KeyCorp

Basel III Pillar 3 Regulatory Capital Disclosures

For the Quarterly Period Ended March 31, 2015

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Forward-looking statements

From time to time, Key has made or will make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements do not relate strictly to historical or current facts. Forward-looking statements usually can be identified by the use of words such as “goal,” “objective,” “plan,” “expect,” “assume,” “anticipate,” “intend,” “project,” “believe,” “estimate,” or other words of similar meaning. Forward-looking statements provide Key’s current expectations or forecasts of future events, circumstances, results or aspirations. Key’s disclosures in this report contain forward-looking statements. Key may also make forward-looking statements in other documents filed with or furnished to the SEC. In addition, Key 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 Key’s control. Key’s actual results may differ materially from those set forth in our forward-looking statements. There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause Key’s actual results to differ from those described in forward-looking statements include, but are not limited to:

- deterioration of commercial real estate market fundamentals;
- defaults by Key’s loan counterparties or clients;
- adverse changes in credit quality trends;
- declining asset prices;
- Key’s concentrated credit exposure in commercial, financial and agricultural loans;
- the extensive and increasing regulation of the U.S. financial services industry;
- changes in accounting policies, standards, and interpretations;
- breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;
- operational or risk management failures by Key or critical third parties;
- negative outcomes from claims or litigation;
- the occurrence of natural or man-made disasters or conflicts or terrorist attacks;
- increasing capital and liquidity standards under applicable regulatory rules;
- unanticipated changes in Key’s liquidity position, including but not limited to, changes in the cost of liquidity, Key’s ability to enter the financial markets, and to secure alternative funding sources;
- our ability to receive dividends from KeyCorp’s subsidiary, KeyBank;
- downgrades in KeyCorp’s credit ratings or those of KeyBank;
- a reversal of the U.S. economic recovery due to financial, political, or other shocks;
- Key’s ability to anticipate interest rate changes and manage interest rate risk;
- deterioration of economic conditions in the geographic regions where Key operates;

- the soundness of other financial institutions;

- Key's ability to attract and retain talented executives and employees and to manage its reputational risks;

- Key's ability to timely and effectively implement its strategic initiatives;

- increased competitive pressure due to industry consolidation;

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

- Key's ability to develop and effectively use the quantitative models it relies upon in its business planning.

Any forward-looking statements made by Key or on Key's behalf speak only as of the date they are made, and Key does not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances. Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in Key's SEC filings, including its Form 10-Q for the quarterly period ended March 31, 2015, and subsequent reports on Forms 8-K, 10-Q, and 10-K, and its 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 Key's website at www.key.com/ir.

SCOPE OF APPLICATION

Introduction

KeyCorp, organized in 1958 under the laws of the State of Ohio, is headquartered in Cleveland, Ohio. KeyCorp is a bank holding company under the Bank Holding Company Act of 1956 ("BHCA"), as amended, and is one of the nation's largest bank-based financial services companies, with consolidated total assets of $94.2 billion and stockholders' equity of $10.6 billion at March 31, 2015. KeyCorp is the parent holding company for KeyBank National Association ("KeyBank"), its principal subsidiary, through which most of its banking services are provided. In addition to the customary banking services of accepting deposits and making loans, the bank and trust company subsidiaries offer personal, securities lending and custody services, personal financial services, access to mutual funds, treasury services, investment banking and capital markets products, and international banking services.

As a bank holding company, KeyCorp is subject to regulation, supervision, and examination by the Federal Reserve Board (the "Federal Reserve") under the BHCA. The Federal Reserve has established risk-based and leverage capital guidelines for bank holding companies, including KeyCorp. During July 2013, the Federal Reserve issued final rules implementing a strengthened set of capital requirements, known as Basel III, in the United States.

The Basel III Capital Framework, as described below, requires new regulatory capital disclosures under the third pillar of Basel III ("Pillar 3"). The purpose of the Pillar 3 disclosures is to provide key information relating to a bank's regulatory capital, risk exposures, and risk management practices. This Pillar 3 report is designed to satisfy these requirements and should be read in conjunction with KeyCorp's Annual Report on Form 10-K for the year ended December 31, 2014 ("2014 Form 10-K"), and KeyCorp's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 ("First Quarter 2015 Form 10-Q"), which have been filed with the U.S. Securities and Exchange Commission ("SEC").

As used in this report, references to "Key" refer to the consolidated entity consisting of KeyCorp and its subsidiaries. The basis of consolidation used for regulatory reporting is consistent with that used under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). For more information about Key's significant accounting policies, refer to Note 1 ("Summary of Significant Accounting Policies") beginning on page 114 of Key's 2014 Form 10-K.

Throughout this report, certain financial measures may not be based on GAAP ("non-GAAP financial measures"). These non-GAAP financial measures may not be directly comparable to financial measures reported in Key's 2014 Form 10-K and First Quarter 2015 Form 10-Q, and may not be directly comparable to similar measures used by other companies. Key's non-GAAP financial measures are not required to be, and have not been, audited by its independent auditors. Key's historical SEC and regulatory filings are located in the Investor Relations section of its website at www.key.com/IR.

Basel III Capital Framework

In December 2010, the Basel Committee released its final framework to strengthen international capital regulation of banks, and revised it in June 2011 and January 2014 (as revised, the "Basel III capital framework"). The Basel III capital framework requires higher and better-quality capital, better risk coverage, the introduction of a new leverage ratio as a backstop to the risk-based requirement, and measures to promote the buildup of capital that can be drawn down in periods of stress. The Basel III capital framework, among other things, introduces a new capital measure, "Common Equity Tier 1," to be included in Tier 1 capital with other capital instruments meeting specified requirements, a capital conservation buffer, and a countercyclical capital buffer. The Basel III capital framework is being phased-in over a multi-year period.

In November 2011, the Basel Committee issued its final rule for a common equity surcharge on certain designated global systemically important banks ("G-SIBs"), which was revised in July 2013 (as revised, "Basel G-SIB framework"). Under the Basel G-SIB framework, a G-SIB is assessed a progressive 1.0% to 3.5% surcharge to the Common Equity Tier 1 capital conservation buffer based upon the bank's systemic importance score. In December 2014, the Federal Reserve published a Notice of Proposed Rulemaking (the "U.S. G-SIB NPR") that would implement the Basel G-SIB framework for U.S. G-SIBs, but with expected surcharges ranging from 1.0% to 4.5%, and would include a new indicator to address the perceived risks of short-term wholesale funding. At December 31, 2014, and based on 2013 year-end data, there were eight U.S. BHCs (none of which included KeyCorp) designated as G-SIBs under the Basel G-SIB framework. In addition, the U.S. G-SIB NPR would require each U.S. top-tier BHC with consolidated total assets of at least $50 billion and not a subsidiary of a foreign banking organization, such as KeyCorp, to determine annually whether it is a U.S. G-SIB by using five categories that measure global systemic importance – size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. Comments on the U.S. G-SIB NPR were due by March 2, 2015.

U.S. implementation of the Basel III capital framework

In October 2013, the federal banking regulators published the final Basel III capital framework for U.S. banking organizations (the "Regulatory Capital Rules"), which generally implement the Basel III capital framework as described above in the United States. Under the Regulatory Capital Rules, certain large U.S.-domiciled BHCs and banks (each, an "advanced approaches banking organization") must satisfy minimum qualifying criteria using organization-specific internal risk measures and management processes for calculating risk-based capital requirements as well as follow certain methodologies to calculate their total risk-weighted assets. Since neither KeyCorp nor KeyBank has at least $250 billion in total consolidated assets or at least $10 billion of total on-balance sheet foreign exposure, neither KeyCorp nor KeyBank is an advanced approaches banking organization. Instead, each of them is a "standardized approach banking organization."

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

Basis of Consolidation

KeyCorp's basis of consolidation for both financial and regulatory accounting purposes conforms with U.S. GAAP and includes the accounts of KeyCorp and its subsidiaries.

Funds and Capital Transfer Restrictions

For information regarding the restrictions on the transfer of funds and total capital within Key, see "Dividend restrictions" on page 14, "Bank transactions with affiliates" on page 18, and Note 3 ("Restrictions on Cash, Dividends and Lending Activities") on page 130, all in Key's 2014 Form 10-K.

CAPITAL STRUCTURE

Regulatory Capital Instruments

Key's qualifying regulatory capital instruments consist of common stock, noncumulative perpetual convertible preferred stock, trust preferred securities, and subordinated debt.

Holders of KeyCorp common stock are entitled to one vote for each common share held by them on each matter properly submitted to shareholders for their vote, consent, waiver, release, or other action. For additional information on the terms and conditions of Key's common stock, see Key's "Consolidated Balance Sheet (Unaudited)" on page 5 of Key's First Quarter 2015 Form 10-Q.

KeyCorp noncumulative perpetual preferred stock ranks senior to KeyCorp common stock. So long as any share of preferred stock remains outstanding on any day during a dividend period, no dividend shall be declared or paid on any common stock and no shares of common stock shall be repurchased, unless the full dividends for the immediately preceding dividend period on all outstanding shares of preferred stock have been declared and paid or declared and a sum sufficient for the payment of such dividends has been set aside. The holders of preferred stock do not have any voting rights other than those described in the corresponding certificate of designation. For additional terms and conditions of Key's outstanding preferred stock, see Key's "Consolidated Balance Sheet (Unaudited)" on page 5 of Key's First Quarter 2015 Form 10-Q and Exhibit 3.1 ("Amended and Restated Articles of Incorporation of KeyCorp (effective August 12, 2009)") in Key's 2014 Form 10-K.

The Basel III Regulatory Capital Rules implement a phase-out of trust preferred securities as regulatory capital instruments beginning on January 1, 2015. For additional information regarding the terms of Key's outstanding trust preferred securities, see Note 14 ("Trust Preferred Securities Issued by Unconsolidated Subsidiaries") on page 74 of Key's First Quarter 2015 Form 10-Q.

For terms and conditions of Key's outstanding subordinated debt, see Note 18 ("Long-Term Debt") beginning on page 202 of Key's 2014 Form 10-K.

Regulatory Capital Tiers

The following table presents Key's Common Equity Tier 1, Tier 1 Capital, Tier 2 Capital, and Total Capital at March 31, 2015.

in millions		**March 31, 2015**
COMMON EQUITY TIER 1		
Common stock and related surplus	$	2,156
Retained earnings		8,445
Common equity minority interest		—
Accumulated other comprehensive income		(279)
Common Equity Tier 1 capital before adjustments and deductions		10,322
Adjustments and deductions from Common Equity Tier 1 capital:		
Less: Goodwill, net of deferred tax liabilities		1,036
Intangible assets, net of deferred tax liabilities		36
Deferred tax assets		1
Net unrealized gains (losses) on available-for-sale securities		52
Accumulated gains (losses) on cash flow hedges		(8)
Amounts recorded in AOCI related to postretirement plans		(364)
Total Common Equity Tier 1 Capital		9,569
TIER 1 CAPITAL		
Additional Tier 1 Capital instruments and related surplus		281
Non-qualifying capital instruments subject to phase out		85
Tier 1 minority interest not included in common equity Tier 1 Capital		—
Additional Tier 1 Capital before deductions		366
Less: Tier 1 Capital deductions		1
Additional Tier 1 capital		365
Total Tier 1 capital		9,934
TIER 2 CAPITAL		
Tier 2 capital instruments and related surplus		713
Total capital minority interest not included in Tier 1 capital		—
Allowance for loan and lease losses for losses on lending-related commitments		861
Net unrealized gains on available-for-sale preferred stock classified as an equity security under GAAP		1
Tier 2 capital before deductions		1,575
Less: Tier 2 capital deductions		—
Total Tier 2 capital		1,575
Total capital	$	11,509

CAPITAL ADEQUACY

Capital Management and Planning

Key’s capital management framework is generally designed to ensure that Key maintains sufficient capital consistent with its risk profile and all applicable regulatory standards and guidelines. For further information on Key’s capital management and capital adequacy, see “Supervision and regulation" and “Capital” beginning on pages 91 and 117, respectively, of Key’s First Quarter 2015 Form 10-Q.

The Federal Reserve’s capital plan rule requires each U.S.-domiciled, top-tier BHC with total consolidated assets of at least $50 billion (like KeyCorp) to develop and maintain a written capital plan supported by a robust internal capital adequacy process. The capital plan must be submitted annually to the Federal Reserve for supervisory review in connection with its annual Comprehensive Capital Analysis and Review (“CCAR”). The supervisory review includes an assessment of many factors, including Key’s ability to maintain capital above each minimum regulatory capital ratio under expected and stressed conditions throughout the planning horizon. KeyCorp is also subject to the Federal Reserve capital plan rule and supervisory guidance regarding the declaration and payment of dividends and capital repurchases, including supervisory expectation in certain circumstances for prior notification to, and consultation with, Federal Reserve supervisory staff.

The following table presents Key’s risk-weighted assets, Common Equity Tier 1 ratio, Tier 1 risk-based capital ratio, Total risk-based capital ratio, and Tier 1 leverage ratio at March 31, 2015.

dollars in millions		**March 31, 2015**	
RISK-WEIGHTED ASSETS			
On-balance sheet			
Exposures to sovereign entities	$	20	
Exposures to depository institutions and foreign banks		78	
Exposures to government-sponsored enterprises		2,146	
Exposures to public sector entities		873	
Corporate exposures		40,386	
Residential mortgage exposures		8,717	
Other retail exposures		5,087	
High volatility commercial real estate		615	
Past due loans		464	
Other assets		6,154	
Securitization exposures		83	
Equity exposures		3,400	
Total on-balance sheet exposures		68,023	
Off-balance sheet and market risk			
Unused commitments with an original maturity of less than one year		1,096	
Unused commitments with an original maturity of more than one year		10,434	
Derivatives		640	
Letters of credit		7,926	
All other off balance sheet liabilities		1,109	
Market risk		739	
Total other exposures		21,944	
Total risk-weighted assets	$	89,967	
Total assets for the leverage ratio	$	91,073	
CAPITAL RATIOS			
Common Equity Tier 1		10.64	%
Tier 1 risk-based capital		11.04	
Total risk-based capital		12.79	
Tier 1 leverage		10.91	

The table below lists KeyBank's Common Equity Tier 1 ratio, Tier 1 risk-based capital ratio, Total risk-based capital ratio, and Tier 1 leverage ratio at March 31, 2015.

	March 31, 2015
Common Equity Tier 1	11.00 %
Tier 1 risk-based capital	11.00
Total risk-based capital	12.93
Tier 1 leverage	10.31

RISK MANAGEMENT

Overview

Like all financial services companies, Key engages in business activities and assumes the related risks. Key's risk management activities are focused on ensuring it properly identifies, measures, and manages such risks across the entire enterprise to maintain safety and soundness and maximize profitability.

The Board serves in an oversight capacity ensuring that Key's risks are managed in a manner that is effective and balanced and adds value for the shareholders. The Board understands Key's risk philosophy, approves the risk appetite, and is apprised of significant risks, both actual and emerging, and determines whether management is responding appropriately. The Board challenges management and ensures accountability.

The Chief Risk Officer ensures that relevant risk information is properly integrated into strategic and business decisions, ensures appropriate ownership of risks, provides input into performance and compensation decisions, assesses aggregate enterprise risk, monitors capabilities to manage critical risks, and executes appropriate Board and stakeholder reporting.

For further information on Key's risk management organization, policies, and processes, see "Risk Management" beginning on page 121 of Key's First Quarter 2015 Form 10-Q.

CREDIT RISK: GENERAL DISCLOSURES

Overview

Key manages credit risk exposure through a multifaceted program. The Credit Risk Committee approves both retail and commercial credit policies. These policies are communicated throughout the organization to foster a consistent approach to granting credit.

Key's credit risk management team is responsible for credit approval, is independent of its lines of business, and consists of senior officers who have extensive experience in structuring and approving loans. Only credit risk management members are authorized to grant significant exceptions to credit policies. It is not unusual to make exceptions to established policies when mitigating circumstances dictate, but most major lending units have been assigned specific thresholds to keep exceptions at an acceptable level based upon portfolio and economic considerations.

Loan grades are assigned at the time of origination, verified by the credit risk management team, and periodically reevaluated thereafter. Most extensions of credit are subject to loan grading or scoring. 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 within the context of the general economic outlook. Types of exposure, transaction structure, and collateral, including credit risk mitigants, affect the expected recovery assessment.

Key's 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 its products. Key periodically validates the loan grading and scoring processes.

For more information on Key's credit risk management policies, see the sections titled "Nonperforming Loans," "Impaired Loans," "Allowance for Loan and Lease Losses," and "Liability for Credit Losses on Lending-Related Commitments" in Note 1 ("Summary of Significant Accounting Policies") beginning on page 116 of Key's 2014 Form 10-K and "Credit Risk Management" beginning on page 130 of Key's First Quarter 2015 Form 10-Q.

Key's management evaluates credit exposures based on Key's two major loan categories: commercial loans and consumer loans. Within these two major categories of loans are various detailed loan categories. To provide a more consistent view of how Key views its credit exposure, Key feels that it is helpful to shareholders to present financial information based on this view of Key's credit exposure. The following table presents Key's total exposure by loan type, loans past due 90 days and greater on nonaccrual, loans past due 90 days and greater that are accruing, and total past due and nonperforming loans at March 31, 2015.

March 31, 2015 *in millions*	**Total Loans**	**90 and Greater Days Past Due Nonaccrual**	**90 and Greater Days Past Due Accrual**	**Total Past Due and Nonperforming Loans**
LOAN TYPE				
Commercial, financial and agricultural	$ 28,783	$ 98	$ 35	$ 180
Commercial real estate:				
Commercial mortgage	8,162	30	29	82
Construction	1,142	12	2	28
Total commercial real estate loans	9,304	42	31	110
Commercial lease financing	4,064	20	12	47
Total commercial loans	$ 42,151	$ 160	$ 78	$ 337
Real estate — residential mortgage	$ 2,231	$ 72	$ 2	$ 91
Home equity:				
Key Community Bank	10,270	182	13	257
Other	253	9	1	15
Total home equity loans	10,523	191	14	272
Consumer other — Key Community Bank	1,547	2	6	20
Credit cards	727	2	9	19
Consumer other:				
Marine	730	9	2	23
Other	44	1	—	2
Total consumer other	774	10	2	25
Total consumer loans	$ 15,802	$ 277	$ 33	$ 427
Total loans	$ 57,953	$ 437	$ 111	$ 764

The following table presents Key's nonperforming loans with no related allowance and nonperforming loans with a related allowance at March 31, 2015.

March 31, 2015 *in millions*	**Loans With No Related Allowance**	**Loans With Related Allowance**
LOAN TYPE		
Commercial, financial and agricultural	$ 20	$ 62
Commercial real estate:		
Commercial mortgage	14	6
Construction	7	—
Total commercial real estate loans	21	6
Commercial lease financing	—	—
Total commercial loans	$ 41	$ 68
Real estate — residential mortgage	$ 23	$ 32
Home equity:		
Key Community Bank	62	49
Other	1	11
Total home equity loans	63	60
Consumer other — Key Community Bank	—	3
Credit cards	—	4
Consumer other:		
Marine	1	41
Other	—	2
Total consumer other	1	43
Total consumer loans	$ 87	$ 142
Total loans	$ 128	$ 210

The changes in the allowance for loan and lease losses ("ALLL") by loan category for the period ended March 31, 2015, is as follows:

in millions	ALLL at December 31, 2014	Provision	Charge-offs	Recoveries	ALLL at March 31, 2015
LOAN TYPE					
Commercial, financial and agricultural	$ 391	**$ 21**	**$ 12**	**$ 5**	**$ 405**
Commercial real estate:					
Commercial mortgage	148	**—**	**2**	**2**	**148**
Construction	28	**1**	**1**	**—**	**28**
Total commercial real estate loans	176	**1**	**3**	**2**	**176**
Commercial lease financing	56	**(3)**	**2**	**4**	**55**
Total commercial loans	$ 623	**$ 19**	**$ 17**	**$ 11**	**$ 636**
Real estate — residential mortgage	$ 23	**—**	**$ 2**	**—**	**$ 21**
Home equity:					
Key Community Bank	66	**$ (3)**	**7**	**$ 2**	**58**
Other	5	**—**	**1**	**1**	**5**
Total home equity loans	71	**(3)**	**8**	**3**	**63**
Consumer other — Key Community Bank	22	**3**	**6**	**2**	**21**
Credit cards	33	**7**	**8**	**—**	**32**
Consumer other:					
Marine	21	**1**	**5**	**3**	**20**
Other	1	**1**	**1**	**—**	**1**
Total consumer other	22	**2**	**6**	**3**	**21**
Total consumer loans	$ 171	**$ 9**	**$ 30**	**$ 8**	**$ 158**
Total loans	$ 794	**$ 28**	**$ 47**	**$ 19**	**$ 794**

GENERAL DISCLOSURE FOR COUNTERPARTY CREDIT RISK-RELATED EXPOSURES

Overview

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on amounts owed on a derivative transaction. This risk is measured as the expected positive replacement value of the contracts. Key uses several means to mitigate and manage exposure to credit risk on derivative contracts.

Counterparty Credit Risk Exposures for Derivatives

Key monitors counterparty credit risk exposure on each contract to determine appropriate limits on its total credit exposure across all product types. Key also reviews its collateral positions on a daily basis and exchanges collateral with its broker-dealer and bank counterparties and central clearing organizations in accordance with standard International Swaps and Derivatives Association documentation, central clearing rules, and other related agreements. To address the risk of default associated with the uncollateralized contracts, Key has established a credit valuation adjustment that it estimates to be the potential future losses on amounts due from client counterparties in the event of default. Key generally holds collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or Ginnie Mae.

Counterparty Credit Risk Exposure for Securities Financing Agreements

Like other financing transactions, securities financing agreements contain an element of credit risk. Key establishes and monitors limits on its counterparty credit risk exposure by product type. Key generally enters into master netting agreements and other collateral arrangements that give Key the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. For the reverse repurchase agreements, Key monitors the value of the underlying securities it receives from counterparties and either requests additional collateral or returns a portion of the collateral based on the value of those securities. Key generally holds collateral in the form of highly rated securities issued by the U.S. Treasury and fixed income securities. In addition, Key may need to provide collateral to counterparties under our repurchase agreements. In general, the collateral Key pledges and receives is governed by the repurchase/reverse repurchase agreements in place with each counterparty as to whether the collateral can be sold or repledged by the secured parties.

Impact of Key Credit Rating Downgrade

For information on the impact of a credit rating downgrade on KeyBank or KeyCorp, see the section titled “Credit Risk Contingent Features” in Note 7 (“Derivatives and Hedging Activities”) beginning on page 57 of Key’s First Quarter 2015 Form 10-Q.

Derivative Counterparty Credit Risk Disclosures

For information regarding derivative counterparty credit risk exposures, including the impact of netting contracts and the offsetting of collateral held, see the section titled “Counterparty Credit Risk” in Note 7 (“Derivatives and Hedging Activities”) beginning on page 55 of Key’s First Quarter 2015 Form 10-Q.

Credit Derivative Notional Amounts

For information on the notional amounts of purchased and sold credit derivatives by product type, see Schedule HC-L, “Derivatives and Off-Balance Sheet Items” in Key’s FR Y-9C, “Consolidated Financial Statements for Holding Companies” for the period ended March 31, 2015.

CREDIT RISK MITIGATION

Overview

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

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

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

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

For more information on Key's credit derivatives and credit risk mitigation policies, see the sections titled "Counterparty Credit Risk" and "Credit Derivatives" in Note 7 ("Derivatives and Hedging Activities") beginning on pages 55 and 56, respectively, of Key's First Quarter 2015 Form 10-Q.

SECURITIZATION

As a normal course of business Key does not securitize any of its own assets, nor does it invest in any securitization that would be considered a securitization under the Basel III rules. Key's only exposure to securitizations for Basel III purposes are through investments contained within our corporate owned life insurance/bank owned life insurance portfolio, and through a small portfolio of securities that were acquired through previous acquisitions. Key's total risk-weighted asset impact from securitizations as of March 31, 2015, is displayed in the table below.

March 31, 2015 *in millions*	**On-Balance Sheet Amount**	**Risk-Weighted Asset Amount**
Securities [(a)]	—	$ 1
Other assets [(b)]	$ 82	82
Total	$ 82	$ 83

(a) The securities portfolio is only $45,000 with a risk-weighted asset amount of $563,000.

(b) Other assets include Key's corporate-owned life insurance/bank-owned life insurance portfolio.

EQUITIES NOT SUBJECT TO SUBPART F OF THIS PART (THE MARKET RISK RULE)

Overview

Key's equity investments that are not subject to the Market Risk Rule are entered into for strategic business reasons or regulatory purposes. For more information on the valuation and treatment of these equity securities see the section titled "Qualitative Disclosure of Valuation Techniques" in Note 5 ("Fair Value Measurements") and Note 6 ("Securities") beginning on pages 32 and 47, respectively, in Key's First Quarter 2015 Form 10-Q.

During the three months ended March 31, 2015, there were no realized gains or losses from sales or liquidations, no unrealized gains or losses recognized on the balance sheet, and no realized gains or losses recognized through earnings.

The following table presents the carrying and fair values and the associated exposure and risk-weight asset amounts of Key's equity investments that are not subject to the Market Risk Rule at March 31, 2015.

March 31, 2015 *in millions*	**Carrying Value**	**Fair Value**
Non-publicly traded	$ 2,638	$ 2,618
Publicly traded	20	23
Total	$ 2,658	$ 2,641

March 31, 2015 *in millions*	**Exposure Amount** [a]	**Risk-Weighted Asset Amount**
Risk-Weights		
0%	$ 222	—
20%	171	$ 34
50%	116	58
100%	1,719	1,719
150%	14	21
300%	21	63
400%	376	1,505
Total	$ 2,639	$ 3,400

(a) Exposure amount includes $818 million of separate and hybrid account Key corporate-owned life insurance/bank-owned life insurance assets.

INTEREST RATE RISK FOR NONTRADING ACTIVITIES

Overview

Most of Key's nontrading market risk is derived from interest rate fluctuations and its impacts on 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 economic value of equity ("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. Key manages the exposure to changes in net interest income and the EVE in accordance with its risk appetite and within Board approved policy limits.

Interest rate risk positions are influenced by a number of factors including the balance sheet positioning that arises out of consumer preferences for loan and deposit products, economic conditions, the competitive environment within Key's markets, changes in market interest rates that affect client activity, and Key's 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.

The management of nontrading market risk is centralized within Corporate Treasury. Oversight and governance is provided by the Risk Committee of Key's Board, the Enterprise Risk Management ("ERM") Committee, and the Asset/Liability Management Committee ("ALCO"). These committees review reports on the components of interest rate risk described above as well as sensitivity analyses of these exposures. 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 Asset Liability Management policy provides the framework for the oversight and management of interest rate risk and is administered by the ALCO. Internal and external emerging issues are monitored on a daily basis. The Market Risk Management Group, as the second line of defense, provides additional oversight.

For more information on Key's interest rate risk and nontrading market risk, see "Market risk management" beginning on page 122 of Key's First Quarter 2015 Form 10-Q.

Simulation analysis

The primary tool Key uses to measure its interest rate risk is simulation analysis. For purposes of this analysis, Key estimates its net interest income based on the current and projected composition of its 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, including a most likely macro-economic scenario. Simulation modeling assumes that residual risk exposures will be managed to within the risk appetite and Board approved policy limits.

Key measures the amount of net interest income at risk by simulating the change in net interest income that would occur if the federal funds target rate were to gradually increase or decrease over the next 12 months, and term rates were to move in a similar direction, although at a slower pace. Key's standard rate scenarios encompass a gradual increase or decrease of 200 basis points, but due to the low interest rate environment, it modified the standard to a gradual decrease of 25 basis points over two months with no change over the following ten months. After calculating the amount of net interest income at risk to interest rate changes, Key compares that amount with the base case of an unchanged interest rate environment. Key also performs regular stress tests and sensitivities on the model inputs that could materially change the resulting risk assessments. One set of stress tests and sensitivities assesses the effect of interest rate inputs on simulated exposures. Assessments are performed using different shapes of the yield curve, including steepening or flattening of the yield curve, changes in credit spreads, an immediate parallel change in market interest rates, and changes in the relationship of money market interest rates. Another set of stress tests and sensitivities assesses the effect of loan and deposit assumptions and assumed discretionary strategies on simulated exposures. Assessments are performed on changes to the following assumptions: the pricing of deposits without contractual maturities; changes in lending spreads; prepayments on loans and securities; other loan and deposit balance shifts; investment, funding and hedging activities; and liquidity and capital management strategies.

Simulation analysis produces only a sophisticated estimate of interest rate exposure based on judgments related to assumption inputs into the simulation model. Key tailors assumptions to the specific interest rate environment and yield curve shape being modeled, and validates those assumptions on a regular basis. Key's simulations are performed with the assumption that interest rate risk positions will be actively managed through the use of on- and off-balance sheet financial instruments to achieve the desired residual risk profile. However, actual results may differ from those derived in simulation analysis due to unanticipated changes to the balance sheet composition, customer behavior, product pricing, market interest rates, investment, funding and hedging activities, and repercussions from unanticipated or unknown events.

The following table presents the results of the simulation analysis at March 31, 2015. At March 31, 2015, Key's simulated exposure to changes in interest rates was moderately asset sensitive, and net interest income would benefit over time from either an increase in short-term or intermediate-term interest rates. Tolerance levels for risk management require the development of remediation plans to maintain residual risk within tolerance if simulation modeling demonstrates that a gradual increase or decrease in short-term interest rates over the next 12 months would adversely affect net interest income over the same period by more than 4%.

March 31, 2015		
Basis point change assumption (short-term rates)	-25	+200
Tolerance level	-4.00 %	-4.00 %
Interest rate risk assessment	-1.11 %	3.34 %

REFERENCES TO THE CORPORATION'S SEC FILINGS

Key's SEC filings include important information that may assist readers' understanding of the disclosures made in this report. Specific references to Key's SEC filings are listed below.

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