjustments or impairments were recorded for the three months ended March 31, 2024.

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 March 31, 2024, and December 31, 2023, along with the valuation techniques used, are shown in the following table:

Dollars in millions	Level 3 Asset (Liability) March 31, 2024	December 31, 2023	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average) [a], [b] March 31, 2024	December 31, 2023
Recurring						
Loans, net of unearned income (residential)	**$ 9**	$ 9	Market comparable pricing	Comparability factor	**62.67 - 89.60% (70.84%)**	62.67-89.60% (70.83%)
Derivative instruments:						
Interest rate	**—**	2	Discounted cash flows	Probability of default	**.02 - 100% (6.90%)**	.02 - 100% (5.30%)
				Loss given default	**0 - 1 (.500)**	0 - 1 (.477)
Insignificant level 3 assets, net of liabilities[c]	**3**	4				
Nonrecurring						
Collateral-dependent loans	**207**	104	Fair value of collateral	Credit and liquidity discount	**0 - 90.00% (16.00%)**	0 - 10.00% (5.00%)
Accrued income and other assets:						
OREO and other Level 3 assets [d]	**16**	21	Appraised value	Appraised value	**N/M**	N/M

(a) The weighted average of significant unobservable inputs is calculated using a weighting relative to fair value.

(b) For significant unobservable inputs with no range, a single figure is reported to denote the single quantitative factor used.

(c) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain equity investments and certain financial derivative assets and liabilities.

(d) Excludes $9 million and $8 million pertaining to mortgage servicing assets measured at fair value as of March 31, 2024 and December 31, 2023, respectively. Refer to Note 8 ("Mortgage Servicing Assets") for significant unobservable inputs pertaining to these assets.

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Fair Value Disclosures of Financial Instruments

The Levels in the fair value hierarchy ascribed to our financial instruments and the related carrying amounts at March 31, 2024, and December 31, 2023, are shown in the following tables. Assets and liabilities are further arranged by measurement category.

	March 31, 2024						
		Fair Value					
Dollars in millions	Carrying Amount	Level 1	Level 2	Level 3	Measured at NAV	Netting Adjustment	Total
ASSETS (by measurement category)							
Fair value - net income							
Trading account assets [b]	$ 1,171	$ —	$ 1,171	$ —	$ —	$ —	$ 1,171
Other investments [b]	1,247	—	—	1,186	61	—	1,247
Loans, net of unearned income (residential) [d]	9	—	—	9	—	—	9
Loans held for sale (residential) [b]	73	—	73	—	—	—	73
Derivative assets - trading [b]	205	77	842	1	—	(715) [f]	205
Fair value - OCI							
Securities available for sale [b]	37,298	—	37,298	—	—	—	37,298
Derivative assets - hedging [b][g]	—	—	8	—	—	(8) [f]	—
Amortized cost							
Held-to-maturity securities [c]	8,272	—	7,680	—	—	—	7,680
Loans, net of unearned income [d]	108,334	—	—	103,566	—	—	103,566
Loans held for sale [b]	155	—	—	155	—	—	155
Other							
Cash and other short-term investments [a]	14,452	14,452	—	—	—	—	14,452
LIABILITIES (by measurement category)							
Fair value - net income							
Derivative liabilities - trading [b]	$ 1,392	$ 60	$ 1,824	$ —	$ —	$ (492) [f]	$ 1,392
Fair value - OCI							
Derivative liabilities - hedging [b][g]	—	—	3	—	—	(3) [f]	—
Amortized cost							
Time deposits [e]	15,075	—	15,259	—	—	—	15,259
Short-term borrowings [a]	2,923	21	2,902	—	—	—	2,923
Long-term debt [e]	20,776	12,192	8,041	—	—	—	20,233
Other							
Deposits with no stated maturity [a]	129,156	—	129,156	—	—	—	129,156

	December 31, 2023						
		Fair Value					
Dollars in millions	Carrying Amount	Level 1	Level 2	Level 3	Measured at NAV	Netting Adjustment	Total
ASSETS (by measurement category)							
Fair value - net income							
Trading account assets [b]	$ 1,142	$ —	$ 1,142	$ —	$ —	$ —	$ 1,142
Other investments [b]	1,244	—	—	1,183	61	—	1,244
Loans, net of unearned income (residential) [d]	9	—	—	9	—	—	9
Loans held for sale (residential) [b]	51	—	51	—	—	—	51
Derivative assets - trading [b]	168	$ 74	886	—	—	(792) [f]	168
Fair value - OCI							
Securities available for sale [b]	37,185	—	37,185	—	—	—	37,185
Derivative assets - hedging [b][g]	13	—	39	—	—	(26) [f]	13
Amortized cost							
Held-to-maturity securities [c]	8,575	—	8,056	—	—	—	8,056
Loans, net of unearned income [d]	111,089	—	—	105,950	—	—	105,950
Loans held for sale [b]	432	—	—	432	—	—	432
Other							
Cash and other short-term investments [a]	11,758	11,758	—	—	—	—	11,758
LIABILITIES (by measurement category)							
Fair value - net income							
Derivative liabilities - trading [b]	$ 1,304	$ 58	$ 1,707	$ —	$ —	$ (461) [f]	$ 1,304
Fair value - OCI							
Derivative liabilities - hedging [b][g]	—	—	12	—	—	(12) [f]	—
Amortized cost							
Time deposits [e]	14,776	—	14,911	—	—	—	14,911
Short-term borrowings [a]	3,091	30	3,061	—	—	—	3,091
Long-term debt [e]	19,554	11,288	7,720	—	—	—	19,008
Other							
Deposits with no stated maturity [a]	130,811	—	130,811	—	—	—	130,811

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 and Liabilities Measured at Fair Value on a Nonrecurring Basis" within our 2023 Form 10-K Note 6 ("Fair Value Measurements"). Investments accounted for under the cost method (or cost less impairment adjusted for observable price changes for certain equity investments) are classified as Level 3 assets. These investments are not actively traded in an open market as sales for these types of investments are rare. The carrying amount of the investments carried at cost are adjusted for declines in value if they are considered to be other-than-temporary (or due to observable orderly transactions of the same issuer for equity investments eligible for the cost less impairment measurement alternative). These adjustments are included in "other income" on the income statement.

(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 that 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 classified as Level 2 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 the 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.

(g) Derivative assets-hedging and derivative liabilities-hedging includes both cash flow and fair value hedges. Additional information regarding our accounting policies for cash flow and fair value hedges is provided in Note 1 ("Summary of Significant Accounting Policies") under the heading "Derivatives and Hedging" beginning on page 112 of our 2023 Form 10-K.

Discontinued assets — education lending business. Our discontinued assets include government-guaranteed and private education loans originated through our education lending business that was discontinued in September 2009. This portfolio consists of loans recorded at carrying value with appropriate valuation reserves. All of these loans were excluded from the table above as follows:

- Loans at carrying value, net of allowance, of $313 million ($235 million at fair value) at March 31, 2024, and $339 million ($264 million at fair value) at December 31, 2023.

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.

6. 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.

Dollars in millions	March 31, 2024 Amortized Cost [a]	March 31, 2024 Gross Unrealized Gains	March 31, 2024 Gross Unrealized Losses	March 31, 2024 Fair Value	December 31, 2023 Amortized Cost [b]	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value
SECURITIES AVAILABLE FOR SALE								
U.S. Treasury, agencies, and corporations	**$ 9,354**	**$ 1**	**$ 213**	**$ 9,142**	$ 9,300	$ 6	$ 280	$ 9,026
Agency residential collateralized mortgage obligations	**19,285**	**6**	**3,575**	**15,716**	18,911	4	3,437	15,478
Agency residential mortgage-backed securities	**4,090**	**—**	**639**	**3,451**	4,189	—	600	3,589
Agency commercial mortgage-backed securities	**10,276**	**—**	**1,287**	**8,989**	10,295	—	1,203	9,092
Total securities available for sale	**$ 43,005**	**$ 7**	**$ 5,714**	**$ 37,298**	$ 42,695	$ 10	$ 5,520	$ 37,185
HELD-TO-MATURITY SECURITIES								
Agency residential collateralized mortgage obligations	**$ 5,025**	**$ 2**	**$ 341**	**$ 4,686**	$ 5,170	$ 9	$ 283	$ 4,896
Agency residential mortgage-backed securities	**162**	**—**	**17**	**145**	165	—	13	152
Agency commercial mortgage-backed securities	**2,448**	**—**	**216**	**2,232**	2,473	1	204	2,270
Asset-backed securities [c]	**611**	**—**	**19**	**592**	738	—	29	709
Other securities	**26**	**—**	**1**	**25**	29	—	—	29
Total held-to-maturity securities	**$ 8,272**	**$ 2**	**594**	**$ 7,680**	$ 8,575	$ 10	$ 529	$ 8,056

(a) Amortized cost amounts exclude accrued interest receivable which is recorded within Other Assets on the balance sheet. At March 31, 2024, accrued interest receivable on available for sale securities and held-to-maturity securities totaled $69 million and $24 million, respectively.

(b) Amortized cost amounts exclude accrued interest receivable which is recorded within Other Assets on the balance sheet. At December 31, 2023, accrued interest receivable on available for sale securities and held-to-maturity securities totaled $64 million and $25 million, respectively.

(c) Consists primarily of $606 million of securities as of March 31, 2024, and $731 million of securities as of December 31, 2023, related to the purchase of senior notes from a securitization collateralized by sold indirect auto loans.

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The following table summarizes securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of March 31, 2024, and December 31, 2023.

	Duration of Unrealized Loss Position					
	Less than 12 Months		12 Months or Longer		Total	
Dollars in millions	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2024						
Securities available for sale:						
U.S Treasury, agencies, and corporations	**$ 960**	**$ 5**	**$ 7,939**	**$ 208**	**$ 8,899**	**$ 213**
Agency residential collateralized mortgage obligations	**200**	**1**	**14,471**	**3,574**	**14,671**	**3,575**
Agency residential mortgage-backed securities	**—**	**—**	**3,448**	**639**	**3,448**	**639**
Agency commercial mortgage-backed securities	**836**	**62**	**8,153**	**1,225**	**8,989**	**1,287**
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	**716**	**16**	**3,563**	**325**	**4,279**	**341**
Agency residential mortgage-backed securities	**—**	**—**	**145**	**17**	**145**	**17**
Agency commercial mortgage-backed securities	**23**	**—**	**2,162**	**216**	**2,185**	**216**
Asset-backed securities	**—**	**—**	**592**	**19**	**592**	**19**
Other securities	**10**	**—**	**10**	**1**	**20**	**1**
Total securities in an unrealized loss position	**$ 2,745**	**$ 84**	**$ 40,483**	**$ 6,224**	**$ 43,228**	**$ 6,308**
December 31, 2023						
Securities available for sale:						
U.S. Treasury, agencies, and corporations	$ —	$ —	$ 8,532	$ 280	$ 8,532	$ 280
Agency residential collateralized mortgage obligations	—	—	14,979	3,437	14,979	3,437
Agency residential mortgage-backed securities	24	—	3,562	600	3,586	600
Agency commercial mortgage-backed securities	891	49	8,201	1,154	9,092	1,203
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	1,123	30	3,070	253	4,193	283
Agency residential mortgage-backed securities	—	—	152	13	152	13
Agency commercial mortgage-backed securities	—	—	2,199	204	2,199	204
Asset-backed securities	—	—	709	29	709	29
Other securities	17	— (a)	12	—	29	—
Total securities in an unrealized loss position	$ 2,055	$ 79	$ 41,416	$ 5,970	$ 43,471	$ 6,049

(a) At December 31, 2023, gross unrealized losses totaled less than $1 million for other securities held-to-maturity with a loss duration of less than 12 months.

Based on our evaluation at March 31, 2024, an allowance for credit losses has not been recorded nor have unrealized losses been recognized into income. The issuers of the securities are of high credit quality and have a history of no credit losses, management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely attributed to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments.

During the three months ended March 31, 2024, we recognized no gross realized gains and $2.8 million in gross realized losses from the sale of securities available for sale. For the three months ended March 31, 2023, we had no realized gains or losses from the sale of securities available for sale.

At March 31, 2024, securities available for sale and held-to-maturity securities totaling $23.8 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 our securities by remaining maturity at March 31, 2024. CMOs, other mortgage-backed securities, and asset-backed securities in the available for sale portfolio and 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.

March 31, 2024	**Securities Available for Sale**		**Held to Maturity Securities**	
Dollars in millions	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 7,707	$ 7,539	$ 624	$ 604
Due after one through five years	9,648	8,923	4,164	3,916
Due after five through ten years	18,828	15,614	2,382	2,145
Due after ten years	6,822	5,222	1,102	1,015
Total	$ 43,005	$ 37,298	$ 8,272	$ 7,680

7. Derivatives and Hedging Activities

We are a party to various derivative instruments, mainly through our subsidiary, KeyBank. The primary derivatives that we use are interest rate swaps, caps, floors, forwards, 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 our loan portfolio, hedge against changes in foreign currency exchange rates, and facilitate client financing and hedging needs.

At March 31, 2024, after taking into account the effects of bilateral collateral and master netting agreements, we had less than $1 million of derivative assets and less than $1 million of derivative liabilities that relate to contracts designated as hedging instruments. As a result of bilateral collateral and master netting agreements, which are applied at the counterparty level, we could have derivative contracts with negative fair values included in derivative assets and contracts with positive fair values included in derivative liabilities related to counterparties with which we have both hedging and trading derivatives. 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 $205 million and derivative liabilities of $1.4 billion that were not designated as hedging instruments. These positions are primarily comprised of derivative contracts entered into for client accommodation purposes.

Additional information regarding our accounting policies for derivatives is provided in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Derivatives and Hedging” beginning on page 112 of our 2023 Form 10-K. Our derivative strategies and related risk management objectives are described in Note 8 (“Derivatives and Hedging Activities”) beginning on page 142 of our 2023 Form 10-K.

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 March 31, 2024, and December 31, 2023. 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. Securities collateral related to legally enforceable master netting agreements is not offset on the balance sheet. Our derivative instruments are included in “accrued income and other assets” or “accrued expenses and other liabilities” on the Consolidated Balance Sheets, as follows:

Dollars in millions	March 31, 2024 Notional Amount	March 31, 2024 Fair Value[(a)] Derivative Assets	March 31, 2024 Fair Value[(a)] Derivative Liabilities	December 31, 2023 Notional Amount	December 31, 2023 Fair Value[(a)] Derivative Assets	December 31, 2023 Fair Value[(a)] Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate	**$ 41,472**	**$ 8**	**$ 3**	$ 44,621	$ 39	$ 12
Derivatives not designated as hedging instruments:						
Interest rate	**74,930**	**114**	**1,119**	78,051	134	973
Foreign exchange	**6,356**	**92**	**74**	6,034	89	73
Commodity	**11,247**	**709**	**686**	11,611	721	698
Credit	**113**	**—**	**1**	121	—	1
Other [(b)]	**1,539**	**5**	**4**	2,683	16	20
Total derivatives not designated as hedging instruments:	**94,185**	**920**	**1,884**	98,500	960	1,765
Netting adjustments [(c)]	**—**	**(723)**	**(495)**	—	(818)	(473)
Net derivatives in the balance sheet	**135,657**	**205**	**1,392**	143,121	181	1,304
Other collateral [(d)]	**—**	**(12)**	**(3)**	—	(1)	(18)
Net derivative amounts	**$ 135,657**	**$ 193**	**$ 1,389**	$ 143,121	$ 180	$ 1,286

(a) We take into account 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. As a result, we could have derivative contracts with negative fair values included in derivative assets and contracts with positive fair values included in derivative liabilities.

(b) Other derivatives include interest rate lock commitments related to our residential and commercial banking activities, forward sale commitments related to our residential mortgage banking activities, forward purchase and sales contracts consisting of contractual commitments associated with "to be announced" securities and when-issued securities, and other customized derivative contracts.

(c) 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. As of March 31, 2024, excess collateral that has not been offset against net derivative instrument positions totaled $185 million of cash collateral and $291 million of securities collateral posted as well as $14 million of cash collateral and $108 million of securities collateral held. As of December 31, 2023, excess collateral that has not been offset against net derivative instrument positions totaled $161 million of cash collateral and $269 million of securities collateral posted as well as $16 million of cash collateral and $212 million of securities collateral held.

(d) 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.

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Fair value hedges. During the three months ended March 31, 2024, we did not exclude any portion of fair value hedging instruments from the assessment of hedge effectiveness.

The following tables summarize the amounts that were recorded on the balance sheet as of March 31, 2024, and December 31, 2023, related to cumulative basis adjustments for fair value hedges.

	March 31, 2024		
Dollars in millions	**Balance sheet line item in which the hedge item is included**	**Carrying amount of hedged item [a]**	**Hedge accounting basis adjustment [b]**
Interest rate contracts	Long-term debt	**$ 10,738**	**$ (566)**
Interest rate contracts	Securities Available for Sale[c]	**9,369**	**20**

	December 31, 2023		
	Balance sheet line item in which the hedge item is included	**Carrying amount of hedged item [a]**	**Hedge accounting basis adjustment [b]**
Interest rate contracts	Long-term debt	$ 9,919	$ (437)
Interest rate contracts	Securities Available for Sale[c]	8,655	(152)

(a) The carrying amount represents the portion of the asset or liability designated as the hedged item.

(b) Basis adjustments related to de-designated hedged items that no longer qualify as fair value hedges reduced the hedge accounting basis adjustment by $5 million and $5 million at March 31, 2024, and December 31, 2023, respectively.

(c) Certain amounts are designed as fair value hedges under the portfolio layer method. The carrying amount represents the amortized costs basis of the prepayable financial assets used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the relationship. At March 31, 2024, and December 31, 2023, the amortized costs of the closed portfolios in these hedging relationships was $12.6 billion and $12.8 billion, respectively, of which $7.2 billion were designated in a portfolio layer hedging relationship for both period ends. At March 31, 2024, and December 31, 2023, the cumulative basis adjustments associated with these amounts totaled $1 million and $(147) million, respectively.

Cash flow hedges. During the three-month period ended March 31, 2024, we did not exclude any portion of cash flow hedging instruments from the assessment of hedge effectiveness.

Considering the interest rates, yield curves, and notional amounts as of March 31, 2024, we expect to reclassify an estimated $438 million of after-tax net losses on derivative instruments designated as cash flow hedges from AOCI to income during the next 12 months. In addition, we expect to reclassify approximately $114 million of net losses related to terminated cash flow hedges from AOCI to income during the next 12 months. These reclassified amounts could differ from actual amounts recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to March 31, 2024. As of March 31, 2024, the maximum length of time over which we hedge forecasted transactions is 3.79 years.

The following tables summarize the effect of fair value and cash flow hedge accounting on the income statement for the three-month periods ended March 31, 2024, and March 31, 2023.

Dollars in millions	Location and amount of net gains (losses) recognized in income on fair value and cash flow hedging relationships			
	Interest expense – long-term debt	Interest income – loans	Interest Income - securities	Investment banking and debt placement fees
Three months ended March 31, 2024				
Total amounts presented in the consolidated statement of income	**$ (328)**	**$ 1,538**	**$ 232**	**$ 170**
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	**$ 128**	**$ —**	**$ (151)**	**$ —**
Recognized on derivatives designated as hedging instruments	**(200)**	**—**	**182**	**—**
Net income (expense) recognized on fair value hedges	**$ (72)**	**$ —**	**$ 31**	**$ —**
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	**$ —**	**$ (216)**	**$ —**	**$ 1**
Net income (expense) recognized on cash flow hedges	**$ —**	**$ (216)**	**$ —**	**$ 1**
Three months ended March 31, 2023				
Total amounts presented in the consolidated statement of income	$ (275)	$ 1,476	$ 194	$ 145
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	$ (155)	$ —	$ 6	$ —
Recognized on derivatives designated as hedging instruments	108	—	(2)	—
Net income (expense) recognized on fair value hedges	$ (47)	$ —	$ 4	$ —
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	$ (1)	$ (215)	$ —	$ —
Net income (expense) recognized on cash flow hedges	$ (1)	$ (215)	$ —	$ —

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The following tables summarize the pre-tax net gains (losses) on our cash flow hedges for the three-month periods ended March 31, 2024, and March 31, 2023, and where they are recorded on the income statement. The table includes net gains (losses) recognized in OCI during the period and net gains (losses) reclassified from OCI into income during the current period.

Dollars in millions	Net Gains (Losses) Recognized in OCI	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income	Net Gains (Losses) Reclassified From OCI Into Income
Three months ended March 31, 2024			
Cash Flow Hedges			
Interest rate	**$ (283)**	Interest income — Loans	**$ (216)**
Interest rate	**1**	Interest expense — Long-term debt	**—**
Interest rate	**1**	Investment banking and debt placement fees	**1**
Total	**$ (281)**		**$ (215)**
Three months ended March 31, 2023			
Cash Flow Hedges			
Interest rate	$ 109	Interest income — Loans	$ (215)
Interest rate	(1)	Interest expense — Long-term debt	(1)
Interest rate	(1)	Investment banking and debt placement fees	—
Total	$ (107)		$ (216)

Nonhedging instruments

The following table summarizes the pre-tax net gains (losses) on our derivatives that are not designated as hedging instruments for the three-month periods ended March 31, 2024, and March 31, 2023, and where they are recorded on the income statement.

	Three months ended March 31, 2024				Three months ended March 31, 2023			
Dollars in millions	Corporate services income	Consumer mortgage income	Other income	Total	Corporate services income	Consumer mortgage income	Other income	Total
NET GAINS (LOSSES)								
Interest rate	**$ 10**	**$ —**	**$ —**	**$ 10**	$ 12	$ —	$ (2)	$ 10
Foreign exchange	**12**	**—**	**—**	**12**	13	—	—	13
Commodity	**3**	**—**	**—**	**3**	7	—	—	7
Credit	**—**	**—**	**(11)**	**(11)**	—	—	(14)	(14)
Other	**—**	**3**	**3**	**6**	—	1	(2)	(1)
Total net gains (losses)	**$ 25**	**$ 3**	**$ (8)**	**$ 20**	$ 32	$ 1	$ (18)	$ 15

Counterparty Credit Risk

We hold collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or GNMA. Cash collateral of $360 million was netted against derivative assets on the balance sheet at March 31, 2024, compared to $408 million of cash collateral netted against derivative assets at December 31, 2023. The cash collateral netted against derivative liabilities totaled $132 million at March 31, 2024, and $64 million at December 31, 2023. Our means of mitigating and managing exposure to credit risk on derivative contracts is described in Note 8 (“Derivatives and Hedging Activities”) beginning on page 142 of our 2023 Form 10-K under the heading “Counterparty Credit Risk.”

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

Dollars in millions	**March 31, 2024**	December 31, 2023
Interest rate	**$ 81**	$ 123
Foreign exchange	**46**	42
Commodity	**433**	409
Credit	**—**	—
Other	**5**	15
Derivative assets before collateral	**565**	589
Plus(Less): Related collateral	**(360)**	(408)
Total derivative assets	**$ 205**	$ 181

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We enter into derivative transactions with two primary groups: broker-dealers and banks, and clients. Given that 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 are primarily high dollar volume. We enter into bilateral collateral and master netting agreements with these counterparties. We clear certain types of derivative transactions with these counterparties, whereby central clearing organizations become the counterparties to our derivative contracts. In addition, we enter into derivative contracts through swap execution facilities. Swap clearing and swap execution facilities reduce our exposure to counterparty credit risk. At March 31, 2024, we had gross exposure of $489 million to broker-dealers and banks. We had net exposure of $11 million after the application of master netting agreements and cash collateral, where such qualifying agreements exist. We had net exposure of $8 million after considering $3 million of additional collateral held in the form of securities.

We enter into transactions using master netting agreements with clients to accommodate their business needs. In most cases, we mitigate our credit exposure by cross-collateralizing these transactions to the underlying loan collateral. For transactions that are not clearable, we mitigate our market risk by buying and selling U.S. Treasuries and Eurodollar futures or entering into offsetting positions. Due to the cross-collateralization to the underlying loan, we typically do not exchange cash or marketable securities collateral in connection with these transactions. To address the risk of default associated with these contracts, we have established a CVA reserve (included in “accrued income and other assets”) in the amount of $5 million at March 31, 2024. The CVA is calculated from potential future exposures, expected recovery rates, and market-implied probabilities of default. At March 31, 2024, we had gross exposure of $219 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 $194 million on our derivatives with these counterparties after the application of master netting agreements, collateral, and the related reserve.

Credit Derivatives

We are a buyer and, under limited circumstances, may be a 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. Our credit derivative portfolio was in a net liability position of $1 million as of March 31, 2024, and $1 million as of December 31, 2023. Our credit derivative portfolio consists of traded credit default swap indices and risk participation agreements. Additional descriptions of our credit derivatives are provided in Note 8 (“Derivatives and Hedging Activities”) beginning on page 142 of our 2023 Form 10-K under the heading “Credit Derivatives.”

The following table provides information on the types of credit derivatives sold by us and held on the balance sheet at March 31, 2024, and December 31, 2023. The notional amount represents the amount that the seller could be required to pay. 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 implied from observed credit indices in the credit default swap market, which are mapped to reference entities based on Key's internal risk rating.

	March 31, 2024			December 31, 2023		
Dollars in millions	**Notional Amount**	**Average Term (Years)**	**Payment / Performance Risk**	**Notional Amount**	**Average Term (Years)**	**Payment / Performance Risk**
Other	**$ 2**	**11.10**	**3.87 %**	$ 4	10.69	4.86 %
Total credit derivatives sold	**$ 2**	**—**	**—**	$ 4	—	—

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 March 31, 2024, KeyBank's rating was "Baa1" with Moody's and "BBB+" with S&P, and KeyCorp's rating was "Baa2" with Moody's and "BBB" with S&P. Refer to the table below for the aggregate fair value of all derivative contracts with credit risk contingent features held by KeyBank that were in a net liability position.

Dollars in millions	March 31, 2024	December 31, 2023
Net derivative liabilities with credit-risk contingent features	**$ (104)**	$ (45)
Collateral posted	**90**	42

As of March 31, 2024, and December 31, 2023, the fair value of additional collateral that could be required to be posted as a result of the credit risk related contingent features being triggered was immaterial to Key's consolidated financial statements. There were no derivative contracts with credit risk contingent features held by KeyCorp at March 31, 2024.

8. Mortgage Servicing Assets

We originate and periodically sell commercial and residential mortgage loans but continue to service those loans for the buyers. We also may purchase the right to service commercial mortgage loans from 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. 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" beginning on page 114 of our 2023 Form 10-K.

Commercial

Changes in the carrying amount of commercial mortgage servicing assets are summarized as follows:

Dollars in millions	Three months ended March 31, 2024	2023
Balance at beginning of period	**$ 638**	$ 653
Servicing retained from loan sales	**18**	9
Purchases	**6**	4
Amortization	**(31)**	(32)
Temporary (impairments) recoveries	**—**	—
Balance at end of period	**$ 631**	$ 634
Fair value at end of period	**$ 846**	$ 981

The fair value of commercial 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 determine the fair value of our commercial mortgage servicing assets at March 31, 2024, and March 31, 2023, along with the valuation techniques, are shown in the following table:

		March 31, 2024			March 31, 2023		
Valuation Technique	**Significant Unobservable Input**	**Range**		**Weighted Average**	**Range**		**Weighted Average**
Discounted cash flow	Expected defaults	**1.00 %**	**2.00 %**	**1.01 %**	0.96 %	2.00 %	1.06 %
	Residual cash flows discount rate	**7.41 %**	**10.65 %**	**10.28 %**	8.57 %	10.03 %	9.49 %
	Escrow earn rate	**5.00 %**	**5.09 %**	**5.00 %**	4.94 %	4.95 %	4.94 %
	Loan assumption rate	**— %**	**2.16 %**	**1.97 %**	— %	1.40 %	1.14 %

If these economic assumptions change or prove incorrect, the fair value of commercial mortgage servicing assets may also change. Expected credit losses, escrow earning rates, and discount rates are critical to the valuation of commercial mortgage 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 commercial mortgage 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 earning rates would cause a decrease in the fair value of our commercial 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 commercial mortgage servicing assets. Prepayment activity on commercial serviced loans does not significantly affect the valuation of our commercial mortgage servicing assets. Unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions affecting the borrower's ability to prepay the mortgage.

The amortization of commercial servicing assets is determined in proportion to, and over the period of, the estimated net servicing income. The amortization of commercial servicing assets for each period, as shown in the table at the beginning of this note, is recorded as a reduction to contractual fee income. The contractual fee income from servicing commercial mortgage loans totaled $87 million for the three-month period ended March 31, 2024, and $78 million for the three-month period ended March 31, 2023. This fee income was offset by $31 million of amortization for the three-month period ended March 31, 2024, and $32 million for the three-month period ended March 31, 2023. Both the contractual fee income and the amortization are recorded, net, in "commercial mortgage servicing fees" on the income statement.

Residential

Changes in the carrying amount of residential mortgage servicing assets are summarized as follows:

	Three months ended March 31,	
Dollars in millions	**2024**	**2023**
Balance at beginning of period	**$ 108**	$ 106
Servicing retained from loan sales	**2**	1
Purchases	**—**	—
Amortization	**(2)**	(2)
Temporary (impairments) recoveries[a]	**—**	—
Balance at end of period	**$ 108**	$ 105
Fair value at end of period	**$ 133**	$ 129

(a) A temporary impairment of less than $1 million was recorded for the three months ended March 31, 2024.

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 March 31, 2024, and March 31, 2023, along with the valuation techniques, are shown in the following table:

Valuation Technique	Significant Unobservable Input	March 31, 2024 Range		Weighted Average	March 31, 2023 Range		Weighted Average
Discounted cash flow	Prepayment speed	**6.29 %**	**43.74 %**	**7.68 %**	6.41 %	40.74 %	7.30 %
	Discount rate	**6.50 %**	**8.75 %**	**6.59 %**	7.50 %	8.50 %	7.54 %
	Servicing cost	**$ 70.00**	**$ 3,582**	**$ 74.91**	$ 62.00	$ 8,075	$ 67.36

If these economic assumptions change or prove incorrect, the fair value of residential mortgage servicing assets may also change. Prepayment speed, discount rates, and servicing cost are critical to the valuation of residential mortgage 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 residential mortgage loans, industry trends, and other considerations. Actual rates may differ from those estimated due to changes in a variety of economic factors. An
increase in the prepayment speed would cause a decrease in the fair value of our residential mortgage servicing
assets. An increase in the assigned discount rates and servicing cost assumptions would cause a decrease in the
fair value of our residential mortgage servicing assets.

The amortization of residential servicing assets for March 31, 2024, as shown in the table above, is recorded as a reduction to contractual fee income. The contractual fee income from servicing residential mortgage loans totaled $9 million for the three-month period ended March 31, 2024, and $9 million for the three-month period ended March 31, 2023. This fee income was offset by $2 million of amortization for the three-month period ended

March 31, 2024, and $2 million for the three-month period ended March 31, 2023. Both the contractual fee income and the amortization are recorded, net, in “consumer mortgage income” on the income statement.

9. Leases

As a lessee, we enter into leases of land, buildings, and equipment. Our real estate leases primarily relate to bank branches and office space. The leases of equipment principally relate to technology assets for data processing and data storage. As a lessor, we primarily provide financing through our equipment leasing business. For more information on our leasing activity, see Note 10 (“Leases”) beginning on page 150 of our 2023 Form 10-K.

Lessor Equipment Leasing

Leases may have fixed or floating rate terms. Variable payments are based on an index or other specified rate and are included in rental payments. Certain leases contain an option to extend the lease term or the option to terminate at the discretion of the lessee. Under certain conditions, lease agreements may also contain the option for a lessee to purchase the underlying asset.

Interest income from sales-type and direct financing leases is recognized in "interest income — loans" on the income statement. Income related to operating leases is recognized in “operating lease income and other leasing gains” on the income statement. The components of equipment leasing income are summarized in the table below:

	Three months ended March 31,	
Dollars in millions	**2024**	**2023**
Sales-type and direct financing leases		
Interest income on lease receivable	**$ 18**	$ 19
Interest income related to accretion of unguaranteed residual asset	**3**	3
Interest income on deferred fees and costs	**5**	—
Total sales-type and direct financing lease income	**$ 26**	$ 22
Operating leases		
Operating lease income related to lease payments	**$ 18**	$ 24
Other operating leasing gains	**6**	1
Total operating lease income and other leasing gains	**24**	25
Total lease income	**$ 50**	$ 47

10. Goodwill

Our annual goodwill impairment testing is performed as of October 1 each year, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. A quantitative or qualitative testing approach may be used. Additional information pertaining to our accounting policy for goodwill and other intangible assets is summarized in Note 1 (“Summary of Significant

Accounting Policies") under the heading "Goodwill and Other Intangible Assets" beginning on page 114 of our 2023 Form 10-K.

During the first quarter, Key realigned its real estate capital business from its Commercial Bank reporting unit to its Institutional Bank reporting unit. The move was done to align product-based teams to the client-facing businesses they serve with the goal of reducing overhead and complexity and creating a better client experience. This reorganization was identified as a triggering event. As a result, interim goodwill impairment tests were performed during the first quarter reflecting the reporting units both immediately before and immediately after the realignment, neither of which resulted in impairment. The results of the impairment test reflecting the realignment indicated the fair value of each of the three reporting units, Consumer Bank, Commercial Bank, and Institutional Bank, exceeded their respective carrying values by more than 10%. Additionally, we monitored events and circumstances through March 31, 2024, including macroeconomic factors, industry and banking sector events, Key specific performance indicators, and the sensitivity of the interim quantitative test results to changes in assumptions through March 31, 2024. Based on these considerations, we concluded it was not more-likely-than-not that the fair value of one or more of the reporting units was below its respective carrying value as of March 31, 2024

The reporting units at which goodwill is tested for impairment are the Consumer Bank, Commercial Bank and Institutional Bank reporting units. As the Commercial Bank and Institutional Bank reporting units are aggregated within Key's overall Commercial Bank reporting segment, the realignment of real estate capital did not have an impact on our reportable segments, however, goodwill was reallocated from the Commercial Bank reporting unit to the Institutional Bank reporting unit. As of March 31, 2024, the Commercial Bank and Institutional Bank reporting units were allocated goodwill of $218 million and $715 million, respectively.

The carrying amount of goodwill by reporting segment are presented in the following table:

Dollars in millions	Consumer Bank	Commercial Bank	Total
BALANCE AT MARCH 31, 2023	$ 1,819	$ 933	$ 2,753
BALANCE AT DECEMBER 31, 2023	$ 1,819	$ 933	$ 2,752
BALANCE AT MARCH 31, 2024	**$ 1,819**	**$ 933**	**$ 2,752**

11. Variable Interest Entities

Our significant VIEs are summarized below. Additional information pertaining to the criteria used in determining if an entity is a VIE is included in Note 13 ("Variable Interest Entities") beginning on page 154 of our 2023 Form 10-K.

LIHTC and NMTC investments. We had $2.2 billion and $2.3 billion of investments in LIHTC operating partnerships at March 31, 2024, and December 31, 2023, respectively. These investments are recorded in "accrued income and other assets" on our Consolidated Balance Sheets. We do not have any loss reserves recorded related to these investments because we believe the likelihood of any loss to be remote. For all legally binding, unfunded equity commitments, we increase our recognized investment and recognize a liability. As of March 31, 2024, and December 31, 2023, we had liabilities of $1.2 billion and $1.4 billion, respectively, related to investments in qualified affordable housing projects, which are recorded in "accrued expenses and other liabilities" on our Consolidated Balance Sheets. We continue to invest in these LIHTC operating partnerships.

The assets and liabilities presented in the table below convey the size of KCDC's direct and indirect investments at March 31, 2024, and December 31, 2023. As these investments represent unconsolidated VIEs, the assets and liabilities of the investments themselves are not recorded on our Consolidated Balance Sheets. Additional information pertaining to our LIHTC investments is included in Note 13 ("Variable Interest Entities") beginning on page 154 of our 2023 Form 10-K.

Dollars in millions	Unconsolidated VIEs Total Assets		Total Liabilities		Maximum Exposure to Loss
March 31, 2024					
LIHTC investments	**$**	**8,880**	**$ 3,841**	**$**	**2,623**
December 31, 2023					
LIHTC investments	$	8,904	$ 3,848	$	2,768

We had $30 million and $25 million in NMTC investments at March 31, 2024 and December 31, 2023, respectively. These investments are recorded in “accrued income and other assets” on our Consolidated Balance Sheets.

We amortize our LIHTC and NMTC investments over the period that we expect to receive the tax benefits. During the three months ended March 31, 2024, we recognized $55 million of amortization, $54 million of tax credits and $13 million of other tax benefits associated with these investments within “income taxes” on our income statement. During the three months ended March 31, 2023, we recognized $53 million of amortization, $51 million of tax credits and $45 million of other tax benefits associated with these investments within “income taxes” on our income statement.

Principal investments. Our maximum exposure to loss associated with indirect principal investments consists of the investments’ fair value plus any unfunded equity commitments. The fair value of our indirect principal investments totaled $17 million at both March 31, 2024 and December 31, 2023. These investments are recorded in “other investments” on our Consolidated Balance Sheets. The table below reflects the size of the private equity funds in which we were invested as well as our maximum exposure to loss in connection with these investments at March 31, 2024, and December 31, 2023.

Dollars in millions	Unconsolidated VIEs Total Assets	Total Liabilities	Maximum Exposure to Loss
March 31, 2024			
Indirect investments	**$ 2,625**	**$ 91**	**$ 18**
December 31, 2023			
Indirect investments	$ 2,741	$ 91	$ 18

Through our principal investing entities, we have formed and funded operating entities that provide management and other related services to our investment company funds, which directly invest in portfolio companies. These entities had no assets at March 31, 2024, and December 31, 2023, that can be used to settle the entities' obligations. The entities had no liabilities at March 31, 2024, and December 31, 2023, and other equity investors have no recourse to our general credit.

Additional information on our indirect and direct principal investments is provided in Note 6 ("Fair Value Measurements") beginning on page 130 and in Note 13 ("Variable Interest Entities ") beginning on page 154 of our 2023 Form 10-K.

Other unconsolidated VIEs. We are involved with other various entities in the normal course of business which we have determined to be VIEs. We have determined that we are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance or hold a variable interest that could potentially be significant. The table below shows our assets and liabilities associated with these unconsolidated VIEs at March 31, 2024, and December 31, 2023. These assets are recorded in "accrued income and other assets," "other investments," "securities available for sale," "held-to-maturity securities," and "loans, net of unearned income" on our Consolidated Balance Sheets. Of the total balance as of March 31, 2024, $606 million related to the purchase of senior notes from a securitization collateralized by sold indirect auto loans. Additional information pertaining to our other unconsolidated VIEs is included in Note 13 ("Variable Interest Entities") under the heading "Other unconsolidated VIEs" on page 156 of our 2023 Form 10-K.

Dollars in millions	Other unconsolidated VIEs Total Assets	Total Liabilities
March 31, 2024		
Other unconsolidated VIEs	**$ 1,032**	**$ 1**
December 31, 2023		
Other unconsolidated VIEs	$ 1,149	$ 1

12. 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 before income taxes, was 21.3% for the first quarter of 2024 and 20.7% for the first quarter of 2023. The effective tax rates are less than our combined federal and state statutory tax rate of 23.9%, primarily due to income from investments in tax-advantaged assets such as corporate-owned life insurance and tax credits associated with low-income housing investments.

Deferred Taxes

At March 31, 2024, we had a net deferred tax asset of $1.8 billion, compared to a net deferred tax asset of $1.8 billion at December 31, 2023, which are included in “accrued income and other assets” on the balance sheet. The deferred tax asset is primarily related to market fluctuations in the investment security portfolio accounted for in other comprehensive income.

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 $12 million at March 31, 2024, and $12 million at December 31, 2023. The valuation allowance is associated with federal and state capital loss carryforwards.

Unrecognized Tax Benefits

At March 31, 2024, Key’s unrecognized tax benefits were $45 million. 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.”

Pre-1988 Bank Reserves Acquired in a Business Combination

Retained earnings of KeyBank included approximately $92 million of allocated bad debt deductions for which no income taxes have been recorded. Under current federal law, these reserves are subject to recapture into taxable income if KeyBank, or any successor, fails to maintain its bank status under the Internal Revenue Code or makes non-dividend distributions or distributions greater than its accumulated earnings and profits. No deferred tax liability has been established as these events are not expected to occur in the foreseeable future.

13. Acquisitions and Discontinued Operations

Discontinued operations

Discontinued operations primarily includes our government-guaranteed and private education lending business. At March 31, 2024, and December 31, 2023, approximately $313 million and $434 million, respectively, of education loans are included in discontinued assets on the Consolidated Balance Sheets. Net interest income after provision for credit losses for this business is not material and is included in income (loss) from discontinued operations, net of taxes on the Consolidated Statements of Income.

14. Securities Financing Activities

Additional information regarding our securities financing activities, including risk management activities, is provided in Note 1 (“Summary of Significant Accounting Policies”) beginning on page 107 of our 2023 Form 10-K and Note 16 (“Securities Financing Activities”) beginning on page 159 of our 2023 Form 10-K.

The following table summarizes our securities financing agreements at March 31, 2024, and December 31, 2023:

	March 31, 2024				December 31, 2023			
Dollars in millions	**Gross Amount Presented in Balance Sheet**	**Netting Adjustments** [a]	**Collateral** [b]	**Net Amounts**	**Gross Amount Presented in Balance Sheet**	**Netting Adjustments** [a]	**Collateral** [b]	**Net Amounts**
Offsetting of financial assets:								
Reverse repurchase agreements	**$ —**	**$ —**	**$ —**	**$ —**	$ 7	$ (7)	$ —	$ —
Securities borrowed	**—**	**—**	**—**	**—**	—	—	—	—
Total	**$ —**	**$ —**	**$ —**	**$ —**	$ 7	$ (7)	$ —	$ —
Offsetting of financial liabilities:								
Repurchase agreements [c]	**$ 27**	**$ —**	**$ (27)**	**$ —**	$ 38	$ (7)	$ (31)	$ —
Total	**$ 27**	**$ —**	**$ (27)**	**$ —**	$ 38	$ (7)	$ (31)	$ —

(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 mortgage-backed securities and U.S. Treasuries and are contracted on an overnight or continuous basis.

As of March 31, 2024, assets pledged as collateral against repurchase agreements totaled $27 million. Assets pledged as collateral are reported in “securities available for sale” and “held-to-maturity securities” on the Consolidated Balance Sheets. At March 31, 2024, the liabilities associated with collateral pledged were solely comprised of customer sweep financing activity and had a carrying value of $27 million. The collateral pledged under customer sweep repurchase agreements is posted to a third-party custodian and cannot be sold or repledged by the secured party. The risk related to a decline in the market value of collateral pledged is minimal given the collateral's high credit quality and the overnight duration of the repurchase agreements.

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15. Employee Benefits

Pension Plans

The components of net pension cost (benefit) for all funded and unfunded plans are recorded in Other expense and are summarized in the following table. For more information on our Pension Plans and Other Postretirement Benefit Plans, see Note 18 ("Employee Benefits") beginning on page 162 of our 2023 Form 10-K.

	Three months ended March 31,	
Dollars in millions	**2024**	**2023**
Interest cost on PBO	**$ 10**	$ 11
Expected return on plan assets	**(10)**	(11)
Amortization of losses	**3**	3
Settlement loss	**—**	—
Net pension cost	**$ 3**	$ 3

16. 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. The outstanding common stock of these business trusts is recorded in Other investments on the Consolidated Balance Sheets. 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 require us to treat our mandatorily redeemable trust preferred securities as Tier 2 capital.

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

Dollars in millions	Trust Preferred Securities, Net of Discount [a]	Common Stock	Principal Amount of Debentures, Net of Discount [b]	Interest Rate of Trust Preferred Securities and Debentures [c]	Maturity of Trust Preferred Securities and Debentures
March 31, 2024					
KeyCorp Capital I	**$ 156**	**$ 6**	**$ 162**	**6.396 %**	**2028**
KeyCorp Capital II	**85**	**4**	**89**	**6.875**	**2029**
KeyCorp Capital III	**111**	**4**	**115**	**7.750**	**2029**
HNC Statutory Trust III	**21**	**1**	**22**	**7.040**	**2035**
HNC Statutory Trust IV	**18**	**1**	**19**	**6.932**	**2037**
Willow Grove Statutory Trust I	**20**	**1**	**21**	**6.956**	**2036**
Westbank Capital Trust II	**8**	**—**	**8**	**7.822**	**2034**
Westbank Capital Trust III	**8**	**—**	**8**	**7.822**	**2034**
Total	**$ 427**	**$ 17**	**$ 444**	**6.979 %**	—
December 31, 2023	$ 431	$ 17	$ 448	6.981 %	—

(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 $11 million at March 31, 2024, and $15 million at December 31, 2023. 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, HNC Statutory Trust III, Willow Grove Statutory Trust I, HNC Statutory Trust IV, Westbank Capital Trust II, or Westbank Capital Trust III 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.

(c) The interest rates for the trust preferred securities issued by KeyCorp Capital II and KeyCorp Capital III are fixed. The trust preferred securities issued by KeyCorp Capital I, HNC Statutory Trust III, HNC Statutory Trust IV, Willow Grove Statutory Trust I, Westbank Capital Trust II, and Westbank Capital Trust III have a floating interest rate, based on three-month CME term SOFR plus 26.161 basis points, that reprices quarterly. The total interest rates are weighted-average rates.

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17. Contingent Liabilities and Guarantees

Legal Proceedings

Litigation. From time to time, in the ordinary course of business, we and our subsidiaries are subject to various litigation, investigations, and administrative proceedings. Private, civil litigation 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 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 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 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.

Gurevitch Litigation. On August 4, 2023, a putative class action, Gurevitch v. KeyCorp et al., was filed against KeyCorp and certain of its current and former executives in the United States District Court for the Northern District of Ohio, asserting claims for violation of certain federal securities laws. The named plaintiff sought to represent a nationwide class of individuals who purchased or acquired KeyCorp securities from February 2020 to June 2023 and who were allegedly harmed by certain disclosures relating to KeyCorp's liquidity, operations, and prospects. In March 2024, the lead plaintiff voluntarily dismissed the lawsuit without prejudice.

Derivative Litigation. In November and December 2023, purported shareholders of KeyCorp filed two shareholder
derivative lawsuits in the United States District Court for the Northern District of Ohio, which lawsuits were subsequently consolidated into a single derivative action titled Bushanky v. Gorman, et al. The lawsuits asserted that various officers and directors violated their duties to KeyCorp by virtue of the matters alleged in the Gurevitch litigation described above. The lawsuits were purportedly brought on behalf of KeyCorp and sought relief on KeyCorp's behalf and for its benefit. On March 27, 2024, the parties filed a stipulation seeking to dismiss the consolidated derivative action without prejudice. The court approved the dismissal of the consolidated derivative action without prejudice on April 8, 2024.

Guarantees

We are a guarantor in various agreements with third parties. The following table shows the types of guarantees that we had outstanding at March 31, 2024. 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 “Contingencies and Guarantees” beginning on page 115 of our 2023 Form 10-K.

March 31, 2024

Dollars in millions	Maximum Potential Undiscounted Future Payments	Liability Recorded
Financial guarantees:		
Standby letters of credit	$ 4,311	$ 80
Recourse agreement with FNMA	7,648	90
Residential mortgage reserve	3,343	10
Written put options [(a)]	3,212	140
Total	$ 18,514	$ 320

(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 March 31, 2024, is low. Information pertaining to the nature of each of the guarantees listed below is included in

Note 22 (“Commitments, Contingent Liabilities, and Guarantees”) under the heading “Guarantees” beginning on page 172 of our 2023 Form 10-K.

Standby letters of credit. At March 31, 2024, our standby letters of credit had a remaining weighted-average life of 1.5 years, with remaining actual lives ranging from less than 1 year to 10.7 years.

Recourse agreement with FNMA. At March 31, 2024, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 6.8 years, and the unpaid principal balance outstanding of loans sold by us as a participant was $24.6 billion. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 31.2% of the principal balance of loans outstanding at March 31, 2024. 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 of $90 million that we believe approximates the fair value of our liability for the guarantee as described in Note 4 (“Asset Quality”).

Residential Mortgage Banking. At March 31, 2024, the unpaid principal balance outstanding of loans sold by us in this program was $11.1 billion. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 30% of the principal balance of loans outstanding at March 31, 2024.

Our liability for estimated repurchase obligations on loans sold, which is included in “accrued expenses and other liabilities” on the Consolidated Balance Sheets, was $10 million at March 31, 2024. For more information on our residential mortgages, see Note 8 (“Mortgage Servicing Assets”).

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 March 31, 2024, our written put options had an average life of 1.8 years. These written put options are accounted for as derivatives at fair value, as further discussed in Note 7 (“Derivatives and Hedging Activities”).

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 (“Derivatives and Hedging Activities”).

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. Additional information pertaining to types of other off-balance sheet risk is included in Note 22 (“Commitments, Contingent Liabilities, and Guarantees”) under the heading “Other Off-Balance Sheet Risk” on page 174 of our 2023 Form 10-K.

18. Accumulated Other Comprehensive Income

Our changes in AOCI for the three months ended March 31, 2024, and March 31, 2023, are as follows:

Dollars in millions	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative financial instruments	Net pension and postretirement benefit costs	Total
Balance at December 31, 2023	$ (4,190)	$ (763)	$ (276)	$ (5,229)
Other comprehensive income before reclassification, net of income taxes	**(153)**	**(99)**	**(1)**	**(253)**
Amounts reclassified from AOCI, net of income taxes [(a)]	**2**	**164**	**2**	**168**
Net current-period other comprehensive income, net of income taxes	**(151)**	**65**	**1**	**(85)**
Balance at March 31, 2024	**$ (4,341)**	**$ (698)**	**$ (275)**	**$ (5,314)**
Balance at December 31, 2022	$ (4,895)	$ (1,124)	$ (276)	$ (6,295)
Other comprehensive income before reclassification, net of income taxes	575	80	(1)	654
Amounts reclassified from AOCI, net of income taxes [(a)]	—	165	2	167
Net current-period other comprehensive income, net of income taxes	575	245	1	821
Balance at March 31, 2023	$ (4,320)	$ (879)	$ (275)	$ (5,474)

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

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Our reclassifications out of AOCI for the three months ended March 31, 2024, and March 31, 2023, are as follows:

	Three months ended March 31,		
Dollars in millions	**2024**	**2023**	**Affected Line Item in the Consolidated Statement of Income**
Unrealized gains (losses) on available for sale securities			
Realized gains	**$ —**	$ —	Other income
Realized losses	**(3)**	—	Other income
	(3)	—	Income (loss) from continuing operations before income taxes
	(1)	—	Income taxes
	$ (2)	$ —	Income (loss) from continuing operations
Unrealized gains (losses) on derivative financial instruments			
Interest rate	**$ (216)**	$ (215)	Interest income — Loans
Interest rate	**—**	(1)	Interest expense — Long-term debt
Interest rate	**1**	—	Investment banking and debt placement fees
	(215)	(216)	Income (loss) from continuing operations before income taxes
	(51)	(51)	Income taxes
	$ (164)	$ (165)	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	**$ (3)**	$ (3)	Other expense
Settlement loss	**—**	—	Other expense
Amortization of unrecognized prior service credit	**—**	1	Other expense
	(3)	(2)	Income (loss) from continuing operations before income taxes
	(1)	—	Income taxes
	$ (2)	$ (2)	Income (loss) from continuing operations

19. Shareholders' Equity

Comprehensive Capital Plan

During the first quarter of 2024, Key did not complete any open market share repurchases. We repurchased $26 million of shares related to equity compensation programs in the first quarter of 2024.

Consistent with our capital plan, the Board declared a quarterly dividend of $.205 per Common Share for the first quarter of 2024.

Preferred Stock

The following table summarizes our preferred stock at March 31, 2024.

Preferred stock series	Amount outstanding (in millions)	Shares authorized and outstanding	Par value	Liquidation preference	Ownership interest per depositary share	Liquidation preference per depositary share	First quarter 2024 dividends paid per depositary share
5.000% Fixed-to-Floating Rate Perpetual Noncumulative Series D	$ 525	21,000	$ 1	$ 25,000	1/25th	$ 1,000	$ 12.50
6.125% Fixed-to-Floating Rate Perpetual Noncumulative Series E	500	500,000	1	1,000	1/40th	25	.382813
5.650% Fixed Rate Perpetual Noncumulative Series F	425	425,000	1	1,000	1/40th	25	.353125
5.625% Fixed Rate Perpetual Non-Cumulative Series G	450	450,000	1	1,000	1/40th	25	.351563
6.200% Fixed Rate Reset Perpetual Non-Cumulative Series H	600	600,000	1	1,000	1/40th	25	.387500

20. Business Segment Reporting

The following is description of the segments and their primary businesses at March 31, 2024.

Consumer Bank

The Consumer Bank serves individuals and small businesses throughout our 15-state branch footprint as well as healthcare professionals nationally through our Laurel Road digital brand by offering a variety of deposit and investment products, personal finance and financial wellness services, lending, mortgage and home equity, student loan refinancing, credit card, treasury services, and business advisory services. In addition, wealth management and investment services are offered to assist institutional, non-profit, and high-net-worth clients with their banking, trust, portfolio management, charitable giving, and related needs.

Commercial Bank

The Commercial Bank is an aggregation of our Institutional and Commercial operating segments. The Commercial operating segment is a full-service corporate bank focused principally on serving the borrowing, cash management, and capital markets needs of middle market clients within Key's 15-state branch footprint. The Institutional operating segment operates nationally in providing lending, equipment financing, and banking products and services to large corporate and institutional clients. The industry coverage and product teams have established expertise in the following sectors: Consumer, Energy, Healthcare, Industrial, Public Sector, Real Estate, and Technology. It is also a significant, national, commercial real estate lender and third-party servicer of commercial mortgage loans and a special servicer of CMBS. The Institutional operating segment is also a significant, national, commercial real estate lender and third-party servicer of commercial mortgage loans and a special servicer of CMBS. The operating segment also includes the KBCM platform which provides a broad suite of capital markets products and services including syndicated finance, debt and equity underwriting, fixed income and equity sales and trading, derivatives, foreign exchange, mergers & acquisition and other advisory, and public finance.

Other

Other includes various corporate treasury activities such as management of our investment securities portfolio, long-term debt, short-term liquidity and funding activities, and balance sheet risk management, our principal investing unit, and various exit portfolios as well as reconciling items, which 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 include intercompany eliminations and certain items that are not allocated to the business segments because they do not reflect their normal operations.

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.

The table below shows selected financial data for our business segments for the three-month periods ended March 31, 2024, and March 31, 2023. Capital is assigned to each business segment based on a combination of regulatory and economic equity.

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Three months ended March 31,	Consumer Bank		Commercial Bank		Other		Total Key	
Dollars in millions	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
SUMMARY OF OPERATIONS								
Net interest income (TE)	**$ 549**	$ 612	**$ 391**	$ 478	**$ (54)**	$ 16	**$ 886**	$ 1,106
Noninterest income	**224**	228	**400**	366	**23**	14	**647**	608
Total revenue (TE) [(a)]	**773**	840	**791**	844	**(31)**	30	**1,533**	1,714
Provision for credit losses	**(2)**	60	**102**	80	**1**	(1)	**101**	139
Depreciation and amortization expense	**23**	21	**22**	23	**9**	17	**54**	61
Other noninterest expense	**680**	642	**420**	419	**(11)**	54	**1,089**	1,115
Income (loss) from continuing operations before income taxes (TE)	**72**	117	**247**	322	**(30)**	(40)	**289**	399
Allocated income taxes and TE adjustments	**17**	28	**47**	67	**6**	(7)	**70**	88
Income (loss) from continuing operations	**55**	89	**200**	255	**(36)**	(33)	**219**	311
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—	**—**	1	**—**	1
Net income (loss)	**55**	89	**200**	255	**(36)**	(32)	**219**	312
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	**—**	—	**—**	—	**—**	—
Net income (loss) attributable to Key	**$ 55**	$ 89	**$ 200**	$ 255	**$ (36)**	$ (32)	**$ 219**	$ 312
AVERAGE BALANCES [(b)]								
Loans and leases	**$ 40,446**	$ 43,086	**$ 70,099**	$ 76,306	**$ 489**	$ 445	**$111,034**	$ 119,837
Total assets [(a)]	**43,239**	45,935	**79,456**	85,852	**63,173**	59,064	**185,868**	190,851
Deposits	**84,317**	84,637	**56,090**	52,219	**2,471**	6,549	**142,878**	143,405
OTHER FINANCIAL DATA								
Net loan charge-offs [(b)]	**$ 44**	$ 24	**$ 37**	$ 21	**$ —**	$ —	**$ 81**	$ 45
Return on average allocated equity [(b)]	**6.18 %**	9.87 %	**8.02 %**	10.04 %	**(13.39)%**	92.94 %	**6.00 %**	9.13 %
Return on average allocated equity	**6.18**	9.87	**8.02**	10.04	**(13.39)**	90.12	**6.00**	9.16
Average full-time equivalent employees [(c)]	**7,356**	8,097	**2,334**	2,517	**7,062**	7,606	**16,752**	18,220

(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.

21. Revenue from Contracts with Customers

The following table represents a disaggregation of revenue from contracts with customers, by business segment, for the three-month periods ended March 31, 2024, and March 31, 2023. The development and application of the methodologies that we use to allocate items among our business segments is a dynamic process. Accordingly, financial results may be revised periodically to reflect enhanced alignment of expense base allocations drivers, changes in the risk profile of a particular business, or changes in our organizational structure.

	Three months ended March 31, 2024			Three months ended March 31, 2023		
Dollars in millions	**Consumer Bank**	**Commercial Bank**	**Total Contract Revenue**	**Consumer Bank**	**Commercial Bank**	**Total Contract Revenue**
NONINTEREST INCOME						
Trust and investment services income	**$ 109**	**$ 17**	**$ 126**	$ 100	$ 16	$ 116
Investment banking and debt placement fees	**—**	**130**	**130**	—	113	113
Services charges on deposit accounts	**34**	**29**	**63**	39	28	67
Cards and payments income	**43**	**34**	**77**	45	32	77
Other noninterest income	**3**	**—**	**3**	2	—	2
Total revenue from contracts with customers	**$ 189**	**$ 210**	**$ 399**	$ 186	$ 189	$ 375
Other noninterest income [a]			**$ 225**			$ 219
Noninterest income from Other[b]			**23**			14
Total noninterest income			**$ 647**			$ 608

(a) Noninterest income considered earned outside the scope of contracts with customers.

(b) Other includes other segments that consists of corporate treasury, our principal investing unit, and various exit portfolios as well as reconciling items which primarily represents the unallocated portion of nonearning assets of corporate support functions. Charges related to the funding of these assets are part of net interest income and are allocated to the business segments through noninterest expense. Reconciling items also includes intercompany eliminations and certain items that are not allocated to the business segments because they do not reflect their normal operations. Refer to Note 20 (“Business Segment Reporting”) for more information.

We had no material contract assets or contract liabilities as of March 31, 2024, and March 31, 2023.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of KeyCorp

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of KeyCorp as of March 31, 2024, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2024 and 2023, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements 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) (PCAOB), the consolidated balance sheet of KeyCorp as of December 31, 2023, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 22, 2024, we expressed an unqualified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of KeyCorp's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to KeyCorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements 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 PCAOB, 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.

keycoverlogoa06.jpg

Cleveland, Ohio

May 2, 2024

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The information presented in the "Market risk management" section of the Management's Discussion & Analysis of Financial Condition & Results of Operations is incorporated herein by reference.

Item 4. Controls and Procedures

As of the end of the period covered by this report, KeyCorp carried out an evaluation, under the supervision and with the participation of KeyCorp's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of KeyCorp's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), to ensure that information required to be disclosed by KeyCorp in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to KeyCorp's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Based upon that evaluation, KeyCorp's Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective, in all material respects, as of the end of the period covered by this report. No changes were made to KeyCorp's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the last quarter that materially affected, or are reasonably likely to materially affect, KeyCorp's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in the Legal Proceedings section of Note 17 ("Contingent Liabilities and Guarantees") of the Notes to Consolidated Financial Statements (Unaudited) is incorporated herein by reference.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, we have not accrued legal reserves, consistent with applicable accounting guidance. Based on information currently available to us, advice of counsel, and available insurance coverage, we believe that our established reserves are adequate and the liabilities arising from the legal proceedings will not have a material adverse effect on our consolidated financial condition. 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.

Item 1A. Risk Factors

For a discussion of certain risk factors affecting us, see the section titled “Supervision and Regulation” in Part I, Item 1. Business, on pages 11-24 of our 2023 Form 10-K; Part I, Item 1A. Risk Factors, on pages 25-41 of our 2023 Form 10-K; the sections titled “Supervision and regulation” and “Strategic developments” in this report; and our disclosure regarding forward-looking statements in this report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

From time to time, KeyCorp or its principal subsidiary, KeyBank, may seek to retire, repurchase, or exchange outstanding debt of KeyCorp or KeyBank, and capital securities or preferred stock of KeyCorp, through cash purchase, privately negotiated transactions, or otherwise. Such transactions, if any, depend on prevailing market conditions, our liquidity and capital requirements, contractual restrictions, and other factors. The amounts involved may be material.

In July 2021, the Board of Directors authorized the repurchase of up to $1.5 billion of our Common Shares, effective the third quarter of 2021 through the third quarter of 2022. In September 2022, the Board of Directors approved the extension of the previous authorization through the third quarter of 2023. The authorization expired in the third quarter of 2023 and the Board has yet to approve a subsequent authorization. We did not complete any open market share repurchases in the first quarter of 2024.

During the first quarter of 2024, Key repurchased $26 million of shares related to equity compensation programs.

The following table summarizes our repurchases of our Common Shares for the three months ended March 31, 2024. Refer to Note 19 (“Shareholders' Equity”) for more information regarding share repurchases made during the three months ended March 31, 2024.

Calendar month	Total number of shares purchased [(a)]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Dollar value of shares that may yet be purchased as part of publicly announced plans or programs
January 1 - 31	100	12.28	—	—
February 1 - 29	1,858,231	14.08	—	—
March 1 -31	617	14.34	—	—
Total	1,858,948	$ 14.08	—	

(a) Includes Common Shares deemed surrendered by employees in connection with our stock compensation and benefit plans to satisfy tax obligations. We did not complete any open market share repurchases in the first quarter of 2024.

Item 5. Other Information

No director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of KeyCorp adopted, modified,
or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement (as such terms
are defined in Item 408 of Regulation S-K of the Exchange Act) during the quarter ended March 31, 2024,
except as may be noted below. We do not permit the use of Rule 10b5-1 trading arrangements by our directors or
executive officers.

Certain of our directors or officers have made elections to participate in, and are participating in, our KeyCorp
Second Amended and Restated Discounted Stock Purchase Plan, our Long-Term Incentive Deferral Plan, our

Directors’ Deferred Share Sub-Plan, and the Dividend Reinvestment Plan and dividend reinvestment features under various compensation plans and arrangements, and previously made elections to participate in KeyCorp common stock funds that are now frozen but were previously available as an investment option under our Deferred Savings Plan and KeyCorp 401(k) plan. By participating in these plans or stock funds, the directors or officers have made, and/or may from time to time make, elections involving transactions in KeyCorp common shares which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements (as such term is defined in Item 408(c) of Regulation S-K of the Exchange Act).

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Item 6. Exhibits

- 15 Acknowledgment of Independent Registered Public Accounting Firm.
- 22 Subsidiary Issuers of Guaranteed Securities, filed as Exhibit 22 to Form 10-K for the year ended December 31, 2023. ^
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 101 The following materials from KeyCorp's Form 10-Q Report for the quarterly period ended March 31, 2024, formatted in inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income; (iii) the Consolidated Statements of Changes in Equity; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements.
- 104 The cover page from KeyCorp's Form 10-Q for the quarterly period ended March 31, 2024, formatted in inline XBRL (contained in Exhibit 101).

* Furnished herewith.

^ Incorporated by reference. Copies of these Exhibits have been filed with the SEC. Exhibits that are not incorporated by reference are furnished or filed with this report. Shareholders may obtain a copy of any exhibit, upon payment of reproduction costs, by writing KeyCorp Investor Relations, 127 Public Square, Cleveland, OH 44114-1306.

Information Available on Website

KeyCorp makes available free of charge on its website, www.key.com, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after KeyCorp electronically files such material with, or furnishes it to, the SEC. We also make available a summary of filings made with the SEC of statements of beneficial ownership of our equity securities filed by our directors and officers under Section 16 of the Exchange Act. Information contained on or accessible through our website or any other website referenced in this report is not part of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date indicated.

	KEYCORP
	(Registrant)
May 2, 2024	/s/ Stacy L. Gilbert
	By: Stacy L. Gilbert
	Chief Accounting Officer (Principal Accounting Officer)