KEYCORP /NEW/
Form 10-Q
May 05, 2015
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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, 2015

Commission File Number 001-11302

Exact name of registrant as specified in its charter:

Ohio	**34-6542451**

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

(216) 689-3000

Registrant s telephone number, including area code:

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

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

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	848,305,592 Shares
Title of class	**Outstanding at April 30, 2015**

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PART II. OTHER INFORMATION

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets

in millions, except per share data	**March 31, 2015 (Unaudited)**	**December 31, 2014**	**March 31, 2014 (Unaudited)**
ASSETS			
Cash and due from banks	**$ 506**	$ 653	$ 409
Short-term investments	**3,378**	4,269	2,922
Trading account assets	**789**	750	840
Securities available for sale	**13,120**	13,360	12,359
Held-to-maturity securities (fair value: $5,003, $4,974, and $4,733)	**5,005**	5,015	4,826
Other investments	**730**	760	899
Loans, net of unearned income of $665, $682, and $776	**57,953**	57,381	55,445
Less: Allowance for loan and lease losses	**794**	794	834
Net loans	**57,159**	56,587	54,611
Loans held for sale	**1,649**	734	401
Premises and equipment	**806**	841	862
Operating lease assets	**306**	330	294
Goodwill	**1,057**	1,057	979
Other intangible assets	**92**	101	117
Corporate-owned life insurance	**3,488**	3,479	3,425
Derivative assets	**731**	609	427
Accrued income and other assets (including $1 of consolidated LIHTC guaranteed funds VIEs, see Note 9) [(a)]	**3,144**	2,952	3,004
Discontinued assets (including $187 of loans in portfolio at fair value)	**2,246**	2,324	4,427
Total assets	**$ 94,206**	$ 93,821	$ 90,802
LIABILITIES			
Deposits in domestic offices:			
NOW and money market deposit accounts	**$ 35,623**	$ 34,536	$ 34,373
Savings deposits	**2,413**	2,371	2,513
Certificates of deposit ($100,000 or more)	**1,982**	2,040	2,849
Other time deposits	**3,182**	3,259	3,682
Total interest-bearing deposits	**43,200**	42,206	43,417
Noninterest-bearing deposits	**27,948**	29,228	23,244
Deposits in foreign office interest-bearing	**474**	564	605
Total deposits	**71,622**	71,998	67,266

Federal funds purchased and securities sold under repurchase agreements	**517**	575	1,417
Bank notes and other short-term borrowings	**608**	423	464
Derivative liabilities	**825**	784	408
Accrued expense and other liabilities	**1,308**	1,621	1,297
Long-term debt	**8,713**	7,875	7,712
Discontinued liabilities		3	1,819
Total liabilities	**83,593**	83,279	80,383
EQUITY			
Preferred stock, $1 par value, authorized 25,000,000 shares:			
7.75% Noncumulative Perpetual Convertible Preferred Stock, Series A, $100 liquidation preference; authorized 7,475,000 shares; issued 2,900,234, 2,904,839, and 2,904,839 shares	**290**	291	291
Common shares, $1 par value; authorized 1,400,000,000 shares; issued 1,016,969,905, 1,016,969,905, and 1,016,969,905 shares	**1,017**	1,017	1,017
Capital surplus	**3,910**	3,986	3,961
Retained earnings	**8,445**	8,273	7,793
Treasury stock, at cost (166,049,974, 157,566,493, and 132,100,665 shares)	**(2,780)**	(2,681)	(2,335)
Accumulated other comprehensive income (loss)	**(279)**	(356)	(324)
Key shareholders equity	**10,603**	10,530	10,403
Noncontrolling interests	**10**	12	16
Total equity	**10,613**	10,542	10,419
Total liabilities and equity	**$ 94,206**	$ 93,821	$ 90,802

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

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Income (Unaudited)

dollars in millions, except per share amounts	Three months ended March 31, 2015	2014
INTEREST INCOME		
Loans	**$ 523**	$ 519
Loans held for sale	**7**	4
Securities available for sale	**70**	72
Held-to-maturity securities	**24**	22
Trading account assets	**5**	6
Short-term investments	**2**	1
Other investments	**5**	6
Total interest income	**636**	630
INTEREST EXPENSE		
Deposits	**26**	32
Federal funds purchased and securities sold under repurchase agreements		1
Bank notes and other short-term borrowings	**2**	2
Long-term debt	**37**	32
Total interest expense	**65**	67
NET INTEREST INCOME	**571**	563
Provision for credit losses	**35**	4
Net interest income after provision for credit losses	**536**	559
NONINTEREST INCOME		
Trust and investment services income	**109**	98
Investment banking and debt placement fees	**68**	84
Service charges on deposit accounts	**61**	63
Operating lease income and other leasing gains	**19**	29
Corporate services income	**43**	42
Cards and payments income	**42**	38
Corporate-owned life insurance income	**31**	26
Consumer mortgage income	**3**	2
Mortgage servicing fees	**13**	15
Net gains (losses) from principal investing	**29**	24
Other income [(a)]	**19**	14
Total noninterest income	**437**	435
NONINTEREST EXPENSE		
Personnel	**389**	388
Net occupancy	**65**	64
Computer processing	**38**	38
Business services and professional fees	**33**	41
Equipment	**22**	24

Operating lease expense		**11**		10
Marketing		**8**		5
FDIC assessment		**8**		6
Intangible asset amortization		**9**		10
OREO expense, net		**2**		1
Other expense		**84**		77
Total noninterest expense		**669**		664
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES		**304**		330
Income taxes		**74**		92
INCOME (LOSS) FROM CONTINUING OPERATIONS		**230**		238
Income (loss) from discontinued operations, net of taxes of $3 and $2 (see Note 11)		**5**		4
NET INCOME (LOSS)		**235**		242
Less: Net income (loss) attributable to noncontrolling interests		**2**		
NET INCOME (LOSS) ATTRIBUTABLE TO KEY	**$**	**233**	$	242
Income (loss) from continuing operations attributable to Key common shareholders	**$**	**222**	$	232
Net income (loss) attributable to Key common shareholders		**227**		236
Per common share:				
Income (loss) from continuing operations attributable to Key common shareholders	**$**	**.26**	$	.26
Income (loss) from discontinued operations, net of taxes		**.01**		
Net income (loss) attributable to Key common shareholders [(b)]		**.27**		.27
Per common share assuming dilution:				
Income (loss) from continuing operations attributable to Key common shareholders	**$**	**.26**	$	.26
Income (loss) from discontinued operations, net of taxes		**.01**		
Net income (loss) attributable to Key common shareholders [(b)]		**.26**		.26
Cash dividends declared per common share	**$**	**.065**	$	.055
Weighted-average common shares outstanding (000)		**848,580**		884,727
Effect of convertible preferred stock				
Effect of common share options and other stock awards		**8,542**		7,163
Weighted-average common shares and potential common shares outstanding (000) [(c)]		**857,122**		891,890

(a) For each of the three months ended March 31, 2015, and March 31, 2014, net securities gains (losses) totaled less than $1 million. For the three months ended March 31, 2015, impairment losses related to securities totaled less than $1 million. For the three months ended March 31, 2014, we did not have any impairment losses related to securities.

(b) EPS may not foot due to rounding.

(c)

Assumes conversion of common share options and other stock awards and/or convertible preferred stock, as applicable.

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Comprehensive Income (Unaudited)

	Three months ended March 31,	
in millions	**2015**	**2014**
Net income (loss)	**$ 235**	$ 242
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities available for sale, net of income taxes of $33 and $17	**55**	29
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of $19 and ($1)	**32**	(1)
Foreign currency translation adjustments, net of income taxes of ($8) and ($4)	**(13)**	(2)
Net pension and postretirement benefit costs, net of income taxes of $1 and $2	**3**	2
Total other comprehensive income (loss), net of tax	**77**	28
Comprehensive income (loss)	**312**	270
Less: Comprehensive income attributable to noncontrolling interests	**2**	
Comprehensive income (loss) attributable to Key	**$ 310**	$ 270

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Changes in Equity (Unaudited)

	Key Shareholders Equity								
dollars in millions, except per share amounts	**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)**	**Noncontrolling Interests**
BALANCE AT DECEMBER 31, 2013	2,905	890,724	$ 291	$ 1,017	$ 4,022	$ 7,606	$ (2,281)	$ (352)	$ 17
Net income (loss)						242			
Other comprehensive income (loss):									
Net unrealized gains (losses) on securities available for sale, net of income taxes of $17								29	
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of ($1)								(1)	
Foreign currency translation adjustments, net of income taxes of ($4)								(2)	
Net pension and postretirement benefit costs, net of income taxes of $2								2	
Deferred compensation					(4)				
Cash dividends declared on common shares ($.055 per share)						(49)			
Cash dividends declared on Noncumulative Series A									
Preferred Stock ($1.9375 per share)						(6)			
Common shares repurchased		(9,845)					(130)		
Common shares reissued (returned) for stock options and other employee benefit plans		3,990			(57)		76		
									(1)

Net contribution from (distribution to) noncontrolling interests									
BALANCE AT MARCH 31, 2014	2,905	884,869	$ 291	$ 1,017	$ 3,961	$ 7,793	$ (2,335)	$ (324)	$ 16
BALANCE AT DECEMBER 31, 2014	2,905	859,403	$ 291	$ 1,017	$ 3,986	$ 8,273	$ (2,681)	$ (356)	$ 12
Net income (loss)						**233**			**2**
Other comprehensive income (loss):									
Net unrealized gains (losses) on securities available for sale, net of income taxes of $33								**55**	
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of $19								**32**	
Foreign currency translation adjustments, net of income taxes of ($8)								**(13)**	
Net pension and postretirement benefit costs, net of income taxes of $1								**3**	
Deferred compensation					**5**				
Cash dividends declared on common shares ($.065 per share)						**(55)**			
Cash dividends declared on Noncumulative Series A									
Preferred Stock ($1.9375 per share)						**(6)**			
Common shares repurchased		**(14,087)**					**(197)**		
Common shares exchanged for Series A Preferred Stock	**(5)**	**33**	**(1)**				**1**		
Common shares reissued (returned) for stock options and other employee benefit plans		**5,571**			**(81)**		**97**		
Net contribution from (distribution to) noncontrolling interests									**(4)**
	2,900	**850,920**	**$ 290**	**$ 1,017**	**$ 3,910**	**$ 8,445**	**$ (2,780)**	**$ (279)**	**$ 10**

BALANCE AT MARCH 31, 2015

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Cash Flows (Unaudited)

in millions	Three months ended March 31, 2015	2014
OPERATING ACTIVITIES		
Net income (loss)	**$ 235**	$ 242
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for credit losses	**35**	4
Provision (credit) for losses on LIHTC guaranteed funds		(6)
Depreciation, amortization and accretion expense, net	**50**	52
Increase in cash surrender value of corporate-owned life insurance	**(25)**	(24)
Stock-based compensation expense	**13**	11
Deferred income taxes (benefit)	**50**	40
Proceeds from sales of loans held for sale	**1,225**	611
Originations of loans held for sale, net of repayments	**(2,109)**	(383)
Net losses (gains) on sales of loans held for sale	**(20)**	(15)
Net losses (gains) from principal investing	**(29)**	(24)
Net losses (gains) on leased equipment	**(3)**	(14)
Net decrease (increase) in trading account assets	**(39)**	(102)
Other operating activities, net	**(485)**	(236)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(1,102)**	156
INVESTING ACTIVITIES		
Net decrease (increase) in short-term investments, excluding acquisitions	**891**	2,668
Purchases of securities available for sale	**(403)**	(618)
Proceeds from prepayments and maturities of securities available for sale	**724**	650
Proceeds from prepayments and maturities of held-to-maturity securities	**266**	180
Purchases of held-to-maturity securities	**(257)**	(250)
Purchases of other investments	**(13)**	(17)
Proceeds from sales of other investments	**32**	122
Proceeds from prepayments and maturities of other investments	**4**	2
Net decrease (increase) in loans, excluding acquisitions, sales and transfers	**(727)**	(1,029)
Proceeds from sales of portfolio loans	**47**	21
Proceeds from corporate-owned life insurance	**15**	6
Purchases of premises, equipment, and software	**(3)**	(11)
Proceeds from sales of premises and equipment		1
Proceeds from sales of other real estate owned	**6**	5
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**582**	1,730
FINANCING ACTIVITIES		
Net increase (decrease) in deposits, excluding acquisitions	**(376)**	(1,996)
Net increase (decrease) in short-term borrowings	**127**	4
Net proceeds from issuance of long-term debt	**1,000**	78
Payments on long-term debt	**(129)**	(10)
Repurchase of common shares	**(197)**	(130)

Net proceeds from reissuance of common shares		**9**		15
Cash dividends paid		**(61)**		(55)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**373**		(2,094)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS		**(147)**		(208)
CASH AND DUE FROM BANKS AT BEGINNING OF PERIOD		**653**		617
CASH AND DUE FROM BANKS AT END OF PERIOD	**$**	**506**	$	409
Additional disclosures relative to cash flows:				
Interest paid	**$**	**89**	$	103
Income taxes paid (refunded)		**19**		10
Noncash items:				
Reduction of secured borrowing and related collateral	**$**	**72**	$	6
Loans transferred to portfolio from held for sale				2
Loans transferred to held for sale from portfolio		**10**		5
Loans transferred to other real estate owned		**7**		3

See Notes to Consolidated Financial Statements (Unaudited).

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Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

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

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

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

AICPA: American Institute of Certified Public Accountants.
ALCO: Asset/Liability Management Committee.
ALLL: Allowance for loan and lease losses.
A/LM: Asset/liability management.
AOCI: Accumulated other comprehensive income (loss).
APBO: Accumulated postretirement benefit obligation.
Austin: Austin Capital Management, Ltd.
BHCs: Bank holding companies.
CCAR: Comprehensive Capital Analysis and Review.
CMBS: Commercial mortgage-backed securities.
CMO: Collateralized mortgage obligation.
Common shares: KeyCorp common shares, $1 par value.
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
EPS: Earnings per share.
ERM: Enterprise risk management.
EVE: Economic value of equity.
FASB: Financial Accounting Standards Board.
FDIC: Federal Deposit Insurance Corporation.
Federal Reserve: Board of Governors of the Federal Reserve System.
FHLMC: Federal Home Loan Mortgage Corporation.
FSOC: Financial Stability Oversight Council.
GAAP: U.S. generally accepted accounting principles.
GNMA: Government National Mortgage Association.
Moody s: Moody s Investor Services, Inc.
MSRs: Mortgage servicing rights.
N/A: Not applicable.
NASDAQ: The NASDAQ Stock Market LLC.
N/M: Not meaningful.
NOW: Negotiable Order of Withdrawal.
NYSE: New York Stock Exchange.
OCC: Office of the Comptroller of the Currency.
OCI: Other comprehensive income (loss).
OREO: Other real estate owned.
OTTI: Other-than-temporary impairment.
QSPE: Qualifying special purpose entity.
PBO: Projected benefit obligation.
PCI: Purchased credit impaired.
S&P: Standard and Poor s Ratings Services, a Division of The McGraw-Hill Companies, Inc.
SEC: U.S. Securities & Exchange Commission.
Series A Preferred Stock: KeyCorp s 7.750% Noncumulative Perpetual Convertible Preferred Stock, Series A.
SIFIs: Systemically important financial institutions, including BHCs with total consolidated assets of at least $50 billion and nonbank financial companies designated by FSOC for supervision by the Federal Reserve.
TDR: Troubled debt restructuring.
TE: Taxable-equivalent.

ISDA: International Swaps and Derivatives Association.
KAHC: Key Affordable Housing Corporation.
KEF: Key Equipment Finance.
KREEC: Key Real Estate Equity Capital, Inc.
LIBOR: London Interbank Offered Rate.
LIHTC: Low-income housing tax credit.
U.S. Treasury: United States Department of the Treasury.
VaR: Value at risk.
VEBA: Voluntary Employee Beneficiary Association.
Victory: Victory Capital Management and/or Victory Capital Advisors.
VIE: Variable interest entity.

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

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

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

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

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

Offsetting Derivative Positions

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

Accounting Guidance Adopted in 2015

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

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

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

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

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

Accounting Guidance Pending Adoption at March 31, 2015

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

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

Consolidation. In February 2015, the FASB issued new accounting guidance that changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The new guidance amends the current accounting guidance to address limited partnerships and similar legal entities, certain investment funds, fees paid to a decision maker or service provider, and the impact of fee arrangements and related parties on the primary beneficiary determination. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and should be implemented using a modified retrospective basis. Retrospective application to all relevant prior periods and early adoption is permitted. We are currently evaluating the impact that this accounting guidance may have on our financial condition or results of operations.

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

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

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Consolidation. In August 2014, the FASB issued new accounting guidance that clarifies how to measure the financial assets and the financial liabilities of a consolidated collateralized financing entity. This accounting guidance will be effective for interim and annual reporting periods beginning after December 15, 2015 (effective January 1, 2016, for us) and can be implemented using either a retrospective method or a cumulative-effect approach. Early adoption is permitted. The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.

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

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

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2. Earnings Per Common Share

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

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

	Three months ended March 31,	
dollars in millions, except per share amounts	**2015**	**2014**
EARNINGS		
Income (loss) from continuing operations	**$ 230**	$ 238
Less: Net income (loss) attributable to noncontrolling interests	**2**	
Income (loss) from continuing operations attributable to Key	**228**	238
Less: Dividends on Series A Preferred Stock	**6**	6
Income (loss) from continuing operations attributable to Key common shareholders	**222**	232
Income (loss) from discontinued operations, net of taxes (a)	**5**	4
Net income (loss) attributable to Key common shareholders	**$ 227**	$ 236
WEIGHTED-AVERAGE COMMON SHARES		
Weighted-average common shares outstanding (000)	**848,580**	884,727
Effect of convertible preferred stock		
Effect of common share options and other stock awards	**8,542**	7,163
Weighted-average common shares and potential common shares outstanding (000) (b)	**857,122**	891,890
EARNINGS PER COMMON SHARE		
Income (loss) from continuing operations attributable to Key common shareholders	**$ .26**	$ .26
	.01	

Income (loss) from discontinued operations, net of taxes (a)				
Net income (loss) attributable to Key common shareholders (c)		**.27**		.27
Income (loss) from continuing operations attributable to Key common shareholders assuming dilution	**$**	**.26**	$	.26
Income (loss) from discontinued operations, net of taxes (a)		**.01**		
Net income (loss) attributable to Key common shareholders assuming dilution (c)		**.26**		.26

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

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

(c) EPS may not foot due to rounding.

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3. Loans and Loans Held for Sale

Our loans by category are summarized as follows:

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Commercial, financial and agricultural [(a)]	**$ 28,783**	$ 27,982	$ 26,224
Commercial real estate:			
Commercial mortgage	**8,162**	8,047	7,877
Construction	**1,142**	1,100	1,007
Total commercial real estate loans	**9,304**	9,147	8,884
Commercial lease financing [(b)]	**4,064**	4,252	4,396
Total commercial loans	**42,151**	41,381	39,504
Residential prime loans:			
Real estate residential mortgage	**2,231**	2,225	2,183
Home equity:			
Key Community Bank	**10,270**	10,366	10,281
Other	**253**	267	315
Total home equity loans	**10,523**	10,633	10,596
Total residential prime loans	**12,754**	12,858	12,779
Consumer other Key Community Bank	**1,547**	1,560	1,436
Credit cards	**727**	754	698
Consumer other:			
Marine	**730**	779	965
Other	**44**	49	63
Total consumer other	**774**	828	1,028
Total consumer loans	**15,802**	16,000	15,941
Total loans [(c)] [(d)]	**$ 57,953**	$ 57,381	$ 55,445

(a) Loan balances include $87 million, $88 million, and $95 million of commercial credit card balances at March 31, 2015, December 31, 2014, and March 31, 2014, respectively.

(b) Commercial lease financing includes receivables held as collateral for a secured borrowing of $230 million, $302 million, and $124 million at March 31, 2015, December 31, 2014, and March 31, 2014, respectively. Principal reductions are based on the cash payments received from these related receivables. Additional information pertaining to this secured borrowing is included in Note 18 (Long-Term Debt) beginning on page 202 of our 2014 Form 10-K.

(c)

At March 31, 2015, total loans include purchased loans of $130 million, of which $12 million were PCI loans. At December 31, 2014, total loans include purchased loans of $138 million, of which $13 million were PCI loans. At March 31, 2014, total loans include purchased loans of $159 million, of which $16 million were PCI loans.

(d) Total loans exclude loans of $2.2 billion at March 31, 2015, $2.3 billion at December 31, 2014, and $4.4 billion at March 31, 2014, related to the discontinued operations of the education lending business.

Our loans held for sale are summarized as follows:

in millions	**March 31, 2015**	December 31, 2014	March 31, 2014
Commercial, financial and agricultural	**$ 183**	$ 63	$ 44
Real estate commercial mortgage	**1,408**	638	333
Commercial lease financing	**14**	15	8
Real estate residential mortgage	**44**	18	16
Total loans held for sale	**$ 1,649**	$ 734	$ 401

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

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Balance at beginning of the period	**$ 734**	$ 784	$ 611
New originations	**2,130**	2,465	645
Transfers from (to) held to maturity, net	**10**	2	3
Loan sales	**(1,204)**	(2,516)	(596)
Loan draws (payments), net	**(21)**	(1)	(262)
Balance at end of period	**$ 1,649**	$ 734	$ 401

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4. Asset Quality

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

Our nonperforming assets and past due loans were as follows:

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Total nonperforming loans [(a), (b)]	**$ 437**	$ 418	$ 449
Nonperforming loans held for sale			1
OREO [(c)]	**20**	18	12
Other nonperforming assets			7
Total nonperforming assets	**$ 457**	$ 436	$ 469
Nonperforming assets from discontinued operations education lending [(d)]	**$ 8**	$ 11	$ 20
Restructured loans included in nonperforming loans	**$ 141**	$ 157	$ 178
Restructured loans with an allocated specific allowance [(e)]	**70**	82	51
Specifically allocated allowance for restructured loans [(f)]	**39**	34	32
Accruing loans past due 90 days or more	**$ 111**	$ 96	$ 89
Accruing loans past due 30 through 89 days	**216**	235	267

(a) Loan balances exclude $12 million, $13 million, and $16 million of PCI loans at March 31, 2015, December 31, 2014, and March 31, 2014, respectively.
(b) Includes carrying value of consumer residential mortgage loans in the process of foreclosure of approximately $119 million at March 31, 2015.
(c) Includes carrying value of foreclosed residential real estate of approximately $17 million at March 31, 2015.
(d) Restructured loans of approximately $18 million, $17 million, and $15 million are included in discontinued operations at March 31, 2015, December 31, 2014, and March 31, 2014, respectively. See Note 11 (Acquisitions and Discontinued Operations) for further discussion.
(e) Included in individually impaired loans allocated a specific allowance.
(f) Included in allowance for individually evaluated impaired loans.

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

At March 31, 2015, the outstanding unpaid principal balance and carrying value of all PCI loans was $19 million and $12 million, respectively. Changes in the accretable yield during the first quarter of 2015 included accretion and net reclassifications of less than $1 million, resulting in an ending balance of $5 million at March 31, 2015.

At March 31, 2015, the approximate carrying amount of our commercial nonperforming loans outstanding represented 79% of their original contractual amount, total nonperforming loans outstanding represented 81% of their original contractual amount owed, and nonperforming assets in total were carried at 81% of their original contractual amount.

At March 31, 2015, our 20 largest nonperforming loans totaled $123 million, representing 28% of total loans on nonperforming status. At March 31, 2014, our 20 largest nonperforming loans totaled $75 million, representing 17% of total loans on nonperforming status.

Nonperforming loans and loans held for sale reduced expected interest income by $4 million for the three months ended March 31, 2015, and $16 million for the year ended December 31, 2014.

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

March 31, 2015 *in millions*	**Recorded Investment** [a]	**Unpaid Principal Balance** [b]	**Specific Allowance**	**Average Recorded Investment**
With no related allowance recorded:				
Commercial, financial and agricultural	$ 20	$ 51		$ 13
Commercial real estate:				
Commercial mortgage	14	19		14
Construction	7	7		6
Total commercial real estate loans	21	26		20
Total commercial loans	41	77		33
Real estate residential mortgage	23	23		23
Home equity:				
Key Community Bank	62	62		62
Other	1	2		1
Total home equity loans	63	64		63
Consumer other:				
Marine	1	1		2
Total consumer other	1	1		2
Total consumer loans	87	88		88
Total loans with no related allowance recorded	128	165		121
With an allowance recorded:				
Commercial, financial and agricultural	62	62	$ 20	50
Commercial real estate:				
Commercial mortgage	6	7	2	6
Construction				1
Total commercial real estate loans	6	7	2	7
Total commercial loans	68	69	22	57
Real estate residential mortgage	32	32	5	32
Home equity:				
Key Community Bank	49	49	16	48
Other	11	11	2	11

Total home equity loans	60	60	18	59
Consumer other Key Community Bank	3	3		3
Credit cards	4	4		4
Consumer other:				
Marine	41	41	4	42
Other	2	2		2
Total consumer other	43	43	4	44
Total consumer loans	142	142	27	142
Total loans with an allowance recorded	210	211	49	199
Total	$ 338	$ 376	$ 49	$ 320

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

(b) The Unpaid Principal Balance represents the customer s legal obligation to us.

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

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

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

(b) The Unpaid Principal Balance represents the customer s legal obligation to us.

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March 31, 2014 *in millions*	**Recorded Investment** [a]	**Unpaid Principal Balance** [b]	**Specific Allowance**	**Average Recorded Investment**
With no related allowance recorded:				
Commercial, financial and agricultural	$ 33	$ 60		$ 33
Commercial real estate:				
Commercial mortgage	23	28		22
Construction	7	17		27
Total commercial real estate loans	30	45		49
Total commercial loans	63	105		82
Real estate residential mortgage	26	26		26
Home equity:				
Key Community Bank	70	70		69
Other	2	2		2
Total home equity loans	72	72		71
Consumer other:				
Marine	2	2		3
Total consumer other	2	2		3
Total consumer loans	100	100		100
Total loans with no related allowance recorded	163	205		182
With an allowance recorded:				
Commercial, financial and agricultural	7	10	$ 2	12
Commercial real estate:				
Commercial mortgage	2	2	1	4
Construction				1
Total commercial real estate loans	2	2	1	5
Total commercial loans	9	12	3	17
Real estate residential mortgage	28	28	5	28
Home equity:				
Key Community Bank	36	36	16	36
Other	11	11	2	11
Total home equity loans	47	47	18	47
Consumer other Key Community Bank	3	3		3
Credit cards	4	4	1	4
Consumer other:				
Marine	49	49	7	49

Other	1	1		1
Total consumer other	50	50	7	50
Total consumer loans	132	132	31	132
Total loans with an allowance recorded	141	144	34	149
Total	$ 304	$ 349	$ 34	$ 331

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

(b) The Unpaid Principal Balance represents the customer s legal obligation to us.

For the three months ended March 31, 2015, and March 31, 2014, interest income recognized on the outstanding balances of accruing impaired loans totaled $1 million and $2 million, respectively.

At March 31, 2015, aggregate restructured loans (accrual and nonaccrual loans) totaled $268 million, compared to $270 million at December 31, 2014, and $294 million at March 31, 2014. We added $11 million in restructured loans during the first three months of 2015, which were offset by $13 million in payments and charge-offs.

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A further breakdown of TDRs included in nonperforming loans by loan category as of March 31, 2015, follows:

March 31, 2015 *dollars in millions*	**Number of loans**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
LOAN TYPE			
Nonperforming:			
Commercial, financial and agricultural	11	$ 25	$ 22
Commercial real estate:			
Real estate commercial mortgage	12	37	13
Total commercial real estate loans	12	37	13
Total commercial loans	23	62	35
Real estate residential mortgage	383	22	22
Home equity:			
Key Community Bank	1,071	76	70
Other	128	4	3
Total home equity loans	1,199	80	73
Consumer other Key Community Bank	28	1	1
Credit cards	275	2	1
Consumer other:			
Marine	117	8	8
Other	26	1	1
Total consumer other	143	9	9
Total consumer loans	2,028	114	106
Total nonperforming TDRs	2,051	176	141
Prior-year accruing [(a)]			
Commercial, financial and agricultural	17	6	3
Commercial real estate:			
Real estate commercial mortgage	1	2	1
Total commercial real estate loans	1	2	1
Total commercial loans	18	8	4
Real estate residential mortgage	454	34	34
Home equity:			
Key Community Bank	803	47	41
Other	339	10	8
Total home equity loans	1,142	57	49

Consumer other Key Community Bank	51		2		2
Credit cards	519		4		2
Consumer other:					
Marine	429		60		35
Other	76		2		1
Total consumer other	505		62		36
Total consumer loans	2,671		159		123
Total prior-year accruing TDRs	2,689		167		127
Total TDRs	4,740	$	343	$	268

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

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

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

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

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

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

March 31, 2014 *dollars in millions*	**Number of loans**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
LOAN TYPE			
Nonperforming:			
Commercial, financial and agricultural	28	$ 58	$ 33
Commercial real estate:			
Real estate commercial mortgage	11	40	14
Real estate construction	5	16	2
Total commercial real estate loans	16	56	16
Total commercial loans	44	114	49
Real estate residential mortgage	687	42	42
Home equity:			
Key Community Bank	1,190	73	69
Other	132	4	4
Total home equity loans	1,322	77	73
Consumer other Key Community Bank	33	1	1
Credit cards	10		
Consumer other:			
Marine	210	14	12
Other	41	1	1
Total consumer other	251	15	13
Total consumer loans	2,303	135	129
Total nonperforming TDRs	2,347	249	178
Prior-year accruing [(a)]			
Commercial, financial and agricultural	42	7	4
Commercial real estate:			
Real estate commercial mortgage	4	18	8
Total commercial real estate loans	4	18	8
Total commercial loans	46	25	12
Real estate residential mortgage	111	12	12
Home equity:			
Key Community Bank	708	40	37
Other	312	9	8

Total home equity loans	1,020		49		45
Consumer other Key Community Bank	51		2		2
Credit cards	785		5		5
Consumer other:					
Marine	430		62		39
Other	68		2		1
Total consumer other	498		64		40
Total consumer loans	2,465		132		104
Total prior-year accruing TDRs	2,511		157		116
Total TDRs	4,858	$	406	$	294

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

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

Commercial loan TDRs are considered defaulted when principal and interest payments are 90 days past due. Consumer loan TDRs are considered defaulted when principal and interest payments are more than 60 days past due. During the first three months of 2015, there were no significant commercial loan TDRs, and 89 consumer loan TDRs with a combined recorded investment of $4 million that experienced payment defaults from modifications resulting in TDR status during 2014. During the first three months of 2014, two commercial loan TDRs with a combined recorded investment of $11 million, and 157 consumer loan TDRs with a combined recorded investment of $4 million experienced payment defaults from modifications resulting in TDR status during 2013. As TDRs are individually evaluated for impairment under the specific reserve methodology, subsequent defaults do not generally have a significant additional impact on the ALLL.

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

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

in millions	**March 31, 2015**	December 31, 2014	March 31, 2014
Commercial loans:			
Interest rate reduction	**$ 12**	$ 13	$ 49
Forgiveness of principal	**2**	2	5
Other	**25**	25	7
Total	**$ 39**	$ 40	$ 61
Consumer loans:			
Interest rate reduction	**$ 140**	$ 140	$ 142
Forgiveness of principal	**4**	4	5
Other	**85**	86	86
Total	**$ 229**	$ 230	$ 233
Total commercial and consumer TDRs [a]	**$ 268**	$ 270	$ 294
Total loans	**57,953**	57,381	55,445

(a) Commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs are $5 million, $5 million, and $2 million at March 31, 2015, December 31, 2014, and March 31, 2014, respectively.

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

At March 31, 2015, approximately $57.2 billion, or 98.7%, of our total loans were current. At March 31, 2015, total past due loans and nonperforming loans of $764 million represented approximately 1.3% of total loans.

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

March 31, 2015 *in millions*	**Current**	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 and Greater Days Past Due**	**Nonperforming Loans**	**Total Past Due and Nonperforming Loans**	**Purchased Credit Impaired**	**Total Loans**
LOAN TYPE								
Commercial, financial and agricultural	$ 28,603	$ 36	$ 11	$ 35	$ 98	$ 180		$ 28,783
Commercial real estate:								
Commercial mortgage	8,080	5	18	29	30	82		8,162
Construction	1,114	10	4	2	12	28		1,142
Total commercial real estate loans	9,194	15	22	31	42	110		9,304
Commercial lease financing	4,017	9	6	12	20	47		4,064
Total commercial loans	$ 41,814	$ 60	$ 39	$ 78	$ 160	$ 337		$ 42,151
Real estate residential mortgage	$ 2,129	$ 12	$ 5	$ 2	$ 72	$ 91	$ 11	$ 2,231
Home equity:								
Key Community Bank	10,012	39	23	13	182	257	1	10,270
Other	238	4	1	1	9	15		253
Total home equity loans	10,250	43	24	14	191	272	1	10,523
Consumer other Key Community Bank	1,527	8	4	6	2	20		1,547
Credit cards	708	5	3	9	2	19		727
Consumer other:								
Marine	707	8	4	2	9	23		730
Other	42	1			1	2		44
Total consumer other	749	9	4	2	10	25		774
Total consumer loans	$ 15,363	$ 77	$ 40	$ 33	$ 277	$ 427	$ 12	$ 15,802
Total loans	$ 57,177	$ 137	$ 79	$ 111	$ 437	$ 764	$ 12	$ 57,953

December 31, 2014		**30-59 Days Past**	**60-89 Days Past**	**90 and Greater Days Past**	**Nonperforming**	**Total Past Due and Nonperforming**	**Purchased Credit**	**Total**

in millions	**Current**	**Due**	**Due**	**Due**	**Loans**	**Loans**	**Impaired**	**Loans**
LOAN TYPE								
Commercial, financial and agricultural	$ 27,858	$ 19	$ 14	$ 32	$ 59	$ 124		$ 27,982
Commercial real estate:								
Commercial mortgage	7,981	6	10	16	34	66		8,047
Construction	1,084	2		1	13	16		1,100
Total commercial real estate loans	9,065	8	10	17	47	82		9,147
Commercial lease financing	4,172	30	21	11	18	80		4,252
Total commercial loans	$ 41,095	$ 57	$ 45	$ 60	$ 124	$ 286		$ 41,381
Real estate residential mortgage	$ 2,111	$ 12	$ 7	$ 4	$ 79	$ 102	$ 12	$ 2,225
Home equity:								
Key Community Bank	10,098	46	22	14	185	267	1	10,366
Other	249	5	2	1	10	18		267
Total home equity loans	10,347	51	24	15	195	285	1	10,633
Consumer other Key Community Bank	1,541	9	3	5	2	19		1,560
Credit cards	733	6	4	9	2	21		754
Consumer other:								
Marine	746	11	5	2	15	33		779
Other	46	1		1	1	3		49
Total consumer other	792	12	5	3	16	36		828
Total consumer loans	$ 15,524	$ 90	$ 43	$ 36	$ 294	$ 463	$ 13	$ 16,000
Total loans	$ 56,619	$ 147	$ 88	$ 96	$ 418	$ 749	$ 13	$ 57,381

March 31, 2014 *in millions*	Current	30-59 Days Past Due	60-89 Days Past Due	90 and Greater Days Past Due	Nonperforming Loans	Total Past Due and Nonperforming Loans	Purchased Credit Impaired	Total Loans
LOAN TYPE								
Commercial, financial and agricultural	$ 26,071	$ 67	$ 8	$ 18	$ 60	$ 153		$ 26,224
Commercial real estate:								
Commercial mortgage	7,806	9	7	17	37	70	$ 1	7,877
Construction	987	3	5	1	11	20		1,007
Total commercial real estate loans	8,793	12	12	18	48	90	1	8,884
Commercial lease financing	4,338	15	12	13	18	58		4,396
Total commercial loans	$ 39,202	$ 94	$ 32	$ 49	$ 126	$ 301	$ 1	$ 39,504
Real estate residential mortgage	$ 2,043	$ 13	$ 6	$ 3	$ 105	$ 127	$ 13	$ 2,183
Home equity:								
Key Community Bank	10,010	45	25	11	188	269	2	10,281
Other	296	5	2	1	11	19		315
Total home equity loans	10,306	50	27	12	199	288	2	10,596
Consumer other Key Community Bank	1,415	8	5	6	2	21		1,436
Credit cards	671	7	4	15	1	27		698
Consumer other:								
Marine	928	12	6	4	15	37		965
Other	59	2	1		1	4		63
Total consumer other	987	14	7	4	16	41		1,028
Total consumer loans	$ 15,422	$ 92	$ 49	$ 40	$ 323	$ 504	$ 15	$ 15,941
Total loans	$ 54,624	$ 186	$ 81	$ 89	$ 449	$ 805	$ 16	$ 55,445

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

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

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

Credit quality indicators for our commercial and consumer loan portfolios, excluding $12 million and $16 million of PCI loans at March 31, 2015, and March 31, 2014, respectively, based on bond rating, regulatory classification, and payment activity as of March 31, 2015, and March 31, 2014, are as follows:

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Commercial Credit Exposure

Credit Risk Profile by Creditworthiness Category [a]

March 31, *in millions* RATING [b], [c]	Commercial, financial and agricultural 2015	Commercial, financial and agricultural 2014	RE Commercial 2015	RE Commercial 2014	RE Construction 2015	RE Construction 2014	Commercial Lease 2015	Commercial Lease 2014	Total 2015	Total 2014
AAA AA	**$ 286**	$ 500	**$ 6**	$ 1	**$ 1**	$ 1	**$ 535**	$ 805	**$ 828**	$ 1,307
A	**1,267**	1,010	**2**	57		1	**516**	448	**1,785**	1,516
BBB BB	**25,684**	23,361	**7,604**	7,267	**992**	826	**2,842**	2,964	**37,122**	34,418
B	**648**	551	**325**	337	**127**	84	**104**	101	**1,204**	1,073
CCC C	**898**	802	**225**	214	**22**	95	**67**	78	**1,212**	1,189
Total	**$ 28,783**	$ 26,224	**$ 8,162**	$ 7,876	**$ 1,142**	$ 1,007	**$ 4,064**	$ 4,396	**$ 42,151**	$ 39,503

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

Consumer Credit Exposure

Credit Risk Profile by Regulatory Classifications [a], [b]

March 31, *in millions* GRADE	Residential Prime 2015	Residential Prime 2014
Pass	**$ 12,463**	$ 12,445
Substandard	**279**	319
Total	**$ 12,742**	$ 12,764

Credit Risk Profile Based on Payment Activity [a]

March 31,	Consumer Key Community Bank	Credit cards	Consumer Marine	Consumer Other	Total

in millions	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Performing	**$ 1,545**	$ 1,434	**$ 725**	$ 697	**$ 721**	$ 950	**$ 43**	$ 62	**$ 3,034**	$ 3,143
Nonperforming	**2**	2	**2**	1	**9**	15	**1**	1	**14**	19
Total	**$ 1,547**	$ 1,436	**$ 727**	$ 698	**$ 730**	$ 965	**$ 44**	$ 63	**$ 3,048**	$ 3,162

(a) Credit quality indicators are updated on an ongoing basis and reflect credit quality information as of the dates indicated.

(b) Our past due payment activity to regulatory classification conversion is as follows: pass = less than 90 days; and substandard = 90 days and greater plus nonperforming loans.

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

For all commercial and consumer loan TDRs, regardless of size, as well as impaired commercial loans with an outstanding balance of $2.5 million or greater, we conduct further analysis to determine the probable loss content and assign a specific allowance to the loan if deemed appropriate. We estimate the extent of the individual impairment for commercial loans and TDRs by comparing the recorded investment of the loan with the estimated present value of its future cash flows, the fair value of its underlying collateral, or the loan s observable market price. Secured consumer loan TDRs that are discharged through Chapter 7 bankruptcy and not formally re-affirmed are adjusted to reflect the fair value of the underlying collateral, less costs to sell. Non-Chapter 7 consumer loan TDRs are combined in homogenous pools and assigned a specific allocation based on the estimated present value of future cash flows using the loan s effective interest rate. A specific allowance also may be assigned even when sources of repayment appear sufficient if we remain uncertain about whether the loan will be repaid in full. On at least a quarterly basis, we evaluate the appropriateness of our loss estimation methods to reduce differences between estimated incurred losses and actual losses. The ALLL at March 31, 2015, represents our best estimate of the probable credit losses inherent in the loan portfolio at that date.

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Although quantitative modeling factors such as default probability and expected recovery rates are constantly changing as the financial strength of the borrower and overall economic conditions change, we have not changed the accounting policies or methodology that we use to estimate the ALLL.

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

At March 31, 2015, the ALLL was $794 million, or 1.37% of loans, compared to $834 million, or 1.50% of loans, at March 31, 2014. At March 31, 2015, the ALLL was 181.7% of nonperforming loans, compared to 185.7% at March 31, 2014.

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Balance at beginning of period continuing operations	**$ 794**	$ 848
Charge-offs	**(47)**	(57)
Recoveries	**19**	37
Net loans and leases charged off	**(28)**	(20)
Provision for loan and lease losses from continuing operations	**29**	6
Foreign currency translation adjustment	**(1)**	
Balance at end of period continuing operations	**$ 794**	$ 834

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

in millions	December 31, 2014	Provision	Charge-offs	Recoveries	March 31, 2015
Commercial, financial and agricultural	$ 391	**$ 21**	**$ (12)**	**$ 5**	**$ 405**
Real estate commercial mortgage	148		**(2)**	**2**	**148**
Real estate construction	28	**1**	**(1)**		**28**
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 ALLL continuing operations	794	**28** (a)	**(47)**	**19**	**794**
Discontinued operations	29	**2**	**(10)**	**4**	**25**
Total ALLL including discontinued operations	$ 823	**$ 30**	**$ (57)**	**$ 23**	**$ 819**

(a) Includes $1 million of foreign currency translation adjustment. Excludes provision for losses on lending-related commitments of $6 million.

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in millions	December 31, 2013	Provision	Charge-offs	Recoveries	March 31, 2014
Commercial, financial and agricultural	$ 362	$ 13	$ (12)	$ 10	$ 373
Real estate commercial mortgage	165	(3)	(2)	1	161
Real estate construction	32	(7)	(2)	14	37
Commercial lease financing	62	1	(3)	2	62
Total commercial loans	621	4	(19)	27	633
Real estate residential mortgage	37	(8)	(3)	1	27
Home equity:					
Key Community Bank	84	3	(10)	3	80
Other	11	2	(3)	1	11
Total home equity loans	95	5	(13)	4	91
Consumer other Key Community Bank	29	2	(8)	2	25
Credit cards	34	4	(6)		32
Consumer other:					
Marine	29	(2)	(7)	3	23
Other	3	1	(1)		3
Total consumer other:	32	(1)	(8)	3	26
Total consumer loans	227	2	(38)	10	201
Total ALLL continuing operations	848	6 (a)	(57)	37	834
Discontinued operations	39	4	(13)	4	34
Total ALLL including discontinued operations	$ 887	$ 10	$ (70)	$ 41	$ 868

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

Our ALLL from continuing operations decreased by $40 million, or 4.8%, from the first quarter of 2014 primarily because of the improvement in the credit quality of our loan portfolios. The quality of new loan originations as well as decreasing levels of classified and nonperforming loans also resulted in a reduction in our general allowance. Our general allowance applies expected loss rates to our existing loans with similar risk characteristics as well as any adjustments to reflect our current assessment of qualitative factors such as changes in economic conditions, underwriting standards, and concentrations of credit. Our delinquency trends declined during 2014 and into 2015 due to continued improved credit quality, solid loan growth, relatively stable economic conditions, and continued run-off in our exit loan portfolio, reflecting our effort to maintain a moderate enterprise risk tolerance.

For continuing operations, the loans outstanding individually evaluated for impairment totaled $338 million, with a corresponding allowance of $49 million at March 31, 2015. Loans outstanding collectively evaluated for impairment totaled $57.6 billion, with a corresponding allowance of $744 million at March 31, 2015. At March 31, 2015, PCI loans evaluated for impairment totaled $12 million, with a corresponding allowance of $1 million. There was no provision for loan and lease losses on these PCI loans during the quarter ended March 31, 2015. At March 31, 2014, the loans outstanding individually evaluated for impairment totaled $304 million, with a corresponding allowance of $34 million. Loans outstanding collectively evaluated for impairment totaled $55.1 billion, with a corresponding allowance of $799 million at March 31, 2014. At March 31, 2014, PCI loans evaluated for impairment totaled $16 million, with a corresponding allowance of $1 million. There was no provision for loan and lease losses on these PCI loans during the quarter ended March 31, 2014.

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A breakdown of the individual and collective ALLL and the corresponding loan balances as of March 31, 2015, follows:

March 31, 2015 *in millions*	**Allowance** Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired	**Outstanding** Loans	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired
Commercial, financial and agricultural	$ 20	$ 385		$ 28,783	$ 82	$ 28,701	
Commercial real estate:							
Commercial mortgage	2	146		8,162	20	8,142	
Construction		28		1,142	7	1,135	
Total commercial real estate loans	2	174		9,304	27	9,277	
Commercial lease financing		55		4,064		4,064	
Total commercial loans	22	614		42,151	109	42,042	
Real estate residential mortgage	5	15	$ 1	2,231	55	2,165	$ 11
Home equity:							
Key Community Bank	16	42		10,270	111	10,158	1
Other	2	3		253	12	241	
Total home equity loans	18	45		10,523	123	10,399	1
Consumer other Key Community Bank		21		1,547	3	1,544	
Credit cards		32		727	4	723	
Consumer other:							
Marine	4	16		730	42	688	
Other		1		44	2	42	
Total consumer other	4	17		774	44	730	
Total consumer loans	27	130	1	15,802	229	15,561	12
Total ALLL continuing operations	49	744	1	57,953	338	57,603	12
Discontinued operations	1	24		2,219 (a)	18	2,201 (a)	
Total ALLL including discontinued operations	$ 50	$ 768	$ 1	$ 60,172	$ 356	$ 59,804	$ 12

(a) Amount includes $187 million of portfolio loans carried at fair value that are excluded from ALLL consideration.

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

	Allowance	**Outstanding**

December 31, 2014 *in millions*	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Purchased Credit Impaired**	**Loans**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Purchased Credit Impaired**
Commercial, financial and agricultural	$ 9	$ 382		$ 27,982	$ 43	$ 27,939	
Commercial real estate:							
Commercial mortgage	2	146		8,047	21	8,025	$ 1
Construction	1	27		1,100	8	1,092	
Total commercial real estate loans	3	173		9,147	29	9,117	1
Commercial lease financing		56		4,252		4,252	
Total commercial loans	12	611		41,381	72	41,308	1
Real estate residential mortgage	5	17	$ 1	2,225	55	2,159	11
Home equity:							
Key Community Bank	16	50		10,366	108	10,257	1
Other	2	3		267	12	255	
Total home equity loans	18	53		10,633	120	10,512	1
Consumer other Key Community Bank		22		1,560	4	1,556	
Credit cards		33		754	4	750	
Consumer other:							
Marine	5	16		779	45	734	
Other		1		49	2	47	
Total consumer other	5	17		828	47	781	
Total consumer loans	28	142	1	16,000	230	15,758	12
Total ALLL continuing operations	40	753	1	57,381	302	57,066	13
Discontinued operations	1	28		2,295 [a]	17	2,278 [a]	
Total ALLL including discontinued operations	$ 41	$ 781	$ 1	$ 59,676	$ 319	$ 59,344	$ 13

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

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

	Allowance				Outstanding		
March 31, 2014 *in millions*	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Purchased Credit Impaired**	**Loans**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Purchased Credit Impaired**
Commercial, financial and agricultural	$ 2	$ 371		$ 26,224	$ 40	$ 26,184	
Commercial real estate:							
Commercial mortgage	1	160		7,877	25	7,851	$ 1
Construction		37		1,007	6	1,001	
Total commercial real estate loans	1	197		8,884	31	8,852	1
Commercial lease financing		62		4,396		4,396	
Total commercial loans	3	630		39,504	71	39,432	1
Real estate residential mortgage	4	22	$ 1	2,183	54	2,116	13
Home equity:							
Key Community Bank	16	64		10,281	105	10,174	2
Other	2	9		315	13	302	
Total home equity loans	18	73		10,596	118	10,476	2
Consumer other Key Community Bank		25		1,436	4	1,432	
Credit cards	1	31		698	4	694	
Consumer other:							
Marine	7	16		965	52	913	
Other	1	2		63	1	62	
Total consumer other	8	18		1,028	53	975	
Total consumer loans	31	169	1	15,941	233	15,693	15
Total ALLL continuing operations	34	799	1	55,445	304	55,125	16
Discontinued operations	1	33		4,382 (a)	15	4,367	
Total ALLL including discontinued operations	$ 35	$ 832	$ 1	$ 59,827	$ 319	$ 59,492	$ 16

(a) Amount includes $2.0 billion of loans carried at fair value that are excluded from ALLL consideration.

The liability for credit losses inherent in lending-related unfunded commitments, such as letters of credit and unfunded loan commitments, is included in accrued expense and other liabilities on the balance sheet. We establish the amount of this reserve by considering both historical trends and current market conditions quarterly, or more often if deemed necessary. Our liability for credit losses on lending-related commitments is $41 million at March 31, 2015. When combined with our ALLL, our total allowance for credit losses represented 1.44% of loans at March 31, 2015, compared to 1.57% at March 31, 2014.

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Balance at beginning of period	**$ 35**	$ 37
Provision (credit) for losses on lending-related commitments	**6**	(2)
Balance at end of period	**$ 41**	$ 35

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5. Fair Value Measurements

Fair Value Determination

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

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

- the amount of time since the last relevant valuation;
- whether there is an actual trade or relevant external quote available at the measurement date; and
- volatility associated with the primary pricing components.

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

- an independent review and approval of valuation models and assumptions;
- recurring detailed reviews of profit and loss; and
- a validation of valuation model components against benchmark data and similar products, where possible.

We recognize transfers between levels of the fair value hierarchy at the end of the reporting period. Quarterly, we review any changes to our valuation methodologies to ensure they are appropriate and justified, and refine our valuation methodologies if more market-based data becomes available. The Fair Value Committee, which is governed by ALCO, oversees the valuation process for all lines of business and support areas, as applicable. Various Working Groups that report to the Fair Value Committee analyze and approve the underlying assumptions and valuation adjustments. Changes in valuation methodologies for Level 1 and Level 2 instruments are presented to the Accounting Policy group for approval. Changes in valuation methodologies for Level 3 instruments are presented to the Fair Value Committee for approval. The Working Groups are discussed in more detail in the qualitative disclosures within this note and in Note 11 (Acquisitions and Discontinued Operations). Formal documentation of the fair valuation methodologies is prepared by the lines of business and support areas as appropriate. The documentation details the asset or liability class and related general ledger accounts, valuation techniques, fair value hierarchy level, market participants, accounting methods, valuation methodology, group responsible for valuations, and valuation inputs.

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

Qualitative Disclosures of Valuation Techniques

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

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

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

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

- Securities are classified as Level 3 when there is limited activity in the market for a particular instrument. To determine fair value in such cases, depending on the complexity of the valuations required, we use internal models based on certain assumptions or a third-party valuation service. At March 31, 2015, our Level 3 instruments consist of a convertible preferred security. Our Strategy group is responsible for reviewing the valuation model and determining the fair value of this investment on a quarterly basis. The security is valued using a cash flow analysis of the associated private company issuer. The valuation of the security is negatively impacted by a projected net loss of the associated private company and positively impacted by a projected net gain.

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

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

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

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

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

Private equity and mezzanine investments are classified as Level 3 assets since our judgment significantly influences the determination of fair value. Our Fund Management, Asset Management, and Accounting groups are responsible for reviewing the valuation models and determining the fair value of these investments on a quarterly basis. Direct investments in properties are initially valued based upon the transaction price. This amount is then adjusted to fair value based on current market conditions using the discounted cash flow method based on the expected investment exit date. The fair values of the assets are reviewed and adjusted quarterly. Periodically, we obtain a third-party appraisal for the investments to validate the specific inputs for determining fair value.

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Inputs used in calculating future cash flows include the cost of build-out, future selling prices, current market outlook, and operating performance of the investment. Investment income and expense assumptions are based on market inputs, such as rental/leasing rates and vacancy rates for the geographic- and property type-specific markets. For investments under construction, investment income and expense assumptions are determined using expected future build-out costs and anticipated future rental prices based on current market conditions, discount rates, holding period, the terminal cap rate, and sales commissions paid in the terminal cap year. For investments that are in lease-up or are fully leased, income and expense assumptions are based on the geographic market s current lease rates, underwritten expenses, market lease terms, and historical vacancy rates. Asset Management validates these inputs on a quarterly basis through the use of industry publications, third-party broker opinions, and comparable property sales, where applicable. Changes in the significant inputs (rental/leasing rates, vacancy rates, valuation capitalization rate, discount rate, and terminal cap rate) would significantly affect the fair value measurement. Increases in rental/leasing rates would increase fair value while increases in the vacancy rates, the valuation capitalization rate, the discount rate, and the terminal cap rate would decrease fair value.

Consistent with accounting guidance, indirect investments are valued using a methodology that allows the use of statements from the investment manager to calculate net asset value per share. A primary input used in estimating fair value is the most recent value of the capital accounts as reported by the general partners of the funds in which we invest. The calculation to determine the investment s fair value is based on our percentage ownership in the fund multiplied by the net asset value of the fund, as provided by the fund manager. Under the requirements of the Volcker Rule, we will be required to dispose of some or all of our indirect investments. As of March 31, 2015, management has not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology. For more information about the Volcker Rule, see the discussion under the heading Other Regulatory Developments under the Dodd-Frank Act Volcker Rule in the section entitled Supervision and Regulation beginning on page 16 of our 2014 Form 10-K.

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

The following table presents the fair value of our indirect investments and related unfunded commitments at March 31, 2015. We did not provide any financial support to investees related to our direct and indirect investments for the three months ended March 31, 2015, and March 31, 2014.

March 31, 2015 *in millions*	**Fair Value**	**Unfunded Commitments**
INVESTMENT TYPE		
Indirect investments		
Passive funds [a]	$ 9	$ 1
Co-managed funds [b]		
Total	$ 9	$ 1

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

(b) We are a manager or co-manager of these funds, which have been written down to zero. These investments can never be redeemed. Instead, distributions are received through the liquidation of the underlying investments in the funds. In addition, we receive management fees. We can sell or transfer our interest in any of these funds with the written consent of a majority of the fund s investors. In one instance, the other co-manager of the fund must consent to the sale or transfer of our interest in the fund. The funds will mature over a period of one to two years. The purpose of KREEC s funding is to allow funds to make additional investments and keep a certain market value threshold in the funds. KREEC is obligated to provide financial support, as all investors are required, to fund based on their ownership percentage, as noted in the Limited Partnership Agreements.

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

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

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

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

Our indirect investments are classified as Level 3 assets since our significant inputs are not observable in the marketplace. Indirect investments include primary and secondary investments in private equity funds engaged mainly in venture- and growth-oriented investing. These investments do not have readily determinable fair values. Indirect investments are valued using a methodology that is consistent with accounting guidance that allows us to estimate fair value based upon net asset value per share (or its equivalent, such as member units or an ownership interest in partners capital to which a proportionate share of net assets is attributed). The significant unobservable input used in estimating fair value is primarily the most recent value of the capital accounts as reported by the general partners of the funds in which we invest. Under the requirements of the Volcker Rule, we will be required to dispose of some or all of our indirect investments. As of March 31, 2015, management has not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology.

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

The following table presents the fair value of our direct and indirect principal investments and related unfunded commitments at March 31, 2015, as well as financial support provided for the three months ended March 31, 2015, and March 31, 2014:

	March 31, 2015		Financial support provided Three months ended March 31, 2015		2014	
in millions	Fair Value	Unfunded Commitments	Funded Commitments	Funded Other	Funded Commitments	Funded Other
INVESTMENT TYPE						
Direct investments (a)	**$ 74**			**$ 1**		$ 1
Indirect investments (b)	**301**	**$ 57**	**$ 2**		$ 2	
Total	**$ 375**	**$ 57**	**$ 2**	**$ 1**	$ 2	$ 1

(a) Our direct investments consist of equity and debt investments directly in independent business enterprises. Operations of the business enterprises are handled by management of the portfolio company. The purpose of funding these enterprises is to provide financial support for business development and acquisition strategies. We infuse equity capital based on an initial contractual cash contribution and later from additional requests on behalf of the companies management.

(b) Our indirect investments consist of buyout funds, venture capital funds, and fund of funds. These investments are generally not redeemable. Instead, distributions are received through the liquidation of the underlying investments of the fund. An investment in any one of these funds typically can be sold only with the approval of the fund s general partners. We estimate that the underlying investments of the funds will be liquidated over a period of one to nine years. The purpose of funding our capital commitments to these investments is to allow the funds to make additional follow-on investments and pay fund expenses until the fund dissolves. We, and all other investors in the fund, are obligated to fund the full amount of our respective capital commitments to the fund based on our and their respective ownership percentages, as noted in the applicable Limited Partnership Agreement.

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

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

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

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Other assets and liabilities. The value of our short positions is driven by the valuation of the underlying securities. If quoted prices for identical securities are not available, fair value is determined by using pricing models or quoted prices of similar securities, resulting in a Level 2 classification. For the interest rate-driven products, such as government bonds, U.S. Treasury bonds and other products backed by the U.S. government, inputs include spreads, credit ratings, and interest rates. For the credit-driven products, such as corporate bonds and mortgage-backed securities, inputs include actual trade data for comparable assets and bids and offers.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

March 31, 2015 *in millions*	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		$ 668		$ 668
States and political subdivisions		35		35
Collateralized mortgage obligations				
Other mortgage-backed securities		51		51
Other securities	$ 5	25		30
Total trading account securities	5	779		784
Commercial loans		5		5
Total trading account assets	5	784		789
Securities available for sale:				
States and political subdivisions		22		22
Collateralized mortgage obligations		11,163		11,163
Other mortgage-backed securities		1,902		1,902
Other securities	23		$ 10	33
Total securities available for sale	23	13,087	10	13,120
Other investments:				
Principal investments:				
Direct	1		73	74
Indirect			301	301
Total principal investments	1		374	375
Equity and mezzanine investments:				
Direct				
Indirect			9	9
Total equity and mezzanine investments			9	9
Total other investments	1		383	384

Derivative assets:				
Interest rate		1,034	10	1,044
Foreign exchange	164	8		172
Commodity		581		581
Credit		2	3	5
Derivative assets	164	1,625	13	1,802
Netting adjustments (a)				(1,071)
Total derivative assets	164	1,625	13	731
Accrued income and other assets		2		2
Total assets on a recurring basis at fair value	$ 193	$ 15,498	$ 406	$ 15,026
LIABILITIES MEASURED ON A RECURRING BASIS				
Bank notes and other short-term borrowings:				
Short positions		$ 607		$ 607
Derivative liabilities:				
Interest rate		692		692
Foreign exchange	$ 138	9		147
Commodity		567		567
Credit		6	$ 1	7
Derivative liabilities	138	1,274	1	1,413
Netting adjustments (a)				(588)
Total derivative liabilities	138	1,274	1	825
Accrued expense and other liabilities		2		2
Total liabilities on a recurring basis at fair value	$ 138	$ 1,883	$ 1	$ 1,434

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

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December 31, 2014

in millions	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		$ 555		$ 555
States and political subdivisions		38		38
Collateralized mortgage obligations				
Other mortgage-backed securities		124		124
Other securities	$ 2	29		31
Total trading account securities	2	746		748
Commercial loans		2		2
Total trading account assets	2	748		750
Securities available for sale:				
States and political subdivisions		23		23
Collateralized mortgage obligations		11,270		11,270
Other mortgage-backed securities		2,035		2,035
Other securities	22		$ 10	32
Total securities available for sale	22	13,328	10	13,360
Other investments:				
Principal investments:				
Direct	2		102	104
Indirect			302	302
Total principal investments	2		404	406
Equity and mezzanine investments:				
Direct				
Indirect			10	10
Total equity and mezzanine investments			10	10
Total other investments	2		414	416
Derivative assets:				
Interest rate		924	13	937
Foreign exchange	91	2		93
Commodity		608		608
Credit		2	3	5
Derivative assets	91	1,536	16	1,643
Netting adjustments [(a)]				(1,034)
Total derivative assets	91	1,536	16	609
Accrued income and other assets				
Total assets on a recurring basis at fair value	$ 117	$ 15,612	$ 440	$ 15,135

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

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

March 31, 2014 *in millions*	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A RECURRING BASIS				
Trading account assets:				
U.S. Treasury, agencies and corporations		$ 533		$ 533
States and political subdivisions		46		46
Collateralized mortgage obligations		9		9
Other mortgage-backed securities		199		199
Other securities	$ 4	47		51
Total trading account securities	4	834		838
Commercial loans		2		2
Total trading account assets	4	836		840
Securities available for sale:				
States and political subdivisions		37		37
Collateralized mortgage obligations		10,469		10,469
Other mortgage-backed securities		1,832		1,832
Other securities	21			21
Total securities available for sale	21	12,338		12,359
Other investments:				
Principal investments:				
Direct			$ 141	141
Indirect			403	403
Total principal investments			544	544
Equity and mezzanine investments:				
Direct				
Indirect			20	20
Total equity and mezzanine investments			20	20
Total other investments			564	564
Derivative assets:				
Interest rate		943	22	965
Foreign exchange	51	9		60
Commodity		110		110
Credit		1	4	5
Derivative assets	51	1,063	26	1,140
Netting adjustments [(a)]				(713)
Total derivative assets	51	1,063	26	427
Accrued income and other assets				
Total assets on a recurring basis at fair value	$ 76	$ 14,237	$ 590	$ 14,190

LIABILITIES MEASURED ON A RECURRING BASIS				
Bank notes and other short-term borrowings:				
Short positions	$ 3	$ 460		$ 463
Derivative liabilities:				
Interest rate		687		687
Foreign exchange	43	9		52
Commodity		105		105
Credit		11	$ 1	12
Derivative liabilities	43	812	1	856
Netting adjustments [a]				(448)
Total derivative liabilities	43	812	1	408
Accrued expense and other liabilities				
Total liabilities on a recurring basis at fair value	$ 46	$ 1,272	$ 1	$ 871

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

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Changes in Level 3 Fair Value Measurements

The following table shows the change in the fair values of our Level 3 financial instruments for the three months ended March 31, 2015, and March 31, 2014. We mitigate the credit risk, interest rate risk, and risk of loss related to many of these Level 3 instruments by using securities and derivative positions classified as Level 1 or Level 2. Level 1 and Level 2 instruments are not included in the following table. Therefore, the gains or losses shown do not include the impact of our risk management activities.

in millions	Beginning of Period Balance	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers into Level 3 [d]	Transfers out of Level 3 [d]	End of Period Balance [f]	Unrealized Gains (Losses) Included in Earnings
March 31, 2015									
Securities available for sale									
Other securities	$ 10							$ 10	
Other investments									
Principal investments									
Direct	102	$ 13 [b]	$ 1	$ (43)				73	$
Indirect	302	17 [b]	1	(19)				301	(8) [b]
Equity and mezzanine investments									
Direct		2 [b]		(2)					2 [b]
Indirect	10	(1) [b]						9	(1) [b]
Derivative instruments [a]									
Interest rate	13	2 [c]					$ (5) [e]	10	
Commodity									
Credit	2	(3) [c]			$ 3			2	

in millions	Beginning of Period Balance	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers into Level 3 [d]	Transfers out of Level 3 [d]	End of Period Balance [f]	Unrealized Gains (Losses) Included in Earnings
March 31, 2014									
Other investments									
Principal investments									
Direct	$ 141	$ 4 [b]		$ (4)				$ 141	$ 6 [b]
Indirect	413	20 [b]	$ 1	(31)				403	9 [b]
Equity and mezzanine investments									
Direct									
Indirect	23	(1) [b]		(2)				20	(1) [b]
Derivative instruments [a]									
Interest rate	25	1 [c]	2	(1)		$ 3 [e]	$ (8) [e]	22	

Commodity				
Credit	3	(2) [c]	$ 2	3

(a) Amounts represent Level 3 derivative assets less Level 3 derivative liabilities.
(b) Realized and unrealized gains and losses on principal investments are reported in net gains (losses) from principal investing on the income statement. Realized and unrealized losses on private equity and mezzanine investments are reported in other income on the income statement.
(c) Realized and unrealized gains and losses on derivative instruments are reported in corporate services income and other income on the income statement.
(d) Our policy is to recognize transfers into and transfers out of Level 3 as of the end of the reporting period.
(e) Certain derivatives previously classified as Level 2 were transferred to Level 3 because Level 3 unobservable inputs became significant. Certain derivatives previously classified as Level 3 were transferred to Level 2 because Level 3 unobservable inputs became less significant.
(f) There were no issuances for the three-month periods ended March 31, 2015, and March 31, 2014.

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Assets 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. The following table presents our assets measured at fair value on a nonrecurring basis at March 31, 2015, December 31, 2014, and March 31, 2014:

	March 31, 2015			
in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			$ 15	$ 15
Loans held for sale [a]				
Accrued income and other assets			18	18
Total assets on a nonrecurring basis at fair value			$ 33	$ 33

	December 31, 2014			
in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			$ 5	$ 5
Loans held for sale [a]				
Accrued income and other assets			13	13
Total assets on a nonrecurring basis at fair value			$ 18	$ 18

	March 31, 2014			
in millions	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS MEASURED ON A NONRECURRING BASIS				
Impaired loans			$ 1	$ 1
Loans held for sale [a]				
Accrued income and other assets			13	13
Total assets on a nonrecurring basis at fair value			$ 14	$ 14

(a) During the first quarter of 2015, we transferred $10 million of commercial and consumer loans and leases at their current fair value from held-for-sale status to the held-to-maturity portfolio, compared to $11 million during 2014, and $2 million during the first quarter of 2014.

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

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

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

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

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

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

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

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

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

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

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

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

Valuations of direct financing leases and operating lease assets held for sale are performed using an internal model that relies on market data, such as swap rates and bond ratings, as well as our own assumptions about the exit market for the leases and details about the individual leases in the portfolio. The inputs based on our assumptions include changes in the value of leased items and internal credit ratings. These leases have been classified as Level 3 assets. KEF has master sale and assignment agreements with numerous institutional investors. Historically, multiple quotes are obtained, with the most reasonable formal quotes retained. These nonbinding quotes generally lead to a sale to one of the parties who provided the quote. Leases for which we receive a current nonbinding bid, and the sale is considered probable, may be classified as Level 2. The validity of these quotes is supported by historical and continued dealings with these institutions that have fulfilled the nonbinding quote in the past. In a distressed market where market data is not available, an estimate of the fair value of the leased asset may be used to value the lease, resulting in a Level 3 classification. In an inactive market, the market value of the assets held for sale is determined as the present value of the future cash flows discounted at the current buy rate. KEF Accounting calculates an estimated fair value buy rate based on the credit premium inherent in the relevant bond index and the appropriate swap rate on the measurement date. The amount of the adjustment is calculated as book value minus the present value of future cash flows discounted at the calculated buy rate.

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

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

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

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

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

Commercial Real Estate Valuation Process: When a loan is reclassified from loan status to OREO because we took possession of the collateral, the Asset Recovery Group Loan Officer, in consultation with our OREO group, obtains a broker price opinion or a third-party appraisal, which is used to establish the fair value of the underlying collateral. The determined fair value of the underlying collateral less estimated selling costs becomes the carrying value of the OREO asset. In addition to valuations from independent third-party sources, our OREO group also writes down the carrying balance of OREO assets once a bona fide offer is contractually accepted, where the accepted price is lower than the current balance of the particular OREO asset. The fair value of OREO property is re-evaluated every 90 days and the OREO asset is adjusted as necessary.

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

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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, 2015, December 31, 2014, and March 31, 2014, along with the valuation techniques used, are shown in the following table:

arch 31, 2015 *llars in millions*	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
ecurring				
her investments incipal vestments direct:	$ 73	Individual analysis of the condition of each investment		
ebt instruments			EBITDA multiple	5.40 - 6.00 (5.50
uity instruments private mpanies			EBITDA multiple (where applicable)	N/A (6.00
			Revenue multiple (where applicable)	N/A (4.30
onrecurring				
paired loans	15	Fair value of underlying collateral	Discount	00.00 - 100.00% (36.00%
oodwill	1,057	Discounted cash flow and market data	Earnings multiple of peers	11.40 - 15.90 (12.92
			Equity multiple of peers	1.20 - 1.22 (1.21
			Control premium	10.00 - 30.00% (19.70%
			Weighted-average cost of capital	13.00 - 14.00% (13.52%

ecember 31, 2014 *llars in millions*	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
ecurring				
her investments incipal vestments direct:	$ 102	Individual analysis of the condition of each investment		
ebt instruments			EBITDA multiple	5.40 - 6.00 (5.50
uity instruments private mpanies			EBITDA multiple (where applicable)	5.50 - 6.20 (5.80
			Revenue multiple (where applicable)	4.30 - 4.30 (4.30
onrecurring				
paired loans	5	Fair value of underlying collateral	Discount	10.00 - 64.00% (62.00%
oodwill	1,057	Discounted cash flow and market data	Earnings multiple of peers	11.40 - 15.90 (12.92
			Equity multiple of peers	1.20 - 1.22 (1.21
			Control premium	10.00 - 30.00% (19.70%
			Weighted-average cost of capital	13.00 - 14.00% (13.52%

arch 31, 2014	Fair Value of		Significant	Range

llars in millions	Level 3 Assets	Valuation Technique	Unobservable Input	(Weighted-Average)
ecurring				
her investments incipal vestments direct:	$ 141	Individual analysis of the condition of each investment		
ebt instruments			EBITDA multiple	5.40 - 6.00 (5.90
quity instruments private mpanies			EBITDA multiple (where applicable)	4.90 - 10.00 (5.90
			Revenue multiple (where applicable)	0.80 - 4.50 (4.10
onrecurring				
npaired loans	1	Fair value of underlying collateral	Discount	0.00 - 80.00% (25.00%
oodwill	979	Discounted cash flow and market data	Earnings multiple of peers	10.10 - 14.40 (11.59
			Equity multiple of peers	1.17 - 1.29 (1.24
			Control premium	N/A (35.00 %
			Weighted-average cost of capital	N/A (13.00%

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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, 2015, December 31, 2014 and March 31, 2014, are shown in the following table.

		March 31, 2015				
		Fair Value				
in millions	Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustment	Total
ASSETS						
Cash and short-term investments [a]	**$ 3,884**	**$ 3,884**				**$ 3,884**
Trading account assets [b]	**789**	**5**	**$ 784**			**789**
Securities available for sale [b]	**13,120**	**23**	**13,087**	**$ 10**		**13,120**
Held-to-maturity securities [c]	**5,005**		**5,003**			**5,003**
Other investments [b]	**730**	**1**	**346**	**383**		**730**
Loans, net of allowance [d]	**57,159**			**55,702**		**55,702**
Loans held for sale [b]	**1,649**			**1,649**		**1,649**
Derivative assets [b]	**731**	**164**	**1,625**	**13**	**$ (1,071)** [f]	**731**
LIABILITIES						
Deposits with no stated maturity [a]	**$ 65,984**		**$ 65,984**			**$ 65,984**
Time deposits [e]	**5,638**	**$ 488**	**5,210**			**5,698**
Short-term borrowings [a]	**1,125**		**1,125**			**1,125**
Long-term debt [e]	**8,713**	**8,559**	**549**			**9,108**
Derivative liabilities [b]	**825**	**138**	**1,274**	**$ 1**	**$ (588)** [f]	**825**

		December 31, 2014				
		Fair Value				
in millions	Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustment	Total
ASSETS						
Cash and short-term investments [a]	$ 4,922	$ 4,922				$ 4,922
Trading account assets [b]	750	2	$ 748			750
Securities available for sale [b]	13,360	22	13,328	$ 10		13,360
Held-to-maturity securities [c]	5,015		4,974			4,974
Other investments [b]	760	2	344	414		760
Loans, net of allowance [d]	56,587			54,993		54,993
Loans held for sale [b]	734			734		734
Derivative assets [b]	609	91	1,536	16	$ (1,034) [f]	609
LIABILITIES						
Deposits with no stated maturity [a]	$ 66,135		$ 66,135			$ 66,135
Time deposits [e]	5,863	$ 564	5,361			5,925
Short-term borrowings [a]	998		998			998
Long-term debt [e]	7,875	7,625	626			8,251
Derivative liabilities [b]	784	77	1,248	$ 1	$ (542) [f]	784

March 31, 2014

		Fair Value				
in millions	Carrying Amount	Level 1	Level 2	Level 3	Netting Adjustment	Total
ASSETS						
Cash and short-term investments [a]	$ 3,331	$ 3,331				$ 3,331
Trading account assets [b]	840	4	$ 836			840
Securities available for sale [b]	12,359	21	12,338			12,359
Held-to-maturity securities [c]	4,826		4,733			4,733
Other investments [b]	899		335	$ 564		899
Loans, net of allowance [d]	54,611			53,211		53,211
Loans held for sale [b]	401			401		401
Derivative assets [b]	427	51	1,063	26	$ (713) [f]	427
LIABILITIES						
Deposits with no stated maturity [a]	$ 60,130		$ 60,130			$ 60,130
Time deposits [e]	7,136	$ 617	6,599			7,216
Short-term borrowings [a]	1,181	3	1,178			1,181
Long-term debt [e]	7,712	7,610	459			8,069
Derivative liabilities [b]	408	43	812	$ 1	$ (448) [f]	408

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Valuation Methods and Assumptions

(a) Fair value equals or approximates carrying amount. The fair value of deposits with no stated maturity does not take into consideration the value ascribed to core deposit intangibles.

(b) Information pertaining to our methodology for measuring the fair values of these assets and liabilities is included in the sections entitled Qualitative Disclosures of Valuation Techniques and Assets Measured at Fair Value on a Nonrecurring Basis in this note.

(c) Fair values of held-to-maturity securities are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, interest rate spreads on relevant benchmark securities, and certain prepayment assumptions. We review the valuations derived from the models to ensure they are reasonable and consistent with the values placed on similar securities traded in the secondary markets.

(d) The fair value of loans is based on the present value of the expected cash flows. The projected cash flows are based on the contractual terms of the loans, adjusted for prepayments and use of a discount rate based on the relative risk of the cash flows, taking into account the loan type, maturity of the loan, liquidity risk, servicing costs, and a required return on debt and capital. In addition, an incremental liquidity discount is applied to certain loans, using historical sales of loans during periods of similar economic conditions as a benchmark. The fair value of loans includes lease financing receivables at their aggregate carrying amount, which is equivalent to their fair value.

(e) Fair values of time deposits and long-term debt are based on discounted cash flows utilizing relevant market inputs.

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

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

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

Loans at carrying value, net of allowance, of $2.0 billion ($1.7 billion at fair value) at March 31, 2015, $2.1 billion ($1.8 billion at fair value) at December 31, 2014, and $2.3 billion ($1.9 billion at fair value) at March 31, 2014;

Portfolio loans at fair value of $187 million at March 31, 2015, $191 million at December 31, 2014, and $143 million at March 31, 2014; and

Loans in the trusts at fair value of $1.9 billion at March 31, 2014.

Securities issued by the education lending securitization trusts, which are the primary liabilities of the trusts, totaling $1.8 billion in fair value at March 31, 2014, are also excluded from the above table.

These loans and securities are classified as Level 3 because we rely on unobservable inputs when determining fair value since observable market data is not available.

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

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

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

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6. Securities

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

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

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

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

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

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

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in millions	March 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
States and political subdivisions	**$ 21**	**$ 1**		**$ 22**
Collateralized mortgage obligations	**11,116**	**124**	**$ 77**	**11,163**
Other mortgage-backed securities	**1,870**	**32**		**1,902**
Other securities	**30**	**3**		**33**
Total securities available for sale	**$ 13,037**	**$ 160**	**$ 77**	**$ 13,120**
HELD-TO-MATURITY SECURITIES				
Collateralized mortgage obligations	**$ 4,749**	**$ 26**	**$ 30**	**$ 4,745**
Other mortgage-backed securities	**234**	**2**		**236**
Other securities	**22**			**22**
Total held-to-maturity securities	**$ 5,005**	**$ 28**	**$ 30**	**$ 5,003**

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

in millions	March 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE				
States and political subdivisions	$ 37			$ 37
Collateralized mortgage obligations	10,541	$ 136	$ 208	10,469
Other mortgage-backed securities	1,817	25	10	1,832

Other securities	17	4		21
Total securities available for sale	$ 12,412	$ 165	$ 218	$ 12,359
HELD-TO-MATURITY SECURITIES				
Collateralized mortgage obligations	$ 4,806	$ 9	$ 102	$ 4,713
Other securities	20			20
Total held-to-maturity securities	$ 4,826	$ 9	$ 102	$ 4,733

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

	Duration of Unrealized Loss Position					
	Less than 12 Months		12 Months or Longer		Total	
in millions	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2015						
Securities available for sale:						
Collateralized mortgage obligations	**$ 1,722**	**$ 25**	**$ 2,722**	**$ 52**	**$ 4,444**	**$ 77**
Other mortgage-backed securities [(a)]	**39**				**39**	
Other securities [(b)]	**3**		**2**		**5**	
Held-to-maturity:						
Collateralized mortgage obligations	**637**	**8**	**1,348**	**22**	**1,985**	**30**
Other securities [(c)]	**4**				**4**	
Total temporarily impaired securities	**$ 2,405**	**$ 33**	**$ 4,072**	**$ 74**	**$ 6,477**	**$ 107**
December 31, 2014						
Securities available for sale:						
Collateralized mortgage obligations	$ 3,019	$ 52	$ 2,932	$ 84	$ 5,951	$ 136
Other mortgage-backed securities			78	1	78	1
Other securities [(b)]	4		2		6	
Held-to-maturity:						
Collateralized mortgage obligations	1,005	11	1,994	46	2,999	57
Total temporarily impaired securities	$ 4,028	$ 63	$ 5,006	$ 131	$ 9,034	$ 194
March 31, 2014						
Securities available for sale:						
Collateralized mortgage obligations	$ 4,401	$ 173	$ 678	$ 35	$ 5,079	$ 208
Other mortgage-backed securities	1,153	10			1,153	10
Other securities [(b)]			2		2	
Held-to-maturity:						
Collateralized mortgage obligations	3,139	92	200	10	3,339	102
Other securities [(c)]						
Total temporarily impaired securities	$ 8,693	$ 275	$ 880	$ 45	$ 9,573	$ 320

(a) Gross unrealized losses totaled less than $1 million for other mortgage-backed securities available sale for the three-month period ended March 31, 2015.

(b)

Gross unrealized losses totaled less than $1 million for other securities available sale for the three-month period ended March 31, 2015, the year ended December 31, 2014, and the three-month period ended March 31, 2014.

(c) Gross unrealized losses totaled less than $1 million for other securities held-to-maturity for the three-month periods ended March 31, 2015, and March 31, 2014.

At March 31, 2015, we had $77 million of gross unrealized losses related to 56 fixed-rate CMOs that we invested in as part of our overall A/LM strategy. These securities had a weighted-average maturity of 3.9 years at March 31, 2015. Since these securities have a fixed interest rate, their fair value is sensitive to movements in market interest rates. These unrealized losses are considered temporary since we expect to collect all contractually due amounts from these securities. Accordingly, these investments were reduced to their fair value through OCI, not earnings.

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

The debt securities identified to have OTTI are written down to their current fair value. For those debt securities that we intend to sell, or more-likely-than-not will be required to sell, prior to the expected recovery of the amortized cost, the entire impairment (i.e., the difference between amortized cost and the fair value) is recognized in earnings. For those debt securities that we do not intend to sell, or more-likely-than-not will not be required to sell, prior to expected recovery, the credit portion of OTTI is recognized in earnings, while the remaining OTTI is recognized in equity as a component of AOCI on the balance sheet. As shown in the following table, we had less than $1 million of impairment losses recognized in earnings for the three months ended March 31, 2015.

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Three months ended March 31, 2015	
in millions	
Balance at December 31, 2014	$ 4
Impairment recognized in earnings	
Balance at March 31, 2015	$ 4

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

Three months ended March 31, 2015	
in millions	
Realized gains	
Realized losses	
Net securities gains (losses)	

At March 31, 2015, securities available for sale and held-to-maturity securities totaling $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 securities by remaining maturity. CMOs and other mortgage-backed securities (both of which are included in the securities available-for-sale portfolio) as well as the CMOs in the held-to-maturity portfolio are presented based on their expected average lives. The remaining securities, in both the available-for-sale and held-to-maturity portfolios, are presented based on their remaining contractual maturity. Actual maturities may differ from expected or contractual maturities since borrowers have the right to prepay obligations with or without prepayment penalties.

	Securities Available for Sale		**Held-to-Maturity Securities**	
March 31, 2015	**Amortized**	**Fair**	**Amortized**	**Fair**
in millions	**Cost**	**Value**	**Cost**	**Value**
Due in one year or less	$ 288	$ 292	$ 9	$ 9
Due after one through five years	12,599	12,676	4,504	4,498
Due after five through ten years	147	149	492	496
Due after ten years	3	3		
Total	$ 13,037	$ 13,120	$ 5,005	$ 5,003

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7. Derivatives and Hedging Activities

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

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

- interest rate risk represents the possibility that the EVE or net interest income will be adversely affected by fluctuations in interest rates;
- credit risk is the risk of loss arising from an obligor s inability or failure to meet contractual payment or performance terms; and
- foreign exchange risk is the risk that an exchange rate will adversely affect the fair value of a financial instrument.

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

At March 31, 2015, after taking into account the effects of bilateral collateral and master netting agreements, we had $93 million of derivative assets and a positive $25 million of derivative liabilities that relate to contracts entered into for hedging purposes. Our hedging derivative liabilities are in an asset position largely because we have contracts with positive fair values as a result of master netting agreements. As of the same date, after taking into account the effects of bilateral collateral and master netting agreements and a reserve for potential future losses, we had derivative assets of $638 million and derivative liabilities of $850 million that were not designated as hedging instruments.

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

Derivatives Designated in Hedge Relationships

Net interest income and the EVE change in response to changes in the mix of assets, liabilities, and off-balance sheet instruments; associated interest rates tied to each instrument; differences in the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities; and changes in interest rates. We utilize derivatives that have been designated as part of a hedge relationship in accordance with the applicable accounting guidance to minimize the exposure and volatility of net interest income and EVE to interest rate fluctuations. The primary derivative instruments used to manage interest rate risk are interest rate swaps, which convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index.

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

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

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

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

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

Derivatives Not Designated in Hedge Relationships

On occasion, we enter into interest rate swap contracts to manage economic risks but do not designate the instruments in hedge relationships. Excluding contracts addressing customer exposures, the amount of derivatives hedging risks on an economic basis at March 31, 2015, was not significant.

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

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

- interest rate swap, cap, and floor contracts entered into generally to accommodate the needs of commercial loan clients;
- energy and base metal swap and options contracts entered into to accommodate the needs of clients;
- futures contracts and positions with third parties that are intended to offset or mitigate the interest rate or market risk related to client positions discussed above; and
- foreign exchange forward contracts and options entered into primarily to accommodate the needs of clients.

These contracts are not designated as part of hedge relationships.

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

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

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	March 31, 2015			December 31, 2014			March 31, 2014		
		Fair Value			Fair Value			Fair Value	
in millions	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:									
Interest rate	**$ 16,802**	**$ 315**	**$ 14**	$ 15,095	$ 272	$ 26	$ 14,479	$ 277	$ 40
Foreign exchange	**339**	**20**		371	8		312	5	1
Total	**17,141**	**335**	**14**	15,466	280	26	14,791	282	41
Derivatives not designated as hedging instruments:									
Interest rate	**41,913**	**728**	**678**	43,771	665	618	44,156	688	647
Foreign exchange	**5,544**	**152**	**147**	4,024	85	81	4,653	55	51
Commodity	**1,553**	**582**	**567**	1,544	608	594	1,597	110	105
Credit	**586**	**5**	**7**	512	5	7	905	5	12
Total	**49,596**	**1,467**	**1,399**	49,851	1,363	1,300	51,311	858	815
Netting adjustments [(a)]		**(1,071)**	**(588)**		(1,034)	(542)		(713)	(448)
Net derivatives in the balance sheet	**66,737**	**731**	**825**	65,317	609	784	66,102	427	408
Other collateral [(b)]		**(146)**	**(244)**		(155)	(241)		(61)	(325)
Net derivative amounts	**$ 66,737**	**$ 585**	**$ 581**	$ 65,317	$ 454	$ 543	$ 66,102	$ 366	$ 83

(a) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance.

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

Fair value hedges. Instruments designated as fair value hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. The effective portion of a change in the fair value of an instrument designated as a fair value hedge is recorded in earnings at the same time as a change in fair value of the hedged item, resulting in no effect on net income. The ineffective portion of a change in the fair value of such a hedging instrument is recorded in other income on the income statement with no corresponding offset. During the three-month period ended March 31, 2015, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness. While there is some immaterial ineffectiveness in our hedging relationships, all of our fair value hedges remained highly effective as of March 31, 2015.

The following table summarizes the pre-tax net gains (losses) on our fair value hedges for the three-month periods ended March 31, 2015, and March 31, 2014, and where they are recorded on the income statement.

	Three months ended March 31, 2015					
in millions	Income Statement Location of Net Gains (Losses) on Derivative		Net Gains (Losses) on Derivative	Hedged Item	Income Statement Location of Net Gains (Losses) on Hedged Item	Net Gains (Losses) on Hedged Item
Interest rate		Other income	**$ 41**	Long-term debt	Other income	**$ (41)** [a]
Interest rate	Interest expense	Long-term debt	**29**			
Total			**$ 70**			**$ (41)**

	Three months ended March 31, 2014					
in millions	Income Statement Location of Net Gains (Losses) on Derivative		Net Gains (Losses) on Derivative	Hedged Item	Income Statement Location of Net Gains (Losses) on Hedged Item	Net Gains (Losses) on Hedged Item
Interest rate		Other income		Long-term debt	Other income	[a]
Interest rate	Interest expense	Long-term debt	$ 33			
Total			$ 33			

(a) Net gains (losses) on hedged items represent the change in fair value caused by fluctuations in interest rates.

Cash flow hedges. Instruments designated as cash flow hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. Initially, the effective portion of a gain or loss on a cash flow hedge is recorded as a component of AOCI on the balance sheet. This amount is subsequently reclassified into income when the hedged transaction affects earnings (e.g., when we pay variable-rate interest on debt, receive variable-rate interest on commercial loans, or sell commercial real estate loans). The ineffective portion of cash flow hedging transactions is included in other income on the income statement. During the three-month period ended March 31, 2015, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness. While there is some immaterial ineffectiveness in our hedging relationships, all of our cash flow hedges remained highly effective as of March 31, 2015.

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Considering the interest rates, yield curves, and notional amounts as of March 31, 2015, we would expect to reclassify an estimated $29 million of net losses on derivative instruments from AOCI to income during the next 12 months for our cash flow hedges. In addition, we expect to reclassify approximately $2 million of net gains related to terminated cash flow hedges from AOCI to income during the next 12 months. As of March 31, 2015, the maximum length of time over which we hedge forecasted transactions is 13 years.

Net investment hedges. We enter into foreign currency forward contracts to hedge our exposure to changes in the carrying value of our investments as a result of changes in the related foreign exchange rates. Instruments designated as net investment hedges are recorded at fair value and included in derivative assets or derivative liabilities on the balance sheet. Initially, the effective portion of a gain or loss on a net investment hedge is recorded as a component of AOCI on the balance sheet when the terms of the derivative match the notional and currency risk being hedged. The effective portion is subsequently reclassified into income when the hedged transaction affects earnings (e.g., when we dispose of or liquidate a foreign subsidiary). At March 31, 2015, AOCI reflected unrecognized after-tax gains totaling $33 million related to cumulative changes in the fair value of our net investment hedges, which offset the unrecognized after-tax foreign currency losses on net investment balances. The ineffective portion of net investment hedging transactions is included in other income on the income statement, but there was no net investment hedge ineffectiveness as of March 31, 2015. We did not exclude any portion of our hedging instruments from the assessment of hedge effectiveness during the three-month period ended March 31, 2015.

The following table summarizes the pre-tax net gains (losses) on our cash flow and net investment hedges for the three-month periods ended March 31, 2015, and March 31, 2014, and where they are recorded on the income statement. The table includes the effective portion of net gains (losses) recognized in OCI during the period, the effective portion of net gains (losses) reclassified from OCI into income during the current period, and the portion of net gains (losses) recognized directly in income, representing the amount of hedge ineffectiveness.

	Three months ended March 31, 2015				
in millions	**Net Gains (Losses) Recognized in OCI (Effective Portion)**	**Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)**	**Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)**	**Income Statement Location of Net Gains (Losses) Recognized in Income (Ineffective Portion)**	**Net Gains (Losses) Recognized in Income (Ineffective Portion)**
Cash Flow Hedges					
Interest rate	$ 54	Interest income Loans	$ 22	Other income	
Interest rate	(2)	Interest expense Long-term debt	(1)	Other income	
Interest rate	(4)	Investment banking and debt placement fees		Other income	
Net Investment Hedges					
Foreign exchange contracts	24	Other Income		Other income	
Total	**$ 72**		**$ 21**		

Three months ended March 31, 2014

in millions	**Net Gains (Losses) Recognized in OCI (Effective Portion)**	**Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)**	**Net Gains (Losses) Reclassified From OCI Into Income (Effective Portion)**	**Income Statement Location of Net Gains (Losses) Recognized in Income (Ineffective Portion)**	**Net Gains (Losses) Recognized in Income (Ineffective Portion)**
Cash Flow Hedges					
Interest rate	$ 9	Interest income Loans	$ 15	Other income	
Interest rate	(2)	Interest expense Long-term debt	(1)	Other income	
Interest rate		Investment banking and debt placement fees		Other income	
Net Investment Hedges					
Foreign exchange contracts	5	Other Income		Other income	
Total	$ 12		$ 14		

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

in millions	**December 31, 2014**	**2015 Hedging Activity**	**Reclassification of Gains to Net Income**	**March 31, 2015**
AOCI resulting from cash flow and net investment hedges	**$ (8)**	**$ 45**	**$ (13)**	**$ 24**

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

The following table summarizes the pre-tax net gains (losses) on our derivatives that are not designated as hedging instruments for the three-month periods ended March 31, 2015, and March 31, 2014, and where they are recorded on the income statement.

	Three months ended March 31, 2015			**Three months ended March 31, 2014**		
in millions	**Corporate Services Income**	**Other Income**	**Total**	**Corporate Services Income**	**Other Income**	**Total**
NET GAINS (LOSSES)						
Interest rate	**$ 4**		**$ 4**	$ 4		$ 4
Foreign exchange	**8**		**8**	9		9
Commodity	**2**		**2**	1		1
Credit		**$ (4)**	**(4)**		$ (3)	(3)
Total net gains (losses)	**$ 14**	**$ (4)**	**$ 10**	$ 14	$ (3)	$ 11

Counterparty Credit Risk

Like other financial instruments, derivatives contain an element of credit risk. This risk is measured as the expected positive replacement value of the contracts. We use several means to mitigate and manage exposure to credit risk on derivative contracts. We generally enter into bilateral collateral and master netting agreements that provide for the net settlement of all contracts with a single counterparty in the event of default. Additionally, we monitor counterparty credit risk exposure on each contract to determine appropriate limits on our total credit exposure across all product types. We review our collateral positions on a daily basis and exchange collateral with our counterparties in accordance with standard ISDA documentation, central clearing rules, and other related agreements. We generally hold collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or GNMA. The cash collateral netted against derivative assets on the balance sheet totaled $514 million at March 31, 2015, $518 million at December 31, 2014, and $270 million at March 31, 2014. The cash collateral netted against derivative liabilities totaled $31 million at March 31, 2015, $26 million at December 31, 2014, and $5 million at March 31, 2014. The relevant agreements that allow us to access the central clearing organizations to clear derivative transactions are not considered to be qualified master netting agreements. Therefore, we cannot net derivative contracts or offset those contracts with related cash collateral with these counterparties. At March 31, 2015, we posted $68 million of cash collateral with clearing organizations and held $7 million of cash collateral from clearing organizations. This additional cash collateral is included in "accrued income and other assets" and "accrued expense and other liabilities" on the balance sheet.

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

	March 31,	**December 31,**	**March 31,**

in millions	**2015**	2014	2014
Largest gross exposure (derivative asset) to an individual counterparty	**$ 122**	$ 133	$ 118
Collateral posted by this counterparty	**91**	100	43
Derivative liability with this counterparty	**28**	31	108
Collateral pledged to this counterparty			40
Net exposure after netting adjustments and collateral	**3**	2	7

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

in millions	**March 31, 2015**	December 31, 2014	March 31, 2014
Interest rate	**$ 755**	$ 607	$ 606
Foreign exchange	**58**	41	20
Commodity	**431**	478	72
Credit	**1**	1	(1)
Derivative assets before collateral	**1,245**	1,127	697
Less: Related collateral	**514**	518	270
Total derivative assets	**$ 731**	$ 609	$ 427

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

We enter into transactions with broker-dealers and banks for various risk management purposes. These types of transactions generally are high dollar volume. We generally enter into bilateral collateral and master netting agreements with these counterparties. We began clearing certain types of derivative transactions with these counterparties in June 2013, whereby the central clearing organizations become our counterparties subsequent to novation of the original derivative contracts. In addition, we began entering into derivative contracts through swap execution facilities during the quarter ended March 31, 2014. The swap clearing and swap trade execution requirements were mandated by the Dodd-Frank Act for the purpose of reducing counterparty credit risk and increasing transparency in the derivative market. At March 31, 2015, we had gross exposure of $946 million to broker-dealers and banks. We had net exposure of $243 million after the application of master netting agreements and cash collateral, where such qualifying agreements exist. We had net exposure of $74 million after considering $169 million of additional collateral held in the form of securities.

We enter into transactions with clients to accommodate their business needs. These types of transactions generally are low dollar volume. We generally enter into master netting agreements with these counterparties. In addition, we mitigate our overall portfolio exposure and market risk by buying and selling U.S. Treasuries and Eurodollar futures, and entering into offsetting positions and other derivative contracts, sometimes with entities other than broker-dealers and banks. Due to the smaller size and magnitude of the individual contracts with clients, we generally do not exchange collateral in connection with these derivative transactions. To address the risk of default associated with the uncollateralized contracts, we have established a credit valuation adjustment (included in derivative assets) in the amount of $8 million at March 31, 2015, which we estimate to be the potential future losses on amounts due from client counterparties in the event of default. At December 31, 2014, the credit valuation adjustment was $9 million. For the derivative counterparties that are not broker-dealers, banks, or clients, we generally exchange collateral. At March 31, 2015, we had gross exposure of $550 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 $488 million on our derivatives with these counterparties after the application of master netting agreements, collateral, and the related reserve. In addition, the derivatives for one counterparty were guaranteed by a third party with a letter of credit totaling $35 million.

Credit Derivatives

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

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

	March 31, 2015			December 31, 2014			March 31, 2014		
in millions	**Purchased**	**Sold**	**Net**	**Purchased**	**Sold**	**Net**	**Purchased**	**Sold**	**Net**
Single-name credit default swaps	**$ (3)**		**$ (3)**	$ (3)		$ (3)	$ (6)		$ (6)
Traded credit default swap indices	**1**		**1**	1		1	(2)		(2)
Other	**1**	**$ (1)**							
Total credit derivatives	**$ (1)**	**$ (1)**	**$ (2)**	$ (2)		$ (2)	$ (8)		$ (8)

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

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

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

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

	March 31, 2015			December 31, 2014			March 31, 2014		
dollars in millions	Notional Amount	Average Term (Years)	Payment / Performance Risk	Notional Amount	Average Term (Years)	Payment / Performance Risk	Notional Amount	Average Term (Years)	Payment / Performance Risk
Single-name credit default swaps	**$ 5**	**.47**	**.87%**	$ 5	.72	.87%	$ 55	.52	22.28%
Other	**8**	**3.04**	**9.39**	6	2.89	9.58	13	4.80	8.23
Total credit derivatives sold	**$ 13**			$ 11			$ 68		

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

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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, 2015, KeyBank s ratings were A3 with Moody s and A- with S&P, and KeyCorp s ratings were Baa1 with Moody s and BBB+ with S&P. As of Marc 2015, the aggregate fair value of all derivative contracts with credit risk contingent features (i.e., those containing collateral posting or termination provisions based on our ratings) held by KeyBank that were in a net liability position totaled $292 million, which includes $276 million in derivative assets and $568 million in derivative liabilities. We had $259 million in cash and securities collateral posted to cover those positions as of March 31, 2015. The aggregate fair value of all derivative contracts with credit risk contingent features held by KeyCorp as of March 31, 2015, that were in a net liability position totaled $9 million, which consists solely of derivative liabilities. We had $9 million in collateral posted to cover those positions as of March 31, 2015.

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

	March 31, 2015		**December 31, 2014**		**March 31, 2014**	
in millions	**Moody s**	**S&P**	**Moody s**	**S&P**	**Moody s**	**S&P**
KeyBank s long-term senior unsecured credit ratings	**A3**	**A-**	A3	A-	A3	A-
One rating downgrade	**$ 4**	**$ 4**	$ 1	$ 1	$ 6	$ 6
Two rating downgrades	**4**	**4**	1	1	11	11
Three rating downgrades	**6**	**6**	3	3	11	11

KeyBank s long-term senior unsecured credit rating is currently four ratings above noninvestment grade at Moody s and S&P. If KeyBank s ratings had been downgraded below investment grade as of March 31, 2015, payments of up to $8 million would have been required to either terminate the contracts or post additional collateral for those contracts in a net liability position, taking into account all collateral already posted. If KeyCorp s ratings had been downgraded below investment grade as of March 31, 2015, payments of less than $1 million would have been required to either terminate the contracts or post additional collateral for those contracts in a net liability position, taking into account all collateral already posted.

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8. Mortgage Servicing Assets

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Balance at beginning of period	**$ 323**	$ 332
Servicing retained from loan sales	**10**	6
Purchases	**15**	7
Amortization	**(24)**	(25)
Balance at end of period	**$ 324**	$ 320
Fair value at end of period	**$ 423**	$ 373

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, 2015, and March 31, 2014, along with the valuation techniques, are shown in the following table:

March 31, 2015 *dollars in millions*	**Valuation Technique**	**Significant Unobservable Input**	**Range (Weighted-Average)**
Mortgage servicing assets	Discounted cash flow	Prepayment speed	1.60 - 13.10% (4.80%)
		Expected defaults	1.00 - 3.00% (1.80%)
		Residual cash flows discount rate	7.00 - 15.00% (7.80%)
		Escrow earn rate	0.70 - 3.10% (1.90%)
		Servicing cost	$150 - $2,735 ($1,059)
		Loan assumption rate	0.20 - 3.00% (1.43%)
		Percentage late	0.00 - 2.00% (0.33%)

March 31, 2014 *dollars in millions*	**Valuation Technique**	**Significant Unobservable Input**	**Range (Weighted-Average)**
Mortgage servicing assets	Discounted cash flow	Prepayment speed	1.90 - 11.30% (4.90%)
		Expected defaults	1.00 - 3.00% (2.00%)
		Residual cash flows discount rate	7.00 - 14.00% (7.80%)

Escrow earn rate	0.40 - 3.10% (1.80%)
Servicing cost	$150 - $2,600 ($963)
Loan assumption rate	0.20 - 3.00% (1.58%)
Percentage late	0.00 - 2.00% (0.33%)

If these economic assumptions change or prove incorrect, the fair value of mortgage servicing assets may also change. The volume of loans serviced, expected credit losses, and the value assigned to escrow deposits are critical to the valuation of servicing assets. At March 31, 2015, a 1.00% decrease in the value assigned to the escrow deposits would cause a $54 million decrease in the fair value of our mortgage servicing assets. An increase in the assumed default rate of commercial mortgage loans of 1.00% would cause a $7 million decrease in the fair value of our mortgage servicing assets.

Contractual fee income from servicing commercial mortgage loans totaled $13 million for the three-month period ended March 31, 2015, and $15 million for the three-month period ended March 31, 2014. We have elected to account for servicing assets using the amortization method. The amortization of servicing assets is determined in proportion to, and over the period of, the estimated net servicing income. The amortization of servicing assets for each period, as shown in the table at the beginning of this note, is recorded as a reduction to fee income. Both the contractual fee income and the amortization are recorded in mortgage servicing fees on the income statement.

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

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9. Variable Interest Entities

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

- The entity does not have sufficient equity to conduct its activities without additional subordinated financial support from another party.
- The entity s investors lack the power to direct the activities that most significantly impact the entity s economic performance.
- The entity s equity at risk holders do not have the obligation to absorb losses or the right to receive residual returns.
- The voting rights of some investors are not proportional to their economic interests in the entity, and substantially all of the entity s activities involve, or are conducted on behalf of, investors with disproportionately few voting rights.

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

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

	Consolidated VIEs		Unconsolidated VIEs		
in millions	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Maximum Exposure to Loss
March 31, 2015					
LIHTC funds	**$ 1**	**$ 2**	**$ 55**		
LIHTC investments	**N/A**	**N/A**	**1,355**	**$ 4**	**$ 509**
December 31, 2014					
LIHTC funds	$ 1	$ 1	$ 55		
LIHTC investments	N/A	N/A	1,234	$ 4	$ 521
March 31, 2014					
LIHTC funds	$ 15	$ 15	$ 97		
Education loan securitization trusts	1,912	1,816	N/A	N/A	N/A
LIHTC investments	N/A	N/A	1,595	$ 5	$ 492

Our involvement with VIEs is described below.

Consolidated VIEs

LIHTC guaranteed funds. KAHC formed limited partnership funds that invested in LIHTC operating partnerships. Interests in these funds were offered in syndication to qualified investors who paid a fee to KAHC for a guaranteed return. We also earned syndication fees from the guaranteed funds and continue to earn asset management fees. The guaranteed funds assets, primarily investments in LIHTC operating partnerships, totaled less than $1 million at March 31, 2015, $5 million at December 31, 2014, and $12 million at March 31, 2014. These investments are recorded in accrued income and other assets on the balance sheet and serve as collateral for the guaranteed funds limited obligations.

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

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In accordance with the applicable accounting guidance for distinguishing liabilities from equity, third-party interests associated with our LIHTC guaranteed funds are considered mandatorily redeemable instruments and are recorded in accrued expense and other liabilities on the balance sheet. However, the FASB has indefinitely deferred the measurement and recognition provisions of this accounting guidance for mandatorily redeemable third-party interests associated with finite-lived subsidiaries, such as our LIHTC guaranteed funds. We adjust our financial statements each period for the third-party investors share of the guaranteed funds profits and losses. At March 31, 2015, we estimated the settlement value of these third-party interests to be between zero and $4 million, while the recorded value, including reserves, totaled $5 million. The partnership agreement for each of our guaranteed funds requires the fund to be dissolved by a certain date.

Unconsolidated VIEs

LIHTC nonguaranteed funds. Although we hold interests in certain nonguaranteed funds that we formed and funded, we have determined that we are not the primary beneficiary because we do not absorb the majority of the funds expected losses and do not have the power to direct activities that most significantly influence the economic performance of these entities. Assets of these unconsolidated nonguaranteed funds totaled $55 million at March 31, 2015, and December 31, 2014, and $97 million at March 31, 2014. Our maximum exposure to loss in connection with these funds is minimal, and we do not have any liability recorded related to the funds. We have not formed nonguaranteed funds since October 2003.

LIHTC investments. Through Key Community Bank, we have made investments directly in LIHTC operating partnerships formed by third parties. As a limited partner in these operating partnerships, we are allocated tax credits and deductions associated with the underlying properties. We have determined that we are not the primary beneficiary of these investments because the general partners have the power to direct the activities that most significantly influence the economic performance of their respective partnerships and have the obligation to absorb expected losses and the right to receive benefits. Assets of these unconsolidated LIHTC operating partnerships totaled approximately $885 million at March 31, 2015, $764 million at December 31, 2014, and $826 million at March 31, 2014. At March 31, 2015, our maximum exposure to loss in connection with these partnerships is the unamortized investment balance of $397 million plus $108 million of tax credits claimed but subject to recapture and $4 million of tax credits with a return guarantee agreement with LIHTC investors. We do not have any liability recorded related to these investments because we believe the likelihood of any loss is remote. We have not obtained any significant direct investments (either individually or in the aggregate) in LIHTC operating partnerships since September 2003.

We have additional investments in unconsolidated LIHTC operating partnerships that are held by the consolidated LIHTC guaranteed funds. Total assets of these operating partnerships were approximately $470 million at March 31, 2015, and December 31, 2014, and $769 million at March 31, 2014. The tax credits and deductions associated with these properties are allocated to the funds investors based on their ownership percentages. We have determined that we are not the primary beneficiary of these partnerships because the general partners have the power to direct the activities that most significantly impact their economic performance, and the obligation to absorb expected losses and right to receive residual returns. Information regarding our exposure to loss in connection with these guaranteed funds is included in Note 15 under the heading Return guarantee agreement with LIHTC investors.

We amortize these investments over the period that we expect to receive the tax benefits. During the first three months of 2015, we recognized $25 million of amortization and $28 million of tax credits associated with these investments within income taxes on our Consolidated Statements of Income. During the first three months of 2014, we recognized $24 million of amortization and $27 million of tax credits associated with these investments within income taxes on our Consolidated Statements of Income. At March 31, 2015, and March 31, 2014, we had $1 billion and $960 million of investments in LIHTC, respectively. These investments are reflected in accrued income and other assets on our

Consolidated Balance Sheets.

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

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10. Income Taxes

Income Tax Provision

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

The effective tax rate, which is the provision for income taxes as a percentage of income from continuing operations before income taxes, was 24.4% for the first quarter of 2015 and 27.8% for the first quarter of 2014. The effective tax rates are below our combined federal and state statutory tax rate of 37.2% primarily due to income from investments in tax-advantaged assets such as corporate-owned life insurance and credits associated with investments in low-income housing projects. In addition, during the first quarter of 2015, our effective tax rate was reduced by additional federal tax credit refunds filed for prior years.

Deferred Tax Asset

At March 31, 2015, from continuing operations, we had a net federal deferred tax asset of $88 million and a net state deferred tax asset of $13 million compared to a net federal deferred tax asset of $174 million and a net state deferred tax asset of $20 million at December 31, 2014, and a net federal deferred tax asset of $148 million and a net state deferred tax asset of $4 million at March 31, 2014, included in accrued income and other assets on the balance sheet. To determine the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded, we conduct a quarterly assessment of all available evidence. This evidence includes, but is not limited to, taxable income in prior periods, projected future taxable income, and projected future reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo change. Based on these criteria, we had a valuation allowance of less than $1 million at March 31, 2015, and at December 31, 2014, and $1 million at March 31, 2014, associated with certain state net operating loss carryforwards and state credit carryforwards.

Unrecognized Tax Benefits

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

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

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11. Acquisitions and Discontinued Operations

Acquisitions

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

Discontinued operations

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

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

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

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

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

in millions	Three months ended March 31, 2015	2014
Net interest income	**$ 10**	$ 23
Provision for credit losses	**2**	4
Net interest income after provision for credit losses	**8**	19
Noninterest income	**4**	(14)
Noninterest expense	**4**	6
Income (loss) before income taxes	**8**	(1)
Income taxes	**3**	
Income (loss) from discontinued operations, net of taxes [a]	**$ 5**	$ (1)

(a) Includes after-tax charges of $6 million and $9 million for the three-month periods ended March 31, 2015, and March 31, 2014, respectively, determined by applying a matched funds transfer pricing methodology to the liabilities assumed necessary to support the discontinued operations.

The discontinued assets and liabilities of our education lending business included on the balance sheet are as follows:

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Held-to-maturity securities	**$ 1**	$ 1	
Trust loans at fair value			$ 1,893
Portfolio loans at fair value	**187**	191	143
Loans, net of unearned income [(a)]	**2,032**	2,104	2,318
Less: Allowance for loan and lease losses	**25**	29	34
Net loans	**2,194**	2,266	4,320
Trust accrued income and other assets at fair value			19
Accrued income and other assets	**36**	38	41
Total assets	**$ 2,231**	$ 2,305	$ 4,380
Trust accrued expense and other liabilities at fair value			$ 20
Trust securities at fair value			1,796
Total liabilities			$ 1,816

(a) At March 31, 2015, December 31, 2014, and March 31, 2014, unearned income was less than $1 million.
The discontinued education lending business consists of loans in portfolio (recorded at fair value) and loans in portfolio (recorded at carrying value with appropriate valuation reserves). The assets and liabilities in the securitization trusts (recorded at fair value) were removed with the deconsolidation of the securitization trusts on September 30, 2014.

At March 31, 2015, education loans include 1,604 TDRs with a recorded investment of approximately $18 million (pre-modification and post-modification). A specifically allocated allowance of $1 million was assigned to these loans as of March 31, 2015. There have been no significant payment defaults. There are no significant commitments outstanding to lend additional funds to these borrowers. Additional information regarding TDR classification and ALLL methodology is provided in Note 4 (Asset Quality).

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

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

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

At March 31, 2015, there were $186 million of loans that were previously purchased from three of the outstanding securitizations trusts pursuant to the legal terms of these particular trusts. These loans are held as portfolio loans and continue to be accounted for at fair value. These portfolio loans were valued using an internal discounted cash flow model, which was affected by assumptions for defaults, loss severity, discount rates, and prepayments. These portfolio loans are considered Level 3 assets since we rely on unobservable inputs when determining fair value. Our valuation process for these loans as well as the trust loans and securities is discussed in more detail below. Portfolio loans accounted for at fair value had a value of $187 million at March 31, 2015, $191 million at December 31, 2014, and $143 million at March 31, 2014.

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

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

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

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

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

A similar discounted cash flow approach to that described above was used on a quarterly basis by Corporate Treasury to determine the fair value of the trust securities. In valuing these securities, the discount rates used were provided by a third-party valuation consultant. These discount rates were based primarily on secondary market spread indices for similar student loans and asset-backed securities and were developed by the consultant using market-based data. On a quarterly basis, the Working Group reviewed the discount rate inputs used in the valuation process for reasonableness.

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

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The following table shows the significant unobservable inputs used to measure the fair value of the education loan securitization trust loans and securities and the portfolio loans accounted for at fair value as of March 31, 2015, December 31, 2014, and March 31, 2014:

March 31, 2015

dollars in millions	Fair Value of Level 3 Assets and Liabilities	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
Portfolio loans accounted for at fair value	$ 187	Discounted cash flow	Prepayment speed	5.40 - 10.20% (7.04%)
			Loss severity	2.00 - 77.00% (27.66%)
			Discount rate	3.70 - 3.80% (3.71%)
			Default rate	1.40 - 1.70% (1.60%)

December 31, 2014

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

March 31, 2014

dollars in millions	Fair Value of Level 3 Assets and Liabilities	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
Trust loans and portfolio loans accounted for at fair value	$ 2,036	Discounted cash flow	Prepayment speed	4.00 - 13.50% (6.62%)
			Loss severity	2.00 - 79.50% (53.89%)
			Discount rate	2.40 - 10.50% (3.51%)
			Default rate	8.05 - 23.87% (18.65%)
Trust securities	1,796	Discounted cash flow	Discount rate	1.60 - 3.50% (2.55%)

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

	March 31, 2015	December 31, 2014	March 31, 2014

in millions	**Principal**	**Fair Value**	**Principal**	**Fair Value**	**Principal**	**Fair Value**
Trust loans at fair value						
Accruing loans past due 90 days or more					$ 25	$ 25
Loans placed on nonaccrual status					10	10
Portfolio loans at fair value						
Accruing loans past due 90 days or more	**$ 5**	**$ 5**	$ 5	$ 5	$ 7	$ 7
Loans placed on nonaccrual status						
Portfolio loans at carrying value						
Accruing loans past due 90 days or more	**$ 27**	**N/A**	$ 29	N/A	$ 32	N/A
Loans placed on nonaccrual status	**8**	**N/A**	11	N/A	8	N/A

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The following table shows the consolidated trusts assets and liabilities at fair value and the portfolio loans at fair value and their related contractual values as of March 31, 2015, December 31, 2014, and March 31, 2014.

	March 31, 2015		December 31, 2014		March 31, 2014	
in millions	**Contractual Amount**	**Fair Value**	**Contractual Amount**	**Fair Value**	**Contractual Amount**	**Fair Value**
ASSETS						
Portfolio loans	**$ 186**	**$ 187**	$ 192	$ 191	$ 136	$ 143
Trust loans					1,889	1,893
Trust other assets					19	19
LIABILITIES						
Trust securities					$ 1,904	$ 1,796
Trust other liabilities					20	20

The following tables present the assets and liabilities of the consolidated education loan securitization trusts measured at fair value as well as the portfolio loans that are measured at fair value on a recurring basis at March 31, 2015, December 31, 2014, and March 31, 2014.

March 31, 2015

in millions	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Portfolio loans			**$ 187**	**$ 187**
Total assets on a recurring basis at fair value			**$ 187**	**$ 187**

December 31, 2014

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

March 31, 2014

in millions	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS				
Portfolio loans			$ 143	$ 143
Trust loans			1,893	1,893
Trust other assets			19	19

Total assets on a recurring basis at fair value	$ 2,055	$ 2,055
LIABILITIES MEASURED ON A RECURRING BASIS		
Trust securities	$ 1,796	$ 1,796
Trust other liabilities	20	20
Total liabilities on a recurring basis at fair value	$ 1,816	$ 1,816

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The following table shows the change in the fair values of the Level 3 consolidated education loan securitization trusts and portfolio loans for the three-month periods ended March 31, 2015, and March 31, 2014.

in millions	Portfolio Student Loans	Trust Student Loans	Trust Other Assets	Trust Securities	Trust Other Liabilities
Balance at December 31, 2014	$ 191				
Gains (losses) recognized in earnings [a]	**3**				
Purchases					
Sales					
Settlements	**(7)**				
Balance at March 31, 2015 [b]	**$ 187**				
Balance at December 31, 2013	$ 147	$ 1,960	$ 20	$ 1,834	$ 20
Gains (losses) recognized in earnings [a]		2		16	
Purchases					
Sales					
Settlements	(4)	(69)	(1)	(54)	
Balance at March 31, 2014 [b]	$ 143	$ 1,893	$ 19	$ 1,796	$ 20

(a) Gains (losses) were driven primarily by fair value adjustments.
(b) There were no issuances, transfers into Level 3, or transfers out of Level 3 for the three-month periods ended March 31, 2015, and March 31, 2014.

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

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

	Three months ended March 31,	
in millions	2015	2014
Net interest income		$ 1
Noninterest income		10
Noninterest expense		
Income (loss) before income taxes		11
Income taxes		4

Income (loss) from discontinued operations, net of taxes	$	7

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

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Seller note [(a)]			$ 28
Total assets			$ 28
Accrued expense and other liabilities			
Total liabilities			

(a) At March 31, 2014, the only remaining asset of Victory was the Seller note. The Seller note was paid off during the fourth quarter of 2014.

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

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Noninterest expense		$ 4
Income (loss) before income taxes		(4)
Income taxes		(2)
Income (loss) from discontinued operations, net of taxes		$ (2)

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

in millions	**March 31, 2015**	**December 31, 2014**	**March 31, 2014**
Cash and due from banks	**$ 15**	$ 19	$ 19
Total assets	**$ 15**	$ 19	$ 19
Accrued expense and other liabilities		$ 3	$ 3
Total liabilities		$ 3	$ 3

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

in millions	Three months ended March 31, 2015	2014
Net interest income	**$ 10**	$ 24
Provision for credit losses	**2**	4
Net interest income after provision for credit losses	**8**	20
Noninterest income	**4**	(4)
Noninterest expense	**4**	10
Income (loss) before income taxes	**8**	6
Income taxes	**3**	2
Income (loss) from discontinued operations, net of taxes [(a)]	**$ 5**	$ 4

(a) Includes after-tax charges of $6 million and $9 million for the three-month periods ended March 31, 2015, and March 31, 2014, respectively, determined by applying a matched funds transfer pricing methodology to the liabilities assumed necessary to support the discontinued operations.

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

in millions	March 31, 2015	December 31, 2014	March 31, 2014
Cash and due from banks	**$ 15**	$ 19	$ 19
Held-to-maturity securities	**1**	1	
Seller note			28
Trust loans at fair value			1,893
Portfolio loans at fair value	**187**	191	143
Loans, net of unearned income [(a)]	**2,032**	2,104	2,318
Less: Allowance for loan and lease losses	**25**	29	34
Net loans	**2,194**	2,266	4,320
Trust accrued income and other assets at fair value			19
Accrued income and other assets	**36**	38	41
Total assets	**$ 2,246**	$ 2,324	$ 4,427
Trust accrued expense and other liabilities at fair value			$ 20
Accrued expense and other liabilities		$ 3	3
Trust securities at fair value			1,796

Total liabilities	$ 3	$ 1,819

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

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12. Securities Financing Activities

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

During the third quarter of 2014, our broker-dealer subsidiary, KeyBanc Capital Markets, Inc. (KBCM), moved from a self-clearing organization to using a third-party organization for clearing purposes. In connection with this change, KBCM became an introducing broker-dealer, whereby it no longer needs to fund its business operations by entering into repurchase, reverse repurchase, or securities borrowed agreements. KBCM had no securities financing agreements outstanding at March 31, 2015.

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

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in millions	March 31, 2015 Gross Amount Presented in Balance Sheet	Netting Adjustments [a]	Collateral [b]	Net Amounts
Offsetting of financial assets:				
Reverse repurchase agreements	**$ 2**	**$ (2)**		
Securities borrowed				
Total	**$ 2**	**$ (2)**		
Offsetting of financial liabilities:				
Repurchase agreements	**$ 4**	**$ (2)**	**$ (2)**	
Total	**$ 4**	**$ (2)**	**$ (2)**	

in millions	December 31, 2014 Gross Amount Presented in Balance Sheet	Netting Adjustments [a]	Collateral [b]	Net Amounts
Offsetting of financial assets:				
Reverse repurchase agreements	$ 3	$ (1)	$ (2)	
Securities borrowed				
Total	$ 3	$ (1)	$ (2)	
Offsetting of financial liabilities:				
Repurchase agreements	$ 1	$ (1)		
Total	$ 1	$ (1)		

in millions	March 31, 2014 Gross Amount Presented in Balance Sheet	Netting Adjustments [a]	Collateral [b]	Net Amounts
Offsetting of financial assets:				
Reverse repurchase agreements	$ 442	$ (306)	$ (126)	$ 10
Securities borrowed	3		(3)	

Total	$ 445	$ (306)	$ (129)	$ 10
Offsetting of financial liabilities:				
Repurchase agreements	$ 568	$ (306)	$ (262)	
Total	$ 568	$ (306)	$ (262)	

(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.

Like other financing transactions, securities financing agreements contain an element of credit risk. To mitigate and manage credit risk exposure, we generally enter into master netting agreements and other collateral arrangements that give us the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. Additionally, we establish and monitor limits on our counterparty credit risk exposure by product type. For the reverse repurchase agreements, we monitor the value of the underlying securities we have received from counterparties and either request additional collateral or return a portion of the collateral based on the value of those securities. We generally hold collateral in the form of highly rated securities issued by the U.S. Treasury and fixed income securities. In addition, we may need to provide collateral to counterparties under our repurchase agreements and securities borrowed transactions. In general, the collateral we pledge and receive can be sold or repledged by the secured parties.

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13. Employee Benefits

Pension Plans

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

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Interest cost on PBO	**$ 10**	$ 12
Expected return on plan assets	**(14)**	(17)
Amortization of losses	**4**	4
Net pension cost (benefit)		$ (1)

Other Postretirement Benefit Plans

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

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

	Three months ended March 31,	
in millions	**2015**	**2014**
Interest cost on APBO	**$ 1**	$ 1
Expected return on plan assets	**(1)**	(1)
Net postretirement benefit cost		

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14. Trust Preferred Securities Issued by Unconsolidated Subsidiaries

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

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

- required distributions on the trust preferred securities;
- the redemption price when a capital security is redeemed; and
- the amounts due if a trust is liquidated or terminated.

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

As of March 31, 2015, the trust preferred securities issued by the KeyCorp capital trusts represent $85 million, or .9%, of our total qualifying Tier 1 capital, net of goodwill.

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, 2015					
KeyCorp Capital I	**$ 156**	**$ 6**	**$ 162**	**.995%**	**2028**
KeyCorp Capital II	**112**	**4**	**116**	**6.875**	**2029**
KeyCorp Capital III	**146**	**4**	**150**	**7.750**	**2029**
Total	**$ 414**	**$ 14**	**$ 428**	**4.968%**	
December 31, 2014	$ 408	$ 14	$ 422	4.926%	
March 31, 2014	$ 391	$ 14	$ 405	4.823%	

(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 $74 million at March 31, 2015, $68 million at December 31, 2014, and $51 million at March 31, 2014. See Note 7 (Derivatives and Hedging Activities) for an explanation of fair value hedges.

(b) We have the right to redeem these debentures. If the debentures purchased by KeyCorp Capital I are redeemed before they mature, the redemption price will be the principal amount, plus any accrued but unpaid interest. If the debentures purchased by KeyCorp Capital II or KeyCorp Capital III are redeemed before they mature, the redemption price will be the greater of: (i) the principal amount, plus any accrued but unpaid interest, or (ii) the sum of the present values of principal and interest payments discounted at the Treasury Rate (as defined in the applicable indenture), plus 20 basis points for KeyCorp Capital II or 25 basis points for KeyCorp Capital III or 50 basis points in the case of redemption upon either a tax or a capital treatment event for either KeyCorp Capital II or KeyCorp Capital III, plus any accrued but unpaid interest. The principal amount of certain debentures includes basis adjustments related to fair value hedges totaling $74 million at March 31, 2015, $68 million at December 31, 2014, and $51 million at March 31, 2014. See Note 7 for an explanation of fair value hedges. The principal amount of debentures, net of discounts, is included in long-term debt on the balance sheet.

(c) The interest rates for the trust preferred securities issued by KeyCorp Capital II and KeyCorp Capital III are fixed. KeyCorp Capital I has a floating interest rate, equal to three-month LIBOR plus 74 basis points, that reprices quarterly. The total interest rates are weighted-average rates.

15. Contingent Liabilities and Guarantees

Legal Proceedings

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

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

Guarantees

We are a guarantor in various agreements with third parties. The following table shows the types of guarantees that we had outstanding at March 31, 2015. Information pertaining to the basis for determining the liabilities recorded in connection with these guarantees is included in Note 1 (Summary of Significant Accounting Policies) under the heading Guarantees beginning on page 124 of our 2014 Form 10-K.

March 31, 2015 *in millions*	**Maximum Potential Undiscounted Future Payments**	**Liability Recorded**
Financial guarantees:		
Standby letters of credit	$ 11,426	$ 64
Recourse agreement with FNMA	1,547	4
Return guarantee agreement with LIHTC investors	4	4
Written put options [(a)]	2,139	128
Total	$ 15,116	$ 200

(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 (0-30% probability of payment), moderate (31-70% probability of payment), or high (71-100% 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, 2015, is low.

Standby letters of credit. KeyBank issues standby letters of credit to address clients financing needs. These instruments obligate us to pay a specified third party when a client fails to repay an outstanding loan or debt instrument or fails to perform some contractual nonfinancial obligation. Any amounts drawn under standby letters of credit are treated as loans to the client; they bear interest (generally at variable rates) and pose the same credit risk to us as a loan. At March 31, 2015, our standby letters of credit had a remaining weighted-average life of 3 years, with remaining actual lives ranging from less than one year to as many as 12 years.

Recourse agreement with FNMA. We participate as a lender in the FNMA Delegated Underwriting and Servicing program. FNMA delegates responsibility for originating, underwriting, and servicing mortgages, and we assume a limited portion of the risk of loss during the remaining term on each commercial mortgage loan that we sell to FNMA. We maintain a reserve for such potential losses in an amount that we believe approximates the fair value of our liability. At March 31, 2015, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 7.5 years, and the unpaid principal balance outstanding of loans sold by us as a participant was $5.1 billion. As shown in the preceding table, the maximum potential amount of undiscounted future payments that we could be required to make under this program is equal to approximately one-third of the principal balance of loans outstanding at March 31, 2015. If we are required to make a payment, we would have an interest in the collateral underlying the related commercial mortgage loan; any loss we incur could be offset by the amount of any recovery from the collateral.

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

As shown in the previous table, KAHC maintained a reserve in the amount of $4 million at March 31, 2015, which is sufficient to cover estimated future obligations under the guarantees. The maximum exposure to loss reflected in the table represents undiscounted future payments due to investors for the return on and of their investments.

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

Written put options. In the ordinary course of business, we write put options for clients that wish to mitigate their exposure to changes in interest rates and commodity prices. At March 31, 2015, our written put options had an average life of 2 years. These instruments are considered to be guarantees, as we are required to make payments to the counterparty (the client) based on changes in an underlying variable that is related to an asset, a liability, or an equity security that the client holds. We are obligated to pay the client if the applicable benchmark interest rate or commodity price is above or below a specified level (known as the strike rate). These written put options are accounted for as derivatives at fair value, as further discussed in Note 7 (Derivatives and Hedging Activities). We mitigate our potential future payment obligations by entering into offsetting positions with third parties.

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

Default guarantees. Some lines of business participate in guarantees that obligate us to perform if the debtor (typically a client) fails to satisfy all of its payment obligations to third parties. We generally undertake these guarantees for one of two possible reasons: (i) either the risk profile of the debtor should provide an investment return, or (ii) we are supporting our underlying investment in the debtor. We do not hold collateral for the default guarantees. If we were required to make a payment under a guarantee, we would receive a pro rata share should the third party collect some or all of the amounts due from the debtor. At March 31, 2015, we did not have any default guarantees.

Other Off-Balance Sheet Risk

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

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

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

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16. Accumulated Other Comprehensive Income

Our changes in AOCI for the three months ended March 31, 2015, and March 31, 2014, are as follows:

in millions	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative financial instruments	Foreign currency translation adjustment	Net pension and postretirement benefit costs	Total
Balance at December 31, 2014	$ (4)	$ (8)	$ 22	$ (366)	$ (356)
Other comprehensive income before reclassification, net of income taxes	**55**	**45**	**(13)**		**87**
Amounts reclassified from accumulated other comprehensive income, net of income taxes [(a)]		**(13)**		**3**	**(10)**
Net current-period other comprehensive income, net of income taxes	**55**	**32**	**(13)**	**3**	**77**
Balance at March 31, 2015	**$ 51**	**$ 24**	**$ 9**	**$ (363)**	**$ (279)**
Balance at December 31, 2013	$ (63)	$ (11)	$ 42	$ (320)	$ (352)
Other comprehensive income before reclassification, net of income taxes	29	7			36
Amounts reclassified from accumulated other comprehensive income, net of income taxes [(a)]		(8)	(2)	2	(8)
Net current-period other comprehensive income, net of income taxes	29	(1)	(2)	2	28
Balance at March 31, 2014	$ (34)	$ (12)	$ 40	$ (318)	$ (324)

(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, 2015, and March 31, 2014, are as follows:

Three months ended March 31, 2015 *in millions*		**Amount Reclassified from Accumulated Other Comprehensive Income**	**Affected Line Item in the Statement Where Net Income is Presented**
Unrealized gains (losses) on derivative financial instruments			
Interest rate	**$**	**22**	Interest income Loans
Interest rate		**(1)**	Interest expense Long term debt
		21	Income (loss) from continuing operations before income taxes
		8	Income taxes
	$	**13**	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	**$**	**(4)**	Personnel expense
		(4)	Income (loss) from continuing operations before income taxes
		(1)	Income taxes
	$	**(3)**	Income (loss) from continuing operations

Three months ended March 31, 2014 *in millions*		**Amount Reclassified from Accumulated Other Comprehensive Income**	**Affected Line Item in the Statement Where Net Income is Presented**
Unrealized gains (losses) on derivative financial instruments			
Interest rate	$	15	Interest income Loans
Interest rate		(1)	Interest expense Long term debt
		14	Income (loss) from continuing operations before income taxes
		6	Income taxes

	$	8	Income (loss) from continuing operations
Foreign currency translation adjustment			
	$	3	Corporate services income
		3	Income (loss) from continuing operations before income taxes
		1	Income taxes
	$	2	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	$	(4)	Personnel expense
		(4)	Income (loss) from continuing operations before income taxes
		(2)	Income taxes
	$	(2)	Income (loss) from continuing operations

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17. Shareholders Equity

Comprehensive Capital Plan

During the first quarter of 2015, we completed $208 million of common share repurchases under our 2014 capital plan, which expired on March 31, 2015. On March 11, 2015, the Federal Reserve announced that it did not object to our 2015 capital plan submitted as part of the annual CCAR process. The 2015 capital plan includes a common share repurchase program of up to $725 million. Share repurchases under the capital plan have been authorized by our Board and include repurchases to offset issuances of common shares under our employee compensation plans. Common share repurchases under the 2015 capital plan, which began in the second quarter of 2015, are expected to be executed through the second quarter of 2016.

Our 2015 capital plan also proposed an increase in our quarterly common share dividend from $.065 to $.075 per share, which will be evaluated by our Board in May. An additional potential increase in our quarterly common share dividend, up to $.085 per share, will be considered by the Board in 2016 for the fifth quarter of the 2015 capital plan.

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18. Line of Business Results

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

Key Community Bank

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

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

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

Key Corporate Bank

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

Other Segments

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

Reconciling Items

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

The table on the following pages shows selected financial data for our major business segments for the three-month periods ended March 31, 2015, and March 31, 2014.

The information was derived from the internal financial reporting system that we use to monitor and manage our financial performance. GAAP guides financial accounting, but there is no authoritative guidance for management accounting the way we use our judgment and experience to make reporting decisions. Consequently, the line of business results we report may not be comparable to line of business results presented by other companies.

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

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

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

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

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

Capital is assigned to each line of business based on economic equity.

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

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Three months ended March 31, *dollars in millions*	Key Community Bank 2015	Key Community Bank 2014	Key Corporate Bank 2015	Key Corporate Bank 2014
SUMMARY OF OPERATIONS				
Net interest income (TE)	**$ 358**	$ 363	**$ 213**	$ 196
Noninterest income	**191**	183	**188**	196
Total revenue (TE) [(a)]	**549**	546	**401**	392
Provision for credit losses	**29**	11	**8**	(3)
Depreciation and amortization expense	**15**	17	**10**	7
Other noninterest expense	**425**	419	**207**	195
Income (loss) from continuing operations before income taxes (TE)	**80**	99	**176**	193
Allocated income taxes and TE adjustments	**30**	37	**49**	57
Income (loss) from continuing operations	**50**	62	**127**	136
Income (loss) from discontinued operations, net of taxes				
Net income (loss)	**50**	62	**127**	136
Less: Net income (loss) attributable to noncontrolling interests			**1**	
Net income (loss) attributable to Key	**$ 50**	$ 62	**$ 126**	$ 136
AVERAGE BALANCES [(b)]				
Loans and leases	**$ 30,662**	$ 29,797	**$ 24,722**	$ 21,991
Total assets [(a)]	**32,716**	31,918	**30,297**	27,171
Deposits	**50,417**	49,910	**18,567**	15,993
OTHER FINANCIAL DATA				
Net loan charge-offs [(b)]	**$ 28**	$ 28	**$ (4)**	$ (12)
Return on average allocated equity [(b)]	**7.38%**	8.97%	**27.44%**	35.65%
Return on average allocated equity	**7.38**	8.97	**27.44**	35.65
Average full-time equivalent employees [(c)]	**7,475**	7,698	**2,064**	1,916

(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.

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Other Segments		Total Segments		Reconciling Items		Key	
2015	2014	2015	2014	2015	2014	2015	2014
$ 4	$ 10	$ 575	$ 569	$ 2		$ 577	$ 569
63	55	442	434	(5)	$ 1	437	435
67	65	1,017	1,003	(3)	1	1,014	1,004
(3)	(4)	34	4	1	2	35	6
2	3	27	27	37	38	64	65
13	22	645	636	(40)	(39)	605	597
55	44	311	336	(1)		310	336
9	7	88	101	(8)	(3)	80	98
46	37	223	235	7	3	230	238
				5	4	5	4
46	37	223	235	12	7	235	242
1		2				2	
$ 45	$ 37	$ 221	$ 235	$ 12	$ 7	$ 233	$ 242
$ 2,044	$ 2,913	$ 57,428	$ 54,701	$ 84	$ 45	$ 57,512	$ 54,746
25,938	25,908	88,951	84,997	678	660	89,629	85,657
466	575	69,450	66,478	(81)	(184)	69,369	66,294
$ 4	$ 4	$ 28	$ 20			$ 28	$ 20
43.98%	29.14%	17.84%	19.59%	.51%	.22%	8.75%	9.31%
43.98	29.14	17.84	19.59	.88	.52	8.94	9.46
16	72	9,555	9,686	4,036	4,369	13,591	14,055

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

The Board of Directors and Shareholders of KeyCorp

We have reviewed the consolidated balance sheets of KeyCorp as of March 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three-month periods ended March 31, 2015 and 2014. These financial statements are the responsibility of KeyCorp s management.

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

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

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

Cleveland, Ohio
May 5, 2015 /s/ Ernst & Young LLP

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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, 2015, and March 31, 2014. Some tables may include additional periods to comply with disclosure requirements or to illustrate trends in greater depth. When you read this discussion, you should also refer to the consolidated financial statements and related notes in this report. The page locations of specific sections and notes that we refer to are presented in the table of contents.

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

Terminology

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

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

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

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

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

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

KeyCorp. As part of this capital adequacy review, banking regulators evaluate a component of Tier 1 capital, known as ***Tier 1 common equity***, using the definitions of Tier 1 capital and total risk-weighted assets as in effect in 2014, as well as a transition plan for full implementation of the ***Regulatory Capital Rules***. The section entitled Capital adequacy provides more information on total capital, Tier 1 capital, Tier 1 common equity, and the Regulatory Capital Rules, including ***Common Equity Tier 1***, and describes how these measures are calculated. Additionally, a comprehensive list of the acronyms and abbreviations used throughout this discussion is included in Note 1 (Basis of Presentation).

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Selected financial data

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

Figure 1. Selected Financial Data

	2015	2014			
dollars in millions, except per share amounts	**First**	**Fourth**	**Third**	**Second**	**First**
FOR THE PERIOD					
Interest income	**$ 636**	$ 646	$ 639	$ 639	$ 630
Interest expense	**65**	64	64	66	67
Net interest income	**571**	582	575	573	563
Provision for credit losses	**35**	22	19	12	4
Noninterest income	**437**	490	417	455	435
Noninterest expense	**669**	704	706	687	664
Income (loss) from continuing operations before income taxes	**304**	346	267	329	330
Income (loss) from continuing operations attributable to Key	**228**	251	203	247	238
Income (loss) from discontinued operations, net of taxes [(a)]	**5**	2	(17)	(28)	4
Net income (loss) attributable to Key	**233**	253	186	219	242
Income (loss) from continuing operations attributable to Key common shareholders	**222**	246	197	242	232
Income (loss) from discontinued operations, net of taxes [(a)]	**5**	2	(17)	(28)	4
Net income (loss) attributable to Key common shareholders	**227**	248	180	214	236
PER COMMON SHARE					
Income (loss) from continuing operations attributable to Key common shareholders	**$ .26**	$ .29	$ .23	$ .28	$ .26
Income (loss) from discontinued operations, net of taxes [(a)]	**.01**		(.02)	(.03)	
Net income (loss) attributable to Key common shareholders [(b)]	**.27**	.29	.21	.24	.27
Income (loss) from continuing operations attributable to Key common shareholders assuming dilution	**$ .26**	$ .28	$ .23	$ .27	$ .26
Income (loss) from discontinued operations, net of taxes assuming dilution [(a)]	**.01**		(.02)	(.03)	
Net income (loss) attributable to Key common shareholders assuming dilution [(b)]	**.26**	.28	.21	.24	.26
Cash dividends paid	**.065**	.065	.065	.065	.055
Book value at period end	**12.12**	11.91	11.74	11.65	11.43
Tangible book value at period end	**10.84**	10.65	10.47	10.50	10.28

Market price:					
High	**14.74**	14.18	14.62	14.59	14.70
Low	**12.04**	11.55	12.97	12.90	12.25
Close	**14.16**	13.90	13.33	14.33	14.24
Weighted-average common shares outstanding (000)	**848,580**	858,811	867,350	875,298	884,727
Weighted-average common shares and potential common shares outstanding (000) [c]	**857,122**	886,186	874,122	902,137	891,890
AT PERIOD END					
Loans	**$ 57,953**	$ 57,381	$ 56,155	$ 55,600	$ 55,445
Earning assets	**82,624**	82,269	78,310	78,457	77,692
Total assets	**94,206**	93,821	89,784	91,798	90,802
Deposits	**71,622**	71,998	68,456	67,799	67,266
Long-term debt	**8,713**	7,875	7,172	8,213	7,712
Key common shareholders equity	**10,313**	10,239	10,195	10,213	10,112
Key shareholders equity	**10,603**	10,530	10,486	10,504	10,403
PERFORMANCE RATIOS FROM CONTINUING OPERATIONS					
Return on average total assets	**1.03%**	1.12%	.92%	1.14%	1.13%
Return on average common equity	**8.76**	9.50	7.68	9.55	9.33
Return on average tangible common equity [d]	**9.80**	10.64	8.55	10.60	10.38
Net interest margin (TE)	**2.91**	2.94	2.96	2.98	3.00
Cash efficiency ratio [d]	**65.1**	64.4	69.7	65.6	65.1
PERFORMANCE RATIOS FROM CONSOLIDATED OPERATIONS					
Return on average total assets	**1.03%**	1.10%	.81%	.96%	1.09%
Return on average common equity	**8.96**	9.58	7.01	8.44	9.50
Return on average tangible common equity [d]	**10.02**	10.72	7.81	9.37	10.56
Net interest margin (TE)	**2.88**	2.93	2.94	2.94	2.95
Loan-to-deposit [e]	**86.9**	84.6	87.4	87.1	87.5
CAPITAL RATIOS AT PERIOD END					
Key shareholders equity to assets	**11.26%**	11.22%	11.68%	11.44%	11.46%
Key common shareholders equity to assets	**10.95**	10.91	11.36	11.13	11.14
Tangible common equity to tangible assets [d]	**9.92**	9.88	10.26	10.15	10.14
Common Equity Tier 1 [d]	**10.64**	N/A	N/A	N/A	N/A
Tier 1 common equity [d]	**N/A**	11.17	11.26	11.25	11.27
Tier 1 risk-based capital	**11.04**	11.90	12.01	11.99	12.01
Total risk-based capital	**12.79**	13.89	14.10	14.14	14.23
Leverage	**10.91**	11.26	11.15	11.24	11.30
TRUST AND BROKERAGE ASSETS					
Assets under management	**$ 39,281**	$ 39,157	$ 39,283	$ 39,669	$ 38,893
Nonmanaged and brokerage assets	**49,508**	49,147	48,273	48,728	47,396
OTHER DATA					
Average full-time-equivalent employees	**13,591**	13,590	13,905	13,867	14,055
Branches	**992**	994	997	1,009	1,027

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

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Forward-looking statements

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

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

deterioration of commercial real estate market fundamentals;

defaults by our loan counterparties or clients;

adverse changes in credit quality trends;

declining asset prices;

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

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

changes in accounting policies, standards, and interpretations;

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

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

negative outcomes from claims or litigation;

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

increasing capital and liquidity standards under applicable regulatory rules;

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

our ability to receive dividends from our subsidiary, KeyBank;

downgrades in our credit ratings or those of KeyBank;

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

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

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

the soundness of other financial institutions;

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

our ability to timely and effectively implement our strategic initiatives;

increased competitive pressure due to industry consolidation;

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

our ability to develop and effectively use the quantitative models we rely upon in our business planning.

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

Economic overview

The economy faltered at the beginning of 2015, with real GDP of .2% in the first quarter. While confidence has improved, strong job growth has yet to translate to substantial wage growth, and consumer spending remains weak. Additionally, housing market data has been disappointing, with slow growth in residential construction and only modest improvement year-over-year in sales of new and existing homes. Geopolitical tensions, prospective Federal Reserve actions, and mixed economic data for the most part kept markets in check throughout the first quarter of 2015.

In the first quarter of 2015, harsh winter weather and weak income growth remained important constraints on consumption, although fundamentals appear to be strengthening. Real spending declined in January and February 2015, continuing the trend from December 2014, led by decreases in sales at gasoline stations (due to lower gasoline prices). Vehicle sales declined to an average of 16.2 million units in February 2015 before picking up to 17.1 million units at the end of the first quarter, up from 16.8 million units at the end of 2014. Consumer confidence improved, with the Conference Board measure ending the first quarter of 2015 at 101.3, up almost eight points over the quarter and reaching levels not seen since the Great Recession. Inflation remains well below the Federal Reserve target, with the core personal consumption expenditure index up just 1.4% year-over-year as of February 2015.

In the labor market, average monthly job gains declined to 197,000 during the first quarter of 2015, compared to the robust average of 324,000 in the fourth quarter of 2014. Gains, however, were broad, with improvement across industry sectors. The unemployment rate declined, finishing the first quarter of 2015 at 5.5%, driven in part by very weak labor force growth.

The housing market improved modestly but remains mixed, with different results between indicators on a month-to-month basis. Existing home sales increased modestly from the end of 2014, ending the first quarter of 2015 at 5.2 million units, slightly above year-ago levels. New home sales ended the first quarter of 2015 3% lower than the end of 2014, but with a 19% year-over-year increase. Housing starts have yet to pick up, totaling a seasonally adjusted annual rate of 926,000 in March 2015, down 3% year-over-year and missing estimates significantly. Permits showed modest improvement in March 2015, increasing 3% over the previous year. Home price appreciation remains slow, up only 5.6% year-over-year in February 2015.

The Federal Reserve remained accommodative in the first quarter of 2015, continuing to reinvest principal payments to ease financial conditions. Forward guidance is unclear as to when the Federal Open Market Committee will raise the federal funds target rate, as economic data and inflation measures remain weaker than their established targets. Weaker economic data, geopolitical tensions, and cautious forward guidance have held rates in check. The yield on the 10-year U.S. Treasury dropped 17 basis points in the first week of 2015 to 1.94%, and finished the first quarter of 2015 at 1.92% as the outlook remained unchanged.

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Long-term financial goals

Our long-term financial goals are as follows:

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

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

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

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

Maintain disciplined capital management and target a return on average assets in the range of 1.00% to 1.25%.
Figure 2 shows the evaluation of our long-term financial goals for the three months ended March 31, 2015.

Figure 2. Evaluation of Our Long-Term Financial Goals

KEY Business Model	Key Metrics [(a)]	1Q15	Targets
Balance sheet efficiency	Loan-to-deposit ratio [(b)]	87%	90 - 100%
Moderate risk profile	NCOs to average loans	.20%	
	Provision for credit losses to average loans	.25%	.40 - .60%
High quality, diverse revenue streams	Net interest margin	2.91%	> 3.50%
	Noninterest income to total revenue	43%	> 40%
Positive operating leverage	Cash efficiency ratio [(c)]	65.1%	< 60%
Disciplined capital management	Return on average assets	1.03%	1.00 - 1.25%

(a) Calculated from continuing operations, unless otherwise noted.
(b) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits (excluding deposits in foreign office).
(c) Excludes intangible asset amortization; Non-GAAP measures: see Figure 7 for reconciliation.

Strategic developments

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

We continue to focus on growing our businesses and remain committed to improving productivity and efficiency. Revenue was up from 2014, and expenses were well-managed, generating positive operating leverage. Net interest income benefited from solid loan growth, driven by an 11.5% increase in average commercial, financial and agricultural loans. Noninterest income benefited from an increase in trust and investment services income primarily due to the impact of the third quarter 2014 acquisition of Pacific Crest Securities.

Our strong risk management practices and a more favorable credit environment resulted in another quarter of solid credit quality trends. For the three months ended March 31, 2015, net loan charge-offs were .20% of average loans, well below our targeted range, and nonperforming assets decreased 2.6% from the year-ago period.

During the first quarter of 2015, we completed $208 million of common share repurchases under our 2014 capital plan authorization, which expired on March 31, 2015, and paid a cash dividend of $.065 per common share.

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Capital management remains a priority for the remainder of 2015. On March 11, 2015, the Federal Reserve announced that it did not object to our 2015 capital plan submitted as part of the annual CCAR process. The 2015 capital plan includes a common share repurchase program of up to $725 million, including repurchases to offset issuance of common shares under our employee compensation plans. Common share repurchases under the 2015 capital plan, which began in the second quarter of 2015, are expected to be executed through the second quarter of 2016. Our 2015 capital plan also proposed a 15% increase in our quarterly common share dividend to $.075 per share, subject to Board approval. We anticipate these actions will lead to an estimated payout ratio that is among the highest in our peer group for the third consecutive year. An additional potential increase in our quarterly common share dividend, up to $.085 per share, will be considered by the Board in 2016 for the fifth quarter of the 2015 capital plan.

Demographics

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

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

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

Figure 3. Key Community Bank Geographic Diversity

Three months ended March 31, 2015	**Geographic Region**									
dollars in millions	**Pacific**	**Rocky Mountains**	**Indiana**	**West Ohio/ Michigan**	**East Ohio**	**Western New York**	**Eastern New York**	**New England**	**NonRegion [(a)]**	**Total**
Average deposits	$ 11,663	$ 5,167	$ 2,331	$ 4,363	$ 9,199	$ 4,912	$ 7,734	$ 2,874	$ 2,174	$ 50,417
Percent of total	23.1%	10.3%	4.6%	8.7%	18.3%	9.7%	15.3%	5.7%	4.3%	100.0%
Average commercial loans	$ 3,442	$ 1,699	$ 815	$ 1,153	$ 2,290	$ 633	$ 1,842	$ 816	$ 3,219	$ 15,909
Percent of total	21.6%	10.7%	5.1%	7.3%	14.4%	4.0%	11.6%	5.1%	20.2%	100.0%
Average home equity loans	$ 3,282	$ 1,580	$ 493	$ 841	$ 1,263	$ 825	$ 1,281	$ 654	$ 97	$ 10,316
Percent of total	31.8%	15.3%	4.8%	8.2%	12.2%	8.0%	12.4%	6.4%	.9%	100.0%

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

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

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

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Supervision and regulation

Regulatory reform developments

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

Regulatory capital rules

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

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

New minimum capital and leverage ratio requirements

Under the Regulatory Capital Rules, standardized approach banking organizations, like Key, are required to meet the minimum capital and leverage ratios set forth in Figure 4 below. At March 31, 2015, Key had an estimated Common Equity Tier 1 Capital Ratio of 10.5% under the Regulatory Capital Rules. Also at March 31, 2015, based on the fully phased-in Regulatory Capital Rules, Key estimates that its capital and leverage ratios, after adjustment for market risk, would be as set forth in Figure 4.

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

Ratios (including Capital conservation buffer)	Key March 31, 2015 Estimated	Minimum January 1, 2015	Phase-in Period	Minimum January 1, 2019
Common Equity Tier 1 [a]	10.5%	4.5%	None	4.5%
Capital conservation buffer [b]			1/1/16 - 1/1/19	2.5
Common Equity Tier 1 + Capital conservation buffer		4.5	1/1/16 - 1/1/19	7.0
Tier 1 Capital	10.8	6.0	None	6.0
Tier 1 Capital + Capital conservation buffer		6.0	1/1/16 - 1/1/19	8.5

Total Capital	12.7	8.0	None	8.0
Total Capital + Capital conservation buffer		8.0	1/1/16 - 1/1/19	10.5
Leverage [c]	10.8	4.0	None	4.0

(a) See Figure 7 entitled GAAP to Non-GAAP Reconciliations, which presents the computation for estimated Common Equity Tier 1. The table reconciles the GAAP performance measure to the corresponding non-GAAP measure, which provides a basis for period-to-period comparisons.

(b) Capital conservation buffer must consist of Common Equity Tier 1 capital. As a standardized approach banking organization, KeyCorp is not subject to the countercyclical capital buffer of up to 2.5% imposed upon an advanced approaches banking organization under the Regulatory Capital Rules.

(c) As a standardized approach banking organization, KeyCorp is not subject to the 3% supplemental leverage ratio requirement, which becomes effective January 1, 2018. Because KeyCorp has less than $700 billion in consolidated total assets and less than $10 trillion in assets under custody, KeyCorp is not subject to the supplemental leverage buffer requirement of at least 2%, which becomes effective January 1, 2018.

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Revised prompt corrective action capital category ratios

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

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

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

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

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

As of March 31, 2015, KeyBank meets all well capitalized capital adequacy requirements under the Regulatory Capital Rules.

Liquidity coverage ratio

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

As a Modified LCR bank holding company under the Liquidity Coverage Rules, Key will be required to maintain high-quality liquid assets of at least 100% of its total net cash outflow amount determined by prescribed assumptions in a standardized hypothetical stress scenario over a 30-calendar day period. Implementation for Modified LCR banking organizations, like Key, will begin on January 1, 2016, with a minimum requirement of 90% coverage, reaching 100% coverage by January 1, 2017. Throughout March 2015, our estimated Modified LCR was approximately in the high-80% range. To reach the minimum of 90% by January 1, 2016, and to operate with a cushion above the minimum required level, we may change the composition of our investment portfolio, increase the size of the overall investment portfolio, and modify product offerings.

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

Highlights of Our Performance

Financial performance

For the first quarter of 2015, we announced net income from continuing operations attributable to Key common shareholders of $222 million, or $.26 per common share. Our first quarter of 2015 results compare to net income from continuing operations attributable to Key common shareholders of $232 million, or $.26 per common share, for the first quarter of 2014.

Our taxable-equivalent net interest income was $577 million for the first quarter of 2015, and the net interest margin was 2.91%. These results compare to taxable-equivalent net interest income of $569 million and a net interest margin of 3.00% for the first quarter of 2014. The increase in net interest income reflects higher loan balances mitigated by lower earning asset yields, which also drove the decline in the net interest margin. For the full year of 2015, we expect net interest income and net interest margin to benefit from anticipated higher rates, with net interest income growth in the low- to mid-single-digit percentage range compared to 2014 and net interest margin to be stable to slightly higher later in 2015.

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Our noninterest income was $437 million for the first quarter of 2015, compared to $435 million for the year-ago quarter. Trust and investment services income increased $11 million, primarily due to the impact of the third quarter 2014 acquisition of Pacific Crest Securities. Increases in net gains from principal investing, corporate-owned life insurance income, cards and payments income, and other income also contributed to the growth in the quarter. These increases were partially offset by a $16 million decline in investment banking and debt placement fees as a result of lower financial advisory fees. Additionally, operating lease income and other leasing gains declined by $10 million primarily due to the termination of a leveraged lease in the prior year. For the full year of 2015, we expect mid-single-digit growth compared to the prior year, including the full-year impact of Pacific Crest Securities.

Our noninterest expense was $669 million for the first quarter of 2015, compared to $664 million in the first quarter of last year. The increase was mainly related to the third quarter 2014 acquisition of Pacific Crest Securities and higher employee benefits costs. Partially offsetting the increase in expenses were $8 million in lower business services and professional fees, as well as continued cost savings across the organization. Additionally, expenses included $7 million in costs associated with our continuous improvement efforts to drive efficiency and productivity. These costs were primarily in personnel expense and were $3 million less than the year-ago quarter. For the full year of 2015, we expect noninterest expense to be relatively stable with 2014.

Average loans were $57.5 billion for the first quarter of 2015, an increase of $2.8 billion compared to the first quarter of 2014. The loan growth occurred primarily in the commercial, financial and agricultural portfolio, which increased $2.9 billion and was broad-based across our commercial lines of business. Consumer loans remained relatively stable as modest increases across our core consumer loan portfolio were offset by run-off in our consumer exit portfolios. For the full year of 2015, we anticipate average loan growth in the mid-single-digit range, benefiting from the strength in our commercial business.

Average deposits, excluding deposits in foreign office, totaled $68.8 billion for the first quarter of 2015, an increase of $3.2 billion compared to the year-ago quarter. Noninterest-bearing deposits increased by $3.6 billion, and NOW and money market deposit accounts increased $888 million, mostly due to the commercial mortgage servicing business. These increases were partially offset by a decline in certificates of deposit.

Our provision for credit losses was $35 million for the first quarter of 2015, compared to $4 million for the year-ago quarter. Our ALLL was $794 million, or 1.37%, of total period-end loans at March 31, 2015, compared to 1.50% at March 31, 2014. We expect our provision for credit losses to approximate the level of net loan charge-offs for the remainder of the year.

Net loan charge-offs for the first quarter of 2015 totaled $28 million, or .20% of average total loans, compared to .15% for the same period last year. We expect net loan charge-offs to average total loans to continue to be below our targeted range of .40% to .60% for the remainder of the year.

At March 31, 2015, our nonperforming loans totaled $437 million and represented .75% of period-end portfolio loans, compared to .81% at March 31, 2014. Nonperforming assets at March 31, 2015, totaled $457 million and represented .79% of period-end portfolio loans and OREO and other nonperforming assets, compared to .85% at March 31, 2014.

Our capital ratios remain strong. Our tangible common equity and Tier 1 risk-based capital ratios at March 31, 2015, are 9.92% and 11.04%, respectively, compared to 10.14% and 12.01%, respectively, at March 31, 2014. In addition, our Common Equity Tier 1 ratio is 10.64% at March 31, 2015. We continue to return capital to our shareholders by repurchasing common shares and through our quarterly common share dividend. In the first quarter of 2015, we repurchased $208 million of common shares and paid a cash dividend of $.065 per common share under our 2014 capital plan authorization.

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

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Figure 6. Results of Operations

	Three months ended		
in millions, except per share amounts	**3-31-15**	**12-31-14**	**3-31-14**
Summary of operations			
Income (loss) from continuing operations attributable to Key	**$ 228**	$ 251	$ 238
Income (loss) from discontinued operations, net of taxes [(a)]	**5**	2	4
Net income (loss) attributable to Key	**$ 233**	$ 253	$ 242
Income (loss) from continuing operations attributable to Key	**$ 228**	$ 251	$ 238
Less: Dividends on Series A Preferred Stock	**6**	5	6
Income (loss) from continuing operations attributable to Key common shareholders	**222**	246	232
Income (loss) from discontinued operations, net of taxes [(a)]	**5**	2	4
Net income (loss) attributable to Key common shareholders	**$ 227**	$ 248	$ 236
Per common share assuming dilution			
Income (loss) from continuing operations attributable to Key common shareholders	**$ .26**	$ .28	$ .26
Income (loss) from discontinued operations, net of taxes [(a)]	**.01**		
Net income (loss) attributable to Key common shareholders [(b)]	**$ .26**	$ .28	$ .26

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

(b) EPS may not foot due to rounding.

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

The tangible common equity ratio and the return on tangible common equity ratio have been a focus for some investors, and management believes these ratios may assist investors in analyzing Key s capital position without regard to the effects of intangible assets and preferred stock. Traditionally, the banking regulators have assessed bank and BHC capital adequacy based on both the amount and the composition of capital, the calculation of which is prescribed in federal banking regulations. The Federal Reserve focuses its assessment of capital adequacy on a component of Tier 1 capital known as Common Equity Tier 1. Because the Federal Reserve has long indicated that voting common shareholders equity (essentially Tier 1 risk-based capital less preferred stock, qualifying capital securities and noncontrolling interests in subsidiaries) generally should be the dominant element in Tier 1 risk-based capital, this focus on Common Equity Tier 1 is consistent with existing capital adequacy categories. The Regulatory Capital Rules, described in more detail under the section Supervision and regulation in Item 2 of this report, also make Common Equity Tier 1 a priority. The Regulatory Capital Rules change the regulatory capital standards that apply to BHCs by, among other changes, phasing out the treatment of trust preferred securities and cumulative preferred securities as Tier 1 eligible capital. By 2016, our trust preferred securities will only be included in Tier 2 capital. Since analysts and banking regulators may assess our capital adequacy using tangible common equity and Common Equity Tier 1, we believe it is useful to enable investors to assess our capital adequacy on these same bases. Figure 7 also reconciles the GAAP performance measures to the corresponding non-GAAP measures.

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

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

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

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Figure 7. GAAP to Non-GAAP Reconciliations

	Three months ended				
dollars in millions	**3-31-15**	**12-31-14**	**9-30-14**	**6-30-14**	**3-31-14**
Tangible common equity to tangible assets at period end					
Key shareholders equity (GAAP)	**$ 10,603**	$ 10,530	$ 10,486	$ 10,504	$ 10,403
Less: Intangible assets [a]	**1,088**	1,090	1,105	1,008	1,012
Series A Preferred Stock [b]	**281**	282	282	282	282
Tangible common equity (non-GAAP)	**$ 9,234**	$ 9,158	$ 9,099	$ 9,214	$ 9,109
Total assets (GAAP)	**$ 94,206**	$ 93,821	$ 89,784	$ 91,798	$ 90,802
Less: Intangible assets [a]	**1,088**	1,090	1,105	1,008	1,012
Tangible assets (non-GAAP)	**$ 93,118**	$ 92,731	$ 88,679	$ 90,790	$ 89,790
Tangible common equity to tangible assets ratio (non-GAAP)	**9.92%**	9.88%	10.26%	10.15%	10.14%
Common Equity Tier 1 at period end					
Key shareholders equity (GAAP)	**$ 10,603**				
Less: Series A Preferred Stock [b]	**281**				
Common Equity Tier 1 capital before adjustments and deductions	**10,322**				
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 gain (loss) on cash flow hedges	**(8)**				
Amounts recorded in accumulated other comprehensive income (loss) related to pension and postretirement benefit costs	**(364)**				
Total Common Equity Tier 1 capital	**$ 9,569**				
Net risk-weighted assets (regulatory)	**$ 89,967**				
Common Equity Tier 1 ratio (non-GAAP)	**10.64%**				
Tier 1 common equity at period end					
Key shareholders equity (GAAP)		$ 10,530	$ 10,486	$ 10,504	$ 10,403
Qualifying capital securities		339	340	339	339
Less: Goodwill		1,057	1,051	979	979
Accumulated other comprehensive income (loss) [c]		(395)	(366)	(328)	(367)
Other assets [d]		83	110	86	84
Total Tier 1 capital (regulatory)		10,124	10,031	10,106	10,046
Less: Qualifying capital securities		339	340	339	339
Series A Preferred Stock [b]		282	282	282	282

Total Tier 1 common equity (non-GAAP)		$ 9,503	$ 9,409	$ 9,485	$ 9,425
Net risk-weighted assets (regulatory)		$ 85,100	$ 83,547	$ 84,287	$ 83,637
Tier 1 common equity ratio (non-GAAP)		11.17%	11.26%	11.25%	11.27%
Pre-provision net revenue					
Net interest income (GAAP)	**$ 571**	$ 582	$ 575	$ 573	$ 563
Plus: Taxable-equivalent adjustment	**6**	6	6	6	6
Noninterest income (GAAP)	**437**	490	417	455	435
Less: Noninterest expense (GAAP)	**669**	704	706	687	664
Pre-provision net revenue from continuing operations (non-GAAP)	**$ 345**	$ 374	$ 292	$ 347	$ 340
Average tangible common equity					
Average Key shareholders equity (GAAP)	**$ 10,570**	$ 10,562	$ 10,473	$ 10,459	$ 10,371
Less: Intangible assets (average) [(e)]	**1,089**	1,096	1,037	1,010	1,013
Series A Preferred Stock (average)	**290**	291	291	291	291
Average tangible common equity (non-GAAP)	**$ 9,191**	$ 9,175	$ 9,145	$ 9,158	$ 9,067
Return on average tangible common equity from continuing operations					
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	**$ 222**	$ 246	$ 197	$ 242	$ 232
Average tangible common equity (non-GAAP)	**9,191**	9,175	9,145	9,158	9,067
Return on average tangible common equity from continuing operations (non-GAAP)	**9.80%**	10.64%	8.55%	10.60%	10.38%
Return on average tangible common equity consolidated					
Net income (loss) attributable to Key common shareholders (GAAP)	**$ 227**	$ 248	$ 180	$ 214	$ 236
Average tangible common equity (non-GAAP)	**9,191**	9,175	9,145	9,158	9,067
Return on average tangible common equity consolidated (non-GAAP)	**10.02%**	10.72%	7.81%	9.37%	10.56%
Cash efficiency ratio					
Noninterest expense (GAAP)	**$ 669**	$ 704	$ 706	$ 687	$ 664
Less: Intangible asset amortization (GAAP)	**9**	10	10	9	10
Adjusted noninterest expense (non-GAAP)	**$ 660**	$ 694	$ 696	$ 678	$ 654
Net interest income (GAAP)	**$ 571**	$ 582	$ 575	$ 573	$ 563
Plus: Taxable-equivalent adjustment	**6**	6	6	6	6
Noninterest income (GAAP)	**437**	490	417	455	435
Total taxable-equivalent revenue (non-GAAP)	**$ 1,014**	$ 1,078	$ 998	$ 1,034	$ 1,004
Cash efficiency ratio (non-GAAP)	**65.1%**	64.4%	69.7%	65.6%	65.1%

(a) For the three months ended March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014, and March 31, 2014, intangible assets exclude $61 million, $68 million, $72 million, $79 million, and $84 million, respectively, of period-end purchased credit card receivables.

(b) Net of capital surplus.

(c) Includes net unrealized gains or losses on securities available for sale (except for net unrealized losses on marketable equity securities), net gains or losses on cash flow hedges, and amounts resulting from the application of the applicable accounting guidance for defined benefit and other postretirement plans.

(d) Other assets deducted from Tier 1 capital and net risk-weighted assets consist of disallowed intangible assets (excluding goodwill) and deductible portions of nonfinancial equity investments. There were no disallowed deferred tax assets at any quarter-end during 2014.

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Figure 7. GAAP to Non-GAAP Reconciliations, continued

dollars in millions		Three months ended 3-31-15
Common Equity Tier 1 under the Regulatory Capital Rules (estimates)		
Common Equity Tier 1 under current regulatory rules	$	9,569
Adjustments from current regulatory rules to the Regulatory Capital Rules:		
Deferred tax assets and other assets [f]		(56)
Common Equity Tier 1 anticipated under the Regulatory Capital Rules [g]	$	9,513
Net risk-weighted assets under current regulatory rules	$	89,967
Adjustments from current regulatory rules to the Regulatory Capital Rules:		
Mortgage servicing assets [h]		486
Deferred tax assets [h]		22
Significant investments [h]		
Total risk-weighted assets anticipated under the Regulatory Capital Rules [g]	$	90,475
Common Equity Tier 1 ratio under the Regulatory Capital Rules [g]		10.51%

(e) For the three months ended March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014, and March 31, 2014, average intangible assets exclude $64 million, $69 million, $76 million, $82 million, and $89 million, respectively, of average purchased credit card receivables.

(f) Includes the deferred tax assets subject to future taxable income for realization, primarily tax credit carryforwards, as well as the deductible portion of purchased credit card receivables.

(g) The anticipated amount of regulatory capital and risk-weighted assets is based upon the federal banking agencies Regulatory Capital Rules (as fully phased-in on January 1, 2019); Key is subject to the Regulatory Capital Rules under the standardized approach.

(h) Item is included in the 10%/15% exceptions bucket calculation and is risk-weighted at 250%.

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Results of Operations

Net interest income

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

- the volume, pricing, mix, and maturity of earning assets and interest-bearing liabilities;
- the volume and value of net free funds, such as noninterest-bearing deposits and equity capital;
- the use of derivative instruments to manage interest rate risk;
- interest rate fluctuations and competitive conditions within the marketplace; and
- asset quality.

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

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

Taxable-equivalent net interest income was $577 million for the first quarter of 2015, and the net interest margin was 2.91%. These results compare to taxable-equivalent net interest income of $569 million and a net interest margin of 3.00% for the first quarter of 2014. The increase in net interest income reflects higher loan balances mitigated by lower earning assets yields, which also drove the decline in the net interest margin.

Average earning assets totaled $80.2 billion for the first quarter of 2015, compared to $76.7 billion for the first quarter of 2014. Commercial, financial and agricultural loans grew by $2.9 billion over the year-ago quarter and was broad-based across our commercial lines of business. Consumer loans remained relatively stable as modest increases across our core consumer loan portfolio were offset by run-off in our consumer exit portfolios. In addition, our investment portfolio increased $921 million, which included a higher percentage of Ginnie Mae securities as we continued to position the portfolio for upcoming regulatory liquidity requirements.

Average deposits, excluding deposits in foreign office, totaled $68.8 billion for the first quarter of 2015, an increase of $3.2 billion compared to the year-ago quarter. Noninterest-bearing deposits increased by $3.6 billion, and NOW and money market deposit accounts increased $888 million, mostly due to the commercial mortgage servicing business. These increases were partially offset by a decline in certificates of deposit.

As shown in Figure 8, average earning asset yields for the first quarter of 2015 were impacted by the run-off of higher-yielding loans and investments and lower interest rates compared to the same period one year ago.

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

	First Quarter 2015			Fourth Quarter 2014		
dollars in millions	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]
ASSETS						
Loans [b], [c]						
Commercial, financial and agricultural [d]	**$ 28,321**	**$ 223**	**3.18%**	$ 27,188	$ 223	3.24%
Real estate commercial mortgage	**8,095**	**73**	**3.67**	8,161	77	3.73
Real estate construction	**1,139**	**11**	**3.90**	1,077	10	3.90
Commercial lease financing	**4,070**	**36**	**3.57**	4,119	38	3.67
Total commercial loans	**41,625**	**343**	**3.33**	40,545	348	3.40
Real estate residential mortgage	**2,229**	**24**	**4.26**	2,223	24	4.28
Home equity:						
Key Community Bank	**10,316**	**99**	**3.89**	10,365	103	3.91
Other	**260**	**5**	**7.82**	274	5	7.84
Total home equity loans	**10,576**	**104**	**3.99**	10,639	108	4.01
Consumer other Key Community Bank	**1,546**	**25**	**6.66**	1,552	27	6.78
Credit cards	**732**	**20**	**11.01**	728	20	11.02
Consumer other:						
Marine	**755**	**12**	**6.35**	802	13	6.29
Other	**49**	**1**	**7.32**	52		7.52
Total consumer other	**804**	**13**	**6.41**	854	13	6.36
Total consumer loans	**15,887**	**186**	**4.74**	15,996	192	4.76
Total loans	**57,512**	**529**	**3.72**	56,541	540	3.79
Loans held for sale	**795**	**7**	**3.33**	871	8	3.72
Securities available for sale [b], [e]	**13,087**	**70**	**2.17**	12,153	67	2.20
Held-to-maturity securities [b]	**4,947**	**24**	**1.93**	4,947	23	1.91
Trading account assets	**717**	**5**	**2.80**	868	6	2.84
Short-term investments	**2,399**	**2**	**.27**	3,520	2	.27
Other investments [e]	**742**	**5**	**2.79**	792	6	2.77
Total earning assets	**80,199**	**642**	**3.20**	79,692	652	3.27
Allowance for loan and lease losses	**(793)**			(798)		
Accrued income and other assets	**10,223**			9,868		
Discontinued assets	**2,271**			2,359		
Total assets	**$ 91,900**			$ 91,121		

LIABILITIES						
NOW and money market deposit accounts	**$ 34,952**	**13**	**.15**	$ 34,811	13	.14
Savings deposits	**2,385**		**.02**	2,388		.02
Certificates of deposit ($100,000 or more) [(f)]	**2,017**	**7**	**1.30**	2,277	7	1.25
Other time deposits	**3,217**	**6**	**.72**	3,306	6	.76
Deposits in foreign office	**529**		**.22**	543		.24
Total interest-bearing deposits	**43,100**	**26**	**.24**	43,325	26	.24
Federal funds purchased and securities sold under repurchase agreements	**720**		**.03**	621		.02
Bank notes and other short-term borrowings	**506**	**2**	**1.56**	772	3	1.17
Long-term debt [(f), (g)]	**6,126**	**37**	**2.52**	5,135	35	2.80
Total interest-bearing liabilities	**50,452**	**65**	**.52**	49,853	64	.51
Noninterest-bearing deposits	**26,269**			26,342		
Accrued expense and other liabilities	**2,327**			1,989		
Discontinued liabilities[(g)]	**2,271**			2,359		
Total liabilities	**81,319**			80,543		
EQUITY						