

Section 1: 10-K (10-K)

[Table of Contents](#)

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

FORM 10-K

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

For the fiscal year ended
December 31, 2018

Commission file number: 1-11302



Exact name of Registrant as specified in its charter:

<u>Ohio</u>	<u>34-6542451</u>
State or other jurisdiction of incorporation or organization:	IRS Employer Identification Number:
<u>127 Public Square, Cleveland, Ohio</u>	<u>44114-1306</u>
Address of Principal Executive Offices:	Zip Code:
<u>(216) 689-3000</u>	

Registrant's Telephone Number, including area code:

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Shares, \$1 par value	New York Stock Exchange
Depository Shares (each representing a 1/40 th interest in a share of Fixed-to-Floating Rate Perpetual Non-Cumulative Preferred Stock, Series E)	New York Stock Exchange
Depository Shares (each representing a 1/40 th interest in a share of Fixed Rate Perpetual Non-Cumulative Preferred Stock, Series F)	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

The aggregate market value of voting stock held by nonaffiliates of the Registrant was \$20,691,768,789 (based on the June 30, 2018, closing price of KeyCorp Common Shares of \$19.54 as reported on the New York Stock Exchange). As of February 18, 2019, there were 1,008,787,761 Common Shares outstanding.

Certain specifically designated portions of KeyCorp's definitive Proxy Statement for its 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Table of Contents

Forward-looking Statements

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

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

- deterioration of commercial real estate market fundamentals;
- defaults by our loan counterparties or clients;
- adverse changes in credit quality trends;
- declining asset prices;
- our concentrated credit exposure in commercial and industrial loans;
- the extensive regulation of the U.S. financial services industry;
- changes in accounting policies, standards, and interpretations;
- operational or risk management failures by us or critical third parties;
- breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;
- negative outcomes from claims or litigation;
- failure or circumvention of our controls and procedures;
- the occurrence of natural or man-made disasters, conflicts, or terrorist attacks, or other adverse external events;
- evolving capital and liquidity standards under applicable regulatory rules;
- disruption of the U.S. financial system;
- our ability to receive dividends from our subsidiaries, including KeyBank;
- unanticipated changes in our liquidity position, including but not limited to, changes in our access to or the cost of funding and our ability to secure alternative funding sources;
- downgrades in our credit ratings or those of KeyBank;
- a 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;
- uncertainty regarding the future of LIBOR;
- deterioration of economic conditions in the geographic regions where we operate;
- the soundness of other financial institutions;
- tax reform and other changes in tax laws, including the impact of the TCJ Act;
- 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;
- our ability to adapt our products and services to industry standards and consumer preferences;
- unanticipated adverse effects of strategic partnerships or acquisitions and dispositions of assets or businesses;
- our ability to realize the anticipated benefits of the First Niagara merger; 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-K and our subsequent reports on Forms 10-Q and 8-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.

Table of Contents

Terminology

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

The acronyms and abbreviations identified hereof are used throughout this report, particularly in the Management’s Discussion and Analysis of Financial Condition and Results of Operations as well as Notes to Consolidated Financial Statements. You may find it helpful to refer to that section as you read this report.

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 our government-guaranteed and private 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 requirements — Capital planning and stress testing” in the section entitled “Supervision and Regulation” in Item 1 of this report, 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 **Common Equity Tier 1**, under the **Regulatory Capital Rules**. The “Capital” section of this report under the heading “Capital adequacy” in the MD&A provides more information on total capital, Tier 1 capital, and the Regulatory Capital Rules, including Common Equity Tier 1, and describes how these measures are calculated.

Table of Contents

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

<p>ABO: Accumulated benefit obligation. 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. ASC: Accounting Standards Codification. ASU: Accounting Standards Update. ATMs: Automated teller machines. Austin: Austin Capital Management, Ltd. BSA: Bank Secrecy Act. BHCA: Bank Holding Company Act of 1956, as amended. BHCs: Bank holding companies. Board: KeyCorp Board of Directors. CCAR: Comprehensive Capital Analysis and Review. Cain Brothers: Cain Brothers & Company, LLC. CFPB: Consumer Financial Protection Bureau, also known as the Bureau of Consumer Financial Protection. CFTC: Commodities Futures Trading Commission. CMBS: Commercial mortgage-backed securities. CMO: Collateralized mortgage obligation. Common Shares: KeyCorp common shares, \$1 par value. DIF: Deposit Insurance Fund of the FDIC. Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. EBITDA: Earnings before interest, taxes, depreciation, and amortization. EPS: Earnings per share. ERISA: Employee Retirement Income Security Act of 1974. ERM: Enterprise risk management. EVE: Economic value of equity. FASB: Financial Accounting Standards Board. FDIA: Federal Deposit Insurance Act, as amended. FDIC: Federal Deposit Insurance Corporation. Federal Reserve: Board of Governors of the Federal Reserve System. FHLB: Federal Home Loan Bank of Cincinnati. FHLMC: Federal Home Loan Mortgage Corporation. FICO: Fair Isaac Corporation. FINRA: Financial Industry Regulatory Authority. First Niagara: First Niagara Financial Group, Inc. FNMA: Federal National Mortgage Association. FSOC: Financial Stability Oversight Council. FVA: Fair value of employee benefit plan assets. GAAP: U.S. generally accepted accounting principles. GNMA: Government National Mortgage Association.</p>	<p>HelloWallet: HelloWallet, LLC. IRS: Internal Revenue Service. ISDA: International Swaps and Derivatives Association. KAHC: Key Affordable Housing Corporation. KBCM: KeyBanc Capital Markets, Inc. KCC: Key Capital Corporation. KCDC: Key Community Development Corporation. KEF: Key Equipment Finance. KIBS: Key Insurance & Benefits Services, Inc. KPP: Key Principal Partners. KMS: Key Merchant Services, LLC. LCR: Liquidity coverage ratio. LIBOR: London Interbank Offered Rate. LIHTC: Low-income housing tax credit. Moody's: Moody's Investor Services, Inc. MRM: Market Risk Management group. N/A: Not applicable. Nasdaq: The Nasdaq Stock Market LLC. NFA: National Futures Association. N/M: Not meaningful. NOW: Negotiable Order of Withdrawal. NPR: Notice of proposed rulemaking. 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. PBO: Projected benefit obligation. PCCR: Purchased credit card relationship. 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. 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. TCJ Act: Tax Cuts and Jobs Act. TDR: Troubled debt restructuring. TE: Taxable-equivalent. U.S. Treasury: United States Department of the Treasury. VaR: Value at risk. VEBA: Voluntary Employee Beneficiary Association. Victory: Victory Capital Management and/or Victory Capital Advisors. VIE: Variable interest entity.</p>
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Table of Contents

KEYCORP 2018 FORM 10-K ANNUAL REPORT TABLE OF CONTENTS

<u>Item Number</u>		<u>Page Number</u>
PART I		
1	<u>Business</u>	<u>6</u>
1A	<u>Risk Factors</u>	<u>23</u>
1B	<u>Unresolved Staff Comments</u>	<u>34</u>
2	<u>Properties</u>	<u>34</u>
3	<u>Legal Proceedings</u>	<u>34</u>
4	<u>Mine Safety Disclosures</u>	<u>34</u>
PART II		
5	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>35</u>
6	<u>Selected Financial Data</u>	<u>36</u>
7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>37</u>
7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>89</u>
8	<u>Financial Statements and Supplementary Data</u>	<u>90</u>
	<u>Management's Annual Report on Internal Control over Financial Reporting</u>	<u>91</u>
	<u>Reports of Independent Registered Public Accounting Firm</u>	<u>92</u>
	<u>Consolidated Financial Statements and Related Notes</u>	<u>94</u>
	<u>Consolidated Balance Sheets</u>	<u>94</u>
	<u>Consolidated Statements of Income</u>	<u>95</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>96</u>
	<u>Consolidated Statements of Changes in Equity</u>	<u>97</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>98</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>99</u>
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>174</u>
9A	<u>Controls and Procedures</u>	<u>174</u>
9B	<u>Other Information</u>	<u>174</u>
PART III		
10	<u>Directors, Executive Officers and Corporate Governance</u>	<u>174</u>
11	<u>Executive Compensation</u>	<u>175</u>
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>175</u>
13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>175</u>
14	<u>Principal Accountant Fees and Services</u>	<u>175</u>
PART IV		
15	<u>Exhibits and Financial Statement Schedules</u>	<u>176</u>
	<u>(a) (1) Financial Statements — See listing in Item 8 above</u>	<u>176</u>
	<u>(a) (2) Financial Statement Schedules — None required</u>	<u>176</u>
	<u>(a) (3) Exhibits</u>	<u>176</u>
16	<u>Form 10-K Summary</u>	<u>178</u>
	<u>Signatures</u>	<u>179</u>

Exhibits

PART I

ITEM 1. BUSINESS

Overview

KeyCorp, organized in 1958 under the laws of the State of Ohio, is headquartered in Cleveland, Ohio. We are a BHC under the BHCA and one of the nation's largest bank-based financial services companies, with consolidated total assets of approximately \$139.6 billion at December 31, 2018. KeyCorp is the parent holding company for KeyBank National Association, its principal subsidiary, through which most of our banking services are provided. Through KeyBank and certain other subsidiaries, we provide a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, commercial mortgage servicing and special servicing, and investment banking products and services to individual, corporate, and institutional clients through two major business segments: Key Community Bank and Key Corporate Bank.

As of December 31, 2018, these services were provided across the country through KeyBank's 1,159 full-service retail banking branches and a network of 1,505 ATMs in 15 states, as well as additional offices, online and mobile banking capabilities, and a telephone banking call center. Additional information pertaining to our two business segments is included in the "Line of Business Results" section in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this report, and in Note 24 ("Line of Business Results") of the Notes to Consolidated Financial Statements presented in Item 8. Financial Statements and Supplementary Data, which are incorporated herein by reference. KeyCorp and its subsidiaries had an average of 18,180 full-time equivalent employees for 2018.

In addition to the customary banking services of accepting deposits and making loans, our bank and its trust company subsidiary offer personal and institutional trust custody services, securities lending, personal financial and planning services, access to mutual funds, treasury services, and international banking services. Through our bank, trust company, and registered investment adviser subsidiaries, we provide investment management services to clients that include large corporate and public retirement plans, foundations and endowments, high-net-worth individuals, and multi-employer trust funds established for providing pension or other benefits to employees. Key Community Bank also purchases retail auto sales contracts via a network of auto dealerships. The auto dealerships finance the sale of automobiles as the initial lender and then assign the contracts to us pursuant to dealer agreements.

We provide other financial services — both within and outside of our primary banking markets — through various nonbank subsidiaries. These services include community development financing, securities underwriting, investment banking and capital markets products, and brokerage. We also provide merchant services to businesses.

KeyCorp is a legal entity separate and distinct from its banks and other subsidiaries. Accordingly, the right of KeyCorp, its security holders, and its creditors to participate in any distribution of the assets or earnings of its banks and other subsidiaries is subject to the prior claims of the creditors of such banks and other subsidiaries, except to the extent that KeyCorp's claims in its capacity as a creditor may be recognized.

We derive the majority of our revenues within the United States from customers domiciled in the United States. Revenue from foreign countries and external customers domiciled in foreign countries was immaterial to our consolidated financial statements.

Table of Contents

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 and investment, lending, mortgage and home equity, credit card, and personalized wealth management products and business advisory services. Key Community Bank also purchases retail auto sales contracts via a network of auto dealerships. These products and services are provided through our relationship managers and specialists working in our 15-state branch network, which is organized into ten internally defined geographic regions: Washington, Oregon/Alaska, Rocky Mountains, Indiana/Northwest Ohio/Michigan, Central/Southwest Ohio, East Ohio/Western Pennsylvania, Atlantic, Western New York, Eastern New York and New England. In addition, some of these product capabilities are delivered by Key Corporate Bank to clients of Key Community 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 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 24 ("Line of Business Results").

Additional Information

The following financial data is included in this report in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and Item 8. Financial Statements and Supplementary Data, and is incorporated herein by reference as indicated below:

Description of Financial Data	Page Number
Selected Financial Data	36
Consolidated Average Balance Sheets, Net Interest Income and Yields/Rates from Continuing Operations	42
Components of Net Interest Income Changes from Continuing Operations	44
Composition of Loans	53
Remaining Maturities and Sensitivity of Certain Loans to Changes in Interest Rates	57
Securities Available for Sale	59
Held-to-Maturity Securities	59
Maturity Distribution of Time Deposits of \$100,000 or More	60
Allocation of the Allowance for Loan and Lease Losses	75
Summary of Loan and Lease Loss Experience from Continuing Operations	77
Summary of Nonperforming Assets and Past Due Loans from Continuing Operations	78
Summary of Changes in Nonperforming Loans from Continuing Operations	78
Short-Term Borrowings	159

Our executive offices are located at 127 Public Square, Cleveland, Ohio 44114-1306, and our telephone number is (216) 689-3000. Our website is www.key.com, and the investor relations section of our website may be reached through www.key.com/ir. We make available free of charge, on or through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website, and available in print upon request from any shareholder to our Investor Relations Department, are the charters for our Audit Committee, Compensation and Organization Committee, Executive Committee, Nominating and Corporate Governance Committee, and Risk Committee; our Corporate Governance Guidelines; the Code of Ethics for our directors, officers, and employees; our Standards for Determining Independence of Directors; our policy for Review of

Table of Contents

Transactions Between KeyCorp and Its Directors, Executive Officers and Other Related Persons; and our Statement of Political Activity. Within the time period required by the SEC and the NYSE, we will post on our website any amendment to the Code of Ethics and any waiver applicable to any senior executive officer or director. We also make available a summary of filings made with the SEC of statements of beneficial ownership of our equity securities filed by our directors and officers under Section 16 of the Exchange Act. The “Regulatory Disclosures and Filings” tab of the investor relations section of our website includes public disclosures concerning our annual and mid-year stress-testing activities under the Dodd-Frank Act and our quarterly regulatory capital disclosures under the third pillar of Basel III.

Information contained on or accessible through our website or any other website referenced in this report is not part of this report. References to websites in this report are intended to be inactive textual references only.

Shareholders may obtain a copy of any of the above-referenced corporate governance documents by writing to our Investor Relations Department at Investor Relations, KeyCorp, 127 Public Square, Mailcode OH-01-27-0737, Cleveland, Ohio 44114-1306; by calling (216) 689-4221; or by sending an e-mail to investor_relations@keybank.com.

Competition

The market for banking and related financial services is highly competitive. Key competes with other providers of financial services, such as BHCs, commercial banks, savings associations, credit unions, mortgage banking companies, finance companies, mutual funds, insurance companies, investment management firms, investment banking firms, broker-dealers, and other local, regional, national, and global institutions that offer financial services. Some of our competitors are larger and may have more financial resources, while some of our competitors enjoy fewer regulatory constraints and may have lower cost structures. The financial services industry has become more competitive as technology advances have lowered barriers to entry, enabling more companies, including nonbank companies, to provide financial services. Technological advances may diminish the importance of depository institutions and other financial institutions. Mergers and acquisitions have also led to increased concentration in the banking industry, placing added competitive pressure on Key's core banking products and services as we see competitors enter some of our markets or offer similar products. We compete by offering quality products and innovative services at competitive prices, and by maintaining our product and service offerings to keep pace with customer preferences and industry standards.

Executive Officers of KeyCorp

KeyCorp's executive officers are principally responsible for making policy for KeyCorp, subject to the supervision and direction of the Board. All executive officers are subject to annual election at the annual organizational meeting of the Board held each May.

Set forth below are the names and ages of the executive officers of KeyCorp as of December 31, 2018, the positions held by each at KeyCorp during the past five years, and the year each first became an executive officer of KeyCorp. Because Mr. Midkiff has been employed at KeyCorp for less than five years, information is being provided concerning his prior business experience. There are no family relationships among the directors or the executive officers.

Amy G. Brady (52) - Ms. Brady is KeyCorp's Chief Information Officer, serving in that role since May 2012. Ms. Brady has been an executive officer of KeyCorp since she joined in 2012.

Edward J. Burke (62) - Mr. Burke has been the Co-President, Commercial and Private Banking of Key Community Bank since April 2014 and an executive officer of KeyCorp since May 2014. From 2005 until his election as Co-President, Mr. Burke was an Executive Vice President and head of KeyBank Real Estate Capital and Key Community Development Lending.

Robert A. DeAngelis (57) - Mr. DeAngelis has been the Director of Quality and Productivity Management since June 2017. From March 2016 to June 2017, he served as a Transition Program Executive and was dedicated to the integration efforts related to KeyCorp's merger with First Niagara. From November 2011 to March 2016, Mr. DeAngelis was the Director of the Enterprise Program Management Office for KeyCorp. Prior to that, he served as the Consumer Segment Executive. Mr. DeAngelis has been an executive officer of KeyCorp since June 2017 and was also previously an executive officer of KeyCorp from March 2013 to March 2016.

Table of Contents

Dennis A. Devine (47) - Mr. Devine has been the Co-President, Consumer and Small Business of Key Community Bank since April 2014 and an executive officer of KeyCorp since May 2014. From 2012 to 2014, Mr. Devine served as Executive Vice President in various roles, including as head of the Consumer & Small Business Segment and head of Integrated Channels and Community Bank Strategy for Key Community Bank.

Trina M. Evans (54) - Ms. Evans has been the Director of Corporate Center for KeyCorp since August 2012, partnering with Key's executive leadership team and Board to ensure alignment of strategy, objectives, priorities, and messaging across Key. Prior to this role, Ms. Evans was the Chief Administrative Officer for Key Community Bank and the Director of Client Experience for KeyBank. During her career with KeyCorp, she has served in a variety of senior management roles associated with the call center, internet banking, retail banking, distribution management and information technology. She became an executive officer of KeyCorp in March 2013.

Brian L. Fishel (53) - Mr. Fishel became the Chief Human Resources Officer and an executive officer of KeyCorp in May 2018. From 2013 to 2018, he served as the Director of Talent Management for KeyCorp.

Christopher M. Gorman (58) - In 2017, Mr. Gorman became President of Banking and Vice Chairman. From 2016 to 2017, he served as Merger Integration Executive responsible for leading the integration efforts related to KeyCorp's merger with First Niagara. Prior to that, Mr. Gorman was the President of Key Corporate Bank from 2010 to 2016. He previously served as a KeyCorp Senior Executive Vice President and head of Key National Banking during 2010. Mr. Gorman was an Executive Vice President of KeyCorp (2002 to 2010) and served as President of KBCM (2003 to 2010). He became an executive officer of KeyCorp in 2010.

Paul N. Harris (60) - Mr. Harris has been the General Counsel and Secretary of KeyCorp since 2003 and an executive officer of KeyCorp since 2004.

Clark H.I. Khayat (47) - Mr. Khayat rejoined KeyCorp as Chief Strategy Officer in January 2018. Mr. Khayat previously served as an Executive Vice President and Head of Key's Enterprise Commercial Payments group from April 2014 to June 2016 and an Executive Vice President in Corporate Strategy from July 2012 to April 2014. He became an executive officer of KeyCorp in September 2018.

Donald R. Kimble (58) - Mr. Kimble has been the Chief Financial Officer of KeyCorp since June 2013. In 2017, Mr. Kimble was also named Vice Chairman. Mr. Kimble became an executive officer upon joining KeyCorp in June 2013.

Angela G. Mago (53) - Ms. Mago became Co-Head of Key Corporate Bank in 2016. She also serves as Head of Real Estate Capital for Key, a role she has held since 2014. From 2011 to 2014, Ms. Mago was Head of Key's Commercial Mortgage Group. She became an executive officer of KeyCorp in 2016.

Mark W. Midkiff (56) - Mr. Midkiff became Chief Risk Officer and an executive officer of KeyCorp in January 2018. Prior to joining KeyCorp, Mr. Midkiff served as the Deputy Chief Credit Officer of BB&T from May 2017 to December 2017. He served as Chief Risk Officer of GE Capital from May 2015 to January 2017 and Chief Risk Officer of MUFG Union Bank from 2009 to April 2015.

Beth E. Mooney (63) - Ms. Mooney has been the Chairman and Chief Executive Officer of KeyCorp since 2011, and an executive officer of KeyCorp since 2006. Prior to becoming Chairman and Chief Executive Officer, she served in a variety of roles with KeyCorp, including President and Chief Operating Officer and Vice Chair and head of Key Community Bank. She has been a director of AT&T, a publicly-traded telecommunications company, since 2013.

Andrew J. Paine III (49) - Mr. Paine became Co-Head of Key Corporate Bank in 2016. He also serves as President of KeyBanc Capital Markets Inc., a role he has held since 2013. From 2010 to 2013, Mr. Paine was the Co-Head of KeyBanc Capital Markets Inc. He became an executive officer of KeyCorp in 2016.

Kevin T. Ryan (57) - Mr. Ryan has been the Chief Risk Review Officer and General Auditor of KeyCorp since 2007. He became an executive officer of KeyCorp in 2016.

Douglas M. Schosser (48) - Mr. Schosser has been the Chief Accounting Officer and an executive officer of KeyCorp since May 2015. Prior to becoming the Chief Accounting Officer, Mr. Schosser served as an Integration Manager at KeyCorp. From 2010 to 2014, he served as the Chief Financial Officer of Key Corporate Bank.

Table of Contents

Supervision and Regulation

The regulatory framework applicable to BHCs and banks is intended primarily to protect consumers, the DIF, taxpayers and the banking system as a whole, rather than to protect the security holders and creditors of financial services companies. Comprehensive reform of the legislative and regulatory environment for financial services companies occurred in 2010 and remains ongoing. We cannot predict changes in applicable laws, regulations or regulatory agency policies, but any such changes may materially affect our business, financial condition, results of operations, or access to liquidity or credit.

Overview

Federal law establishes a system of regulation under which the Federal Reserve is the umbrella regulator for BHCs, while their subsidiaries are principally regulated by prudential or functional regulators: (i) the OCC for national banks and federal savings associations; (ii) the FDIC for state non-member banks and savings associations; (iii) the Federal Reserve for state member banks; (iv) the CFPB for consumer financial products or services; (v) the SEC and FINRA for securities broker/dealer activities; (vi) the SEC, CFTC, and NFA for swaps and other derivatives; and (vii) state insurance regulators for insurance activities. Certain specific activities, including traditional bank trust and fiduciary activities, may be conducted in a bank without the bank being deemed a “broker” or a “dealer” in securities for purposes of securities functional regulation.

Under the BHCA, BHCs generally may not directly or indirectly own or control more than 5% of the voting shares, or substantially all of the assets, of any bank, without prior approval from the Federal Reserve. In addition, BHCs are generally prohibited from engaging in commercial or industrial activities. However, a BHC that satisfies certain requirements regarding management, capital adequacy, and Community Reinvestment Act performance may elect to be treated as a Financial Holding Company (“FHC”) for purposes of federal law, and as a result may engage in a substantially broader scope of activities that are considered to be financial in nature or complementary to those activities. KeyCorp has elected to be treated as a FHC and, as such, is authorized to engage in securities underwriting and dealing, insurance agency and underwriting, and merchant banking activities. In addition, the Federal Reserve has permitted FHCs, like KeyCorp, to engage in the following activities, under the view that such activities are complementary to a financial activity: physical commodities trading activities, energy management services, and energy tolling, among others.

Under federal law, a BHC also must serve as a source of financial strength to its subsidiary depository institution(s) by providing financial assistance in the event of financial distress. This support may be required when the BHC does not have the resources to, or would prefer not to, provide it. Certain loans by a BHC to a subsidiary bank are subordinate in right of payment to deposits in, and certain other indebtedness of, the subsidiary bank. In addition, federal law provides that in the bankruptcy of a BHC, any commitment by the BHC to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

The Dodd-Frank Act created the FSOC to overlay the U.S. supervisory framework for BHCs, insured depository institutions, and other financial service providers, by serving as a systemic risk oversight body. Specifically, the FSOC is authorized to: (i) identify risks to U.S. financial stability that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected SIFIs, or that could arise outside the financial services marketplace; (ii) promote market discipline by eliminating expectations that the U.S. government will shield shareholders, creditors, and counterparties from losses in the event of failure; and (iii) respond to emerging threats to the stability of the U.S. financial system. The FSOC is responsible for facilitating regulatory coordination; information collection and sharing; designating nonbank financial companies for consolidated supervision by the Federal Reserve; designating systemic financial market utilities and systemic payment, clearing, and settlement activities requiring prescribed risk management standards and heightened federal regulatory oversight; recommending stricter standards for SIFIs; and, together with the Federal Reserve, determining whether action should be taken to break up firms that pose a grave threat to U.S. financial stability.

As a FHC, KeyCorp is subject to regulation, supervision, and examination by the Federal Reserve under the BHCA. Our national bank subsidiaries and their subsidiaries are subject to regulation, supervision and examination by the OCC. At December 31, 2018, we operated one full-service, FDIC-insured national bank subsidiary, KeyBank, and one national bank subsidiary that is limited to fiduciary activities. The FDIC also has certain, more limited regulatory, supervisory, and examination authority over KeyBank and KeyCorp under the FDIA and the Dodd-Frank Act.

Table of Contents

We have other financial services subsidiaries that are subject to regulation, supervision, and examination by the Federal Reserve, as well as other state and federal regulatory agencies and self-regulatory organizations. Because KeyBank engages in derivative transactions, in 2013 it provisionally registered as a swap dealer with the CFTC and became a member of the NFA, the self-regulatory organization for participants in the U.S. derivatives industry. Our securities brokerage and asset management subsidiaries are subject to supervision and regulation by the SEC, FINRA, and state securities regulators, and our insurance subsidiaries are subject to regulation by the insurance regulatory authorities of the states in which they operate. Our other nonbank subsidiaries are subject to laws and regulations of both the federal government and the various states in which they are authorized to do business.

Regulatory capital requirements

Background

KeyCorp and KeyBank are subject to regulatory capital requirements that are based largely on the work of an international group of supervisors known as the Basel Committee on Banking Supervision (“Basel Committee”). The Basel Committee is responsible for establishing international bank supervisory standards for implementation in member jurisdictions, to enhance and align bank regulation on a global scale and promote financial stability.

The regulatory capital framework developed by the Basel Committee and implemented in the United States is a predominately risk-based capital framework that establishes minimum capital requirements based on the amount of regulatory capital a banking organization maintains relative to the amount of its total assets, adjusted to reflect credit risk (“risk-weighted assets”). Each banking organization subject to this regulatory capital framework is required to satisfy certain minimum risk-based capital measures (e.g., a tier 1 risk-based capital ratio requirement of tier 1 capital to total risk-weighted assets), and in the United States, a minimum leverage ratio requirement of tier 1 capital to average total on-balance sheet assets, which serves as a backstop to the risk-based measures.

A capital instrument is assigned to one of two tiers based on the relative strength and ability of that instrument to absorb credit losses on a going concern basis. Capital instruments with relatively robust loss-absorption capacity are assigned to tier 1, while other capital instruments with relatively less loss-absorption capacity are assigned to tier 2. A banking organization’s total capital equals the sum of its tier 1 and tier 2 capital.

The Basel Committee also developed a market risk capital framework (that also has been implemented in the United States) to address the substantial exposure to market risk faced by banking organizations with significant trading activity and augment the credit risk-based capital requirements described above. For example, the minimum total risk-based capital ratio requirement for a banking organization subject to the market risk capital rule equals the ratio of the banking organization’s total capital to the sum of its credit risk-weighted assets and market risk-weighted assets. Only KeyCorp is subject to the market risk capital rule, as KeyBank does not engage in substantial trading activity.

Basel III

To address deficiencies in the international regulatory capital standards identified during the 2007-2009 global financial crisis, in 2010 the Basel Committee released comprehensive revisions to the international regulatory capital framework, commonly referred to as “Basel III.” The Basel III revisions are designed to strengthen the quality and quantity of regulatory capital, in part through the introduction of a Common Equity Tier 1 capital requirement; provide more comprehensive and robust risk coverage, particularly for securitization exposures, equities, and off-balance sheet positions; and address pro-cyclicality concerns through the implementation of capital buffers. The Basel Committee also released a series of revisions to the market risk capital framework to address deficiencies identified during its initial implementation (e.g., arbitrage opportunities between the credit risk-based and market risk capital rules) and in connection with the global financial crisis.

In July 2013, the U.S. banking agencies adopted a final rule to implement Basel III with an effective date of January 1, 2015, and a multi-year transition period ending on December 31, 2018 (“Regulatory Capital Rules”). Consistent with the international framework, the Regulatory Capital Rules further restrict the type of instruments that may be recognized in tier 1 and tier 2 capital (including the phase out of trust preferred securities from tier 1 capital for BHCs above a certain asset threshold, like KeyCorp); establish a minimum Common Equity Tier 1 capital ratio requirement of 4.5% and capital buffers to absorb losses during periods of financial stress while allowing an institution to provide credit intermediation as it would during a normal economic environment; and refine several of the methodologies used for determining risk-weighted assets. The Regulatory Capital Rules provide additional requirements for large banking organizations with over \$250 billion in total consolidated assets or \$10 billion in foreign exposure, but those additional requirements do not apply to KeyCorp or KeyBank. Accordingly, for

Table of Contents

purposes of the Regulatory Capital Rules, KeyCorp and KeyBank are treated as “standardized approach” banking organizations.

Under the Regulatory Capital Rules, standardized approach banking organizations are required to meet the minimum capital and leverage ratios set forth in the following table. At December 31, 2018, Key had an estimated Common Equity Tier 1 Capital Ratio of 9.84% under the fully phased-in Regulatory Capital Rules. Also at December 31, 2018, 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 the following table.

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

Ratios (including Capital conservation buffer)	Key December 31, 2018 Pro Forma	Minimum January 1, 2015	Phase-in Period	Minimum January 1, 2019
Common Equity Tier 1 ^(a)	9.84%	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	10.98	6.0	None	6.0
Tier 1 Capital + Capital conservation buffer		6.0	1/1/16 - 1/1/19	8.5
Total Capital	12.78	8.0	None	8.0
Total Capital + Capital conservation buffer		8.0	1/1/16 - 1/1/19	10.5
Leverage ^(c)	9.89	4.0	None	4.0

(a) See the section entitled “GAAP to Non-GAAP Reconciliations,” which presents the computation of Common Equity Tier 1 under the fully-phased in regulatory capital rules.

(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 became effective January 1, 2018.

Revised prompt corrective action framework

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

“Well Capitalized” and “Adequately Capitalized” Capital Category Ratios under Revised Prompt Corrective Action Framework

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 became effective January 1, 2018.

We believe that, as of December 31, 2018, KeyBank (consolidated) satisfied the risk-based and leverage capital requirements necessary to be considered “well capitalized” for purposes of the revised prompt corrective action framework. However, investors should not regard this determination as a representation of the overall financial condition or prospects of KeyBank because the prompt corrective action framework is intended to serve a limited supervisory function. Moreover, it is important to note that the prompt corrective action framework does not apply to BHCs, like KeyCorp.

Recent regulatory capital-related developments

On September 27, 2017, the federal banking agencies issued a joint proposal to simplify certain aspects of the Regulatory Capital Rules for standardized approach banking organizations (the “Simplification Proposal”), including Key. In anticipation of the Simplification Proposal, on August 22, 2017, the agencies issued a proposal to extend the

Table of Contents

current capital treatment for certain items that are part of the Simplification Proposal and also subject to the multi-year transition period for the Regulatory Capital Rules, which ended on December 31, 2018 (the "Transitions Proposal"). The Transitions Proposal was published as a final rule in the Federal Register on November 21, 2017, and is expected to alleviate the burden that would have resulted from the continued phase-in of those capital requirements as the agencies seek public comment on and work to finalize the Simplification Proposal.

The Simplification Proposal would amend the Regulatory Capital Rules by: (1) replacing the definition for "high volatility commercial real estate" exposures with a simpler definition called, "high volatility acquisition, development, or construction" ("HVADC") exposures, and requiring a banking organization to assign a 130 percent risk weight to HVADC exposures; (2) simplifying the thresholds deductions for mortgage servicing assets, temporary difference deferred tax assets that are not realizable through carryback, and investments in the capital of unconsolidated financial institutions, together with revisions to the risk-weight treatment for investments in the capital of unconsolidated financial institutions; and (3) simplifying the limitations on the amount of a third-party minority interest in a consolidated subsidiary that is includable in regulatory capital. These revisions would apply only to standardized approach banking organizations.

The Simplification Proposal also sets forth clarifying revisions to miscellaneous sections of the Regulatory Capital Rules. If the Simplification Proposal is adopted in its current form as final, it would likely have a neutral-to-low impact on Key's capital requirements, but it would meaningfully alleviate the compliance burden associated with the Regulatory Capital Rules. Comments on the Simplification Proposal were due December 26, 2017.

In December 2017, the Basel Committee released its final revisions to Basel III. The revisions seek to restore credibility in the calculation of risk-weighted assets ("RWAs") and improve the comparability of regulatory capital ratios across banking organizations by: (1) enhancing the robustness and risk-sensitivity of the standardized approach for credit risk, credit valuation adjustment, and operational risk; (2) constraining the use of internal models by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based approach for credit risk (used by advanced approaches banking organizations) and removing the ability to use an internal model for purposes of determining the capital charge for credit valuation adjustment ("CVA") risk and operational risk; (3) introducing a leverage ratio buffer to further limit the leverage of global systemically-important banks; and (4) replacing the existing Basel II output floor with a more robust, risk-sensitive floor based on the Basel III standardized approach.

The U.S. federal banking agencies released a statement announcing their support for the Basel Committee's efforts, but cautioned that they will consider how to appropriately incorporate these revisions into the Regulatory Capital Rules, and that any proposed changes based on the Basel Committee revisions would be subject to notice-and-comment rulemaking. In view of the prohibition under the Dodd-Frank Act on the use of credit ratings in federal regulation, there is some uncertainty as to whether or how the agencies would implement the ratings-based aspects of the Basel Committee revisions to Basel III, as well as any other aspect of the Basel Committee revisions that permit the U.S. agencies to exercise home-country discretion, for example, due to differences in accounting or market practices, and legal requirements.

Subsequently, in December 2018, the Basel Committee released an update to its Pillar 3 disclosure framework, to more appropriately align it to the changes adopted under the Basel Committee's final revisions to Basel III. Before any action is taken by the federal banking agencies with respect to the revised Pillar 3 disclosure framework, the federal agencies must determine whether and to what extent they will implement the final revisions to Basel III released by the Basel Committee in December 2017.

In December 2018, the federal banking agencies published a final rule to amend their Regulatory Capital Rules to address the regulatory capital effects of forthcoming changes to GAAP set forth in the issuance by the FASB of ASU No. 2016-13, Financial Instruments - Credit Losses, Topic 326, Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which introduces the current expected credit loss methodology to replace the incurred loss methodology for financial assets. The final rule identifies which credit loss allowances under the new accounting standard are eligible for inclusion in a banking organization's regulatory capital and provides banking organizations with the option to phase in, over a three-year period, the adverse day-one regulatory capital effects of adoption of the new accounting standard on retained earnings, deferred tax assets, credit loss allowances, and average total consolidated assets. For SEC reporting companies, such as KeyCorp, the new accounting standard will become effective for the first fiscal year starting after December 15, 2019.

Table of Contents

Additional recent regulatory capital-related developments are discussed below under the heading “Other Regulatory Developments - Economic Growth, Regulatory Relief, and Consumer Protection Act.”

Liquidity requirements

KeyCorp is subject to regulatory liquidity requirements based on international liquidity standards established by the Basel Committee in 2010, and subsequently revised between 2013 and 2014 (as revised, the “Basel III liquidity framework”). The Basel III liquidity framework establishes quantitative standards designed to ensure that a banking organization is appropriately positioned, from a balance sheet perspective, to satisfy its short- and long-term funding needs.

To address short-term liquidity risk, the Basel III liquidity framework established a liquidity coverage ratio (“Basel III LCR”), calculated as the ratio of a banking organization’s high-quality liquid assets to its total net cash outflows over 30 consecutive calendar days. In addition, to address long-term liquidity risk, the Basel III liquidity framework established a net stable funding ratio (“Basel III NSFR”), calculated as the ratio of the amount of stable funding available to a banking organization to its required amount of stable funding. Banking organizations must satisfy minimum Basel III LCR and NSFR requirements of at least 100%.

In October 2014, the federal banking agencies published a final rule to implement the Basel III LCR for U.S. banking organizations (the “Liquidity Coverage Rules”). Consistent with the Basel III LCR, the U.S. Liquidity Coverage Rules establish a minimum LCR for certain internationally active bank and nonbank financial companies (excluding KeyCorp), and a modified version of the LCR (“Modified LCR”) for BHCs and other depository institution holding companies with over \$50 billion in consolidated assets that are not internationally active (including KeyCorp). 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 KeyBank’s asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

Under the Liquidity Coverage Rules, KeyCorp must calculate a Modified LCR on a monthly basis and is required to satisfy a minimum Modified LCR requirement of 100%. At December 31, 2018, KeyCorp’s Modified LCR was above 100%. In the future, KeyCorp may change the composition of our investment portfolio, increase the size of the overall investment portfolio, and modify product offerings to enhance or optimize our liquidity position.

In December 2016, the Federal Reserve adopted a final rule to implement public disclosure requirements for the LCR and Modified LCR. Under the final rule, each calendar quarter KeyCorp must publicly disclose certain quantitative information regarding its Modified LCR calculation, together with a discussion of the factors that have a significant effect on its Modified LCR. That discussion may include the main drivers of the Modified LCR; changes in the Modified LCR over time and the cause(s) of such changes; the composition of eligible high-quality liquid assets; concentration of funding sources; derivative exposures and potential capital calls; any currency mismatch; and the centralized liquidity management function of the organization and its interaction with other functional areas. KeyCorp began complying with these disclosure requirements for the calendar quarter beginning October 1, 2018.

The federal banking agencies commenced implementation of the Basel III NSFR in the United States in April and May 2016, with the release of a proposed rule to implement a minimum net stable funding ratio (“NSFR”) requirement for certain internationally active banking organizations (excluding KeyCorp) and a modified version of the minimum NSFR requirement (“Modified NSFR”) for BHCs and other depository institution holding companies with over \$50 billion in consolidated assets that are not internationally active (including KeyCorp), together with quarterly public disclosure requirements. The proposed rule would require banking organizations to satisfy a minimum NSFR requirement of 1.0 on an ongoing basis. However, banking organizations that would be subject to the Modified NSFR (like KeyCorp) would be required to maintain a lower minimum amount of available stable funding, equal to 70% of the required stable funding under the NSFR. The comment period for the NPR expired on August 5, 2016.

Recent developments regarding liquidity requirements are discussed below under the heading “Other Regulatory Developments - Economic Growth, Regulatory Relief, and Consumer Protection Act.”

Table of Contents

Capital planning and stress testing

The Federal Reserve's capital plan rule requires each U.S.-domiciled, top-tier BHC with total consolidated assets of at least \$50 billion (like KeyCorp) to develop and maintain a written capital plan supported by a robust internal capital adequacy process. The capital plan must be submitted to the Federal Reserve for supervisory review in connection with its CCAR (described below). The supervisory review includes an assessment of many factors, including KeyCorp's ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon. KeyCorp is also subject to the Federal Reserve's supervisory expectations for capital planning and capital positions as a large, noncomplex BHC, as set forth in a Federal Reserve guidance document issued on December 18, 2015 ("SR Letter 15-19"). Under SR Letter 15-19, the Federal Reserve identifies its core capital planning expectations regarding governance; risk management; internal controls; capital policy; capital positions; incorporating stressful conditions and events; and estimating impact on capital positions for large and noncomplex firms building upon the capital planning requirements under its capital plan and stress test rules. SR Letter 15-19 also provides detailed supervisory expectations on such a firm's capital planning processes.

The Federal Reserve's CCAR is an intensive assessment of the capital adequacy of large U.S. BHCs and of the practices these BHCs use to assess their capital needs. The Federal Reserve expects BHCs subject to CCAR to have and maintain regulatory capital in an amount that is sufficient to withstand a severely adverse operating environment and, at the same time, be able to continue operations, maintain ready access to funding, meet obligations to creditors and counterparties, and provide credit intermediation.

As part of the CCAR, the Federal Reserve conducts a supervisory stress test on KeyCorp, pursuant to which the Federal Reserve projects revenue, expenses, losses, and resulting post-stress capital levels and regulatory capital ratios under conditions that affect the U.S. economy or the financial condition of KeyCorp, including supervisory baseline, adverse, and severely adverse scenarios, that are determined by the Federal Reserve. KeyCorp filed its 2018 CCAR capital plan on April 5, 2018. The 2018 CCAR results, which included the supervisory stress test methodology and certain firm-specific results for the participating covered companies (including KeyCorp), were publicly released by the Federal Reserve on June 28, 2018. That same day, the Federal Reserve announced that it did not object to our 2018 capital plan.

KeyCorp and KeyBank have also been required to conduct their own company-run stress tests to assess the impact of stress scenarios (including supervisor-provided baseline, adverse, and severely adverse scenarios and, for KeyCorp, one KeyCorp-defined baseline scenario and at least one KeyCorp-defined stress scenario) on their consolidated earnings, losses, and capital over a nine-quarter planning horizon, taking into account their current condition, risks, exposures, strategies, and activities. While KeyBank has only had to conduct an annual stress test, KeyCorp has had to conduct both an annual and a mid-cycle stress test. KeyCorp and KeyBank have been required to report the results of their annual stress tests to the Federal Reserve and the OCC. KeyCorp has been required to report the results of its mid-cycle stress test to the Federal Reserve. KeyCorp and KeyBank published the results of their company-run annual stress test on June 21, 2018. KeyCorp published the results of its company-run mid-cycle stress test on October 10, 2018. Summaries of the results of these company-run stress tests have been disclosed each year under the "Regulatory Disclosures and Filings" tab of Key's Investor Relations website: <http://www.key.com/ir>.

On February 5, 2019, the Federal Reserve announced that for 2019 certain less-complex BHCs with total consolidated assets between \$100 billion and \$250 billion (including KeyCorp) will not be subject to supervisory stress testing or company-run stress testing and will not be required to participate in CCAR or submit a capital plan to the Federal Reserve. However, the Federal Reserve indicated that each of these firms (including KeyCorp) remains subject to the requirement to develop and maintain a capital plan which will have to be reviewed and approved by the firm's board of directors (or committee thereof) at least annually. KeyBank, like KeyCorp, will not have to conduct a company-run stress test in 2019 since the OCC informed OCC-regulated institutions with total consolidated assets from \$100 billion to less than \$250 billion that they will not be required to comply with any stress testing requirements in 2019.

Recent developments in capital planning and stress testing

On February 5, 2019, the Federal Reserve finalized a set of changes that will increase the transparency of its stress test program while maintaining the Federal Reserve's ability to test the resilience of the nation's largest, most

Table of Contents

complex banks. These changes were made to respond to public and industry calls for more transparency around the CCAR program.

One of these changes establishes a process for the release of more information regarding the models used by the Federal Reserve to estimate hypothetical losses in supervisory stress tests. Under this process, the following information will be made available to the public by the Federal Reserve in the first quarter of each calendar year: (1) a range of loss rates, estimated using Federal Reserve models, for loans held by CCAR firms; (2) portfolios of hypothetical loans with loss rates estimated by Federal Reserve models; and (3) more detailed descriptions of the Federal Reserve's models, such as certain equations and key variables that influence the results of those models.

On February 5, 2019, the Federal Reserve also adopted a Stress Testing Policy Statement. The Policy Statement describes the principles, policies, and procedures that guide the development, implementation, and validation of the Federal Reserve's supervisory stress test models and complements the Federal Reserve's Policy Statement on Scenario Design (discussed below).

Finally, on February 5, 2019, the Federal Reserve amended its Policy Statement on the Scenario Design Framework for Stress Testing. The amendments (1) clarify when the Federal Reserve may adopt a change in the unemployment rate in the severely adverse scenario of less than four percentage points; and (2) institute a guide that limits procyclicality in the stress test to the change in the house price index in the severely adverse scenario.

In a separate release, published April 10, 2018, the Federal Reserve invited comment on a proposal to integrate certain aspects of the Federal Reserve's Regulatory Capital Rules with the CCAR and stress test rules, in order to simplify the overall capital framework that is currently applicable to banking organizations subject to the capital plan rule (including KeyCorp). Under the proposal, the Federal Reserve would (1) amend the capital conservation buffer requirement under the Regulatory Capital Rules by replacing the static risk-weighted assets component of the buffer with a new measure, the stress capital buffer, which would be based on the results of an individual banking organization's supervisory stress test; (2) introduce a stress leverage buffer requirement that would replace the existing Tier 1 leverage requirement under CCAR; (3) modify certain assumptions under the supervisory stress test; (4) remove the 30% dividend payout ratio limitation as a criterion for heightened supervisory scrutiny of an organization's capital plan; and (5) eliminate the CCAR quantitative objection.

Under the proposed rule, a banking organization would not be subject to any limitations on capital distributions and discretionary bonus payments if it satisfies all minimum capital requirements and its capital conservation requirement (as amended to incorporate the stress capital buffer), stress leverage buffer requirement, and, if applicable, the advanced approaches capital conservation buffer requirement and supplementary leverage ratio standard (the latter two of which do not apply to KeyCorp). The comment period for this proposal ended on June 25, 2018. Key expects that the proposal would have a marginally favorable impact on its capital requirements.

Additional recent developments in capital planning and stress testing are discussed below under the heading "Other Regulatory Developments - Economic Growth, Regulatory Relief, and Consumer Protection Act."

Dividend restrictions

Federal law and regulation impose limitations on the payment of dividends by our national bank subsidiaries, like KeyBank. Historically, dividends paid by KeyBank have been an important source of cash flow for KeyCorp to pay dividends on its equity securities and interest on its debt. Dividends by our national bank subsidiaries are limited to the lesser of the amounts calculated under an earnings retention test and an undivided profits test. Under the earnings retention test, without the prior approval of the OCC, a dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net income combined with the retained net income of the two preceding years. Under the undivided profits test, a dividend may not be paid in excess of a bank's undivided profits. Moreover, under the FDIA, an insured depository institution may not pay a dividend if the payment would cause it to be less than "adequately capitalized" under the prompt corrective action framework or if the institution is in default in the payment of an assessment due to the FDIC. Similarly, under the Regulatory Capital Rules, a banking organization that fails to satisfy the minimum capital conservation buffer requirement will be subject to certain limitations, which include restrictions on capital distributions. For more information about the payment of dividends by KeyBank to KeyCorp, please see Note 3 ("Restrictions on Cash, Dividends, and Lending Activities") in this report.

Table of Contents

FDIA, Resolution Authority and Financial Stability

Deposit insurance and assessments

The DIF provides insurance coverage for domestic deposits funded through assessments on insured depository institutions like KeyBank. The amount of deposit insurance coverage for each depositor's deposits is \$250,000 per depository.

The FDIC must assess the premium based on an insured depository institution's assessment base, calculated as its average consolidated total assets minus its average tangible equity. KeyBank's current annualized premium assessments can range from \$.025 to \$.45 for each \$100 of its assessment base. The rate charged depends on KeyBank's performance on the FDIC's "large and highly complex institution" risk-assessment scorecard, which includes factors such as KeyBank's regulatory rating, its ability to withstand asset and funding-related stress, and the relative magnitude of potential losses to the FDIC in the event of KeyBank's failure.

As required under the Dodd-Frank Act, in March 2015, the FDIC approved a final rule to impose a surcharge on the quarterly deposit insurance assessments of insured depository institutions having total consolidated assets of at least \$10 billion (like KeyBank). The surcharge was 4.5 cents per \$100 of the institution's assessment base (after making certain adjustments). Beginning July 1, 2016, KeyBank was required to pay a surcharge to assist in bringing the reserve ratio to the statutory minimum of 1.35%. On November 28, 2018, the FDIC announced that the DIF reserve ratio reached 1.36% on September 30, 2018, exceeding the statutory minimum of 1.35%. The last quarterly surcharge was included in the December 2018 assessments for insured depository institutions with total consolidated assets of \$10 billion or more (like KeyBank), and no shortfall assessment will be imposed.

In December 2016, the FDIC issued a final rule that imposes recordkeeping requirements on insured depository institutions with two million or more deposit accounts (including KeyBank), to facilitate rapid payment of insured deposits to customers if such an institution were to fail. The rule requires those insured depository institutions to: (i) maintain complete and accurate data on each depositor's ownership interest by right and capacity for all of the institution's deposit accounts; and (ii) develop the capability to calculate the insured and uninsured amounts for each deposit owner within 24 hours of failure. The FDIC will conduct periodic testing of compliance with these requirements, and institutions subject to the rule must submit to the FDIC a certification of compliance, signed by the bank's CEO, and deposit insurance coverage summary report on or before the mandatory compliance date and annually thereafter. The final rule became effective on April 1, 2017, with a mandatory compliance date of April 1, 2020. The FDIC has been releasing Frequently Asked Questions for Part 370 on a rolling basis, and has committed to continue this practice as institutions subject to the rule present issues associated with its implementation that require FDIC consultation.

Conservatorship and receivership of insured depository institutions

Upon the insolvency of an insured depository institution, the FDIC will be appointed as receiver or, in rare circumstances, conservator for the insolvent institution under the FDIA. In an insolvency, the FDIC may repudiate or disaffirm any contract to which the institution is a party if the FDIC determines that performance of the contract would be burdensome and that disaffirming or repudiating the contract would promote orderly administration of the institution's affairs. If the contractual counterparty made a claim against the receivership (or conservatorship) for breach of contract, the amount paid to the counterparty would depend upon, among other factors, the receivership (or conservatorship) assets available to pay the claim and the priority of the claim relative to others. In addition, the FDIC may enforce most contracts entered into by the insolvent institution, notwithstanding any provision that would terminate, cause a default, accelerate or give other rights under the contract solely because of the insolvency, the appointment of the receiver (or conservator), or the exercise of rights or powers by the receiver (or conservator). The FDIC may also transfer any asset or liability of the insolvent institution without obtaining approval or consent from the institution's shareholders or creditors. These provisions would apply to obligations and liabilities of KeyCorp's insured depository institution subsidiaries, such as KeyBank, including obligations under senior or subordinated debt issued to public investors.

Table of Contents

Receivership of certain SIFIs

The Dodd-Frank Act created a new resolution regime, as an alternative to bankruptcy, known as the “orderly liquidation authority” (“OLA”) for certain SIFIs, including BHCs and their affiliates. Under the OLA, the FDIC would generally be appointed as receiver to liquidate and wind down a failing SIFI. The determination that a SIFI should be placed into OLA receivership is made by the U.S. Treasury Secretary, who must conclude that the SIFI is in default or in danger of default and that the SIFI’s failure poses a risk to the stability of the U.S. financial system. This determination must come after supermajority recommendations by the Federal Reserve and the FDIC, and consultation between the U.S. Treasury Secretary and the President.

If the FDIC is appointed as receiver under the OLA, its powers and the rights and obligations of creditors and other relevant parties would be determined exclusively under the OLA. The powers of a receiver under the OLA are generally based on the FDIC’s powers as receiver for insured depository institutions under the FDIA. Certain provisions of the OLA were modified to reduce disparate treatment of creditors’ claims between the U.S. Bankruptcy Code and the OLA. However, substantial differences between the two regimes remain, including the FDIC’s right to disregard claim priority in some circumstances, the use of an administrative claims procedure under OLA to determine creditors’ claims (rather than a judicial procedure in bankruptcy), the FDIC’s right to transfer claims to a bridge entity, and limitations on the ability of creditors to enforce contractual cross-defaults against potentially viable affiliates of the entity in receivership. OLA liquidity would be provided through credit support from the U.S. Treasury and assessments made, first, on claimants against the receivership that received more in the OLA resolution than they would have received in ordinary liquidation (to the full extent of the excess), and second, if necessary, on SIFIs like KeyCorp utilizing a risk-based methodology.

In December 2013, the FDIC published a notice for comment regarding its “single point of entry” resolution strategy under the OLA. This strategy involves the appointment of the FDIC as receiver for the SIFI’s top-level U.S. holding company only, while permitting the operating subsidiaries of the failed holding company to continue operations uninterrupted. As receiver, the FDIC would establish a bridge financial company for the failed holding company and would transfer the assets and a very limited set of liabilities of the receivership estate. The claims of unsecured creditors and other claimants in the receivership would be satisfied by the exchange of their claims for the securities of one or more new holding companies emerging from the bridge company. The FDIC has not taken any subsequent regulatory action relating to this resolution strategy under OLA since the comment period ended in March 2014.

Depositor preference

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of its depositors (including claims of its depositors that have subrogated to the FDIC) and certain claims for administrative expenses of the FDIC as receiver have priority over other general unsecured claims. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will be placed ahead of unsecured, nondeposit creditors, including the institution’s parent BHC and subordinated creditors, in order of priority of payment.

Resolution and recovery plans

BHCs with at least \$50 billion in total consolidated assets, like KeyCorp, are required to periodically submit to the Federal Reserve and FDIC a plan discussing how the company could be rapidly and orderly resolved if the company failed or experienced material financial distress. Insured depository institutions with at least \$50 billion in total consolidated assets, like KeyBank, are also required to submit a resolution plan to the FDIC. These plans are due annually unless the requirement to submit the plans is deferred by the regulators. On December 1, 2017, KeyCorp submitted its resolution plan to the Federal Reserve and the FDIC. KeyBank submitted its resolution plan to the FDIC on June 20, 2018. KeyCorp was not required to submit a resolution plan in 2018 because the FDIC and Federal Reserve deferred such requirement (for 14 firms, including KeyCorp) until December 2019. KeyBank will not be required to submit a resolution plan in 2019 because the FDIC extended the next filing due date for all depository institution resolution plan submissions until no sooner than July 1, 2020. The Federal Reserve and FDIC make available on their websites the public sections of resolution plans for the companies, including KeyCorp and KeyBank, that submitted plans. The public section of the resolution plans of KeyCorp and KeyBank is available at <http://www.federalreserve.gov/supervisionreg/resolution-plans.htm> and <https://www.fdic.gov/regulations/reform/resplans/>.

Table of Contents

On September 28, 2016, the OCC released final guidelines that establish standards for recovery planning by certain large OCC-regulated institutions, including KeyBank. The guidelines require such institutions to establish a comprehensive framework for evaluating the financial effects of severe stress events, and recovery actions an institution may pursue to remain a viable, going concern during a period of severe financial stress. Because KeyBank had average total consolidated assets of greater than \$100 billion but less than \$750 billion as reported on KeyBank's Consolidated Reports of Condition and Income for the four most recent consecutive quarters as of January 1, 2017, it was required to be in compliance with the guidelines no later than January 1, 2018. We believe that KeyBank is in compliance with the guidelines. On December 27, 2018, however, the OCC amended its recovery planning guidelines to increase, from \$50 billion to \$250 billion, the asset threshold for applying the guidelines to large OCC-regulated institutions. KeyBank is, therefore, no longer subject to the guidelines.

Other Regulatory Developments

The Bank Secrecy Act

The BSA requires all financial institutions (including banks and securities broker-dealers) to, among other things, maintain a risk-based system of internal controls reasonably designed to prevent money laundering and the financing of terrorism. It includes a variety of recordkeeping and reporting requirements (such as cash and suspicious activity reporting) as well as due diligence and know-your-customer documentation requirements. Key has established and maintains an anti-money laundering program to comply with the BSA's requirements.

Consumer Financial Protection Bureau

Title X of the Dodd-Frank Act created the CFPB, a consumer financial services regulator with supervisory authority over banks and their affiliates with assets of more than \$10 billion, like Key, to carry out federal consumer protection laws. The CFPB also regulates financial products and services sold to consumers and has rulemaking authority with respect to federal consumer financial laws. Any new regulatory requirements promulgated by the CFPB or modifications in the interpretations of existing regulations could require changes to Key's consumer-facing businesses. The Dodd-Frank Act also gives the CFPB broad data collecting powers for fair lending for both small business and mortgage loans, as well as extensive authority to prevent unfair, deceptive and abusive practices.

Volcker Rule

The Volcker Rule implements Section 619 of the Dodd-Frank Act, which prohibits "banking entities," such as KeyCorp, KeyBank and their affiliates and subsidiaries, from owning, sponsoring, or having certain relationships with hedge funds and private equity funds (referred to as "covered funds") and engaging in short-term proprietary trading of financial instruments, including securities, derivatives, commodity futures and options on these instruments.

The Volcker Rule excepts certain transactions from the general prohibition against proprietary trading, including transactions in government securities (e.g., U.S. Treasuries or any instruments issued by the GNMA, FNMA, FHLMC, a Federal Home Loan Bank, or any state or a political division of any state, among others); transactions in connection with underwriting or market-making activities; and transactions as a fiduciary on behalf of customers. A banking entity may also engage in risk-mitigating hedging activity if it can demonstrate that the hedge reduces or mitigates a specific, identifiable risk or aggregate risk position of the entity. The banking entity is required to conduct an analysis supporting its hedging strategy and the effectiveness of the hedges must be monitored and, if necessary, adjusted on an ongoing basis. Banking entities with more than \$50 billion in total consolidated assets and liabilities, like Key, that engage in permitted trading transactions are required to implement enhanced compliance programs, to regularly report data on trading activities to the regulators, and to provide a CEO attestation that the entity's compliance program is reasonably designed to comply with the Volcker Rule.

Although the Volcker Rule became effective on April 1, 2014, the Federal Reserve exercised its unilateral authority to extend the compliance deadline until July 21, 2017, with respect to covered funds. In addition, on December 12, 2016, the Federal Reserve released additional guidelines regarding how banking entities may seek an extension of the conformance period for certain legacy covered fund investments. Under the Dodd-Frank Act, the Federal Reserve is authorized to provide a banking entity up to an additional five years to conform legacy investments (i.e., contractual commitments of a banking organization on or before May 1, 2010, to make an investment) in "illiquid" covered funds.

Table of Contents

Key does not anticipate that the proprietary trading restrictions in the Volcker Rule will have a material impact on its business, but it may be required to divest certain fund investments as discussed in more detail in Note 6 ("Fair Value Measurements") in Item 8 of this report. On January 13, 2017, Key filed for an additional extension for illiquid funds, to retain certain indirect investments until the earlier of the date on which the investment is conformed or is expected to mature or July 21, 2022. The application for an extension was approved on February 14, 2017. As of December 31, 2018, we have not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology.

On June 5, 2018, five federal agencies requested public comment on a proposal that would amend the Volcker Rule. The stated objective of the new proposal is to simplify and tailor compliance requirements relating to the Volcker Rule. Among other things, the new proposal would (1) tailor the rule's compliance requirements based on the size of a firm's trading assets and liabilities; (2) revise the term "trading account" by replacing the short-term intent-based prong with a new accounting-based prong; (3) modify the eligibility criteria for a banking entity to be able to rely on certain exemptions from the proprietary trading and covered fund prohibitions; and (4) simplify the trading activity information that a banking entity is required to provide to the agencies. In addition to requesting comment on the proposed changes, the five agencies requested comment on a large number of specific questions on various issues concerning implementation of the Volcker Rule. The proposal was published in the Federal Register on July 17, 2018, with a 60-day comment period. The comment period was later extended and expired on October 17, 2018.

Enhanced prudential standards and early remediation requirements

Under the Dodd-Frank Act, the Federal Reserve must impose enhanced prudential standards and early remediation requirements upon BHCs, like KeyCorp, with at least \$50 billion in total consolidated assets. Prudential standards must include enhanced risk-based capital requirements and leverage limits, liquidity requirements, risk-management and risk committee requirements, resolution plan requirements, credit exposure report requirements, single counterparty credit limits ("SCCL"), supervisory and company-run stress test requirements and, for certain financial companies, a debt-to-equity limit. Early remediation requirements must include limits on capital distributions, acquisitions, and asset growth in early stages of financial decline and capital restoration plans, capital raising requirements, limits on transactions with affiliates, management changes, and asset sales in later stages of financial decline, which are to be triggered by forward-looking indicators including regulatory capital and liquidity measures.

The resolution plan requirements applicable to KeyCorp were implemented by a joint final rule adopted by the Federal Reserve and FDIC in 2011. That same year, the Federal Reserve issued a proposal to implement the stress test, early remediation, and SCCL requirements. However, when that proposal was adopted as a final rule in 2012, it included only the stress test requirements and not the SCCL or early remediation requirements.

In March 2014, the Federal Reserve published a final rule to implement certain of the enhanced prudential standards required under the Dodd-Frank Act, including: (1) the incorporation of the Regulatory Capital Rules through the Federal Reserve's previously finalized rules on capital planning and stress tests; (2) liquidity requirements relating to cash flow projections, a contingency funding plan, liquidity risk limits, monitoring liquidity risks (with respect to collateral, legal entities, currencies, business lines, and intraday exposures), liquidity stress testing, and a liquidity buffer; (3) the risk management framework, the risk committee, and the chief risk officer as well as the corporate governance requirements as they relate to liquidity risk management, including the requirements that apply to the board of directors, the risk committee, senior management, and the independent review function; and (4) a 15-to-1 debt-to-equity limit for companies that the FSOC determines pose a "grave threat" to U.S. financial stability. KeyCorp was required to comply with the final rule starting on January 1, 2015.

On June 14, 2018, the Federal Reserve issued a final rule establishing SCCL requirements for BHCs with \$250 billion or more in total consolidated assets. The final rule limits the aggregate net credit exposure of such a BHC to a single counterparty to 25% of the BHC's tier 1 capital and limits the aggregate net credit exposure of a global systemically important bank ("GSIB") to another GSIB to 15% of the GSIB's tier 1 capital. The final rule does not apply to KeyCorp. The Federal Reserve has taken no further action on the early remediation requirements proposed in 2011.

Table of Contents

Economic Growth, Regulatory Relief, and Consumer Protection Act

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”) was enacted. EGRRCPA made certain amendments to the Dodd-Frank Act and other federal banking laws. Among other things, EGRRCPA raised, from \$50 billion to \$250 billion, the asset threshold above which the Federal Reserve is required to apply enhanced prudential standards and early remediation requirements (collectively, “EPSs”) to BHCs.

EGRRCPA raised the asset threshold for applying EPSs to BHCs in two stages. BHCs having total consolidated assets less than \$100 billion were no longer subject to such EPSs immediately upon enactment of this statute. BHCs having at least \$100 billion but less than \$250 billion in total consolidated assets (like KeyCorp) will be no longer subject to these requirements as of 18 months after the date of enactment. However, under this statute, the Federal Reserve is required, after the end of this 18-month period, to conduct periodic supervisory stress tests of BHCs with assets between \$100 billion and \$250 billion (like KeyCorp), and the requirement for a publicly traded BHC to have a risk committee continues to apply if a BHC has assets of at least \$50 billion. In addition, EGRRCPA gives the Federal Reserve the authority, following certain notice and comment procedures, to continue to apply other EPSs to any such firm or firms (including KeyCorp) if it determines that the application of the EPS is appropriate to prevent or mitigate risks to financial stability or to promote the safety and soundness of the BHC or BHCs, taking into consideration the BHC’s or BHCs’ capital structure, riskiness, complexity, financial activities, size, and other relevant factors. The Federal Reserve is also authorized to exempt any BHC with assets between \$100 billion and \$250 billion from any EPS prior to the end of the 18-month period following enactment of EGRRCPA.

On October 31, 2018, the federal banking agencies issued two NPRs related to the implementation of EGRRCPA (“Tailoring NPRs”). The proposed rules would establish four risk-based categories of banking organizations with \$100 billion or more in total consolidated assets and apply tailored capital and liquidity requirements to each respective category. Based on Key’s analysis of the proposal, KeyCorp would fall into the least restrictive of those categories (“Category IV Firms”). We are assessing the full extent of the impact to Key.

In one of the Tailoring NPRs, the Federal Reserve proposed to amend certain of the EPSs to apply tailored capital and liquidity standards to large BHCs in each of the four risk-based categories of institutions described in the Tailoring NPRs. Under this proposal, Category IV Firms (like KeyCorp) would be required to conduct internal liquidity stress tests quarterly rather than monthly and would be subject to simplified liquidity risk management requirements, including requirements to adopt a set of liquidity risk limits that is more limited than currently required, calculate collateral positions monthly rather than weekly, and monitor fewer elements of intraday liquidity risk exposures. Category IV Firms would still be required to maintain a liquidity buffer that is sufficient to meet the projected net stressed cash-flow need over a 30-day planning horizon under the firm’s internal liquidity stress test and would remain subject to monthly tailored FR 2052a liquidity reporting requirements. Also, under this proposal, Category IV Firms (like KeyCorp) would no longer be required to conduct and publicly disclose the results of company-run capital stress tests and would be subject to a supervisory capital stress test conducted by the Federal Reserve every other year rather than every year, as has been the case. The Federal Reserve indicated that it intends to issue a proposal in the future that would align the capital plan requirements applicable to Category IV Firms to the changes in capital stress testing requirements being proposed, and in that future proposal, the Federal Reserve plans to provide these firms with greater flexibility to develop their annual capital plans. The Federal Reserve further indicated that it plans to propose that the stress capital buffer that would be applicable to Category IV Firms would be calculated in a manner that would align with the proposed two-year supervisory stress testing cycle.

In the other Tailoring NPR, the federal banking agencies proposed to amend certain elements of their Regulatory Capital Rules and standardized liquidity requirements to apply tailored capital and liquidity requirements to large banking organizations in each of the four risk-based categories of institutions described in the Tailoring NPRs. Under this proposal, Category IV Firms (like KeyCorp) would not be subject to the LCR or the proposed NSFR standardized liquidity requirements. Therefore, if the proposal is adopted, KeyCorp would no longer be subject to the Modified LCR or the proposed Modified NSFR. The federal banking agencies also proposed that Category IV Firms would not be subject to the countercyclical capital buffer or the supplementary leverage ratio and would be allowed to opt out of including most elements of AOCI in regulatory capital. Under the current Regulatory Capital Rules, KeyCorp is not subject to the countercyclical capital buffer or the supplementary leverage ratio and is allowed to opt out of including AOCI elements in regulatory capital so that part of the proposal would not impact KeyCorp. Comments on the Tailoring NPRs were due by January 22, 2019.

Table of Contents

In addition to raising the asset threshold for the application of EPSs to BHCs, EGRRCPA raised the asset threshold that triggers the requirement in Section 165(i)(2) of the Dodd-Frank Act for federally-regulated banks (like KeyBank) to conduct company-run stress tests on an annual basis from \$10 billion to \$250 billion in total consolidated assets. This provision is effective 18 months after the date of enactment of EGRRCPA. In December 2018 and January 2019, the federal banking agencies issued a proposal to implement this statutory change. Under this proposal, federally-regulated banks with total assets of less than \$250 billion (like KeyBank) would no longer be required to conduct annual company-run stress tests while banks above this threshold would be required to conduct company-run stress tests every other year or in some cases, every year. Also, this proposal would remove the “adverse” scenario as a required scenario for all company-run and supervisory stress testing requirements applicable to BHCs and federally-regulated banks so that such stress tests would be required to include only “baseline” and “severely adverse” scenarios. The comment period for this proposal was scheduled to end on February 19, 2019, but was extended until March 14, 2019, by the OCC and until March 21, 2019, by the Federal Reserve.

EGRRCPA also amended the capital requirements for certain acquisition, development, and construction (“ADC”) loans. This statute allows the federal banking agencies to require depository institutions to assign a heightened risk weight to a high volatility commercial real estate (“HVCRE”) exposure under the Regulatory Capital Rules only if such exposure comes within the definition of an HVCRE ADC Loan as defined in EGRRCPA. The effect of this provision is to narrow the scope of exposures subject to a heightened risk weight. On July 6, 2018, the federal banking agencies issued a statement providing depository institutions (including KeyBank) and BHCs (including KeyCorp) with interim guidance concerning the application of this provision. On September 18, 2018, the federal banking agencies released a proposal to amend their Regulatory Capital Rules to revise the definition of an HVCRE exposure to conform to the statutory definition of an HVCRE ADC Loan and indicated that they would not take any further action on the HVADC aspect of the Simplification Proposal (issued by the agencies in September 2017) in light of the changes made by EGRRCPA. The agencies requested comment on various interpretive issues relating to this proposal. This proposal was published in the Federal Register on September 28, 2018, and comments were due by November 27, 2018.

Bank transactions with affiliates

Federal banking law and regulation imposes qualitative standards and quantitative limitations upon certain transactions by a bank with its affiliates, including the bank’s parent BHC and certain companies the parent BHC may be deemed to control for these purposes. Transactions covered by these provisions must be on arm’s-length terms, and cannot exceed certain amounts that are determined with reference to the bank’s regulatory capital. Moreover, if the transaction is a loan or other extension of credit, it must be secured by collateral in an amount and quality expressly prescribed by statute, and if the affiliate is unable to pledge sufficient collateral, the BHC may be required to provide it. These provisions significantly restrict the ability of KeyBank to fund its affiliates, including KeyCorp, KBCM, and KeyCorp’s nonbanking subsidiaries engaged in making merchant banking investments (and certain companies in which these subsidiaries have invested).

Provisions added by the Dodd-Frank Act expanded the scope of: (1) the definition of affiliate to include any investment fund having any bank or BHC-affiliated company as an investment adviser; (2) credit exposures subject to the prohibition on the acceptance of low-quality assets or securities issued by an affiliate as collateral, the quantitative limits, and the collateralization requirements to now include credit exposures arising out of derivative, repurchase agreement, and securities lending/borrowing transactions; and (3) transactions subject to quantitative limits to now also include credit collateralized by affiliate-issued debt obligations that are not securities. In addition, these provisions require that a credit extension to an affiliate remain secured in accordance with the collateral requirements at all times that it is outstanding, rather than the previous requirement of only at the inception or upon material modification of the transaction. These provisions also raise significantly the procedural and substantive hurdles required to obtain a regulatory exemption from the affiliate transaction requirements. While these provisions became effective on July 21, 2012, the Federal Reserve has not yet issued a proposed rule to implement them.

Supervision and governance

On November 2, 2018, the Federal Reserve announced that it is adopting a new supervisory rating system for large financial institutions, including BHCs with total consolidated assets of \$100 billion or more (like KeyCorp) (“LFI Rating System”), in order to align the Federal Reserve’s rating system with the post-crisis supervisory programs for these firms. The LFI Rating System will provide a supervisory evaluation of whether an institution possesses sufficient operational strength and resilience to maintain safe and sound operations through a range of conditions and will assess an institution’s capital planning and positions, liquidity risk management and positions, and

Table of Contents

governance and controls. Institutions subject to the LFI Rating System will be rated using the following scale: Broadly Meets Expectations, Conditionally Meets Expectations, Deficient-1, and Deficient-2, with the Conditionally Meets Expectations rating intended to be used as a transitory rating to allow an institution time to remediate a concern identified during the supervisory evaluation. The Federal Reserve intends to assign initial ratings under the LFI Rating System in 2019 to institutions that are subject to the Large Institution Supervision Coordinating Committee framework (excluding KeyCorp) and in 2020 for all other large financial institutions subject to this rating system (including KeyCorp).

The governance and controls component of the LFI Rating System is the subject of two separate, but related proposals: (1) proposed guidance regarding supervisory expectations for boards of directors of large financial institutions; and (2) proposed guidance regarding core principles for effective senior management, business management, and independent risk management and controls for large financial institutions. The proposed guidance regarding supervisory expectations for boards of directors (published by the Federal Reserve on August 3, 2017) identifies the attributes of effective boards of directors that would be used by an examiner to evaluate an institution's governance and controls. The proposal also clarifies that for all institutions supervised by the Federal Reserve, most supervisory findings should be communicated to the organization's senior management for corrective action and not its board of directors. In addition, the proposal identifies existing supervisory expectations for boards of directors set forth in Federal Reserve Supervision and Regulation Letters that could be eliminated or revised. The Federal Reserve extended the comment period for the proposed guidance regarding supervisory expectations for boards of directors until February 15, 2018.

On January 4, 2018, the Federal Reserve released the final proposal related to the LFI Rating System - the proposed guidance regarding core principles for effective senior management, business management, and independent risk management and controls for large financial institutions. This guidance would support the supervisory evaluation under the governance and controls component of the LFI Rating System, together with the above-mentioned guidance regarding the effectiveness of a firm's board of directors. In general, the guidance proposes core principles for effective senior management, business line management, and the independent risk management and control function. The guidance encourages firms to establish a governance structure with appropriate levels of independence and stature, by appointing a Chief Risk Officer and a Chief Audit Officer. Finally, the guidance emphasizes the importance of independent risk management, internal controls, and internal audit, and establishes principles that firms should use to establish or augment those management and control frameworks. Comments on this proposal were due by March 15, 2018.

Community Reinvestment Act

The Community Reinvestment Act ("CRA") was enacted in 1977 to encourage depository institutions to help meet the credit needs of the communities that they serve, including low- and moderate-income ("LMI") neighborhoods, consistent with the institutions' safe and sound operations. The CRA requires the federal banking agencies to assess the record of each institution that they supervise in meeting the credit needs of its entire community, including LMI neighborhoods.

On September 5, 2018, the OCC published in the Federal Register an advance notice of proposed rulemaking ("ANPR") requesting public input on ways to revise the agency's CRA regulations to update the framework by which the OCC assesses a bank's CRA performance. The OCC stated that the purpose of updating the agency's CRA regulations is to encourage more community and economic development in areas that need it most, bring greater clarity, consistency and certainty to the CRA evaluation process, and provide flexibility to accommodate banks with different business strategies. The OCC invited comments on a number of questions, including ones that concern the use of a metrics-based framework, the redefinition of assessment areas, and the expansion of CRA-qualifying activities. Comments on the ANPR were due by November 19, 2018. Any revision to the OCC's CRA regulations would apply to national banks, including KeyBank.

ITEM 1A. RISK FACTORS

As a financial services organization, we are subject to a number of risks inherent in our transactions and present in the business decisions we make. Described below are the primary risks and uncertainties that if realized could have a material and adverse effect on our business, financial condition, results of operations or cash flows, and our access to liquidity. The risks and uncertainties described below are not the only risks we face.

Table of Contents

Our ERM program incorporates risk management throughout our organization to identify, understand, and manage the risks presented by our business activities. Our ERM program identifies Key's major risk categories as: credit risk, compliance risk, operational risk, liquidity risk, market risk, reputation risk, strategic risk, and model risk. These risk factors, and other risks we may face, are discussed in more detail in other sections of this report.

I. Credit Risk

We have concentrated credit exposure in commercial and industrial loans, commercial real estate loans, and commercial leases.

As of December 31, 2018, approximately 74% of our loan portfolio consisted of commercial and industrial loans, commercial real estate loans, including commercial mortgage and construction loans, and commercial leases. These types of loans are typically larger than residential real estate loans and consumer loans and have a different risk profile. The deterioration of a larger loan or a group of these loans could cause a significant increase in nonperforming loans, which could result in net loss of earnings from these loans, an increase in the provision for loan and lease losses, and an increase in loan charge-offs.

Should the fundamentals of the commercial real estate market deteriorate, our financial condition and results of operations could be adversely affected.

The strong recovery in commercial real estate over the past several years, in particular the multifamily property sector, has contributed to a surge in investment and development activity. As a result, property values are elevated and oversupply is a concern in certain markets. Substantial deterioration in property market fundamentals could have an impact on our portfolio, with a large portion of our clients active in real estate and specifically multifamily real estate. A correction in the real estate markets could impact the ability of borrowers to make debt service payments on loans. A portion of our commercial real estate loans are construction loans. Typically these properties are not fully leased at loan origination; the borrower may require additional leasing through the life of the loan to provide cash flow to support debt service payments. If property market fundamentals deteriorate sharply, the execution of new leases could slow, compromising the borrower's ability to cover the debt service payments.

We are subject to the risk of defaults by our loan counterparties and clients.

Many of our routine transactions expose us to credit risk in the event of default of our counterparty or client. Our credit risk may be exacerbated when the collateral held cannot be realized upon or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to us. In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of counterparties and clients, including financial statements, credit reports and other information. We may also rely on representations of those counterparties, clients, or other third parties as to the accuracy and completeness of that information. The inaccuracy of that information or those representations affects our ability to accurately evaluate the default risk of a counterparty or client. Given the Dodd-Frank legislative mandate to centrally clear eligible derivative contracts, we rely on central clearing counterparties to remain open and operationally viable at all times. The possibility of a large member failure or a cybersecurity breach could result in a disruption in this market.

Table of Contents

Various factors may cause our allowance for loan and lease losses to increase.

We maintain an ALLL (a reserve established through a provision for loan and lease losses charged to expense) that represents our estimate of losses based on our evaluation of risks within our existing portfolio of loans. The level of the allowance reflects our ongoing evaluation of industry concentrations; specific credit risks; loan and lease loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and incurred losses inherent in the current loan portfolio. The determination of the appropriate level of the ALLL inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and current trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, the softening of certain economic indicators that we are more susceptible to, such as unemployment and real estate values, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may indicate the need for an increase in the ALLL. Bank regulatory agencies periodically review our ALLL and, based on judgments that can differ somewhat from those of our own management, may necessitate an increase in the provision for loan and lease losses or the recognition of further loan charge-offs. In addition, if charge-offs outpace the estimate in our current methodology used to establish our ALLL (i.e., if the loan and lease allowance is inadequate), we will need additional loan and lease loss provisions to increase the ALLL, which would decrease our net income and capital.

Declining asset prices could adversely affect us.

During the Great Recession, the volatility and disruption that the capital and credit markets experienced reached extreme levels. This severe market disruption led to the failure of several substantial financial institutions, which caused the credit markets to constrict and also caused a widespread liquidation of assets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, rapidly drove down prices and valuations across a wide variety of traded asset classes. Asset price deterioration has a negative effect on the valuation of certain of the asset categories represented on our balance sheet, and reduces our ability to sell assets at prices we deem acceptable. Although the recovery has been in place for some time, a new recession would likely reverse recent positive trends in asset prices.

II. Compliance Risk

We are subject to extensive government regulation and supervision.

As a financial services institution, we are subject to extensive federal and state regulation and supervision, which previously increased in recent years due to the implementation of the Dodd-Frank Act and other financial reform initiatives. Banking regulations are primarily intended to protect depositors' funds, the DIF, consumers, taxpayers, and the banking system as a whole, not our debtholders or shareholders. These regulations increase our costs and affect our lending practices, capital structure, investment practices, dividend policy, ability to repurchase our common shares, and growth, among other things.

KeyBank and KeyCorp remain covered institutions under the Dodd-Frank Act's heightened prudential standards and regulations, including its provisions designed to protect consumers from financial abuse. Like similarly-situated institutions, Key undergoes routine scrutiny from bank supervisors in the examination process and is subject to enforcement of regulations at the federal and state levels. Although most parts of the Dodd-Frank Act are now in effect, other significant regulations have been enacted with upcoming effective dates. As a result, some uncertainty remains as to the aggregate impact upon Key of significant regulations.

Changes to existing statutes, regulations or regulatory policies or their interpretation or implementation could affect us in substantial and unpredictable ways. These changes may subject us to additional costs and increase our litigation risk should we fail to appropriately comply. Such changes may also limit the types of financial services and products we may offer, affect the investments we make, and change the manner in which we operate.

Additionally, federal banking law grants substantial enforcement powers to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist or removal orders, and to initiate injunctive actions against banking organizations and affiliated parties. These enforcement actions may be initiated for violations of laws and regulations, for practices determined to be unsafe or unsound, or for practices or acts that are determined to be unfair, deceptive, or abusive.

For more information, see "Supervision and Regulation" in Item 1 of this report.

Table of Contents

Changes in accounting policies, standards, and interpretations could materially affect how we report our financial condition and results of operations.

The FASB periodically changes the financial accounting and reporting standards governing the preparation of Key's financial statements. Additionally, those bodies that establish and/or interpret the financial accounting and reporting standards (such as the FASB, SEC, and banking regulators) may change prior interpretations or positions on how these standards should be applied. These changes can be difficult to predict and can materially affect how Key records and reports its financial condition and results of operations. In some cases, Key could be required to retroactively apply a new or revised standard, resulting in changes to previously reported financial results. For example, in June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments that will, effective January 1, 2020, substantially change the accounting for credit losses on loans and other financial assets held by banks, financial institutions, and other organizations. The standard removes the existing "probable" threshold in GAAP for recognizing credit losses and instead requires companies to reflect their estimate of credit losses over the life of the financial assets. Companies must consider all relevant information when estimating expected credit losses, including details about past events, current conditions, and reasonable and supportable forecasts. The standard is likely to have a negative impact, potentially materially, on the allowance for loan and lease losses and capital at adoption in 2020; however, Key is still evaluating the impact. It is also possible that Key's ongoing reported earnings and lending activity will be negatively impacted in periods following adoption.

III. Operational Risk

We are subject to a variety of operational risks.

In addition to the other risks discussed in this section, we are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes, internal controls, systems, and external events. Operational risk includes the risk of fraud by employees, clerical and record-keeping errors, nonperformance by vendors, threats to cybersecurity, and computer/telecommunications malfunctions. Operational risk also encompasses compliance and legal risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards, as well as the risk of our noncompliance with contractual and other obligations. We are also exposed to operational risk through our outsourcing arrangements, and the effect that changes in circumstances or capabilities of our outsourcing vendors can have on our ability to continue to perform operational functions necessary to our business, such as certain loan processing functions. For example, breakdowns or failures of our vendors' systems or employees could be a source of operational risk to us. Resulting losses from operational risk could take the form of explicit charges, increased operational costs, harm to our reputation, inability to secure insurance, litigation, regulatory intervention or sanctions, or foregone business opportunities.

Our information systems may experience an interruption or breach in security.

We rely heavily on communications, information systems (both internal and provided by third parties) and the internet to conduct our business. Our business is dependent on our ability to process and monitor large numbers of daily transactions in compliance with legal, regulatory, and internal standards and specifications. In addition, a significant portion of our operations relies heavily on the secure processing, storage, and transmission of personal and confidential information, such as the personal information of our customers and clients. These risks may increase in the future as we continue to increase mobile payments and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, our ability to extend protections to customers' information to individual customer devices is limited, especially if the customers willingly provide third parties access to their devices or information.

In the event of a failure, interruption, or breach of our information systems, we may be unable to avoid impact to our customers. Such a failure, interruption, or breach could result in legal liability, remediation costs, regulatory action, or reputational harm. Other U.S. financial service institutions and companies have reported breaches, some severe, in the security of their websites or other systems and several financial institutions, including Key, experienced significant distributed denial-of-service attacks, some of which involved sophisticated and targeted attacks intended to disable or degrade service, or sabotage systems. Other potential attacks have attempted to obtain unauthorized access to confidential information, hold for ransom, or alter or destroy data, often through the introduction of computer viruses or malware, phishing, cyberattacks, and other means. To date, none of these efforts has had a material adverse effect on our business or operations or resulted in any material disruption of our operations or

Table of Contents

material harm to our customers. Such security attacks can originate from a wide variety of sources, including persons who are involved with organized crime or who may be linked to terrorist organizations or hostile foreign governments. Those same parties may also attempt to fraudulently induce employees, customers, or other users of our systems to disclose sensitive information in order to gain access to our data or that of our customers or clients. Our security systems may not be able to protect our information systems from similar attacks due to the rapid evolution and creation of sophisticated cyberattacks. We are also subject to the risk that our employees may intercept and transmit unauthorized confidential or proprietary information. An interception, misuse or mishandling of personal, confidential, or proprietary information being sent to or received from a customer or third party could result in legal liability, remediation costs, regulatory action, and reputational harm. Over the last few years, several large companies have disclosed that they suffered substantial data security breaches, compromising millions of user accounts and credentials. To date, our losses and costs related to these breaches have not been material, but other similar events in the future could have a significant impact on us.

We rely on third parties to perform significant operational services for us.

Third parties perform significant operational services on our behalf. These third parties are subject to similar risks as Key relating to cybersecurity, breakdowns or failures of their own systems or employees. One or more of these third parties may experience a cybersecurity event or operational disruption and, if any such event does occur, it may not be adequately addressed, either operationally or financially, by such third party. Certain of these third parties may have limited indemnification obligations or may not have the financial capacity to satisfy their indemnification obligations. Financial or operational difficulties of a third party could also impair our operations if those difficulties interfere with such third party's ability to serve us. Additionally, some of our outsourcing arrangements are located overseas and, therefore, are subject to risks unique to the regions in which they operate. If a critical third party is unable to meet our needs in a timely manner or if the services or products provided by such third party are terminated or otherwise delayed and if we are not able to develop alternative sources for these services and products quickly and cost-effectively, it could have a material adverse effect on our business. Additionally, regulatory guidance adopted by federal banking regulators related to how banks select, engage, and manage their third parties affects the circumstances and conditions under which we work with third parties and the cost of managing such relationships.

We are subject to claims and litigation, which could result in significant financial liability and/or reputational risk.

From time to time, customers, vendors, or other parties may make claims and take legal action against us. We maintain reserves for certain claims when deemed appropriate based upon our assessment that a loss is probable, estimable, and consistent with applicable accounting guidance. At any given time we have a variety of legal actions asserted against us in various stages of litigation. Resolution of a legal action can often take years. Whether any particular claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in our favor, they may result in significant financial liability and adversely affect how the market perceives us and our products and services as well as impact customer demand for those products and services.

We are also involved, from time to time, in other reviews, investigations, and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business, including, among other things, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions, or other relief. The number and risk of these investigations and proceedings has increased in recent years with regard to many firms in the financial services industry due to legal changes to the consumer protection laws provided for by the Dodd-Frank Act and the creation of the CFPB.

There have also been a number of highly publicized legal claims against financial institutions involving fraud or misconduct by employees, and we run the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

Our controls and procedures may fail or be circumvented, and our methods of reducing risk exposure may not be effective.

We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. We also maintain an ERM program designed to identify, measure, monitor, report, and analyze our risks. Any system of controls and any system to reduce risk exposure, however well

Table of Contents

designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Additionally, instruments, systems, and strategies used to hedge or otherwise manage exposure to various types of market compliance, credit, liquidity, operational, and business risks and enterprise-wide risk could be less effective than anticipated. As a result, we may not be able to effectively mitigate our risk exposures in particular market environments or against particular types of risk.

Climate change, severe weather, natural disasters, acts of war or terrorism, and other external events could significantly impact our business.

Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war or terrorism, and other adverse external events could have a significant impact on our ability to conduct business or upon third parties who perform operational services for us. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue, or cause us to incur additional expenses.

Additionally, an extended period of shutdown of portions of the Federal government could negatively impact the financial performance of certain customers and could negatively impact customers' future access to certain loan and guaranty programs.

IV. Liquidity Risk

Capital and liquidity requirements imposed by the Dodd-Frank Act require banks and BHCs to maintain more and higher quality capital and more and higher quality liquid assets than has historically been the case.

Evolving capital standards resulting from the Dodd-Frank Act and the Regulatory Capital Rules adopted by our regulators have had and will continue to have a significant impact on banks and BHCs, including Key. For a detailed explanation of the capital and liquidity rules that became effective for us on a phased-in basis on January 1, 2015, see the section titled "Regulatory capital requirements" under the heading "Supervision and Regulation" in Item 1 of this report.

The Federal Reserve's capital standards require Key to maintain more and higher quality capital and could limit our business activities (including lending) and our ability to expand organically or through acquisitions. They could also result in our taking steps to increase our capital that may be dilutive to shareholders or limit our ability to pay dividends or otherwise return capital to shareholders.

In addition, the new liquidity standards required us to increase our holdings of higher-quality liquid assets, may require us to change our future mix of investment alternatives, and may impact future business relationships with certain customers. Additionally, support of liquidity standards may be satisfied through the use of term wholesale borrowings, which tend to have a higher cost than that of traditional core deposits.

Further, the Federal Reserve requires BHCs to obtain approval before making a "capital distribution," such as paying or increasing dividends, implementing common stock repurchase programs, or redeeming or repurchasing capital instruments. The Federal Reserve has detailed the processes that BHCs should maintain to ensure they hold adequate capital under severely adverse conditions and have ready access to funding before engaging in any capital activities. These rules could limit Key's ability to make distributions, including paying out dividends or buying back shares. For more information, see the section titled "Regulatory capital requirements" under the heading "Supervision and Regulation" in Item 1 of this report.

Federal agencies' actions to ensure stability of the U.S. financial system may have disruptive effects on us.

Since 2008, the federal government has taken unprecedented steps to provide stability to and confidence in the financial markets. For example, the Federal Reserve maintains a variety of stimulus policy measures designed to maintain a low interest rate environment. In the future, federal agencies may no longer support such initiatives. The discontinuation of such initiatives may have unanticipated or unintended impacts, perhaps severe, on the financial markets. These effects could include higher debt yields, a flatter or steeper slope to the yield curve, or unanticipated changes to quality spread premiums that may not follow historical relationships or patterns as the Federal Reserve gradually reverses quantitative easing and reduces the size of its balance sheet. In addition, new initiatives or

Table of Contents

legislation may not be implemented, or, if implemented, may not be adequate to counter any negative effects of discontinuing programs or, in the event of an economic downturn, to support and stabilize the economy.

We rely on dividends by our subsidiaries for most of our funds.

We are a legal entity separate and distinct from our subsidiaries. With the exception of cash that we may raise from debt and equity issuances, we receive substantially all of our funding from dividends by our subsidiaries. Dividends by our subsidiaries are the principal source of funds for the dividends we pay on our common and preferred stock and interest and principal payments on our debt. Federal banking law and regulations limit the amount of dividends that KeyBank (KeyCorp's largest subsidiary) can pay. For further information on the regulatory restrictions on the payment of dividends by KeyBank, see "Supervision and Regulation" in Item 1 of this report.

In the event KeyBank is unable to pay dividends to us, we may not be able to service debt, pay obligations, or pay dividends on our common or preferred stock. Such a situation could result in Key losing access to alternative wholesale funding sources. In addition, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors.

We are subject to liquidity risk, which could negatively affect our funding levels.

Market conditions or other events could negatively affect our access to or the cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, or fund asset growth and new business initiatives at a reasonable cost, in a timely manner and without adverse consequences.

Although we maintain a liquid asset portfolio and have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned as well as unanticipated changes in assets, liabilities, and off-balance sheet commitments under various economic conditions (including a reduced level of wholesale funding sources), a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a material adverse effect on us. If the cost effectiveness or the availability of supply in these credit markets is reduced for a prolonged period of time, our funding needs may require us to access funding and manage liquidity by other means. These alternatives may include generating client deposits, securitizing or selling loans, extending the maturity of wholesale borrowings, borrowing under certain secured borrowing arrangements, using relationships developed with a variety of fixed income investors, and further managing loan growth and investment opportunities. These alternative means of funding may result in an increase to the overall cost of funds and may not be available under stressed conditions, which would cause us to liquidate a portion of our liquid asset portfolio to meet any funding needs.

Our credit ratings affect our liquidity position.

The rating agencies regularly evaluate the securities issued by KeyCorp and KeyBank, and their ratings of our long-term debt and other securities are based on a number of factors, including our financial strength, ability to generate earnings, and other factors. Some of these factors are not entirely within our control, such as conditions affecting the financial services industry and the economy and changes in rating methodologies. Changes in any of these factors could impact our ability to maintain our current credit ratings. A rating downgrade of the securities of KeyCorp or KeyBank could adversely affect our access to liquidity and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number of investors and counterparties willing to lend to us, reducing our ability to generate income.

V. Market Risk

A reversal of the U.S. economic recovery and volatile or recessionary conditions in the U.S. or abroad could negatively affect our business or our access to capital markets.

A worsening of economic and market conditions, downside shocks, or a return to recessionary economic conditions could result in adverse effects on Key and others in the financial services industry. The prolonged low-interest rate environment, despite a generally improving economy, has presented a challenge for the industry, including Key, and affects business and financial performance.

In particular, we could face some of the following risks, and other unforeseeable risks, in connection with a downturn in the economic and market environment or in the face of downside shocks or a recession, whether in the United States or internationally:

Table of Contents

- A loss of confidence in the financial services industry and the debt and equity markets by investors, placing pressure on the price of Key's common shares or decreasing the credit or liquidity available to Key;
- A decrease in consumer and business confidence levels generally, decreasing credit usage and investment or increasing delinquencies and defaults;
- A decrease in household or corporate incomes, reducing demand for Key's products and services;
- A decrease in the value of collateral securing loans to Key's borrowers or a decrease in the quality of Key's loan portfolio, increasing loan charge-offs and reducing Key's net income;
- A decrease in our ability to liquidate positions at acceptable market prices;
- The extended continuation of the current low-interest rate environment, continuing or increasing downward pressure to our net interest income;
- An increase in competition or consolidation in the financial services industry;
- Increased concern over and scrutiny of the capital and liquidity levels of financial institutions generally, and those of our transaction counterparties specifically;
- A decrease in confidence in the creditworthiness of the United States or other governments whose securities we hold; and
- An increase in limitations on or the regulation of financial services companies like Key.

We are subject to interest rate risk, which could adversely affect net interest income.

Our earnings are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, the competitive environment within our markets, consumer preferences for specific loan and deposit products, and policies of various governmental and regulatory agencies, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rate controls being applied by the Federal Reserve, could influence the amount of interest we receive on loans and securities, the amount of interest we pay on deposits and borrowings, our ability to originate loans and obtain deposits, and the fair value of our financial assets and liabilities. As the Federal Reserve continues to raise interest rates and begins to reverse quantitative easing, the behavior of national money market rate indices, the correlation of consumer deposit rates to financial market interest rates, and the setting of LIBOR rates may not follow historical relationships, which could influence net interest income and net interest margin.

Moreover, if the interest we pay on deposits and other borrowings increases at a faster rate than the interest we receive on loans and other investments, net interest income, and therefore our earnings, would be adversely affected. Conversely, earnings could also be adversely affected if the interest we receive on loans and other investments falls more quickly than the interest we pay on deposits and other borrowings.

Uncertainty about the future of LIBOR may adversely affect our business.

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "Authority"), which regulates LIBOR, announced that the Authority intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. It is unclear whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, and no consensus exists at this time as to what benchmark rate or rates may become accepted alternatives to LIBOR. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve and the Federal Reserve Bank of New York. Additionally, the International Swaps and Derivatives Association, Inc. launched a consultation on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain interbank offered rates, including LIBOR, seeking industry input thereon. At this time, it is not possible to predict the effect of the Authority's announcement or other regulatory changes or announcements, any establishment of alternative reference rates, or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States, or elsewhere. The uncertainty regarding the future of LIBOR as well as the transition from LIBOR to another benchmark rate or rates could have adverse impacts on floating-rate obligations, loans, deposits, derivatives, and other financial instruments that currently use LIBOR as a benchmark rate and, ultimately, adversely affect KeyCorp's financial condition and results of operations.

Table of Contents

Our profitability depends upon economic conditions in the geographic regions where we have significant operations and on certain market segments in which we conduct significant business.

We have concentrations of loans and other business activities in geographic regions where our bank branches are located — Washington; Oregon/Alaska; Rocky Mountains; Indiana/Northwest Ohio/Michigan; Central/Southwest Ohio; East Ohio/Western Pennsylvania; Atlantic; Western New York; Eastern New York; and New England — and additional exposure to geographic regions outside of our branch footprint. The moderate U.S. economic recovery in the various regions where we operate has been uneven, and continued improvement in the overall U.S. economy may not result in similar improvement, or any improvement at all, in the economy of any particular geographic region. Adverse conditions in a geographic region such as inflation, unemployment, recession, natural disasters, or other factors beyond our control could impact the ability of borrowers in these regions to repay their loans, decrease the value of collateral securing loans made in these regions, or affect the ability of our customers in these regions to continue conducting business with us.

Additionally, a significant portion of our business activities are concentrated within the commercial real estate, healthcare, and utilities market segments. The profitability of some of these market segments depends upon the health of the overall economy, seasonality, the impact of regulation, and other factors that are beyond our control and may be beyond the control of our customers in these market segments.

An economic downturn in one or more geographic regions where we conduct our business, or any significant or prolonged impact on the profitability of one or more of the market segments with which we conduct significant business activity, could adversely affect the demand for our products and services, the ability of our customers to repay loans, the value of the collateral securing loans, and the stability of our deposit funding sources.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. We have exposure to many different industries and counterparties in the financial services industries, and we routinely execute transactions with such counterparties, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. Defaults by one or more financial services institutions have led to, and may cause, market-wide liquidity problems and losses. Many of our transactions with other financial institutions expose us to credit risk in the event of default of a counterparty or client. In addition, our credit risk may be affected when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivatives exposure due us.

Tax reform is anticipated to have an impact on our tax liabilities, the tax liabilities of our clients, and how we do business.

On December 22, 2017, the TCJ Act was signed into law. This comprehensive tax legislation provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, that impact corporate taxation requirements, such as the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The TCJ Act retains the low-income housing and research and development credits and repeals the corporate alternative minimum tax. Other relevant changes include earlier recognition of certain revenue; accelerating expensing of investments in tangible property, including leasing assets; and limiting several deductions such as net business interest, mortgage and home equity interest, certain executive compensation, and meals and entertainment expense. Additionally, it doubles the standard deduction, thereby eliminating the need to itemize deductions for a large number of individual taxpayers.

Key continues to assess the overall impact of the TCJ Act on the future expected federal income tax obligations of our clients. We expect that Key's future federal income tax liabilities will overall benefit from the provisions in the TCJ Act, as we experienced in 2018. However, we also expect that certain aspects of our business may change over time based on how the provisions in the TCJ Act may affect our customers and influence how we offer and deliver our products and services in the future. Refer to Note 13 ("Income Taxes") for information on the impact of the TCJ Act to our 2018 financial results.

[Table of Contents](#)

VI. Reputation Risk

Damage to our reputation could significantly harm our businesses.

Our ability to attract and retain customers, clients, investors, and highly-skilled management and employees is affected by our reputation. Public perception of the financial services industry has declined as a result of the Great Recession. We face increased public and regulatory scrutiny resulting from the financial crisis and economic downturn. Significant harm to our reputation can also arise from other sources, including employee misconduct, actual or perceived unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, disclosure of confidential information, significant or numerous failures, interruptions or breaches of our information systems, failure to meet external commitments and goals, and the activities of our clients, customers and counterparties, including vendors. Actions by the financial services industry generally or by certain members or individuals in the industry may have a significant adverse effect on our reputation. We could also suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests is complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The actual or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with us, which could adversely affect our businesses.

VII. Strategic Risk

We may not realize the expected benefits of our strategic initiatives.

Our ability to compete depends on a number of factors, including, among others, our ability to develop and successfully execute our strategic plans and initiatives. Our strategic priorities include growing profitably and maintaining financial strength; effectively managing risk and reward; engaging a high-performing, talented, and diverse workforce; embracing the changes required by our clients and the marketplace; and acquiring, expanding, and retaining targeted client relationships. Our inability to execute on or achieve the anticipated outcomes of our strategic priorities may affect how the market perceives us and could impede our growth and profitability.

We operate in a highly competitive industry.

We face substantial competition in all areas of our operations from a variety of competitors, some of which are larger and may have more financial resources than us. Our competitors primarily include national and super-regional banks as well as smaller community banks within the various geographic regions in which we operate. We also face competition from many other types of financial institutions, including, without limitation, savings associations, credit unions, mortgage banking companies, finance companies, mutual funds, insurance companies, investment management firms, investment banking firms, broker-dealers and other local, regional, national, and global financial services firms. In addition, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks. We expect the competitive landscape of the financial services industry to become even more intense as a result of legislative, regulatory, structural, and technological changes.

Our ability to compete successfully depends on a number of factors, including: our ability to develop and execute strategic plans and initiatives; our ability to develop, maintain, and build long-term customer relationships based on quality service and competitive prices; our ability to develop competitive products and technologies demanded by our customers, while maintaining our high ethical standards and an effective compliance program and keeping our assets safe and sound; our ability to attract, retain, and develop a highly competent employee workforce; and industry and general economic trends. Increased competition in the financial services industry, or our failure to perform in any of these areas, could significantly weaken our competitive position, which could adversely affect our growth and profitability.

Maintaining or increasing our market share depends upon our ability to adapt our products and services to evolving industry standards and consumer preferences, while maintaining competitive prices.

The continuous, widespread adoption of new technologies, including internet services and mobile devices (including smartphones and tablets), requires us to evaluate our product and service offerings to ensure they remain competitive. Our success depends, in part, on our ability to adapt our products and services, as well as our distribution of them, to evolving industry standards and consumer preferences. New technologies have altered

Table of Contents

consumer behavior by allowing consumers to complete transactions such as paying bills or transferring funds directly without the assistance of banks. New products allow consumers to maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer loans and deposits and related income generated from those products.

The increasing pressure from our competitors, both bank and nonbank, to keep pace and adopt new technologies and products and services requires us to incur substantial expense. We may be unsuccessful in developing or introducing new products and services, modifying our existing products and services, adapting to changing consumer preferences and spending and saving habits, achieving market acceptance or regulatory approval, sufficiently developing or maintaining a loyal customer base, or offering products and services at prices lower than the prices offered by our competitors. These risks may affect our ability to achieve growth in our market share and could reduce both our revenue streams from certain products and services and our revenues from our net interest income.

We may not be able to attract and retain skilled people.

Our success depends, in large part, on our ability to attract, retain, motivate, and develop key people. Competition for the best people in most of our business activities is ongoing and can be intense, and we may not be able to retain or hire the people we want or need to serve our customers. To attract and retain qualified employees, we must compensate these employees at market levels. Typically, those levels have caused employee compensation to be our greatest expense.

Our incentive compensation structure and sales practices are subject to review by our regulators, who may identify deficiencies in the structure of or issue additional guidance on our compensation practices, causing us to make changes that may affect our ability to offer competitive compensation to these individuals or that place us at a disadvantage to non-financial service competitors. Our ability to attract and retain talented employees may be affected by these developments or any new executive compensation limits and regulations.

Acquisitions or strategic partnerships may disrupt our business and dilute shareholder value.

Acquiring other banks, bank branches, or other businesses involves various risks commonly associated with acquisitions or partnerships, including exposure to unknown or contingent liabilities of the acquired company; diversion of our management’s time and attention; significant integration risk with respect to employees, accounting systems, and technology platforms; increased regulatory scrutiny; and, the possible loss of key employees and customers of the acquired company. We regularly evaluate merger and acquisition and strategic partnership opportunities and conduct due diligence activities related to possible transactions. As a result, mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions may involve the payment of a premium over book and market values. Therefore, some dilution of our tangible book value and net income per common share could occur in connection with any future transaction.

We may fail to realize the anticipated benefits of the merger with First Niagara.

KeyCorp consummated its merger with First Niagara on August 1, 2016. We continue to focus on realizing growth opportunities from the merger, including, among other things, enhanced revenues, revenue synergies, and an expanded market reach. If we are not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or may take longer to realize than expected. Failure to achieve these anticipated benefits could result in decreases in the amount of expected revenues and could have an adverse effect on our business, financial condition, operating results, and prospects.

VIII. Model Risk

We rely on quantitative models to manage certain accounting, risk management, capital planning, and treasury functions.

We use quantitative models to help manage certain aspects of our business and to assist with certain business decisions, including estimating incurred loan and lease losses, measuring the fair value of financial instruments when reliable market prices are unavailable, estimating the effects of changing interest rates and other market measures on our financial condition and results of operations, managing risk (such as setting reserves), and for

Table of Contents

capital planning purposes (including during the CCAR capital planning process). Our modeling methodologies rely on many assumptions, historical analyses, correlations, and being compatible to the available data. These assumptions have certain limitations and may be incorrect, particularly in times of market distress, and the historical correlations on which we rely may no longer be relevant. Additionally, as businesses and markets evolve, our measurements may not accurately reflect this evolution. Even if the underlying assumptions and historical correlations used in our models are adequate, our models may be deficient due to errors in computer code, use of bad data during development or input into the model during model use, or the use of a model for a purpose outside the scope of the model's design.

As a result, our models may not fully capture or express the risks we face, may suggest that we have sufficient capitalization when we may not, or may lead us to misjudge the business and economic environment in which we will operate. If our models fail to produce reliable results on an ongoing basis, we may not make appropriate risk management, capital planning, or other business or financial decisions. Furthermore, strategies that we employ to manage and govern the risks associated with our use of models may not be effective or fully reliable, and as a result, we may realize losses or other lapses.

Banking regulators continue to focus on the models used by banks and bank holding companies in their businesses. The failure or inadequacy of a model may result in increased regulatory scrutiny on us or may result in an enforcement action or proceeding against us by one of our regulators.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The headquarters of KeyCorp and KeyBank are located in Key Tower at 127 Public Square, Cleveland, Ohio 44114-1306. At December 31, 2018, Key leased approximately 477,744 square feet of the complex, encompassing the first 12 floors and the 54th through 56th floors of the 57-story Key Tower. In addition, Key owned two buildings in Brooklyn, Ohio, with office space that it operated from and leased out totaling approximately 563,458 square feet at December 31, 2018. Our office space is used by all of our segments. As of the same date, KeyBank owned 503 branches and leased 656 branches. The lease terms for applicable branches are not individually material, with terms ranging from month-to-month to 99 years from inception.

ITEM 3. LEGAL PROCEEDINGS

The information presented in the Legal Proceedings section of Note 21 ("Commitments, Contingent Liabilities, and Guarantees") of the Notes to Consolidated Financial Statements is incorporated herein by reference.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, we have not accrued legal reserves, consistent with applicable accounting guidance. Based on information currently available to us, advice of counsel, and available insurance coverage, we believe that our established reserves are adequate and the liabilities arising from the legal proceedings will not have a material adverse effect on our consolidated financial condition. We note, however, that in light of the inherent uncertainty in legal proceedings there can be no assurance that the ultimate resolution will not exceed established reserves. As a result, the outcome of a particular matter or a combination of matters may be material to our results of operations for a particular period, depending upon the size of the loss or our income for that particular period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

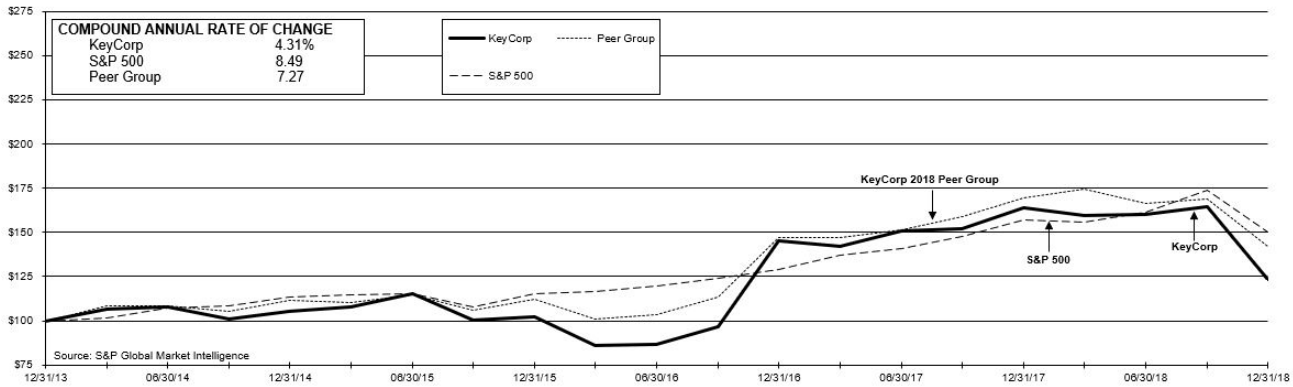
PART II

ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The disclosures included in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to Consolidated Financial Statements contained in Item 8 of this report, are incorporated herein by reference:

	Page(s)
Discussion of our common shares, shareholder information and repurchase activities in the section captioned “Capital — Common shares outstanding”	61
Discussion of dividends in the section captioned “Capital — Dividends”	61

The following graph compares the price performance of our Common Shares (based on an initial investment of \$100 on December 31, 2013, and assuming reinvestment of dividends) with that of the S&P 500 Index and a group of other banks that constitute our peer group. The peer group consists of the banks that make up the S&P 500 Regional Bank Index and the banks that make up the Standard & Poor’s 500 Diversified Bank Index. We are included in the S&P 500 Index and the peer group.



(a) Share price performance is not necessarily indicative of future price performance.

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

As previously reported and as authorized by the Board and pursuant to our 2018 capital plan (which is effective through the second quarter of 2019) submitted to and not objected to by the Federal Reserve on June 28, 2018, we have authority to repurchase up to \$1.225 billion of our Common Shares. During 2018, we repurchased \$325 million of common shares under our 2017 capital plan authorization and \$820 million under our 2018 capital plan authorization.

The following table summarizes our repurchases of our Common Shares for the three months ended December 31, 2018.

Calendar month	Total number of shares repurchased ^(a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased as part of publicly announced plans or programs ^(b)
October 1-31	683	19.94	683	37,660,930
November 1-30	14,466,022	\$ 18.40	14,466,022	22,777,089
December 1-31	748,889	16.10	748,889	27,447,311
Total	15,215,594	\$ 18.29	15,215,594	

(a) Includes Common Shares repurchased in the open market.

(b) Calculated using the remaining general repurchase amount divided by the closing price of KeyCorp Common Shares as follows: on October 31, 2018, at \$18.16; on November 30, 2018, at \$18.34; and on December 31, 2018, at \$14.78.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

	<i>dollars in millions, except per share amounts</i>					Compound Annual Rate of Change (2014-2018)
	2018	2017	2016	2015	2014	
YEAR ENDED DECEMBER 31,						
Interest income	\$ 4,878	\$ 4,390	\$ 3,319	\$ 2,622	\$ 2,554	13.8 %
Interest expense	969	613	400	274	261	30.0
Net interest income	3,909	3,777	2,919	2,348	2,293	11.3
Provision for credit losses	246	229	266	166	57	34.0
Noninterest income	2,515	2,478	2,071	1,880	1,797	7.0
Noninterest expense	3,975	4,098	3,756	2,840	2,761	7.6
Income (loss) from continuing operations before income taxes	2,203	1,928	968	1,222	1,272	11.6
Income (loss) from continuing operations attributable to Key	1,859	1,289	790	915	939	14.6
Income (loss) from discontinued operations, net of taxes	7	7	1	1	(39)	N/A
Net income (loss) attributable to Key	1,866	1,296	791	916	900	15.7
Income (loss) from continuing operations attributable to Key common shareholders	1,793	1,219	753	892	917	14.4
Income (loss) from discontinued operations, net of taxes	7	7	1	1	(39)	N/A
Net income (loss) attributable to Key common shareholders	1,800	1,226	754	893	878	15.4
PER COMMON SHARE						
Income (loss) from continuing operations attributable to Key common shareholders	\$ 1.72	\$ 1.13	\$.81	\$ 1.06	\$ 1.05	10.4
Income (loss) from discontinued operations, net of taxes	.01	.01	—	—	(.04)	N/A
Net income (loss) attributable to Key common shareholders ^(a)	1.73	1.14	.81	1.06	1.01	11.4
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	1.70	1.12	.80	1.05	1.04	10.3
Income (loss) from discontinued operations, net of taxes — assuming dilution	.01	.01	—	—	(.04)	N/A
Net income (loss) attributable to Key common shareholders — assuming dilution ^(a)	1.71	1.13	.80	1.05	.99	11.6
Cash dividends paid	.565	.38	.33	.29	.25	17.7
Book value at year end	13.90	13.09	12.58	12.51	11.91	3.1
Tangible book value at year end	11.14	10.35	9.99	11.22	10.65	.9
Market price at year end	14.78	20.17	18.27	13.19	13.90	1.2
Dividend payout ratio	32.7%	33.3%	40.7%	27.4%	24.8%	N/A
Weighted-average common shares outstanding (000)	1,040,890	1,072,078	927,816	834,846	871,464	3.6
Weighted-average common shares and potential common shares outstanding (000) ^(b)	1,054,682	1,088,593	938,536	844,489	878,199	3.7
AT DECEMBER 31,						
Loans	\$ 89,552	\$ 86,405	\$ 86,038	\$ 59,876	\$ 57,381	9.3 %
Earning assets	125,803	123,490	121,966	83,780	82,269	8.9
Total assets	139,613	137,698	136,453	95,131	93,820	8.3
Deposits	107,309	105,235	104,087	71,046	71,998	8.3
Long-term debt	13,732	14,333	12,384	10,184	7,874	11.8
Key common shareholders' equity	14,145	13,998	13,575	10,456	10,239	6.7
Key shareholders' equity	15,595	15,023	15,240	10,746	10,530	8.2
PERFORMANCE RATIOS — FROM CONTINUING OPERATIONS						
Return on average total assets	1.36%	.96%	.70%	.99%	1.08%	N/A
Return on average common equity	12.88	8.65	6.26	8.63	9.01	N/A
Return on average tangible common equity ^(c)	16.22	10.84	7.39	9.64	10.04	N/A
Net interest margin (TE)	3.17	3.17	2.92	2.88	2.97	N/A
Cash efficiency ratio ^(d)	60.0	63.5	73.7	65.9	66.2	N/A
PERFORMANCE RATIOS — FROM CONSOLIDATED OPERATIONS						
Return on average total assets	1.35%	.96%	.69%	.97%	.99%	N/A
Return on average common equity	12.93	8.70	6.27	8.64	8.63	N/A
Return on average tangible common equity ^(c)	16.28	10.90	7.40	9.65	9.61	N/A
Net interest margin (TE)	3.15	3.15	2.91	2.85	2.94	N/A
Loan to deposit ^(e)	85.6	84.4	85.2	87.8	84.6	N/A
CAPITAL RATIOS AT DECEMBER 31,						
Key shareholders' equity to assets	11.17%	10.91%	11.17%	11.30%	11.22%	N/A
Key common shareholders' equity to assets	10.15	10.17	9.95	10.99	10.91	N/A
Tangible common equity to tangible assets ^(c)	8.30	8.23	8.09	9.98	9.88	N/A
Common Equity Tier 1	9.93	10.16	9.54	10.94	N/A	N/A
Tier 1 common equity	N/A	N/A	N/A	N/A	11.17	N/A
Tier 1 risk-based capital	11.08	11.01	10.89	11.35	11.90	N/A
Total risk-based capital	12.89	12.92	12.85	12.97	13.89	N/A
Leverage	9.89	9.73	9.90	10.72	11.26	N/A
TRUST ASSETS						
Assets under management	\$ 36,775	\$ 39,588	\$ 36,592	\$ 33,983	\$ 39,157	(1.2)%

OTHER DATA

Average full-time-equivalent employees	18,180	18,415	15,700	13,483	13,853	5.6 %
Branches	1,159	1,197	1,217	966	994	3.1

- (a) EPS may not foot due to rounding.
- (b) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.
- (c) See the section entitled "GAAP to Non-GAAP Reconciliations," which presents the computations of certain financial measures related to "tangible common equity" and "cash efficiency." The section includes tables that reconcile the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period comparisons.
- (d) Represents period-end consolidated total loans and loans held for sale (excluding education loans in securitizations trusts for periods prior to 2014) divided by period-end consolidated total deposits (excluding deposits in foreign office).

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

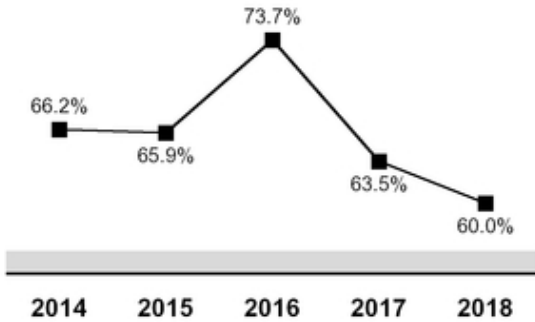
	<u>Page Number</u>
<u>Introduction</u>	<u>38</u>
<u>Long-term financial targets</u>	<u>38</u>
<u>Corporate strategy</u>	<u>39</u>
<u>Strategic developments</u>	<u>39</u>
<u>Results of Operations</u>	<u>40</u>
<u>Earnings overview</u>	<u>40</u>
<u>Net interest income</u>	<u>40</u>
<u>Provision for credit losses</u>	<u>44</u>
<u>Noninterest income</u>	<u>44</u>
<u>Noninterest expense</u>	<u>47</u>
<u>Income taxes</u>	<u>48</u>
<u>Line of Business Results</u>	<u>48</u>
<u>Key Community Bank summary of operations</u>	<u>49</u>
<u>Key Corporate Bank summary of operations</u>	<u>50</u>
<u>Other Segments</u>	<u>52</u>
<u>Financial Condition</u>	<u>53</u>
<u>Loans and loans held for sale</u>	<u>53</u>
<u>Securities</u>	<u>57</u>
<u>Deposits and other sources of funds</u>	<u>60</u>
<u>Capital</u>	<u>60</u>
<u>Off-Balance Sheet Arrangements and Aggregate Contractual Obligations</u>	<u>63</u>
<u>Off-balance sheet arrangements</u>	<u>63</u>
<u>Contractual obligations</u>	<u>63</u>
<u>Guarantees</u>	<u>64</u>
<u>Risk Management</u>	<u>65</u>
<u>Overview</u>	<u>65</u>
<u>Market risk management</u>	<u>66</u>
<u>Liquidity risk management</u>	<u>71</u>
<u>Credit risk management</u>	<u>74</u>
<u>Operational and compliance risk management</u>	<u>78</u>
<u>GAAP to Non-GAAP Reconciliations</u>	<u>80</u>
<u>Fourth Quarter Results</u>	<u>81</u>
<u>Earnings</u>	<u>81</u>
<u>Net interest income</u>	<u>81</u>
<u>Noninterest income</u>	<u>82</u>
<u>Noninterest expense</u>	<u>82</u>
<u>Provision for credit losses</u>	<u>82</u>
<u>Income taxes</u>	<u>82</u>
<u>Critical Accounting Policies and Estimates</u>	<u>84</u>
<u>Allowance for loan and lease losses</u>	<u>84</u>
<u>Valuation methodologies</u>	<u>85</u>
<u>Derivatives and hedging</u>	<u>87</u>
<u>Contingent liabilities, guarantees and income taxes</u>	<u>87</u>
<u>Accounting and reporting developments</u>	<u>88</u>
<u>European Sovereign and Non-Sovereign Debt Exposures</u>	<u>89</u>

Introduction

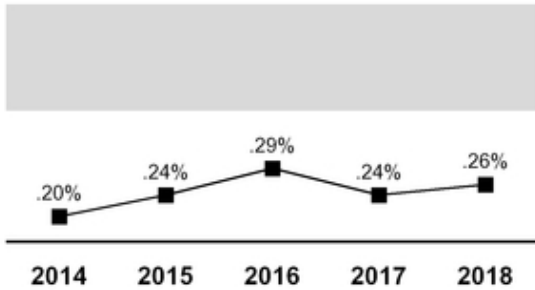
This section reviews the financial condition and results of operations of KeyCorp and its subsidiaries for each of the past three years. Some tables include additional periods to comply with disclosure requirements or to illustrate trends in greater depth. When you read this discussion, you should also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

Long-term financial targets

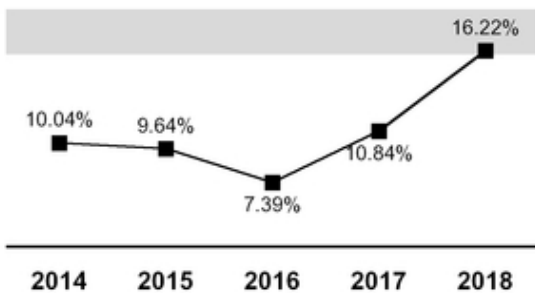
Cash efficiency ratio



Net charge-offs to average total loans



Return on average tangible common equity



Positive Operating Leverage

Generate positive operating leverage and a cash efficiency ratio in the range of 54.0% to 56.0%.

Over the past year, we improved our cash efficiency ratio by over 300 basis points. During 2018, we announced a cost savings target of \$200 million in 2019, representing approximately 5% of our total expenses. We expect to reach our targeted cash efficiency ratio range of 54.0% to 56.0% by the second half of 2019.

Moderate Risk Profile

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

During 2018, our net loan charge-offs to average loans ratio remained below our targeted range. We continue to remain consistent and disciplined in our credit underwriting and portfolio management and are committed to maintaining our moderate risk profile in 2019.

Financial Return

A return on average tangible common equity in the range of 16.00% to 19.00%.

During 2018, we reached a record level of revenue of \$6.4 billion and repurchased over \$1.1 billion of Common Shares. The return on tangible common equity ratio increased during each quarter of 2018. In 2019, we remain committed to consistently delivering on our stated priorities of supporting organic growth, increasing dividends, and prudently repurchasing Common Shares.

Table of Contents

Corporate strategy

We remain committed to enhancing long-term shareholder value by continuing to execute our relationship-based business model, growing our franchise, and being disciplined in our capital management. Our strategic focus is to deliver ease, value, and expertise to help our clients make better financial decisions and build enduring relationships. We intend to pursue this strategy by growing profitably; acquiring and expanding targeted client relationships; effectively managing risk and rewards; maintaining financial strength; and engaging, retaining, and inspiring our diverse and high-performing workforce. These strategic priorities for enhancing long-term shareholder value are described in more detail below.

- **Grow profitably** — We intend to continue to focus on generating positive operating leverage by growing revenue and creating a more efficient operating environment. We expect our relationship business model to keep generating organic growth as it helps us expand engagement with existing clients and attract new customers. We plan to leverage our continuous improvement culture to maintain an efficient cost structure that is aligned, sustainable, and consistent with the current operating environment and that supports our relationship business model.
- **Acquire and expand targeted client relationships** — We seek to be client-centric in our actions and have taken purposeful steps to enhance our ability to acquire and expand targeted relationships. For example, in commercial banking, our ability to deliver a broad product set and industry expertise allows us to match client needs and market conditions to deliver attractive solutions to clients.
- **Effectively manage risk and rewards** — Our risk management activities are focused on ensuring we properly identify, measure, and manage risks across the entire company to maintain safety and soundness and maximize profitability.
- **Maintain financial strength** — With the foundation of a strong balance sheet, we intend to remain focused on sustaining strong reserves, liquidity and capital. We plan to work closely with our Board and regulators to manage capital to support our clients' needs and drive long-term shareholder value. Our capital remains a competitive advantage for us.
- **Engage a high-performing, talented, and diverse workforce** — Every day our employees provide our clients with great ideas, extraordinary service, and smart solutions. We intend to continue to engage our high-performing, talented, and diverse workforce to create an environment where they can make a difference, own their careers, be respected, and feel a sense of pride.

Strategic developments

We took the following actions during 2018 in support of our corporate strategy:

- We continued to **grow profitably** during 2018. Our cash efficiency ratio improved to 60.0%, a decrease of over 300 basis points when compared to 2017. We achieved our sixth consecutive year of positive operating leverage, with a record \$6.4 billion of total revenue and all-time highs in several of our fee-based business, including investment banking and debt placement fees. Our expenses were also well-managed, as we maintained our focus on efficiency while continuing to invest in our business.
- Our 2017 acquisitions of Cain Brothers and KMS, as well as continued strength in our core businesses, contributed to the increase in noninterest income during 2018 compared to a year ago as we **acquire and expand targeted client relationships**. We had a record year in investment banking and debt placement fees of \$650 million, benefiting from organic growth and the Cain Brothers acquisition. Excluding the impact of the new revenue recognition accounting standard, cards and payments income and service charges on deposit accounts increased from 2017 due to the full year benefit of the KMS acquisition and growth in credit and debit card fees, purchase and prepaid card fees, and merchant services income.
- During 2018, we **effectively managed risk and rewards** as net loan charge-offs were .26% of average loans, below our targeted range. Net loan charge-offs increased from 2017, mainly due to an increase in gross loan charge-offs in our commercial loan portfolio, which were partially offset by a decrease in gross loan charge-offs in our consumer loan portfolio.
- **Maintaining financial strength** while driving long-term shareholder value was again a focus during 2018. At December 31, 2018, our Common Equity Tier 1 and Tier 1 risk-based capital ratios stood at 9.93% and 11.08%, respectively. During 2018, we repurchased \$325 million of Common Shares under our 2017 capital plan authorization and \$820 million under our 2018 capital plan authorization. Our full-year dividend for 2018 was \$.565, a 49% increase from the previous year.

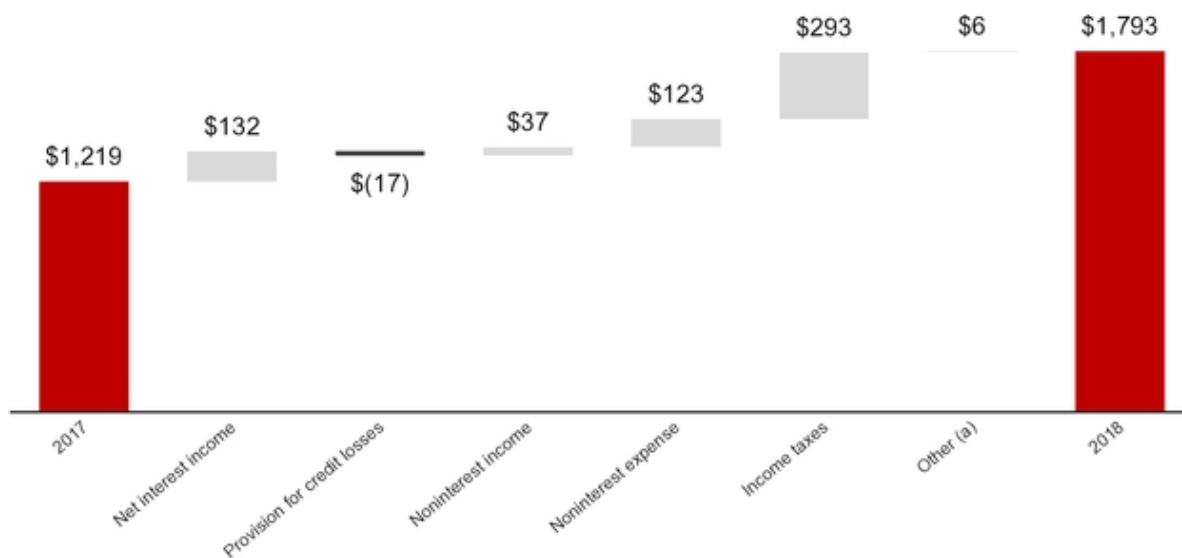
Table of Contents

- We remained committed to our strategy to **engage a high-performing, talented, and diverse workforce**. In 2018, we expanded our employee resource groups, hosting a leadership conference for members and adding an eleventh group. To communicate to our team members the role they play in diversity and inclusion, we offered trainings sessions on unconscious bias. Our commitments to utilizing a diverse supply chain were acknowledged by Minority Business News USA, as Key was named a 2018 Best of the Decade honoree.

Results of Operations

Earnings Overview

The following chart provides a reconciliation of net income from continuing operations attributable to Key common shareholders for the year ended December 31, 2017, to the year ended December 31, 2018 (dollars in millions):



(a) Includes Net income (loss) attributable to noncontrolling interest and Preferred dividends.

Net interest income

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

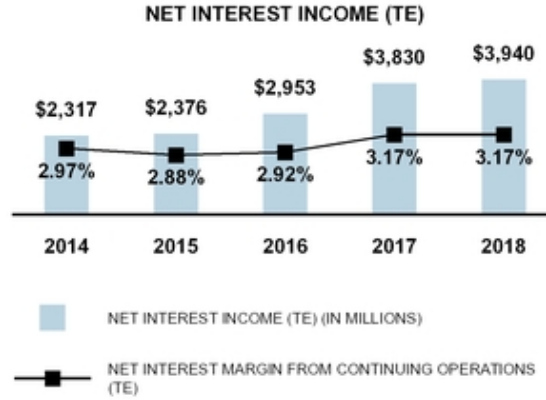
- the volume, pricing, mix, and maturity of earning assets and interest-bearing liabilities;
- the volume and value of net free funds, such as noninterest-bearing deposits and equity capital;
- the use of derivative instruments to manage interest rate risk;
- interest rate fluctuations and competitive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

To make it easier to compare both the results 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 "TE basis" (i.e., as if all income were taxable and at the same rate). For example, \$100 of tax-exempt income would be presented as \$126, an amount that, if taxed at the statutory federal income tax rate of 21%, would yield \$100. Prior to 2018, \$100 of tax-exempt income would be presented as \$154, an amount that, if taxed at the previous statutory federal income tax rate of 35%, would yield \$100.

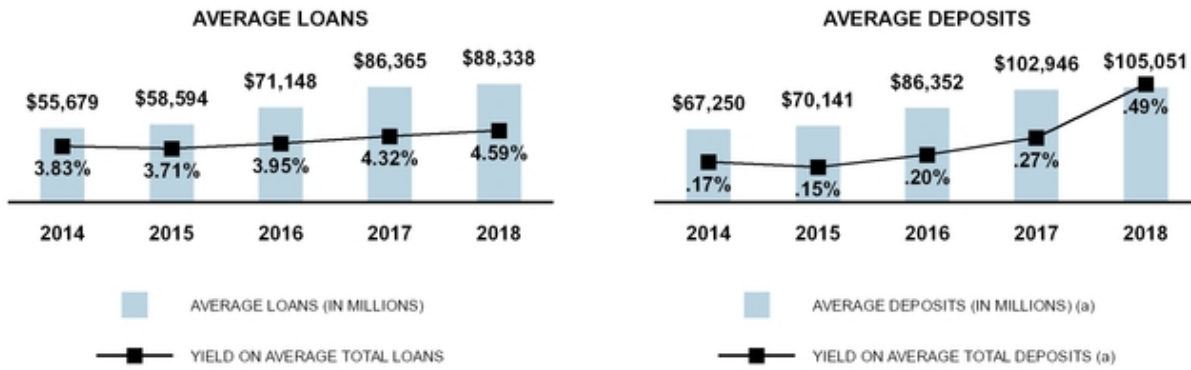
Figure 1 shows the various components of our balance sheet that affect interest income and expense, and their respective yields or rates over the past five years. This figure also presents a reconciliation of TE net interest income to net interest income reported in accordance with GAAP for each of those years. The net interest margin,

Table of Contents

which is an indicator of the profitability of our earning assets less the cost of funding, is calculated by dividing taxable-equivalent net interest income by average earning assets.



TE net interest income for 2018 was \$3.9 billion, and the net interest margin was 3.17%, compared to TE net interest income of \$3.8 billion and a net interest margin of 3.17% for the prior year. Both net interest income and the net interest margin reflect the benefit from higher earning asset balances and yields, partly offset by higher deposit betas and lower purchase accounting accretion. TE net interest income for 2017 increased \$877 million from 2016 and the net interest margin increased by 25 basis points. 2017 included the full year impact of the First Niagara acquisition, including purchase accounting accretion. In addition, 2017 benefited from higher interest rates, low deposit betas, and growth in core earning asset balances. In 2019, we expect TE net interest income to be in the range of \$4.0 billion to \$4.1 billion, with our outlook assuming no additional interest rate increases in 2019.



(a) Average deposits for the years ended December 31, 2015, and December 31, 2014, exclude deposits in foreign office.

Average loans totaled \$88.3 billion for 2018, compared to \$86.4 billion in 2017. The increase reflects broad-based growth in commercial and industrial loans and indirect auto lending, partially offset by lower levels of utilization and higher paydowns in commercial real estate and construction loans, and home equity lines of credit. For 2019, we anticipate average loans to be in the range of \$90 billion to \$91 billion.

Average deposits totaled \$105.1 billion for 2018, an increase of \$2.1 billion compared to 2017, reflecting growth in higher-yielding deposit products, as well as strength in Key's retail banking franchise and growth from commercial relationships. For 2019, we anticipate average deposits to be in the range of \$108 billion to \$109 billion.

Table of Contents

Figure 1. Consolidated Average Balance Sheets, Net Interest Income, and Yields/Rates from Continuing Operations

Year ended December 31, <i>dollars in millions</i>	2018			2017		
	Average Balance	Interest ^(a)	Yield/ Rate ^(a)	Average Balance	Interest ^(a)	Yield/ Rate ^(a)
ASSETS						
Loans ^{(b), (c)}						
Commercial and industrial ^(d)	\$ 44,418	\$ 1,926	4.34%	\$ 40,848	\$ 1,613	3.95%
Real estate — commercial mortgage	14,267	698	4.90	14,878	687	4.62
Real estate — construction	1,816	90	4.97	2,143	103	4.78
Commercial lease financing	4,534	168	3.70	4,677	185	3.96
Total commercial loans	65,035	2,882	4.43	62,546	2,588	4.14
Real estate — residential mortgage	5,473	217	3.97	5,499	214	3.89
Home equity loans	11,530	547	4.74	12,380	536	4.33
Consumer direct loans	1,782	137	7.66	1,765	126	7.12
Credit cards	1,092	125	11.40	1,055	118	11.15
Consumer indirect loans	3,426	146	4.27	3,120	148	4.75
Total consumer loans	23,303	1,172	5.03	23,819	1,142	4.79
Total loans	88,338	4,054	4.59	86,365	3,730	4.32
Loans held for sale	1,501	66	4.43	1,325	52	3.96
Securities available for sale ^{(b), (e)}	17,898	409	2.20	18,548	369	1.96
Held-to-maturity securities ^(b)	12,003	284	2.37	10,515	222	2.11
Trading account assets	893	29	3.25	949	27	2.81
Short-term investments	2,450	46	1.86	2,363	26	1.11
Other investments ^(e)	697	21	3.04	712	17	2.35
Total earning assets	123,780	4,909	3.94	120,777	4,443	3.67
Allowance for loan and lease losses	(878)			(865)		
Accrued income and other assets	13,910			13,807		
Discontinued assets	1,212			1,448		
Total assets	\$ 138,024			\$ 135,167		
LIABILITIES						
NOW and money market deposit accounts	\$ 56,001	297	.53	\$ 54,032	143	.26
Savings deposits	5,704	14	.24	6,569	13	.20
Certificates of deposit (\$100,000 or more) ^(f)	7,728	139	1.80	6,233	82	1.31
Other time deposits	5,025	67	1.34	4,698	40	.85
Deposits in foreign office	—	—	—	—	—	—
Total interest-bearing deposits	74,458	517	.69	71,532	278	.39
Federal funds purchased and securities sold under repurchase agreements	928	11	1.14	517	1	.24
Bank notes and other short-term borrowings	915	21	2.34	1,140	15	1.34
Long-term debt ^{(f), (g)}	12,715	420	3.27	11,921	319	2.69
Total interest-bearing liabilities	89,016	969	1.09	85,110	613	.72
Noninterest-bearing deposits	30,593			31,414		
Accrued expense and other liabilities	2,071			1,970		
Discontinued liabilities ^(g)	1,212			1,448		
Total liabilities	122,892			119,942		
EQUITY						
Key shareholders' equity	15,131			15,224		
Noncontrolling interests	1			1		
Total equity	15,132			15,225		
Total liabilities and equity	\$ 138,024			\$ 135,167		
Interest rate spread (TE)			<u>2.85%</u>			<u>2.95%</u>
Net interest income (TE) and net interest margin (TE)		3,940	3.17%		3,830	3.17%
Less: TE adjustment ^(b)		31			53	

Net interest income, GAAP basis

\$ 3,909

\$ 3,777

-
- (a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g) below, calculated using a matched funds transfer pricing methodology.
- (b) Interest income on tax-exempt securities and loans has been adjusted to a TE basis using the statutory federal income tax rate in effect that calendar year.
- (c) For purposes of these computations, nonaccrual loans are included in average loan balances.
- (d) Commercial and industrial average balances include \$126 million, \$117 million, \$99 million, \$88 million, and \$93 million of assets from commercial credit cards for the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014, respectively.

[Table of Contents](#)

Figure 1. Consolidated Average Balance Sheets, Net Interest Income, and Yields/Rates from Continuing Operations (Continued)

2016			2015			2014			Compound Annual Rate of Change (2014-2018)	
Average Balance	Interest ^(a)	Yield/Rate ^(a)	Average Balance	Interest ^(a)	Yield/Rate ^(a)	Average Balance	Interest ^(a)	Yield/Rate ^(a)	Average Balance	Interest
\$ 35,276	\$ 1,215	3.45%	\$ 29,658	\$ 953	3.21%	\$ 26,375	\$ 866	3.28%	11.0 %	17.3 %
11,063	451	4.07	8,020	295	3.68	7,999	303	3.79	12.3	18.2
1,460	76	5.22	1,143	43	3.73	1,061	43	4.07	11.3	15.9
4,261	161	3.78	3,976	143	3.60	4,239	156	3.67	1.4	1.5
52,060	1,903	3.66	42,797	1,434	3.35	39,674	1,368	3.45	10.4	16.1
3,632	148	4.09	2,244	95	4.21	2,201	96	4.37	20.0	17.7
11,286	456	4.04	10,503	418	3.98	10,639	428	4.02	1.6	5.0
1,661	113	6.79	1,580	103	6.54	1,501	104	6.92	3.5	5.7
916	98	10.73	752	81	10.76	712	78	10.95	8.9	9.9
1,593	89	5.58	718	46	6.43	952	60	6.31	29.2	19.5
19,088	904	4.74	15,797	743	4.70	16,005	766	4.79	7.8	8.9
71,148	2,807	3.95	58,594	2,177	3.71	55,679	2,134	3.83	9.7	13.7
979	34	3.51	959	37	3.85	570	21	3.76	21.4	25.7
16,661	329	1.98	13,720	293	2.14	12,210	277	2.27	7.9	8.1
6,275	122	1.94	4,936	96	1.95	4,949	93	1.88	19.4	25.0
884	23	2.59	761	21	2.80	932	25	2.70	(.9)	3.0
4,656	22	.47	2,843	8	.27	2,886	6	.21	(3.2)	50.3
679	16	2.37	706	18	2.63	865	22	2.53	(4.2)	(.9)
101,282	3,353	3.31	82,519	2,650	3.21	78,091	2,578	3.30	9.7	13.7
(835)			(791)			(818)			1.4	
12,090			10,298			9,804			7.2	
1,707			2,132			3,828			(20.5)	
<u>\$ 114,244</u>			<u>\$ 94,158</u>			<u>\$ 90,905</u>			8.7 %	
\$ 46,079	87	.19	\$ 36,258	56	.15	\$ 34,283	48	.14	10.3 %	44.0
3,957	3	.07	2,372	—	.02	2,446	1	.02	18.5	69.5
3,911	48	1.22	2,041	26	1.28	2,616	35	1.35	24.2	31.8
4,088	33	.81	3,115	22	.71	3,495	32	.91	7.5	15.9
—	—	—	489	1	.23	615	1	.23	N/M	N/M
58,035	171	.30	44,275	105	.24	43,455	117	.27	11.4	34.6
487	1	.10	632	—	.04	1,182	2	.16	(4.7)	40.6
852	10	1.18	572	9	1.52	597	9	1.49	8.9	18.5
9,802	218	2.29	7,332	160	2.24	5,159	133	2.68	19.8	25.9
69,176	400	.58	52,811	274	.52	50,393	261	.52	12.1	30.0
28,317			26,355			24,410			4.6	
2,393			2,222			1,791			2.9	
1,706			2,132			3,828			(20.5)	
101,592			83,520			80,422			8.9	
12,647			10,626			10,467			7.6	
5			12			16			(42.6)	
12,652			10,638			10,483			7.6	
<u>\$ 114,244</u>			<u>\$ 94,158</u>			<u>\$ 90,905</u>			8.7 %	
		2.73%			2.69%			2.78%		
	2,953	2.92%		2,376	2.88%		2,317	2.97%		11.2
	34			28			24			5.3

\$ 2,919

\$ 2,348

\$ 2,293

11.3 %

-
- (e) Yield is calculated on the basis of amortized cost.
 - (f) Rate calculation excludes basis adjustments related to fair value hedges.
 - (g) A portion of long-term debt and the related interest expense is allocated to discontinued liabilities as a result of applying our matched funds transfer pricing methodology to discontinued operations.

Table of Contents

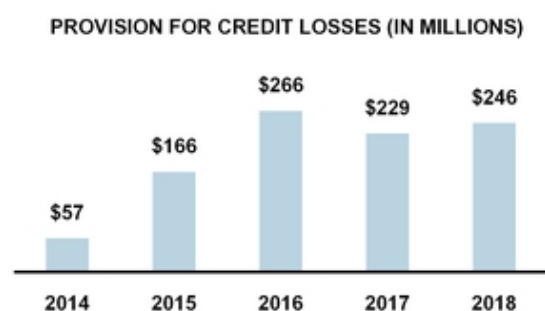
Figure 2 shows how the changes in yields or rates and average balances from the prior year affected net interest income. The section entitled “Financial Condition” contains additional discussion about changes in earning assets and funding sources.

Figure 2. Components of Net Interest Income Changes from Continuing Operations

in millions	2018 vs. 2017			2017 vs. 2016		
	Average Volume	Yield/ Rate	Net Change ^(a)	Average Volume	Yield/ Rate	Net Change ^(a)
INTEREST INCOME						
Loans	\$ 76	\$ 248	\$ 324	\$ 640	\$ 283	\$ 923
Loans held for sale	7	7	14	13	5	18
Securities available for sale	(13)	53	40	38	2	40
Held-to-maturity securities	33	29	62	89	11	100
Trading account assets	(2)	4	2	2	2	4
Short-term investments	1	19	20	(15)	19	4
Other investments	—	4	4	1	—	1
Total interest income (TE)	102	364	466	768	322	1,090
INTEREST EXPENSE						
NOW and money market deposit accounts	5	149	154	17	39	56
Savings deposits	(2)	3	1	3	7	10
Certificates of deposit (\$100,000 or more)	23	34	57	30	4	34
Other time deposits	3	24	27	5	2	7
Total interest-bearing deposits	29	210	239	55	52	107
Federal funds purchased and securities sold under repurchase agreements	1	9	10	—	—	—
Bank notes and other short-term borrowings	(3)	9	6	4	1	5
Long-term debt	22	79	101	52	49	101
Total interest expense	49	307	356	111	102	213
Net interest income (TE)	\$ 53	\$ 57	\$ 110	\$ 657	\$ 220	\$ 877

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

Provision for credit losses



Our provision for credit losses was \$246 million for 2018, compared to \$229 million for 2017, and \$266 million for 2016. The increase of \$17 million in our provision for credit losses is related to an increase in our ALLL taken during 2018 on our commercial loan portfolio when compared to the year prior and an increase in net loan charge-offs in our commercial and industrial loan portfolio. For 2017, the decrease of \$37 million in our provision for credit losses was related to a decrease in our ALLL taken during 2017 on our commercial loan portfolio when compared to the year prior, partially offset by a slight increase in our net loan charge-offs over the same period of time. In 2019, we expect the provision to slightly exceed net loan charge-offs to provide for loan growth.

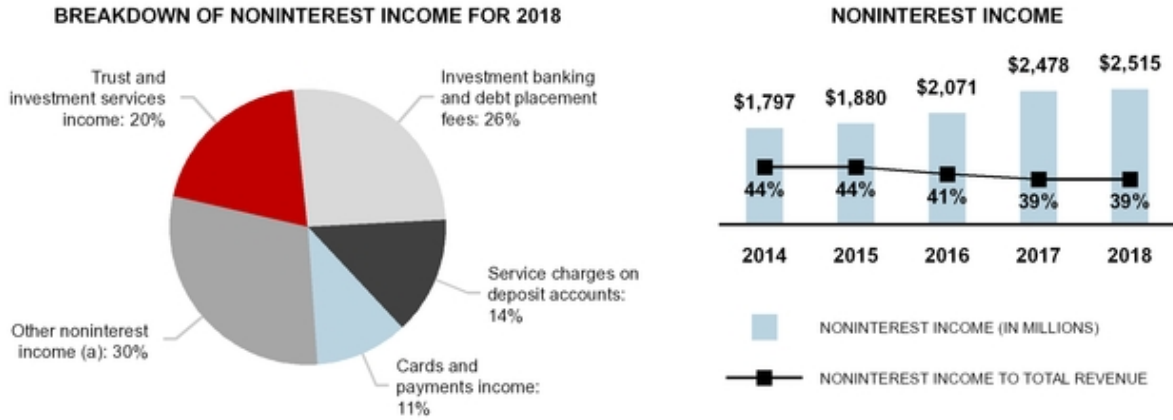
Noninterest income

Noninterest income for 2018 was \$2.5 billion, compared to \$2.5 billion during 2017, and \$2.1 billion during 2016. Noninterest income represented 39% of total revenue for 2018, 39% of total revenue for 2017, and 41% of total revenue for 2016. In 2019, we expect noninterest income to be in the range of \$2.5 billion to \$2.6 billion.

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

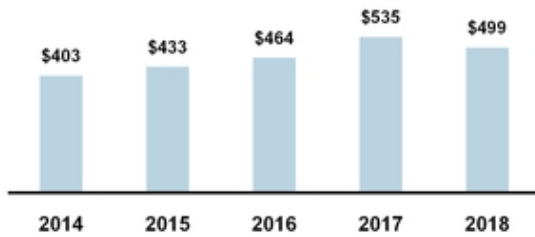
elements to change.

Figure 3. Noninterest Income

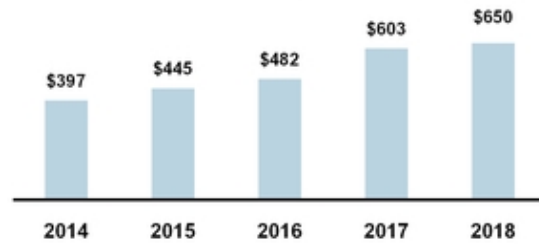


(a) Other noninterest income includes operating lease income and other leasing gains, corporate services income, corporate-owned life insurance income, consumer mortgage income, mortgage servicing fees, and other income. See the "Consolidated Statements of Income" in Part II, Item 8. Financial Statements and Supplementary Data of this report.

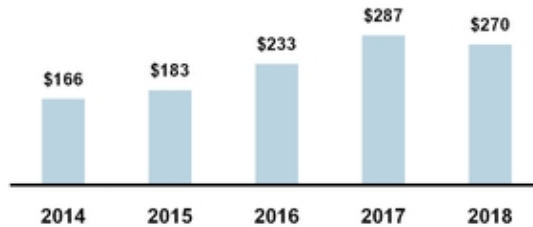
TRUST AND INVESTMENT SERVICES INCOME (IN MILLIONS)



INVESTMENT BANKING AND DEBT PLACEMENT FEES (IN MILLIONS)



CARDS AND PAYMENTS INCOME (IN MILLIONS)



Trust and investment services income

Trust and investment services income consists of brokerage commissions, trust and asset management commissions, and insurance income. For 2018, trust and investment services income decreased \$36 million, or 6.7%, from the prior year primarily due to a decrease in insurance commissions as a result of the sale of KIBS in the second quarter of 2018. Partially offsetting this decrease was an increase in custody and agent revenue and personal trust revenue.

For 2017, trust and investment services income increased \$71 million, or 15.3%, from the prior year primarily due to an increase in insurance and brokerage commissions due to the full year impact of the First Niagara acquisition and higher fees earned from investment management services as a result of stronger market performance.

A significant portion of our trust and investment services income depends on the value and mix of assets under management. At December 31, 2018, our bank, trust, and registered investment advisory subsidiaries had assets

Table of Contents

under management of \$36.8 billion, compared to \$39.6 billion at December 31, 2017, and \$36.6 billion at December 31, 2016. The decrease from 2017 to 2018 was primarily attributable to the market depreciation during the second half of 2018. The increase from 2016 to 2017 was primarily attributable to market appreciation during 2017.

Figure 4. Assets Under Management

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
Assets under management by investment type:					
Equity	\$ 21,325	\$ 24,081	\$ 21,722	\$ (2,756)	(11.4)%
Securities lending	774	947	1,148	(173)	(18.3)
Fixed income	10,696	10,930	10,386	(234)	(2.1)
Money market	3,980	3,630	3,336	350	9.6
Total	\$ 36,775	\$ 39,588	\$ 36,592	\$ (2,813)	(7.1)%

Investment banking and debt placement fees

Investment banking and debt placement fees consist of syndication fees, debt and equity financing fees, financial advisor fees, gains on sales of commercial mortgages, and agency origination fees. For 2018, investment banking and debt placement fees increased \$47 million, or 7.8%, from the prior year due to growth in investment banking advisory fees, partially driven by the full year impact of the Cain Brothers acquisition in the fourth quarter of 2017.

For 2017, investment banking and debt placement fees increased \$121 million, or 25.1%, from the prior year primarily driven by growth in financial advisory, debt financing, and mortgage banking fees from our core franchises, as well as the acquisition of Cain Brothers.

Cards and payments income

Cards and payments income, which consists of debit card, consumer and commercial credit card, and merchant services income, decreased \$17 million, or 5.9%, in 2018 compared to 2017. Cards and payments income and other expense were both impacted by the 2018 adoption of the revenue recognition accounting standard. The new accounting standard had no impact to net income during 2018. When applying current accounting guidance to both years, cards and payments income increased for 2018, due to growth in credit and debit card fees, purchase and prepaid card fees, and merchant services income.

Cards and payments income increased \$54 million, or 23.2%, in 2017 compared to 2016 primarily due to the acquisition of First Niagara and higher volumes in ATM debit card, purchase and prepaid cards, and merchant services.

Service charges on deposit accounts

Service charges on deposit accounts decreased \$8 million, or 2.2%, in 2018 compared to the prior year. Service charges on deposit accounts increased \$55 million, or 18%, in 2017 compared to 2016 primarily driven by the full-year impact of the First Niagara acquisition and investments in commercial payments.

Other noninterest income

Other noninterest income includes operating lease income and other leasing gains, corporate services income, corporate-owned life insurance income, consumer mortgage income, mortgage servicing fees, and other income. Other noninterest income increased \$51 million, or 7.3%, in 2018 compared to 2017. Other income included a \$78 million gain related to the sale of KIBS during the second quarter of 2018, compared to a \$64 million gain from acquiring the remaining ownership in a merchant services joint venture in the second quarter of 2017. Corporate services income also contributed to the increase due to higher derivative income.

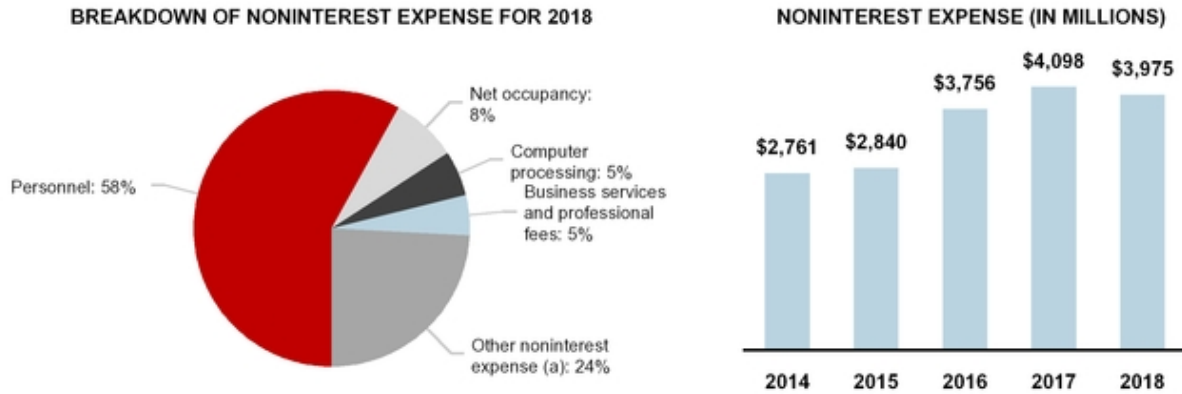
Other noninterest income increased \$106 million, or 18.0%, in 2017 compared to 2016. Drivers include a full year impact of First Niagara, a one-time gain related to Key's merchant services acquisition in the second quarter of 2017, higher lease originations driving an increase in operating lease income, and growth from investments in the Residential Mortgage business.

Noninterest expense

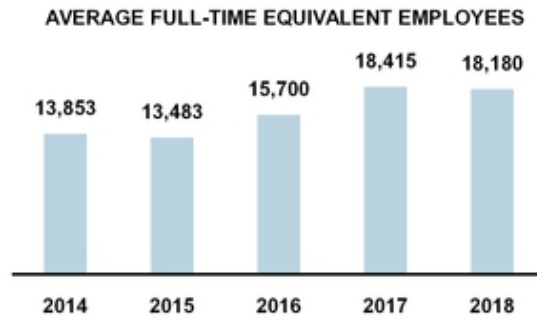
Noninterest expense for 2018 was \$4.0 billion, compared to \$4.1 billion for 2017, and \$3.8 billion for 2016. Figure 5 gives a breakdown of our major categories of noninterest expense as a percentage of total noninterest expense for the twelve months ended December 31, 2018. In 2019, we expect noninterest expense to be in the range of \$3.85 billion to \$3.95 billion.

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

Figure 5. Noninterest Expense



(a) Other noninterest expense includes equipment, operating lease expense, marketing, FDIC assessment, intangible asset amortization, OREO expense, net, and other expense. See the "Consolidated Statements of Income" in Part II, Item 8. Financial Statements and Supplementary Data of this report.



Personnel

As shown in Figure 6, personnel expense, the largest category of our noninterest expense, increased by \$31 million, or 1.4%, in 2018 compared to 2017. The increase was partially due to recent acquisitions as well as accelerated technology investments and higher severance expense.

Personnel expense increased by \$230 million, or 11.2%, from 2016 to 2017. The increase was primarily attributable to the full-year impact of the First Niagara acquisition and the Cain Brothers acquisition in October 2017. In addition, there was higher incentive and stock-based compensation due to higher funding driven by business performance improvements of both cash-based incentive plans and performance based stock-awards.

Figure 6. Personnel Expense

Year ended December 31, dollars in millions	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
Salaries and contract labor	\$ 1,351	\$ 1,341	\$ 1,191	\$ 10	.7 %
Incentive and stock-based compensation ^(a)	569	566	537	3	.5
Employee benefits	343	347	272	(4)	(1.2)
Severance	46	24	48	22	91.7
Total personnel expense	\$ 2,309	\$ 2,278	\$ 2,048	\$ 31	1.4 %

(a) Excludes directors' stock-based compensation of \$3 million in each of 2018, 2017, and 2016, reported as "other noninterest expense" in Figure 5.

Net occupancy

Net occupancy expense decreased \$23 million, or 6.9%, in 2018 compared to 2017, primarily due to lower property reserves, rental expenses, and lease termination fees.

Net occupancy expense increased \$26 million, or 8.5%, in 2017 compared to 2016, primarily due to the full-year impact of the First Niagara acquisition.

Other noninterest expense

Other noninterest expense includes equipment, operating lease expense, marketing, FDIC assessment, intangible asset amortization, OREO expenses, and other miscellaneous expense categories. In total, other noninterest expense decreased \$108 million, or 10.1%, in 2018 compared to 2017. The declines in other expense were primarily driven by \$20 million charitable contributions made in both the first and second quarters of 2017. Other miscellaneous expenses also declined from one year ago.

Other noninterest expense increased \$159 million, or 17.4%, in 2017 compared to 2016, primarily due to the full year impact of the acquisition of First Niagara. Growth was also driven by on-going investments and business acquisitions during 2017, including the build out of the Residential Mortgage platform, and our recent acquisitions.

Income taxes

We recorded a tax provision from continuing operations of \$344 million for 2018, compared to \$637 million for 2017, and \$179 million for 2016. The decrease in tax provision from 2017 to 2018 was driven by the TCJ Act. The effective tax rate, which is the provision for income taxes as a percentage of income from continuing operations before income taxes, was 15.6% for 2018, compared to 33.0% for 2017, and 18.5% for 2016. In 2019, we expect our GAAP tax rate to be in the range of 18% to 19%.

In 2018, our federal tax expense and effective tax rate differ from the amount that would be calculated using the federal statutory tax rate; primarily from investments in tax-advantaged assets, such as corporate-owned life insurance, tax credits associated with investments in low-income housing projects and energy related projects, periodic adjustments to our tax reserves, and the impact of the TCJ Act as described in Note 13 ("Income Taxes").

Line of Business Results

This section summarizes the financial performance of our two major business segments (operating segments): Key Community Bank and Key Corporate Bank. Note 24 ("Line of Business Results") describes the products and services offered by each of these business segments, provides more detailed financial information pertaining to the segments and certain lines of business, and explains "Other Segments" and "Reconciling Items."

Figure 7 summarizes the contribution made by each major business segment to our "taxable-equivalent revenue from continuing operations" and "income (loss) from continuing operations attributable to Key" for each of the past three years.

Table of Contents

Figure 7. Major Business Segments — Taxable-Equivalent Revenue from Continuing Operations and Income (Loss) from Continuing Operations Attributable to Key

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
REVENUE FROM CONTINUING OPERATIONS (TE)					
Key Community Bank	\$ 3,971	\$ 3,795	\$ 2,859	\$ 176	4.6 %
Key Corporate Bank	2,255	2,341	2,062	(86)	(3.7)
Other Segments	151	173	125	(22)	(12.7)
Total Segments	6,377	6,309	5,046	68	1.1
Reconciling Items	78	(1)	(22)	79	N/M
Total	\$ 6,455	\$ 6,308	\$ 5,024	\$ 147	2.3 %
INCOME (LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO KEY					
Key Community Bank	\$ 942	\$ 658	\$ 372	\$ 284	43.2 %
Key Corporate Bank	789	818	626	(29)	(3.5)
Other Segments	110	114	84	(4)	(3.5)
Total Segments	1,841	1,590	1,082	251	15.8
Reconciling Items ^(a)	18	(301)	(292)	319	N/M
Total	\$ 1,859	\$ 1,289	\$ 790	\$ 570	44.2 %

(a) Reconciling items consist primarily of the unallocated portion of merger-related charges, certain estimated impacts of tax reform, and items not allocated to the business segments because they do not reflect their normal operations.

Key Community Bank summary of operations

As shown in Figure 8, Key Community Bank recorded net income attributable to Key of \$942 million for 2018, compared to \$658 million for 2017, and \$372 million for 2016. The increase in 2018 was primarily due to growth in Key's core businesses, expense discipline, and a lower tax rate as a result of tax reform.

TE net interest income increased in 2018 compared to 2017. The increase is primarily due to the benefit from higher interest rates and balance sheet growth, partially offset by lower purchase accounting accretion. Average loans and leases increased largely driven by a \$1.0 billion, or 5.5%, increase in commercial and industrial loans. Additionally, average deposits increased due to strength in our relationship strategy.

Noninterest income decreased from 2017, driven by other income, which included a one-time gain related to Key's merchant services acquisition in 2017. Additionally, deposit service charges and cards and payments income decreased from 2017. These line items were negatively impacted by the 2018 adoption of the revenue recognition accounting standard. When applying current accounting guidance to both years, these line items grew from the prior year, related to continued household and relationship growth. Trust and investment services income increased from 2017 primarily driven by higher average assets under management benefiting from market growth during the first three quarters of 2018.

The provision for credit losses decreased from 2017 as credit quality remained stable.

Noninterest expense was relatively flat from 2017 as on-going business investments were partially offset by continued expense discipline across Key Community Bank businesses.

In 2017, Key Community Bank's net income attributable to Key increased from the prior year. TE net interest income increased from 2016. The increase in TE net interest income is primarily related to a full-year impact of the First Niagara acquisition. TE net interest income also benefited from growth in core businesses and higher interest rates. Noninterest income increased from 2016 driven by the full-year impact of the First Niagara acquisition as well as growth in Key's core businesses. Growth in Key's core businesses included higher trust and investment services income due to market growth of assets under management, strength in cards and payments, and higher deposit service charges. The provision for credit losses increased from 2016, primarily related to loan growth in 2017. Noninterest expense increased from 2016 primarily related to a full-year impact of First Niagara. In addition to the

[Table of Contents](#)

impact of First Niagara, personnel and nonpersonnel expense increases were primarily related to on-going business investments and business acquisitions including HelloWallet in 2017.

Figure 8. Key Community Bank

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
SUMMARY OF OPERATIONS					
Net interest income (TE)	\$ 2,873	\$ 2,652	\$ 1,953	\$ 221	8.3 %
Noninterest income	1,098	1,143	906	(45)	(3.9)
Total revenue (TE)	3,971	3,795	2,859	176	4.6
Provision for credit losses	177	209	143	(32)	(15.3)
Noninterest expense	2,561	2,540	2,124	21	.8
Income (loss) before income taxes (TE)	1,233	1,046	592	187	17.9
Allocated income taxes (benefit) and TE adjustments	291	388	220	(97)	(25.0)
Net income (loss) attributable to Key	\$ 942	\$ 658	\$ 372	\$ 284	43.2 %
AVERAGE BALANCES					
Loans and leases	\$ 47,877	\$ 47,399	\$ 37,624	\$ 478	1.0 %
Total assets	51,774	51,370	40,300	404	.8
Deposits	81,868	79,669	63,875	2,199	2.8
Assets under management at year end	36,775	39,588	36,592	(2,813)	(7.1)

ADDITIONAL KEY COMMUNITY BANK DATA

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
NONINTEREST INCOME					
Trust and investment services income	\$ 361	\$ 340	\$ 302	\$ 21	6.2 %
Services charges on deposit accounts	297	307	251	(10)	(3.3)
Cards and payments income	231	247	203	(16)	(6.5)
Other noninterest income	209	249	150	(40)	(16.1)
Total noninterest income	\$ 1,098	\$ 1,143	\$ 906	\$ (45)	(3.9)%
AVERAGE DEPOSITS OUTSTANDING					
NOW and money market deposit accounts	\$ 45,679	\$ 44,699	\$ 35,599	\$ 980	2.2 %
Savings deposits	4,958	5,204	3,607	(246)	(4.7)
Certificates of deposits (\$100,000 or more)	5,496	4,182	2,694	1,314	31.4
Other time deposits	5,014	4,688	4,060	326	7.0
Noninterest-bearing deposits	20,721	20,896	17,915	(175)	(.8)
Total deposits	\$ 81,868	\$ 79,669	\$ 63,875	\$ 2,199	2.8 %
HOME EQUITY LOANS					
Average portfolio balance	\$ 11,428	\$ 12,242	\$ 11,058		
Weighted-average loan-to-value ratio (at date of origination)	70%	70%	71%		
Percent first lien positions	60	60	57		
OTHER DATA					
Branches	1,159	1,197	1,217		
Automated teller machines	1,505	1,572	1,593		

Key Corporate Bank summary of operations

As shown in Figure 9, Key Corporate Bank recorded net income attributable to Key of \$789 million for 2018, compared to \$818 million for 2017 and \$626 million for 2016. The 2018 decrease was driven by a decrease in revenue, higher provision for credit losses, and higher noninterest expense.

TE net interest income decreased in 2018 compared to 2017. This decrease is primarily due to lower purchase accounting accretion relative to last year as well as loan spread compression. Loan balances increased mostly due to growth in commercial and industrial loans, with broad-based growth across Key's industry verticals. Deposit balances decreased due to the managed exit of higher cost corporate and public sector deposits offsetting growth in core deposits.

Noninterest income increased from 2017. The majority of the increase is related to growth in investment banking and debt placement fees, with growth in financial advisory and mortgage banking fees from our core Key franchise

Table of Contents

as well as the full year impact of the acquisition of Cain Brothers. Corporate services income increased driven by growth in derivatives revenue. Mortgage fees increased related to our third party loan servicing operation. Slightly offsetting these increases is a decline in trust and investment services income mostly due to lower fixed income commissions, and a decline in other noninterest income as 2017 had a gain related to our merchant services business and lower gains on certain tax-advantaged assets.

The provision for credit losses increased from 2017, primarily due to higher net loan charge-offs and higher provisioning related to growth in the loan portfolio.

Noninterest expense increased from 2017. Personnel expense increased due to higher salaries, partially related to a full year impact of the acquisition of Cain Brothers. Nonpersonnel expense increased due to higher operating lease expense related to higher volumes, and higher intangible amortization expense related to acquisitions.

In 2017, Key Corporate Bank's net income attributable to Key increased from the prior year. TE net interest income increased compared to 2016, due to higher balances related to the First Niagara acquisition and growth in core businesses. Noninterest income increased due to growth in investment banking and debt placement fees, operating lease and other leasing gains, and cards and payments income. The provision for credit losses decreased primarily due to lower net loan charge-offs and lower provisioning related to improving credit quality in the overall portfolio. Noninterest expense increased due to higher salaries, incentive compensation, benefits, and stock-based compensation expense partially related to the acquisition of Cain Brothers as well as higher performance-based compensation. Nonpersonnel expense increased due to higher operating lease expense, cards and payments processing, and other various expenses related to the acquisition of Cain Brothers.

Figure 9. Key Corporate Bank

Year ended December 31, dollars in millions	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
SUMMARY OF OPERATIONS					
Net interest income (TE)	\$ 1,094	\$ 1,193	\$ 1,049	\$ (99)	(8.3)%
Noninterest income	1,161	1,148	1,013	13	1.1
Total revenue (TE)	2,255	2,341	2,062	(86)	(3.7)
Provision for credit losses	74	20	127	54	270.0
Noninterest expense	1,282	1,254	1,133	28	2.2
Income (loss) before income taxes (TE)	899	1,067	802	(168)	(15.7)
Allocated income taxes and TE adjustments	110	249	178	(139)	(55.8)
Net income (loss)	789	818	624	(29)	(3.5)
Less: Net income (loss) attributable to noncontrolling interests	—	—	(2)	—	N/M
Net income (loss) attributable to Key	\$ 789	\$ 818	\$ 626	\$ (29)	(3.5)%
AVERAGE BALANCES					
Loans and leases	\$ 39,536	\$ 37,716	\$ 31,925	\$ 1,820	4.8 %
Loans held for sale	1,429	1,242	934	187	15.1
Total assets	47,126	44,505	37,797	2,621	5.9
Deposits	21,183	21,318	20,780	(135)	(.6)

[Table of Contents](#)

ADDITIONAL KEY CORPORATE BANK DATA

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	Change 2018 vs. 2017	
				Amount	Percent
NONINTEREST INCOME					
Trust and investment services income	\$ 116	\$ 139	\$ 144	\$ (23)	(16.5)%
Investment banking and debt placement fees	634	589	471	45	7.6
Operating lease income and other leasing gains	75	80	56	(5)	(6.3)
Corporate services income	166	156	156	10	6.4
Service charges on deposit accounts	51	50	51	1	2.0
Cards and payments income	39	40	29	(1)	(2.5)
Payments and services income	256	246	236	10	4.1
Mortgage servicing fees	69	61	53	8	13.1
Other noninterest income	11	33	53	(22)	(66.7)
Total noninterest income	\$ 1,161	\$ 1,148	\$ 1,013	\$ 13	1.1 %

Other Segments

Other Segments consist of Corporate Treasury, our Principal Investing unit, and various exit portfolios. Other Segments generated net income attributable to Key of \$110 million for 2018, compared to \$114 million for 2017, and \$84 million for 2016.

[Table of Contents](#)

Financial Condition

Loans and loans held for sale

Figure 10 shows the composition of our loan portfolio at December 31 for each of the past five years.

Figure 10. Composition of Loans

December 31, dollars in millions	2018		2017		2016	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
COMMERCIAL						
Commercial and industrial ^(a)	\$ 45,753	51.1%	\$ 41,859	48.4%	\$ 39,768	46.2%
Commercial real estate:						
Commercial mortgage	14,285	15.9	14,088	16.3	15,111	17.6
Construction	1,666	1.9	1,960	2.3	2,345	2.7
Total commercial real estate loans	15,951	17.8	16,048	18.6	17,456	20.3
Commercial lease financing ^(b)	4,606	5.1	4,826	5.6	4,685	5.5
Total commercial loans	66,310	74.0	62,733	72.6	61,909	72.0
CONSUMER						
Real estate — residential mortgage	5,513	6.2	5,483	6.3	5,547	6.4
Home equity loans	11,142	12.4	12,028	13.9	12,674	14.7
Consumer direct loans	1,809	2.0	1,794	2.1	1,788	2.1
Credit cards	1,144	1.3	1,106	1.3	1,111	1.3
Consumer indirect loans	3,634	4.1	3,261	3.8	3,009	3.5
Total consumer loans	23,242	26.0	23,672	27.4	24,129	28.0
Total loans ^(c)	\$ 89,552	100.0%	\$ 86,405	100.0%	\$ 86,038	100.0%
2015						
	Amount	Percent of Total	Amount	Percent of Total		
COMMERCIAL						
Commercial and industrial ^(a)	\$ 31,240	52.2%	\$ 27,982	48.8%		
Commercial real estate:						
Commercial mortgage	7,959	13.3	8,047	14.0		
Construction	1,053	1.7	1,100	1.9		
Total commercial real estate loans	9,012	15.0	9,147	15.9		
Commercial lease financing ^(b)	4,020	6.7	4,252	7.4		
Total commercial loans	44,272	73.9	41,381	72.1		
CONSUMER						
Real estate — residential mortgage	2,242	3.7	2,225	3.9		
Home equity loans	10,335	17.3	10,633	18.6		
Consumer direct loans	1,600	2.7	1,560	2.7		
Credit cards	806	1.3	754	1.3		
Consumer indirect loans	621	1.1	828	1.4		
Total consumer loans	15,604	26.1	16,000	27.9		
Total loans ^(c)	\$ 59,876	100.0%	\$ 57,381	100.0%		

(a) Loan balances include \$132 million, \$119 million, \$116 million, \$85 million, and \$88 million of commercial credit card balances at December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014, respectively.

(b) Commercial lease financing includes receivables held as collateral for a secured borrowing of \$10 million, \$24 million, \$68 million, \$134 million, and \$302 million at December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 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 19 ("Long-Term Debt").

(c) Total loans exclude loans of \$1.1 billion at December 31, 2018, \$1.3 billion at December 31, 2017, \$1.6 billion at December 31, 2016, \$1.8 billion at December 31, 2015, and \$2.3 billion at December 31, 2014, related to the discontinued operations of the education lending business.

At December 31, 2018, total loans outstanding from continuing operations were \$89.6 billion, compared to \$86.4 billion at the end of 2017. For more information on balance sheet carrying value, see Note 1 ("Summary of Significant Accounting Policies") under the

headings “Loans” and “Loans Held for Sale.”

Commercial loan portfolio

Commercial loans outstanding were \$66.3 billion at December 31, 2018, an increase of \$3.6 billion, or 5.7%, compared to December 31, 2017, primarily driven by an increase in commercial and industrial loans.

Figure 11 provides our commercial loan portfolio by industry classification as of December 31, 2018, and December 31, 2017.

Figure 11. Commercial Loans by Industry

December 31, 2018					
<i>dollars in millions</i>					
	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	\$ 1,045	\$ 176	\$ 120	\$ 1,341	2.0%
Automotive	2,140	448	46	2,634	4.0
Business products	1,596	127	50	1,773	2.7
Business services	2,779	136	228	3,143	4.7
Chemicals	933	43	56	1,032	1.6
Construction materials and contractors	1,756	207	221	2,184	3.3
Consumer discretionary	3,675	516	489	4,680	7.1
Consumer services	3,354	746	195	4,295	6.5
Equipment	1,586	89	81	1,756	2.6
Finance	5,178	459	357	5,994	9.0
Healthcare	2,999	1,743	369	5,111	7.7
Materials manufacturing and mining	1,093	46	41	1,180	1.8
Oil and gas	1,739	51	57	1,847	2.8
Public exposure	2,656	73	1,054	3,783	5.7
Commercial real estate	5,808	10,830	28	16,666	25.1
Technology	996	28	64	1,088	1.6
Transportation	1,377	229	829	2,435	3.7
Utilities	4,357	4	321	4,682	7.1
Other	686	—	—	686	1.0
Total	\$ 45,753	\$ 15,951	\$ 4,606	\$ 66,310	100.0%

December 31, 2017					
<i>dollars in millions</i>					
	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	\$ 995	\$ 188	\$ 142	\$ 1,325	2.1%
Automotive	2,156	473	73	2,702	4.3
Business products	1,395	132	36	1,563	2.5
Business services	2,735	159	237	3,131	5.0
Chemicals	856	48	63	967	1.5
Construction materials and contractors	1,635	243	161	2,039	3.3
Consumer discretionary	3,642	584	546	4,772	7.6
Consumer services	2,907	800	263	3,970	6.3
Equipment	1,496	134	89	1,719	2.7
Finance	3,999	49	341	4,389	7.0
Healthcare	3,236	2,224	390	5,850	9.3
Materials manufacturing and mining	1,156	46	38	1,240	2.0
Oil and gas	1,163	1,719	2.7		
Finance	3,999	49	341	4,389	7.0
Healthcare	3,236	2,224	390	5,850	9.3
Materials manufacturing and mining	1,156	46	38	1,240	2.0
Oil and gas	1,163	30	60	1,253	2.0
Public exposure	2,796	52	1,054	3,902	6.2
Commercial real estate	5,731	10,600	23	16,354	26.1
Technology	961	24	80	1,065	1.7
Transportation	1,435	245	890	2,570	4.1
Utilities	3,075	10	340	3,425	5.5
Other	490	7	—	497	.8
Total	\$ 41,859	\$ 16,048	\$ 4,826	\$ 62,733	100.0%

Commercial and industrial. Commercial and industrial loans are the largest component of our loan portfolio, representing 51% of our total loan portfolio at December 31, 2018, and 48% at December 31, 2017. This portfolio is approximately 84% variable rate and consists of loans originated in both Key Corporate and Community Bank to large corporate, middle market, and small business clients.

Commercial and industrial loans totaled \$45.8 billion at December 31, 2018, an increase of \$3.9 billion compared to December 31, 2017, driven by increases in the finance, utilities, oil and gas, and consumer services industries, which combined, accounted for approximately 32% of the total portfolio mix at December 31, 2018.

Commercial real estate loans. Our commercial real estate lending business includes both mortgage and construction loans, and is conducted through two primary sources: our 15-state banking franchise, and KeyBank Real Estate Capital, a national line of business that cultivates relationships with owners of commercial real estate located both within and beyond the branch system. Approximately 70% of our commercial real estate loans outstanding at December 31, 2018, were generated by our KeyBank Real Estate Capital line of business. Nonowner-occupied properties, generally properties for which at least 50% of the debt service is provided by rental income from nonaffiliated third parties, represented 80% of total commercial real estate loans outstanding at December 31, 2018. Construction loans, which provide a stream of funding for properties not fully leased at origination to support debt service payments over the term of the contract or project, represented 10% of commercial real estate loans at year end.

Table of Contents

At December 31, 2018, commercial real estate loans totaled \$16.0 billion, comprised of \$14.3 billion of mortgage loans and \$1.7 billion of construction loans. Compared to December 31, 2017, this portfolio decreased \$97 million, as we continue to focus primarily on owners of completed and stabilized commercial real estate in accordance with our relationship strategy.

As shown in Figure 12, our commercial real estate loan portfolio includes various property types and geographic locations of the underlying collateral. These loans include commercial mortgage and construction loans in both Key Community Bank and Key Corporate Bank.

Figure 12. Commercial Real Estate Loans

<i>dollars in millions</i>	Geographic Region							Total	Percent of Total	Construction	Commercial Mortgage
	West	Southwest	Central	Midwest	Southeast	Northeast	National				
December 31, 2018											
Nonowner-occupied:											
Retail properties	\$ 126	\$ 45	\$ 142	\$ 174	\$ 184	\$ 674	\$ 302	\$ 1,647	10.3%	\$ 82	\$ 1,565
Multifamily properties	452	210	914	608	1,153	1,708	693	5,738	36.0	1,163	4,575
Health facilities	98	—	49	59	153	724	385	1,468	9.2	20	1,449
Office buildings	270	7	224	90	165	851	119	1,726	10.8	120	1,605
Warehouses	66	34	20	47	71	290	203	731	4.6	48	684
Manufacturing facilities	42	—	36	3	25	38	91	235	1.5	20	215
Hotels/Motels	95	—	19	—	6	204	62	386	2.4	—	386
Residential properties	3	—	—	3	21	135	—	162	1.0	53	109
Land and development	17	4	5	2	—	48	—	76	.5	52	23
Other	46	9	61	53	4	323	151	647	4.0	11	636
Total nonowner-occupied	1,215	309	1,470	1,039	1,782	4,995	2,006	12,816	80.3	1,569	11,247
Owner-occupied	837	25	283	493	58	1,439	—	3,135	19.7	97	3,038
Total	\$ 2,052	\$ 334	\$ 1,753	\$ 1,532	\$ 1,840	\$ 6,434	\$ 2,006	\$ 15,951	100.0%	\$ 1,666	\$ 14,285
December 31, 2017											
Total	\$ 2,071	\$ 387	\$ 1,320	\$ 1,730	\$ 1,939	\$ 7,758	\$ 843	\$ 16,048		\$ 1,960	\$ 14,088
December 31, 2018											
Nonowner-occupied:											
Nonperforming loans	\$ 1	—	—	\$ 8	—	\$ 7	\$ 53	\$ 69	N/M	—	\$ 69
Accruing loans past due 90 days or more	—	—	—	2	\$ 11	11	—	24	N/M	\$ 12	12
Accruing loans past due 30 through 89 days	—	—	\$ 11	1	1	23	13	49	N/M	13	36
West –	Alaska, California, Hawaii, Idaho, Montana, Oregon, Washington, and Wyoming										
Southwest –	Arizona, Nevada, and New Mexico										
Central –	Arkansas, Colorado, Oklahoma, Texas, and Utah										
Midwest –	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin										
Southeast –	Alabama, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, Washington, D.C., and West Virginia										
Northeast –	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont										
National –	Accounts in three or more regions										

Consumer loan portfolio

Consumer loans outstanding at December 31, 2018, totaled \$23.2 billion, a decrease of \$430 million, or 1.8%, from one year ago. The decrease in consumer loans was driven by continued declines in the home equity loan portfolio, largely the result of paydowns in home equity lines of credit, partly offset by growth in indirect auto lending.

The home equity portfolio is comprised of loans originated by our Key Community Bank within our 15-state footprint and is the largest segment of our consumer loan portfolio, representing approximately 48% of consumer loans outstanding at year end.

As shown in Figure 8, we held the first lien position for approximately 60% of the Key Community Bank home equity portfolio at December 31, 2018, and 60% at December 31, 2017. For loans with real estate collateral, we track borrower performance monthly. Regardless of the lien position, credit metrics are refreshed quarterly, including recent FICO scores as well as original and updated loan-to-value ratios. This information is used in establishing the ALLL. Our methodology is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses.”

[Table of Contents](#)

Figure 13. Consumer Loans by State

December 31, 2018	Real estate — residential mortgage	Home equity loans	Consumer direct loans	Credit cards	Consumer indirect loans	Total
State						
New York	\$ 1,117	\$ 2,881	\$ 402	\$ 415	\$ 730	\$ 5,545
Ohio	479	1,538	383	252	506	3,158
Washington	714	1,714	234	104	11	2,777
Pennsylvania	275	726	83	52	276	1,412
California	49	27	13	4	38	131
Colorado	256	509	76	35	2	878
Connecticut	1,090	413	30	23	143	1,699
Texas	1	15	8	4	18	46
Oregon	366	905	80	47	3	1,401
Massachusetts	255	50	27	5	341	678
Other	911	2,364	473	203	1,566	5,517
Total	\$ 5,513	\$ 11,142	\$ 1,809	\$ 1,144	\$ 3,634	\$ 23,242
December 31, 2017						
Total	\$ 5,483	\$ 12,028	\$ 1,794	\$ 1,106	\$ 3,261	\$ 23,672

Loan sales

As shown in Figure 14, during 2018, we sold \$14.1 billion of our loans. Sales of loans classified as held for sale generated net gains of \$183 million during 2018.

Figure 14 summarizes our loan sales during 2018 and 2017.

Figure 14. Loans Sold (Including Loans Held for Sale)

<i>in millions</i>	Commercial	Commercial Real Estate	Commercial Lease Financing	Residential Real Estate	Total
2018					
Fourth quarter	\$ 157	\$ 4,918	\$ 104	\$ 331	\$ 5,510
Third quarter	247	2,242	52	302	2,843
Second quarter	253	2,266	144	308	2,971
First quarter	141	2,251	66	284	2,742
Total	\$ 798	\$ 11,677	\$ 366	\$ 1,225	\$ 14,066
2017					
Fourth quarter	\$ 88	\$ 3,394	\$ 81	\$ 275	\$ 3,838
Third quarter	337	2,534	93	279	3,243
Second quarter	205	2,097	14	230	2,546
First quarter	49	2,011	83	194	2,337
Total	\$ 679	\$ 10,036	\$ 271	\$ 978	\$ 11,964

Figure 15 shows loans that are either administered or serviced by us but not recorded on the balance sheet; this includes loans that were sold.

Figure 15. Loans Administered or Serviced

December 31, <i>in millions</i>	2018	2017	2016	2015	2014
Commercial real estate loans	\$ 291,158	\$ 238,718	\$ 218,135	\$ 211,274	\$ 191,407
Residential mortgage	5,209	4,582	4,198	—	—
Education loans	766	932	1,122	1,339	1,589
Commercial lease financing	916	862	899	932	722
Commercial loans	549	488	418	335	344
Total	\$ 298,598	\$ 245,582	\$ 224,772	\$ 213,880	\$ 194,062

In the event of default by a borrower, we are subject to recourse with respect to approximately \$4.1 billion of the \$298.6 billion of loans administered or serviced at December 31, 2018. Additional information about this recourse arrangement is included in Note 21 ("Commitments, Contingent Liabilities, and Guarantees") under the heading "Recourse agreement with FNMA."

[Table of Contents](#)

We derive income from several sources when retaining the right to administer or service loans that are sold. We earn noninterest income (recorded as “mortgage servicing fees”) from fees for servicing or administering loans. This fee income is reduced by the amortization of related servicing assets. In addition, we earn interest income from investing funds generated by escrow deposits collected in connection with the servicing loans. Additional information about our mortgage servicing assets is included in Note 9 (“Mortgage Servicing Assets”).

Maturities and sensitivity of certain loans to changes in interest rates

Figure 16 shows the remaining maturities of certain commercial and real estate loans, and the sensitivity of those loans to changes in interest rates. At December 31, 2018, approximately 26% of these outstanding loans were scheduled to mature within one year.

Figure 16. Remaining Maturities and Sensitivity of Certain Loans to Changes in Interest Rates

December 31, 2018 <i>in millions</i>	Within One Year	One - Five Years	Over Five Years	Total
Commercial and industrial	\$ 11,432	\$ 28,118	\$ 6,203	\$ 45,753
Real estate — construction	874	724	68	1,666
Total	\$ 12,306	\$ 28,842	\$ 6,271	\$ 47,419
Loans with floating or adjustable interest rates ^(a)		\$ 25,214	\$ 3,770	\$ 28,984
Loans with predetermined interest rates ^(b)		3,628	2,501	6,129
Total		\$ 28,842	\$ 6,271	\$ 35,113

(a) Floating and adjustable rates vary in relation to other interest rates (such as the base lending rate) or a variable index that may change during the term of the loan.

(b) Predetermined interest rates either are fixed or may change during the term of the loan according to a specific formula or schedule.

Securities

Our securities portfolio totaled \$30.9 billion at December 31, 2018, compared to \$30.0 billion at December 31, 2017. Available-for-sale securities were \$19.4 billion at December 31, 2018, compared to \$18.1 billion at December 31, 2017. Held-to-maturity securities were \$11.5 billion at December 31, 2018, compared to \$11.8 billion at December 31, 2017.

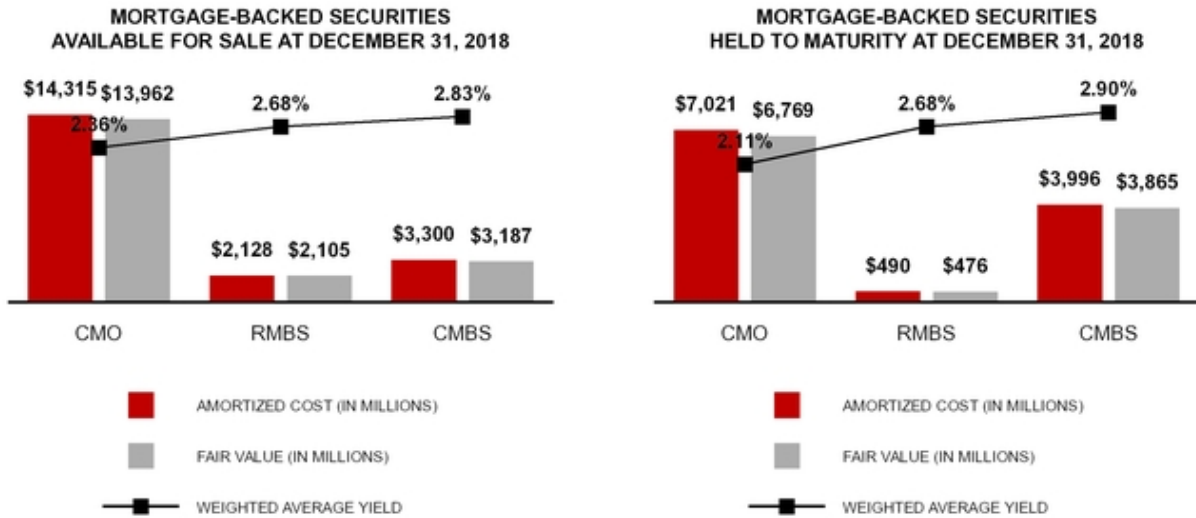
As shown in Figure 17, all of our mortgage-backed securities, which include both securities available-for-sale and held-to-maturity securities, are issued by government-sponsored enterprises or GNMA, and are traded in liquid secondary markets. These securities are recorded on the balance sheet at fair value for the available-for-sale portfolio and at cost for the held-to-maturity portfolio. For more information about these securities, see Note 6 (“Fair Value Measurements”) under the heading “Qualitative Disclosures of Valuation Techniques,” and Note 7 (“Securities”).

Figure 17. Mortgage-Backed Securities by Issuer

December 31, <i>in millions</i>	2018	2017
FHLMC	\$ 7,048	\$ 5,897
FNMA	10,076	10,328
GNMA	13,637	13,543
Total ^(a)	\$ 30,761	\$ 29,768

(a) Includes securities held in the available-for-sale and held-to-maturity portfolios.

[Table of Contents](#)



Securities available for sale

The majority of our securities available-for-sale portfolio consists of Federal Agency CMOs and mortgage-backed securities. CMOs are debt securities secured by a pool of mortgages or mortgage-backed securities. These mortgage securities generate interest income, serve as collateral to support certain pledging agreements, and provide liquidity value under regulatory requirements.

We periodically evaluate our securities available-for-sale portfolio in light of established A/LM objectives, changing market conditions that could affect the profitability of the portfolio, the regulatory environment, and the level of interest rate risk to which we are exposed. These evaluations may cause us to take steps to adjust our overall balance sheet positioning.

In addition, the size and composition of our securities available-for-sale portfolio could vary with our needs for liquidity and the extent to which we are required (or elect) to hold these assets as collateral to secure public funds and trust deposits. Although we generally use debt securities for this purpose, other assets, such as securities purchased under resale agreements or letters of credit, are used occasionally when they provide a lower cost of collateral or more favorable risk profiles.

Our investing activities continue to complement other balance sheet developments and provide for our ongoing liquidity management needs. Our actions to not reinvest the monthly security cash flows at various times served to provide the liquidity necessary to address our funding requirements. These funding requirements included ongoing loan growth and occasional debt maturities. At other times, we may make additional investments that go beyond the replacement of maturities or mortgage security cash flows as our liquidity position and/or interest rate risk management strategies may require. Lastly, our focus on investing in high quality liquid assets, including GNMA-related securities, is related to liquidity management strategies to satisfy regulatory requirements.

Figure 18 shows the composition, TE yields, and remaining maturities of our securities available for sale. For more information about these securities, including gross unrealized gains and losses by type of security and securities pledged, see Note 7 (“Securities”).

Figure 18. Securities Available for Sale

<i>dollars in millions</i>	U.S. Treasury, Agencies, and Corporations	States and Political Subdivisions	Agency Residential Collateralized Mortgage Obligations ^(a)	Agency Residential Mortgage-backed Securities ^{(a),(b)}	Agency Commercial Mortgage-backed Securities ^(a)	Other Securities	Total	Weighted-Average Yield ^(b)
December 31, 2018								
Remaining maturity:								
One year or less	\$ 15	\$ 3	\$ 79	\$ 9	—	10	\$ 116	2.66%
After one through five years	131	4	8,151	1,216	2,437	10	11,949	2.37
After five through ten years	—	—	5,732	870	750	—	7,352	2.61
After ten years	1	—	—	10	—	—	11	3.07
Fair value	\$ 147	\$ 7	\$ 13,962	\$ 2,105	\$ 3,187	\$ 20	\$ 19,428	—
Amortized cost	150	7	14,315	2,128	3,300	17	19,917	2.46%
Weighted-average yield ^(b)	1.70%	5.35%	2.36%	2.68%	2.83%	—	2.46%	—
Weighted-average maturity (years)	3.4	1.3	4.8	4.5	4.2	1.2	4.6	—
December 31, 2017								
Fair value	\$ 157	\$ 9	\$ 14,660	\$ 1,439	\$ 1,854	\$ 20	\$ 18,139	—
Amortized cost	159	9	14,985	1,456	1,920	17	18,546	2.09%

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

(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate in effect that calendar year.

Held-to-maturity securities

Federal Agency CMOs and mortgage-backed securities constitute essentially all of our held-to-maturity securities. The remaining balance comprises foreign bonds. Figure 19 shows the composition, yields and remaining maturities of these securities.

Figure 19. Held-to-Maturity Securities

<i>dollars in millions</i>	Agency Residential Collateralized Mortgage Obligations ^(a)	Agency Residential Mortgage-backed Securities ^(a)	Agency Commercial Mortgage-backed Securities ^(a)	Other Securities	Total	Weighted-Average Yield ^(b)
December 31, 2018						
Remaining maturity:						
One year or less	\$ 30	—	—	\$ 6	\$ 36	2.14%
After one through five years	4,335	—	2,061	6	6,402	2.39
After five through ten years	2,656	490	1,935	—	5,081	2.44
After ten years	—	—	—	—	—	—
Amortized cost	\$ 7,021	\$ 490	\$ 3,996	\$ 12	\$ 11,519	2.41%
Fair value	6,769	476	3,865	12	11,122	—
Weighted-average yield ^(b)	2.11%	2.68%	2.90%	2.70%	2.41%	—
Weighted-average maturity (years)	4.7	6.2	6	0.9	5.2	—
December 31, 2017						
Amortized cost	\$ 8,055	\$ 574	\$ 3,186	\$ 15	\$ 11,830	2.27%
Fair value	7,831	571	3,148	15	11,565	—

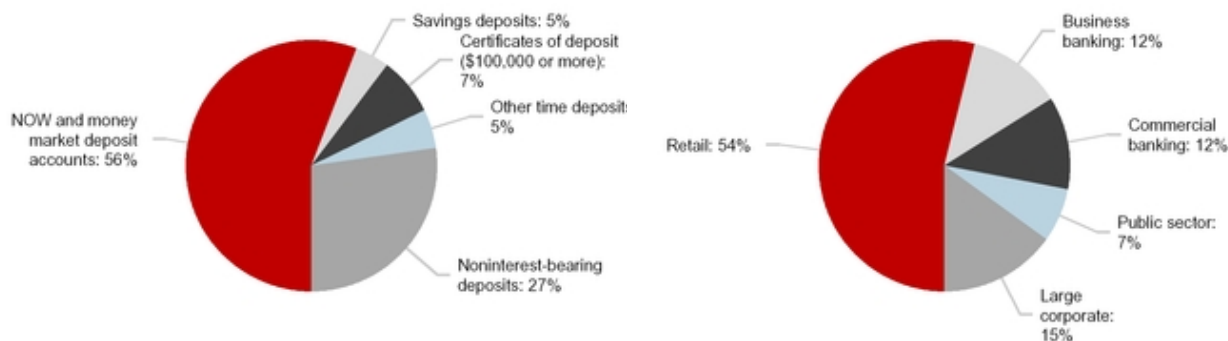
(a) Maturity is based upon expected average lives rather than contractual terms.

(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate in effect that calendar year.

[Table of Contents](#)

Deposits and other sources of funds

Figure 20. Breakdown of Deposits at December 31, 2018



Deposits are our primary source of funding. At December 31, 2018, our deposits totaled \$107.3 billion, an increase of \$2.1 billion, compared to December 31, 2017. The increase in deposits compared to the prior year reflects the strength of our retail banking franchise and growth from commercial clients, as well as clients shifting to higher yield deposit products.

Wholesale funds, consisting of short-term borrowings and long-term debt, totaled \$14.6 billion at December 31, 2018, compared to \$15.3 billion at December 31, 2017. The decrease from the prior year reflects a shift in funding mix stemming from strong deposit growth.

Figure 21 shows the maturity distribution of time deposits of \$100,000 or more.

Figure 21. Maturity Distribution of Time Deposits of \$100,000 or More

December 31, 2018		Total
<i>in millions</i>		
Remaining maturity:		
Three months or less	\$	2,216
After three through six months		1,183
After six through twelve months		1,991
After twelve months		2,523
Total	\$	<u>7,913</u>

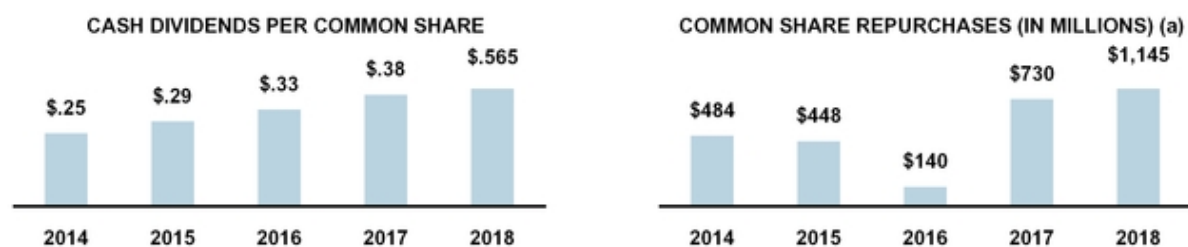
Capital

The objective of management of capital is to maintain capital levels consistent with our risk appetite and sufficient in size to operate within a wide range of operating environments. We have identified three primary uses of capital:

1. Investing in our businesses, supporting our clients, and loan growth;
2. Maintaining or increasing our Common Share dividend; and
3. Returning capital in the form of Common Share repurchases to our shareholders.

The following sections discuss certain ways we have deployed our capital. For further information, see the Consolidated Statements of Changes in Equity and Note 23 ("Shareholders' Equity").

Table of Contents



(a) Common Share repurchases were suspended during the third quarter of 2015 due to the then pending merger with First Niagara. We resumed our Common Share repurchase program during the third quarter of 2016 upon the completion of the First Niagara merger.

Dividends

Consistent with our 2017 capital plan, the Board declared a quarterly dividend of \$.105 per Common Share for the first quarter of 2018, and \$.12 per Common Share for the second quarter of 2018. The Board declared a quarterly dividend of \$.17 per Common Share for the third and fourth quarters of 2018, consistent with our 2018 capital plan. These quarterly dividend payments brought our annual dividend to \$.565 per Common Share for 2018.

Common Shares outstanding

Our Common Shares are traded on the NYSE under the symbol KEY with 34,596 holders of record at December 31, 2018. Our book value per Common Share was \$13.90 based on 1.020 billion shares outstanding at December 31, 2018, compared to \$13.09 based on 1.069 billion shares outstanding at December 31, 2017. At December 31, 2018, our tangible book value per Common Share was \$11.14, compared to \$10.35 at December 31, 2017.

Figure 35 in the section entitled “Fourth Quarter Results” shows the market price ranges of our Common Shares, per Common Share earnings, and dividends paid by quarter for each of the last two years.

Figure 22 shows activities that caused the change in our outstanding Common Shares over the past two years.

Figure 22. Changes in Common Shares Outstanding

<i>in thousands</i>	2018	2018 Quarters			2017	
		Fourth	Third	Second		First
Shares outstanding at beginning of period	1,069,084	1,034,287	1,058,944	1,064,939	1,069,084	1,079,314
Common Shares repurchased	(56,292)	(15,216)	(25,418)	(6,259)	(9,399)	(39,660)
Shares reissued (returned) under employee benefit plans	6,711	432	761	264	5,254	8,862
Series A Preferred Stock exchanged for Common Shares	—	—	—	—	—	20,568
Shares outstanding at end of period	1,019,503	1,019,503	1,034,287	1,058,944	1,064,939	1,069,084

During 2018, Common Shares outstanding decreased by 49.6 million shares due to Common Share repurchases under our 2017 and 2018 capital plans.

At December 31, 2018, we had 237.2 million treasury shares, compared to 187.6 million treasury shares at December 31, 2017. Going forward, we expect to reissue treasury shares as needed in connection with stock-based compensation awards and for other corporate purposes.

Capital adequacy

Capital adequacy is an important indicator of financial stability and performance. All of our capital ratios remained in excess of regulatory requirements at December 31, 2018. Our capital and liquidity levels are intended to position us to weather an adverse operating environment while continuing to serve our clients’ needs, as well as to meet the Regulatory Capital Rules described in the “Supervision and regulation” section of Item 1 of this report. Our shareholders’ equity to assets ratio was 11.17% at December 31, 2018, compared to 10.91% at December 31, 2017. Our tangible common equity to tangible assets ratio was 8.30% at December 31, 2018, compared to 8.23%

Table of Contents

at December 31, 2017. The new minimum capital and leverage ratios under the Regulatory Capital Rules together with the estimated ratios of KeyCorp at December 31, 2018, calculated on a fully phased-in basis, are set forth under the heading "Basel III" in the "Supervision and Regulation" section in Item 1 of this report.

Figure 23 represents the details of our regulatory capital positions at December 31, 2018, and December 31, 2017, under the Regulatory Capital Rules. Information regarding the regulatory capital ratios of KeyCorp's banking subsidiaries is presented in Note 23 ("Shareholders' Equity").

Figure 23. Capital Components and Risk-Weighted Assets

December 31, dollars in millions	2018	2017
COMMON EQUITY TIER 1		
Key shareholders' equity (GAAP)	\$ 15,595	\$ 15,023
Less: Preferred Stock (a)	1,421	1,009
Common Equity Tier 1 capital before adjustments and deductions	14,174	14,014
Less: Goodwill, net of deferred taxes	2,455	2,495
Intangible assets, net of deferred taxes	250	266
Deferred tax assets	9	2
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	(372)	(311)
Accumulated gains (losses) on cash flow hedges, net of deferred taxes	(78)	(122)
Amounts in AOCI attributed to pension and postretirement benefit costs, net of deferred taxes	(381)	(391)
Total Common Equity Tier 1 capital	12,291	12,075
TIER 1 CAPITAL		
Common Equity Tier 1	12,291	12,075
Additional Tier 1 capital instruments and related surplus	1,421	1,009
Non-qualifying capital instruments subject to phase out	—	—
Less: Deductions	—	1
Total Tier 1 capital	13,712	13,083
TIER 2 CAPITAL		
Tier 2 capital instruments and related surplus	1,279	1,310
Allowance for losses on loans and liability for losses on lending-related commitments (b)	962	952
Net unrealized gains on available-for-sale preferred stock classified as an equity security	—	—
Less: Deductions	—	—
Total Tier 2 capital	2,241	2,262
Total risk-based capital	\$ 15,953	\$ 15,345
RISK-WEIGHTED ASSETS		
Risk-weighted assets on balance sheet	\$ 98,232	\$ 94,735
Risk-weighted off-balance sheet exposure	24,593	23,058
Market risk-equivalent assets	963	1,019
Gross risk-weighted assets	123,788	118,812
Less: Excess allowance for loan and lease losses	—	—
Net risk-weighted assets	\$ 123,788	\$ 118,812
AVERAGE QUARTERLY TOTAL ASSETS	\$ 138,689	\$ 134,484
CAPITAL RATIOS		
Tier 1 risk-based capital	11.08%	11.01%
Total risk-based capital	12.89	12.92
Leverage (c)	9.89	9.73
Common Equity Tier 1	9.93	10.16

(a) Net of capital surplus.

(b) The ALLL included in Tier 2 capital is limited by regulation to 1.25% of the institution's standardized total risk-weighted assets (excluding its standardized market risk-weighted assets). The ALLL includes \$14 million and \$16 million of allowance classified as "discontinued assets" on the balance sheet at December 31, 2018, and December 31, 2017, respectively.

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

Table of Contents

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-balance sheet arrangements

We are party to various types of off-balance sheet arrangements, which could lead to contingent liabilities or risks of loss that are not reflected on the balance sheet.

Variable interest entities

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). Additional information regarding the nature of VIEs and our involvement with them is included in Note 1 ("Summary of Significant Accounting Policies") under the heading "Basis of Presentation" and in Note 12 ("Variable Interest Entities").

Commitments to extend credit or funding

Loan commitments provide for financing on predetermined terms as long as the client continues to meet specified criteria. These commitments generally carry variable rates of interest and have fixed expiration dates or other termination clauses. We typically charge a fee for our loan commitments. Since a commitment may expire without resulting in a loan or being fully utilized, the total amount of an outstanding commitment may significantly exceed any related cash outlay. Further information about our loan commitments at December 31, 2018, is presented in Note 21 ("Commitments, Contingent Liabilities, and Guarantees") under the heading "Commitments to Extend Credit or Funding." Figure 24 shows the remaining contractual amount of each class of commitment to extend credit or funding. For loan commitments and commercial letters of credit, this amount represents our maximum possible accounting loss on the unused commitment if the borrower were to draw upon the full amount of the commitment and subsequently default on payment for the total amount of the then outstanding loan.

Other off-balance sheet arrangements

Other off-balance sheet arrangements include financial instruments that do not meet the definition of a guarantee in accordance with the applicable accounting guidance, and other relationships, such as liquidity support provided to asset-backed commercial paper conduits, indemnification agreements and intercompany guarantees. Information about such arrangements is provided in Note 21 under the heading "Other Off-Balance Sheet Risk."

Contractual obligations

Figure 24 summarizes our significant contractual obligations, and lending-related and other off-balance sheet commitments at December 31, 2018, by the specific time periods in which related payments are due or commitments expire.

Figure 24. Contractual Obligations and Other Off-Balance Sheet Commitments

December 31, 2018 <i>in millions</i>	Within 1 year	After 1 through 3 years	After 3 through 5 years	After 5 years	Total
Contractual obligations:^(a)					
Deposits with no stated maturity	\$ 94,064	—	—	—	\$ 94,064
Time deposits of \$100,000 or more	5,390	\$ 2,435	\$ 70	\$ 18	7,913
Other time deposits	3,319	1,858	107	48	5,332
Federal funds purchased and securities sold under repurchase agreements	319	—	—	—	319
Bank notes and other short-term borrowings	544	—	—	—	544
Long-term debt	2,262	5,788	1,925	3,757	13,732
Noncancelable operating leases	142	251	194	321	908
Liability for unrecognized tax benefits	35	—	—	—	35
Purchase obligations	166	160	51	6	383
Total	\$ 106,241	\$ 10,492	\$ 2,347	\$ 4,150	\$ 123,230
Lending-related and other off-balance sheet commitments:					
Commercial, including real estate	\$ 15,062	\$ 13,332	\$ 16,018	\$ 932	\$ 45,344
Home equity	387	1,086	596	7,913	9,982
Credit cards	6,152	—	—	—	6,152
Purchase cards	621	—	—	—	621
Commercial letters of credit	46	33	7	—	86
Principal investing commitments	21	5	—	—	26
Tax credit investment commitments	520	—	—	—	520
Total	\$ 22,809	\$ 14,456	\$ 16,621	\$ 8,845	\$ 62,731

(a) Deposits and borrowings exclude interest.

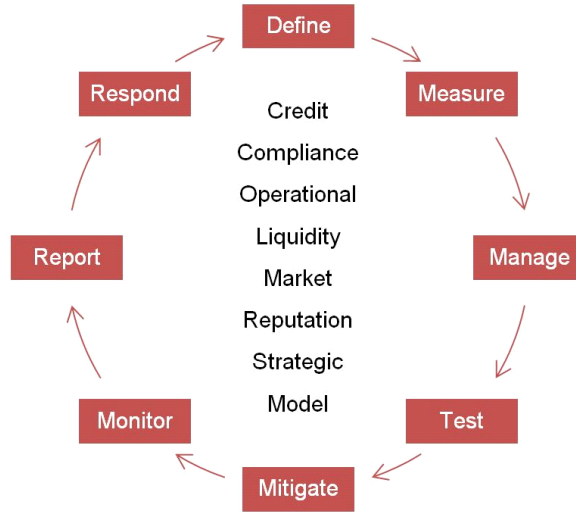
Guarantees

We are a guarantor in various agreements with third parties. As guarantor, we may be contingently liable to make payments to the guaranteed party based on changes in a specified interest rate, foreign exchange rate or other variable (including the occurrence or nonoccurrence of a specified event). These variables, known as underlyings, may be related to an asset or liability, or another entity's failure to perform under a contract. Additional information regarding these types of arrangements is presented in Note 21 ("Commitments, Contingent Liabilities, and Guarantees") under the heading "Guarantees."

Risk Management

Overview

Like all financial services companies, we engage in business activities and assume the related risks. The most significant risks we face are credit, compliance, operational, liquidity, market, reputation, strategic, and model risks. Our risk management activities are shown in the following chart and manage such risks across the entire enterprise to maintain safety and soundness and maximize profitability. Certain of these risks are defined and discussed in greater detail in the remainder of this section.



Federal banking regulators continue to emphasize with financial institutions the importance of relating capital management strategy to the level of risk at each institution. We believe our internal risk management processes help us achieve and maintain capital levels that are commensurate with our business activities and risks, and conform to regulatory expectations. The table below depicts our risk management hierarchy and associated responsibilities and activities of each group.

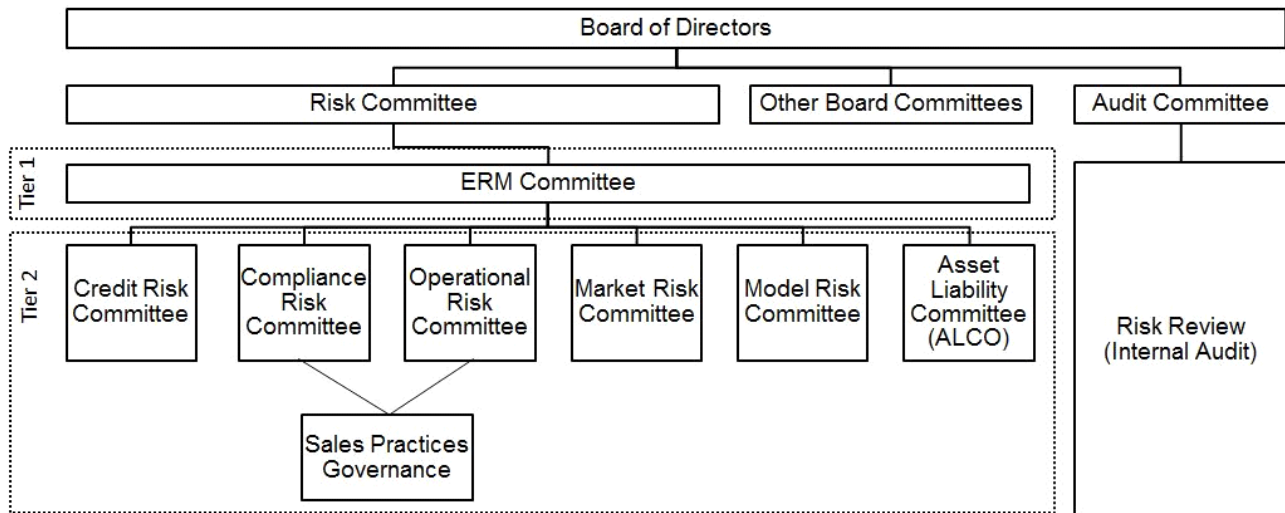


Table of Contents

Group	Overview and Responsibilities	Activities
Board of Directors	<ul style="list-style-type: none"> – Oversight capacity – Ensure Key's risks are managed in a manner that is not only effective and balanced, but also has a fiduciary duty to the shareholders 	<ul style="list-style-type: none"> – Understands Key's risk philosophy – Approves the risk appetite – Inquires about risk practices – Reviews the portfolio of risks – Compares the actual risks to the risk appetite – Is apprised of significant risks, both actual and emerging, and determines whether management is responding appropriately – Challenges management and ensures accountability
Board of Directors Audit Committee ^(a)	<ul style="list-style-type: none"> – Oversight of financial statement integrity, regulatory and legal requirements, independent auditors' qualifications and independence, and the performance of the internal audit function and independent auditors – Financial reporting, legal matters, and fraud risk 	<ul style="list-style-type: none"> – Meets with management and approves significant policies relating to the risk areas overseen by the Audit Committee – Receives reports on enterprise risk – Meets bi-monthly – Convenes to discuss the content of our financial disclosures and quarterly earnings releases.
Board of Directors Risk Committee ^(a)	<ul style="list-style-type: none"> – Assist the Board in oversight of strategies, policies, procedures, and practices relating to the assessment and management of enterprise-wide risk, including credit, market, liquidity, model, operational, compliance, reputation, and strategic risks – Assist the Board in overseeing risks related to capital adequacy, capital planning, and capital actions 	<ul style="list-style-type: none"> – Reviews and provides oversight of management's activities related to the enterprise-wide risk management framework, which includes an annual review of the ERM Policy, including the Risk Appetite Statement, and management and ERM reports – Approves any material changes to the charter of the ERM Committee and significant policies relating to risk management, including corporate risk tolerances for major risk categories
ERM and Disclosure Committee	<ul style="list-style-type: none"> – Chaired by the Chief Executive Officer and comprising other senior level executives – Manage risk and ensure that the corporate risk profile is managed in a manner consistent with our risk appetite – Oversees the ERM Program, which encompasses our risk philosophy, policy, framework, and governance structure for the management of risks across the entire company. 	<ul style="list-style-type: none"> – Approves and manages the risk-adjusted capital framework we use to manage risks – Convenes quarterly to discuss the content of our 10-Q and 10-K.
Tier 2 Risk Governance Committees	<ul style="list-style-type: none"> – Include attendees from each of the Three Lines of Defense. – The First Line of Defense is the line of business primarily responsible to accept, own, proactively identify, monitor, and manage risk. – The Second Line of Defense comprises Risk Management representatives who provide independent, centralized oversight over all risk categories by aggregating, analyzing, and reporting risk information. – Risk Review, our internal audit function, provides the Third Line of Defense. Its role is to provide independent assessment and testing of the effectiveness of, appropriateness of, and adherence to KeyCorp's risk management policies, practices, and controls 	<ul style="list-style-type: none"> – Supports the ERM Committee by identifying early warning events and trends, escalating emerging risks, and discussing forward-looking assessments
Chief Risk Officer	<ul style="list-style-type: none"> – Ensure that relevant risk information is properly integrated into strategic and business decisions – Ensure appropriate ownership of risks 	<ul style="list-style-type: none"> – Provides input into performance and compensation decisions – Assesses aggregate enterprise risk – Monitors capabilities to manage critical risks – Executes appropriate Board and stakeholder reporting

(a) The Audit and Risk Committees meet jointly, as appropriate, to discuss matters that relate to each committee's responsibilities. Committee chairpersons routinely meet with management during interim months to plan agendas for upcoming meetings and to discuss emerging trends and events that have transpired since the preceding meeting. All members of the Board receive formal reports designed to keep them abreast of significant developments during the interim months.

Market risk management

Market risk is the risk that movements in market risk factors, including interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, and volatilities will reduce Key's income and the value of its portfolios. These factors influence prospective yields, values, or prices associated with the instrument. We are exposed to market risk both in our trading and nontrading activities, which include asset and liability management activities. Information regarding our fair value policies, procedures, and methodologies is provided in Note 1 ("Summary of Significant Accounting Policies") under the heading "Fair Value Measurements" and Note 6 ("Fair Value Measurements") in this report.

Trading market risk

Key incurs market risk as a result of trading activities that are used in support of client facilitation and hedging activities, principally within our investment banking and capital markets businesses. Key has exposures to a wide range of risk factors including interest rates, equity prices, foreign exchange rates, credit spreads, and commodity prices, as well as the associated implied volatilities and spreads. Our primary market risk exposures are a result of

Table of Contents

trading and hedging activities in the derivative and fixed income markets, including securitization exposures. At December 31, 2018, we did not have any re-securitization positions. We maintain modest trading inventories to facilitate customer flow, make markets in securities, and hedge certain risks including but not limited to credit risk and interest rate risk. The risks associated with these activities are mitigated in accordance with the Market Risk hedging policy. The majority of our positions are traded in active markets.

Management of trading market risks. Market risk management is an integral part of Key's risk culture. The Risk Committee of our Board provides oversight of trading market risks. The ERM Committee and the Market Risk Committee regularly review and discuss market risk reports prepared by our MRM that contain our market risk exposures and results of monitoring activities. Market risk policies and procedures have been defined and approved by the Market Risk Committee, a Tier 2 Risk Governance Committee, and take into account our tolerance for risk and consideration for the business environment.

The MRM, as the second line of defense, is an independent risk management function that partners with the lines of business to identify, measure, and monitor market risks throughout our company. The MRM is responsible for ensuring transparency of significant market risks, monitoring compliance with established limits, and escalating limit exceptions to appropriate senior management. The various business units and trading desks are responsible for ensuring that market risk exposures are well-managed and prudent. Market risk is monitored through various measures, such as VaR, and through routine stress testing, sensitivity, and scenario analyses. The MRM conducts stress tests for each position using historical worst case and standard shock scenarios. VaR, stressed VaR, and other analyses are prepared daily and distributed to appropriate management.

Covered positions. We monitor the market risk of our covered positions as defined in the Market Risk Rule, which includes all of our trading positions as well as all foreign exchange and commodity positions, regardless of whether the position is in a trading account. Key's covered positions may also include mortgage-backed and asset-backed securities that may be identified as securitization positions or re-securitization positions under the Market Risk Rule. The MRM as well as the LOB that trades securitization positions monitor the positions, the portfolio composition and the risks identified in this section on a daily basis consistent with the Market Risk policies and procedures. At December 31, 2018, covered positions did not include any re-securitization positions. Instruments that are used to hedge nontrading activities, such as bank-issued debt and loan portfolios, equity positions that are not actively traded, and securities financing activities, do not meet the definition of a covered position. The MRM is responsible for identifying our portfolios as either covered or non-covered. The Covered Position Working Group develops the final list of covered positions, and a summary is provided to the Market Risk Committee.

Our significant portfolios of covered positions are detailed below. We analyze market risk by portfolios of covered positions and do not separately measure and monitor our portfolios by risk type. The descriptions below incorporate the respective risk types associated with each of these portfolios.

- Fixed income includes those instruments associated with our capital markets business and the trading of securities as a dealer. These instruments may include positions in municipal bonds, bonds backed by the U.S. government, agency and corporate bonds, certain mortgage-backed and asset-backed securities, securities issued by the U.S. Treasury, money markets, and certain CMOs. The activities and instruments within the fixed income portfolio create exposures to interest rate and credit spread risks.
- Interest rate derivatives include interest rate swaps, caps, and floors, which are transacted primarily to accommodate the needs of commercial loan clients. In addition, we enter into interest rate derivatives to offset or mitigate the interest rate risk related to the client positions. The activities within this portfolio create exposures to interest rate risk.

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

We use a historical simulation VaR model to measure the potential adverse effect of changes in interest rates, foreign exchange rates, equity prices, and credit spreads on the fair value of our covered positions and other non-covered positions. Historical scenarios are customized for specific positions, and numerous risk factors are incorporated in the calculation. Additional consideration is given to the risk factors to estimate the exposures that contain optionality features, such as options and cancelable provisions. VaR is calculated using daily observations

Table of Contents

over a one-year time horizon, and approximates a 95% confidence level. Statistically, this means that we would expect to incur losses greater than VaR, on average, five out of 100 trading days, or three to four times each quarter. We also calculate VaR and stressed VaR at a 99% confidence level.

The VaR model is an effective tool in estimating ranges of possible gains and losses on our positions. However, there are limitations inherent in the VaR model since it uses historical results over a given time interval to estimate future performance. Historical results may not be indicative of future results, and changes in the market or composition of our portfolios could have a significant impact on the accuracy of the VaR model. We regularly review and enhance the modeling techniques, inputs, and assumptions used. Our market risk policy includes the independent validation of our VaR model by Key's internal model validation group on an annual basis. The Model Risk Committee oversees the Model Validation Program, and results of validations are discussed with the ERM Committee.

Actual losses for the total covered positions did not exceed aggregate daily VaR on any day during the quarters ended December 31, 2018, and December 31, 2017. The MRM backtests our VaR model on a daily basis to evaluate its predictive power. The test compares VaR model results at the 99% confidence level to daily held profit and loss. Results of backtesting are provided to the Market Risk Committee. Backtesting exceptions occur when trading losses exceed VaR. We do not engage in correlation trading or utilize the internal model approach for measuring default and credit migration risk. Our net VaR approach incorporates diversification, but our VaR calculation does not include the impact of counterparty risk and our own credit spreads on derivatives.

The aggregate VaR at the 99% confidence level with a one day holding period for all covered positions was \$.8 million at December 31, 2018, and \$.7 million at December 31, 2017. Figure 25 summarizes our VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended December 31, 2018, and December 31, 2017.

Figure 25. VaR for Significant Portfolios of Covered Positions

in millions	2018				2017			
	Three months ended December 31,			December 31,	Three months ended December 31,			December 31,
	High	Low	Mean		High	Low	Mean	
Trading account assets:								
Fixed income	\$.8	\$.3	\$.6	\$.6	\$.8	\$.3	\$.5	\$.5
Derivatives:								
Interest rate	\$.2	\$.1	\$.1	\$.1	\$.1	—	\$.1	\$.1

Stressed VaR is calculated by running the portfolios through a predetermined stress period which is approved by the Market Risk Committee and is calculated at the 99% confidence level using the same model and assumptions used for general VaR. The aggregate stressed VaR for all covered positions was \$5.1 million at December 31, 2018, and \$4.5 million at December 31, 2017. Figure 26 summarizes our stressed VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended December 31, 2018, and December 31, 2017.

Figure 26. Stressed VaR for Significant Portfolios of Covered Positions

in millions	2018				2017			
	Three months ended December 31,			December 31,	Three months ended December 31,			December 31,
	High	Low	Mean		High	Low	Mean	
Trading account assets:								
Fixed income	\$ 5.6	\$ 3.6	\$ 4.6	\$ 3.9	\$ 3.7	\$ 1.9	\$ 2.7	\$ 3.4
Derivatives:								
Interest rate	\$.9	\$.5	\$.6	\$.6	\$.5	\$.2	\$.3	\$.5

Internal capital adequacy assessment. Market risk is a component of our internal capital adequacy assessment. Our risk-weighted assets include a market risk-equivalent asset amount, which consists of a VaR component, stressed VaR component, a de minimis exposure amount, and a specific risk add-on including the securitization positions. The aggregate market value of the securitization positions as defined by the Market Risk Rule was \$6.0 million at December 31, 2018. This amount included \$5.8 million of mortgage-backed securities positions and \$.2 million of asset-backed securities positions. Specific risk is the price risk of individual financial instruments, which is not accounted for by changes in broad market risk factors and is measured through a

Table of Contents

standardized approach. Market risk weighted assets, including the specific risk calculations, are run quarterly by the MRM in accordance with the Market Risk Rule and approved by the Chief Market Risk Officer.

Nontrading market risk

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

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

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

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

Net interest income simulation analysis. The primary tool we use to measure our interest rate risk is simulation analysis. For purposes of this analysis, we estimate our net interest income based on the current and projected composition of our on- and off-balance sheet positions, accounting for recent and anticipated trends in customer activity. The analysis also incorporates assumptions for the current and projected interest rate environments, and balance sheet growth projections based on a most likely macroeconomic view. The results of this simulation analysis reflect management’s desired interest rate risk positioning. The modeling incorporates investment portfolio and swap portfolio balances consistent with management’s desired interest rate risk positioning. The simulation model estimates the amount of net interest income at risk by simulating the change in net interest income that would occur if interest rates were to gradually increase or decrease over the next 12 months. Due to the low interest rate environment as of year end 2017, our standard decrease scenario was modified to a gradual, parallel decrease of 125 basis points over eight months with no change over the following four months. As of December 31, 2018, the standard 200 basis point decline has been reinstated.

Figure 27 presents the results of the simulation analysis at December 31, 2018, and December 31, 2017. At December 31, 2018, our simulated impact to changes in interest rates was moderately asset-sensitive. In 2018, the Federal Reserve increased the range for the Federal Funds Target Rate, which led to an increase in the magnitude

Table of Contents

of the declining rate scenario to 200 basis points. Tolerance levels for risk management require the development of remediation plans to maintain residual risk within tolerance if simulation modeling demonstrates that a gradual, parallel 200 basis point increase or 200 basis point decrease in interest rates over the next 12 months would adversely affect net interest income over the same period by more than 5.5%. Current modeled exposure is within Board approved tolerances.

Figure 27. Simulated Change in Net Interest Income

	December 31, 2018		December 31, 2017	
Basis point change assumption (short-term rates)	-200	+200	-125	+200
Tolerance level	-5.50 %	-5.50 %	-5.50 %	-5.50 %
Interest rate risk assessment	-4.89 %	2.22 %	-5.35 %	3.95 %

Simulation analysis produces a sophisticated estimate of interest rate exposure based on assumptions input into the model. We tailor certain assumptions to the specific interest rate environment and yield curve shape being modeled, and validate those assumptions on a regular basis. However, actual results may differ from those derived in simulation analysis due to unanticipated changes to the balance sheet composition, customer behavior, product pricing, market interest rates, changes in management's desired interest rate risk positioning, investment, funding and hedging activities, and repercussions from unanticipated or unknown events.

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

The results of additional assessments indicate that net interest income could increase or decrease from the base simulation results presented in Figure 27. Net interest income is highly dependent on the timing, magnitude, frequency, and path of interest rate increases and the associated assumptions for deposit repricing relationships, lending spreads, and the balance behavior of transaction accounts. If fixed rate assets increase by \$1 billion, or fixed rate liabilities decrease by \$1 billion, then the benefit to rising rates would decrease by approximately 25 basis points. If the interest bearing liquid deposit beta assumption increases or decreases by 5% (e.g. 40% to 45%), then the benefit to rising rates would decrease or increase by approximately 85 basis points.

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

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

Economic value of equity modeling. EVE complements net interest income simulation analysis as it estimates risk exposure beyond 12-, 24-, and 36-month horizons. EVE modeling measures the extent to which the economic values of assets, liabilities and off-balance sheet instruments may change in response to fluctuations in interest rates. EVE is calculated by subjecting the balance sheet to an immediate 200 basis point increase or decrease in interest rates, measuring the resulting change in the values of assets, liabilities, and off-balance sheet instruments, and comparing those amounts with the base case of the current interest rate environment. This analysis is highly dependent upon assumptions applied to assets and liabilities with non-contractual maturities. Those assumptions are based on historical behaviors, as well as our expectations. We develop remediation plans that would maintain residual risk within tolerance if this analysis indicates that our EVE will decrease by more than 15% in response to an immediate increase or decrease in interest rates. We are operating within these guidelines as of December 31, 2018.

[Table of Contents](#)

Management of interest rate exposure. We use the results of our various interest rate risk analyses to formulate A/LM strategies to achieve the desired risk profile while managing to our objectives for capital adequacy and liquidity risk exposures. Specifically, we manage interest rate risk positions by purchasing securities, issuing term debt with floating or fixed interest rates, and using derivatives. We predominantly use interest rate swaps and options, which modify the interest rate characteristics of certain assets and liabilities. During the three months ended September 30, 2018, we terminated \$5.2 billion of swaps that were scheduled to mature in 2019 and invested in interest rate floor contracts to enhance our asset sensitivity position and maintain our moderate risk profile.

Figure 28 shows all swap positions that we hold for A/LM purposes. These positions are used to convert the contractual interest rate index of agreed-upon amounts of assets and liabilities (i.e., notional amounts) to another interest rate index. For example, fixed-rate debt is converted to a floating rate through a “receive fixed/pay variable” interest rate swap. The volume, maturity, and mix of portfolio swaps change frequently as we adjust our broader A/LM objectives and the balance sheet positions to be hedged. For more information about how we use interest rate swaps to manage our risk profile, see Note 8 (“Derivatives and Hedging Activities”).

Figure 28. Portfolio Swaps and Options by Interest Rate Risk Management Strategy

dollars in millions	December 31, 2018						December 31, 2017	
	Notional Amount	Fair Value	Weighted-Average			Notional Amount	Fair Value	
			Maturity (Years)	Receive Rate	Pay Rate			
Receive fixed/pay variable — conventional A/LM ^(a)	\$ 10,720	\$ (87)	2.5	2.1%	2.4%	\$ 16,425	\$ (126)	
Receive fixed/pay variable — conventional debt	9,923	(7)	3.1	2.0	2.4	9,691	(9)	
Receive fixed/pay variable — forward A/LM	3,050	45	3.8	3.0	2.5	—	—	
Pay fixed/receive variable — conventional debt	50	(4)	9.5	2.4	3.6	50	(6)	
Total portfolio swaps	\$ 23,743	\$ (53) ^(b)	2.9	2.2%	2.4%	\$ 26,166	\$ (141) ^(b)	
Floors — conventional A/LM ^(c)	\$ 4,760	—	.7	—	—	—	—	

(a) Portfolio swaps designated as A/LM are used to manage interest rate risk tied to both assets and liabilities.

(b) Excludes accrued interest of \$114 million and \$176 million for December 31, 2018, and December 31, 2017, respectively.

(c) Conventional A/LM floors do not have a stated receive rate or pay rate and are given a strike price on the option.

Liquidity risk management

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

Governance structure

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

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

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

Table of Contents

Factors affecting liquidity

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

Our credit ratings at December 31, 2018, are shown in Figure 29. We believe these credit ratings, under normal conditions in the capital markets, will enable KeyCorp or KeyBank to issue fixed income securities to investors.

Figure 29. Credit Ratings

December 31, 2018	Short-Term Borrowings	Long-Term Deposits	Senior Long-Term Debt	Subordinated Long-Term Debt	Capital Securities	Preferred Stock
KEYCORP (THE PARENT COMPANY)						
Standard & Poor's	A-2	N/A	BBB+	BBB	BB+	BB+
Moody's	P-2	N/A	Baa1	Baa1	Baa2	Baa3
Fitch	F1	N/A	A-	BBB+	BB+	BB
DBRS	R-1(low)	N/A	A (low)	BBB (high)	BBB (high)	BBB (low)
KEYBANK						
Standard & Poor's	A-2	N/A	A-	BBB+	N/A	N/A
Moody's	P-2	Aa3	A3	Baa1	N/A	N/A
Fitch	F1	A	A-	BBB+	N/A	N/A
DBRS	R-1(low)	A	A	A (low)	N/A	N/A

Managing liquidity risk

Most of our liquidity risk is derived from our lending activities, which inherently places funds into illiquid assets. Liquidity risk is also derived from our deposit gathering activities and the ability of our customers to withdraw funds that do not have a stated maturity or to withdraw funds before their contractual maturity. The assessments of liquidity risk are measured under the assumption of normal operating conditions as well as under a stressed environment. We manage these exposures in accordance with our risk appetite, and within Board-approved policy limits.

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

We maintain a Contingency Funding Plan that outlines the process for addressing a liquidity crisis. The plan provides for an evaluation of funding sources under various market conditions. It also assigns specific roles and responsibilities for managing liquidity through a problem period. As part of the plan, we maintain on-balance sheet liquid reserves referred to as our liquid asset portfolio, which consists of high quality liquid assets. During a problem period, that reserve could be used as a source of funding to provide time to develop and execute a longer-term strategy. The liquid asset portfolio at December 31, 2018, totaled \$24.2 billion, consisting of \$21.7 billion of unpledged securities, \$201 million of securities available for secured funding at the FHLB, and \$2.4 billion of net balances of federal funds sold and balances in our Federal Reserve account. The liquid asset portfolio can fluctuate due to excess liquidity, heightened risk, or prefunding of expected outflows, such as debt maturities. Additionally, as of December 31, 2018, our unused borrowing capacity secured by loan collateral was \$25.4 billion at the Federal Reserve Bank of Cleveland and \$7.3 billion at the FHLB of Cincinnati. In 2018, Key's outstanding FHLB of Cincinnati advances increased by \$24 million due to additional borrowings.

Table of Contents

Final U.S. liquidity coverage ratio

Under the Liquidity Coverage Rules, we will be required to calculate the Modified LCR for Key. At December 31, 2018, our estimated Modified LCR was above 100%. In the future, we may change the composition of our investment portfolio, increase the size of the overall investment portfolio, and modify product offerings to enhance or optimize our liquidity position.

Additional information about the Liquidity Coverage Rules and Modified LCR is included in the “Supervision and Regulation” section under the heading “Regulatory capital requirements - Liquidity requirements” in Item 1 of this report.

Long-term liquidity strategy

Our long-term liquidity strategy is to be predominantly funded by core deposits. However, we may use wholesale funds to sustain an adequate liquid asset portfolio, meet daily cash demands, and allow management flexibility to execute business initiatives. Key’s client-based relationship strategy provides for a strong core deposit base that, in conjunction with intermediate and long-term wholesale funds managed to a diversified maturity structure and investor base, supports our liquidity risk management strategy. We use the loan-to-deposit ratio as a metric to monitor these strategies. Our target loan-to-deposit ratio is 90-100% (at December 31, 2018, our loan-to-deposit ratio was 85.6%), which we calculate as the sum of total loans, loans held for sale, and nonsecuritized discontinued loans divided by deposits.

Sources of liquidity

Our primary sources of liquidity include customer deposits, wholesale funding, and liquid assets. If the cash flows needed to support operating and investing activities are not satisfied by deposit balances, we rely on wholesale funding or on-balance sheet liquid reserves. Conversely, excess cash generated by operating, investing, and deposit-gathering activities may be used to repay outstanding debt or invest in liquid assets.

Liquidity programs

We have several liquidity programs, which are described in Note 19 (“Long-Term Debt”), that are designed to enable KeyCorp and KeyBank to raise funds in the public and private debt markets. The proceeds from most of these programs can be used for general corporate purposes, including acquisitions. These liquidity programs are reviewed from time to time by the Board and are renewed and replaced as necessary. There are no restrictive financial covenants in any of these programs.

On March 7, 2018, KeyBank issued \$500 million of 3.375% Senior Bank Notes due March 7, 2023, under its Global Bank Note Program. On June 13, 2018, KeyBank issued \$500 million of 3.35% Senior Bank Notes due June 15, 2021, under its Global Bank Note Program.

On September 28, 2018, KeyBank again updated its Bank Note Program authorizing the issuance of up to \$20 billion of notes. As of December 31, 2018, no notes had been issued under the 2018 Bank Note Program, and \$20 billion remained available for issuance.

Liquidity for KeyCorp

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

We use a parent cash coverage months metric as the primary measure to assess parent company liquidity. The parent cash coverage months metric measures the number of month into the future where projected obligations can be met with the current quantity of liquidity. We generally issue term debt to supplement dividends from KeyBank to manage our liquidity position at or above our targeted levels. The parent company generally maintains cash and short-term investments in an amount sufficient to meet projected debt maturities over at least the next 24 months. At December 31, 2018, KeyCorp held \$3.2 billion in cash, which we projected to be sufficient to meet our projected

Table of Contents

obligations, including the repayment of our maturing debt obligations for the periods prescribed by our risk tolerance.

Typically, KeyCorp meets its liquidity requirements through regular dividends from KeyBank, supplemented with term debt. Federal banking law limits the amount of capital distributions that a bank can make to its holding company without prior regulatory approval. A national bank's dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the two previous calendar years and for the current year, up to the date of dividend declaration. During 2018, KeyBank paid \$1.7 billion in dividends to KeyCorp. At January 1, 2019, KeyBank had regulatory capacity to pay \$1.0 billion in dividends to KeyCorp without prior regulatory approval.

On April 30, 2018, KeyCorp issued \$750 million of 4.10% Senior Notes due April 30, 2028, under its Medium-Term Note Program. On October 29, 2018, KeyCorp issued \$500 million of 4.15% Senior Notes due October 29, 2025, under its Medium-Term Note Program.

Our liquidity position and recent activity

Over the past 12 months, our liquid asset portfolio, which includes overnight and short-term investments, as well as unencumbered, high quality liquid securities held as protection against a range of potential liquidity stress scenarios, has decreased as a result of a decrease in unpledged securities and lower balances held at the Federal Reserve. The liquid asset portfolio continues to exceed the amount that we estimate would be necessary to manage through an adverse liquidity event by providing sufficient time to develop and execute a longer-term solution.

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

We generate cash flows from operations and from investing and financing activities. We have approximately \$33 million of cash and cash equivalents and short-term investments in international tax jurisdictions as of December 31, 2018. As we consider alternative long-term strategic and liquidity plans, opportunities to repatriate these amounts would result in approximately \$1 million in taxes to be paid. We have included the appropriate amount as a deferred tax liability at December 31, 2018.

The Consolidated Statements of Cash Flows summarize our sources and uses of cash by type of activity for the years ended December 31, 2018, and December 31, 2017.

Credit risk management

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

Credit policy, approval, and evaluation

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

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

Table of Contents

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

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

Allowance for loan and lease losses

We estimate the appropriate level of the ALLL on at least a quarterly basis. The methodology used is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses.” Briefly, our allowance applies incurred loss rates to existing loans with similar risk characteristics. We exercise judgment to assess any adjustment to the incurred loss rates for the impact of factors such as changes in economic conditions, lending policies including underwriting standards, and the level of credit risk associated with specific industries and markets. The ALLL at December 31, 2018, represents our best estimate of the probable credit losses inherent in the loan portfolio at that date. For more information about impaired loans, see Note 5 (“Asset Quality”).

As shown in Figure 30, our ALLL from continuing operations increased by \$6 million, or .7%, from December 31, 2017. Our commercial ALLL increased by \$8 million, or 1.1%, from December 31, 2017, primarily due to loan growth over the period. Our consumer ALLL decreased by \$2 million, or 1.4%, from December 31, 2017. The consumer ALLL was impacted by declining loan balances and favorable shifts in credit quality.

Figure 30. Allocation of the Allowance for Loan and Lease Losses

December 31, dollars in millions	2018			2017			2016		
	Total Allowance	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans	Total Allowance	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans	Total Allowance	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans
Commercial and industrial	\$ 532	60.2%	51.1%	\$ 529	60.3%	48.4%	\$ 508	59.2%	46.2%
Commercial real estate:									
Commercial mortgage	142	16.1	15.9	133	15.2	16.3	144	16.8	17.6
Construction	33	3.8	1.9	30	3.4	2.3	22	2.6	2.7
Total commercial real estate loans	175	19.9	17.8	163	18.6	18.6	166	19.4	20.3
Commercial lease financing	36	4.1	5.1	43	4.9	5.6	42	4.9	5.4
Total commercial loans	743	84.2	74.0	735	83.8	72.6	716	83.5	71.9
Real estate — residential mortgage	7	.8	6.2	7	.8	6.3	17	2.0	6.5
Home equity loans	35	3.9	12.4	43	4.9	13.9	54	6.3	14.7
Consumer direct loans	30	3.4	2.0	28	3.2	2.1	24	2.8	2.1
Credit cards	48	5.4	1.3	44	5.0	1.3	38	4.4	1.3
Consumer indirect loans	20	2.3	4.1	20	2.3	3.8	9	1.0	3.5
Total consumer loans	140	15.8	26.0	142	16.2	27.4	142	16.5	28.1
Total loans ^(a)	\$ 883	100.0%	100.0%	\$ 877	100.0%	100.0%	\$ 858	100.0%	100.0%

	2015			2014		
	Total Allowance	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans	Total Allowance	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans
Commercial and industrial	\$ 450	56.5%	52.2%	\$ 391	49.2%	48.8%
Commercial real estate:						
Commercial mortgage	134	16.8	13.3	148	18.7	14.0
Construction	25	3.2	1.7	28	3.5	1.9
Total commercial real estate loans	159	20.0	15.0	176	22.2	15.9
Commercial lease financing	47	5.9	6.7	56	7.1	7.4
Total commercial loans	656	82.4	73.9	623	78.5	72.1
Real estate — residential mortgage	18	2.3	3.7	23	2.9	3.9
Home equity loans	57	7.2	17.3	71	8.9	18.6
Consumer direct loans	20	2.5	2.7	22	2.8	2.7
Credit cards	32	4.0	1.3	33	4.1	1.3

Consumer indirect loans	13	1.6	1.1	22	2.8	1.4
Total consumer loans	140	17.6	26.1	171	21.5	27.9
Total loans ^(a)	\$ 796	100.0%	100.0%	\$ 794	100.0%	100.0%

(a) Excludes allocations of the ALLL related to the discontinued operations of the education lending business in the amount of \$14 million at December 31, 2018, \$16 million at December 31, 2017, \$24 million at December 31, 2016, \$28 million at December 31, 2015, and \$29 million at December 31, 2014.

Table of Contents

Net loan charge-offs

Figure 31 shows the trend in our net loan charge-offs by loan type, while the composition of loan charge-offs and recoveries by type of loan is presented in Figure 32.

Over the past 12 months, net loan charge-offs increased \$26 million. This increase was driven by an increase in net loan charge-offs in our commercial and industrial loan portfolio. In 2019, we expect net loan charge-offs to average loans to remain below our long-term targeted range of 40 to 60 basis points.

Figure 31. Net Loan Charge-offs from Continuing Operations^(a)

Year ended December 31, <i>dollars in millions</i>	2018	2017	2016	2015	2014
Commercial and industrial	\$ 122	\$ 93	\$ 107	\$ 61	\$ 12
Real estate — commercial mortgage	18	9	(4)	(2)	2
Real estate — construction	(2)	1	7	—	(12)
Commercial lease financing	5	8	9	4	—
Total commercial loans	143	111	119	63	2
Real estate — residential mortgage	1	(1)	3	3	8
Home equity loans	10	15	16	21	32
Consumer direct loans	29	28	22	18	24
Credit cards	37	39	31	28	33
Consumer indirect loans	14	16	14	9	14
Total consumer loans	91	97	86	79	111
Total net loan charge-offs	\$ 234	\$ 208	\$ 205	\$ 142	\$ 113
Net loan charge-offs to average loans	.26%	.24%	.29%	.24%	.20%
Net loan charge-offs from discontinued operations — education lending business	\$ 10	\$ 18	\$ 17	\$ 22	\$ 31

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

Table of Contents

Figure 32. Summary of Loan and Lease Loss Experience from Continuing Operations

Year ended December 31, dollars in millions	2018	2017	2016	2015	2014
Average loans outstanding	\$ 88,338	\$ 86,365	\$ 71,148	\$ 58,594	\$ 55,679
Allowance for loan and lease losses at beginning of period	\$ 877	\$ 858	\$ 796	\$ 794	\$ 848
Loans charged off:					
Commercial and industrial	159	133	118	77	45
Real estate — commercial mortgage	21	11	5	4	6
Real estate — construction	—	2	9	1	5
Total commercial real estate loans ^(a)	21	13	14	5	11
Commercial lease financing	10	14	12	11	10
Total commercial loans ^(b)	190	160	144	93	66
Real estate — residential mortgage	3	3	4	6	10
Home equity loans	21	30	30	32	46
Consumer direct loans	36	34	27	24	30
Credit cards	44	44	35	30	34
Consumer indirect loans	30	31	21	18	25
Total consumer loans	134	142	117	110	145
Total loans charged off	324	302	261	203	211
Recoveries:					
Commercial and industrial	37	40	11	16	33
Real estate — commercial mortgage	3	2	9	6	4
Real estate — construction	2	1	2	1	17
Total commercial real estate loans ^(a)	5	3	11	7	21
Commercial lease financing	5	6	3	7	10
Total commercial loans ^(b)	47	49	25	30	64
Real estate — residential mortgage	2	4	1	3	2
Home equity loans	11	15	14	11	14
Consumer direct loans	7	6	5	6	6
Credit cards	7	5	4	2	1
Consumer indirect loans	16	15	7	9	11
Total consumer loans	43	45	31	31	34
Total recoveries	90	94	56	61	98
Net loan charge-offs	(234)	(208)	(205)	(142)	(113)
Provision (credit) for loan and lease losses	240	227	267	145	59
Foreign currency translation adjustment	—	—	—	(1)	—
Allowance for loan and lease losses at end of year	\$ 883	\$ 877	\$ 858	\$ 796	\$ 794
Liability for credit losses on lending-related commitments at beginning of the year	\$ 57	\$ 55	\$ 56	\$ 35	\$ 37
Provision (credit) for losses on lending-related commitments	6	2	(1)	21	(2)
Liability for credit losses on lending-related commitments at end of the year ^(c)	\$ 63	\$ 57	\$ 55	\$ 56	\$ 35
Total allowance for credit losses at end of the year	\$ 946	\$ 934	\$ 913	\$ 852	\$ 829
Net loan charge-offs to average total loans	.26%	.24%	.29%	.24%	.20%
Allowance for loan and lease losses to period-end loans	.99	1.01	1.00	1.33	1.38
Allowance for credit losses to period-end loans	1.06	1.08	1.06	1.42	1.44
Allowance for loan and lease losses to nonperforming loans	162.9	174.4	137.3	205.7	190.0
Allowance for credit losses to nonperforming loans	174.5	185.7	146.1	220.2	198.3
Discontinued operations — education lending business:					
Loans charged off	\$ 15	\$ 26	\$ 28	\$ 35	\$ 45
Recoveries	5	8	11	13	14
Net loan charge-offs	\$ (10)	\$ (18)	\$ (17)	\$ (22)	\$ (31)

(a) See Figure 12 and the accompanying discussion in the "Loans and loans held for sale" section for more information related to our commercial real estate loan portfolio.

(b) See Figure 11 and the accompanying discussion in the "Loans and loans held for sale" section for more information related to our commercial loan portfolio.

(c) Included in "accrued expense and other liabilities" on the balance sheet.

Nonperforming assets

Figure 33 shows the composition of our nonperforming assets. As shown in Figure 33, nonperforming assets increased \$43 million

during 2018. The increase was largely in our real estate — commercial mortgage portfolio driven by several credits that were not concentrated in a particular industry or geography. See Note 1 (“Summary of Significant Accounting Policies”) under the headings “Nonperforming Loans,” “Impaired Loans,” and “Allowance for Loan and Lease Losses” for a summary of our nonaccrual and charge-off policies.

Table of Contents

Figure 33. Summary of Nonperforming Assets and Past Due Loans from Continuing Operations

December 31, dollars in millions	2018	2017	2016	2015	2014
Commercial and industrial	\$ 152	\$ 153	\$ 297	\$ 82	\$ 59
Real estate — commercial mortgage	81	30	26	19	34
Real estate — construction	2	2	3	9	13
Total commercial real estate loans (a)	83	32	29	28	47
Commercial lease financing	9	6	8	13	18
Total commercial loans (b)	244	191	334	123	124
Real estate — residential mortgage	62	58	56	64	79
Home equity loans	210	229	223	190	195
Consumer direct loans	4	4	6	2	2
Credit cards	2	2	2	2	2
Consumer indirect loans	20	19	4	6	16
Total consumer loans	298	312	291	264	294
Total nonperforming loans (c)	542	503	625	387	418
OREO	35	31	51	14	18
Other nonperforming assets	—	—	—	2	—
Total nonperforming assets (c)	\$ 577	\$ 534	\$ 676	\$ 403	\$ 436
Accruing loans past due 90 days or more	\$ 112	\$ 89	\$ 87	\$ 72	\$ 96
Accruing loans past due 30 through 89 days	312	359	404	208	235
Restructured loans — accruing and nonaccruing (d)	399	317	280	280	270
Restructured loans included in nonperforming loans (d)	247	189	141	159	157
Nonperforming assets from discontinued operations — education lending business	8	7	5	7	11
Nonperforming loans to period-end portfolio loans (c)	.61%	.58%	.73%	.65%	.73%
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets (c)	.64	.62	.79	.67	.76

(a) See Figure 12 and the accompanying discussion in the “Loans and loans held for sale” section for more information related to our commercial real estate loan portfolio.

(b) See Figure 11 and the accompanying discussion in the “Loans and loans held for sale” section for more information related to our commercial loan portfolio.

(c) Nonperforming loan balances exclude \$575 million, \$738 million, \$865 million, \$11 million and \$13 million of PCI loans at December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014, respectively.

(d) Restructured loans (i.e., TDRs) are those for which Key, for reasons related to a borrower’s financial difficulties, grants a concession to the borrower that it would not otherwise consider. See Note 5, (“Asset Quality”) for more information on our TDRs.

Figure 34 shows the types of activity that caused the change in our nonperforming loans during each of the last four quarters and the years ended December 31, 2018, and December 31, 2017.

Figure 34. Summary of Changes in Nonperforming Loans from Continuing Operations

in millions	2018	2018 Quarters				2017
		Fourth	Third	Second	First	
Balance at beginning of period	\$ 503	\$ 645	\$ 545	\$ 541	\$ 503	\$ 625
Loans placed on nonaccrual status	723	103	263	175	182	679
Charge-offs	(321)	(92)	(81)	(78)	(70)	(297)
Loans sold	(17)	(16)	—	(1)	—	(9)
Payments	(172)	(53)	(57)	(33)	(29)	(227)
Transfers to OREO	(24)	(10)	(5)	(5)	(4)	(37)
Loans returned to accrual status	(150)	(35)	(20)	(54)	(41)	(231)
Balance at end of period (a)	\$ 542	\$ 542	\$ 645	\$ 545	\$ 541	\$ 503

(a) Nonperforming loan balances exclude \$575 million and \$738 million of PCI loans at December 31, 2018, and December 31, 2017, respectively.

Operational and compliance risk management

Like all businesses, we are subject to operational risk, which is the risk of loss resulting from human error or malfeasance, inadequate or failed internal processes and systems, and external events. These events include, among other things, threats to our cybersecurity, as we are reliant upon information systems and the Internet to conduct our business activities. Operational risk also encompasses compliance risk, which is the risk of loss from violations of, or noncompliance with, laws, rules and regulations, prescribed practices, and ethical standards. Under the Dodd-Frank Act, large financial companies like Key are subject to heightened prudential standards and regulation. This heightened level of regulation has increased our operational risk. Resulting operational risk losses and/or additional

regulatory compliance costs could take the form of explicit charges, increased operational costs, harm to our reputation, or foregone opportunities.

Table of Contents

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

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

Cybersecurity

We maintain comprehensive Cyber Incident Response Plans, and we devote significant time and resources to maintaining and regularly updating our technology systems and processes to protect the security of our computer systems, software, networks, and other technology assets against attempts by third parties to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems, or cause other damage. We and many other U.S. financial institutions have experienced distributed denial-of-service attacks from technologically sophisticated third parties. These attacks are intended to disrupt or disable online banking services and prevent banking transactions. We also periodically experience other attempts to breach the security of our systems and data. These cyberattacks have not, to date, resulted in any material disruption of our operations or material harm to our customers, and have not had a material adverse effect on our results of operations.

Cyberattack risks may also occur with our third-party technology service providers, and may result in financial loss or liability that could adversely affect our financial condition or results of operations. Cyberattacks could also interfere with third-party providers' ability to fulfill their contractual obligations to us. Recent high-profile cyberattacks have targeted retailers, credit bureaus, and other businesses for the purpose of acquiring the confidential information (including personal, financial, and credit card information) of customers, some of whom are customers of ours. We may incur expenses related to the investigation of such attacks or related to the protection of our customers from identity theft as a result of such attacks. We may also incur expenses to enhance our systems or processes to protect against cyber or other security incidents. Risks and exposures related to cyberattacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, as well as due to the expanding use of Internet banking, mobile banking, and other technology-based products and services by us and our clients.

As described in more detail in "Risk Management - Overview" in Item 7 of this report, the Board serves in an oversight capacity ensuring that Key's risks are managed in a manner that is effective and balanced and adds value for the shareholders. The Board's Risk Committee has primary oversight for enterprise-wide risk at KeyCorp, including operational risk (which includes cybersecurity). The Risk Committee reviews and provides oversight of management's activities related to the enterprise-wide risk management framework, including cyber-related risk. The ERM Committee, chaired by the Chief Executive Officer and comprising other senior level executives, is responsible for managing risk (including cyber-related risk) and ensuring that the corporate risk profile is managed in a manner consistent with our risk appetite. The ERM Committee reports to the Board's Risk Committee.

Table of Contents

GAAP to Non-GAAP Reconciliations

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. Although these non-GAAP financial measures are frequently used by investors to evaluate a company, they have limitations as analytical tools, and should not be considered in isolation, nor as a substitute for analyses of results as reported under GAAP.

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

Year ended December 31,

dollars in millions

	2018	2017	2016	2015	2014
Tangible common equity to tangible assets at period end					
Key shareholders' equity (GAAP)	\$ 15,595	\$ 15,023	\$ 15,240	\$ 10,746	\$ 10,530
Less: Intangible assets ^(a)	2,818	2,928	2,788	1,080	1,090
Preferred Stock ^(b)	1,421	1,009	1,640	281	282
Tangible common equity (non-GAAP)	\$ 11,356	\$ 11,086	\$ 10,812	\$ 9,385	\$ 9,158
Total assets (GAAP)	\$ 139,613	\$ 137,698	\$ 136,453	\$ 95,131	\$ 93,820
Less: Intangible assets ^(a)	2,818	2,928	2,788	1,080	1,090
Tangible assets (non-GAAP)	\$ 136,795	\$ 134,770	\$ 133,665	\$ 94,051	\$ 92,730
Tangible common equity to tangible assets ratio (non-GAAP)	8.30%	8.23%	8.09%	9.98%	9.88%
Average tangible common equity					
Average Key shareholders' equity (GAAP)	\$ 15,131	\$ 15,224	\$ 12,647	\$ 10,626	\$ 10,467
Less: Intangible assets (average) ^(c)	2,869	2,837	1,825	1,085	1,039
Preferred Stock (average)	1,205	1,137	627	290	291
Average tangible common equity (non-GAAP)	\$ 11,057	\$ 11,250	\$ 10,195	\$ 9,251	\$ 9,137
Return on average tangible common equity from continuing operations					
Income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 1,793	\$ 1,219	\$ 753	\$ 892	\$ 917
Average tangible common equity (non-GAAP)	\$ 11,057	\$ 11,250	\$ 10,195	\$ 9,251	\$ 9,137
Return on average tangible common equity from continuing operations (non-GAAP)	16.22%	10.84%	7.39%	9.64%	10.04%

(a) For the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014, intangible assets exclude \$14 million, \$26 million, \$42 million, \$45 million, and \$68 million, respectively, of period-end purchased credit card relationships.

(b) Net of capital surplus.

(c) For the years ended December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014, average intangible assets exclude \$20 million, \$34 million, \$43 million, \$55 million, and \$79 million, respectively, of average purchased credit card relationships.

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 to evaluate how effectively management is controlling noninterest expenses in generating revenue, as they develop earnings forecasts and peer bank analysis.

Year ended December 31,

dollars in millions

	2018	2017	2016	2015	2014
Cash efficiency ratio					
Noninterest expense (GAAP)	\$ 3,975	\$ 4,098	\$ 3,756	\$ 2,840	\$ 2,761
Less: Intangible asset amortization (GAAP)	99	95	55	36	39
Adjusted noninterest expense (non-GAAP)	\$ 3,876	\$ 4,003	\$ 3,701	\$ 2,804	\$ 2,722
Net interest income (GAAP)	\$ 3,909	\$ 3,777	\$ 2,919	\$ 2,348	\$ 2,293
Plus: TE adjustment	31	53	34	28	24
Noninterest income (GAAP)	2,515	2,478	2,071	1,880	1,797
Total TE revenue (non-GAAP)	\$ 6,455	\$ 6,308	\$ 5,024	\$ 4,256	\$ 4,114
Cash efficiency ratio (non-GAAP)	60.0%	63.5%	73.7%	65.9%	66.2%

Table of Contents

Year ended December 31,

dollars in millions

2018

Common Equity Tier 1 under the Regulatory Capital Rules	
Common Equity Tier 1 under current Regulatory Capital Rules	\$ 12,291
Adjustments from current Regulatory Capital Rules to the fully phased-in Regulatory Capital Rules:	
Deferred tax assets and other intangible assets ^(a)	—
Common Equity Tier 1 anticipated under the fully phased-in Regulatory Capital Rules ^(b)	<u>\$ 12,291</u>
Net risk-weighted assets under current Regulatory Capital Rules	
	\$ 123,788
Adjustments from current Regulatory Capital Rules to the fully phased-in Regulatory Capital Rules:	
Mortgage servicing assets ^(c)	809
Deferred tax assets	312
All other assets	—
Total risk-weighted assets anticipated under the fully phased-in Regulatory Capital Rules ^(b)	<u>\$ 124,909</u>
Common Equity Tier 1 ratio under the fully phased-in Regulatory Capital Rules ^(b)	9.84%

(a) Includes the deferred tax assets subject to future taxable income for realization, primarily tax credit carryforwards, as well as intangible assets (other than goodwill and mortgage servicing assets) subject to the transition provisions of the final rule.

(b) 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); we are subject to the Regulatory Capital Rules under the "standardized approach."

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

Fourth Quarter Results

Figure 35 shows our financial performance for each of the past eight quarters. Highlights of our results for the fourth quarter of 2018 are summarized below.

Earnings

Our fourth quarter net income from continuing operations attributable to Key common shareholders was \$459 million, or \$.45 per Common Share, compared to \$181 million, or \$.17 per Common Share, for the fourth quarter of 2017.

On an annualized basis, our return on average total assets from continuing operations for the fourth quarter of 2018 was 1.37%, compared to .57% for the fourth quarter of 2017. The annualized return on average tangible common equity from continuing operations was 16.40% for the fourth quarter of 2018, compared to 6.35% for the year-ago quarter.

Net interest income

TE net interest income was \$1.0 billion for the fourth quarter of 2018, and the net interest margin was 3.16%, compared to TE net interest income of \$952 million and a net interest margin of 3.09% for the fourth quarter of 2017, reflecting the benefit from higher interest rates and higher earning asset balances. Fourth quarter 2018 net interest income included \$23 million of purchase accounting accretion, a decline of \$15 million from the fourth quarter of 2017.

[Table of Contents](#)

Noninterest income

Our noninterest income was \$645 million for the fourth quarter of 2018, compared to \$656 million for the year-ago quarter. Trust and investment services income declined \$10 million, related to the sale of KIBS in the second quarter of 2018. Cards and payments income and service charges on deposit accounts were impacted by the 2018 adoption of the revenue recognition accounting standard. Excluding the revenue recognition changes, both of these line items grew from the prior year. Investment banking and debt placement fees were lower, following a record fourth quarter in 2017. Partially offsetting these declines were increases in other income and mortgage servicing fees.

Noninterest expense

Our noninterest expense was \$1.0 billion for the fourth quarter of 2018, compared to \$1.1 billion for the fourth quarter of 2017. Personnel expense declined year-over-year, driven by lower incentive compensation and employee benefits costs, partially offset by increased severance expense related to our efficiency initiative. Net occupancy and marketing expenses also declined, largely related to merger-related charges in the fourth quarter of 2017. In the fourth quarter of 2018, our FDIC assessment costs decreased, due to the elimination of the FDIC quarterly surcharge.

Provision for credit losses

Our provision for credit losses was \$59 million for the fourth quarter of 2018, compared to \$49 million for the fourth quarter of 2017. Our ALLL was \$883 million, or .99% of total period-end loans, at December 31, 2018, compared to 1.01% at December 31, 2017.

Net loan charge-offs for the fourth quarter of 2018 totaled \$60 million, or .27% of average total loans. These results compare to \$52 million, or .24%, for the fourth quarter of 2017.

Income taxes

For the fourth quarter of 2018, we recorded a tax provision from continuing operations of \$92 million, compared to a tax provision of \$251 million for the fourth quarter of 2017. The effective tax rate for the fourth quarter of 2018 was 15.9%, compared to 56.2% for the same quarter one year ago. Our 2017 income tax provision included \$147 million, or 33%, from the reduction of our net deferred tax asset and related actions associated with the TCJ Act, compared to the current quarter. Accordingly, our fourth quarter 2017 tax provision from continuing operations, excluding the impacts of the TCJ Act, was \$104 million and our effective tax rate was 23.2%. Refer to Note 13 ("Income Taxes") for more information on the impact of the TCJ Act.

Table of Contents

Figure 35. Selected Quarterly Financial Data

	2018 Quarters				2017 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<i>dollars in millions, except per share amounts</i>								
FOR THE PERIOD								
Interest income	\$ 1,297	\$ 1,239	\$ 1,205	\$ 1,137	\$ 1,114	\$ 1,109	\$ 1,117	\$ 1,050
Interest expense	297	253	226	193	176	161	144	132
Net interest income	1,000	986	979	944	938	948	973	918
Provision for credit losses	59	62	64	61	49	51	66	63
Noninterest income	645	609	660	601	656	592	653	577
Noninterest expense	1,012	964	993	1,006	1,098	992	995	1,013
Income (loss) from continuing operations before income taxes	574	569	582	478	447	497	565	419
Income (loss) from continuing operations attributable to Key	482	482	479	416	195	363	407	324
Income (loss) from discontinued operations, net of taxes	2	—	3	2	1	1	5	—
Net income (loss) attributable to Key	484	482	482	418	196	364	412	324
Income (loss) from continuing operations attributable to Key common shareholders	459	468	464	402	181	349	393	296
Income (loss) from discontinued operations, net of taxes	2	—	3	2	1	1	5	—
Net income (loss) attributable to Key common shareholders	461	468	467	404	182	350	398	296
PER COMMON SHARE								
Income (loss) from continuing operations attributable to Key common shareholders	\$.45	\$.45	\$.44	\$.38	\$.17	\$.32	\$.36	\$.28
Income (loss) from discontinued operations, net of taxes	—	—	—	—	—	—	—	—
Net income (loss) attributable to Key common shareholders ^(a)	.45	.45	.44	.38	.17	.32	.37	.28
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	.45	.45	.44	.38	.17	.32	.36	.27
Income (loss) from discontinued operations, net of taxes — assuming dilution	—	—	—	—	—	—	—	—
Net income (loss) attributable to Key common shareholders — assuming dilution ^(a)	.45	.45	.44	.38	.17	.32	.36	.27
Cash dividends paid	.170	.170	.120	.105	.105	.095	.095	.085
Book value at period end	13.90	13.33	13.29	13.07	13.09	13.18	13.02	12.71
Tangible book value at period end	11.14	10.59	10.59	10.35	10.35	10.52	10.40	10.21
Market price:								
High	20.74	21.91	21.05	22.40	20.58	19.48	19.10	19.53
Low	13.66	19.38	18.72	19.00	17.40	16.28	16.91	16.54
Close	14.78	19.89	19.54	19.55	20.17	18.82	18.74	17.78
Weighted-average Common Shares outstanding (000)	1,018,614	1,036,479	1,052,652	1,056,037	1,062,348	1,073,390	1,076,203	1,068,609
Weighted-average Common Shares and potential Common Shares outstanding (000) ^(b)	1,030,417	1,049,976	1,065,793	1,071,786	1,079,330	1,088,841	1,093,039	1,086,540
AT PERIOD END								
Loans	\$ 89,552	\$ 89,268	\$ 88,222	\$ 88,089	\$ 86,405	\$ 86,492	\$ 86,503	\$ 86,125
Earning assets	125,803	125,007	123,472	122,961	123,490	122,625	121,243	120,261
Total assets	139,613	138,805	137,792	137,049	137,698	136,733	135,824	134,476
Deposits	107,309	105,780	104,548	104,751	105,235	103,446	102,821	103,982
Long-term debt	13,732	13,849	13,853	13,749	14,333	15,100	13,261	12,324
Key common shareholders' equity	14,145	13,758	14,075	13,919	13,998	14,224	14,228	13,951
Key shareholders' equity	15,595	15,208	15,100	14,944	15,023	15,249	15,253	14,976
PERFORMANCE RATIOS — FROM CONTINUING OPERATIONS								
Return on average total assets	1.37%	1.40%	1.41%	1.25%	.57%	1.07%	1.23%	0.99%
Return on average common equity	13.07	13.36	13.29	11.76	5.04	9.74	11.12	8.76
Return on average tangible common equity ^(c)	16.40	16.81	16.73	14.89	6.35	12.21	13.80	10.98
Net interest margin (TE)	3.16	3.18	3.19	3.15	3.09	3.15	3.30	3.13
Cash efficiency ratio ^(d)	59.9	58.7	58.8	62.9	66.7	62.2	59.3	65.8
PERFORMANCE RATIOS — FROM CONSOLIDATED OPERATIONS								
Return on average total assets	1.37%	1.39%	1.40%	1.24%	.57%	1.06%	1.23%	.98%
Return on average common equity	13.13	13.36	13.37	11.82	5.07	9.77	11.26	8.76
Return on average tangible common equity ^(c)	16.47	16.81	16.84	14.97	6.39	12.25	13.98	10.98
Net interest margin (TE)	3.14	3.16	3.17	3.13	3.07	3.13	3.28	3.11
Loan to deposit ^(d)	85.6	87.0	86.9	86.9	84.4	86.2	87.2	85.6
CAPITAL RATIOS AT PERIOD END								
Key shareholders' equity to assets	11.17%	10.96%	10.96%	10.90%	10.91%	11.15%	11.23%	11.14%
Key common shareholders' equity to assets	10.15	9.93	10.21	10.16	10.17	10.40	10.48	10.37
Tangible common equity to tangible assets ^(e)	8.30	8.05	8.32	8.22	8.23	8.49	8.56	8.51
Common Equity Tier 1	9.93	9.95	10.13	9.99	10.16	10.26	9.91	9.91
Tier 1 risk-based capital	11.08	11.11	10.95	10.82	11.01	11.11	10.73	10.74
Total risk-based capital	12.89	12.99	12.83	12.73	12.92	13.09	12.64	12.69
Leverage	9.89	10.03	9.87	9.76	9.73	9.83	9.95	9.81
TRUST ASSETS								
Assets under management	\$ 36,775	\$ 40,575	\$ 39,663	\$ 39,003	\$ 39,588	\$ 38,660	\$ 37,613	\$ 37,417

OTHER DATA

Average full-time-equivalent employees	17,664	18,150	18,376	18,540	18,379	18,548	18,344	18,386
Branches	1,159	1,166	1,177	1,192	1,197	1,208	1,210	1,216

- (a) EPS may not foot due to rounding.
- (b) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.
- (c) See Figure 36 entitled "Selected Quarterly GAAP to Non-GAAP Reconciliations," which presents the computations of certain financial measures related to "tangible common equity," 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.
- (d) Represents period-end consolidated total loans and loans held for sale divided by period-end consolidated total deposits.

Figure 36. Selected Quarterly GAAP to Non-GAAP Reconciliations

dollars in millions	2018 Quarters				2017 Quarters			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Tangible common equity to tangible assets at period end								
Key shareholders' equity (GAAP)	\$ 15,595	\$ 15,208	\$ 15,100	\$ 14,944	\$ 15,023	\$ 15,249	\$ 15,253	\$ 14,976
Less: Intangible assets ^(a)	2,818	2,838	2,858	2,902	2,928	2,870	2,866	2,751
Preferred Stock ^(b)	1,421	1,421	1,009	1,009	1,009	1,009	1,009	1,009
Tangible common equity (non-GAAP)	\$ 11,356	\$ 10,949	\$ 11,233	\$ 11,033	\$ 11,086	\$ 11,370	\$ 11,378	\$ 11,216
Total assets (GAAP)	\$ 139,613	\$ 138,805	\$ 137,792	\$ 137,049	\$ 137,698	\$ 136,733	\$ 135,824	\$ 134,476
Less: Intangible assets ^(a)	2,818	2,838	2,858	2,902	2,928	2,870	2,866	2,751
Tangible assets (non-GAAP)	\$ 136,795	\$ 135,967	\$ 134,934	\$ 134,147	\$ 134,770	\$ 133,863	\$ 132,958	\$ 131,725
Tangible common equity to tangible assets ratio (non-GAAP)	8.30%	8.05%	8.32%	8.22%	8.23%	8.49%	8.56%	8.51%
Average tangible common equity								
Average Key shareholders' equity (GAAP)	\$ 15,384	\$ 15,210	\$ 15,032	\$ 14,889	\$ 15,268	\$ 15,241	\$ 15,200	\$ 15,184
Less: Intangible assets (average) ^(a)	2,828	2,848	2,883	2,916	2,939	2,878	2,756	2,772
Preferred Stock (average)	1,450	1,316	1,025	1,025	1,025	1,025	1,025	1,480
Average tangible common equity (non-GAAP)	\$ 11,106	\$ 11,046	\$ 11,124	\$ 10,948	\$ 11,304	\$ 11,338	\$ 11,419	\$ 10,932
Return on average tangible common equity from continuing operations								
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	\$ 459	\$ 468	\$ 464	\$ 402	\$ 181	\$ 349	\$ 393	\$ 296
Average tangible common equity (non-GAAP)	11,106	11,046	11,124	10,948	11,304	11,338	11,419	10,932
Return on average tangible common equity from continuing operations (non-GAAP)	16.40%	16.81%	16.73%	14.89%	6.35%	12.21%	13.80%	10.98%
Return on average tangible common equity consolidated								
Net income (loss) attributable to Key common shareholders (GAAP)	\$ 461	\$ 468	\$ 467	\$ 404	\$ 182	\$ 350	\$ 398	\$ 296
Average tangible common equity (non-GAAP)	11,106	11,046	11,124	10,948	11,304	11,338	11,419	10,932
Return on average tangible common equity consolidated (non-GAAP)	16.47%	16.81%	16.84%	14.97%	6.39%	12.25%	13.98%	10.98%
Cash efficiency ratio								
Noninterest expense (GAAP)	\$ 1,012	\$ 964	\$ 993	\$ 1,006	\$ 1,098	\$ 992	\$ 995	\$ 1,013
Less: Intangible asset amortization (GAAP)	22	23	25	29	26	25	22	22
Adjusted noninterest expense (non-GAAP)	\$ 990	\$ 941	\$ 968	\$ 977	\$ 1,072	\$ 967	\$ 973	\$ 991
Net interest income (GAAP)	\$ 1,000	\$ 986	\$ 979	\$ 944	\$ 938	\$ 948	\$ 973	\$ 918
Plus: TE adjustment	8	7	8	8	14	14	14	11
Noninterest income (GAAP)	645	609	660	601	656	592	653	577
Total TE revenue (non-GAAP)	\$ 1,653	\$ 1,602	\$ 1,647	\$ 1,553	\$ 1,608	\$ 1,554	\$ 1,640	\$ 1,506
Cash efficiency ratio (non-GAAP)	59.9%	58.7%	58.8%	62.9%	66.7%	62.2%	59.3%	65.8%

- (a) For the three months ended December 31, 2018, September 30, 2018, June 30, 2018, and March 31, 2018, intangible assets exclude \$14 million, \$17 million, \$20 million, and \$23 million, respectively, of period-end purchased credit card relationships. For the three months ended December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017, intangible assets exclude \$26 million, \$30 million, \$33 million, and \$38 million, respectively, of period-end purchased credit card relationships.
- (b) Net of capital surplus.
- (c) For the three months ended December 31, 2018, September 30, 2018, June 30, 2018, and March 31, 2018, average intangible assets exclude \$15 million, \$18 million, \$21 million, and \$24 million, respectively, of average purchased credit card relationships. For the three months ended December 31, 2017, September 30, 2017, June 30, 2017, and March 31, 2017, average intangible assets exclude \$28 million, \$32 million, \$36 million, and \$40 million, respectively, of average purchased credit card relationships.

Critical Accounting Policies and Estimates

Our business is dynamic and complex. Consequently, we must exercise judgment in choosing and applying accounting policies and methodologies. These choices are critical; not only are they necessary to comply with GAAP, they also reflect our view of the appropriate way to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 ("Summary of Significant Accounting Policies") should be reviewed for a greater understanding of how we record and report our financial performance.

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

Allowance for loan and lease losses

The ALLL is calculated with the objective of maintaining a reserve sufficient to absorb estimated probable losses incurred in the loan portfolio. In determining the ALLL, we apply expected loss rates to existing loans with similar risk characteristics and exercise judgment to assess the impact of factors such as changes in economic conditions, underwriting standards, concentrations of credit, collateral values, and the amounts and timing of expected future cash flows. For all commercial and consumer TDRs, regardless of size, as well as all other impaired commercial loans with outstanding balances of \$2.5 million or greater, we conduct further analysis to determine the

probable loss and assign a specific allowance to the loan.

Table of Contents

Our loss estimates include an assessment of internal and external influences on credit quality that may not be fully reflective of the historical loss, risk-rating, or other indicative data. The ALLL is sensitive to a variety of internal factors, such as modifications in the mix and level of loan balances outstanding, portfolio performance and assigned risk ratings. The ALLL is also sensitive to a variety of external factors, such as the general health of the economy, as evidenced by volatility in commodity prices, changes in real estate demand and values, interest rates, unemployment rates, bankruptcy filings, fluctuations in the GDP, and the effects of weather and natural disasters such as droughts, floods and hurricanes. Management considers these variables and all other available information when establishing the final level of the ALLL. These variables and others may result in actual loan losses that differ from the originally estimated amounts.

Since our loss rates are applied to large pools of loans, even minor changes in the level of estimated losses can significantly affect management's determination of the appropriate ALLL because those changes must be applied across a large portfolio. To illustrate, an increase in estimated losses equal to one-tenth of one percent of our consumer loan portfolio as of December 31, 2018, would indicate the need for a \$23 million increase in the ALLL. The same increase in estimated losses for the commercial loan portfolio would result in a \$66 million increase in the ALLL. Such adjustments to the ALLL can materially affect financial results. Following the above examples, a \$23 million increase in the consumer loan portfolio allowance would have reduced our earnings on an after-tax basis by approximately \$18 million, or \$.02 per Common Share; a \$66 million increase in the commercial loan portfolio allowance would have reduced earnings on an after-tax basis by approximately \$51 million, or \$.05 per Common Share.

Our accounting policy related to the ALLL is disclosed in Note 1 under the heading "Allowance for Loan and Lease Losses."

Valuation methodologies

Fair value measurements

We measure or monitor many of our assets and liabilities on a fair value basis. Fair value is generally defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price), in an orderly transaction between market participants at the measurement date under current market conditions. While management uses judgment when determining the price at which willing market participants would transact when there has been a significant decrease in the volume or level of activity for the asset or liability in relation to "normal" market activity, management's objective is to determine the point within the range of fair value estimates that is most representative of a sale to a third-party investor under current market conditions. The value to us if the asset or liability were held to maturity is not included in the fair value estimates.

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance. Fair value is measured based on a variety of inputs. Fair value may be based on quoted market prices for identical assets or liabilities traded in active markets (Level 1 valuations). If market prices are not available, quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques for which all significant assumptions are observable in the market are used (Level 2 valuations). Where observable market data is not available, the valuation is generated from model based techniques that use significant assumptions not observable in the market, but observable based on our specific data (Level 3 valuations). Unobservable assumptions reflect our estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

The selection and weighting of the various fair value techniques may result in a fair value higher or lower than carrying value. Considerable judgment may be involved in determining the amount that is most representative of fair value.

For assets and liabilities recorded at fair value, our policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements for those items where there is an active market. In certain cases, when market observable inputs for model-based valuation techniques may not

Table of Contents

be readily available, we are required to make judgments about assumptions market participants would use in estimating the fair value of the financial instrument. The models used to determine fair value adjustments are regularly evaluated by management for relevance under current facts and circumstances.

Changes in market conditions may reduce the availability of quoted prices or observable data. For example, reduced liquidity in the capital markets or changes in secondary market activities could result in observable market inputs becoming unavailable. When market data is not available, we use valuation techniques requiring more management judgment to estimate the appropriate fair value.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary measure of accounting. Fair value is used on a nonrecurring basis to measure certain assets or liabilities (including held-to-maturity securities, commercial loans held for sale, and OREO) for impairment or for disclosure purposes in accordance with current accounting guidance.

Impairment analysis also relates to long-lived assets, goodwill, and core deposit and other intangible assets. An impairment loss is recognized if the carrying amount of the asset is not likely to be recoverable and exceeds its fair value. In determining the fair value, management uses models and applies the techniques and assumptions previously discussed.

See Note 1 under the heading "Fair Value Measurements," and in Note 6 ("Fair Value Measurements") for a detailed discussion of determining fair value, including pricing validation processes.

Goodwill

The valuation and testing methodologies used in our analysis of goodwill impairment are summarized in Note 1 under the heading "Goodwill and Other Intangible Assets." Accounting guidance permits an entity to first assess qualitative factors to determine whether additional goodwill impairment testing is required. We chose to utilize this qualitative assessment in our annual goodwill impairment testing in the fourth quarter of 2018 and concluded that it was not more likely than not that the fair values of our reporting units were less than their respective carrying values. Our reporting units for purposes of the analysis are our two major business segments: Key Community Bank and Key Corporate Bank.

If we chose the quantitative assessment, we would perform the two step goodwill impairment test. The first step in goodwill impairment testing is to determine the fair value of each reporting unit. The amount of capital being allocated to our reporting units as a proxy for the carrying value is based on risk-based regulatory capital requirements. Fair values are estimated using an equal combination of market and income approaches. The market approach incorporates comparable public company multiples along with data related to recent merger and acquisition activity. The income approach consists of discounted cash flow modeling that utilizes internal forecasts and various other inputs and assumptions. A multi-year internal forecast is prepared for each reporting unit and a terminal growth rate is estimated for each one based on market expectations of inflation and economic conditions in the financial services industry. Earnings projections for both reporting units are adjusted for after tax cost savings expected to be realized by a market participant. The discount rate applied to our cash flows is derived from the Capital Asset Pricing Model ("CAPM"). The buildup to the discount rate includes a risk-free rate, 5-year adjusted beta based on peer companies, a market equity risk premium, a size premium and a company specific risk premium. The discount rates differ between our two reporting segments as they have different levels of risk. Key Corporate Bank generally has a higher discount rate due to a higher level of perceived risk related to its service offerings and asset mix. A sensitivity analysis is typically performed on key assumptions, such as the discount rates and cost savings estimates.

If the carrying amount of a reporting unit exceeds its fair value, goodwill impairment may be indicated. In such a case, we would perform the second step of goodwill impairment testing, and we would estimate a hypothetical purchase price for the reporting unit (representing the unit's fair value). Then we would compare that hypothetical purchase price with the fair value of the unit's net assets (excluding goodwill). Any excess of the estimated purchase price over the fair value of the reporting unit's net assets represents the implied fair value of goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of goodwill, the impairment loss represented by this difference is charged to earnings. We continue to monitor the impairment indicators for goodwill and other intangible assets, and to evaluate the carrying amount of these assets quarterly. Additional information is provided in Note 11 ("Goodwill and Other Intangible Assets").

Table of Contents

Derivatives and hedging

We primarily use interest rate swaps to hedge interest rate risk for asset and liability management purposes. These derivative instruments modify the interest rate characteristics of specified on-balance sheet assets and liabilities. Our accounting policies related to derivatives reflect the current accounting guidance, which provides that all derivatives should be recognized as either assets or liabilities on the balance sheet at fair value, after taking into account the effects of master netting agreements. Accounting for changes in the fair value (i.e., gains or losses) of a particular derivative depends on whether the derivative has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship.

The application of hedge accounting requires significant judgment to interpret the relevant accounting guidance, as well as to assess hedge effectiveness, identify similar hedged item groupings, and measure changes in the fair value of the hedged items. We believe our methods of addressing these judgments and applying the accounting guidance are consistent with both the guidance and industry practices. On January 1, 2018, we early adopted revised derivative and hedging accounting guidance. For additional information on the adoption of this guidance, refer to the table in Note 1 under the heading "Accounting Guidance Adopted in 2018". Additional information relating to our use of derivatives is included in Note 1 under the heading "Derivatives and Hedging," and Note 8 ("Derivatives and Hedging Activities").

Contingent liabilities, guarantees and income taxes

Note 21 ("Commitments, Contingent Liabilities, and Guarantees") summarizes contingent liabilities arising from litigation and contingent liabilities arising from guarantees in various agreements with third parties under which we are a guarantor, and the potential effects of these items on the results of our operations. We record a liability for the fair value of the obligation to stand ready to perform over the term of a guarantee, but there is a risk that our actual future payments in the event of a default by the guaranteed party could exceed the recorded amount. See Note 21 ("Commitments, Contingent Liabilities, and Guarantees") for a comparison of the liability recorded and the maximum potential undiscounted future payments for the various types of guarantees that we had outstanding at December 31, 2018.

It is not always clear how the Internal Revenue Code and various state tax laws apply to transactions that we undertake. In the normal course of business, we may record tax benefits and then have those benefits contested by the IRS or state tax authorities. We have provided tax reserves that we believe are adequate to absorb potential adjustments that such challenges may necessitate. However, if our judgment later proves to be inaccurate, the tax reserves may need to be adjusted, which could have an adverse effect on our results of operations and capital.

Additionally, we conduct quarterly assessments that determine the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded. The available evidence used in connection with these assessments includes taxable income in prior periods, projected future taxable income, potential tax-planning strategies, and projected future reversals of deferred tax items. These assessments are subjective and may change. Based on these criteria, and in particular our projections for future taxable income, we currently believe it is more-likely-than-not that we will realize our net deferred tax asset in future periods. However, if our assessments prove incorrect, they could have a material adverse effect on our results of operations in the period in which they occur. For further information on our accounting for income taxes, see Note 1 ("Summary of Significant Accounting Policies") and Note 13 ("Income Taxes").

During 2018, we did not significantly alter the manner in which we applied our critical accounting policies or developed related assumptions and estimates.

Table of Contents

Accounting and reporting developments

Accounting guidance pending adoption at December 31, 2018

Standard	Required Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-13 <i>Measurement of Credit Losses on Financial Instruments</i>	January 1, 2020 Early adoption is permitted as of January 1, 2019.	The ASU amends ASC Topic 326, <i>Financial Instruments-Credit Losses</i> , and significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces today's "incurred loss" approach with an "expected loss" model for instruments such as loans and HTM securities that are measured at amortized cost. The standard requires credit losses relating to AFS debt securities to be recorded through an allowance rather than a reduction of the carrying amount. It also changes the accounting for purchased credit-impaired debt securities and loans. The ASU retains many of the current disclosure requirements in current GAAP and expands certain disclosure requirements.	This new guidance will affect the accounting for our loans, debt securities held to maturity and available for sale, and liabilities for credit losses on unfunded lending related commitments as well as purchased financial assets with a more-than insignificant amount of credit deterioration since origination. Key has formed cross-functional implementation working groups comprised of teams throughout Key, including finance, credit, and modeling. The implementation team has completed the development of initial loss forecasting models, including establishment of macroeconomic forecasting methodologies and approaches to meet the requirements of the new guidance. Implementation activities for 2019 will focus on validation of the models, continued challenge of model outputs, development of the qualitative framework, establishing processes and controls, drafting policies and disclosures and documentation. A parallel production run will occur during 2019. Key expects that the new guidance will generally result in an increase in its allowance for credit losses for loans, unfunded lending-related commitments, and purchased financial assets with credit deterioration, as it will cover credit losses over the full remaining expected life of loans and commitments and will consider future changes in macroeconomic conditions. Since the magnitude of the anticipated increase in the allowance for credit losses will be impacted by economic conditions and trends in the Company's portfolio at the time of adoption and the implementation and testing of forecasting methodologies, the quantitative impact cannot yet be reasonably estimated. While we are still assessing the new standard, the adoption of this guidance is not anticipated to have a material impact on the available-for-sale debt securities or held-to maturity securities measured at amortized cost.
ASU 2017-04, <i>Simplifying the Test for Goodwill Impairment</i>	January 1, 2020 Early adoption is permitted.	The ASU amends ASC Topic 350, <i>Intangibles - Goodwill and Other</i> and eliminates the second step of the test for goodwill impairment. Under the new guidance, entities will compare the fair value of a reporting unit with its carrying amount. If the carrying amount exceeds the reporting unit's fair value, the entity is required to recognize an impairment charge for this amount. The new method applies to all reporting units and the performance of a qualitative assessment is still allowable. The guidance should be implemented using a prospective approach.	The adoption of this accounting guidance is not expected to have a material effect on our financial condition or results of operations.
ASU 2018-14, <i>Changes to the Disclosure Requirements for Defined Benefit Plans</i>	January 1, 2020 Early adoption is permitted.	The ASU amends the disclosure requirements for sponsors of defined benefit plans. Entities are required to provide new disclosures, including the weighted-average interest crediting rate for cash balance plans and explanations for the significant gains and losses related to changes in the benefit obligation for the period. Certain existing disclosure requirements are eliminated. The guidance should be adopted using a retrospective approach.	The adoption of this standard will not result in significant changes to Key's disclosures and there will be no effect to our financial condition or results of operations.
ASU 2018-15, <i>Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract</i>	January 1, 2020 Early adoption is permitted.	The ASU amends ASC Topic 350-40 to align the accounting for costs incurred in a cloud computing arrangement with the guidance on developing internal use software. Specifically, if a cloud computing arrangement is deemed to be a service contract, certain implementation costs are eligible for capitalization. The new guidance prescribes the balance sheet and income statement presentation and cash flow classification for the capitalized costs and related amortization expense. It also requires additional quantitative and qualitative disclosures. The guidance may be adopted prospectively or retrospectively.	Key has elected to early adopt this guidance effective January 1, 2019 on a prospective basis. The adoption of this guidance is not expected to have a material effect on our financial condition or results of operations.

[Table of Contents](#)

European Sovereign and Non-Sovereign Debt Exposures

Our total European sovereign and non-sovereign debt exposure is presented in Figure 37.

Figure 37. European Sovereign and Non-Sovereign Debt Exposures

December 31, 2018 <i>in millions</i>	Short- and Long- Term Commercial Total ^(a)	Foreign Exchange and Derivatives with Collateral ^(b)	Net Exposure
France:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	\$ 1	\$ 1
Non-sovereign non-financial institutions	\$ 2	—	2
Total	2	1	3
Germany:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	—	—
Non-sovereign non-financial institutions	17	—	17
Total	17	—	17
Italy:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	—	—
Non-sovereign non-financial institutions	8	—	8
Total	8	—	8
Luxembourg:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	—	—
Non-sovereign non-financial institutions	9	—	9
Total	9	—	9
Switzerland:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	(5)	(5)
Non-sovereign non-financial institutions	—	—	—
Total	—	(5)	(5)
United Kingdom:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	131	131
Non-sovereign non-financial institutions	2	—	2
Total	2	131	133
Total Europe:			
Sovereigns	—	—	—
Non-sovereign financial institutions	—	127	127
Non-sovereign non-financial institutions	38	—	38
Total	\$ 38	\$ 127	\$ 165

(a) Represents our outstanding leases.

(b) Represents contracts to hedge our balance sheet asset and liability needs, and to accommodate our clients' trading and/or hedging needs. Our derivative mark-to-market exposures are calculated and reported on a daily basis. These exposures are largely covered by cash or highly marketable securities collateral with daily collateral calls.

Our credit risk exposure is largely concentrated in developed countries with emerging market exposure essentially limited to commercial facilities; these exposures are actively monitored by management. We do not have at-risk exposures in the rest of the world.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information included under the caption "Risk Management — Market risk management" in the MD&A beginning on page 66 is incorporated herein by reference.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial performance for each of the past eight quarters is summarized in Figure 35 contained in the “Fourth Quarter Results” section in the MD&A.

	<u>Page Number</u>
<u>Management’s Annual Report on Internal Control over Financial Reporting</u>	<u>91</u>
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	<u>92</u>
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>	<u>93</u>
<u>Consolidated Balance Sheets</u>	<u>94</u>
<u>Consolidated Statements of Income</u>	<u>95</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>96</u>
<u>Consolidated Statements of Changes in Equity</u>	<u>97</u>
<u>Consolidated Statements of Cash Flows</u>	<u>98</u>
<u>Notes to Consolidated Financial Statements</u>	<u>99</u>
<u>Note 1. Summary of Significant Accounting Policies</u>	<u>99</u>
<u>Note 2. Earnings Per Common Share</u>	<u>112</u>
<u>Note 3. Restrictions on Cash, Dividends and Lending Activities</u>	<u>112</u>
<u>Note 4. Loan Portfolio</u>	<u>113</u>
<u>Note 5. Asset Quality</u>	<u>113</u>
<u>Note 6. Fair Value Measurements</u>	<u>121</u>
<u>Note 7. Securities</u>	<u>130</u>
<u>Note 8. Derivatives and Hedging Activities</u>	<u>132</u>
<u>Note 9. Mortgage Servicing Assets</u>	<u>139</u>
<u>Note 10. Premises and Equipment</u>	<u>140</u>
<u>Note 11. Goodwill and Other Intangible Assets</u>	<u>141</u>
<u>Note 12. Variable Interest Entities</u>	<u>142</u>
<u>Note 13. Income Taxes</u>	<u>144</u>
<u>Note 14. Acquisitions, Divestiture, and Discontinued Operations</u>	<u>147</u>
<u>Note 15. Securities Financing Activities</u>	<u>148</u>
<u>Note 16. Stock-Based Compensation</u>	<u>149</u>
<u>Note 17. Employee Benefits</u>	<u>151</u>
<u>Note 18. Short-Term Borrowings</u>	<u>159</u>
<u>Note 19. Long-Term Debt</u>	<u>160</u>
<u>Note 20. Trust Preferred Securities Issued by Unconsolidated Subsidiaries</u>	<u>161</u>
<u>Note 21. Commitments, Contingent Liabilities, and Guarantees</u>	<u>162</u>
<u>Note 22. Accumulated Other Comprehensive Income</u>	<u>166</u>
<u>Note 23. Shareholders’ Equity</u>	<u>167</u>
<u>Note 24. Line of Business Results</u>	<u>168</u>
<u>Note 25. Condensed Financial Information of the Parent Company</u>	<u>172</u>
<u>Note 26. Revenue from Contracts with Customers</u>	<u>173</u>

Management's Annual Report on Internal Control over Financial Reporting

We are responsible for the preparation, content and integrity of the financial statements and other statistical data and analyses compiled for this annual report. The financial statements and related notes have been prepared in conformity with U.S. generally accepted accounting principles and include amounts which of necessity are based on management's best estimates and judgments and give due consideration to materiality. We believe the financial statements and notes present fairly our financial position, results of operations and cash flows in all material respects.

We are responsible for establishing and maintaining a system of internal control that is designed to protect our assets and the integrity of our financial reporting as defined in the Securities and Exchange Act of 1934, as amended. This corporate-wide system of controls includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles, and that receipts and expenditures of the Corporation are made only in accordance with authorizations of management and directors of the Corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the consolidated financial statements. All employees are required to comply with our code of ethics. We conduct an annual certification process to ensure that our employees meet this obligation. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, we believe our system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

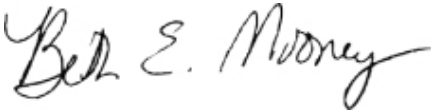
The Board of Directors discharges its responsibility for our financial statements through its Audit Committee. This committee, which draws its members exclusively from the non-management directors, also hires the independent registered public accounting firm. The Audit Committee meets regularly with management, internal audit, and the independent public accountants to assure that the Audit Committee, management internal auditors, and the independent public accountants are carrying out their responsibilities and to review auditing, internal control and financial reporting matters.

Management's Assessment of Internal Control over Financial Reporting

Management assessed, with participation of the Corporation's Chief Executive Officer and Chief Financial Officer, the effectiveness of our internal control and procedures over financial reporting using criteria described in "Internal Control - Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that assessment, we believe we maintained an effective system of internal control over financial reporting as of December 31, 2018.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Corporation's internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their accompanying report dated February 25, 2019.



Beth E. Mooney
Chairman, Chief Executive Officer and President



Donald R. Kimble
Chief Financial Officer

**Report of Ernst & Young LLP, Independent Registered Public Accounting Firm
on Internal Control over Financial Reporting**

To the Shareholders and the Board of Directors of KeyCorp

Opinion on Internal Control over Financial Reporting

We have audited KeyCorp's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, KeyCorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of KeyCorp as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes of KeyCorp and our report dated February 25, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

KeyCorp's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying financial statements. Our responsibility is to express an opinion on KeyCorp's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to KeyCorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

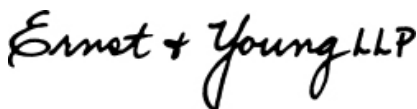
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Cleveland, Ohio
February 25, 2019

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

To the Shareholders and the Board of Directors of KeyCorp

Opinion on the Financial Statements

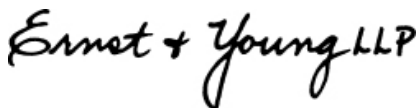
We have audited the accompanying consolidated balance sheets of KeyCorp as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of KeyCorp at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), KeyCorp's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of KeyCorp's management. Our responsibility is to express an opinion on KeyCorp's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to KeyCorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

We have served as KeyCorp's auditor since 1994.

Cleveland, Ohio

February 25, 2019

Consolidated Balance Sheets

December 31,
in millions, except per share data

	2018	2017
ASSETS		
Cash and due from banks	\$ 678	\$ 671
Short-term investments	2,562	4,447
Trading account assets	849	836
Securities available for sale	19,428	18,139
Held-to-maturity securities (fair value: \$11,122 and \$11,565)	11,519	11,830
Other investments	666	726
Loans, net of unearned income of \$678 and \$736	89,552	86,405
Allowance for loan and lease losses	(883)	(877)
Net loans	88,669	85,528
Loans held for sale ^(a)	1,227	1,107
Premises and equipment	882	930
Operating lease assets	993	821
Goodwill	2,516	2,538
Other intangible assets	316	416
Corporate-owned life insurance	4,171	4,132
Accrued income and other assets	4,037	4,237
Discontinued assets	1,100	1,340
Total assets	<u>\$ 139,613</u>	<u>\$ 137,698</u>
LIABILITIES		
Deposits in domestic offices:		
NOW and money market deposit accounts	\$ 59,918	\$ 53,627
Savings deposits	4,854	6,296
Certificates of deposit (\$100,000 or more)	7,913	6,849
Other time deposits	5,332	4,798
Total interest-bearing deposits	78,017	71,570
Noninterest-bearing deposits	29,292	33,665
Total deposits	107,309	105,235
Federal funds purchased and securities sold under repurchase agreements	319	377
Bank notes and other short-term borrowings	544	634
Accrued expense and other liabilities	2,113	2,094
Long-term debt	13,732	14,333
Total liabilities	124,017	122,673
EQUITY		
Preferred stock	1,450	1,025
Common Shares, \$1 par value; authorized 1,400,000,000 shares; issued 1,256,702,081 and 1,256,702,081 shares	1,257	1,257
Capital surplus	6,331	6,335
Retained earnings	11,556	10,335
Treasury stock, at cost (237,198,944 and 187,617,832 shares)	(4,181)	(3,150)
Accumulated other comprehensive income (loss)	(818)	(779)
Key shareholders' equity	15,595	15,023
Noncontrolling interests	1	2
Total equity	15,596	15,025
Total liabilities and equity	<u>\$ 139,613</u>	<u>\$ 137,698</u>

(a) Total loans held for sale include Real estate — residential mortgage loans held for sale at fair value of \$54 million at December 31, 2018, and \$71 million at December 31, 2017. See notes to Consolidated Financial Statements

[Table of Contents](#)

Consolidated Statements of Income

Year ended December 31,

dollars in millions, except per share amounts

	2018	2017	2016
INTEREST INCOME			
Loans	\$ 4,023	\$ 3,677	\$ 2,773
Loans held for sale	66	52	34
Securities available for sale	409	369	329
Held-to-maturity securities	284	222	122
Trading account assets	29	27	23
Short-term investments	46	26	22
Other investments	21	17	16
Total interest income	4,878	4,390	3,319
INTEREST EXPENSE			
Deposits	517	278	171
Federal funds purchased and securities sold under repurchase agreements	11	1	1
Bank notes and other short-term borrowings	21	15	10
Long-term debt	420	319	218
Total interest expense	969	613	400
NET INTEREST INCOME	3,909	3,777	2,919
Provision for credit losses	246	229	266
Net interest income after provision for credit losses	3,663	3,548	2,653
NONINTEREST INCOME			
Trust and investment services income	499	535	464
Investment banking and debt placement fees	650	603	482
Service charges on deposit accounts	349	357	302
Operating lease income and other leasing gains	89	96	62
Corporate services income	233	219	215
Cards and payments income	270	287	233
Corporate-owned life insurance income	137	131	125
Consumer mortgage income	30	26	17
Mortgage servicing fees	82	71	57
Other income ^(a)	176	153	114
Total noninterest income	2,515	2,478	2,071
NONINTEREST EXPENSE			
Personnel	2,309	2,278	2,048
Net occupancy	308	331	305
Computer processing	210	225	255
Business services and professional fees	184	192	235
Equipment	105	114	98
Operating lease expense	120	92	59
Marketing	102	120	101
FDIC assessment	72	82	61
Intangible asset amortization	99	95	55
OREO expense, net	6	11	9
Other expense	460	558	530
Total noninterest expense	3,975	4,098	3,756
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,203	1,928	968
Income taxes	344	637	179
INCOME (LOSS) FROM CONTINUING OPERATIONS	1,859	1,291	789
Income (loss) from discontinued operations	7	7	1
NET INCOME (LOSS)	1,866	1,298	790
Less: Net income (loss) attributable to noncontrolling interests	—	2	(1)
NET INCOME (LOSS) ATTRIBUTABLE TO KEY	\$ 1,866	\$ 1,296	\$ 791
Income (loss) from continuing operations attributable to Key common shareholders	\$ 1,793	\$ 1,219	\$ 753
Net income (loss) attributable to Key common shareholders	1,800	1,226	754
Per Common Share:			
Income (loss) from continuing operations attributable to Key common shareholders	\$ 1.72	\$ 1.13	\$.81
Income (loss) from discontinued operations, net of taxes	.01	.01	—
Net income (loss) attributable to Key common shareholders ^(b)	1.73	1.14	.81
Per Common Share — assuming dilution:			
Income (loss) from continuing operations attributable to Key common shareholders	\$ 1.70	\$ 1.12	\$.80

Income (loss) from discontinued operations, net of taxes	.01	.01	—
Net income (loss) attributable to Key common shareholders ^(b)	1.71	1.13	.80
Cash dividends declared per Common Share	\$.565	\$.38	\$.33
Weighted-average Common Shares outstanding (000)	1,040,890	1,072,078	927,816
Effect of convertible preferred stock	—	—	—
Effect of Common Share options and other stock awards	13,792	16,515	10,720
Weighted-average Common Shares and potential Common Shares outstanding (000) ^(c)	1,054,682	1,088,593	938,536

(a) Net securities gains (losses) totaled less than \$1 million for each of the years ended December 31, 2018, 2017, and 2016. For 2018, 2017, and 2016, 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.

[Table of Contents](#)

Consolidated Statements of Comprehensive Income

Year ended December 31,

in millions

	2018	2017	2016
Net income (loss)	\$ 1,866	\$ 1,298	\$ 790
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on securities available for sale, net of income taxes of (\$19), \$13, and (76)	(62)	(126)	(127)
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of \$11, (\$19), and (\$19)	36	(72)	(34)
Foreign currency translation adjustments, net of income taxes of \$11, \$9, and (\$1)	(23)	12	(1)
Net pension and postretirement benefit costs, net of income taxes of \$3, \$80, and \$19	10	(52)	26
Total other comprehensive income (loss), net of tax	(39)	(238)	(136)
Comprehensive income (loss)	1,827	1,060	654
Less: Comprehensive income attributable to noncontrolling interests	—	2	(1)
Comprehensive income (loss) attributable to Key	\$ 1,827	\$ 1,058	\$ 655

See Notes to Consolidated Financial Statements.

[Table of Contents](#)

Consolidated Statements of Changes in Equity

	Key Shareholders' Equity								
	Preferred Shares Outstanding (000)	Common Shares Outstanding (000)	Preferred Stock	Common Shares	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests
<i>dollars in millions, except per share amounts</i>									
BALANCE AT DECEMBER 31, 2015	2,900	835,751	\$ 290	\$ 1,017	\$ 3,922	\$ 8,922	\$ (3,000)	\$ (405)	\$ 13
Net income (loss)						791			(1)
Other comprehensive income (loss)								(136)	
Deferred compensation					(4)				
Cash dividends declared									
Common Shares (\$.33 per share)						(298)			
Series A Preferred Stock (\$7.75 per share)						(22)			
Series C Preferred Stock (\$.539063 per share)						(8)			
Series D Preferred Stock (\$13.33 per share)						(7)			
Common Shares issued for the acquisition of FNFG		239,732		240	2,591				
Common Shares repurchased		(10,502)					(140)		
Issuance of Preferred Stock	14,521		1,375		(16)				
Common Shares reissued (returned) for stock options and other employee benefit plans		14,333			(108)		236		
Net contribution from (distribution to) noncontrolling interests									(12)
BALANCE AT DECEMBER 31, 2016	17,421	1,079,314	1,665	1,257	6,385	9,378	(2,904)	(541)	—
Net income (loss)						1,296			2
Other comprehensive income (loss)								(238)	
Reclassification of tax effects in AOCI resulting from the new federal corporate income tax rate						141			
Deferred compensation					16				
Cash dividends declared									
Common shares (\$.38 per share)						(410)			
Series A Preferred Stock (\$1.9375 per share)						(6)			
Series C Preferred Stock (\$.539063 per share)						(7)			
Series D Preferred Stock (\$50.00 per depositary share)						(26)			
Series E Preferred Stock (\$1.544012 per depositary share)						(31)			
Open market Common Share repurchases		(36,140)					(665)		
Employee equity compensation program Common Share repurchases		(3,520)					(65)		
Series A Preferred Stock exchanged for Common Shares	(2,900)	20,568	(290)		(49)		338		
Redemption of Series C Preferred Stock	(14,000)		(350)						
Common Shares reissued (returned) for stock options and other employee benefit plans		8,862			(17)		146		
Net contribution from (distribution to) noncontrolling interests									—
BALANCE AT DECEMBER 31, 2017	521	1,069,084	1,025	1,257	6,335	10,335	(3,150)	(779)	2
Cumulative effect from changes in accounting principle ^(a)						(2)			
Other reclassification of AOCI						13			
Net income (loss)						1,866			—
Other comprehensive income (loss)								(39)	
Deferred compensation					21				
Cash dividends declared									
Common Shares (\$.565 per share)						(590)			
Series D Preferred Stock (\$50.00 per depositary share)						(26)			
Series E Preferred Stock (\$1.531252 per depositary share)						(31)			
Series F Preferred Stock (\$.529688 per depositary share)						(9)			
Issuance of Series F Preferred Stock	425		425		(13)				
Open market Common Share repurchases		(54,006)					(1,098)		
Employee equity compensation program Common Share repurchases		(2,286)					(47)		
Common Shares reissued (returned) for stock options and other employee benefit plans		6,711			(12)		114		
Net contribution from (distribution to) noncontrolling interests									(1)

BALANCE AT DECEMBER 31, 2018

946 1,019,503 \$ 1,450 \$ 1,257 \$ 6,331 \$ 11,556 \$ (4,181) \$ (818) \$ 1

(a) Includes the impact of implementing ASU 2014-09, ASU 2016-01, and ASU 2017-12
See Notes to Consolidated Financial Statements.

[Table of Contents](#)

Consolidated Statements of Cash Flows

Year ended December 31,

in millions

	2018	2017	2016
OPERATING ACTIVITIES			
Net income (loss)	\$ 1,866	\$ 1,298	\$ 790
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for credit losses	246	229	266
Depreciation and amortization expense, net	382	407	314
Accretion of acquired loans	86	203	116
Increase in cash surrender value of corporate-owned life insurance	(117)	(119)	(111)
Stock-based compensation expense	99	100	99
FDIC reimbursement (payments), net of FDIC expense	(10)	(3)	13
Deferred income taxes (benefit)	98	303	11
Proceeds from sales of loans held for sale	14,019	11,963	8,572
Originations of loans held for sale, net of repayments	(13,948)	(11,846)	(8,361)
Net losses (gains) from sale of loans held for sale	(183)	(181)	(139)
Net losses (gains) and writedown on OREO	—	5	4
Net losses (gains) on leased equipment	41	3	7
Net losses (gains) on sales of fixed assets	9	24	56
Net securities losses (gains)	—	(1)	—
Net decrease (increase) in trading account assets	(13)	31	(79)
Gain on sale of KIBS	(83)	—	—
Direct acquisition costs	—	—	(44)
Other operating activities, net	14	(601)	175
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,506	1,815	1,689
INVESTING ACTIVITIES			
Cash received (used) in acquisitions, net of cash acquired	—	(144)	(481)
Proceeds from sale of KIBS	124	—	—
Net decrease (increase) in short-term investments, excluding acquisitions	1,885	(1,672)	(68)
Purchases of securities available for sale	(4,594)	(3,002)	(5,718)
Proceeds from sales of securities available for sale	—	915	4,249
Proceeds from prepayments and maturities of securities available for sale	3,197	3,999	4,241
Proceeds from prepayments and maturities of held-to-maturity securities	1,558	1,797	1,627
Purchases of held-to-maturity securities	(1,242)	(3,398)	(6,968)
Purchases of other investments	(28)	(87)	(46)
Proceeds from sales of other investments	62	117	243
Proceeds from prepayments and maturities of other investments	40	4	4
Net decrease (increase) in loans, excluding acquisitions, sales, and transfers	(3,700)	(945)	(3,580)
Proceeds from sales of portfolio loans	204	183	140
Proceeds from corporate-owned life insurance	78	55	29
Purchases of premises, equipment, and software	(99)	(112)	(145)
Proceeds from sales of premises and equipment	2	—	—
Proceeds from sales of OREO	31	51	16
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,482)	(2,239)	(6,457)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits, excluding acquisitions	2,074	1,148	4,047
Net increase (decrease) in short-term borrowings	(148)	(1,299)	(1,294)
Net proceeds from issuance of long-term debt	2,306	2,852	2,827
Payments on long-term debt	(2,880)	(748)	(1,308)
Issuance of preferred shares	412	—	1,009
Repurchase of Common Shares	(1,098)	(664)	(140)
Employee equity compensation program Common Share repurchases	(47)	(66)	—
Redemption of Preferred Stock Series C	—	(350)	—
Net proceeds from reissuance of Common Shares	20	25	32
Cash dividends paid	(656)	(480)	(335)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(17)	418	4,838
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	7	(6)	70
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	671	677	607
CASH AND DUE FROM BANKS AT END OF YEAR	\$ 678	\$ 671	\$ 677
Additional disclosures relative to cash flows:			
Interest paid	\$ 892	\$ 598	\$ 429

Income taxes paid (refunded)		12	6	144
Noncash items:				
Reduction of secured borrowing and related collateral	\$	20	40	\$ 67
Loans transferred to portfolio from held for sale		24	105	10
Loans transferred to held for sale from portfolio		(33)	42	45
Loans transferred to other real estate owned		25	37	36
CMBS risk retentions		16	18	—
Preferred stock issued to acquire First Niagara		—	—	350
Common stock issued to acquire First Niagara		—	—	2,831
First Niagara assets acquired		—	—	35,616
First Niagara liabilities assumed		—	—	33,028

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Organization

We are one of the nation's largest bank-based financial services companies, providing deposit, lending, cash management, insurance, and investment services to individuals and small and medium-sized businesses through our subsidiary, KeyBank. We also provide a broad range of sophisticated corporate and investment banking products, such as merger and acquisition advice, public and private debt and equity, syndications, and derivatives to middle market companies in selected industries throughout the United States through our subsidiary, KBCM. As of December 31, 2018, KeyBank operated 1,159 full-service retail banking branches and 1,505 ATMs in 15 states, as well as additional offices, online and mobile banking capabilities, and a telephone banking call center. Additional information pertaining to our two major business segments, Key Community Bank and Key Corporate Bank, is included in Note 24 ("Line of Business Results").

Use of Estimates

Our accounting policies conform to GAAP and prevailing practices within the financial services industry. We must make certain estimates and judgments when determining the amounts presented in our consolidated financial statements and the related notes. If these estimates prove to be inaccurate, actual results could differ from those reported.

Principles of Consolidation and Basis of Presentation

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 also include the accounts of any voting rights entities in which we have a controlling financial interest and certain VIEs. In accordance with the applicable accounting guidance for consolidations, we consolidate a VIE if we have the power to direct activities of the VIE that most significantly impact the entity's economic performance; and 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. See Note 12 ("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 fair value or a cost measurement alternative.

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.

Cash and Cash Equivalents

Cash and due from banks are considered "cash and cash equivalents" for financial reporting purposes. We do not consider cash on deposit with the Federal Reserve to be restricted.

Loans

Loans held in portfolio, which management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are carried at the principal amount outstanding, net of unearned income, including net deferred loan fees and costs and unamortized premiums and discounts. We defer certain nonrefundable loan origination and commitment fees, and the direct costs of originating or acquiring loans. The net deferred amount is amortized over the estimated lives of the related loans as an adjustment to the yield.

Table of Contents

Direct financing leases are carried at the aggregate of the lease receivable plus estimated unguaranteed residual values, less unearned income and deferred initial direct fees and costs. Unearned income on direct financing leases is amortized over the lease terms using a method approximating the interest method that produces a constant rate of return. Deferred initial direct fees and costs are amortized over the lease terms as an adjustment to the yield.

The residual value component of a lease represents the fair value of the leased asset at the end of the lease term. We rely on industry data, historical experience, independent appraisals and the experience of the equipment leasing asset management team to value lease residuals. Relationships with a number of equipment vendors give the asset management team insight into the life cycle of the leased equipment, pending product upgrades and competing products. Residual values are reviewed at least annually to determine if an other-than-temporary decline in value has occurred. In the event of such a decline, the residual value is adjusted to its fair value. Impairment charges and net gains or losses on sales of lease residuals are included in "other income" on the income statement.

Loans Held for Sale

Loans held for sale generally include certain residential and commercial mortgage loans and other commercial loans. Loans are initially classified as held for sale when they are individually identified as being available for immediate sale and a formal plan exists to sell them. Loans held for sale are recorded at either fair value, if elected, or the lower of cost or fair value. Fair value is determined based on available market data for similar assets. When a loan is originated as held-for-sale, we do not defer the related fees and costs. Our commercial loans (including commercial mortgage and non-mortgage loans), which we originated and intend to sell, are carried at the lower of aggregate cost or fair value. Subsequent declines in fair value for loans held for sale are recognized as a charge to "other income" on the income statement. Consumer real estate - residential mortgages loans have been elected to be carried at fair value. Subsequent increases and decreases in fair value for loans elected to be measured at fair value are recorded to "consumer mortgage income" on the income statement. Additional information regarding fair value measurements associated with our loans held for sale is provided in Note 6 ("Fair Value Measurements").

We may transfer certain loans to held for sale at the lower of cost or fair value. If a loan is transferred from the loan portfolio to the held-for-sale category, any write-down in the carrying amount of the loan at the date of transfer is recorded as a reduction in the ALLL. When a loan is transferred into the held for sale category, we stop amortizing the related deferred fees and costs. The remaining unamortized fees and costs are recognized as part of the cost basis of the loan at the time it is sold. We may also transfer loans from held for sale to the loan portfolio held for investment. If a loan held for sale for which fair value accounting was elected is transferred to held for investment, it will continue to be accounted for at fair value in the loan portfolio.

Nonperforming Loans

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

We generally classify commercial loans as nonperforming and stop accruing interest (i.e., designate the loan "nonaccrual") when the borrower's principal or interest payment is 90 days past due unless the loan is well-secured and in the process of collection. Commercial loans are also placed on nonaccrual status when payment is not past due but we have serious doubts about the borrower's ability to comply with existing repayment terms. Once a loan is designated nonaccrual (and as a result assessed for impairment), the interest accrued but not collected is generally charged against the ALLL, and payments subsequently received are applied to principal. Commercial loans are typically 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.

We classify consumer loans as nonperforming and stop accruing interest when the borrower's payment is 120 days past due, unless the loan is well-secured and in the process of collection. Any second lien home equity loan with an associated first lien that is 120 days or more past due or in foreclosure, or for which the first mortgage delinquency timeframe is unknown, is reported as a nonperforming loan. Secured loans that are discharged through Chapter 7 bankruptcy and not formally re-affirmed are designated as nonperforming and TDRs. Our charge-off policy for most consumer loans takes effect when payments are 120 days past due. Home equity and residential mortgage loans generally are charged down to net realizable value when payment is 180 days past due. Credit card loans and similar unsecured products continue to accrue interest until the account is charged off at 180 days past due.

Table of Contents

Commercial and consumer loans may be returned to accrual status if we are reasonably assured that all contractually due principal and interest are collectible and the borrower has demonstrated a sustained period (generally six months) of repayment performance under the contracted terms of the loan and applicable regulation.

Impaired Loans

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due (both principal and interest) according to the contractual terms of the loan agreement.

All consumer TDRs, regardless of size, and all commercial TDRs and non-accrual commercial loans with an outstanding balance of \$2.5 million or greater are individually evaluated for impairment and assigned a specific reserve. Commercial non-accrual loans of less than \$2.5 million and all non-accrual consumer loans are aggregated and collectively evaluated for impairment. The amount of the reserve is estimated based on the criteria outlined in the "Allowance for Loan and Lease Losses" section of this note.

Allowance for Loan and Lease Losses

The ALLL represents our estimate of incurred credit losses inherent in the loan portfolio at the balance sheet date. We establish the amount of this allowance by analyzing the quality of the loan portfolio at least quarterly, and more often if deemed necessary. We segregate our loan portfolio between commercial and consumer loans and develop and document our methodology to determine the ALLL accordingly. We believe these portfolio segments represent the most appropriate level for determining our historical loss experience, as well as the level at which we monitor credit quality and risk characteristics of the portfolios. Commercial loans, which generally have larger individual balances, constitute a significant portion of our total loan portfolio. The consumer portfolio typically includes smaller-balance homogeneous loans.

We estimate the appropriate level of our ALLL by applying expected loss rates to existing loans with similar risk characteristics. Expected loss rates for commercial loans are derived from a statistical analysis of our historical default and loss severity experience. The analysis utilizes probability of default and loss given default to assign loan grades using our internal risk rating system. Our expected loss rates are reviewed quarterly and updated as necessary. As of December 31, 2018, the probability of default ratings was based on our default data for the period from January 2008 through October 2018, which encompasses the last downturn period as well as our more recent positive credit experience. We adjust expected loss rates based on calculated estimates of the average time period from initial loss indication to the initial loss recorded for an individual loan.

Expected loss rates for consumer loans are statistically derived from an analysis of our historical default and loss severity experience, and is sensitive to change in delinquency status. Consumer loans are analyzed quarterly in homogeneous product-type pools that share similar risk attributes, including the application of delinquency roll rate models and credit loss severity estimates. Incurred losses that are not yet individually identifiable are measured as the estimate of the average time period for initial loss indication to initial loss recorded for consumer loans.

The ALLL may be adjusted to reflect our current assessment of many qualitative factors that may not be directly measured in the statistical analysis of expected loss, including:

- changes in international, national, regional, and local economic and business conditions;
- changes in the experience, ability, and depth of our lending management and staff;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices;
- changes in the nature and volume of the loan portfolio, including the existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- changes in the volume and/or severity of past due, nonaccrual, and adversely classified or graded loans; and
- external factors, such as competition, legal developments, and regulatory requirements.

For all consumer loan TDRs, regardless of size, as well as all commercial TDRs and non-accrual 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

Table of Contents

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. Other consumer loan TDRs are assigned a specific allocation based on the estimated present value of future cash flows using the 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.

Liability for Credit Losses on Lending-Related Commitments

The liability for credit losses inherent in lending-related commitments, such as letters of credit and unfunded loan commitments, is included in “accrued expense and other liabilities” on the balance sheet and established through a charge to the provision for loan and lease losses. We determine the amount of this liability by considering both historical trends and current market conditions quarterly, or more often if deemed necessary.

Fair Value Measurements

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in the principal market. Therefore, fair value represents an exit price at the measurement date. We value our assets and liabilities based on the principal or most advantageous market where each would be sold (in the case of assets) or transferred (in the case of liabilities). In the absence of observable market transactions, we consider liquidity valuation adjustments to reflect the uncertainty in pricing the instruments.

Valuation inputs can be observable or unobservable. Observable inputs are assumptions based on market data obtained from an independent source. Unobservable inputs are assumptions based on our own information or assessment of assumptions used by other market participants in pricing the asset or liability. Our unobservable inputs are based on the best and most current information available on the measurement date.

All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy that gives the highest ranking to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest ranking to unobservable inputs (Level 3). Fair values for Level 2 assets and liabilities are based on one or a combination of the following factors: (i) quoted market prices for similar assets or liabilities; (ii) observable inputs, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data. The level in the fair value hierarchy ascribed to a fair value measurement in its entirety is based on the lowest level input that is significant to the measurement. We consider an input to be significant if it drives 10% or more of the total fair value of a particular asset or liability. Assets and liabilities may transfer between levels based on the observable and unobservable inputs used at the valuation date, as the inputs may be influenced by certain market conditions. We recognize transfers between levels of the fair value hierarchy at the end of the reporting period.

Assets and liabilities are recorded at fair value on a recurring or non-recurring basis. Non-recurring fair value adjustments are typically recorded as a result of the application of lower of cost or fair value accounting; or impairment. At a minimum, we conduct our valuations quarterly.

Additional information regarding fair value measurements and disclosures is provided in Note 6 (“Fair Value Measurements”).

Short-Term Investments

Short-term investments consist of segregated, interest-bearing deposits due from banks, the Federal Reserve, and certain non-U.S. banks as well as reverse repurchase agreements.

Trading Account Assets

Trading account assets are debt and equity securities, as well as commercial loans, that we purchase and hold but intend to sell in the near term. These assets are reported at fair value. Realized and unrealized gains and losses on trading account assets are reported in “other income” on the income statement.

Securities

Securities available for sale. Debt 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 are classified as available-for-sale and reported at fair value. Realized gains and losses resulting from sales of securities using the specific identification method, are included in “other income” on the income statement. Unrealized gains and losses (net of income taxes) deemed temporary are recorded in equity as a component of AOCI. Other-than-temporary unrealized losses on debt securities are included in “other income” on the income statement when the loss is attributable to credit. Other-than-temporary unrealized losses attributable to factors other than credit are recorded in AOCI. For additional information, refer to Note 7 (“Securities”).

“Other securities” held in the available-for-sale portfolio consist of convertible preferred stock of privately held companies.

Held-to-maturity securities. Debt securities that we have the intent and ability to hold until maturity are classified as held-to-maturity and 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. If any of the value of a held-to-maturity is determined to be unrecoverable, impairment will be recorded.

Other Investments

Other investments include equity and mezzanine instruments as well as other types of investments that generally are carried at the alternative cost method. The alternative cost method results in these investments being recorded at cost, less any impairment, plus or minus changes resulting from observable market transactions. Adjustments are included in “other income” on the income statement.

Derivatives and Hedging

All derivatives are recognized on the balance sheet at fair value in “accrued income and other assets” or “accrued expense and other liabilities”. The net increase or decrease in derivatives is included in “other operating activities, net” within the statement of cash flows. Accounting for changes in fair value (i.e., gains or losses) of derivatives differs depending on whether the derivative has been designated and qualifies as part of a hedge relationship, and on the type of hedge relationship. For derivatives that are not in a hedge relationship, any gain or loss, as well as any premium paid or received, is recognized immediately in earnings in “corporate services income” or “other income” on the income statement, depending whether the derivative is for customer accommodation or risk management, respectively. A derivative that is designated and qualifies as a hedging instrument must be designated as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation. Changes in the fair value of a hedging instrument are reflected in the same income statement line as the earnings effect of the hedged item.

A fair value hedge is used to limit exposure to changes in the fair value of existing assets, liabilities, and commitments caused by changes in interest rates or other economic factors. The 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 risk.

A cash flow hedge is used to minimize the variability of future cash flows that is caused by changes in interest rates or other economic factors. The gain or loss on a cash flow hedge is recorded as a component of AOCI on the balance sheet and reclassified to earnings in the same period in which the hedged transaction affects earnings (e.g., when we incur variable-rate interest on debt, earn variable-rate interest on loans, or sell commercial real estate loans).

A net investment hedge is used to hedge the exposure of changes in the carrying value of investments as a result of changes in the related foreign exchange rates. The 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 amount in AOCI is reclassified into income when the hedged transaction affects earnings (e.g., when we dispose or liquidate a foreign subsidiary).

Table of Contents

Hedge “effectiveness” is determined by the extent to which changes in the fair value of a derivative instrument offset changes in the fair value, cash flows, or carrying value attributable to the risk being hedged. If the relationship between the change in the fair value of the derivative instrument and the change in the hedged item falls within a range considered to be the industry norm, the hedge is considered “highly effective” and qualifies for hedge accounting. A hedge is “ineffective” if the relationship between the changes falls outside the acceptable range. In that case, hedge accounting is discontinued on a prospective basis. Hedge effectiveness is tested at least quarterly.

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. 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. Derivative assets and derivative liabilities are recorded within “accrued income and other assets” and “accrued expense and other liabilities,” respectively.

Additional information regarding the accounting for derivatives is provided in Note 8 (“Derivatives and Hedging Activities”).

Servicing Assets

We service commercial real estate and residential mortgages loans. Servicing assets and liabilities purchased or retained are initially measured at fair value and are recorded as a component of “accrued income and other assets” on the balance sheet. When no ready market value (such as quoted market prices, or prices based on sales or purchases of similar assets) is available to determine the fair value of servicing assets, fair value is determined by calculating the present value of future cash flows associated with servicing the loans. This calculation is based on a number of assumptions, including the market cost of servicing, the discount rate, the prepayment rate, and the default rate.

We account for our 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 and recorded in “mortgage servicing fees” on the income statement.

Servicing assets are evaluated quarterly for possible impairment. This process involves stratifying the assets based upon one or more predominant risk characteristics and determining the fair value of each class. The characteristics may include financial asset type, size, interest rate, date of origination, term and geographic location. If the evaluation indicates that the carrying amount of the servicing assets exceeds their fair value, the carrying amount is reduced by recording a charge to income in the amount of such excess and establishing a valuation reserve allowance. Additional information pertaining to servicing assets is included in Note 9 (“Mortgage Servicing Assets”).

Business Combinations

We account for our business combinations using the acquisition method of accounting. Under this accounting method, the acquired company’s assets and liabilities are recorded at fair value at the date of acquisition, except as provided for by the applicable accounting guidance, and the results of operations of the acquired company are combined with Key’s results from the date of acquisition forward. Acquisition costs are expensed when incurred. The difference between the purchase price and the fair value of the net assets acquired (including identifiable intangible assets) is recorded as goodwill. Our accounting policy for intangible assets is summarized in this note under the heading “Goodwill and Other Intangible Assets.”

Additional information regarding acquisitions is provided in Note 14 (“Acquisitions, Divestiture, and Discontinued Operations”).

Goodwill and Other Intangible Assets

Goodwill represents the amount by which the cost of net assets acquired in a business combination exceeds their fair value. Goodwill is assigned to reporting units as of the acquisition date based on the expected benefit to such reporting unit from the synergies of the business combination. Goodwill is not amortized. Goodwill is tested at the reporting unit level for impairment, at least annually as of October 1, or as events and circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount.

Table of Contents

We may elect to perform a qualitative analysis to determine whether or not it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If we elect to bypass this qualitative analysis, or conclude via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, a two-step goodwill impairment test is performed. In the first step, the fair value of each reporting unit is compared with its carrying value. If the fair value is greater than the carrying value, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying value, then the second step is performed, which measures the amount of impairment by comparing the carrying amount of goodwill to its implied fair value. If the implied fair value of the goodwill exceeds the carrying amount, there is no impairment. If the carrying amount exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess.

Other intangible assets with finite lives are amortized on either an accelerated or straight-line basis and are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

Additional information pertaining to goodwill and other intangible assets is included in Note 11 ("Goodwill and Other Intangible Assets").

Purchased Loans

Purchased performing loans that do not have evidence of deterioration in credit quality at acquisition are recorded at fair value at the acquisition date. Any premium or discount associated with purchased performing loans is recognized as an expense or income based on the effective yield method of amortization for term loans or the straight-line method of amortization for revolving loans. Subsequent to the purchase date, the methods utilized to estimate the required ALLL for these loans is similar to originated loans; however, we record a provision for loan and lease losses only when the required ALLL exceeds any remaining purchase discount at the product level.

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. Revolving loans, including lines of credit and credit card loans, leases, and loans where cash flows cannot be reasonably estimated are excluded from PCI accounting. Purchased loans are initially recorded at fair value without recording an allowance for loan losses. Fair value of these loans is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected, as adjusted for an estimate of future credit losses and prepayments, and then a market-based discount rate is applied to those cash flows. PCI loans that have similar risk characteristics, primarily credit risk, collateral type and interest rate risk, and are homogeneous in size, are pooled and accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. PCI loans that cannot be aggregated into a pool are accounted for individually.

The excess of cash flows expected to be collected, measured as of the acquisition date, over the estimated fair value is referred to as the "accretable yield" and is recognized in interest income over the remaining life of the loan or pool using the effective yield method. Accordingly, PCI loans are not subject to classification as nonaccrual (and nonperforming) in the same manner as originated loans. Rather, acquired PCI loans are considered to be accruing loans because their interest income relates to the accretable yield recognized on the individual loan or pool and not to the contractual interest payments of the loan. The difference between the contractually required principal and interest payments as of the acquisition date and the cash flows expected to be collected is referred to as the "nonaccretable difference." The nonaccretable difference, which is not accreted into income, reflects estimated future credit losses and uncollectible contractual payments over the life of the PCI loan.

After we acquire loans determined to be PCI loans, actual cash collections are monitored to determine if they conform to management's expectations. Revised cash flow expectations are prepared each quarter. A decrease in expected cash flows in subsequent periods may indicate impairment and would require us to establish an ALLL by recording a charge to the provision for loan and lease losses. An increase in expected cash flows in subsequent periods initially reduces any previously established ALLL by the increase in the present value of cash flows expected to be collected, and requires us to recalculate the amount of accretable yield for the PCI loan or pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the PCI loan or pool.

Table of Contents

A PCI loan may be derecognized either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party, foreclosure of the collateral, or charge-off. If one of these events occurs, the loan is removed from the loan pool, or derecognized if it is accounted for as an individual loan. PCI loans subject to modification are not removed from a PCI pool even if those loans would otherwise be deemed TDRs since the pool, and not the individual loan, represents the unit of account. Individually accounted for PCI loans that are modified in a TDR are no longer classified as PCI loans and are subject to TDR recognition.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. We determine depreciation of premises and equipment using the straight-line method over the estimated useful lives of the particular assets. Leasehold improvements are amortized using the straight-line method over the shorter of their economic lives or terms of the leases. Premises and equipment are evaluated for impairment whenever events or circumstances indicate that the carrying value of the asset may not be recoverable.

Securities Financing Activities

We enter into repurchase agreements to finance overnight customer sweep deposits. We also enter into repurchase and reverse repurchase agreements to settle other securities obligations. We account for these securities financing agreements as collateralized financing transactions. Repurchase and reverse repurchase agreements are recorded on the balance sheet at the amounts that the securities will be subsequently sold or repurchased. Securities borrowed transactions are recorded on the balance sheet at the amounts of cash collateral advanced. While our securities financing agreements incorporate a right of set off, the assets and liabilities are reported on a gross basis. Reverse repurchase agreements and securities borrowed transactions are included in "short-term investments" on the balance sheet; repurchase agreements are included in "federal funds purchased and securities sold under repurchase agreements." Fees received in connection with these transactions are recorded in interest income; fees paid are recorded in interest expense.

Additional information regarding securities financing activities is included in Note 15 ("Securities Financing Activities").

Guarantees

We recognize liabilities, which are included in "accrued expense and other liabilities" on the balance sheet, for the fair value of our obligations under certain guarantees issued.

If we receive a fee for a guarantee requiring liability recognition, the amount of the fee represents the initial fair value of the "stand ready" obligation. If there is no fee, the fair value of the stand ready obligation is determined using expected present value measurement techniques, unless observable transactions for comparable guarantees are available. The subsequent accounting for these stand ready obligations depends on the nature of the underlying guarantees. We account for our release from risk under a particular guarantee when the guarantee expires or is settled, or by a systematic and rational amortization method, depending on the risk profile of the guarantee.

Additional information regarding guarantees is included in Note 21 ("Commitments, Contingent Liabilities, and Guarantees") under the heading "Guarantees."

Revenue Recognition

We recognize revenues as they are earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. Our principal source of revenue is interest income from loans and investments. We also earn noninterest income from various banking and financial services offered through both the Corporate and Community banks.

Interest Income. The largest source of revenue for us is interest income. Interest income is primarily recognized on an accrual basis according to nondiscretionary formulas in written contracts, such as loan agreements or securities contracts.

Table of Contents

Noninterest Income. We earn noninterest income through a variety of financial and transaction services provided to corporate and consumer clients. Revenue is recorded for noninterest income based on the contractual terms for the service or transaction performed. In certain circumstances, noninterest income is reported net of associated expenses.

Trust and Investment Services Income. Trust and investment services revenues include brokerage commissions, trust and asset management commissions, and insurance income.

Revenue from trade execution and brokerage services is earned through commissions from trade execution on behalf of clients. Revenue from these transactions is recognized at the trade date. Any ongoing service fees are recognized on a monthly basis as services are performed.

Trust and asset management services include asset custody and investment management services provided to individual and institutional customers. Revenue is recognized monthly based on a minimum annual fee, and the market value of assets in custody. Additional fees are recognized for transactional activity at a point in time.

Insurance revenue is earned through commissions on insurance sales and third party administrative services. Based on the nature of the commission agreement with each insurance provider, we may recognize revenue from insurance commissions over-time or at a point in time. Revenue from third party administrative services is recognized over the life of the contract.

Investment Banking and Debt Placement Fees. Investment banking and debt placement fees primarily represent revenues earned by KeyBanc Capital Markets for various corporate services including advisory, debt placement and underwriting. Revenues for these services are recorded at a point in time, upon completion of a contractually identified transaction, or when an advisory opinion is provided. Investment banking and debt placement costs are reported on a gross basis on within other expense on the income statement.

Service Charges on Deposit Accounts. Revenue from service charges on deposit accounts is earned through cash management, wire transfer, and other deposit-related services; as well as overdraft, non-sufficient funds, account management and other deposit-related fees. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transactional related services and fees. Certain reward costs are netted within revenues from service charges on deposits.

Corporate Services Income. Corporate services income includes various ancillary service revenue including letter of credit fees, loan fees, and certain capital markets' revenue. Revenue from these fees is recorded in a manner that reflects the timing of when transactions occur, and as services are provided.

Cards and Payments. Cards and payments income includes interchange fees from consumer credit and debit cards processed through card association networks, merchant services, and other card related services. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. Interchange fees are recognized as transactions occur. Certain card network costs and reward costs are netted within interchange revenues. Merchant services income represents account management fees and transaction fees charged to merchants for the processing of card association network transactions. Merchant services revenue is recognized as transactions occur, or as services are performed.

Corporate-Owned Life Insurance Income. Income from corporate-owned life insurance primarily represents changes in the cash surrender value of life insurance policies held on certain key employees. Revenue is recognized in each period based on the change in the cash surrender value during the period.

Pension Costs

The Company utilizes its fiscal year-end as the measurement date for its pension and other postretirement employee benefit plans. At the measurement date, plan assets are determined based on fair value, generally representing observable market prices or the net asset value provided by the funds' trustee or administrator. The actuarial cost method used to compute the pension liabilities and related expense is the projected unit credit method. The projected benefit obligation is principally determined based on the present value of projected benefit distributions at an assumed discount rate. We determine the assumed discount rate based on the rate of return on a hypothetical portfolio of high quality corporate bonds with interest rates and maturities that provide the necessary cash flows to pay benefits when due. Periodic pension expense (or income) includes service costs, interest costs

Table of Contents

based on the assumed discount rate, the expected return on plan assets based on an actuarially derived market-related value and amortization of actuarial gains and losses. Periodic pension expense (or income) is recorded in "other expense". Pension accounting reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and can have the effect of reducing earnings volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments and various unrecognized gains and losses which are deferred and amortized over the future service periods of active employees. We determine the expected return on plan assets using a calculated market-related value of plan assets that smooths what might otherwise be significant year-to-year volatility in net pension cost. Changes in the value of plan assets are not recognized in the year they occur. Rather, they are combined with any other cumulative unrecognized asset- and obligation-related gains and losses and reflected evenly in the market-related value during the five years after they occur as long as the market-related value does not vary more than 10% from the plan's FVA. The overfunded or underfunded status of the plans is recorded as an asset or liability on the Consolidated Balance Sheet, with changes in that status recognized through other comprehensive income (loss).

Stock-Based Compensation

Stock-based compensation is measured using the fair value method of accounting on the grant date. The measured cost is recognized over the period during which the recipient is required to provide service in exchange for the award. We estimate expected forfeitures when stock-based awards are granted and record compensation expense only for awards that are expected to vest. Compensation expense related to awards granted to employees is recorded in "personnel expense" on the Consolidated Statements of Income while compensation expense related to awards granted to directors is recorded in "other expense."

We recognize compensation cost for stock-based, mandatory deferred incentive compensation awards using the accelerated method of amortization over a period of approximately 5 years (the current year performance period and a four-year vesting period, which generally starts in the first quarter following the performance period) for awards granted in 2012 and after.

Employee stock options typically become exercisable at the rate of 25% per year, beginning one year after the grant date. Options expire no later than 10 years after their grant date. We recognize stock-based compensation expense for stock options with graded vesting using an accelerated method of amortization.

We use shares repurchased under our annual capital plan submitted to our regulators (treasury shares) for share issuances under all stock-based compensation programs.

We estimate the fair value of options granted using the Black-Scholes option-pricing model, as further described in Note 16 ("Stock-Based Compensation").

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases, and are measured using enacted tax laws and rates that are expected to apply in the periods in which the deferred tax assets or liabilities are expected to be realized. Deferred tax assets are also recorded for any tax attributes, such as tax credit and net operating loss carryforwards. The net balance of deferred tax assets and liabilities is reported in "Accrued income and other assets" or "Accrued expense and other liabilities" in the consolidated balance sheets, as appropriate. Subsequent changes in the tax laws require adjustment to these assets and liabilities with the cumulative effect included in the provision for income taxes for the period in which the change is enacted. A valuation allowance is recognized for a DTA if, based on the weight of available evidence, it is more-likely-than-not that some portion or all of the deferred tax asset will not be realized.

Earnings Per Share

Basic net income per common share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared (distributed earnings) and participation rights in undistributed earnings. Distributed and undistributed earnings are allocated between common and participating security shareholders based on their respective rights to receive dividends. Nonvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities (e.g., nonvested

Table of Contents

service-based restricted stock units). Undistributed net losses are not allocated to nonvested restricted shareholders, as these shareholders do not have a contractual obligation to fund the incurred losses. Net income attributable to common shares is then divided by the weighted-average number of common shares outstanding during the period.

Diluted net income per common share is calculated using the more dilutive of either the treasury method or the two-class method. The dilutive calculation considers the potential dilutive effect of common stock equivalents determined under the treasury stock method. Common stock equivalents include stock options and service- and performance-based restricted stock and stock units granted under our stock plans. Net income attributable to common shares is then divided by the total of weighted-average number of common shares and common stock equivalents outstanding during the period.

Accounting Guidance Adopted in 2019

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-02, Leases (Topic 842)	January 1, 2019	The ASU creates ASC Topic 842, <i>Leases</i> , and supersedes Topic 840, <i>Leases</i> . The ASU requires that a lessee recognize assets and liabilities for leases with lease terms of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Leveraged leases that commenced before the effective date of the new guidance are grandfathered. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, the ASU will require both types of leases to be recognized on the balance sheet. It also requires enhanced disclosures to better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements.	The implementation team has completed the identification of leases for adoption of the standard, including the evaluation of service contracts for embedded leases. New processes and internal controls have been put into place to comply with the updated standard. Key's adoption of this guidance on January 1, 2019, will result in an increase in right-of-use assets and associated lease liabilities arising from operating leases in which Key is the lessee on our Consolidated Balance Sheet. Key will utilize the adoption date transition method and record a transition adjustment on January 1, 2019. Therefore, right of use assets, lease liabilities, and other changes as a result of adoption will not be reflected in comparable periods presented prior to that date. The amount of the right-of-use assets and associated lease liabilities recorded at adoption will be primarily based on the present value of unpaid future minimum lease payments, the amount of which will reflect the population of leases in effect at the date of adoption. Key's minimum future rental payments under noncancelable operating leases at December 31, 2018 were \$908 million (refer to Note 21 "Commitments, Contingent Liabilities, and Guarantees"). Based on the lease portfolio at that time, we expect to gross up the balance sheet upon adoption by approximately \$700 million. We do not expect the adoption of this guidance to have a material impact on the recognition of operating lease expense in our Consolidated Statements of Income.
ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient			
ASU 2018-10 Codification Improvements to Topic 842			
ASU 2018-11, Leases (Topic 842): Targeted Improvements			
ASU 2018-20, Leases (Topic 842): Narrow Scope Improvements for Lessors			
ASU 2017-08, <i>Premium Amortization on Purchased Callable Debt Securities</i>	January 1, 2019	The ASU amends ASC Topic 310-20, <i>Receivables — Nonrefundable Fees and Other Costs</i> , and shortens the amortization period to the earliest call date for certain callable debt securities held at a premium. Securities held at a discount will continue to be amortized to maturity. The guidance should be implemented on a modified retrospective basis using a cumulative-effect adjustment.	The adoption of this guidance is not expected to have a material effect on our financial condition or results of operations.

Accounting Guidance Adopted in 2018

Table of Contents

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2018-13, <i>Fair Value Measurement: Disclosure Framework</i>	September 30, 2018 (removed disclosures only) An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date.	The ASU amends disclosure requirements related to fair value measurements. Specifically, entities are no longer required to disclose transfers between Level 1 and Level 2 of the fair value hierarchy, or qualitatively disclose the valuation process for Level 3 fair value measurements. The updated guidance requires disclosure of the changes in unrealized gains and losses for the period included in Other Comprehensive Income for recurring Level 3 fair value measurements. Entities also will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The additional provisions of the guidance should be adopted prospectively, while the eliminated requirements should be adopted retrospectively.	Key has early adopted the provisions of the standard related to disclosures no longer required by the guidance as of September 30, 2018, and anticipates early adopting the additional provisions of the standard in the first quarter of 2019. The adoption of this standard will not result in significant changes to Key's disclosures and there will be no effect to our financial condition or results of operations.

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i> ASU 2015-14, <i>Deferral of Effective Date</i> ASU 2016-08, <i>Principal versus Agent Considerations</i> ASU 2016-10, <i>Identifying Performance Obligations and Licensing</i> ASU 2016-11, <i>Rescission of SEC Guidance because of Accounting Standard Updates 2014-09 and 2014-16 pursuant to Staff Announcements at the March 3, 2016 EITF Meeting</i> ASU 2016-12, <i>Narrow-scope Improvements and Practical Expedients</i> ASU 2016-20, <i>Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers</i>	January 1, 2018	These ASUs supersede the revenue recognition guidance in ASC 605, <i>Revenue Recognition</i> , and most industry-specific guidance. The core principle of these ASUs is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. These ASUs can be implemented using a retrospective method, or a cumulative-effect approach to new contracts and existing contracts with performance obligations as of the effective date.	On January 1, 2018, we adopted ASC 606, <i>Revenue from Contracts with Customers (ASC 606)</i> , using the modified retrospective method for those contracts which were not completed as of that date. Results for reporting periods beginning January 1, 2018, are presented under ASC 606. As allowed under the new guidance, the comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. As a result of adopting ASC 606, we changed the timing of recognition for revenues related to insurance commissions, securities underwriting, and deposit account maintenance fees, however, those changes did not have a material impact on our consolidated financial statements, results of operations, equity, or cash flows as of the adoption date or for the year ended December 31, 2018. The presentation of underwriting costs and reimbursed out-of-pocket expenses related to underwriting and M&A advisory services was changed from net to gross within the income statement as Key acts as the principal in the transactions. Securities underwriting revenue is recorded within "investment banking and debt placement fees" and underwriting costs and reimbursed out-of-pocket expenses within "other expense" on the income statement. Additionally, because Key acts as an agent, certain credit and debit card reward costs and certain card network costs were changed from a gross presentation to net within "cards and payment income" on the income statement. Credit and debit card reward costs and card network costs were recorded as "other expense" on the income statement in prior periods. These changes in presentation did not have a material impact on our consolidated financial statements for the year ended December 31, 2018. ASC 606 requires quantitative disclosure of the allocation of the transaction price to the remaining performance obligations when those amounts are expected to be recognized as revenue. However, the standard provides exemptions from this disclosure for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services provided. Most of our revenue subject to ASC 606 fits into one of these exemptions, or is immaterial. We elected to use the optional exemption to not disclose the aggregate amount of the transaction price to remaining performance obligations.

ASU 2017-12, <i>Targeted Improvements to Accounting for Hedging Activities</i>	January 1, 2018	The ASU amends ASC Topic 815, <i>Derivatives and Hedging</i> , to simplify the requirements for hedge accounting and facilitate financial reporting that more closely aligns with an entity's risk management activities. Key amendments include: eliminating the requirement to separately measure and report hedge ineffectiveness, requiring changes in the value of the hedging instrument to be presented in the same income statement line as the earnings effect of the hedged item, and the ability to measure the hedged item based on the benchmark interest rate component of the total contractual coupon for fair value hedges. Additional disclosures are also required for reporting periods subsequent to the date of adoption. The guidance should be implemented on a modified retrospective basis to existing hedge relationships as of the adoption date.	On January 1, 2018, we adopted this ASU on a modified retrospective basis. Accordingly, our financial statements for the year ended December 31, 2018, include an immaterial cumulative-effect adjustment to decrease opening retained earnings to reflect the application of the new guidance as of January 1, 2018. The primary impact to Key at adoption was the election to measure the change in fair value of hedged items in fair value hedges on the basis of the benchmark interest rate component of contractual coupon cash flows. This change has resulted in a reduction of hedge ineffectiveness for impacted fair value hedges. Instruments designated as hedges are recorded at fair value and included in "accrued income and other assets" or "accrued expense and other liabilities" on the balance sheet. Under the revised guidance, the change in the fair value of an instrument designated as a fair value hedge is recorded in earnings at the same time and in the same income statement line as the offsetting change in the fair value of the hedged item. For cash flow hedges, the change in the fair value of an instrument designated as a cash flow hedge is initially recorded in AOCI on the balance sheet. This amount is subsequently reclassified into income when the hedged transaction affects earnings and is presented in the same income statement line item as the earnings effect of the hedged item.
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Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2016-01, <i>Recognition and Measurement of Financial Assets and Financial Liabilities</i>	January 1, 2018	<p>The ASU amends ASC Topic 825, <i>Financial Instruments-Overall</i>, and requires equity investments, except those accounted for under the equity method of accounting or consolidated, to be measured at fair value with changes recognized in net income. If there is no readily determinable fair value, the guidance allows entities to measure investments at cost less impairment, whereby impairment is based on a qualitative assessment. The guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost and changes the presentation of financial assets and financial liabilities on the balance sheet or in the footnotes. If an entity has elected the fair value option to measure liabilities, the new accounting guidance requires the portion of the change in the fair value of a liability resulting from credit risk to be presented in OCI.</p> <p>With the exception of disclosure requirements that will be adopted prospectively, the ASU must be adopted on a modified retrospective basis.</p>	The adoption of this guidance did not have a material effect on our financial condition or results of operations.
ASU 2016-15, <i>Classification of Certain Cash Receipts and Cash Payments</i>	January 1, 2018	<p>The ASU amends ASC Topic 230, <i>Statement of Cash Flows</i>, and clarifies how cash receipts and cash payments in certain transactions should be presented and classified in the statement of cash flows. These specific transactions include, but are not limited to, debt prepayment or extinguishment costs, contingent considerations made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, and distributions from equity method investees. This guidance also clarifies that in instances of cash flows with multiple aspects that cannot be separately identified, classification should be based on the activity that is likely to be the predominant source of or use of cash flow.</p> <p>The guidance should be implemented using a retrospective approach.</p>	The adoption of this guidance did not have a material effect on our financial condition or results of operations.
ASU 2017-01, <i>Clarifying the Definition of a Business</i>	January 1, 2018	<p>The ASU amends Topic 805, <i>Business Combinations</i>, and clarifies the definition of a business and removes the requirement for a market participant to consider whether it could replace missing elements in an integrated set of assets and activities. The guidance states that if substantially all of the fair value of the assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business.</p> <p>The guidance should be implemented using a prospective approach.</p>	The adoption of this guidance did not have a material effect on our financial condition or results of operations.
ASU 2017-05, <i>Other Income- Gains and Losses from the Derecognition of Nonfinancial Assets</i>	January 1, 2018	<p>The ASU amends ASC Topic 610-20, <i>Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets</i>, to clarify the scope of the Topic by clarifying the definition of the term "in substance nonfinancial asset" and also adding guidance for partial sales of nonfinancial assets. Under the new guidance, an entity will derecognize a nonfinancial asset when it does not have or ceases to have a controlling interest in the legal entity that holds the asset and when control of the asset has transferred in accordance with ASC 606. The ASU can be adopted on a retrospective or modified retrospective approach.</p>	We adopted the ASU using a modified retrospective approach. The adoption of this guidance did not have a material effect on our financial condition or results of operations.
ASU 2017-07, <i>Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</i>	January 1, 2018	<p>The ASU amends ASC Topic 715, <i>Compensation - Retirement Benefits</i>, and requires service costs to be included in the same line item as certain other compensation costs related to services rendered by employees. We record compensation costs under personnel expense on the income statement. Other elements of net benefit cost should be presented separately.</p> <p>The guidance should be implemented on a retrospective basis.</p>	The adoption of this guidance did not have a material effect on our financial condition or results of operations.
ASU 2017-09, <i>Scope of Modification Accounting</i>	January 1, 2018	<p>The ASU amends ASC Topic 718, <i>Compensation - Stock Compensation</i>, and clarifies when changes to terms and conditions for share-based payment awards should be accounted for as modifications. Under the new guidance, entities should apply the modification guidance unless the fair value of the modified award is the same as the fair value of the original award immediately before modification, the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before modification, and the classification of the modified award (as equity or liability instrument) is the same as the classification of the original award immediately before modification.</p> <p>The guidance should be applied on a prospective basis.</p>	The adoption of this guidance did not have a material effect on our financial condition or results of operations.

2. Earnings Per Common Share

Basic earnings per share is the amount of earnings (adjusted for dividends declared on our preferred stock) available to each Common Share outstanding during the reporting periods. Diluted earnings per share is the amount of earnings available to each Common Share outstanding during the reporting periods adjusted to include the effects of potentially dilutive Common Shares. Potentially dilutive Common Shares include stock options and other stock-based awards. Potentially dilutive Common Shares are excluded from the computation of diluted earnings per share in the periods where the effect would be antidilutive.

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

Year ended December 31, <i>dollars in millions, except per share amounts</i>	2018	2017	2016
EARNINGS			
Income (loss) from continuing operations	\$ 1,859	\$ 1,291	\$ 789
Less: Net income (loss) attributable to noncontrolling interests	—	2	(1)
Income (loss) from continuing operations attributable to Key	1,859	1,289	790
Less: Dividends on preferred stock	66	70	37
Income (loss) from continuing operations attributable to Key common shareholders	1,793	1,219	753
Income (loss) from discontinued operations, net of taxes	7	7	1
Net income (loss) attributable to Key common shareholders	\$ 1,800	\$ 1,226	\$ 754
WEIGHTED-AVERAGE COMMON SHARES			
Weighted-average Common Shares outstanding (000)	1,040,890	1,072,078	927,816
Effect of common share options and other stock awards	13,792	16,515	10,720
Weighted-average common shares and potential Common Shares outstanding (000) ^(a)	1,054,682	1,088,593	938,536
EARNINGS PER COMMON SHARE			
Income (loss) from continuing operations attributable to Key common shareholders	\$ 1.72	\$ 1.13	\$.81
Income (loss) from discontinued operations, net of taxes	.01	.01	—
Net income (loss) attributable to Key common shareholders ^(b)	1.73	1.14	.81
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	1.70	1.12	.80
Income (loss) from discontinued operations, net of taxes	.01	.01	—
Net income (loss) attributable to Key common shareholders — assuming dilution ^(b)	1.71	1.13	.80

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

(b) EPS may not foot due to rounding.

3. Restrictions on Cash, Dividends, and Lending Activities

Federal law requires a depository institution to maintain a prescribed amount of cash or deposit reserve balances with its Federal Reserve Bank. KeyBank maintained average reserve balances aggregating \$363 million in 2018 to fulfill these requirements. Currently KeyBank meets the required reserve balances with vault cash, therefore any cash on deposit at the Federal Reserve is not restricted.

Capital distributions from KeyBank and other subsidiaries are our principal source of cash flows for paying dividends on our common and preferred shares, servicing our debt, and financing corporate operations. Federal banking law limits the amount of capital distributions that a bank can make to its holding company without prior regulatory approval. A national bank's dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the previous two calendar years and for the current year, up to the date the dividend is declared.

During 2018, KeyBank paid \$1.7 billion in dividends to KeyCorp. At January 1, 2019, KeyBank had regulatory capacity to pay \$1.0 billion in dividends to KeyCorp without prior regulatory approval. At December 31, 2018, KeyCorp held \$3.3 billion in cash and short-term investments, which can be used to pay dividends to shareholders, service debt, and finance corporate operations.

4. Loan Portfolio

December 31, in millions	2018	2017
Commercial and industrial ^(a)	\$ 45,753	\$ 41,859
Commercial real estate:		
Commercial mortgage	14,285	14,088
Construction	1,666	1,960
Total commercial real estate loans	15,951	16,048
Commercial lease financing ^(b)	4,606	4,826
Total commercial loans	66,310	62,733
Residential — prime loans:		
Real estate — residential mortgage	5,513	5,483
Home equity loans	11,142	12,028
Total residential — prime loans	16,655	17,511
Consumer direct loans	1,809	1,794
Credit cards	1,144	1,106
Consumer indirect loans	3,634	3,261
Total consumer loans	23,242	23,672
Total loans ^(c)	\$ 89,552	\$ 86,405

(a) Loan balances include \$132 million and \$119 million of commercial credit card balances at December 31, 2018, and December 31, 2017, respectively.

(b) Commercial lease financing includes receivables of \$10 million and \$24 million held as collateral for a secured borrowing at December 31, 2018, and December 31, 2017, 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 19 ("Long-Term Debt").

(c) Total loans exclude loans in the amount of \$1.1 billion at December 31, 2018, and \$1.3 billion at December 31, 2017, related to the discontinued operations of the education lending business.

Commercial lease financing receivables primarily are direct financing leases, but also include leveraged leases. The composition of the net investment in direct financing leases is as follows:

December 31, in millions	2018	2017
Direct financing lease receivables	\$ 3,658	\$ 3,727
Unearned income	(345)	(323)
Unguaranteed residual value	412	382
Deferred fees and costs	19	19
Net investment in direct financing leases	\$ 3,744	\$ 3,805

At December 31, 2018, minimum future lease payments to be received are as follows: 2019 — \$1 billion; 2020 — \$878 million; 2021 — \$609 million; 2022 — \$399 million; 2023 — \$238 million; and all subsequent years — \$416 million. The allowance related to lease financing receivables is \$36 million at December 31, 2018.

5. 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.

Credit Quality Indicators

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.

Table of Contents

Commercial Credit Exposure — Excluding PCI Credit Risk Profile by Creditworthiness Category ^{(a), (b)}

December 31, in millions		Commercial and industrial		RE — Commercial		RE — Construction		Commercial Lease		Total	
RATING	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Pass	\$ 44,138	\$ 39,833	\$ 13,672	\$ 13,328	\$ 1,537	\$ 1,894	\$ 4,557	\$ 4,730	\$ 63,904	\$ 59,785	
Criticized (Accruing)	1,402	1,790	354	482	125	38	41	90	1,922	2,400	
Criticized (Nonaccruing)	152	153	81	30	2	2	8	6	243	191	
Total	\$ 45,692	\$ 41,776	\$ 14,107	\$ 13,840	\$ 1,664	\$ 1,934	\$ 4,606	\$ 4,826	\$ 66,069	\$ 62,376	

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

(b) The term criticized refers to those loans that are internally classified by Key as special mention or worse, which are asset quality categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not classified as criticized.

Consumer Credit Exposure — Excluding PCI Non-PCI Loans by Refreshed FICO Score ^(a)

December 31, in millions		Residential — Prime		Consumer direct loans		Credit cards		Consumer indirect loans		Total	
FICO SCORE	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
750 and above	\$ 9,794	\$ 10,226	\$ 549	\$ 519	\$ 521	\$ 477	\$ 1,647	\$ 1,472	\$ 12,511	\$ 12,694	
660 to 749	4,906	5,181	700	690	507	508	1,320	1,184	7,433	7,563	
Less than 660	1,411	1,519	224	225	116	121	565	529	2,316	2,394	
No Score	213	208	333	356	—	—	102	76	648	640	
Total	\$ 16,324	\$ 17,134	\$ 1,806	\$ 1,790	\$ 1,144	\$ 1,106	\$ 3,634	\$ 3,261	\$ 22,908	\$ 23,291	

(a) Borrower FICO scores provide information about the credit quality of our consumer loan portfolio as they provide an indication as to the likelihood that a debtor will repay their debts. The scores are obtained from a nationally recognized consumer rating agency and are presented in the above table at the dates indicated.

Commercial Credit Exposure — PCI Credit Risk Profile by Creditworthiness Category ^{(a), (b)}

December 31, in millions		Commercial and industrial		RE — Commercial		RE — Construction		Commercial Lease		Total	
RATING	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Pass	\$ 37	\$ 41	\$ 125	\$ 153	\$ 2	\$ 26	\$ —	\$ —	\$ 164	\$ 220	
Criticized	24	42	53	95	—	—	—	—	77	137	
Total	\$ 61	\$ 83	\$ 178	\$ 248	\$ 2	\$ 26	\$ —	\$ —	\$ 241	\$ 357	

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

(b) The term criticized refers to those loans that are internally classified by Key as special mention or worse, which are asset quality categories defined by regulatory authorities. These assets have an elevated level of risk and may have a high probability of default or total loss. Pass rated refers to all loans not classified as criticized.

Consumer Credit Exposure — PCI PCI Loans by Refreshed FICO Score ^(a)

December 31, in millions		Residential — Prime		Consumer direct loans		Credit cards		Consumer indirect loans		Total	
FICO SCORE	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
750 and above	\$ 137	\$ 149	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 137	\$ 149	
660 to 749	95	117	1	2	—	—	—	—	96	119	
Less than 660	97	105	2	2	—	—	—	—	99	107	
No Score	2	6	—	—	—	—	—	—	2	6	
Total	\$ 331	\$ 377	\$ 3	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ 334	\$ 381	

(a) Borrower FICO scores provide information about the credit quality of our consumer loan portfolio as they provide an indication as to the likelihood that a debtor will repay their debts. The scores are obtained from a nationally recognized consumer rating agency and are presented in the above table at the dates indicated.

Nonperforming and Past Due Loans

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

The following aging analysis of current and past due loans as of December 31, 2018, and December 31, 2017, provides further information regarding Key’s credit exposure.

Table of Contents

Aging Analysis of Loan Portfolio ^(a)

	December 31, 2018							
<i>in millions</i>	Current	30-59 Days Past Due ^(b)	60-89 Days Past Due ^(b)	90 and Greater Days Past Due ^(b)	Non- performing Loans	Total Past Due and Non- performing Loans	Purchased Credit Impaired	Total Loans ^{(c), (d)}
LOAN TYPE								
Commercial and industrial	\$ 45,375	\$ 89	\$ 31	\$ 45	\$ 152	\$ 317	\$ 61	\$ 45,753
Commercial real estate:								
Commercial mortgage	13,957	27	17	25	81	150	178	14,285
Construction	1,646	—	13	3	2	18	2	1,666
Total commercial real estate loans	15,603	27	30	28	83	168	180	15,951
Commercial lease financing	4,580	12	1	4	9	26	—	4,606
Total commercial loans	\$ 65,558	\$ 128	\$ 62	\$ 77	\$ 244	\$ 511	\$ 241	\$ 66,310
Real estate — residential mortgage	\$ 5,119	\$ 11	\$ 3	\$ 4	\$ 62	\$ 80	\$ 314	\$ 5,513
Home equity loans	10,862	31	12	10	210	263	17	11,142
Consumer direct loans	1,780	11	5	6	4	26	3	1,809
Credit cards	1,119	6	5	12	2	25	—	1,144
Consumer indirect loans	3,573	31	7	3	20	61	—	3,634
Total consumer loans	\$ 22,453	\$ 90	\$ 32	\$ 35	\$ 298	\$ 455	\$ 334	\$ 23,242
Total loans	\$ 88,011	\$ 218	\$ 94	\$ 112	\$ 542	\$ 966	\$ 575	\$ 89,552

- (a) Amounts in table represent recorded investment and exclude loans held for sale. 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.
- (b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to collect principal or interest in full based on the original contractual terms), as we are currently accruing income over the remaining term of the loans.
- (c) Net of unearned income, net deferred loan fees and costs, and unamortized discounts and premiums.
- (d) Future accretable yield related to PCI loans is not included in the analysis of the loan portfolio.

	December 31, 2017							
<i>in millions</i>	Current	30-59 Days Past Due ^(b)	60-89 Days Past Due ^(b)	90 and Greater Days Past Due ^(b)	Non- performing Loans	Total Past Due and Non- performing Loans	Purchased Credit Impaired	Total Loans ^{(c), (d)}
LOAN TYPE								
Commercial and industrial	\$ 41,444	\$ 111	\$ 34	\$ 34	\$ 153	\$ 332	\$ 83	\$ 41,859
Commercial real estate:								
Commercial mortgage	13,750	26	13	21	30	90	248	14,088
Construction	1,919	4	9	—	2	15	26	1,960
Total commercial real estate loans	15,669	30	22	21	32	105	274	16,048
Commercial lease financing	4,791	23	4	2	6	35	—	4,826
Total commercial loans	\$ 61,904	\$ 164	\$ 60	\$ 57	\$ 191	\$ 472	\$ 357	\$ 62,733
Real estate — residential mortgage	\$ 5,043	\$ 16	\$ 7	\$ 4	\$ 58	\$ 85	\$ 355	\$ 5,483
Home equity loans	11,721	32	15	9	229	285	22	12,028
Consumer direct loans	1,768	9	4	5	4	22	4	1,794
Credit cards	1,081	7	5	11	2	25	—	1,106
Consumer indirect loans	3,199	33	7	3	19	62	—	3,261
Total consumer loans	\$ 22,812	\$ 97	\$ 38	\$ 32	\$ 312	\$ 479	\$ 381	\$ 23,672
Total loans	\$ 84,716	\$ 261	\$ 98	\$ 89	\$ 503	\$ 951	\$ 738	\$ 86,405

- (a) Amounts in table represent recorded investment and exclude loans held for sale. 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.
- (b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to collect principal or interest in full based on the original contractual terms), as we are currently accruing income over the remaining term of the loans.
- (c) Net of unearned income, net deferred loan fees and costs, and unamortized discounts and premiums.
- (d) Future accretable yield related to PCI loans is not included in the analysis of the loan portfolio.

At December 31, 2018, the approximate carrying amount of our commercial nonperforming loans outstanding represented 75% of their original contractual amount owed, total nonperforming loans outstanding represented 80% of their original contractual amount owed, and nonperforming assets in total were carried at 81% of their original contractual amount owed.

Nonperforming loans reduced expected interest income by \$30 million, \$25 million, and \$26 million for each of the twelve months ended December 31, 2018, December 31, 2017, and December 31, 2016, respectively.

Table of Contents

The following tables set forth a further breakdown of individually impaired loans:

<i>in millions</i>	December 31, 2018			December 31, 2017		
	Recorded Investment ^(a)	Unpaid Principal Balance ^(b)	Specific Allowance ^(c)	Recorded Investment ^(a)	Unpaid Principal Balance ^(b)	Specific Allowance ^(c)
With no related allowance recorded:						
Commercial and industrial	\$ 118	\$ 175	—	\$ 126	\$ 153	—
Commercial real estate:						
Commercial mortgage	64	70	—	12	18	—
Total commercial real estate loans	64	70	—	12	18	—
Total commercial loans	182	245	—	138	171	—
Real estate — residential mortgage	4	5	—	17	17	—
Home equity loans	49	56	—	56	56	—
Consumer direct loans	1	1	—	—	—	—
Consumer indirect loans	2	4	—	2	2	—
Total consumer loans	56	66	—	75	75	—
Total loans with no related allowance recorded	238	311	—	213	246	—
With an allowance recorded:						
Commercial and industrial	44	47	\$ 5	10	28	\$ 6
Commercial real estate:						
Commercial mortgage	2	3	1	—	—	—
Total commercial real estate loans	2	3	1	—	—	—
Total commercial loans	46	50	6	10	28	6
Real estate — residential mortgage	45	70	3	32	32	5
Home equity loans	78	85	8	61	61	9
Consumer direct loans	3	3	—	4	4	—
Credit cards	3	3	—	2	2	—
Consumer indirect loans	34	34	2	32	32	3
Total consumer loans	163	195	13	131	131	17
Total loans with an allowance recorded	209	245	19	141	159	23
Total	\$ 447	\$ 556	\$ 19	\$ 354	\$ 405	\$ 23

(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.

(c) See Note 1 ("Summary of Significant Accounting Policies") under the heading "Impaired Loans" for a description of the specific allowance methodology.

The following table sets forth a further breakdown of average individually impaired loans reported by Key:

<i>in millions</i>	Average Recorded Investment ^(a)		
	Twelve Months Ended December 31,		
	2018	2017	2016
Commercial and industrial	\$ 149	\$ 210	\$ 176
Commercial real estate:			
Commercial mortgage	39	9	8
Construction	—	—	3
Total commercial real estate loans	39	9	11
Total commercial loans	188	219	187
Real estate — residential mortgage	49	50	53
Home equity loans	122	121	125
Consumer direct loans	4	3	3
Credit cards	3	3	3
Consumer indirect loans	35	32	34
Total consumer loans	213	209	218
Total	\$ 401	\$ 428	\$ 405

(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.

For the twelve months ended December 31, 2018, December 31, 2017, and December 31, 2016, interest income recognized on the

outstanding balances of accruing impaired loans totaled \$13 million, \$9 million, and \$10 million, respectively.

Table of Contents

TDRs

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. Acquired loans that were previously modified by First Niagara in a TDR are no longer classified as TDRs at the Acquisition Date. An acquired loan may only be classified as a TDR if a modification meeting the above TDR criteria is performed after the Acquisition Date. PCI loans cannot be classified as TDRs. 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. 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.

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. Commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs are \$5 million and \$2 million at December 31, 2018, and December 31, 2017, respectively.

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. The consumer TDR other concession category primarily includes those borrowers' debts that are discharged through Chapter 7 bankruptcy and have not been formally re-affirmed. At December 31, 2018, and December 31, 2017, the recorded investment of loans secured by residential real estate in the process of foreclosure was approximately \$113 million and \$142 million, respectively. At December 31, 2018, and December 31, 2017, we had \$35 million and \$31 million, respectively, of OREO which included the carrying value of foreclosed residential real estate of approximately \$35 million and \$26 million, respectively.

The following table shows the period-end post-modification outstanding recorded investment by concession type for our commercial and consumer accruing and nonaccruing TDRs added during the periods indicated:

<i>in millions</i>	Twelve Months Ended December 31,	
	2018	2017
Commercial loans:		
Extension of maturity date	\$ 15	12
Payment or covenant modification/deferment	99	\$ 46
Bankruptcy plan modification	7	31
Total	\$ 121	\$ 89
Consumer loans:		
Interest rate reduction	\$ 27	\$ 13
Forgiveness of principal	—	—
Other	38	28
Total	\$ 65	\$ 41
Total commercial and consumer TDRs	\$ 186	\$ 130

The following table summarizes the change in the post-modification outstanding recorded investment of our accruing and nonaccruing TDRs during the periods indicated:

<i>in millions</i>	Year ended December 31,	
	2018	2017
Balance at beginning of the period	\$ 317	\$ 280
Additions	228	165
Payments	(110)	(111)
Charge-offs	(36)	(17)
Balance at end of period ^(a)	\$ 399	\$ 317

Table of Contents

A further breakdown of TDRs included in nonperforming loans by loan category for the periods indicated are as follows:

dollars in millions	December 31, 2018			December 31, 2017		
	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
LOAN TYPE						
Nonperforming:						
Commercial and industrial	35	\$ 121	\$ 85	20	\$ 109	\$ 86
Commercial real estate:						
Real estate — commercial mortgage	6	66	62	8	16	12
Total commercial real estate loans	6	66	62	8	16	12
Total commercial loans	41	187	147	28	125	98
Real estate — residential mortgage	281	21	20	308	18	18
Home equity loans	1,142	66	63	1,025	64	57
Consumer direct loans	171	2	1	114	2	2
Credit cards	330	2	2	322	2	1
Consumer indirect loans	1,098	18	14	825	16	13
Total consumer loans	3,022	109	100	2,594	102	91
Total nonperforming TDRs	3,063	296	247	2,622	227	189
Prior-year accruing: ^(a)						
Commercial and industrial	11	37	32	4	30	13
Commercial real estate:						
Real estate — commercial mortgage	2	—	—	—	—	—
Total commercial loans	13	37	32	4	30	13
Real estate — residential mortgage	491	36	30	484	31	31
Home equity loans	1,403	82	64	1,276	75	59
Consumer direct loans	79	4	3	48	3	2
Credit cards	479	3	1	430	1	1
Consumer indirect loans	556	33	22	320	31	22
Total consumer loans	3,008	158	120	2,558	141	115
Total prior-year accruing TDRs	3,021	195	152	2,562	171	128
Total TDRs	6,084	\$ 491	\$ 399	5,184	\$ 398	\$ 317

(a) All TDRs that were restructured prior to January 1, 2018, and January 1, 2017, are fully accruing.

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 year ended December 31, 2018, there was one commercial loan TDR and 253 consumer loan TDRs with a combined recorded investment of \$11 million that experienced payment defaults after modifications resulting in TDR status during 2017. During the year ended December 31, 2017, there were no commercial loan TDRs and 147 consumer loan TDRs with a combined recorded investment of \$4 million that experienced payment defaults after modifications resulting in TDR status during 2016. During the year ended December 31, 2016, there were no commercial loan TDRs and 187 consumer loan TDRs with a combined recorded investment of \$9 million that experienced payment defaults after modifications resulting in TDR status during 2015.

ALLL and Liability for Credit Losses on Unfunded Lending-Related Commitments

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.”

The ALLL on the acquired non-impaired loan portfolio is estimated using the same methodology as the originated portfolio, however, the estimated ALLL is compared to the remaining accretable yield to determine if an ALLL must be recorded. For PCI loans, Key estimates cash flows expected to be collected quarterly. Decreases in expected cash flows are recognized as impairment through a provision for loan and lease losses and an increase in the ALLL. There was a benefit of \$2 million of provision for loan and lease losses on these PCI loans during the year ended December 31, 2018. There was \$3 million of provision for loan and lease losses on these PCI loans during the year ended December 31, 2017.

Table of Contents

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

<i>in millions</i>	December 31, 2017	Provision	Charge-offs	Recoveries	December 31, 2018
Commercial and industrial	\$ 529	\$ 125	\$ (159)	\$ 37	\$ 532
Real estate — commercial mortgage	133	27	(21)	3	142
Real estate — construction	30	1	—	2	33
Commercial lease financing	43	(2)	(10)	5	36
Total commercial loans	735	151	(190)	47	743
Real estate — residential mortgage	7	1	(3)	2	7
Home equity loans	43	2	(21)	11	35
Consumer direct loans	28	31	(36)	7	30
Credit cards	44	41	(44)	7	48
Consumer indirect loans	20	14	(30)	16	20
Total consumer loans	142	89	(134)	43	140
Total ALLL — continuing operations	877	240 ^(a)	(324)	90	883
Discontinued operations	16	8	(15)	5	14
Total ALLL — including discontinued operations	\$ 893	\$ 248	\$ (339)	\$ 95	\$ 897

(a) Excludes a provision for losses on lending-related commitments of \$6 million.

<i>in millions</i>	December 31, 2016	Provision	Charge-offs	Recoveries	December 31, 2017
Commercial and industrial	\$ 508	\$ 114	\$ (133)	\$ 40	\$ 529
Real estate — commercial mortgage	144	(2)	(11)	2	133
Real estate — construction	22	9	(2)	1	30
Commercial lease financing	42	9	(14)	6	43
Total commercial loans	716	130	(160)	49	735
Real estate — residential mortgage	17	(11)	(3)	4	7
Home equity loans	54	4	(30)	15	43
Consumer direct loans	24	32	(34)	6	28
Credit cards	38	45	(44)	5	44
Consumer indirect loans	9	27	(31)	15	20
Total consumer loans	142	97	(142)	45	142
Total ALLL — continuing operations	858	227 ^(a)	(302)	94	877
Discontinued operations	24	10	(26)	8	16
Total ALLL — including discontinued operations	\$ 882	\$ 237	\$ (328)	\$ 102	\$ 893

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

<i>in millions</i>	December 31, 2015	Provision	Charge-offs	Recoveries	December 31, 2016
Commercial and industrial	\$ 450	\$ 165	\$ (118)	\$ 11	\$ 508
Real estate — commercial mortgage	134	6	(5)	9	144
Real estate — construction	25	4	(9)	2	22
Commercial lease financing	47	4	(12)	3	42
Total commercial loans	656	179	(144)	25	716
Real estate — residential mortgage	18	2	(4)	1	17
Home equity loans	57	13	(30)	14	54
Consumer direct loans	20	26	(27)	5	24
Credit cards	32	37	(35)	4	38
Consumer indirect loans	13	10	(21)	7	9
Total consumer loans	140	88	(117)	31	142
Total ALLL — continuing operations	796	267 ^(a)	(261)	56	858
Discontinued operations	28	13	(28)	11	24
Total ALLL — including discontinued operations	\$ 824	\$ 280	\$ (289)	\$ 67	\$ 882

(a) Excludes a credit for losses on lending-related commitments of \$1 million.

Table of Contents

A breakdown of the individual and collective ALLL and the corresponding loan balances for the periods indicated are as follows:

in millions	December 31, 2018	Allowance			Loans	Outstanding								
		Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired		Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired						
Commercial and industrial	\$	5	\$	526	\$	1	\$	45,753	\$	162	\$	45,530	\$	61
Commercial real estate:														
Commercial mortgage		—		139		3		14,285		66		14,041		178
Construction		—		33		—		1,666		—		1,664		2
Total commercial real estate loans		—		172		3		15,951		66		15,705		180
Commercial lease financing		—		36		—		4,606		—		4,606		—
Total commercial loans		5		734		4		66,310		228		65,841		241
Real estate — residential mortgage		3		4		—		5,513		49		5,150		314
Home equity loans		8		26		1		11,142		127		10,998		17
Consumer direct loans		—		30		—		1,809		4		1,802		3
Credit cards		—		48		—		1,144		3		1,141		—
Consumer indirect loans		3		17		—		3,634		36		3,598		—
Total consumer loans		14		125		1		23,242		219		22,689		334
Total ALLL — continuing operations		19		859		5		89,552		447		88,530		575
Discontinued operations		2		12		—		1,073 ^(a)		23		1,050 ^(a)		—
Total ALLL — including discontinued operations	\$	21	\$	871	\$	5	\$	90,625	\$	470	\$	89,580	\$	575

(a) Amount includes \$2 million of loans carried at fair value that are excluded from ALLL consideration.

in millions	December 31, 2017	Allowance			Loans	Outstanding								
		Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired		Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Purchased Credit Impaired						
Commercial and industrial	\$	6	\$	520	\$	3	\$	41,859	\$	136	\$	41,640	\$	83
Commercial real estate:														
Commercial mortgage		—		131		2		14,088		12		13,828		248
Construction		—		30		—		1,960		—		1,934		26
Total commercial real estate loans		—		161		2		16,048		12		15,762		274
Commercial lease financing		—		43		—		4,826		—		4,826		—
Total commercial loans		6		724		5		62,733		148		62,228		357
Real estate — residential mortgage		5		2		—		5,483		49		5,079		355
Home equity loans		9		33		1		12,028		117		11,889		22
Consumer direct loans		—		28		—		1,794		4		1,786		4
Credit cards		—		44		—		1,106		2		1,104		—
Consumer indirect loans		3		17		—		3,261		34		3,227		—
Total consumer loans		17		124		1		23,672		206		23,085		381
Total ALLL — continuing operations		23		848		6		86,405		354		85,313		738
Discontinued operations		3		13		—		1,314 ^(a)		21		1,293 ^(a)		—
Total ALLL — including discontinued operations	\$	26	\$	861	\$	6	\$	87,719	\$	375	\$	86,606	\$	738

(a) Amount includes \$2 million of loans carried at fair value that are excluded from ALLL consideration.

The liability for credit losses inherent in lending-related unfunded commitments, such as letters of credit and unfunded loan commitments, is included in “accrued expense and other liabilities” on the balance sheet. We establish the amount of this reserve by considering both historical trends and current market conditions quarterly, or more often if deemed necessary.

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

Year ended December 31, in millions	2018		2017		2016	
Balance at beginning of period	\$	57	\$	55	\$	56
Provision (credit) for losses on lending-related commitments		6		2		(1)
Balance at end of period	\$	63	\$	57	\$	55

PCI Loans

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. Our policies for determining, recording payments on, and

derecognizing PCI loans are disclosed in Note 1 (Summary of Significant Accounting Policies) under the heading "Purchases Loans."

Table of Contents

We have PCI loans from two separate acquisitions, one in 2012 and one in 2016. The following tables present the rollforward of the accretable yield and the beginning and ending outstanding unpaid principal balance and carrying amount of all PCI loans for the for the periods indicated:

<i>in millions</i>	Twelve Months Ended December 31,					
	2018			2017		
	Accretable Yield	Carrying Amount	Outstanding Unpaid Principal Balance	Accretable Yield	Carrying Amount	Outstanding Unpaid Principal Balance
Balance at beginning of period	\$ 131	\$ 738	\$ 803	\$ 197	\$ 865	\$ 1,002
Additions	—			(32)		
Accretion	(42)			(44)		
Net reclassifications from non-accretable to accretable	50			15		
Payments received, net	(21)			(4)		
Disposals	—			(1)		
Loans charged off	(1)			—		
Balance at end of period	\$ 117	\$ 571	\$ 607	\$ 131	\$ 738	\$ 803

6. Fair Value Measurements

In accordance with GAAP, Key measures certain assets and liabilities at fair value. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in our principal market. 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."

Table of Contents

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present assets and liabilities measured at fair value on a recurring basis at December 31, 2018, and December 31, 2017.

<i>in millions</i>	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS								
Trading account assets:								
U.S. Treasury, agencies and corporations	— \$	578	— \$	578	— \$	615	— \$	615
States and political subdivisions	—	60	—	60	—	37	—	37
Other mortgage-backed securities	—	164	—	164	—	104	—	104
Other securities	—	22	—	22	—	65	—	65
Total trading account securities	—	824	—	824	—	821	—	821
Commercial loans	—	25	—	25	—	15	—	15
Total trading account assets	—	849	—	849	—	836	—	836
Securities available for sale:								
U.S. Treasury, agencies and corporations	—	147	—	147	—	157	—	157
States and political subdivisions	—	7	—	7	—	9	—	9
Agency residential collateralized mortgage obligations	—	13,962	—	13,962	—	14,660	—	14,660
Agency residential mortgage-backed securities	—	2,105	—	2,105	—	1,439	—	1,439
Agency commercial mortgage-backed securities	—	3,187	—	3,187	—	1,854	—	1,854
Other securities	—	— \$	20	20	—	— \$	20	20
Total securities available for sale	—	19,408	20	19,428	—	18,119	20	18,139
Other investments:								
Principal investments:								
Direct	—	—	1	1	—	—	13	13
Indirect (measured at NAV) ^(a)	—	—	—	96	—	—	—	124
Total principal investments	—	—	1	97	—	—	13	137
Equity investments:								
Direct	—	1	7	8	—	4	3	7
Direct (measured at NAV) ^(a)	—	—	—	1	—	—	—	—
Indirect (measured at NAV) ^(a)	—	—	—	9	—	—	—	—
Total equity investments	—	1	7	18	—	4	3	7
Total other investments	—	1	8	115	—	4	16	144
Loans, net of unearned income (residential)	—	—	3	3	—	—	2	2
Loans held for sale (residential)	—	54	—	54	—	70	1	71
Derivative assets:								
Interest rate	—	410	5	415	—	713	9	722
Foreign exchange	\$ 70	36	—	106	\$ 100	\$ 30	— \$	130
Commodity	—	333	—	333	—	255	—	255
Credit	—	1	—	1	—	—	1	1
Other	—	6	3	9	—	1	3	4
Derivative assets	70	786	8	864	100	999	13	1,112
Netting adjustments ^(b)	—	—	—	(333)	—	—	—	(443)
Total derivative assets	70	786	8	531	100	999	13	669
Total assets on a recurring basis at fair value	\$ 70	\$ 21,098	\$ 39	\$ 20,980	\$ 100	\$ 20,028	\$ 52	\$ 19,861
LIABILITIES MEASURED ON A RECURRING BASIS								
Bank notes and other short-term borrowings:								
Short positions	\$ 14	\$ 530	— \$	544	\$ 72	\$ 562	— \$	634
Derivative liabilities:								
Interest rate	—	297	—	297	—	520	—	520
Foreign exchange	58	37	—	95	98	26	—	124
Commodity	—	323	—	323	—	246	—	246
Credit	—	1	—	1	—	4	—	4
Other	—	7	—	7	—	13	—	13
Derivative liabilities	58	665	—	723	98	809	—	907
Netting adjustments ^(b)	—	—	—	(337)	—	—	—	(616)
Total derivative liabilities	58	665	—	386	98	809	—	291

Total liabilities on a recurring basis at fair value	\$	72	\$	1,195	—	\$	930	\$	170	\$	1,371	—	\$	925
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- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.
- (b) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.

[Table of Contents](#)

Qualitative Disclosures of Valuation Techniques

The following table describes the valuation techniques and significant inputs used to measure the classes of assets and liabilities reported at fair value on a recurring basis, as well as the classification of each within the valuation hierarchy.

Asset/liability class	Valuation technique	Valuation hierarchy classification(s)
Securities (trading account assets and available for sale)	<p>Fair value of level 1 securities is determined by:</p> <ul style="list-style-type: none"> Quoted market prices available in an active market for identical securities. This includes exchange-traded equity securities. <p>Fair value of level 2 securities is determined by:</p> <ul style="list-style-type: none"> Pricing models (either by a third party pricing service or internally). Inputs include: yields, benchmark securities, bids, 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. Observable market prices of similar securities. <p>Fair value of level 3 securities is determined by:</p> <ul style="list-style-type: none"> Internal models, principally discounted cash flow models (income approach). Revenue multiples of comparable public companies (market approach). <p>For level 3 securities, increases in the discount rate applied in the discounted cash flow models would negatively affect the fair value. Increases in valuation multiples of comparable companies would positively affect the fair value.</p> <p>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.</p>	Level 1, 2, and 3 (primarily Level 2)
Commercial loans (trading account assets)	<p>Fair value is based on:</p> <ul style="list-style-type: none"> Observable market price spreads for similar loans. Valuations reflect prices within the bid-ask spread that are most representative of fair value. 	Level 2
Principal investments (direct)	<p>Direct principal investments consist of equity and debt instruments of private companies made by our principal investing entities. Fair value is determined using:</p> <ul style="list-style-type: none"> Operating performance and market multiples of comparable businesses Other unique facts and circumstances related to each individual investment <p>Direct principal investments 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.</p> <p>We are in the process of winding down our direct principal investment portfolio. As of December 31, 2018, the balance is less than \$1 million.</p>	Level 3
Principal investments (indirect)	<p>Indirect principal 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 and qualify for the practical expedient 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).</p> <p>Indirect principal investments are also accounted for as investment companies, whereby each investment is adjusted to fair value with any net realized or unrealized gain/loss recorded in the current period's earnings.</p> <p>Under the provisions of the Volcker Rule, we are required to dispose or conform our indirect investments to the requirements of the statute by no later than July 21, 2022. As of December 31, 2018, we have not committed to a plan to sell these investments. Therefore, these investments continue to be valued using the net asset value per share methodology.</p>	NAV

The following table presents the fair value of our direct and indirect principal investments and related unfunded commitments at December 31, 2018, as well as financial support provided for the years ended December 31, 2018, and December 31, 2017.

Table of Contents

in millions	Financial support provided					
	Year ended December 31,					
	December 31, 2018		2018		2017	
	Fair Value	Unfunded Commitments	Funded Commitments	Funded Other	Funded Commitments	Funded Other
INVESTMENT TYPE						
Direct investments ^(a)	\$ 1	—	—	—	—	\$ —
Indirect investments ^(b)	96	\$ 26	\$ 1	—	\$ 1	—
Total	\$ 97	\$ 26	\$ 1	—	\$ 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. At December 31, 2018, no significant liquidation of the underlying investments has been communicated to Key. The purpose of funding our capital commitments to these investments is to allow the funds to make additional follow-on investments and pay fund expenses until the fund dissolves. We, and all other investors in the fund, are obligated to fund the full amount of our respective capital commitments to the fund based on our and their respective ownership percentages, as noted in the applicable Limited Partnership Agreement.

Asset/liability class	Valuation technique	Valuation hierarchy classification(s)
Other direct equity investments	<p>Fair value is determined using:</p> <ul style="list-style-type: none"> Discounted cash flows Operating performance and market/exit multiples of comparable businesses Other unique facts and circumstances related to each individual investment <p>For level 3 securities, increases in the discount rate applied in the discounted cash flow models would negatively affect the fair value. Increases in valuation multiples of comparable companies would positively affect the fair value. Level 2 investments reflect the price of recent investments, which is deemed representative of fair value.</p>	Level 2 and 3
Other direct and indirect equity investments (NAV)	Certain direct investments do not have readily determinable fair values and qualify for the practical expedient in the accounting guidance that allows us to estimate fair value based upon net asset value per share.	NAV
Loans held for sale and held for investment (residential)	<p>Residential mortgage loans held for sale are accounted for at fair value. Fair values are based on:</p> <ul style="list-style-type: none"> Quoted market prices, where available Prices for other traded mortgage loans with similar characteristics Purchase commitments and bid information received from market participants <p>Prices are adjusted as necessary to include:</p> <ul style="list-style-type: none"> The embedded servicing value in the loans The specific characteristics of certain loans that are priced based on the pricing of similar loans. (These adjustments represent unobservable inputs to the valuation but are not considered significant given the relative insensitivity of the value to changes in these inputs to the fair value of the loans.) <p>Residential loans held for investment: Certain residential loans held for sale contain salability exceptions that make them unable to be sold into the performing loan sales market. Loans in this category are transferred to the held to maturity loan portfolio and are included in "Loans, net of unearned income" on the balance sheet. This type of loan is classified as level 3 in the valuation hierarchy as transaction details regarding sales of this type of loan are often unavailable.</p> <p>Fair value is based upon:</p> <ul style="list-style-type: none"> Unobservable bid information from brokers and investors 	Level 1, 2 and 3 (primarily level 2)
Derivatives	<p>Exchange-traded derivatives are valued using quoted prices in active markets and, therefore, are classified as Level 1 instruments.</p> <p>The majority of our derivative positions are level 2 and are valued using internally developed models based on market convention and observable market inputs. These derivative contracts include interest rate swaps, certain options, floors, cross currency swaps, credit default swaps, and forward mortgage loan sale commitments. Significant inputs used in the valuation models include:</p> <ul style="list-style-type: none"> Interest rate curves Yield curves 	Level 1, 2, and 3 (primarily level 2)

- LIBOR and Overnight Index Swap (OIS) discount rates
- LIBOR and OIS curves, index pricing curves, foreign currency curves
- Volatility surfaces (a three-dimensional graph of implied volatility against strike price and maturity)
- Current prices for mortgage securities and investor supplied prices

Table of Contents

Asset/liability class	Valuation technique	Valuation hierarchy classification(s)
Derivatives (continued)	<p>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:</p> <ul style="list-style-type: none"> • Bond spreads and asset values <p>The unobservable internally derived assumptions include:</p> <ul style="list-style-type: none"> • Loss probabilities • Internal risk ratings of customers <p>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.</p> <p>We use interest rate lock commitments for our residential mortgage business, which are classified as Level 3 instruments. The significant components of the valuation model include:</p> <ul style="list-style-type: none"> • Interest rates observable in the market • Observable market prices for similar securities • The probability of the loan closing (i.e. the "pull-through" amount, a significant unobservable input). Increases in the probability of the loan closing would positively affect the fair value. <p>Valuation of residential mortgage forward sale commitments utilizes observable market prices of comparable commitments and mortgage securities (Level 2).</p>	Level 1, 2, and 3 (primarily level 2)
Liability for short positions	<p>This includes fixed income securities held by our broker dealer in its trading inventory. Fair value of level 1 securities is determined by:</p> <ul style="list-style-type: none"> • Quoted market prices available in an active market for identical securities <p>Fair value of level 2 securities is determined by:</p> <ul style="list-style-type: none"> • Observable market prices of similar securities • Market activity, spreads, credit ratings and interest rates for each security type 	Level 1 and 2

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. The credit component is determined by the individual counterparty based on the probability of default and considers master netting and collateral agreements.

We also 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 regularly validate the pricing methodologies of valuations derived from a 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 its 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

Table of Contents

analyze variances and conduct additional research with our third-party pricing service and take appropriate steps based on our findings.

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 years ended December 31, 2018, and December 31, 2017.

<i>in millions</i>	Beginning of Period Balance	Gains (Losses) included in comprehensive income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3 (e)	Transfers out of Level 3 (e)	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Year ended December 31, 2018											
Securities available for sale											
Other securities	\$ 20	—	—	—	—	—	—	—	—	\$ 20	—
Other investments											
Principal investments											
Direct	13	—	— \$ (1) ^(a)	\$ 5	\$ (16)	—	—	—	—	1	— ^(b)
Equity investments											
Direct	3	—	—	—	—	—	—	\$ 4	—	7	—
Loans held for sale	1	—	—	—	(1)	—	\$ (1)	1	—	—	—
Loans held for investment	2	—	—	—	—	—	1	—	—	3	—
Derivative instruments ^(b)											
Interest rate	9	—	(2) ^(a)	1	(2)	—	—	7 ^(f)	\$ (8) ^(f)	5	—
Credit	1	—	(31) ^(a)	—	—	\$ 30	—	—	—	—	—
Other ^(a)	3	—	—	—	—	—	—	—	—	3	—

<i>in millions</i>	Beginning of Period Balance	Gains (Losses) included in comprehensive income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3 (e)	Transfers out of Level 3 (e)	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Year ended December 31, 2017											
Securities available for sale											
Other securities	\$ 17	\$ 3	—	—	—	—	—	—	—	\$ 20	—
Other investments											
Principal investments											
Direct	27	—	— \$ (6) ^(a)	—	\$ (8)	—	—	—	—	13	\$ (1) ^(b)
Equity investments											
Direct	—	—	— ^(b)	—	—	—	—	\$ 3	—	3	— ^(b)
Loans held for sale	—	—	—	—	(3)	—	\$ 4	—	—	1	—
Loans held for investment	—	—	—	—	—	—	2	—	—	2	—
Derivative instruments ^(b)											
Interest rate	7	—	(2) ^(a)	\$ —	—	—	—	13 ^(f)	\$ (9) ^(f)	9	—
Credit	1	—	(16) ^(a)	—	—	\$ 16	—	—	—	1	—
Other ^(a)	2	—	—	—	—	—	\$ 1	—	—	3	—

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

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

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

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

(e) Our policy is to recognize transfers into and transfers out of Level 3 as of the end of the reporting period.

(f) 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.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value generally result from the application of accounting guidance that requires assets and liabilities to be recorded at the lower of cost or fair value, or assessed for impairment. There were no liabilities measured at fair value on a nonrecurring basis at December 31, 2018, and December 31, 2017. The following table presents our assets measured at fair value on a nonrecurring basis at December 31, 2018, and December 31, 2017:

<i>in millions</i>	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total

ASSETS MEASURED ON A NONRECURRING BASIS

Impaired loans and leases	—	—	\$ 42	\$ 42	—	—	\$ 9	\$ 9
Accrued income and other assets	—	—	16	16	—	\$ 5	133 ^(a)	138
Total assets on a nonrecurring basis at fair value	—	—	\$ 58	\$ 58	—	\$ 5	\$ 142	\$ 147

(a) At December 31, 2017, we recorded \$31 million of impairment related to \$119 million of LIHTC and Historic Tax Credit investments impacted by the enactment of the TCJ Act. Refer to the "LIHTC, HTC, and NMTC investments" section below for a description of the valuation technique and inputs applied for this fair value measurement.

[Table of Contents](#)

Qualitative Disclosures of Valuation Techniques

The following table describes the valuation techniques and significant inputs used to measure the significant classes of assets and liabilities reported at fair value on a nonrecurring basis, as well as the classification of each within the valuation hierarchy.

Asset/liability class	Valuation technique	Valuation hierarchy classification (s)
Impaired loans and leases	<p>Loans are evaluated for impairment on a quarterly basis; impairment typically occurs when there is evidence of a probable loss and the expected value of the loan is less than the contractual value of the loan. 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 based on recent sales of similar loans and collateral.</p> <p>Cash flow analysis considers internally developed inputs including:</p> <ul style="list-style-type: none"> • Discount rates • Default rates • Costs of foreclosure • Changes in collateral values <p>The fair value of the underlying 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.</p> <p>Impaired loans with a specifically allocated allowance based on a 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. We 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.</p>	Level 2 and 3
Commercial loans held for sale	<p>Through a quarterly analysis of our loan portfolios held for sale, which include both performing and nonperforming commercial loans, we determine any adjustments necessary to record the portfolios at the lower of cost or fair value in accordance with GAAP. Valuation inputs include:</p> <ul style="list-style-type: none"> • Non-binding bids for the respective loans or similar loans • Recent sales transactions • Internal models that emulate recent securitizations 	Level 2 and 3
Direct financing leases and operating lease assets held for sale	<p>Valuations of direct financing leases and operating lease assets held for sale are performed using an internal model that relies on market data, including:</p> <ul style="list-style-type: none"> • Swap rates and bond ratings • Our own assumptions about the exit market for the leases • Details about the individual leases in the portfolio <p>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 for which the sale is considered probable, may be classified as Level 2. The validity of these quotes is supported by historical and continued dealings with institutions that have fulfilled the nonbinding quote in the past.</p> <p>Valuations of lease and operating lease assets held for sale that employ our own assumptions are classified as Level 3 assets. Inputs utilized include changes in the value of leased items and internal credit ratings. In an inactive market, we value assets held for sale through discounted cash flows models that utilize the current buy rate as the discount rate. Buy rates are based on the credit premium inherent in the relevant bond index and the the appropriate swap rate on the measurement date.</p>	Level 2 and 3

Table of Contents

Asset/liability class	Valuation technique	Valuation hierarchy classification(s)
OREO and other repossessed personal property	<p>OREO and other repossessed properties are valued based on:</p> <ul style="list-style-type: none"> Appraisals and third-party price opinions, less estimated selling costs <p>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.</p> <p>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.</p>	Level 2 and 3
LIHTC, HTC, and NMTC investments	<p>LIHTC, HTC and NMTC operating partnerships are subject to quarterly impairment testing. This evaluation involves measuring the present value of future tax benefits and comparing that value against the current carrying value of the investment.</p> <p>Expected future tax benefit schedules are provided by the partnerships' general partners on a quarterly basis. These future benefits are discounted to their present value using discounted cash flow modeling that incorporates an appropriate risk premium. LIHTC and HTC investments are impaired when it is more likely than not that the carrying amount of the investment will not be realized. A primary driver of impairment in the fourth quarter of 2017 was the enactment of the TCJ Act, which reduced future depreciation tax benefits expected to be realized by certain LIHTC and HTC investments.</p>	Level 3
Other equity investments	<p>We have other investments in equity securities that do not have readily determinable fair values and do not qualify for the practical expedient to measure the investment using a net asset value per share. We have elected to measure these securities at cost less impairment plus or minus adjustments due to observable orderly transactions.</p> <p>Impairment is recorded when there is evidence that the expected fair value of the investment has declined to below the recorded cost. At each reporting period, we assess if these investments continue to qualify for this measurement alternative. At December 31, 2018, the carrying amount of equity investments recorded under this method was \$107 million. No impairment was recorded for the year ended December 31, 2018.</p>	Level 3
Mortgage Servicing Rights	Refer to Note 9. Mortgage Servicing Assets	Level 3

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 December 31, 2018, and December 31, 2017, along with the valuation techniques used, are shown in the following table:

Dollars in millions	December 31, 2018	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
Nonrecurring					
Impaired loans	\$	42	Fair value of underlying collateral	Discount	20.00 - 40.00% (21.00%)
Dollars in millions	December 31, 2017	Fair Value of Level 3 Assets	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)
Recurring					
Other investments — principal investments — direct:	\$	13	Individual analysis of the condition of each investment		
Debt instruments				EBITDA multiple	N/A (6.00)
Equity instruments of private companies				EBITDA multiple	N/A (6.00)
Nonrecurring					
Impaired loans	\$	9	Fair value of underlying collateral	Discount	0.00 - 50.00% (23.00%)

Fair Value Disclosures of Financial Instruments

The levels in the fair value hierarchy ascribed to our financial instruments and the related carrying amounts at December 31, 2018, and December 31, 2017, are shown in the following table.

Table of Contents

December 31, 2018

in millions	Carrying Amount	Fair Value					Netting Adjustment	Total
		Level 1	Level 2	Level 3	Measured at NAV			
ASSETS (by measurement category)								
Fair value - net income								
Trading account assets ^(b)	\$ 849	—	\$ 849	—	—	—	—	\$ 849
Other investments ^(b)	666	—	1	\$ 559	\$ 106	—	—	666
Loans, net of unearned income (residential) ^(d)	3	—	—	3	—	—	—	3
Loans held for sale (residential) ^(b)	54	—	54	—	—	—	—	54
Derivative assets - trading ^(b)	462	\$ 68	736	8	—	\$ (350) ^(f)	—	462
Fair value - OCI								
Securities available for sale ^(b)	19,428	—	19,408	20	—	—	—	19,428
Derivative assets - hedging ^{(b)(g)}	69	2	50	—	—	17 ^(f)	—	69
Amortized cost								
Held-to-maturity securities ^(c)	11,519	—	11,122	—	—	—	—	11,122
Loans, net of unearned income ^(d)	88,666	—	—	86,224	—	—	—	86,224
Loans held for sale ^(b)	1,173	—	—	1,173	—	—	—	1,173
Other								
Cash and short-term investments ^(a)	3,240	3,240	—	—	—	—	—	3,240
LIABILITIES (by measurement category)								
Fair value - net income								
Derivative liabilities - trading ^(b)	\$ 395	\$ 58	\$ 675	—	—	\$ (338) ^(f)	—	\$ 395
Fair value - OCI								
Derivative liabilities - hedging ^{(b)(g)}	(9)	—	(10)	—	—	1 ^(f)	—	(9)
Amortized cost								
Time deposits ^(d)	13,245	—	13,331	—	—	—	—	13,331
Short-term borrowings ^(a)	863	14	849	—	—	—	—	863
Long-term debt ^(e)	13,732	12,576	1,211	—	—	—	—	13,787
Other								
Deposits with no stated maturity ^(a)	94,064	—	94,064	—	—	—	—	94,064

December 31, 2017

in millions	Carrying Amount	Fair Value					Netting Adjustment	Total
		Level 1	Level 2	Level 3	Measured at NAV			
ASSETS (by measurement category)								
Fair value - net income								
Trading account assets ^(b)	\$ 836	—	\$ 836	—	—	—	—	\$ 836
Other investments ^(b)	726	—	4	\$ 598	\$ 124	—	—	726
Loans, net of unearned income (residential) ^(d)	2	—	—	2	—	—	—	2
Loans held for sale (residential) ^(b)	71	—	70	1	—	—	—	71
Derivative assets - trading ^(b)	681	\$ 99	918	13	—	\$ (349) ^(f)	—	681
Fair value - OCI								
Securities available for sale ^(b)	18,139	—	18,119	20	—	—	—	18,139
Derivative assets - hedging ^{(b)(g)}	(12)	1	81	—	—	(94) ^(f)	—	(12)
Amortized cost								
Held-to-maturity securities ^(c)	11,830	—	11,565	—	—	—	—	11,565
Loans, net of unearned income ^(d)	85,526	—	—	84,003	—	—	—	84,003
Loans held for sale ^(b)	1,036	—	—	1,036	—	—	—	1,036
Other								
Cash and short-term investments ^(a)	5,118	5,118	—	—	—	—	—	5,118
LIABILITIES (by measurement category)								
Fair value - net income								
Derivative liabilities - trading ^(b)	\$ 289	\$ 94	\$ 763	—	—	\$ (568) ^(f)	—	\$ 289
Fair value - OCI								
Derivative liabilities - hedging ^{(b)(g)}	2	4	46	—	—	(48) ^(f)	—	2
Amortized cost								
Time deposits ^(d)	11,647	—	11,750	—	—	—	—	11,750

Short-term borrowings ^(a)	1,011	72	939	—	—	—	1,011
Long-term debt ^(a)	14,333	13,407 \$	1,219	—	—	—	14,626
Other							
Deposits with no stated maturity ^(a)	93,588	—	93,588	—	—	—	93,588

Table of Contents

Valuation Methods and Assumptions

- (a) Fair value equals or approximates carrying amount. The fair value of deposits with no stated maturity does not take into consideration the value ascribed to core deposit intangibles.
- (b) Information pertaining to our methodology for measuring the fair values of these assets and liabilities is included in the sections entitled "Qualitative Disclosures of Valuation Techniques" and "Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis" in this Note. Investments accounted for under the cost method (or cost less impairment adjusted for observable price changes for certain equity investments) are classified as Level 3 assets. These investments are not actively traded in an open market as sales for these types of investments are rare. The carrying amount of the investments carried at cost are adjusted for declines in value if they are considered to be other than temporary (or due to observable orderly transactions of the same issuer for equity investments eligible for the cost less impairment measurement alternative). These adjustments are included in "other income" on the income statement.
- (c) Fair values of held-to-maturity securities are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, interest rate spreads on relevant benchmark securities, and certain prepayment assumptions. We review the valuations derived from the models to ensure that they are reasonable and consistent with the values placed on similar securities traded in the secondary markets.
- (d) The fair value of loans is based on the present value of the expected cash flows. The projected cash flows are based on the contractual terms of the loans, adjusted for prepayments and use of a discount rate based on the relative risk of the cash flows, taking into account the loan type, maturity of the loan, liquidity risk, servicing costs, and a required return on debt and capital. In addition, an incremental liquidity discount is applied to certain loans, using historical sales of loans during periods of similar economic conditions as a benchmark. The fair value of loans includes lease financing receivables at their aggregate carrying amount, which is equivalent to their fair value.
- (e) Fair values of time deposits and long-term debt are based on discounted cash flows utilizing relevant market inputs.
- (f) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. The net basis takes into account the impact of bilateral collateral and master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Total derivative assets and liabilities include these netting adjustments.
- (g) Derivative assets-hedging and derivative liabilities-hedging includes both cash flow and fair value hedges. Additional information regarding our accounting policies for cash flow and fair value hedges is provided in Note 1 ("Summary of Significant Accounting Policies") under the heading "Derivatives and Hedging."

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 2017 and 2018, the fair values of our loan portfolios generally remained stable, primarily due to sustained liquidity in the loan markets. If we were to use different assumptions, the fair values shown in the preceding table could change. Also, because the applicable accounting guidance for financial instruments excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements, the fair value amounts shown in the table above do not, by themselves, represent the underlying value of our company as a whole.

Education lending business. The discontinued education lending business consists of loans in portfolio recorded at carrying value with appropriate valuation reserves and loans in portfolio recorded at fair value. 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. All of these loans were excluded from the table above as follows:

- Loans at carrying value, net of allowance, of \$1.1 billion (\$0.9 billion at fair value) at December 31, 2018, and \$1.3 billion (\$1.1 billion at fair value) at December 31, 2017; and
- Portfolio loans at fair value of \$2 million at December 31, 2018, and \$2 million at December 31, 2017.

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.

7. 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.

December 31, in millions	2018				2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SECURITIES AVAILABLE FOR SALE								
U.S. Treasury, Agencies, and Corporations	\$ 150	—	\$ 3	\$ 147	\$ 159	—	\$ 2	\$ 157
States and political subdivisions	7	—	—	7	9	—	—	9
Agency residential collateralized mortgage obligations	14,315	\$ 20	373	13,962	14,985	\$ 10	335	14,660
Agency residential mortgage-backed securities	2,128	13	36	2,105	1,456	3	20	1,439
Agency commercial mortgage-backed securities	3,300	19	132	3,187	1,920	—	66	1,854
Other securities	17	3	—	20	17	3	—	20
Total securities available for sale	\$ 19,917	\$ 55	\$ 544	\$ 19,428	\$ 18,546	\$ 16	\$ 423	\$ 18,139
HELD-TO-MATURITY SECURITIES								
Agency residential collateralized mortgage obligations	\$ 7,021	2	\$ 254	\$ 6,769	\$ 8,055	—	\$ 224	\$ 7,831
Agency residential mortgage-backed securities	490	—	14	476	574	1	4	571
Agency commercial mortgage-backed securities	3,996	2	133	3,865	3,186	6	44	3,148
Other securities	12	—	—	12	15	—	—	15
Total held-to-maturity securities	\$ 11,519	\$ 4	\$ 401	\$ 11,122	\$ 11,830	\$ 7	\$ 272	\$ 11,565

Table of Contents

The following table summarizes our securities that were in an unrealized loss position as of December 31, 2018, and December 31, 2017:

<i>in millions</i>	Duration of Unrealized Loss Position					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018						
Securities available for sale:						
U.S. Treasury, Agencies, and Corporations	—	—	\$ 147	\$ 3	\$ 147	\$ 3
Agency residential collateralized mortgage obligations	\$ 570	\$ 2	10,945	371	11,515	373
Agency residential mortgage-backed securities	4	— ^(a)	1,087	36	1,091	36
Agency commercial mortgage-backed securities	—	—	1,729	132	1,729	132
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	—	—	6,416	254	6,416	254
Agency residential mortgage-backed securities	—	—	475	14	475	14
Agency commercial mortgage-backed securities	73	— ^(a)	3,359	133	3,432	133
Other securities	—	—	—	—	—	—
Total temporarily impaired securities	\$ 647	\$ 2	\$ 24,158	\$ 943	\$ 24,805	\$ 945
December 31, 2017						
Securities available for sale:						
U.S. Treasury, Agencies, and Corporations	\$ 41	— ^(b)	116	\$ 2	\$ 157	\$ 2
Agency residential collateralized mortgage obligations	6,153	\$ 74	\$ 7,270	261	13,423	335
Agency residential mortgage-backed securities	666	7	702	13	1,368	20
Agency commercial mortgage-backed securities	205	4	1,649	62	1,854	66
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	2,201	27	5,599	197	7,800	224
Agency residential mortgage-backed securities	252	1	206	3	458	4
Agency commercial mortgage-backed securities	1,470	12	495	32	1,965	44
Other securities	3	— ^(b)	4	— ^(b)	7	—
Total temporarily impaired securities	\$ 10,991	\$ 125	\$ 16,041	\$ 570	\$ 27,032	\$ 695

(a) At December 31, 2018, gross unrealized losses totaled less than \$1 million for agency residential mortgage-backed securities available for sale with a loss duration of less than 12 months and less than \$1 million for agency commercial mortgage-backed securities held-to-maturity with a loss duration of less than 12 months.

(b) At December 31, 2017, gross unrealized losses totaled less than \$1 million for U.S. Treasury, Agencies, and Corporations available for sale with a loss duration of less than 12 months and less than \$1 million for other securities held-to-maturity with a loss duration of less than and greater than 12 months.

At December 31, 2018, we had \$373 million of gross unrealized losses related to 450 fixed-rate agency residential CMOs that we invested in as part of our overall A/LM strategy. These securities had a weighted-average maturity of 4.83 years at December 31, 2018. At December 31, 2018, we also had \$36 million of gross unrealized losses related to 252 agency residential mortgage-backed securities positions and \$132 million of gross unrealized losses related to 14 agency commercial mortgage-backed securities positions with weighted-average maturities of 3.87 years and 4.12 years, respectively, at December 31, 2018. Because these securities have a fixed interest rate, their fair value is sensitive to movements in market interest rates. These unrealized losses are considered temporary since we expect to collect all contractually due amounts from these securities. Accordingly, these investments were reduced to their fair value through OCI, not earnings.

We regularly assess our securities portfolio for OTTI. The assessments are based on the nature of the securities, the underlying collateral, the financial condition of the issuer, the extent and duration of the loss, our intent related to the individual securities, and the likelihood that we will have to sell securities prior to expected recovery. We did not have any impairment losses recognized in earnings for the year ended December 31, 2018.

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

<i>Year ended December 31,</i> <i>in millions</i>	2018 ^(a)	2017 ^(b)	2016 ^(a)
Realized gains	—	\$ 1	—
Realized losses	—	—	—
Net securities gains (losses)	—	\$ 1	—

- (a) Realized losses totaled less than \$1 million for the year ended December 31, 2018, and December 31, 2016.
- (b) Realized losses totaled less than \$1 million for the year ended December 31, 2017.

At December 31, 2018, securities available-for-sale and held-to-maturity securities totaling \$9.0 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.

[Table of Contents](#)

The following table shows securities by remaining maturity. CMOs and other mortgage-backed securities in the available-for-sale and held-to-maturity portfolios 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.

<i>in millions</i>	December 31, 2018	Securities Available for Sale		Held-to-Maturity Securities	
		Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$	116	\$ 116	\$ 36	\$ 36
Due after one through five years		12,298	11,949	6,402	6,210
Due after five through ten years		7,492	7,352	5,081	4,876
Due after ten years		11	11	—	—
Total	\$	19,917	\$ 19,428	\$ 11,519	\$ 11,122

8. Derivatives and Hedging Activities

We are a party to various derivative instruments, mainly through our subsidiary, KeyBank. The primary derivatives that we use are interest rate swaps, caps, floors, forwards and futures; foreign exchange contracts; commodity derivatives; and credit derivatives. These instruments help us manage exposure to interest rate risk, mitigate the credit risk inherent in our loan portfolio, hedge against changes in foreign currency exchange rates, and meet client financing and hedging needs. As further discussed in this note:

- interest rate risk is the risk 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.

At December 31, 2018, after taking into account the effects of bilateral collateral and master netting agreements, we had \$69 million of derivative assets and a positive \$9 million of derivative liabilities that relate to contracts entered into for hedging purposes. 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 \$462 million and derivative liabilities of \$395 million that were not designated as hedging instruments. These positions are primarily comprised of derivative contracts entered into for client accommodation purposes.

Additional information regarding our accounting policies for derivatives is provided in Note 1 ("Summary of Significant Accounting Policies") under the heading "Derivatives and Hedging."

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 and the associated interest rates tied to each instrument. In addition, differences in the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities cause net interest income and the EVE to fluctuate. We utilize derivatives that have been designated as part of a hedge relationship in accordance with the applicable accounting guidance to manage net interest income and EVE to within our stated risk tolerances. The primary derivative instruments used to manage interest rate risk are interest rate swaps.

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

Table of Contents

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.

We designate interest rate floors as cash flow hedges. Interest rate floors also reduce the potential adverse effect of interest rate decreases on future interest income. We receive interest payments when the strike price specified in the contracts falls below a reference rate in exchange for an upfront premium.

We 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.

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

We may 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 December 31, 2018, 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 protection through 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. We purchase credit default swaps to reduce the credit risk associated with the debt securities held in our trading portfolio.

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 option contracts entered into to accommodate the needs of clients;
- foreign exchange forward and option contracts entered into primarily to accommodate the needs of clients; and
- 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.

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 December 31, 2018, and December 31, 2017. The change in the notional amounts of these derivatives by type from December 31, 2017, to December 31, 2018, indicates the volume of our derivative transaction activity during 2018. 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 “accrued income and other assets” or “accrued expenses and other liabilities” on the balance sheet, as indicated in the following table:

Table of Contents

in millions	December 31, 2018			December 31, 2017		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate	\$ 28,546	\$ 50	\$ (10)	\$ 26,176	\$ 81	\$ 46
Foreign exchange	122	2	—	302	1	4
Total	28,668	52	(10)	26,478	82	50
Derivatives not designated as hedging instruments:						
Interest rate	63,454	365	307	61,390	641	474
Foreign exchange	6,829	104	95	8,317	129	120
Commodity	2,002	333	323	1,687	255	246
Credit	226	1	1	315	1	4
Other ^(a)	1,466	9	7	2,006	4	13
Total	73,977	812	733	73,715	1,030	857
Netting adjustments ^(b)	—	(333)	(337)	—	(443)	(616)
Net derivatives in the balance sheet	102,645	531	386	100,193	669	291
Other collateral ^(c)	—	(2)	(33)	—	(5)	(84)
Net derivative amounts	\$ 102,645	\$ 529	\$ 353	\$ 100,193	\$ 664	\$ 207

- (a) Other derivatives include interest rate lock commitments and forward sale commitments related to our residential mortgage banking activities, forward purchase and sales contracts consisting of contractual commitments associated with "to be announced" securities and when issued securities, and when-issued security transactions in connection with an "at-the-market" equity offering program.
- (b) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance.
- (c) 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. During the year ended December 31, 2018, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness.

The following table summarizes the amounts that were recorded on the balance sheet as of December 31, 2018, related to cumulative basis adjustments for fair value hedges.

in millions	December 31, 2018		
	Balance sheet line item in which the hedge item is included	Carrying amount of hedged item ^(a)	Hedge accounting basis adjustment ^(b)
Interest rate contracts	Long-term debt	\$ 9,363	\$ (6)
Interest rate contracts	Certificate of deposit (\$100,000 or more)	343	(1)
Interest rate contracts	Other time deposits	178	—

- (a) The carrying amount represents the portion of the liability designated as the hedged item.
- (b) Basis adjustment includes \$10 million related to de-designated hedged items no longer in qualifying fair value hedging relationships.

Cash flow hedges. During the year ended December 31, 2018, we did not exclude any portion of these hedging instruments from the assessment of hedge effectiveness.

Considering the interest rates, yield curves, and notional amounts as of December 31, 2018, we would expect to reclassify an estimated \$38 million of after-tax net gains on derivative instruments from AOCI to income during the next 12 months for our cash flow hedges. In addition, we expect to reclassify approximately \$31 million of net losses related to terminated cash flow hedges from AOCI to income during the next 12 months. As of December 31, 2018, the maximum length of time over which we hedge forecasted transactions is 10 years.

The following tables summarize the effect of fair value and cash flow hedge accounting on the income statement for the years ended December 31, 2018, December 31, 2017, and December 31, 2016.

Table of Contents

<i>in millions</i>	Location and amount of net gains (losses) recognized in income on fair value and cash flow hedging relationships ^(a)				
	Interest expense – long-term debt	Interest income – loans	Investment banking and debt placement fees	Interest expense – deposits	Other income
Year ended December 31, 2018					
Total amounts presented in the consolidated statement of income	\$ (420)	\$ 4,023	\$ 650	\$ (517)	\$ 176
Net gains (losses) on fair value hedging relationships					
Interest contracts					
Recognized on hedged items	(5)	—	—	1	—
Recognized on derivatives designated as hedging instruments	(12)	—	—	—	—
Net income (expense) recognized on fair value hedges	(17)	—	—	1	—
Net gain (loss) on cash flow hedging relationships					
Interest contracts					
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	(2)	(68)	2	—	31
Net income (expense) recognized on cash flow hedges	\$ (2)	\$ (68)	\$ 2	—	\$ 31
Year ended December 31, 2017					
Total amounts presented in the consolidated statement of income	\$ (319)	\$ 3,677	\$ 603	\$ (278)	\$ 153
Net gains (losses) on fair value hedging relationships					
Interest contracts					
Recognized on hedged items	—	—	—	—	107
Recognized on derivatives designated as hedging instruments	49	—	—	—	(103)
Net income (expense) recognized on fair value hedges	\$ 49	—	—	—	\$ 4
Net gain (loss) on cash flow hedging relationships					
Interest contracts					
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	\$ (4)	\$ 19	—	—	—
Gains (losses) (before tax) recognized in income for hedge ineffectiveness	—	—	—	—	—
Net income (expense) recognized on cash flow hedges	\$ (4)	\$ 19	—	—	—
Year ended December 31, 2016					
Total amounts presented in the consolidated statement of income	\$ (218)	\$ 2,773	\$ 482	\$ (171)	\$ 114
Net gains (losses) on fair value hedging relationships					
Interest contracts					
Recognized on hedged items	—	—	—	—	97
Recognized on derivatives designated as hedging instruments	96	—	—	—	(95)
Net income (expense) recognized on fair value hedges	96	—	—	—	2
Net gain (loss) on cash flow hedging relationships					
Interest contracts					
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	(4)	85	—	—	—
Gains (losses) (before tax) recognized in income for hedge ineffectiveness	—	—	—	—	—
Net income (expense) recognized on cash flow hedges	\$ (4)	\$ 85	—	—	—

(a) Prior period gain or loss amounts were not restated to conform to the new hedge accounting guidance adopted in 2018.

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. At December 31, 2018, AOCI reflected unrecognized after-tax gains totaling \$27 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. We did not exclude any portion of our hedging instruments from the assessment of hedge effectiveness during the year ended December 31, 2018.

The following table summarizes the pre-tax net gains (losses) on our cash flow and net investment hedges for the years ended December 31, 2018, December 31, 2017, and December 31, 2016, and where they are recorded on the income statement. The table includes net gains (losses) recognized in OCI during the period and net gains (losses) reclassified from OCI into income during the current period.

Table of Contents

<i>in millions</i>	Net Gains (Losses) Recognized in OCI	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income	Net Gains (Losses) Reclassified From OCI Into Income ^(a)	Net Gains (Losses) Recognized in Other Income (a)
Year ended December 31, 2018				
Cash Flow Hedges				
Interest rate	\$ (13)	Interest income — Loans	\$ (68)	\$ —
Interest rate	2	Interest expense — Long-term debt	(2)	—
Interest rate	1	Investment banking and debt placement fees	2	—
Net Investment Hedges				
Foreign exchange contracts	19	Other Income	31	—
Total	<u>\$ 9</u>		<u>\$ (37)</u>	<u>\$ —</u>
Year ended December 31, 2017				
Cash Flow Hedges				
Interest rate	\$ (59)	Interest income — Loans	19	\$ —
Interest rate	—	Interest expense — Long-term debt	(4)	—
Interest rate	(1)	Investment banking and debt placement fees	—	—
Net Investment Hedges				
Foreign exchange contracts	(17)	Other Income	—	—
Total	<u>\$ (77)</u>		<u>\$ 15</u>	<u>\$ —</u>
Year ended December 31, 2016				
Cash Flow Hedges				
Interest rate	\$ 29	Interest income — Loans	85	\$ —
Interest rate	—	Interest expense — Long-term debt	(4)	—
Interest rate	1	Investment banking and debt placement fees	—	—
Net Investment Hedges				
Foreign exchange contracts	(2)	Other Income	—	—
Total	<u>\$ 28</u>		<u>\$ 81</u>	<u>\$ —</u>

(a) Prior period gain or loss amounts were not restated to conform to the new hedge accounting guidance adopted in 2018.

Nonhedging instruments.

The following table summarizes the pre-tax net gains (losses) on our derivatives that are not designated as hedging instruments for the years ended December 31, 2018, December 31, 2017, and December 31, 2016, and where they are recorded on the income statement.

Year ended December 31, <i>in millions</i>	2018				2017				2016			
	Corporate Services Income	Consumer Mortgage Income	Other Income	Total	Corporate Services Income	Consumer Mortgage Income	Other Income	Total	Corporate Services Income	Consumer Mortgage Income	Other Income	Total
NET GAINS (LOSSES)												
Interest rate	\$ 38	—	\$ (1)	\$ 37	\$ 29	—	\$ (1)	\$ 28	\$ 30	—	\$ 1	\$ 31
Foreign exchange	42	—	—	42	41	—	—	41	40	—	—	40
Commodity	8	—	—	8	6	—	—	6	4	—	—	4
Credit	2	—	(30)	(28)	2	—	(21)	(19)	1	—	(16)	(15)
Other	—	\$ (1)	12	11	—	\$ (1)	(6)	(7)	—	\$ 1	—	1
Total net gains (losses)	<u>\$ 90</u>	<u>\$ (1)</u>	<u>\$ (19)</u>	<u>\$ 70</u>	<u>\$ 78</u>	<u>\$ (1)</u>	<u>\$ (28)</u>	<u>\$ 49</u>	<u>\$ 75</u>	<u>\$ 1</u>	<u>\$ (15)</u>	<u>\$ 61</u>

Counterparty Credit Risk

We use several means to mitigate and manage exposure to credit risk on derivative contracts. We 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 hold collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or GNMA. Cash collateral netted against derivative assets on the balance sheet totaled \$33 million at December 31, 2018, and \$23 million at December 31, 2017. The cash collateral netted against derivative liabilities totaled \$37 million at December 31, 2018, and \$150 million at December 31, 2017.

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.

Table of Contents

December 31,
in millions

	2018	2017
Interest rate	\$ 308	\$ 401
Foreign exchange	60	77
Commodity	187	163
Credit	—	1
Other	9	4
Derivative assets before collateral	564	646
Less: Related collateral	33	(23)
Total derivative assets	\$ 531	\$ 669

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 are primarily high dollar volume. We enter into bilateral collateral and master netting agreements with these counterparties. We clear certain types of derivative transactions with these counterparties, whereby central clearing organizations become the counterparties to our derivative contracts. In addition, we enter into derivative contracts through swap execution facilities. Swap clearing and swap execution facilities reduce our exposure to counterparty credit risk. At December 31, 2018, we had gross exposure of \$382 million to broker-dealers and banks. We had net exposure of \$241 million after the application of master netting agreements and cash collateral, where such qualifying agreements exist. We had net exposure of \$237 million after considering \$4 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 primarily low dollar volume. We 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 typically 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 "accrued income and other assets") in the amount of \$4 million at December 31, 2018, which we estimate to be the potential future losses on amounts due from client counterparties in the event of default. At December 31, 2018, we had gross exposure of \$345 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 \$290 million on our derivatives with these counterparties after the application of master netting agreements, collateral, and the related reserve.

Credit Derivatives

We are a buyer and, under limited circumstances, may be a seller of credit protection through the credit derivative market. We purchase credit derivatives to manage the credit risk associated with specific commercial lending and swap obligations as well as exposures to debt securities. Our credit derivative portfolio was in a net liability position of less than \$1 million as of December 31, 2018 and \$3 million as of December 31, 2017.

Our credit derivative portfolio consists of the following:

- *Single-name credit default swap:* A bilateral contract 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.
- *Traded credit default swap index:* Represents a position on a basket or portfolio of reference entities.
- *Risk participation agreement:* A transaction in which 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

Table of Contents

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 December 31, 2018, and December 31, 2017. 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.

December 31, dollars in millions	2018			2017		
	Notional Amount	Average Term (Years)	Payment / Performance Risk	Notional Amount	Average Term (Years)	Payment / Performance Risk
Other	\$ 22	13.43	17.18%	\$ 15	3.08	6.64%
Total credit derivatives sold	<u>\$ 22</u>	—	—	<u>\$ 15</u>	—	—

Credit Risk Contingent Features

We have entered into certain derivative contracts that require us to post collateral to the counterparties when these contracts are in a net liability position. The amount of collateral to be posted is based on the amount of the net liability and thresholds generally related to our long-term senior unsecured credit ratings with Moody's and S&P. Collateral requirements also are based on minimum transfer amounts, which are specific to each Credit Support Annex (a component of the ISDA Master Agreement) that we have signed with the counterparties. In a limited number of instances, counterparties have the right to terminate their ISDA Master Agreements with us if our ratings fall below a certain level, usually investment-grade level (i.e., "Baa3" for Moody's and "BBB-" for S&P). At December 31, 2018, KeyBank's rating was "A3" with Moody's and "A-" with S&P, and KeyCorp's rating was "Baa1" with Moody's and "BBB+" with S&P. As of December 31, 2018, 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 \$66 million, which includes \$80 million in derivative assets and \$146 million in derivative liabilities. We had \$55 million in cash and securities collateral posted to cover those positions as of December 31, 2018. There were no derivative contracts with credit risk contingent features held by KeyCorp at December 31, 2018.

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 December 31, 2018, and December 31, 2017. The additional collateral amounts were calculated based on scenarios under which KeyBank's ratings are downgraded one, two, or three ratings as of December 31, 2018, and December 31, 2017, and take into account all collateral already posted. A similar calculation was performed for KeyCorp, and no additional collateral would have been required at December 31, 2018, or December 31, 2017.

December 31, in millions	2018		2017	
	Moody's	S&P	Moody's	S&P
KeyBank's long-term senior unsecured credit ratings	A3	A-	A3	A-
One rating downgrade	\$ 2	\$ 2	\$ 2	\$ 2
Two rating downgrades	2	2	2	2
Three rating downgrades	2	2	2	2

KeyBank's long-term senior unsecured credit rating was four ratings above noninvestment grade at Moody's and S&P as of December 31, 2018, and December 31, 2017. If KeyBank's ratings had been downgraded below investment grade as of December 31, 2018, and December 31, 2017, payments of up to \$4 million and \$12 million, respectively, 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 December 31, 2018, and December 31, 2017, no payments would have

[Table of Contents](#)

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.

9. Mortgage Servicing Assets

We originate and periodically sell commercial and residential mortgage loans but continue to service those loans for the buyers. We also may purchase the right to service commercial mortgage loans 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. 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."

Commercial

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

Year ended December 31, in millions	2018		2017	
Balance at beginning of period	\$	412	\$	356
Servicing retained from loan sales		117		110
Purchases		75		36
Amortization		(102)		(90)
Balance at end of period	\$	502	\$	412
Fair value at end of period	\$	757	\$	537

The fair value of commercial mortgage servicing assets is determined by calculating the present value of future cash flows associated with servicing the commercial mortgage 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 commercial mortgage servicing assets at December 31, 2018, and December 31, 2017, along with the valuation techniques, are shown in the following table:

dollars in millions		December 31, 2018	December 31, 2017
Valuation Technique	Significant Unobservable Input	Range (Weighted-Average)	
Discounted cash flow	Expected defaults	1.00 - 2.00% (1.14%)	
	Residual cash flows discount rate	7.00 - 15.00% (9.18%)	
	Escrow earn rate	2.56 - 4.20% (3.35%)	
	Loan assumption rate	0.00 - 3.22% (1.35%)	
		1.00 - 3.00%	(1.20%)
		7.00 - 15.00%	(9.10%)
		.90 - 3.10%	(2.50%)
		0.00 - 3.00%	(1.22%)

If these economic assumptions change or prove incorrect, the fair value of commercial mortgage servicing assets may also change. Expected credit losses, escrow earn rates, and discount rates are critical to the valuation of commercial mortgage servicing assets. Estimates of these assumptions are based on how a market participant would view the respective rates and reflect historical data associated with the commercial mortgage loans, industry trends, and other considerations. Actual rates may differ from those estimated due to changes in a variety of economic factors. A decrease in the value assigned to the escrow earn rates would cause a decrease in the fair value of our commercial mortgage servicing assets. An increase in the assumed default rates of commercial mortgage loans or an increase in the assigned discount rates would cause a decrease in the fair value of our commercial mortgage servicing assets. Prepayment activity on commercial serviced loans does not significantly impact the valuation of our commercial mortgage servicing assets. Unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions impacting the borrower's ability to prepay the mortgage.

The amortization of commercial mortgage servicing assets for each period, as shown in the table at the beginning of this note, is recorded as a reduction to contractual fee income. The contractual fee income from servicing commercial mortgage loans totaled \$171 million for the year ended December 31, 2018, \$150 million for the year ended December 31, 2017, and \$139 million for the year ended December 31, 2016. This fee income was partially offset by \$102 million of amortization for the year ended December 31, 2018, \$90 million for the year ended December 31, 2017, and \$87 million for the year ended December 31, 2016. Both the contractual fee income and the amortization are recorded, net, in "mortgage servicing fees" on the income statement.

Table of Contents

Residential

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

<i>in millions</i>	2018		2017	
Balance at beginning of period	\$	31		28
Servicing retained from loan sales		10	\$	7
Purchases		—		—
Amortization		(4)		(4)
Balance at end of period	\$	37	\$	31
Fair value at end of period	\$	52	\$	37

The fair value of residential mortgage servicing assets is determined by calculating the present value of future cash flows associated with servicing the residential mortgage 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 residential mortgage servicing assets at December 31, 2018, along with the valuation techniques, are shown in the following table:

Valuation Technique	Significant Unobservable Input	December 31, 2018		December 31, 2017	
		Range (Weighted-Average)		Range (Weighted-Average)	
Discounted cash flow	Prepayment speed	8.45 - 56.11% (9.08%)		9.16 - 51.52% (10.46%)	
	Discount rate	7.50 - 10.00% (7.54%)		8.50 - 11.00% (8.54%)	
	Servicing cost	\$62 - \$5,125 (\$68.25)		\$76 - \$4,385 (\$83.11)	

If these economic assumptions change or prove incorrect, the fair value of residential mortgage servicing assets may also change. Prepayment speed, discount rates, and servicing cost are critical to the valuation of residential mortgage servicing assets. Estimates of these assumptions are based on how a market participant would view the respective rates and reflect historical data associated with the residential mortgage loans, industry trends, and other considerations. Actual rates may differ from those estimated due to changes in a variety of economic factors. An increase in the prepayment speed would cause a negative impact on the fair value of our residential mortgage servicing assets. An increase in the assigned discount rates and servicing cost assumptions would cause a decrease in the fair value of our residential mortgage servicing assets.

The amortization of residential mortgage servicing assets for December 31, 2018, as shown in the table above, is recorded as a reduction to contractual fee income. The contractual fee income from servicing residential mortgage loans totaled \$14 million for the year ended December 31, 2018. This fee income was offset by \$4 million of amortization for the year ended December 31, 2018. Both the contractual fee income and the amortization are recorded, net, in "mortgage servicing fees" on the income statement.

10. Premises and Equipment

Premises and equipment at December 31, 2018, and December 31, 2017, consisted of the following:

<i>dollars in millions</i>	Useful life (in years)	December 31,	
		2018	2017
Land	Indefinite	\$ 135	\$ 138
Buildings and improvements	15-40	747	741
Leasehold improvements	1-15	626	633
Furniture and equipment	2-15	907	931
Capitalized building leases	1-14 ^(a)	28	27
Construction in process	N/A	35	38
Total premises and equipment		2,478	2,508
Less: Accumulated depreciation and amortization		(1,596)	(1,578)
Premises and equipment, net		\$ 882	\$ 930

(a) Capitalized building and equipment leases are amortized over the lesser of the useful life of asset or lease term.

Depreciation and amortization expense related to premises and equipment for the years ended December 31, 2018, December 31, 2017, and December 31, 2016 was \$129 million, \$138 million, and \$123 million, respectively. This includes amortization of assets under capital leases.

11. Goodwill and Other Intangible Assets

Our annual goodwill impairment testing is performed as of October 1 each year, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. Additional information pertaining to our accounting policy for goodwill and other intangible assets is summarized in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Goodwill and Other Intangible Assets.”

We conducted a qualitative analysis as of October 1, 2018 and concluded that it was not more likely than not that the fair values of our reporting units were less than their respective carrying values. As such, goodwill was not impaired.

During the most recent quantitative assessment in 2017, we determined that the estimated fair value of the Key Community Bank unit was 48% greater than its carrying amount and the estimated fair value of the Key Corporate Bank unit was 39% greater than its carrying amount. The carrying amounts of the Key Community Bank and Key Corporate Bank units represent the average equity based on risk-weighted regulatory capital for goodwill impairment testing and management reporting purposes.

Based on our quarterly review of impairment indicators during 2018 and 2017, it was not necessary to perform further reviews of goodwill recorded in our Key Community Bank or Key Corporate Bank units. We will continue to monitor the Key Community Bank and Key Corporate Bank units as appropriate.

Changes in the carrying amount of goodwill by reporting unit are presented in the following table:

<i>in millions</i>	Key Community Bank		Key Corporate Bank		Total
BALANCE AT DECEMBER 31, 2016	\$	2,088	\$	358	\$ 2,446
Fair value measurement adjustments - First Niagara acquisition		15		3	18
Additional ownership interest in Key Merchant Services		4		—	4
Acquisition of HelloWallet		17		—	17
Acquisition of Cain Brothers		—		53	53
BALANCE AT DECEMBER 31, 2017		2,124		414	2,538
KIBS divestiture		(22)		—	(22)
BALANCE AT DECEMBER 31, 2018	\$	2,102	\$	414	\$ 2,516

Additional information regarding the above acquisitions and divestiture is provided in Note 14 (“Acquisitions, Divestiture, and Discontinued Operations”).

As of December 31, 2018, we expect goodwill in the amount of \$540 million to be deductible for tax purposes in future periods.

There were no accumulated impairment losses related to the Key Community Bank unit or the Key Corporate Bank unit at December 31, 2018, December 31, 2017, and December 31, 2016.

The following table shows the gross carrying amount and the accumulated amortization of intangible assets subject to amortization:

December 31, <i>in millions</i>	2018		2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Core deposit intangibles	\$ 396	\$ 184	\$ 461	\$ 192
PCCR intangibles	152	138	152	126
Other intangible assets	115	25	128	7
Total	\$ 663	\$ 347	\$ 741	\$ 325

Intangible assets acquired during the year ended December 31, 2017, were as follows:

Table of Contents

<i>in millions</i>	KMS	HelloWallet	Cain Brothers	Total
Intangible assets subject to amortization:				
Customer relationships	\$ 85	—	\$ 29	\$ 114
Trade name	—	—	1	1
Proprietary software	—	\$ 12	—	12
Total	\$ 85	\$ 12	\$ 30	\$ 127

Acquired customer relationships of KMS are being amortized over an estimated useful life of ten years utilizing an accelerated method. Proprietary software intangible assets of HelloWallet are being amortized on a straight line basis over their average useful life of three years. Acquired customer relationships of Cain Brothers are being amortized on an accelerated basis over an average useful life of eight years. The Cain Brothers trade name intangible asset is being amortized on a straight line basis over the estimated useful life of three years.

The following table presents estimated intangible asset amortization expense for the next five years.

<i>in millions</i>	Estimated				
	2019	2020	2021	2022	2023
Intangible asset amortization expense	\$ 80	\$ 62	\$ 52	\$ 42	\$ 34

12. Variable Interest Entities

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

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

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

LIHTC investments. Through KCDC, we have made investments directly and indirectly 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 residual returns. As we are not the primary beneficiary of these investments, we do not consolidate them.

Our maximum exposure to loss in connection with these partnerships consists of our unamortized investment balance plus any unfunded equity commitments and tax credits claimed but subject to recapture. We had \$1.4 billion and \$1.3 billion of investments in LIHTC operating partnerships at December 31, 2018, and December 31, 2017, respectively. These investments are recorded in "accrued income and other assets" on our balance sheet. We do not have any loss reserves recorded related to these investments because we believe the likelihood of any loss is remote. For all legally binding unfunded equity commitments, we increase our recognized investment and recognize a liability. As of December 31, 2018, and December 31, 2017, we had liabilities of \$532 million and \$476 million, respectively, related to investments in qualified affordable housing projects, which are recorded in "accrued expense and other liabilities" on our balance sheet. We continue to invest in these LIHTC operating partnerships.

Table of Contents

The assets and liabilities presented in the table below convey the size of KCDC's direct and indirect investments at December 31, 2018, and December 31, 2017. As these investments represent unconsolidated VIEs, the assets and liabilities of the investments themselves are not recorded on our balance sheet.

<i>in millions</i>	Unconsolidated VIEs		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
December 31, 2018			
LIHTC investments	\$ 5,932	\$ 2,569	\$ 1,740
December 31, 2017			
LIHTC investments	\$ 6,003	\$ 2,943	\$ 1,561

We amortize our LIHTC investments over the period that we expect to receive the tax benefits. In 2018, we recognized \$170 million of amortization and \$166 million of tax credits associated with these investments within "income taxes" on our income statement. In 2017, we recognized \$172 million of amortization and \$171 million of tax credits associated with these investments within "income taxes" on our income statement. We also recognized \$12 million in LIHTC impairment expense related to tax reform and \$3 million unrelated to tax reform within "other noninterest expense."

Principal investments. Through our principal investing entity, KCC, we have made investments in private equity funds engaged in venture- and growth-oriented investing. As a limited partner to these funds, KCC records these investments at fair value and receives distributions from the funds in accordance with the funds' partnership agreements. We are not the primary beneficiary of these investments as we do not hold the power to direct the activities that most significantly affect the funds' economic performance. Such power rests with the funds' general partners. In addition, we neither have the obligation to absorb the funds' expected losses nor the right to receive their residual returns. Our voting rights are also disproportionate to our economic interests, and substantially all of the funds' activities are conducted on behalf of investors with disproportionately few voting rights. Because we are not the primary beneficiary of these investments, we do not consolidate them.

Our maximum exposure to loss associated with indirect principal investments consists of the investments' fair value plus any unfunded equity commitments. The fair value of our indirect principal investments totaled \$96 million and \$124 million at December 31, 2018, and December 31, 2017, respectively. These investments are recorded in "other investments" on our balance sheet. Additional information on indirect principal investments is provided in Note 6 ("Fair Value Measurements"). The table below reflects the size of the private equity funds in which KCC was invested as well as our maximum exposure to loss in connection with these investments at December 31, 2018.

<i>in millions</i>	Unconsolidated VIEs		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
December 31, 2018			
Indirect investments	\$ 19,659	\$ 376	\$ 122
December 31, 2017			
Indirect investments	\$ 26,817	\$ 292	\$ 153

Through our principal investing entities, we have formed and funded operating entities that provide management and other related services to our investment company funds, which directly invest in portfolio companies. In return for providing services to our direct investment funds, these entities' receive a minority equity interest in the funds. This minority equity ownership is recorded at fair value on the entities' financial statements. Additional information on our direct principal investments is provided in Note 6 ("Fair Value Measurements"). While other equity investors manage the daily operations of these entities, we retain the power, through voting rights, to direct the activities of the entities that most significantly impact their economic performance. In addition, we have the obligation to absorb losses and the right to receive residual returns that could potentially be significant to these entities. As a result, we have determined that we are the primary beneficiary of these funds and have consolidated them since formation. The entities had no assets at December 31, 2018. The entities had \$4 million of assets at December 31, 2017, that can only be used to settle the entities' obligations. These assets were recorded in "cash and due from banks" and "accrued income and other assets" on our balance sheet. The entities had no liabilities at December 31, 2018, and December 31, 2017, and other equity investors have no recourse to our general credit.

[Table of Contents](#)

Other unconsolidated VIEs. We are involved with other various entities in the normal course of business which we have determined to be VIEs. We have determined that we are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance. Our assets associated with these unconsolidated VIEs totaled \$248 million at December 31, 2018, and \$230 million at December 31, 2017. These assets are recorded in “accrued income and other assets,” “other investments,” “securities available for sale,” and “loans, net of unearned income” on our balance sheet. We had liabilities totaling \$2 million associated with these unconsolidated VIEs at December 31, 2018, and \$4 million at December 31, 2017. These liabilities are recorded in “accrued expenses and other liabilities” on our balance sheet. We have excluded certain transactions with unconsolidated VIEs from the balances above where we determine our continuing involvement is not significant. In addition, where we only have a lending arrangement in the normal course of business with unconsolidated VIEs we present the balances related to the lending arrangements in Note 5 (“Asset Quality”).

13. Income Taxes

Income taxes included in the income statement are summarized below. We file a consolidated federal income tax return.

Year ended December 31, in millions	2018	2017	2016
Currently payable:			
Federal	\$ 184	\$ 334	\$ 149
State	62	—	19
Total currently payable	246	334	168
Deferred:			
Federal	117	274	13
State	(19)	29	(2)
Total deferred	98	303	11
Total income tax (benefit) expense ^(a)	\$ 344	\$ 637	\$ 179

(a) There was no income tax (benefit) expense on securities transactions in 2018, 2017, and 2016. Income tax expense excludes equity- and gross receipts-based taxes, which are assessed in lieu of an income tax in certain states in which we operate. These taxes, which are recorded in “noninterest expense” on the income statement, totaled \$15 million in 2018, \$22 million in 2017, and \$18 million in 2016.

Significant components of our deferred tax assets and liabilities included in “accrued income and other assets” and “accrued expense and other liabilities,” respectively, on the balance sheet, are as follows:

December 31, in millions	2018	2017
Allowance for loan and lease losses	\$ 232	\$ 233
Employee benefits	170	147
Net unrealized securities losses	144	138
Federal net operating losses and credits	34	205
Fair value adjustments	41	63
Non-tax accruals	80	89
State net operating losses and credits	3	7
Other	221	223
Gross deferred tax assets	925	1,105
Less: Valuation Allowance	11	15
Total deferred tax assets	914	1,090
Leasing transactions	531	588
Other	161	182
Total deferred tax liabilities	692	770
Net deferred tax assets (liabilities) ^(a)	\$ 222	\$ 320

(a) From continuing operations.

On December 22, 2017, the TCJ Act was signed into law. This comprehensive tax legislation provided for significant changes to the U.S. Internal Revenue Code of 1986, as amended, that impacted corporate taxation requirements, such as the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The TCJ Act retained the low-income housing and research and development credits and repealed the corporate alternative minimum tax. Other relevant corporate changes include earlier recognition of certain revenue; accelerating expensing of investments in tangible property, including leasing assets; and limiting several deductions such as FDIC premiums, certain executive compensation, and meals and entertainment expenses.

Table of Contents

Key was required to re-value certain tax-related assets under the provisions of the TCJ Act at December 31, 2017. Under current U.S. GAAP, deferred tax assets and liabilities are to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date. The tax-related assets consist primarily of deferred tax assets and liabilities and investments in low-income housing transactions. Due to the close proximity of our year end to the date the TCJ Act was signed into law, we estimated the impact of the income tax effects as of December 31, 2017, based upon currently available information which resulted in a reduction to our net income of \$161 million. The significant components of this reduction included a \$14 million reduction in our investments in certain low-income housing that is reflected in other expenses and a \$147 million, or 7.6%, increase in our income tax provision for the twelve months ended December 31, 2017, due to the reduction to our net deferred tax asset and related actions. This reduction was primarily the result of the lower federal corporate income tax rate and was based on information available at that time.

During the third quarter of 2018, Key completed and filed its 2017 federal income tax return and management finalized its assessment of the initial impact of the TCJ Act and related regulatory guidance. As a result, our income tax provision was increased by \$7 million during the quarter and the total impact to Key of the TCJ Act was a reduction to our net income of \$168 million.

The accounting for the changes in tax law resulted in stranded tax effects within AOCI for items that were originally recognized in OCI rather than in net income. During the quarter ended December 31, 2017, we early adopted an ASU issued by the FASB allowing companies to reclassify stranded tax effects resulting from the TCJ Act from accumulated other comprehensive income to retained earnings. Utilizing the portfolio method, during the quarter ended December 31, 2017, we reclassified \$141 million from accumulated other comprehensive income to retained earnings to eliminate the stranded tax effects.

We conduct quarterly assessments of all available evidence to determine the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded. The available evidence used in connection with these assessments includes taxable income in prior periods, projected future taxable income, potential tax-planning strategies, and projected future reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo significant change. Based on these criteria, we have recorded \$11 million of valuation allowances at December 31, 2018; primarily against federal and state capital loss carryforwards acquired in the First Niagara acquisition.

At December 31, 2018, we had federal net operating loss carryforwards of \$61 million, federal credit carryforwards of \$21 million, and capital loss carryforwards of \$11 million. The federal net operating loss carryforwards are from prior acquisitions by First Niagara and are subject to annual limitations under the tax code and, if not utilized, will expire in the years beginning 2027. We currently expect to fully utilize these losses. The federal credit carryforward consists of general business credits which expire in 2037, under the Internal Revenue Code.

The capital loss carryforward, if not utilized, will expire in 2019. Realization of this tax benefit is dependent upon Key's ability to generate sufficient capital gain in an appropriate tax year to offset the capital loss carryforward. Currently, generation of sufficient capital gain income is uncertain.

We had state net operating loss carryforwards of \$54 million, and state credit carryforwards of \$1 million, resulting in a net state deferred tax asset of \$3 million. Additionally, we had state capital loss carryforwards of \$1 million. These carryforwards, if not utilized, will gradually expire through 2031.

The following table shows how our total income tax expense (benefit) and the resulting effective tax rate were derived:

[Table of Contents](#)

Year ended December 31, dollars in millions	2018		2017		2016	
	Amount	Rate	Amount	Rate	Amount	Rate
Income (loss) before income taxes times 21% (35% for 2017 and 2016) statutory federal tax rate	\$ 463	21.0 %	\$ 675	35.0 %	\$ 339	35.0 %
Amortization of tax-advantaged investments	127	5.8	104	5.4	88	9.0
Foreign tax adjustments	2	.1	1	.1	1	.1
Tax-exempt interest income	(30)	(1.4)	(37)	(1.9)	(25)	(2.6)
Corporate-owned life insurance income	(29)	(1.3)	(46)	(2.4)	(44)	(4.5)
State income tax, net of federal tax benefit	34	1.5	19	1.0	11	1.1
Tax credits	(234)	(10.6)	(218)	(11.3)	(208)	(21.3)
Tax Cuts and Jobs Act	7	.3	147	7.6	—	—
Other	4	.2	(8)	(.5)	17	1.7
Total income tax expense (benefit)	\$ 344	15.6 %	\$ 637	33.0 %	\$ 179	18.5 %

Liability for Unrecognized Tax Benefits

The change in our liability for unrecognized tax benefits is as follows:

Year ended December 31, in millions	2018	2017
Balance at beginning of year	\$ 39	\$ 53
Increase for other tax positions of prior years	15	3
Increase from Acquisitions	—	3
Decrease for payments and settlements	—	(4)
Decrease related to tax positions taken in prior years	(19)	(16)
Balance at end of year	\$ 35	\$ 39

Each quarter, we review the amount of unrecognized tax benefits recorded in accordance with the applicable accounting guidance. Any adjustment to unrecognized tax benefits is recorded in income tax expense. The amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was \$35 million at December 31, 2018, and \$39 million at December 31, 2017. We do not currently anticipate that the amount of unrecognized tax benefits will significantly change over the next 12 months.

As permitted under the applicable accounting guidance, it is our policy to record interest and penalties related to unrecognized tax benefits in income tax expense. We recorded net interest benefit of \$.7 million and \$1.3 million in 2018 and 2017, respectively and net interest expense of \$.4 million in 2016. We did not recover any state tax penalties in 2018 or 2016. We recovered state tax penalties of \$1 million in 2017. At December 31, 2018, we had an accrued interest payable of \$3 million, compared to \$4 million at December 31, 2017. There was no liability for accrued state tax penalties at December 31, 2018, and December 31, 2017.

The amount of unrecognized tax benefits to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if certain criteria are met at December 31, 2018, and December 31, 2017, are \$14.3 million and \$17.2 million, respectively.

We file federal income tax returns, as well as returns in various state and foreign jurisdictions. We are subject to income tax examination by the IRS for the tax years 2013 and forward. Currently, we are under IRS audit for the tax years 2013 and 2014. We are not subject to income tax examinations by other tax authorities for years prior to 2009.

Pre-1988 Bank Reserves acquired in a business combination

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

14. Acquisitions, Divestiture, and Discontinued Operations

Acquisitions

Laurel Road Bank. On January 16, 2019, we announced that KeyBank has entered into a definitive agreement with Laurel Road Bank to acquire Laurel Road's digital lending business. Laurel Road's three bank branches located in southeast Connecticut are not part of this transaction. Through the acquisition, KeyBank expects to enhance its digital capabilities with state-of-the-art, customer-centric technology and to leverage Laurel Road's proven ability to attract and serve professional millennial clients. The acquisition is subject to customary closing conditions, including regulatory approvals.

Cain Brothers & Company, LLC. On October 2, 2017, KBCM acquired all outstanding interests in Cain Brothers, a healthcare-focused investment banking and public finance firm. This acquisition expanded KBCM's investment banking group in the healthcare vertical by adding distinctive capabilities and broadening KBCM's existing healthcare investment banking network. The acquisition was accounted for as a business combination. During the fourth quarter of 2017, Key recognized estimated identifiable intangible assets of \$30 million and goodwill of \$53 million as a result of this acquisition, which are deductible for tax purposes. The valuation of the acquired assets and liabilities of Cain Brothers was final at March 31, 2018.

HelloWallet Holdings, Inc. On July 1, 2017, KeyBank acquired all of the outstanding capital stock of HelloWallet Holdings, Inc., the sole owner of HelloWallet, LLC, a digital financial wellness company. Key's retail banking franchise is leveraging HelloWallet's technology to provide data-driven insights to clients, allowing clients to better understand and improve their personal finances. The acquisition was accounted for as a business combination. As a result, Key recognized identifiable intangible assets with an estimated fair value of \$12 million, comprised primarily of propriety software and goodwill of \$17 million, which are not deductible for tax purposes. The valuation of the acquired assets and liabilities of HelloWallet was final at March 31, 2018.

Key Merchant Services, LLC. On June 30, 2017, KeyBank (consolidated) acquired an additional 51% interest in KMS, increasing our ownership interest from 49% to 100%. This acquisition enables us to grow our merchant services business and enhance our merchant product offerings. This transaction was accounted for as a business combination achieved in stages. Prior to the acquisition, KMS was operated as a merchant services joint venture and accounted for as an equity method investment in our consolidated financial statements.

As of June 30, 2017, the provisional estimated fair value of our equity interest in KMS immediately before the acquisition was \$74 million. The fair value of our previously held equity interest was measured using discounted cash flow modeling that incorporates an appropriate risk premium and forecast earnings information. On June 30, 2017, we recognized a provisional non-cash holding gain of \$64 million for the difference between the fair value and the book value of our previously held equity interest. In the third quarter of 2017, we recognized a measurement-period adjustment of \$5 million to reduce the provisional estimated fair value of our equity interest immediately before the acquisition to \$69 million, which reduced the total non-cash holding gain to \$59 million. The initial gain and subsequent adjustment were included in "other income" on the income statement for the twelve months ended December 31, 2017. Upon acquisition, we recorded provisional identifiable intangible assets of \$95 million and goodwill of less than \$1 million. In the third quarter of 2017, we recognized a measurement-period adjustment of \$10 million to reduce the fair value of acquired identifiable intangible assets to \$85 million. In the fourth quarter of 2017, we recognized a measurement period adjustment increasing deferred tax assets and decreasing goodwill by \$2 million. In aggregate, the measurement-period adjustments recognized as of December 31, 2017 increased goodwill recorded in connection with the KMS acquisition to \$4 million. The valuation of the acquired assets and liabilities of KMS was final at June 30, 2018.

Divestitures

Key Insurance & Benefits Services, Inc. On March 29, 2018, we announced that we had entered into a definitive agreement to sell KIBS to USI Insurance Services. We acquired KIBS as a part of the 2016 merger with First Niagara. We completed the sale to USI Insurance Services on May 4, 2018. At the close of the sale, we recognized a \$73 million net gain on sale. In the third quarter of 2018, we recognized an additional \$5 million gain upon the finalization of the net working capital.

[Table of Contents](#)

Discontinued operations

Discontinued operations includes our government-guaranteed and private education lending business. At December 31, 2018, and December 31, 2017, approximately \$1.1 billion and \$1.3 billion, respectively, of education loans are included in discontinued assets on the consolidated balance sheets. Net interest income after provision for credit losses for this business is not material and is included in income (loss) from discontinued operations, net of taxes on the consolidated statements of income.

15. Securities Financing Activities

The following table summarizes our securities financing agreements at December 31, 2018, and December 31, 2017:

<i>in millions</i>	December 31, 2018				December 31, 2017			
	Gross Amount Presented in Balance Sheet	Netting Adjustments ^(a)	Collateral ^(b)	Net Amounts	Gross Amount Presented in Balance Sheet	Netting Adjustments ^(a)	Collateral ^(b)	Net Amounts
Offsetting of financial assets:								
Reverse repurchase agreements	\$ 14	\$ (14)	\$ —	\$ —	\$ 3	\$ (3)	\$ —	\$ —
Total	\$ 14	\$ (14)	\$ —	\$ —	\$ 3	\$ (3)	\$ —	\$ —
Offsetting of financial liabilities:								
Repurchase agreements ^(c)	\$ 319	\$ (14)	\$ (305)	\$ —	\$ 374	\$ (4)	\$ (370)	\$ —
Total	\$ 319	\$ (14)	\$ (305)	\$ —	\$ 374	\$ (4)	\$ (370)	\$ —

(a) Netting adjustments take into account the impact of master netting agreements that allow us to settle with a single counterparty on a net basis.

(b) These adjustments take into account the impact of bilateral collateral agreements that allow us to offset the net positions with the related collateral. The application of collateral cannot reduce the net position below zero. Therefore, excess collateral, if any, is not reflected above.

(c) Repurchase agreements are collateralized by mortgaged-backed agency securities and are contracted on an overnight or continuous basis.

As of December 31, 2018, the carrying amount of assets pledged as collateral against repurchase agreements totaled \$892 million. Assets pledged as collateral are reported in “available for sale” and “held-to-maturity” securities on our balance sheet. At December 31, 2018, the liabilities associated with collateral pledged were solely comprised of customer sweep financing activity and had a carrying value of \$304 million. The collateral pledged under customer sweep repurchase agreements is posted to a third-party custodian and cannot be sold or repledged by the secured party. The risk related to a decline in the market value of collateral pledged is minimal given the collateral's high credit quality and the overnight duration of the repurchase agreements.

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

16. Stock-Based Compensation

We maintain several stock-based compensation plans, which are described below. Total compensation expense for these plans was \$99 million for 2018, \$104 million for 2017, and \$102 million for 2016. The total income tax benefit recognized in the income statement for these plans was \$23 million for 2018, \$39 million for 2017, and \$38 million for 2016.

Our compensation plans allow us to grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, other awards which may be denominated or payable in or valued by reference to our Common Shares or other factors, discounted stock purchases, and deferred compensation to eligible employees and directors. At December 31, 2018, we had 24,147,422 Common Shares available for future grant under our compensation plans. In accordance with a resolution adopted by the Compensation and Organization Committee of KeyCorp's Board of Directors, we may not grant options to purchase Common Shares, restricted stock or other shares under any long-term compensation plan in an aggregate amount that exceeds 6% of our outstanding Common Shares in any rolling three-year period.

Stock Options

Stock options granted to employees generally become exercisable at the rate of 25% per year. No option granted by KeyCorp will be exercisable less than one year after, or expire later than ten years from, the grant date. The exercise price is the closing price of our Common Shares on the grant date.

We determine the fair value of options granted using the Black-Scholes option-pricing model. This model was originally developed to determine the fair value of exchange-traded equity options, which (unlike employee stock options) have no vesting period or transferability restrictions. Because of these differences, the Black-Scholes model does not precisely value an employee stock option, but it is commonly used for this purpose. The model assumes that the estimated fair value of an option is amortized as compensation expense over the option's vesting period.

The Black-Scholes model requires several assumptions, which we developed and update based on historical trends and current market observations. Our determination of the fair value of options is only as accurate as the underlying assumptions. The assumptions pertaining to options issued during 2018, 2017, and 2016 are shown in the following table.

Year ended December 31,	2018	2017	2016
Average option life	6.5 years	6.0 years	6.0 years
Future dividend yield	2.28%	1.79%	2.86%
Historical share price volatility	.282	.287	.297
Weighted-average risk-free interest rate	2.8%	2.1%	1.3%

Under KeyCorp's 2013 Equity Compensation Plan, the Compensation and Organization Committee has authority to approve all stock option grants but may delegate some of its authority to grant awards from time to time. The committee has delegated to our Chief Executive Officer the authority to grant equity awards, including stock options, to any employee who is not designated an "officer" for purposes of Section 16 of the Exchange Act. No more than 3,000,000 Common Shares may be issued under this authority.

The following table summarizes activity, pricing and other information for our stock options for the year ended December 31, 2018:

	Number of Options	Weighted-Average Exercise Price Per Option	Weighted-Average Remaining Life	Aggregate Intrinsic Value ^(a)
Outstanding at December 31, 2017	9,882,617	\$ 11.28	5.5 years	\$ 88
Granted	346,088	21.02		
Exercised	(1,960,444)	10.12		
Lapsed or canceled	(144,417)	14.37		
Outstanding at December 31, 2018	8,123,844	\$ 11.92	5.3	\$ 31
Expected to vest	2,508,684	15.09	7.6	5
Exercisable at December 31, 2018	5,479,638	\$ 10.36	4.2	\$ 26

(a) The intrinsic value of a stock option is the amount by which the fair value of the underlying stock exceeds the exercise price of the option.

Table of Contents

The weighted-average grant-date fair value of options was \$5.12 for options granted during 2018, \$4.6 for options granted during 2017, and \$2.14 for options granted during 2016. Stock option exercises numbered 1,960,444 in 2018, 3,755,177 in 2017, and 2,849,010 in 2016. The aggregate intrinsic value of exercised options was \$21 million for 2018, \$31 million for 2017, and \$12 million for 2016. As of December 31, 2018, unrecognized compensation cost related to nonvested options under the plans totaled \$2 million. We expect to recognize this cost over a weighted-average period of 2.0 years.

Cash received from options exercised was \$20 million, \$25 million, and \$32 million in 2018, 2017, and 2016, respectively. The actual tax benefit realized for the tax deductions from options exercised totaled \$1 million for 2018, \$4 million for 2017, and \$2 million for 2016.

Long-Term Incentive Compensation Program

Our Long-Term Incentive Compensation Program (the "Program") rewards senior executives critical to our long-term financial success. Awards are granted annually in a variety of forms:

- deferred cash payments that generally vest and are payable at the rate of 25% per year;
- time-lapsed (service condition) restricted stock units payable in stock, which generally vest at the rate of 25% per year;
- performance units payable in stock, which vest at the end of the three-year performance cycle and will not vest unless Key attains defined performance levels; and
- performance units payable in cash, which vest at the end of the three-year performance cycle and will not vest unless Key attains defined performance levels.

During 2018, the total of performance units vested numbered 1,070,112, which were payable in stock and cash. The total fair value of the performance units that vested during 2018 was \$19 million. During 2017, the performance units vested numbered 887,489 which were payable in stock and cash. The total fair value of the performance units that vested during 2017 was \$14 million.

The following table summarizes activity and pricing information for the nonvested shares in the Program for the year ended December 31, 2018.

	Vesting Contingent on Service Conditions		Vesting Contingent on Performance and Service Conditions	
	Number of Nonvested Shares	Weighted-Average Grant-Date Fair Value	Number of Nonvested Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2017	11,832,956	\$ 14.05	4,148,020	\$ 17.51
Granted	4,076,746	21.02	1,588,738	14.83
Vested	(5,404,616)	13.61	(1,070,112)	17.73
Forfeited	(930,136)	17.01	(127,191)	19.42
Outstanding at December 31, 2018	9,574,950	\$ 16.84	4,539,455	\$ 14.35

The compensation cost of time-lapsed and performance-based restricted stock or unit awards granted under the Program is calculated using the closing trading price of our Common Shares on the grant date.

Unlike time-lapsed and performance-based restricted stock or units, we do not pay dividends during the vesting period for performance shares or units that may become payable in excess of targeted performance.

The weighted-average grant-date fair value of awards granted under the Program was \$19.28 during 2018, \$19.82 during 2017, and \$10.49 during 2016. As of December 31, 2018, unrecognized compensation cost related to nonvested shares under the Program totaled \$73 million. We expect to recognize this cost over a weighted-average period of 2.4 years. The total fair value of shares vested was \$93 million in 2018, \$76 million in 2017, and \$57 million in 2016.

Deferred Compensation and Other Restricted Stock Awards

Our deferred compensation arrangements include voluntary and mandatory deferral programs for Common Shares awarded to certain employees and directors. Mandatory deferred incentive awards vest at the rate of 25% per year

Table of Contents

beginning one year after the deferral date for awards granted in 2012 and after. Deferrals under the voluntary programs are immediately vested.

We also may grant, upon approval by the Compensation and Organization Committee (or our Chief Executive Officer with respect to her delegated authority), other time-lapsed restricted stock or unit awards under various programs to recognize outstanding performance.

The following table summarizes activity and pricing information for the nonvested shares granted under our deferred compensation plans and these other restricted stock or unit award programs for the year ended December 31, 2018.

	Number of Nonvested Shares	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2017	4,223,774	\$ 15.61
Granted	724,287	20.77
Dividend equivalents	18	20.03
Vested	(1,523,387)	14.43
Forfeited	(144,875)	14.18
Outstanding at December 31, 2018	3,279,817	\$ 17.36

The weighted-average grant-date fair value of awards granted was \$20.77 during 2018, \$18.55 during 2017, and \$11.46 during 2016. As of December 31, 2018, unrecognized compensation cost related to nonvested shares granted under our deferred compensation plans and the other restricted stock or unit award programs totaled \$21 million. We expect to recognize this cost over a weighted-average period of 2.9 years. The total fair value of shares vested was \$22 million in 2018, \$21 million in 2017, and \$16 million in 2016. Dividend equivalents presented in the preceding table represent the value of dividends accumulated during the vesting period.

Discounted Stock Purchase Plan

Our Discounted Stock Purchase Plan provides employees the opportunity to purchase our Common Shares at a 10% discount through payroll deductions or cash payments. Purchases are limited to \$10,000 in any month and \$50,000 in any calendar year, and are immediately vested. To accommodate employee purchases, we issue treasury shares on or around the fifteenth day of the month following the month employee payments are received. We issued 327,435 Common Shares at a weighted-average cost to employees of \$17.48 during 2018, 257,738 Common Shares at a weighted-average cost to employees of \$16.61 during 2017, and 310,604 Common Shares at a weighted-average cost to employees of \$11.04 during 2016.

Information pertaining to our method of accounting for stock-based compensation is included in Note 1 ("Summary of Significant Accounting Policies") under the heading "Stock-Based Compensation."

17. 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. As part of the acquisition of First Niagara, Key also obtained two frozen defined benefit plans sponsored by First Niagara, both of which provide benefits based upon length of service and compensation levels. Effective September 30, 2016, the two First Niagara plans merged into another defined benefit plan maintained by Key to form the KeyCorp Consolidated Cash Balance Plan. Effective December 31, 2016, our original cash balance pension plan merged into the KeyCorp Consolidated Cash Balance Plan.

Pre-tax AOCI not yet recognized as net pension cost was \$511 million at December 31, 2018, and \$525 million at December 31, 2017, consisting entirely of net unrecognized losses. During 2019, we expect to recognize \$13 million of net unrecognized losses in pre-tax AOCI as net pension cost.

Table of Contents

During 2018 and 2016, lump sum payments made under certain pension plans triggered settlement accounting. In accordance with the applicable accounting guidance for defined benefit plans, we performed a remeasurement of the affected plans in conjunction with the settlement and recognized the settlement loss as reflected in the following table.

The components of net pension cost and the amount recognized in OCI for all funded and unfunded plans are as follows:

Year ended December 31, in millions	2018	2017	2016
Interest cost on PBO	\$ 41	\$ 48	\$ 44
Expected return on plan assets	(53)	(68)	(58)
Amortization of losses	17	15	17
Settlement loss	17	—	18
Net pension cost	\$ 22	\$ (5)	\$ 21
Other changes in plan assets and benefit obligations recognized in OCI:			
Net (gain) loss	\$ 20	\$ (10)	\$ (9)
Amortization of gains	(33)	(15)	(35)
Total recognized in comprehensive income	\$ (13)	\$ (25)	\$ (44)
Total recognized in net pension cost and comprehensive income	\$ 9	\$ (30)	\$ (23)

The information related to our pension plans presented in the following tables is based on current actuarial reports using measurement dates of December 31, 2018, and December 31, 2017.

The following table summarizes changes in the PBO related to our pension plans.

Year ended December 31, in millions	2018	2017
PBO at beginning of year	\$ 1,323	\$ 1,338
Interest cost	41	48
Actuarial losses (gains)	(66)	37
Benefit payments	(97)	(100)
PBO at end of year	\$ 1,201	\$ 1,323

The following table summarizes changes in the FVA.

Year ended December 31, in millions	2018	2017
FVA at beginning of year	\$ 1,163	\$ 1,133
Actual return on plan assets	(34)	115
Employer contributions	14	15
Benefit payments	(97)	(100)
FVA at end of year	\$ 1,046	\$ 1,163

The following table summarizes the funded status of the pension plans, which equals the amounts recognized in the balance sheets at December 31, 2018, and December 31, 2017.

December 31, in millions	2018	2017
Funded status ^(a)	\$ (155)	\$ (160)
Net prepaid pension cost recognized consists of:		
Noncurrent assets	\$ 17	29
Current liabilities	(15)	(15)
Noncurrent liabilities	(157)	(174)
Net prepaid pension cost recognized ^(b)	\$ (155)	\$ (160)

(a) The shortage of the FVA under the PBO.

(b) Represents the accrued benefit liability of the pension plans.

At December 31, 2018, our primary qualified cash balance pension plan was sufficiently funded under the requirements of ERISA. Consequently, we are not required to make a minimum contribution to that plan in 2019. We also do not expect to make any significant discretionary contributions during 2019.

Table of Contents

At December 31, 2018, we expect to pay the benefits from all funded and unfunded pension plans as follows: 2019 — \$112 million; 2020— \$110 million; 2021 — \$110 million; 2022 — \$102 million; 2023 — \$98 million and \$400 million in the aggregate from 2024 through 2028.

The ABO for all of our pension plans was \$1.2 billion at December 31, 2018, and \$1.3 billion at December 31, 2017. As indicated in the table below, collectively our plans had an ABO in excess of plan assets as follows:

December 31, <i>in millions</i>	2018		2017	
PBO	\$	1,201	\$	1,323
ABO		1,201		1,323
Fair value of plan assets		1,046		1,163

To determine the actuarial present value of benefit obligations, we assumed the following weighted-average rates.

December 31,	2018	2017
Discount rate	4.00%	3.25%
Compensation increase rate	N/A	N/A

To determine net pension cost, we assumed the following weighted-average rates.

Year ended December 31,	2018	2017	2016
Discount rate	3.25%	3.75%	3.75%
Compensation increase rate	N/A	N/A	N/A
Expected return on plan assets	4.75	6.00	6.00

We estimate that we will recognize \$12 million in net pension cost for 2019, compared to net pension cost of \$22 million in 2018, and net pension benefit of \$5 million for 2017. A settlement loss was recorded in both 2018 and 2016 but not in 2017.

We estimate that a 25 basis point increase or decrease in the expected return on plan assets would change our net pension cost for 2019 by approximately \$3 million. Pension cost also is affected by an assumed discount rate. We estimate that a 25 basis point change in the assumed discount rate would change net pension cost for 2019 by approximately \$1 million.

The expected return on plan assets is determined by considering a number of factors, the most significant of which are:

- Our expectations for returns on plan assets over the long term, weighted for the investment mix of the assets. These expectations consider, among other factors, historical capital market returns of equity, fixed income, convertible, and other securities, and forecasted returns that are modeled under various economic scenarios.
- Historical returns on our plan assets. Based on an annual reassessment of current and expected future capital market returns, our expected return on plan assets was 4.75% for 2018, 6% for 2017 and 6% for 2016. As a result of a change in our investment allocation policy, we deemed a rate of 4.50% to be appropriate in estimating 2018 pension cost.

The investment objectives of the pension fund are developed to reflect the characteristics of the plan, such as pension formulas, cash lump sum distribution features, and the liability profiles of the plan's participants. An executive oversight committee reviews the plan's investment performance at least quarterly, and compares performance against appropriate market indices. The pension fund's investment objectives are to balance total return objectives with a continued management of plan liabilities, and to minimize the mismatch between assets and liabilities. These objectives are being implemented through liability driven investing and the adoption of a de-risking glide path. The following table shows the asset target allocations prescribed by the pension fund's investment policies based on the plan's funded status at December 31, 2018.

Table of Contents

Asset Class	Target Allocation 2018
Equity securities:	
U.S.	5%
International	4
Fixed income securities	81
Real assets	6
Other assets	4
Total	100%

Equity securities include common stocks of domestic and foreign companies, as well as foreign company stocks traded as American Depositary Shares on U.S. stock exchanges. Debt securities include investments in domestic- and foreign-issued corporate bonds, U.S. government and agency bonds, international government bonds, and mutual funds. Real assets include an investment in a diversified real asset strategy separate account designed to provide exposure to the three core real assets: Treasury Inflation-Protected Securities, commodities, and real estate. Other assets include investments in a multi-strategy investment fund and a limited partnership.

Although the pension funds' investment policies conditionally permit the use of derivative contracts, we have not entered into any such contracts, and we do not expect to employ such contracts in the future.

The valuation methodologies used to measure the fair value of pension plan assets vary depending on the type of asset, as described below. For an explanation of the fair value hierarchy, see Note 1 ("Summary of Significant Accounting Policies") under the heading "Fair Value Measurements."

Equity securities. Equity securities traded on securities exchanges are valued at the closing price on the exchange or system where the security is principally traded. These securities are classified as Level 1 since quoted prices for identical securities in active markets are available.

Debt securities. Substantially all debt securities are investment grade and include domestic- and foreign-issued corporate bonds and U.S. government and agency bonds. These securities are valued using evaluated prices based on observable inputs, such as dealer quotes, available trade information, spreads, bids and offers, prepayment speeds, U.S. Treasury curves, and interest rate movements. Debt securities are classified as Level 2.

Mutual funds. Exchange-traded mutual funds listed or traded on securities exchanges are valued at the closing price on the exchange or system where the security is principally traded. These securities are classified as Level 1 because quoted prices for identical securities in active markets are available.

Collective investment funds. Investments in collective investment funds are valued using the net asset value practical expedient and are not classified within the fair value hierarchy. Fair value is determined based on Key's proportionate share of total net assets in the fund.

Insurance investment contracts and pooled separate accounts. Deposits under insurance investment contracts and pooled separate accounts with insurance companies do not have readily determinable fair values and are valued using a methodology that is consistent with accounting guidance that allows the plan to estimate fair value based upon net asset value per share (or its equivalent, such as member units or an ownership in partners' capital to which a proportionate share of net assets is attributed); thus, these investments are not classified within the fair value hierarchy.

Other assets. Other assets include an investment in a multi-strategy investment fund and an investment in a limited partnership. These investments do not have readily determinable fair values and are valued using a methodology consistent with accounting guidance that allows the plan to estimate fair value based upon net asset value per share (or its equivalent, such as member units or an ownership in partners' capital to which a proportionate share of net assets is attributed); thus, these investments are not classified within the fair value hierarchy.

Table of Contents

The following tables show the fair values of our pension plan assets by asset class at December 31, 2018, and December 31, 2017.

		December 31, 2018			
<i>in millions</i>		Level 1	Level 2	Level 3	Total
ASSET CLASS					
Equity securities:					
Common — U.S.	\$	6	—	—	\$ 6
Preferred — U.S.		3	—	—	3
Debt securities:					
Corporate bonds — U.S.		—	\$ 157	—	157
Corporate bonds — International		—	65	—	65
Government and agency bonds — U.S.		—	180	—	180
Government bonds — International		—	2	—	2
State and municipal bonds		—	28	—	28
Mutual funds:					
Equity — International		1	—	—	1
Collective investment funds (measured at NAV) ^(a)		—	—	—	546
Insurance investment contracts and pooled separate accounts (measured at NAV) ^(a)		—	—	—	16
Other assets (measured at NAV) ^(a)		—	—	—	42
Total net assets at fair value	\$	10	\$ 432	—	\$ 1,046

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

		December 31, 2017			
<i>in millions</i>		Level 1	Level 2	Level 3	Total
ASSET CLASS					
Equity securities:					
Common — U.S.		11	—	—	11
Common — International		1	—	—	1
Preferred — U.S.		3	—	—	3
Debt securities:					
Corporate bonds — U.S.		—	\$ 152	—	152
Corporate bonds — International		—	61	—	61
Government and agency bonds — U.S.		—	203	—	203
Government bonds — International		—	2	—	2
State and municipal bonds		—	31	—	31
Mutual funds:					
Equity — International		7	—	—	7
Collective investment funds (measured at NAV) ^(a)		—	—	—	628
Insurance investment contracts and pooled separate accounts (measured at NAV) ^(a)		—	—	—	14
Other assets (measured at NAV) ^(a)		—	—	—	50
Total net assets at fair value	\$	22	\$ 449	—	\$ 1,163

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

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. Key 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. Effective November 29, 2016, an unfunded retiree welfare plan previously sponsored by First Niagara merged into our current retiree healthcare plan.

The components of pre-tax AOCI not yet recognized as net postretirement benefit cost are shown below.

		December 31,	
<i>in millions</i>		2018	2017
Net unrecognized losses (gains)	\$	(12)	\$ (12)
Net unrecognized prior service credit		—	(1)

During 2019, we expect to recognize \$1 million of pre-tax AOCI resulting from prior service credit as a reduction of net postretirement benefit cost.

Table of Contents

The components of net postretirement benefit cost and the amount recognized in OCI for all funded and unfunded plans are as follows:

December 31, <i>in millions</i>	2018	2017	2016
Service cost of benefits earned	\$ 1	\$ 1	\$ 1
Interest cost on APBO	2	3	2
Expected return on plan assets	(2)	(2)	(2)
Amortization of prior service credit	(1)	(1)	(1)
Amortization of gains	(1)	—	—
Net postretirement benefit	<u>\$ (1)</u>	<u>1</u>	<u>—</u>
Other changes in plan assets and benefit obligations recognized in OCI:			
Net (gain) loss	\$ 1	\$ (4)	\$ (4)
Amortization of prior service credit	1	1	1
Amortization of losses	—	—	—
Total recognized in comprehensive income	<u>\$ 2</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
Total recognized in net postretirement benefit cost and comprehensive income	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ (3)</u>

The information related to our postretirement benefit plans presented in the following tables is based on current actuarial reports using measurement dates of December 31, 2018, and December 31, 2017.

The following table summarizes changes in the APBO.

Year ended December 31, <i>in millions</i>	2018	2017
APBO at beginning of year	\$ 69	\$ 69
Service cost	1	1
Interest cost	2	3
Plan participants' contributions	1	1
Actuarial losses (gains)	(6)	3
Benefit payments	(4)	(8)
APBO at end of year	<u>\$ 63</u>	<u>\$ 69</u>

The following table summarizes changes in FVA.

Year ended December 31, <i>in millions</i>	2018	2017
FVA at beginning of year	\$ 52	\$ 50
Employer contributions	—	—
Plan participants' contributions	1	1
Benefit payments	(4)	(8)
Actual return on plan assets	(2)	9
FVA at end of year	<u>\$ 47</u>	<u>\$ 52</u>

The following table summarizes the funded status of the postretirement plans, which corresponds to the amounts recognized in the balance sheets at December 31, 2018, and December 31, 2017.

December 31, <i>in millions</i>	2018	2017
Funded status ^(a)	\$ (17)	\$ (16)
Accrued postretirement benefit cost recognized ^(b)	(17)	(16)

(a) The shortage of the FVA under the APBO.

(b) Consists entirely of noncurrent liabilities.

There are no regulations that require contributions to the VEBA trust that funds our retiree healthcare plan, so there is no minimum funding requirement. We are permitted to make discretionary contributions to the VEBA trust, subject to certain IRS restrictions and limitations. We anticipate that our discretionary contributions in 2019, if any, will be minimal.

At December 31, 2018, we expect to pay the benefits from other postretirement plans as follows: 2019 — \$5 million; 2020 — \$5 million; 2021 — \$5 million; 2022 — \$5 million; 2023 — \$5 million; and \$22 million in the aggregate from 2024 through 2028.

To determine the APBO, we assumed discount rates of 4.00% at December 31, 2018, and 3.5% at December 31, 2017.

Table of Contents

To determine net postretirement benefit cost, we assumed the following weighted-average rates.

Year ended December 31,	2018	2017	2016
Discount rate	3.50%	3.75%	4.00%
Expected return on plan assets	4.50	4.50	4.50

The realized net investment income for the postretirement healthcare plan VEBA trust is subject to federal income taxes, which are reflected in the weighted-average expected return on plan assets shown above.

Assumed healthcare cost trend rates do not have a material impact on net postretirement benefit cost or obligations since the postretirement plan has cost-sharing provisions and benefit limitations.

We do not expect to recognize a credit or an expense in net postretirement benefit cost for 2019. We recognized a credit of \$1 million in 2018 and a credit of less than \$1 million in 2017.

We estimate the expected returns on plan assets for the VEBA trust much the same way we estimate returns on our pension funds. The primary investment objectives of the VEBA trust are to obtain a market rate of return, take into consideration the safety and/or risk of the investment, and to diversify the portfolio in order to satisfy the trust's anticipated liquidity requirements. The following table shows the asset target allocations prescribed by the trust's investment policy.

Asset Class	Target Allocation 2018
Equity securities	80%
Fixed income securities	20
Cash equivalents	—
Total	100%

Investments consist of mutual funds and collective investment funds that invest in underlying assets in accordance with the target asset allocations shown above. Exchange-traded mutual funds are valued using quoted prices and, therefore, are classified as Level 1. Investments in collective investment funds are valued using the Net Asset Value practical expedient and are not classified within the fair value hierarchy.

The following tables show the fair values of our postretirement plan assets by asset class at December 31, 2018, and December 31, 2017.

in millions	December 31, 2018				Total
	Level 1	Level 2	Level 3		
ASSET CLASS					
Mutual funds:					
Equity — U.S.	\$ 21	—	—	\$	21
Equity — International	8	—	—		8
Fixed income — U.S.	7	—	—		7
Collective investment funds:					
Equity — U.S. ^(a)	—	—	—		9
Other assets (measured at NAV) ^(a)	—	—	—		2
Total net assets at fair value	\$ 36	—	—	\$	47

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

in millions	December 31, 2017				Total
	Level 1	Level 2	Level 3		
ASSET CLASS					
Mutual funds:					
Equity — U.S.	\$ 25	—	—	\$	25
Equity — International	10	—	—		10
Fixed income — U.S.	4	—	—		4
Fixed income — International	3	—	—		3
Collective investment funds:					
Equity — U.S. ^(a)	—	—	—		10

Total net assets at fair value	\$	42	\$	—	—	\$	52
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(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the fair value of plan assets presented elsewhere within this footnote.

[Table of Contents](#)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare and prescribes a federal subsidy to sponsors of retiree healthcare benefit plans that offer prescription drug coverage that is “actuarially equivalent” to the benefits under Medicare Part D. Based on our application of the relevant regulatory formula, we determined that the prescription drug coverage related to our retiree healthcare benefit plan is not actuarially equivalent to the Medicare benefit for the vast majority of retirees. For the years ended December 31, 2018, and December 31, 2017, we did not receive federal subsidies.

Employee 401(k) Savings Plan

A substantial number of our employees are covered under a savings plan that is qualified under Section 401(k) of the Internal Revenue Code. The plan permits employees to contribute from 1% to 100% of eligible compensation, with up to 6% being eligible for matching contributions. Commencing January 1, 2010, an automatic enrollment feature was added to the plan for all new employees. The initial default contribution percentage for employees is 2% and will increase by 1% at the beginning of each plan year until the default contribution is 10% for plan years on and after January 1, 2012. The plan also permits us to provide a discretionary annual profit sharing contribution to eligible employees who have at least one year of service. First Niagara employees who joined Key retained their years of services, and those employees that met eligibility requirements under Key’s savings plan have been included. We accrued a 2% contribution for 2018 and made contributions of 2% and 2.5% for 2017 and 2016, respectively, on eligible compensation for employees eligible on the last business day of the respective plan years. In addition to the discretionary annual profit sharing contribution, in 2017 we accrued a one-time \$1,000 contribution per eligible full-time employee and \$500 per eligible part-time employee within the 401(k) savings plan. Employees eligible for the additional contribution must have been employed as of December 31, 2017 and have a salary of \$100,000 or less. We also maintain a deferred savings plan that provides certain employees with benefits they otherwise would not have been eligible to receive under the qualified plan once their compensation for the plan year reached the IRS contribution limits. Total expense associated with the above plans was \$106 million in 2018, \$129 million in 2017, and \$94 million in 2016.

18. Short-Term Borrowings

Selected financial information pertaining to the components of our short-term borrowings is as follows:

December 31, <i>dollars in millions</i>	2018	2017	2016
FEDERAL FUNDS PURCHASED			
Balance at year end	—	\$ 3	\$ 1,005
Average during the year	\$ 537	128	44
Maximum month-end balance	3,197	2,331	1,005
Weighted-average rate during the year ^(a)	1.68%	.72%	.68%
Weighted-average rate at December 31 ^(a)	—	—	.55
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS			
Balance at year end	\$ 319	\$ 374	\$ 497
Average during the year	391	389	443
Maximum month-end balance	614	472	684
Weighted-average rate during the year ^(a)	.09%	.08%	.04%
Weighted-average rate at December 31 ^(a)	.09	.08	.07
OTHER SHORT-TERM BORROWINGS			
Balance at year end	\$ 544	\$ 634	\$ 808
Average during the year	915	1,140	852
Maximum month-end balance	1,133	1,242	872
Weighted-average rate during the year ^(a)	2.34%	1.34%	1.18%
Weighted-average rate at December 31 ^(a)	2.92	2.01	1.11

(a) Rates exclude the effects of interest rate swaps and caps, which modify the repricing characteristics of certain short-term borrowings. For more information about such financial instruments, see Note 8 (“Derivatives and Hedging Activities”).

As described below and in Note 19 (“Long-Term Debt”), KeyCorp and KeyBank have a number of programs and facilities that support our short-term financing needs. Certain subsidiaries maintain credit facilities with third parties, which provide alternative sources of funding. KeyCorp is the guarantor of some of the third-party facilities.

Short-term credit facilities. We maintain cash on deposit in our Federal Reserve account, which has reduced our need to obtain funds through various short-term unsecured money market products. This account, which was maintained at \$2.1 billion at December 31, 2018, and the unpledged securities in our investment portfolio provide a buffer to address unexpected short-term liquidity needs. We also have secured borrowing facilities at the FHLB and the Federal Reserve Bank of Cleveland to satisfy short-term liquidity requirements. As of December 31, 2018, our unused secured borrowing capacity was \$25.4 billion at the Federal Reserve Bank of Cleveland and \$7.5 billion at the FHLB.

19. Long-Term Debt

The following table presents the components of our long-term debt, net of unamortized discounts and adjustments related to hedging with derivative financial instruments. We use interest rate swaps and caps, which modify the repricing characteristics of certain long-term debt, to manage interest rate risk. For more information about such financial instruments, see Note 8 (“Derivatives and Hedging Activities”).

December 31, dollars in millions	2018	2017
Senior medium-term notes due through 2021 ^(a)	\$ 3,278	\$ 2,766
3.136% Subordinated notes due 2028 ^(b)	162	161
6.875% Subordinated notes due 2029 ^(b)	104	109
7.75% Subordinated notes due 2029 ^(b)	135	141
7.25% Subordinated notes due 2021 ^(c)	336	348
6.75% Senior notes due 2020 ^(d)	315	327
Other subordinated notes ^{(b), (e)}	70	69
Total parent company	4,400	3,921
Senior medium-term notes due through 2039 ^(f)	7,022	8,011
3.18% Senior remarketable notes due 2027 ^(g)	212	202
4.625% Subordinated notes due 2018 ^(h)	—	100
3.40% Subordinated notes due 2026 ^(h)	560	565
6.95% Subordinated notes due 2028 ^(h)	299	299
Secured borrowing due through 2025 ⁽ⁱ⁾	10	24
Federal Home Loan Bank advances due through 2038 ^(j)	1,130	1,106
Investment Fund Financing due through 2052 ^(k)	83	88
Obligations under Capital Leases due through 2032 ^(l)	16	17
Total subsidiaries	9,332	10,412
Total long-term debt	\$ 13,732	\$ 14,333

- (a) Senior medium-term notes had a weighted-average interest rate of 4.057% at December 31, 2018, and 3.56% at December 31, 2017. These notes had fixed interest rates at December 31, 2018, and December 31, 2017. These notes may not be redeemed prior to their maturity dates.
- (b) See Note 20 (“Trust Preferred Securities Issued by Unconsolidated Subsidiaries”) for a description of these notes.
- (c) The First Niagara subordinated debt had a weighted-average interest rate of 7.25% at December 31, 2018, and a weighted-average interest rate of 7.25% at December 31, 2017. These notes may not be redeemed prior to their maturity dates.
- (d) The First Niagara senior notes had a weighted-average interest rate of 6.75% at December 31, 2018, and a weighted-average interest rate of 6.75% at December 31, 2017. These notes may not be redeemed prior to their maturity dates.
- (e) The First Niagara variable rate trust preferred securities had a weighted-average interest rate of 4.20% at December 31, 2018, and 3.022% at December 31, 2017. These notes may be redeemed prior to their maturity dates.
- (f) Senior medium-term notes had weighted-average interest rates of 2.593% at December 31, 2018, and 2.24% at December 31, 2017. These notes are a combination of fixed and floating rates. These notes may not be redeemed prior to their maturity dates.
- (g) The remarketable senior medium-term notes had a weighted-average interest rate of 3.18% at December 31, 2018, and 3.18% at December 31, 2017. These notes had fixed interest rates at December 31, 2017, and December 31, 2018. These notes may not be redeemed prior to their maturity dates.
- (h) These notes are all obligations of KeyBank and may not be redeemed prior to their maturity dates.
- (i) The secured borrowing had weighted-average interest rates of 4.455% at December 31, 2018, and 4.460% at December 31, 2017. This borrowing is collateralized by commercial lease financing receivables, and principal reductions are based on the cash payments received from the related receivables. Additional information pertaining to these commercial lease financing receivables is included in Note 4 (“Loan Portfolio”).
- (j) Long-term advances from the Federal Home Loan Bank had a weighted-average interest rate of 2.333% at December 31, 2018, and 2.318% at December 31, 2017. These advances, which had fixed interest rates, were secured by real estate loans and securities totaling \$1.1 billion at December 31, 2018, and \$1.1 billion at December 31, 2017.
- (k) Investment Fund Financing had a weighted-average interest rate of 1.85% at December 31, 2018, and 1.94% at December 31, 2017.
- (l) These are capital leases acquired in the First Niagara merger with a maturity range from June 2019 through October 2032.

At December 31, 2018, scheduled principal payments on long-term debt were as follows:

in millions	Parent	Subsidiaries	Total
2019	—	\$ 2,262	\$ 2,262
2020	\$ 1,298	1,396	2,694
2021	1,350	1,744	3,094
2022	—	1,469	1,469
2023	—	456	456
All subsequent years	1,752	2,005	3,757

As described below, KeyBank and KeyCorp have a number of programs that support our long-term financing needs.

Global bank note program. On September 29, 2015, KeyBank updated its Global Bank Note Program, authorizing the issuance of up to \$20 billion of notes domestically and abroad. Under the program, KeyBank is authorized to issue notes with original maturities of seven days or more for senior notes or five years or more for subordinated notes. Notes may be denominated in U.S. dollars or in foreign currencies. Amounts outstanding under the program and any prior bank note programs are classified as “long-term debt” on the balance sheet.

Table of Contents

In 2017, KeyBank issued the following notes under the 2015 Global Bank Note Program: on June 9, 2017, \$600 million of 2.40% Senior Bank Notes due June 9, 2022; and on September 14, 2017, \$750 million of 2.30% Senior Bank Notes due September 14, 2022.

In 2018, KeyBank issued the following notes under the 2015 Global Bank Note Program: on March 7, 2018, \$500 million of 3.375% Senior Bank Notes due March 7, 2023; and on June 13, 2018, \$500 million of 3.35% Senior Bank Notes due June 15, 2021.

On September 28, 2018, KeyBank again updated its Bank Note Program authorizing the issuance of up to \$20 billion of notes. Under the program, KeyBank is authorized to issue notes with original maturities of seven days or more for senior notes or five years or more for subordinated notes. Notes will be denominated in U.S. dollars. Amounts outstanding under the program and any prior bank note programs are classified as "long-term debt" on the balance sheet. As of December 31, 2018, no notes had been issued under the 2018 Bank Note Program, and \$20 billion remained available for issuance.

KeyCorp shelf registration, including Medium-Term Note Program. KeyCorp has a shelf registration statement on file with the SEC under rules that allow companies to register various types of debt and equity securities without limitations on the aggregate amounts available for issuance. KeyCorp also maintains a Medium-Term Note Program that permits KeyCorp to issue notes with original maturities of nine months or more.

In 2018, KeyCorp issued the following notes under the program: on April 30, 2018, \$750 million of 4.10% Senior Notes due April 30, 2028; and on October 29, 2018, \$500 million of 4.150% Senior Notes due October 29, 2025.

At December 31, 2018, KeyCorp had authorized and available for issuance up to \$2.75 billion of additional debt securities under the Medium-Term Note Program.

Issuances of capital securities or preferred stock by KeyCorp must be approved by the Board and cannot be objected to by the Federal Reserve.

20. Trust Preferred Securities Issued by Unconsolidated Subsidiaries

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

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

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

The Regulatory Capital Rules require us to treat our mandatorily redeemable trust preferred securities as Tier 2 capital.

Table of Contents

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

<i>dollars in millions</i>	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
December 31, 2018					
KeyCorp Capital I	\$ 156	\$ 6	\$ 162	3.136%	2028
KeyCorp Capital II	100	4	104	6.875	2029
KeyCorp Capital III	131	4	135	7.750	2029
HNC Statutory Trust III	19	1	20	4.053	2035
Willow Grove Statutory Trust I	18	1	19	4.098	2036
HNC Statutory Trust IV	16	1	17	3.800	2037
Westbank Capital Trust II	7	—	7	4.982	2034
Westbank Capital Trust III	7	—	7	4.982	2034
Total	\$ 454	\$ 17	\$ 471	5.447%	—
December 31, 2017	\$ 463	\$ 17	\$ 480	4.977%	—

- (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 \$46 million at December 31, 2018, and \$55 million at December 31, 2017. See Note 8 ("Derivatives and Hedging Activities") for an explanation of fair value hedges.
- (b) We have the right to redeem these debentures. If the debentures purchased by KeyCorp Capital I, HNC Statutory Trust III, Willow Grove Statutory Trust I, HNC Statutory Trust IV, Westbank Capital Trust II, or Westbank Capital Trust III are redeemed before they mature, the redemption price will be the principal amount, plus any accrued but unpaid interest. If the debentures purchased by KeyCorp Capital II or KeyCorp Capital III are redeemed before they mature, the redemption price will be the greater of: (i) the principal amount, plus any accrued but unpaid interest, or (ii) the sum of the present values of principal and interest payments discounted at the Treasury Rate (as defined in the applicable indenture), plus 20 basis points for KeyCorp Capital II or 25 basis points for KeyCorp Capital III or 50 basis points in the case of redemption upon either a tax or a capital treatment event for either KeyCorp Capital II or KeyCorp Capital III, plus any accrued but unpaid interest. The principal amount of certain debentures includes basis adjustments related to fair value hedges totaling \$46 million at December 31, 2018, and \$55 million at December 31, 2017. See Note 8 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. The trust preferred securities issued by KeyCorp Capital I have a floating interest rate, equal to three-month LIBOR plus 74 basis points, that reprices quarterly. The trust preferred securities issued by HNC Statutory Trust III have a floating interest rate, equal to three-month LIBOR plus 140 basis points, that reprices quarterly. The trust preferred securities issued by Willow Grove Statutory Trust I have a floating interest rate, equal to three-month LIBOR plus 131 basis points, that reprices quarterly. The trust preferred securities issued by HNC Statutory Trust IV have a floating interest rate, equal to three-month LIBOR plus 128 basis points, that reprices quarterly. The trust preferred securities issued by Westbank Capital Trust II and Westbank Capital Trust III each have a floating interest rate, equal to three-month LIBOR plus 219 basis points, that reprices quarterly. The total interest rates are weighted-average rates.

21. Commitments, Contingent Liabilities, and Guarantees

Obligations under Noncancelable Leases

We are obligated under various noncancelable operating leases for land, buildings and other property, consisting principally of data processing equipment. Rental expense under all operating leases totaled \$149 million in 2018, \$153 million in 2017, and \$118 million in 2016. Minimum future rental payments under noncancelable operating leases at December 31, 2018, are as follows: 2019 — \$142 million; 2020 — \$133 million; 2021 — \$118 million; 2022 — \$104 million; 2023 — \$90 million; all subsequent years — \$321 million.

Commitments to Extend Credit or Funding

Loan commitments provide for financing on predetermined terms as long as the client continues to meet specified criteria. These agreements generally carry variable rates of interest and have fixed expiration dates or termination clauses. We typically charge a fee for our loan commitments. Since a commitment may expire without resulting in a loan, our aggregate outstanding commitments may significantly exceed our eventual cash outlay.

Loan commitments involve credit risk not reflected on our balance sheet. We mitigate exposure to credit risk with internal controls that guide how we review and approve applications for credit, establish credit limits and, when necessary, demand collateral. In particular, we evaluate the creditworthiness of each prospective borrower on a case-by-case basis and, when appropriate, adjust the allowance for credit losses on lending-related commitments. Additional information pertaining to this allowance is included in Note 1 ("Summary of Significant Accounting Policies") under the heading "Liability for Credit Losses on Lending-Related Commitments," and in Note 5 ("Asset Quality").

We also provide financial support to private equity investments, including existing direct portfolio companies and indirect private equity funds, to satisfy unfunded commitments. These unfunded commitments are not recorded on our balance sheet. Additional information on principal investing commitments is provided in Note 6 ("Fair Value Measurements"). Other unfunded equity investment commitments at December 31, 2018, and December 31, 2017, related to tax credit investments and were primarily attributable to LIHTC investments. Unfunded tax credit investment commitments are recorded on our balance sheet in "other liabilities." Additional information on LIHTC commitments is provided in Note 12 ("Variable Interest Entities").

Table of Contents

The following table shows the remaining contractual amount of each class of commitment related to extending credit or funding principal investments as of December 31, 2018, and December 31, 2017. For loan commitments and commercial letters of credit, this amount represents our maximum possible accounting loss on the unused commitment if the borrower were to draw upon the full amount of the commitment and subsequently default on payment for the total amount of the then outstanding loan.

December 31, in millions	2018	2017
Loan commitments:		
Commercial and other	\$ 42,653	\$ 40,315
Commercial real estate and construction	2,691	2,774
Home equity	9,982	9,673
Credit cards	6,152	5,890
Total loan commitments	61,478	58,652
Commercial letters of credit	86	231
Purchase card commitments	621	425
Principal investing commitments	26	29
Tax credit investment commitments	520	481
Securities underwriting	—	9
Total loan and other commitments	\$ 62,731	\$ 59,827

Legal Proceedings

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

Guarantees

We are a guarantor in various agreements with third parties. The following table shows the types of guarantees that we had outstanding at December 31, 2018. 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."

in millions	December 31, 2018	
	Maximum Potential Undiscounted Future Payments	Liability Recorded
Financial guarantees:		
Standby letters of credit	\$ 3,137	\$ 72
Recourse agreement with FNMA	4,082	6
Residential mortgage reserve	1,549	6
Return guarantee agreement with LIHTC investors	2	2
Written put options ^(a)	2,345	88
Total	\$ 11,115	\$ 174

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

We determine the payment/performance risk associated with each type of guarantee described below based on the probability that we could be required to make the maximum potential undiscounted future payments shown in the preceding table. We use a scale of low (0% to 30% probability of payment), moderate (greater than 30% to 70% probability of payment), or high (greater than 70% probability of payment) to assess the payment/performance risk,

Table of Contents

and have determined that the payment/performance risk associated with each type of guarantee outstanding at December 31, 2018, 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 December 31, 2018, our standby letters of credit had a remaining weighted-average life of 2 years, with remaining actual lives ranging from less than 1 year to as many as 16 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 December 31, 2018, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 7.9 years, and the unpaid principal balance outstanding of loans sold by us as a participant was \$14.1 billion. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 29% of the principal balance of loans outstanding at December 31, 2018. 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.

Residential Mortgage Banking. We often originate and sell residential mortgage loans and retain the servicing rights. Our loan sales activity is generally conducted through loan sales in a secondary market sponsored by FNMA and FHLMC. Subsequent to the sale of mortgage loans, we do not typically retain any interest in the underlying loans except through our relationship as the servicer of the loans.

As is customary in the mortgage banking industry, we, or banks we have acquired, have made certain representations and warranties related to the sale of residential mortgage loans (including loans sold with servicing rights released) and to the performance of our obligations as servicer. The breach of any such representations or warranties could result in losses for us. Our maximum exposure to loss is equal to the outstanding principal balance of the sold loans; however, any loss would be reduced by any payments received on the loans or through the sale of collateral.

At December 31, 2018, the outstanding residential mortgage loans in this program had an original weighted-average loan to value ratio of 74%, and the unpaid principal balance outstanding of loans sold by us was \$5.2 billion. The risk assessment is low for the residential mortgage product. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 30% of the principal balance of loans outstanding at December 31, 2018.

Our liability for estimated repurchase obligations on loans sold, which is included in other liabilities on our balance sheet, was \$6 million at December 31, 2018.

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 \$2 million at December 31, 2018, 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.

Table of Contents

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 12 (“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 December 31, 2018, our written put options had an average life of 3 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 8 (“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 8.

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 December 31, 2018, we had less than \$1 million 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.

22. Accumulated Other Comprehensive Income

Our changes in AOCI for the years ended December 31, 2018, and December 31, 2017, are as follows:

<i>in millions</i>	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, 2016	\$ (185)	\$ (14)	\$ (3)	\$ (339)	\$ (541)
Other comprehensive income before reclassification, net of income taxes	(69)	(48)	12	9	(96)
Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)	(1)	(10)	1	9	(1)
Amounts reclassified from accumulated other comprehensive income resulting from new federal corporate income tax rate ^(b)	(56)	(14)	(1)	(70)	(141)
Net current-period other comprehensive income, net of income taxes	(126)	(72)	12	(52)	(238)
Balance at December 31, 2017	\$ (311)	\$ (86)	\$ 9	\$ (391)	\$ (779)
Other comprehensive income before reclassification, net of income taxes	(62)	7	(10)	(15)	(80)
Amounts reclassified from accumulated other comprehensive income, net of income taxes ^(a)	—	29	—	25	54
Other amounts reclassified from AOCI, net of income taxes	—	—	(13)	—	(13)
Net current-period other comprehensive income, net of income taxes	(62)	36	(23)	10	(39)
Balance at December 31, 2018	\$ (373)	\$ (50)	\$ (14)	\$ (381)	\$ (818)

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

(b) See Note 13, Income Taxes, for details about the accounting impacts resulting from the TCJ Act.

Our reclassifications out of AOCI for the years ended December 31, 2018, and December 31, 2017, are as follows:

<i>in millions</i>	Twelve months ended December 31,		Affected Line Item in the Statement Where Net Income is Presented
	2018	2017	
Unrealized gains (losses) on available for sale securities			
Realized gains	—	\$ 1	Other income
Realized losses	—	—	Other income
	—	1	Income (loss) from continuing operations before income taxes
	—	—	Income taxes
	—	\$ 1	Income (loss) from continuing operations
Unrealized gains (losses) on derivative financial instruments			
Interest rate	\$ (68)	\$ 19	Interest income — Loans
Interest rate	(2)	(4)	Interest expense — Long-term debt
Interest rate	2	—	Investment banking and debt placement fees
Foreign exchange contracts	31	—	Other income
	(37)	15	Income (loss) from continuing operations before income taxes
	(8)	5	Income taxes
	\$ (29)	\$ 10	Income (loss) from continuing operations
Foreign currency translation adjustment			
	—	\$ (1)	Corporate services income
	—	(1)	Income (loss) from continuing operations before income taxes
	—	—	Income taxes
	—	\$ (1)	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	\$ (17)	\$ (15)	Personnel expense
Settlement loss	(17)	—	Personnel expense
Amortization of prior service credit	1	1	Personnel expense
	(33)	(14)	Income (loss) from continuing operations before income taxes
	(8)	(5)	Income taxes
	\$ (25)	\$ (9)	Income (loss) from continuing operations

23. Shareholders' Equity

Comprehensive Capital Plan

As previously reported and as authorized by the Board and pursuant to our 2018 capital plan (which is effective through the second quarter of 2019) submitted to and not objected to by the Federal Reserve, we have authority to repurchase up to \$1.225 billion of our Common Shares. During 2018, we repurchased \$325 million of Common Shares under our 2017 capital plan authorization and \$820 million under our 2018 capital plan authorization.

Consistent with our 2017 capital plan, the Board declared a quarterly dividend of \$.105 per Common Share for the first quarter of 2018, and \$.12 per Common Share for the second quarter of 2018. The Board declared a quarterly dividend of \$.17 per Common Share for the third and fourth quarters of 2018, consistent with our 2018 capital plan. These quarterly dividend payments brought our annual dividend to \$.565 per Common Share for 2018.

Preferred Stock

The following table summarizes our preferred stock at December 31, 2018:

Preferred stock series	Amount outstanding (in millions)	Shares authorized and outstanding	Par value	Liquidation preference	Ownership interest per depository share	Liquidation preference per depository share	2018 dividends paid per depository share
Fixed-to-Floating Rate Perpetual Noncumulative Series D	\$ 525	21,000	\$ 1	25,000	1/25th \$	1,000 \$	50.00
Fixed-to-Floating Rate Perpetual Noncumulative Series E	500	500,000	1	1,000	1/40th	25	1.531252
Fixed Rate Perpetual Noncumulative Series F	425	425,000	1	1,000	1/40th	25	.529688

Capital Adequacy

KeyCorp and KeyBank (consolidated) must meet specific capital requirements imposed by federal banking regulators. Sanctions for failure to meet applicable capital requirements may include regulatory enforcement actions that restrict dividend payments, require the adoption of remedial measures to increase capital, terminate FDIC deposit insurance, and mandate the appointment of a conservator or receiver in severe cases. In addition, failure to maintain a "well capitalized" status affects how regulators evaluate applications for certain endeavors, including acquisitions, continuation and expansion of existing activities, and commencement of new activities, and could make clients and potential investors less confident. As of December 31, 2018, KeyCorp and KeyBank (consolidated) met all regulatory capital requirements.

KeyBank (consolidated) qualified for the "well capitalized" prompt corrective action capital category at December 31, 2018, because its capital and leverage ratios exceeded the prescribed threshold ratios for that capital category and it was not subject to any written agreement, order, or directive to meet and maintain a specific capital level for any capital measure. Since that date, we believe there has been no change in condition or event that has occurred that would cause the capital category for KeyBank (consolidated) to change.

BHCs are not assigned to any of the five prompt corrective action capital categories applicable to insured depository institutions. If, however, those categories applied to BHCs, we believe that KeyCorp would satisfy the criteria for a "well capitalized" institution at December 31, 2018, and since that date, we believe there has been no change in condition or event that has occurred that would cause such capital category to change.

Because the regulatory capital categories under the prompt corrective action regulations serve a limited supervisory function, investors should not use them as a representation of the overall financial condition or prospects of KeyBank or KeyCorp.

At December 31, 2018, Key and KeyBank (consolidated) had regulatory capital in excess of all current minimum risk-based capital (including all adjustments for market risk) and leverage ratio requirements as shown in the following table.

Table of Contents

	Actual		To Meet Minimum Capital Adequacy Requirements		To Qualify as Well Capitalized Under Federal Deposit Insurance Act	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>dollars in millions</i>						
December 31, 2018						
TOTAL CAPITAL TO NET RISK-WEIGHTED ASSETS						
Key	\$ 15,953	12.89%	\$ 9,903	8.00%	N/A	N/A
KeyBank (consolidated)	15,432	12.68	9,733	8.00	\$ 12,166	10.00%
TIER 1 CAPITAL TO NET RISK-WEIGHTED ASSETS						
Key	\$ 13,712	11.08%	\$ 7,427	6.00%	N/A	N/A
KeyBank (consolidated)	13,575	11.16	7,300	6.00	\$ 7,300	6.00%
TIER 1 CAPITAL TO AVERAGE QUARTERLY TANGIBLE ASSETS						
Key	\$ 13,712	9.89%	\$ 5,548	4.00%	N/A	N/A
KeyBank (consolidated)	13,575	9.93	5,470	4.00	\$ 6,838	5.00%
December 31, 2017						
TOTAL CAPITAL TO NET RISK-WEIGHTED ASSETS						
Key	\$ 15,345	12.92%	\$ 9,505	8.00%	N/A	N/A
KeyBank (consolidated)	14,957	12.86	9,306	8.00	\$ 11,633	10.00%
TIER 1 CAPITAL TO NET RISK-WEIGHTED ASSETS						
Key	\$ 13,083	11.01%	\$ 7,129	6.00%	N/A	N/A
KeyBank (consolidated)	13,110	11.27	6,980	6.00	\$ 6,980	6.00%
TIER 1 CAPITAL TO AVERAGE QUARTERLY TANGIBLE ASSETS						
Key	\$ 13,083	9.73%	\$ 5,379	4.00%	N/A	N/A
KeyBank (consolidated)	13,110	9.91	5,293	4.00	\$ 6,617	5.00%

24. 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 15-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. Key Community Bank also purchases retail auto sales contracts via a network of auto dealerships. The auto dealerships finance the sale of automobiles as the initial lender and then assign the contracts to us pursuant to dealer agreements. 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, life 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, some of which are delivered by Key Corporate Bank, 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 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.

Other Segments

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

Table of Contents

Reconciling Items

Total assets included under “Reconciling Items” primarily represent the unallocated portion of nonearning assets of corporate support functions. 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, including merger-related charges and certain impacts of tax reform.

The table on the following pages shows selected financial data for our major business segments for the years ended December 31, 2018, 2017, and 2016.

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

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

- Net interest income is determined by assigning a standard cost for funds used or a standard credit for funds provided based on their assumed maturity, prepayment, and/or repricing characteristics.
- Indirect expenses, such as computer servicing costs and corporate overhead, are allocated based on assumptions regarding the extent that each line of business actually uses the services.
- The consolidated provision for credit losses is allocated among the lines of business primarily based on their actual net loan charge-offs, adjusted periodically for loan growth and changes in risk profile. The amount of the consolidated provision is based on the methodology that we use to estimate our consolidated ALLL. This methodology is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses.
- Income taxes are allocated based on the 2018 statutory federal income tax rate of 21% and a blended state income tax rate (net of the federal income tax benefit) of 2.7%. Prior to 2018, income taxes were allocated based on the previous statutory federal income tax rate of 35% and a blended state income tax rate (net of the federal income tax benefit) of 2.2%.
- Capital is assigned to each line of business based on economic equity.

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

Table of Contents

Year ended December 31, dollars in millions	Key Community Bank			Key Corporate Bank		
	2018	2017	2016	2018	2017	2016
SUMMARY OF OPERATIONS						
Net interest income (TE)	\$ 2,873	\$ 2,652	\$ 1,953	\$ 1,094	\$ 1,193	\$ 1,049
Noninterest income	1,098	1,143	906	1,161	1,148	1,013
Total revenue (TE) ^(a)	3,971	3,795	2,859	2,255	2,341	2,062
Provision for credit losses	177	209	143	74	20	127
Depreciation and amortization expense	110	116	76	135	96	60
Other noninterest expense	2,451	2,424	2,048	1,147	1,158	1,073
Income (loss) from continuing operations before income taxes (TE)	1,233	1,046	592	899	1,067	802
Allocated income taxes (benefit) and TE adjustments	291	388	220	110	249	178
Income (loss) from continuing operations	942	658	372	789	818	624
Income (loss) from discontinued operations, net of taxes	—	—	—	—	—	—
Net income (loss)	942	658	372	789	818	624
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—	—	(2)
Net income (loss) attributable to Key	\$ 942	\$ 658	\$ 372	\$ 789	\$ 818	\$ 626
AVERAGE BALANCES ^(b)						
Loans and leases	\$ 47,877	\$ 47,399	\$ 37,624	\$ 39,536	\$ 37,716	\$ 31,925
Total assets ^(a)	51,774	51,370	40,300	47,126	44,505	37,797
Deposits	81,868	79,669	63,875	21,183	21,318	20,780
OTHER FINANCIAL DATA						
Expenditures for additions to long-lived assets ^{(a), (b)}	\$ 2,352	\$ 2,438	\$ 1,478	\$ 538	\$ 559	\$ 340
Net loan charge-offs ^(b)	161	166	114	73	40	83
Return on average allocated equity ^(b)	19.50%	13.71%	10.96%	27.01%	28.82%	26.89%
Return on average allocated equity	19.50	13.71	10.96	27.01	28.82	26.89
Average full-time equivalent employees ^(c)	10,501	10,587	8,794	2,528	2,407	2,244

(a) Substantially all revenue generated by our major business segments is derived from clients that reside in the United States. Substantially all long-lived assets, including premises and equipment, capitalized software, and goodwill held by our major business segments, are located in the United States.

(b) From continuing operations.

(c) The number of average full-time equivalent employees was not adjusted for discontinued operations.

Table of Contents

Other Segments			Total Segments			Reconciling Items			Key		
2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
\$ (55)	\$ (35)	\$ (45)	\$ 3,912	\$ 3,810	\$ 2,957	\$ 28	\$ 20	\$ (4)	\$ 3,940	\$ 3,830	\$ 2,953
206	208	170	2,465	2,499	2,089	50	(21)	(18)	2,515	2,478	2,071
151	173	125	6,377	6,309	5,046	78	(1)	(22)	6,455	6,308	5,024
(5)	—	(4)	246	229	266	—	—	—	246	229	266
1	3	4	246	215	140	154	169	163	400	384	303
53	101	61	3,651	3,683	3,182	(76)	31	271	3,575	3,714	3,453
102	69	64	2,234	2,182	1,458	—	(201)	(456)	2,234	1,981	1,002
(8)	(48)	(22)	393	589	376	(18)	101	(163)	375	690	213
110	117	86	1,841	1,593	1,082	18	(302)	(293)	1,859	1,291	789
—	—	—	—	—	—	7	7	1	7	7	1
110	117	86	1,841	1,593	1,082	25	(295)	(292)	1,866	1,298	790
—	3	2	—	3	—	—	(1)	(1)	—	2	(1)
\$ 110	\$ 114	\$ 84	\$ 1,841	\$ 1,590	\$ 1,082	\$ 25	\$ (294)	\$ (291)	\$ 1,866	\$ 1,296	\$ 791
\$ 916	\$ 1,225	\$ 1,486	\$ 88,329	\$ 86,340	\$ 71,035	\$ 9	\$ 25	\$ 113	\$ 88,338	\$ 86,365	\$ 71,148
37,551	37,158	31,938	136,451	133,033	110,035	361	686	2,502	136,812	133,719	112,537
1,956	1,988	1,213	105,007	102,975	85,868	44	(29)	484	105,051	102,946	86,352
\$ 10	19	—	\$ 2,900	\$ 3,016	\$ 1,818	\$ 101	\$ 81	\$ 116	\$ 3,001	\$ 3,097	\$ 1,934
(1)	\$ 1	\$ 7	233	207	204	1	1	1	234	208	205
88.00%	73.55%	48.84%	23.37%	20.41%	18.36%	.25%	(4.05)%	(4.32)%	12.29%	8.47%	6.25%
88.00	73.55	48.84	23.37	20.41	18.36	.34	(3.96)	(4.31)	12.33	8.51	6.25
130	338	147	13,159	13,332	11,185	5,021	5,083	4,515	18,180	18,415	15,700

25. Condensed Financial Information of the Parent Company

CONDENSED BALANCE SHEETS

December 31,
in millions

	2018	2017
ASSETS		
Cash and due from banks	\$ 3,241	\$ 2,257
Short-term investments	19	22
Securities available for sale	10	10
Other investments	31	29
Loans to:		
Banks	50	250
Nonbank subsidiaries	31	31
Total loans	81	281
Investment in subsidiaries:		
Banks	15,554	15,169
Nonbank subsidiaries	833	885
Total investment in subsidiaries	16,387	16,054
Goodwill	167	167
Corporate-owned life insurance	199	208
Derivative assets	61	29
Accrued income and other assets	279	353
Total assets	\$ 20,475	\$ 19,410
LIABILITIES		
Accrued expense and other liabilities	\$ 480	\$ 466
Long-term debt due to:		
Subsidiaries	471	480
Unaffiliated companies	3,929	3,441
Total long-term debt	4,400	3,921
Total liabilities	4,880	4,387
SHAREHOLDERS' EQUITY ^(a)	15,595	15,023
Total liabilities and shareholders' equity	\$ 20,475	\$ 19,410

(a) See Key's Consolidated Statements of Changes in Equity.

CONDENSED STATEMENTS OF INCOME

Year ended December 31,
in millions

	2018	2017	2016
INCOME			
Dividends from subsidiaries:			
Bank subsidiaries	\$ 1,675	\$ 750	\$ 625
Nonbank subsidiaries	—	—	50
Interest income from subsidiaries	11	10	10
Other income	11	9	11
Total income	1,697	769	696
EXPENSE			
Interest on long-term debt with subsidiary trusts	20	17	14
Interest on other borrowed funds	137	95	69
Personnel and other expense	69	46	101
Total expense	226	158	184
Income (loss) before income taxes and equity in net income (loss) less dividends from subsidiaries	1,471	611	512
Income tax (expense) benefit	55	29	54
Income (loss) before equity in net income (loss) less dividends from subsidiaries	1,526	640	566
Equity in net income (loss) less dividends from subsidiaries	340	658	224
NET INCOME (LOSS)	1,866	1,298	790
Less: Net income attributable to noncontrolling interests	—	2	(1)
NET INCOME (LOSS) ATTRIBUTABLE TO KEY	\$ 1,866	\$ 1,296	\$ 791

Table of Contents

CONDENSED STATEMENTS OF CASH FLOWS

Year ended December 31,

<i>in millions</i>	2018	2017	2016
OPERATING ACTIVITIES			
Net income (loss) attributable to Key	\$ 1,866	\$ 1,296	\$ 791
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Deferred income taxes (benefit)	109	38	(24)
Stock-based compensation expense	8	11	12
Equity in net (income) loss less dividends from subsidiaries	(340)	(658)	(224)
Other intangible asset amortization	—	—	—
Net (increase) decrease in goodwill and other intangibles	—	—	—
Net (increase) decrease in other assets	(58)	82	(93)
Net increase (decrease) in other liabilities	8	(82)	9
Other operating activities, net	79	(114)	—
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,672	573	471
INVESTING ACTIVITIES			
Net (increase) decrease in securities available for sale and in short-term and other investments	1	47	(17)
Cash infusion from purchase of Cain Brothers	—	(90)	—
Cash used in acquisitions	—	—	(481)
Proceeds from sales, prepayments and maturities of securities available for sale	—	1	—
Net (increase) decrease in loans to subsidiaries	200	—	160
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	201	(42)	(338)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	1,250	—	—
Payments on long-term debt	(750)	—	(21)
Repurchase of Treasury Shares	(1,145)	(730)	(140)
Net cash from the issuance (redemption) of Common Shares and preferred stock	412	(350)	1,041
Cash dividends paid	(656)	(480)	(335)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(889)	(1,560)	545
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	984	(1,029)	678
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	2,257	3,286	2,608
CASH AND DUE FROM BANKS AT END OF YEAR	\$ 3,241	\$ 2,257	\$ 3,286

KeyCorp paid interest on borrowed funds totaling \$131 million in 2018, \$120 million in 2017, and \$114 million in 2016.

26. Revenue from Contracts with Customers

The following table represents a disaggregation of revenue from contracts with customers, by line of business, for the twelve months ended December 31, 2018:

Twelve months ended December 31, 2018

<i>dollars in millions</i>	Key Community Bank	Key Corporate Bank	Total Contract Revenue
NONINTEREST INCOME			
Trust and investment services income	\$ 358	\$ 69	\$ 427
Investment banking and debt placement fees	5	255	260
Services charges on deposit accounts	310	52	362
Cards and payments income	155	108	263
Other noninterest income	18	—	18
Total revenue from contracts with customers	\$ 846	\$ 484	\$ 1,330
Other noninterest income ^(a)			\$ 929
Noninterest income from other segments ^(b)			206
Reconciling items ^(c)			50
Total noninterest income			\$ 2,515

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

(b) Other Segments consist of corporate treasury, our principal investing unit, and various exit portfolios.

(c) Reconciling items consist primarily of the gain on the sale of, and contract revenue recognized prior to the sale of, KIBS for the second quarter of 2018, intercompany eliminations, and items not allocated to the business segments because they do not reflect their normal operations. Refer to Note 24 ("Line of Business Results") for more information.

We have no material contract assets or contract liabilities for the twelve months ended December 31, 2018.

[Table of Contents](#)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, KeyCorp carried out an evaluation, under the supervision and with the participation of KeyCorp's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of KeyCorp's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), to ensure that information required to be disclosed by KeyCorp in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to KeyCorp's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. Based upon that evaluation, KeyCorp's Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective, in all material respects, as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There were no changes in KeyCorp's internal control over financial reporting during the fourth quarter of 2018 that have materially affected, or are reasonably likely to materially affect, KeyCorp's internal control over financial reporting.

Reports Regarding Internal Controls

Management's Annual Report on Internal Control over Financial Reporting, the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm on Internal Control over Financial Reporting, and the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm are included in Item 8 on pages 91, 92, and 93, respectively.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our executive officers, and biographical information for each, is set forth in Item 1. Business of this report.

The other information required by this item will be set forth in the following sections of KeyCorp's Definitive Proxy Statement for the 2019 Annual Meeting of Shareholders to be held May 23, 2019 (the "2019 Proxy Statement"), and these sections are incorporated herein by reference:

- "Proposal One: Election of Directors"
- "Ownership of KeyCorp Equity Securities — Section 16(a) Beneficial Ownership Reporting Compliance"
- "Corporate Governance Documents — Code of Ethics"
- "The Board of Directors and Its Committees — Board and Committee Responsibilities — Audit Committee"

KeyCorp expects to file the 2019 Proxy Statement with the SEC on or about April 5, 2019.

Any amendment to, or waiver from a provision of, the Code of Ethics that applies to KeyCorp's Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, or any other executive officer or director, will be promptly disclosed on its website (www.key.com/ir) as required by laws, rules and regulations of the SEC.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be set forth in the following sections of the 2019 Proxy Statement and these sections are incorporated herein by reference:

- “Compensation Discussion and Analysis”
- “Compensation of Executive Officers and Directors”
- “Compensation and Organization Committee Report”
- “The Board of Directors and Its Committees — Oversight of Compensation Related Risks”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be set forth in the section captioned “Ownership of KeyCorp Equity Securities” contained in the 2019 Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be set forth in the following sections of the 2019 Proxy Statement and these sections are incorporated herein by reference:

- “The Board of Directors and Its Committees — Director Independence”
- “The Board of Directors and Its Committees — Related Party Transactions”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be set forth in the section captioned “Audit Matters — Ernst & Young’s Fees” contained in the 2019 Proxy Statement, and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following financial statements of KeyCorp and its subsidiaries, and the auditor's report thereon are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

	<u>Page Number</u>
Report of Ernst & Young LLP, Independent Registered Public Accounting Firm	93
Consolidated Financial Statements	94
Consolidated Balance Sheets at December 31, 2018, and 2017	94
Consolidated Statements of Income for the Years Ended December 31, 2018, 2017, and 2016	95
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017, and 2016	96
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2018, 2017, and 2016	97
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016	98
Notes to Consolidated Financial Statements	99

(a) (2) Financial Statement Schedules

All financial statement schedules for KeyCorp and its subsidiaries have been included in this Form 10-K in the consolidated financial statements or the related footnotes, or they are either inapplicable or not required.

(a) (3) Exhibits*

- 2.1 [Agreement and Plan of Merger between KeyCorp and First Niagara Financial Group, Inc., dated as of October 30, 2015, filed as Exhibit 2.1 to Form 8-K filed on November 2, 2015.*†](#)
- 3.1 [Second Amended and Restated Articles of Incorporation of KeyCorp, effective August 1, 2016, filed as Exhibit 3.1 to Form 8-K on August 1, 2016.*](#)
- 3.2 [Amendment to Second Amended and Restated Articles of Incorporation of KeyCorp, effective September 7, 2016, filed as Exhibit 4.1 to Form 8-K on September 9, 2016.*](#)
- 3.3 [Amendment to Second Amended and Restated Articles of Incorporation of KeyCorp, effective December 8, 2016, filed as Exhibit 4.1 to Form 8-K on December 12, 2016.*](#)
- 3.4 [Amendment to Second Amended and Restated Articles of Incorporation of KeyCorp, effective July 26, 2018, filed as Exhibit 4.1 to Form 8-K on July 30, 2018.*](#)
- 3.5 [Second Amended and Restated Regulations of KeyCorp, effective March 23, 2016, filed as Exhibit 3 to Form 10-Q for the quarter ended March 31, 2016.*](#)
- 4.1 [Form of Certificate representing Fixed-to-Floating Rate Perpetual Non-Cumulative Preferred Stock, Series D, filed as Exhibit 4.2 to Form 8-K on September 9, 2016.*](#)
- 4.2 [Deposit Agreement, dated as of September 9, 2016, among KeyCorp, Computershare Inc. and Computershare Trust Company, N.A., jointly as depositary, and the holders from time to time of the depositary receipts described therein, filed as Exhibit 4.3 to Form 8-K on September 9, 2016.*](#)
- 4.3 [Form of Depositary Receipt related to Series D Preferred Stock \(included as part of Exhibit 4.2\), filed as Exhibit 4.4 to Form 8-K on September 9, 2016.*](#)
- 4.4 [Form of Certificate representing Fixed-to-Floating Rate Perpetual Non-Cumulative Preferred Stock, Series E, filed as Exhibit 4.2 to Form 8-K on December 12, 2016.*](#)
- 4.5 [Deposit Agreement, dated as of December 12, 2016, among KeyCorp, Computershare Inc. and Computershare Trust Company, N.A., jointly as depositary, and the holders from time to time of the depositary receipts described therein, filed as Exhibit 4.3 to Form 8-K on December 12, 2016.*](#)
- 4.6 [Form of Depositary Receipt related to Series E Preferred Stock \(included as part of Exhibit 4.5\), filed as Exhibit 4.4 to Form 8-K on December 12, 2016.*](#)

Table of Contents

- 4.7 [Form of Certificate representing Fixed Rate Perpetual Non-Cumulative Preferred Stock, Series F, filed as Exhibit 4.2 to Form 8-K on July 30, 2018.*](#)
- 4.8 [Deposit Agreement, dated as of July 30, 2018, among KeyCorp, Computershare Inc. and Computershare Trust Company, N.A., jointly as depositary, and the holders from time to time of the depositary receipts described therein, filed as Exhibit 4.3 to Form 8-K on July 30, 2018.*](#)
- 4.9 [Form of Depositary Receipt related to Series F Preferred Stock \(included as part of Exhibit 4.8\), filed as Exhibit 4.4 to Form 8-K on July 30, 2018.*](#)
- 10.1 [Form of Award of Non-Qualified Stock Options \(effective June 12, 2009\), filed as Exhibit 10.1 to Form 10-K for the year ended December 31, 2014.*](#)
- 10.2 [Form of Performance Shares Award Agreement \(2016-2018\), filed as Exhibit 10.5 to Form 10-K for the year ended December 31, 2015.*](#)
- 10.3 [Form of Performance Shares Award Agreement \(2017-2019\), filed as Exhibit 10.5 to Form 10-K for the year ended December 31, 2016.*](#)
- 10.4 [Form of Performance Shares Award Agreement \(2018-2020\), filed as Exhibit 10.5 to Form 10-K for the year ended December 31, 2017.*](#)
- 10.5 [Form of Performance Shares Award Agreement \(2018-2020\), effective September 2018, filed as Exhibit 10.1 to Form 10-Q for the quarterly period ended September 30, 2018.*](#)
- 10.6 [Form of Performance Shares Award Agreement \(2019-2021\).](#)
- 10.7 [Form of Stock Option Award Agreement under KeyCorp 2013 Equity Compensation Plan, filed as Exhibit 10.7 to Form 10-K for the year ended December 31, 2016.*](#)
- 10.8 [Form of Stock Option Award Agreement under KeyCorp 2013 Equity Compensation Plan, effective 2019.](#)
- 10.9 [Form of Restricted Stock Unit Award Agreement under KeyCorp 2013 Equity Compensation Plan, filed as Exhibit 10.8 to Form 10-K for the year ended December 31, 2016.*](#)
- 10.10 [Form of Restricted Stock Unit Award Agreement under KeyCorp 2013 Equity Compensation Plan, effective 2019.](#)
- 10.11 [Form of Change of Control Agreement \(Tier I\) between KeyCorp and Certain Executive Officers of KeyCorp, dated as of March 8, 2012, filed as Exhibit 10.8 to Form 10-K for the year ended December 31, 2017.*](#)
- 10.12 [Form of Change of Control Agreement \(Tier II Executives\) between KeyCorp and Certain Executive Officers of KeyCorp, dated as of April 15, 2012, filed as Exhibit 10.9 to Form 10-K for the year ended December 31, 2017.*](#)
- 10.13 [KeyCorp 2016 Annual Performance Plan, filed as Appendix A to Schedule 14A filed on April 6, 2016.*](#)
- 10.14 [KeyCorp Long-Term Incentive Deferral Plan.](#)
- 10.15 [KeyCorp 2004 Equity Compensation Plan \(effective March 18, 2004\), filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 2014.*](#)
- 10.16 [KeyCorp 2010 Equity Compensation Plan \(effective March 11, 2010\), filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 2015.*](#)
- 10.17 [KeyCorp 2013 Equity Compensation Plan \(effective March 14, 2013\).](#)
- 10.18 [Director Deferred Compensation Plan \(May 18, 2000 Amendment and Restatement\).](#)
- 10.19 [Amendment to the Director Deferred Compensation Plan \(effective December 31, 2004\), filed as Exhibit 10.20 to Form 10-K for the year ended December 31, 2014.*](#)
- 10.20 [KeyCorp Amended and Restated Second Director Deferred Compensation Plan \(effective September 18, 2013\).](#)
- 10.21 [KeyCorp Directors' Deferred Share Sub-Plan \(effective September 18, 2013\).](#)
- 10.22 [KeyCorp Excess Cash Balance Pension Plan \(effective January 1, 1998\).](#)
- 10.23 [First Amendment to the KeyCorp Excess Cash Balance Pension Plan \(effective July 1, 1999\).](#)
- 10.24 [Second Amendment to the KeyCorp Excess Cash Balance Pension Plan \(effective January 1, 2003\).](#)
- 10.25 [Restated Amendment to KeyCorp Excess Cash Balance Pension Plan \(effective December 31, 2004\), filed as Exhibit 10.26 to Form 10-K for the year ended December 31, 2014.*](#)
- 10.26 [Disability Amendment to KeyCorp Excess Cash Balance Pension Plan \(effective December 31, 2007\), filed as Exhibit 10.21 to Form 10-K for the year ended December 31, 2017.*](#)

Table of Contents

10.27	<u>KeyCorp Second Excess Cash Balance Pension Plan (effective February 8, 2010), filed as Exhibit 10.28 to Form 10-K for the year ended December 31, 2014.*</u>
10.28	<u>Trust Agreement for certain amounts that may become payable to certain executives and directors of KeyCorp, dated April 1, 1997, and amended as of August 25, 2003.</u>
10.29	<u>KeyCorp Deferred Savings Plan (effective January 1, 2015), filed as Exhibit 10.31 to Form 10-K for the year ended December 31, 2014.*</u>
10.30	<u>KeyCorp Second Deferred Savings Plan (effective January 1, 2019).</u>
10.31	<u>Form of Merger Integration Performance Shares Award Agreement, filed as Exhibit 10.32 to Form 10-K for the year ended December 31, 2015.*</u>
10.32	<u>Amended and Restated First Niagara Bank and First Niagara Financial Group, Inc. Directors Deferred Fees Plan.</u>
10.33	<u>First Niagara Financial Group, Inc. Amended and Restated 2002 Long-Term Incentive Stock Benefit Plan, filed as Exhibit 10.31 to Form 10-K for the year ended December 31, 2016.*</u>
10.34	<u>Form of Executive Performance Based Restricted Stock Unit Agreement under First Niagara Financial Group, Inc. 2012 Equity Incentive Plan for CEO, filed as Exhibit 10.1 to First Niagara Financial Group, Inc.'s Form 10-Q for the quarter ended March 31, 2015.*</u>
10.35	<u>Form of Executive Time-vested Restricted Stock Unit Agreement under First Niagara Financial Group, Inc. 2012 Equity Incentive Plan for CEO, filed as Exhibit 10.2 to First Niagara Financial Group, Inc.'s Form 10-Q for the quarter ended March 31, 2015.*</u>
10.36	<u>Form of Stock Option Agreement under First Niagara Financial Group, Inc. 2012 Equity Incentive Plan.</u>
10.37	<u>First Niagara Financial Group, Inc. 2012 Equity Incentive Plan, filed as Exhibit 10.33 to Form 10-K for the year ended December 31, 2017.*</u>
10.38	<u>First Niagara Financial Group, Inc. 2012 Equity Incentive Plan, Amendment Number One, filed as Appendix B to First Niagara Financial Group, Inc.'s Schedule 14A filed on March 21, 2014.*</u>
10.39	<u>First Niagara Financial Group, Inc. 2012 Equity Incentive Plan, Amendment Number Two, filed as Appendix C to First Niagara Financial Group, Inc.'s Schedule 14A filed on March 21, 2014.*</u>
21	<u>Subsidiaries of the Registrant.</u>
23	<u>Consent of Independent Registered Public Accounting Firm.</u>
24	<u>Power of Attorney.</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from KeyCorp's Form 10-K Report for the year ended December 31, 2018, formatted in inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income; (iii) the Consolidated Statements of Changes in Equity; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements.

* Incorporated by reference. Copies of these Exhibits have been filed with the SEC. Exhibits that are not incorporated by reference are filed with this report. Shareholders may obtain a copy of any exhibit, upon payment of reproduction costs, by writing KeyCorp Investor Relations, 127 Public Square, Mail Code OH-01-27-0737, Cleveland, OH 44114-1306.

† Certain schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and KeyCorp agrees to furnish supplementally to the SEC a copy of any omitted schedule upon request.

KeyCorp hereby agrees to furnish the SEC upon request, copies of instruments, including indentures, which define the rights of long-term debt security holders. All documents listed as Exhibits 10.1 through 10.39 constitute management contracts or compensatory plans or arrangements.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date indicated.

KEYCORP

/s/ Donald R. Kimble

Donald R. Kimble
Chief Financial Officer (Principal Financial Officer)

February 25, 2019

/s/ Douglas M. Schosser

Douglas M. Schosser
Chief Accounting Officer (Principal Accounting Officer)

February 25, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title
*Beth E. Mooney	Chairman, Chief Executive Officer (Principal Executive Officer), President and Director
*Donald R. Kimble	Chief Financial Officer (Principal Financial Officer)
*Douglas M. Schosser	Chief Accounting Officer (Principal Accounting Officer)
*Bruce D. Broussard	Director
*Charles P. Cooley	Director
*Gary M. Crosby	Director
*Alexander M. Cutler	Director
*H. James Dallas	Director
*Elizabeth R. Gile	Director
*Ruth Ann M. Gillis	Director
*William G. Gisel, Jr.	Director
*Carlton L. Highsmith	Director
*Richard J. Hipple	Director
*Kristen L. Manos	Director
*Barbara R. Snyder	Director
*David K. Wilson	Director

/s/ Paul N. Harris

* By Paul N. Harris, attorney-in-fact

February 25, 2019

CASH PERFORMANCE SHARES AWARD AGREEMENT

KeyCorp grants to the Participant named below, in accordance with the terms, and subject to the conditions, of the KeyCorp 2013 Equity Compensation Plan (the “Plan”), this Cash Performance Shares Award Agreement (the “Award Agreement”) and the attached Acceptance Agreement, an award of the target number of performance shares (“Performance Shares” or “Award”), on the Date of Grant, each as set forth below. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

Each Performance Share represents the contingent right to receive a payment in cash equal to the Fair Market Value of one Common Share, subject to the terms and conditions set forth in the Plan, this Award Agreement and the Acceptance Agreement. The Participant’s right to receive payment of all, a portion, or a multiple of the Performance Shares shall be contingent upon the level of achievement of the Performance Goals and the Participant’s continued employment, each as provided herein, in all cases subject to the other terms and conditions of this Award Agreement, the Plan and the Acceptance Agreement.

Name of Participant: [•]

Target Number of Performance Shares: [•]

Date of Grant: February __, 2019

Vesting Date: February 17, 2022, subject to approval of the Compensation and Organization Committee of the Board of Directors, and subject to your continued employment on this date and the achievement of the Performance Goals set forth below (except as otherwise provided in this Award Agreement)

Performance Period: January 1, 2019 through December 31, 2021

Performance Goals: The Participant may vest in between 0% and 150% of the target number of Performance Shares subject to this Award based on the weighted level of achievement of the following “Performance Goals” during the Performance Period:

Performance Goals					Other Factors (Vesting Reduction Only)
Performance Metric	Weight	Threshold	Target	Maximum	
		50% Weighted Vesting	100% Weighted Vesting	150% Weighted Vesting	
Total Shareholder Return vs. Peers	25%	25% ile	50% ile	75% ile	ERM Dashboard Execution of Strategic Priorities
Return on Tangible Common Equity v. Peers	25%	25% ile	50% ile	75% ile	
Cumulative Earnings Per Share	50%	75% of EPS at Plan*	100% of EPS at Plan*	125% of EPS at Plan*	Other factors, as appropriate

Straight line interpolation applies for performance between Threshold and Maximum levels.

The Committee shall determine the level of achievement of the Performance Goals within two and one-half months after the end of the Performance Period in accordance with the provisions of this Award Agreement, the Plan and the Acceptance Agreement. Notwithstanding any other provision of the Award Agreement, the Committee may reduce the number of Performance Shares otherwise vesting based on the Other Factors set forth above, as determined by the Committee in its sole discretion.

For purposes of this Award Agreement:

*EPS at Plan:	The Cumulative Earnings Per Share as set forth in the KeyCorp 2019-2021 Long Term Incentive Compensation Plan, which excludes any impact to Cumulative Earnings Per Share based on changes to interest rates. EPS at Plan may be adjusted by KeyCorp, in its discretion, to correspond to changes in interest rates.
Total Shareholder Return vs. Peers:	KeyCorp's percentile ranking among the companies in the Peer Group (as defined below) for total shareholder return for the Performance Period, calculated based on the average closing share price over the last 20 trading days in 2018 compared to the average closing share price over the last 20 days in 2021 plus investment of dividends paid during the Performance Period.
Return on Tangible Common Equity vs. Peers:	KeyCorp's percentile ranking among the companies in the Peer Group (as defined below) for average annual return on tangible common equity during the three fiscal years of (or ending during) the Performance Period, with return on tangible common equity calculated as net income from continuing operations attributable to common shareholders divided by average tangible common equity from continuing operations.
Cumulative Earnings Per Share:	The sum of KeyCorp's annual earnings per share for the three fiscal years in the Performance Period, as reported in the Form 10-Ks filed by KeyCorp for such fiscal years.
Peer Group:	The companies in the S&P Banks Index on the Date of Grant, excluding Wells Fargo & Company and Hudson City Bancorp, with such adjustments to the composition of the Peer Group as may be determined by the Committee, in its sole discretion. The Committee reviews the companies in the Peer Group annually.

The Participant must accept the Award online within one year from date of grant and in accordance with the procedures established by KeyCorp and the Award administrator or this Award Agreement may be cancelled by KeyCorp, in its sole discretion. By accepting the Award in accordance with these procedures, the Participant acknowledges that:

- This Award is subject to the KeyCorp Incentive Compensation Program and Policy, as amended from time to time. The Participant understands and agrees that the Award is subject to risk adjustment in accordance with the procedures set forth in the Incentive Compensation Program and Policy. These procedures permit Key, in its sole discretion, to decrease, forfeit, or initiate a clawback, of all or any part of the Award under certain circumstances, including in the event that the Participant receives a "Does Not Meet" risk rating as part of his or her annual performance review, and/or in the event that the Participant's business unit experiences negative pre-provision net revenue (before allocated costs) or significant credit, market or operational losses. If a significant risk event occurs, whether at the individual or business level, a root cause analysis may be conducted, which may result in a risk adjustment of the Award.

- The Participant understands that as a condition to receiving the Award, the Participant must agree to be bound by and comply with the terms and conditions of the Plan, the Award Agreement and related Acceptance Agreement. As soon as the Participant accepts the Award, the terms and conditions of the Award Agreement and Acceptance Agreement will constitute a legal contract that will bind both the Participant and KeyCorp.

Additional Terms

1. Effect of Termination.

(a) In General. The Award shall be forfeited automatically without further action or notice if the Participant ceases to be continuously employed by Key prior to the Vesting Date, except as otherwise provided in this Section 1. For purposes of this Section 1, the continuous employment of the Participant shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of Key, by reason of the transfer of employment among KeyCorp and its affiliates.

(b) Certain Terminations. Notwithstanding Section 1(a), if, prior to the Vesting Date:

(i) the Participant's continuous employment is terminated as a result of the Participant's death or Disability, the Participant will immediately vest in the target number of Performance Shares; or

(ii) the Participant's continuous employment is terminated as a result of Retirement, the Participant shall, (A) for any unvested Performance Shares that were granted one year or more prior to the Participant's effective termination date, fully vest in such Performance Shares, and (B) for any unvested Performance Shares that were granted less than one year prior to Participant's effective termination date, vest in a pro rata portion of such Performance Shares; provided, however, that Key may, in its sole discretion, provide that any unvested Performance Shares that would otherwise be subject to Section 1(b)(ii)(B) (i.e., vest in a pro rata portion as a result of Retirement because such Performance Shares were granted less than one year prior to Participant's effective termination date) may instead be treated consistent with Section 1(b)(ii)(A) (i.e., fully vest); or

(iii) the Participant's continuous employment is terminated as a result of the Participant's Voluntary Resignation on or after attaining age 55 and completion of at least 5 years of service (excluding a Retirement), the Participant will vest in a pro rata portion of any unvested Performance Shares; or

(iv) the Participant's continuous employment is terminated as a result of a Termination Under Limited Circumstances, subject to the Participant executing a release of claims in Key's favor in a form agreeable to Key, the Participant will vest in any unvested Performance Shares on the scheduled Vesting Date(s); provided, however, that should Key determine, in its sole discretion, that full vesting of any unvested Performance Shares would result in the unjust enrichment of the Participant, Key may provide, instead, that the Participant will vest only in a pro rata portion of any unvested Performance Shares.

Subject to Section 11 hereof, Performance Shares vested under the provisions of Section 1(b)(i) shall be paid in cash within 45 days after the termination of the Participant's employment, and Performance Shares vested under the provisions of Section 1(b)(ii), (iii) or (iv) shall be paid in cash within 45 days after the scheduled Vesting Date(s).

For purposes of this Award Agreement, the Participant's "Retirement" shall mean the Participant's Voluntary Resignation on or after attaining age 60 and completion of at least 10 years of service. The Participant's "Termination Under Limited Circumstances" shall mean the Participant's termination from Key under circumstances in which the Participant becomes entitled to receive: (i) a severance under the KeyCorp Separation Pay Plan as in effect at the time of the Participant's termination, or (ii) under circumstances under which the Participant is entitled to receive salary continuation benefits under the terms and conditions

of an employment separation or letter agreement with Key, including, without limitation, a Change of Control Agreement.

The pro rata vesting provided for under this Award Agreement shall be determined by multiplying the number of unvested Performance Shares as of the date of the Participant's termination by a fraction, the numerator of which shall be the number of full months of Participant's continuous employment from the Date of Grant through the date of termination and the denominator of which shall be 36, and adjusting this number at the end of the Performance Period based on the level of achievement of the Performance Goals (and the satisfaction of the other terms and conditions of this Award Agreement, the Plan and the Acceptance Agreement).

(c) Certain Terminations Within Two Years After a Change of Control. Notwithstanding the foregoing provisions of Section 1, if, prior to the Vesting Date, the Participant's continuous employment with Key is terminated within two years following the date of a Change of Control for any reason other than a Voluntary Resignation (excluding a Voluntary Resignation that constitutes a Retirement, as defined above) or a Termination for Cause, the target number of Performance Shares (or if such Change of Control and termination of employment occurs after the end of the Performance Period, the number of Performance Shares earned under this Award Agreement based upon achievement of the Performance Goals) shall become immediately vested (without pro ration). Subject to Section 11 hereof, Performance Shares vested under the provisions of this Section 1(c) shall be paid in cash within 45 days after the termination of the Participant's employment.

2. Payment of Vested Performance Shares. Except as otherwise provided in Sections 1(b) or 1(c), any Performance Shares earned pursuant to this Award Agreement shall become vested only if the Participant remains continuously employed by Key from the Date of Grant through the Vesting Date. Payment of any earned and vested Performance Shares, rounded down to the nearest Common Share, shall be made in the form of cash. Each Performance Share shall have a value equal to the average of the Fair Market Value of one Common Share over the 30 trading days immediately prior to the date of payment of the Performance Share. Except as otherwise provided in Sections 1(b) or 1(c), and further subject to Section 11 hereof, payment of vested Performance Shares shall occur within 45 days after the Vesting Date.

3. Dividend Equivalents. Dividend equivalents shall be credited on the target number of Performance Shares which shall be deemed reinvested and be subject to the same terms and restrictions otherwise applicable to the Performance Shares (including but not limited to vesting requirements) under this Award Agreement, the Plan and the Acceptance Agreement.

4. Harmful Activity. Notwithstanding any other provision of this Award Agreement to the contrary, if the Participant engages in any Harmful Activity prior to or within twelve months after the Participant's termination of employment with Key, then the Performance Shares shall be immediately forfeited without further action or notice, and the Participant shall pay to KeyCorp, upon KeyCorp's demand, the amount of any cash payment received by the Participant pursuant to this Award Agreement within one year prior to the Participant's termination of employment. This Section 4 shall survive the termination of Participant's employment.

5. KeyCorp's Reservation of Rights. As a condition of receiving this Award, the Participant acknowledges and agrees that Key intends to comply with the requirements of (a) the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (including clawback provisions), as the same may be amended from time to time; (b) the banking regulatory agencies' *Guidance on Sound Incentive Compensation Policies*; and (c) KeyCorp's risk requirements and policies. As a condition of receiving this Award, the Participant understands and agrees that KeyCorp may, in its sole discretion, (x) decrease or cause the forfeiture of all or any part of this Award, (y) initiate a clawback of all or any part of this Award, and/or (z) demand the Participant's repayment to KeyCorp of any cash paid to the Participant under this Award if KeyCorp determines that such action is necessary or desirable.

6. Relation to Other Benefits. Any economic or other benefit to the Participant under this Award Agreement shall not be taken into account in determining any benefits to which the Participant may be

entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by Key and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of Key.

7. Taxes and Withholding. To the extent that Key is required to withhold any federal, state, local or other taxes in connection with the delivery of Common Shares under this Award Agreement, then Key shall retain a number of Common Shares otherwise deliverable hereunder with a value equal to the required withholding (based on the Fair Market Value of the Common Shares on the date of delivery). To the extent that Key is required to withhold any federal, state, local or other taxes at any time other than upon delivery of Common Shares under this Award Agreement, then Key shall have the right in its sole discretion to (a) require the Participant to pay or provide for payment of the required tax withholding, (b) retain a number of Common Shares that otherwise would remain subject to this Award with a value equal to the required withholding amount (determined based on the Fair Market Value of the Common Shares on the date the applicable taxes are required to be withheld) and make a corresponding reduction in the number of Performance Shares subject to this Award, or (c) deduct the required tax withholding from any other compensation payable in cash to the Participant. To the extent that withholding taxes are satisfied by the retention of Common Shares, the value of the Common Shares so retained shall not exceed the amount of taxes required to be withheld based on the maximum statutory tax rates in the applicable taxing jurisdictions. Further, to the extent that this Award constitutes a deferral of compensation subject to Section 409A of the Code, any retention of Common Shares pursuant to clause (b) of the immediately preceding sentence to satisfy tax withholding requirements at any time other than at the time of delivery of Common Shares shall be effected only as permitted pursuant to Treasury Regulations Sections 1.409A-3(j)(4)(vi) and 1.409A-3(j)(4)(xi), as applicable.

8. Entire Agreement; Amendments. This Award Agreement, along with the Plan and the related Acceptance Agreement, contains the entire agreement and understanding of the parties with respect to the subject matter contained therein, and supersedes all prior written or oral communications, representations and negotiations in respect thereto. KeyCorp may modify or amend this Award Agreement at any time upon written notice to the Participant, provided that KeyCorp may not amend this Award Agreement in a manner adverse to the interests of the Participant without the Participant's consent. Notwithstanding any other provision of this Award Agreement, if the Committee determines that a change in the business, operations, corporate structure or capital structure of KeyCorp, the manner in which it conducts business or other events or circumstances render the Performance Goals to be unsuitable, the Committee may modify the Performance Goals and/or the related threshold, target and maximum levels of achievement, in whole or in part, as the Committee deems appropriate. In the event of any inconsistency between the provisions of this Award Agreement or the related Acceptance Agreement, on the one hand, and the Plan, on the other, the Plan shall govern.

9. Administration. KeyCorp shall have the right, in accordance with the Plan, to determine any questions which arise in connection with the Award. All such determinations and decisions shall be final, conclusive and binding on all persons, including Key, the Participant and the Participant's estate and beneficiaries.

10. Successors and Assigns. Without limiting Section 14.1 of the Plan, the provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Participant, and the successors and assigns of KeyCorp.

11. Compliance with Section 409A of the Internal Revenue Code. To the extent applicable, it is intended that this Award comply with the provisions of Section 409A of the Code ("Section 409A"). The Award shall accordingly be administered in a manner consistent with this intent, and any provision that would cause the Award to fail to satisfy Section 409A shall have no force and effect until amended to comply with Section 409A. In particular, if Participant is a "specified employee," as determined by Key in accordance with Section 409A, then to the extent required in order to comply with Section 409A, all payments, benefits or reimbursements paid or provided under this Award that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of Participant's separation from service and that would otherwise be paid or provided during the first six months following Participant's separation from service

shall be accumulated through (without interest) and paid or provided no earlier than six (6) months following Participant's separation from service (or, if Participant should die during such six-month period, as soon as administratively possible). Further, but solely to the extent necessary to comply with Section 409A, a transaction shall be considered a Change of Control only if it also qualifies as a "change in the ownership" a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of KeyCorp within the meaning of Section 409A, and the Participant's "Disability" will be treated as such only if the Participant would also be considered "disabled" within the meaning of Section 409A.

ACCEPTANCE AGREEMENT

I acknowledge receipt of the attached Award and in consideration thereof, I accept such Award subject to the terms and conditions of the Plan, the Award Agreement, and the restrictions that are set forth in this Acceptance Agreement.

I also understand and agree that the restrictions set forth in this Acceptance Agreement are (i) in addition to, and do not in any way limit or vary the restrictions that are contained in any other agreement, plan, policy, or practice that are applicable to me as an employee of Key, and (ii) binding upon me regardless of whether I vest, sell, transfer, pledge, hypothecate, or otherwise dispose of the Award or any amount to be paid to me pursuant to the Award.

1. I recognize the importance of preserving the confidentiality of Non-Public Information of Key, and I acknowledge and agree that: (a) during my employment with Key, I will acquire, reproduce, and use such Non-Public Information only to the extent reasonably necessary for the proper performance of my duties; (b) both during and after my employment with Key, I will not use, publish, sell, trade or otherwise disclose such Non-Public Information; and (c) upon the termination of my employment with Key, I will immediately return to Key all documents, data, information and equipment in my possession or to which I have access that may contain such Non-Public Information. I also agree to enter into and to execute nondisclosure agreements in favor of Key and others doing business with Key with whom Key has a confidential relationship.

I acknowledge that Key has informed me that I will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Non-Public Information that: (1) is made (a) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney, and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosure of Non-Public Information to attorneys, made under seal, or pursuant to court order is also protected in certain circumstances under the federal Defend Trade Secrets Act. This provision does not limit my right to respond accurately and fully to any question, inquiry or request for information when required by legal process or from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding Key, my employment, or this provision. Furthermore, I am not required to contact Key regarding the subject matter of any such communications before engaging in such communications. I understand that my rights as set forth in this paragraph apply to this agreement, as well as any similar agreement that I have entered into, or may enter into, with Key regarding non-disclosure of information.

2. I acknowledge and agree that the duties of my position at Key may include the development of Intellectual Property, and that any Intellectual Property which I create with any of Key's resources or assistance, in whole or in part, and which pertains to the business of Key is the property of Key. I hereby agree and I hereby assign to Key all right, title, and interest in and absolute title to such Intellectual Property, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property and I agree that I will execute all patent applications and assignments thereof on Key's behalf without additional compensation.

3. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, hire or solicit or entice for employment any Key Employee, without the written consent of Key (which consent Key may grant or withhold in its discretion). "Key Employees" shall include (i) all current Key employees, and (ii) all persons who were employed by Key at any time during the six (6) month period prior to my termination from Key.

4. (a) Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, call upon, solicit, or do business with any Key customer or prospective customer of Key with whom I interacted or learned of during the course of my employment at Key, without the written consent of Key (which consent Key may grant or withhold in its discretion).

(b) In the event that my employment with Key is terminated as a result of a Termination Under Limited Circumstances, the restrictions in paragraph 4(a) of this Acceptance Agreement shall become inapplicable to me; however, the restrictions in paragraphs 1, 2, and 3 of this Acceptance Agreement shall remain in full force and effect.

5. The aforementioned restrictions in paragraphs 1, 2, 3 and 4(a) shall not apply in the event that, within the 2-year period commencing on a Change of Control: (i) my employment with Key is terminated as a result of a Termination Under Limited Circumstances, or (ii) I terminate employment with Key after a relocation of my principal place of employment more than 35 miles from my principal place of employment immediately prior to the Change of Control, or after a reduction in my base salary after a Change of Control.

6. I agree that the Plan, the Award Agreement and this Acceptance Agreement will be governed by Ohio law without regard to conflicts of laws principles, and that if any term, condition, clause or provision of the Plan, the Award Agreement or this Acceptance Agreement is determined by a Court of competent jurisdiction to be void or invalid at law, then only that term, condition, clause or provision determined to be void or invalid shall be stricken, and the remainder of the Plan, the Award Agreement and this Acceptance Agreement shall remain in full force and effect in all other aspects.

I also understand and agree that if I engage in any activity that is in violation of the Plan, the Award Agreement or this Acceptance Agreement, such conduct may cause serious damage and irreparable injury to Key, and Key at its election may terminate my employment (if I am still employed), seek monetary damages and attorney fees, and injunctive relief without the necessity of posting bond, as well as any and all other equitable relief to which it may be entitled under the law, the Plan, the Award Agreement and this Acceptance Agreement.

* * * * *

[\(Back To Top\)](#)

Section 3: EX-10.8 (EXHIBIT 10.8)

EXHIBIT 10.8

STOCK OPTION AWARD AGREEMENT

KeyCorp grants to the Participant named below, in accordance with the terms, and subject to the conditions, of the KeyCorp 2013 Equity Compensation Plan (the "Plan"), this Stock Option Award Agreement (the "Award Agreement") and the attached Acceptance Agreement, an option to purchase the number of Common Shares set forth below (rounded down to the nearest whole Common Share) ("Options" or "Award") at the exercise price per share set forth below (the "Exercise Price"). Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan. Each Option shall be a Nonqualified Option.

Name of Participant:	[Participant Name]
Number of Common Shares:	[Shares Granted]
Date of Grant:	[Grant Date]
Exercise Price:	[Exercise Price Per Common Share]

The Options shall vest and become exercisable in accordance with the “vesting schedule” reflected in the records of the Plan administrator and viewable on the Participant’s homescreen (the date that the Options become vested and exercisable being the “Vesting Date” if only one such date, or if more than one such date, each a “Vesting Date”), provided that the Participant shall have remained in the continuous employ of KeyCorp and its affiliates (“Key”) through the applicable Vesting Date, except as otherwise provided herein.

Vesting:

Expiration Date: [Tenth Anniversary of Date of Grant]

The Participant must accept the Award online within one year from date of grant and in accordance with the procedures established by KeyCorp and the Award administrator or this Award Agreement may be cancelled by KeyCorp, in its sole discretion. By accepting the Award in accordance with these procedures, the Participant acknowledges that:

- This Award is subject to the KeyCorp Incentive Compensation Program and Policy, as amended from time to time. The Participant understands and agrees that the Award is subject to risk adjustment in accordance with the procedures set forth in the Incentive Compensation Program and Policy. These procedures permit Key, in its sole discretion, to decrease, forfeit, or initiate a clawback, of all or any part of the Award under certain circumstances, including in the event that the Participant receives a "Does Not Meet" risk rating as part of his or her annual performance review, and/or in the event that the Participant's business unit experiences negative pre-provision net revenue (before allocated costs) or significant credit, market or operational losses. If a significant risk event occurs, whether at the individual or business level, a root cause analysis may be conducted, which may result in a risk adjustment of the Award.
- The Participant understands that as a condition to receiving the Award, the Participant must agree to be bound by and comply with the terms and conditions of the Plan, the Award Agreement and related Acceptance Agreement. As soon as the Participant accepts the Award, the terms and conditions of the Award Agreement and Acceptance Agreement will constitute a legal contract that will bind both the Participant and KeyCorp.

Additional Terms

1. **Effect of Termination.**

(a) In General. To the extent unvested, the Options shall be forfeited automatically without further action or notice if the Participant ceases to be continuously employed by Key prior to any Vesting Date, except as otherwise provided in this Section 1. To the extent vested, the Options shall be exercisable until the earlier of (x) the Expiration Date set forth above, (y) such other date that the Options expire in accordance with Section 1(b) or 1(c) of this Award Agreement, or (z) the date that is 6 months after the Participant's

termination of employment with Key for any reason other than Termination for Cause or a termination described in Section 1(b) or 1(c). Notwithstanding any other provision of this Award Agreement to the contrary, the Options, whether vested or unvested, shall be forfeited automatically without further action or notice upon the Participant's Termination for Cause. For purposes of this Section 1, the continuous employment of the Participant shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of Key, by reason of the transfer of employment among KeyCorp and its affiliates.

(b) Certain Terminations. Notwithstanding Section 1(a), if, prior to the Vesting Date:

(i) the Participant's continuous employment is terminated as a result of the Participant's death, the unvested Options shall immediately vest and become exercisable, and the Participant's estate shall have up to 4 years following the Participant's date of death to exercise the vested Options (but in no event later than the Expiration Date).

(ii) the Participant's continuous employment is terminated as a result of the Participant's Disability, the Options shall immediately vest and become exercisable, and the Participant shall have up to 5 years following the Participant's termination of employment to exercise the vested Options (but in no event later than the Expiration Date).

(iii) the Participant's continuous employment is terminated as a result of Retirement, the Participant shall, (1) for any unvested Options that were granted one year or more prior to the Participant's effective termination date, continue to vest in such Options which shall become exercisable on the scheduled Vesting Date(s), and (2) for any unvested Options that were granted less than one year prior to Participant's effective termination date, immediately vest in a pro rata portion of such Options, which Options shall become immediately exercisable. Key may, in its sole discretion, provide that any unvested Options that would otherwise be subject to Section 1(b)(iii)(2) (i.e., vest in a pro rata portion as a result of Retirement because such Options were granted less than one year prior to Participant's effective termination date) may instead be treated consistent with Section 1(b)(iii)(1) (i.e., continue to vest). The Participant shall have up to 5 years following his or her effective termination date to exercise the vested Options (but in no event later than the Expiration Date.)

(iv) the Participant's continuous employment is terminated as a result of the Participant's Voluntary Resignation on or after attaining the age of 55 and completion of at least 5 years of service, a pro rata portion of the unvested Options shall immediately vest and become exercisable, and the Participant shall have up to 5 years following his or her effective termination date to exercise the vested Options (but in no event later than the Expiration Date).

(v) the Participant's continuous employment is terminated as a result of the Participant's Termination Under Limited Circumstances, subject to the Participant executing a release of claims in Key's favor in a form agreeable to Key, the unvested Options shall vest and become exercisable on the scheduled Vesting Date(s), and the Participant shall have up to 5 years following Termination Under Limited Circumstances to exercise the vested Options (but in no event later than the Expiration Date); provided, however, that should Key determine, in its sole discretion, that full vesting of any unvested Options would result in the unjust enrichment of the Participant, Key may provide, instead, that the Participant will vest only in a pro rata portion of any unvested Options.

For purposes of this Award Agreement, the Participant's "Retirement" shall mean the Participant's Voluntary Resignation on or after attaining age 60 and completion of at least 10 years of service. The Participant's "Termination Under Limited Circumstances" shall mean the Participant's termination from Key under circumstances in which the Participant becomes entitled to receive: (1) a severance under the KeyCorp Separation Pay Plan as in effect at the time of the Participant's termination, or (2) under circumstances under which the Participant is entitled to receive salary

continuation benefits under the terms and conditions of an employment separation or letter agreement with Key, including, without limitation, a Change of Control Agreement.

The pro rata vesting provided for under this Award Agreement shall be determined by multiplying the number of Common Shares subject to the unvested Options as of the date of the Participant's termination by a fraction, the numerator of which shall be the number of full months of Participant's continuous employment from the Date of Grant through the date of termination and the denominator of which shall be number of full months between the Date of Grant and latest Vesting Date.

(c) Certain Terminations Within Two Years After a Change of Control. If the Participant's continuous employment is terminated within two years following the date of a Change of Control for any reason other than a Voluntary Resignation (excluding a Voluntary Resignation described in Section 1(b)(iv), above) or a Termination for Cause, the Options shall vest in full and the Participant shall have up to the later of 2 years or such other period provided pursuant to this Section 1(b) to exercise the vested Options (but in no event later than the Expiration Date).

2. Harmful Activity. Notwithstanding any other provision of this Award Agreement to the contrary, if the Participant engages in any Harmful Activity prior to or within twelve months after the Participant's termination of employment with Key, then the Options shall be immediately forfeited without further action or notice, and any Common Shares delivered upon exercise of the Options within one year prior to the Participant's termination of employment, and any Profits realized by the Participant from the exercise of the Options, shall become immediately due and payable to KeyCorp on KeyCorp's demand. This Section 2 shall survive the termination of Participant's employment.

3. KeyCorp's Reservation of Rights. As a condition of receiving this Award, the Participant acknowledges and agrees that Key intends to comply with the requirements of (a) the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (including clawback provisions), as the same may be amended from time to time; (b) the banking regulatory agencies' *Guidance on Sound Incentive Compensation Policies*; and (c) KeyCorp's risk requirements and policies. As a condition of receiving this Award, the Participant understands and agrees that KeyCorp may, in its sole discretion, (x) decrease or cause the forfeiture of all or any part of this Award, (y) initiate a clawback of all or any part of this Award, and/or (z) demand the Participant's repayment to KeyCorp of any Profits realized from the exercise of the Option, if KeyCorp determines that such action is necessary or desirable.

4. Relation to Other Benefits. Any economic or other benefit to the Participant under this Award Agreement shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by Key and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of Key.

5. KeyCorp Stock Ownership Guidelines. If the Participant is subject to and has not met the KeyCorp Stock Ownership Guidelines, the Participant may not sell or otherwise transfer the Common Shares provided upon exercise of the Options (if any) until and unless the Participant meets the Stock Ownership Guidelines or terminates employment with Key; provided, however, that notwithstanding the foregoing, the Participant may sell the number of Common Shares necessary to satisfy any withholding tax obligation that may arise in connection with the exercise of the Options even if the Participant has not met the Stock Ownership Guidelines.

6. Taxes and Withholding. To the extent that Key is required to withhold any federal, state, local or other taxes in connection with the delivery of Common Shares under this Award Agreement, then Key shall retain a number of Common Shares otherwise deliverable hereunder with a value equal to the required withholding (based on the Fair Market Value of the Common Shares on the date of delivery). To the extent that Key is required to withhold any federal, state, local or other taxes at any time other than upon delivery of Common Shares under this Award Agreement, then Key shall have the right in its sole discretion to (a) require the Participant to pay or provide for payment of the required tax withholding, (b) retain a number of Common Shares that otherwise would remain subject to this Award with a value equal to the required

withholding amount (determined based on the Fair Market Value of the Common Shares on the date the applicable taxes are required to be withheld) and make a corresponding reduction in the number of Performance Shares subject to this Award, or (c) deduct the required tax withholding from any other compensation payable in cash to the Participant. To the extent that withholding taxes are satisfied by the retention of Common Shares, the value of the Common Shares so retained shall not exceed the amount of taxes required to be withheld based on the maximum statutory tax rates in the applicable taxing jurisdictions. Further, to the extent that this Award constitutes a deferral of compensation subject to Section 409A of the Code, any retention of Common Shares pursuant to clause (b) of the immediately preceding sentence to satisfy tax withholding requirements at any time other than at the time of delivery of Common Shares shall be effected only as permitted pursuant to Treasury Regulations Sections 1.409A-3(j)(4)(vi) and 1.409A-3(j)(4)(xi), as applicable.

7. Entire Agreement; Amendments. This Award Agreement, along with the Plan and the related Acceptance Agreement, contains the entire agreement and understanding of the parties with respect to the subject matter contained therein, and supersedes all prior written or oral communications, representations and negotiations in respect thereto. KeyCorp may modify or amend this Award Agreement at any time upon written notice to the Participant, provided that KeyCorp may not amend this Award Agreement in a manner adverse to the interests of the Participant without the Participant's consent. In the event of any inconsistency between the provisions of this Award Agreement or the related Acceptance Agreement, on the one hand, and the Plan, on the other, the Plan shall govern.

8. Administration. KeyCorp shall have the right, in accordance with the Plan, to determine any questions which arise in connection with the Award. All such determinations and decisions shall be final, conclusive and binding on all persons, including Key, the Participant and the Participant's estate and beneficiaries.

9. Successors and Assigns. Without limiting Section 14.1 of the Plan, the provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Participant, and the successors and assigns of KeyCorp.

10. Compliance with Section 409A of the Internal Revenue Code. It is intended that this Award be exempt from the provisions of Section 409A of the Code ("Section 409A"). The Award shall accordingly be administered in a manner consistent with this intent, and any provision that would cause the Award to fail to satisfy Section 409A shall have no force and effect until amended to comply with Section 409A.

ACCEPTANCE AGREEMENT

I acknowledge receipt of the attached Award and in consideration thereof, I accept such Award subject to the terms and conditions of the Plan, the Award Agreement, and the restrictions that are set forth in this Acceptance Agreement.

I also understand and agree that the restrictions set forth in this Acceptance Agreement are (i) in addition to, and do not in any way limit or vary the restrictions that are contained in any other agreement, plan, policy, or practice that are applicable to me as an employee of Key, and (ii) binding upon me regardless of whether I vest, sell, transfer, pledge, hypothecate, or otherwise dispose of the Award or any of the Common Shares to be paid to me upon exercise of the Award.

1. I recognize the importance of preserving the confidentiality of Non-Public Information of Key, and I acknowledge and agree that: (a) during my employment with Key, I will acquire, reproduce, and use such Non-Public Information only to the extent reasonably necessary for the proper performance of my duties; (b) both during and after my employment with Key, I will not use, publish, sell, trade or otherwise disclose such Non-Public Information; and (c) upon the termination of my employment with Key, I will immediately return to Key all documents, data, information and equipment in my possession or to which I have access that may contain such Non-Public Information. I also agree to enter into and to execute nondisclosure agreements in favor of Key and others doing business with Key with whom Key has a confidential relationship.

I acknowledge that Key has informed me that I will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Non-Public Information that: (1) is made (a) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney, and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosure of Non-Public Information to attorneys, made under seal, or pursuant to court order is also protected in certain circumstances under the federal Defend Trade Secrets Act. This provision does not limit my right to respond accurately and fully to any question, inquiry or request for information when required by legal process or from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding Key, my employment, or this provision. Furthermore, I am not required to contact Key regarding the subject matter of any such communications before engaging in such communications. I understand that my rights as set forth in this paragraph apply to this agreement, as well as any similar agreement that I have entered into, or may enter into, with Key regarding non-disclosure of information.

2. I acknowledge and agree that the duties of my position at Key may include the development of Intellectual Property, and that any Intellectual Property which I create with any of Key's resources or assistance, in whole or in part, and which pertains to the business of Key is the property of Key. I hereby agree and I hereby assign to Key all right, title, and interest in and absolute title to such Intellectual Property, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property and I agree that I will execute all patent applications and assignments thereof on Key's behalf without additional compensation.

3. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, hire or solicit or entice for employment any Key Employee, without the written consent of Key (which consent Key may grant or withhold in its discretion). "Key Employees" shall include (i) all current Key employees, and (ii) all persons who were employed by Key at any time during the six (6) month period prior to my termination from Key.

4. (a) Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, call upon, solicit, or do business with any Key customer or prospective customer of Key with whom I interacted or learned of during the course of my employment at Key, without the written consent of Key (which consent Key may grant or withhold in its discretion).

(b) In the event that my employment with Key is terminated as a result of a Termination Under Limited Circumstances, the restrictions in paragraph 4(a) of this Acceptance Agreement shall become inapplicable to me; however, the restrictions in paragraphs 1, 2, and 3 of this Acceptance Agreement shall remain in full force and effect.

5. The aforementioned restrictions in paragraphs 1, 2, 3 and 4(a) shall not apply in the event that, within the 2-year period commencing on a Change of Control: (i) my employment with Key is terminated as a result of a Termination Under Limited Circumstances, or (ii) I terminate employment with Key after a relocation of my principal place of employment more than 35 miles from my principal place of employment immediately prior to the Change of Control, or after a reduction in my base salary after a Change of Control.

6. I agree that the Plan, the Award Agreement and this Acceptance Agreement will be governed by Ohio law without regard to the conflicts of laws principles, and that if any term, condition, clause or provision of the Plan, the Award Agreement or this Acceptance Agreement is determined by a Court of competent jurisdiction to be void or invalid at law, then only that term, condition, clause or provision determined to be void or invalid shall be stricken, and the remainder of the Plan, the Award Agreement and this Acceptance Agreement shall remain in full force and effect in all other aspects.

I also understand and agree that if I engage in any activity that is in violation of the Plan, the Award Agreement or this Acceptance Agreement, such conduct may cause serious damage and irreparable injury to Key, and Key at its election may terminate my employment (if I am still employed), seek monetary damages and attorney fees, and injunctive relief without the necessity of posting bond, as well as any and all other equitable relief to which it may be entitled under the law, the Plan, the Award Agreement and this Acceptance Agreement.

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[\(Back To Top\)](#)

Section 4: EX-10.10 (EXHIBIT 10.10)

EXHIBIT 10.10

RESTRICTED STOCK UNIT AWARD AGREEMENT

KeyCorp grants to the Participant named below, in accordance with the terms, and subject to the conditions, of the KeyCorp 2013 Equity Compensation Plan (the "Plan"), this Restricted Stock Unit Award Agreement (the "Award Agreement") and the attached Acceptance Agreement, an award of the number of Restricted Stock Units ("Units" or "Award"), on the Date of Grant, each as set forth below. Capitalized terms used herein without definition shall have the meanings assigned to them in the Plan.

Each Unit represents the contingent right to receive one Common Share (rounded down to the nearest whole Common Share), subject to the terms and conditions set forth in the Plan, this Award Agreement and the Acceptance Agreement.

Name of Participant: [Participant Name]
Number of Units: [Shares Granted]
Date of Grant: [Grant Date]

Vesting: The Units shall vest in accordance with the "distribution schedule" reflected in the records of the Plan administrator and viewable on the Participant's homescreen (the "Vesting Date" if only one such date, or if more than one such date, each a "Vesting Date"), provided that the Participant shall have remained in the continuous employ of KeyCorp and its affiliates ("Key") through the applicable Vesting Date, except as otherwise provided herein.

Payment: The Common Shares underlying any portion of the Award that becomes vested (including dividend equivalents as provided pursuant to Section 2 of this Award Agreement) shall be delivered within 45 days after the applicable Vesting Date, except as otherwise provided in this Award Agreement.

The Participant must accept the Award online within one year from date of grant and in accordance with the procedures established by KeyCorp and the Award administrator or this Award Agreement may be cancelled by KeyCorp, in its sole discretion. By accepting the Award in accordance with these procedures, the Participant acknowledges that:

- This Award is subject to the KeyCorp Incentive Compensation Program and Policy, as amended from time to time. The Participant understands and agrees that the Award is subject to risk adjustment in accordance with the procedures set forth in the Incentive Compensation Program and Policy. These procedures permit Key, in its sole discretion, to decrease, forfeit, or initiate a clawback, of all or any part of the Award under certain circumstances, including in the event that the Participant receives a "Does Not Meet" risk rating as part of his or her annual performance review, and/or in the event that the Participant's business unit experiences negative pre-provision net revenue (before allocated costs) or significant credit, market or operational losses. If a significant risk event occurs, whether at the individual or business level, a root cause analysis may be conducted, which may result in a risk adjustment of the Award.
- The Participant understands that as a condition to receiving the Award, the Participant must agree to be bound by and comply with the terms and conditions of the Plan, the Award Agreement and related Acceptance Agreement.

As soon as the Participant accepts the Award, the terms and conditions of the Award Agreement and Acceptance Agreement will constitute a legal contract that will bind both the Participant and KeyCorp.

Additional Terms

1. **Effect of Termination.**

(a) In General. Any unvested Units shall be forfeited automatically without further action or notice if the Participant ceases to be continuously employed by Key prior to any Vesting Date, except as otherwise

provided in this Section 1. For purposes of this Section 1, the continuous employment of the Participant shall not be deemed to have been interrupted, and the Participant shall not be deemed to have ceased to be an employee of Key, by reason of the transfer of employment among KeyCorp and its affiliates.

(b) Certain Terminations. Notwithstanding Section 1(a), if, prior to the Vesting Date:

(i) the Participant's continuous employment is terminated as a result of the Participant's death or Disability, the Participant will immediately vest in any unvested Units or

(ii) the Participant's continuous employment is terminated as a result of Retirement, the Participant shall, (A) for any unvested Units that were granted one year or more prior to the Participant's effective termination date, vest in any unvested Units on the scheduled Vesting Date(s), and (B) for any unvested Units that were granted less than one year prior to Participant's effective termination date, immediately vest in a pro rata portion of such Units. Key may, in its sole discretion, provide that any unvested Units that would otherwise be subject to Section 1(b)(ii)(B) (i.e., vest in a pro rata portion as a result of Retirement because such Units were granted less than one year prior to Participant's effective termination date) may instead be treated consistent with Section 1(b)(ii)(A) (i.e., vest in any unvested Units on the scheduled Vesting Date); or

(iii) the Participant's continuous employment is terminated as a result of a Voluntary Resignation on or after attaining age 55 and completion of at least 5 years of service (excluding a Retirement), the Participant shall immediately vest in a pro rata portion of such Units; or

(iv) the Participant's continuous employment is terminated as a result of a Termination Under Limited Circumstances, subject to the Participant executing a release of claims in Key's favor in a form agreeable to Key, the Participant will vest in any unvested Units on the scheduled Vesting Date(s); provided, however, that should Key determine, in its sole discretion, that full vesting of any unvested Units would result in the unjust enrichment of the Participant, Key may provide, instead, that the Participant will vest only in a pro rata portion of any unvested Units.

Subject to Section 11 hereof, Units vested under the provisions of Section 1(b)(i) or (iii) shall be distributed within 45 days of the termination, and Units vested under the provisions of Section 1(b)(ii) or (iv) shall be distributed within 45 days of the scheduled Vesting Date(s).

For purposes of this Award Agreement, the Participant's "Retirement" shall mean the Participant's Voluntary Resignation on or after attaining age 60 and completion of at least 10 years of service. The Participant's "Termination Under Limited Circumstances" shall mean the Participant's termination from Key under circumstances in which the Participant becomes entitled to receive: (i) a severance under the KeyCorp Separation Pay Plan as in effect at the time of the Participant's termination, or (ii) under circumstances under which the Participant is entitled to receive salary continuation benefits under the terms and conditions of an employment separation or letter agreement with Key, including, without limitation, a Change of Control Agreement.

The pro rata vesting provided for under this Award Agreement shall be determined by multiplying the number of unvested Units as of the date of the Participant's termination of employment by a fraction, the numerator of which shall be the number of full months of Participant's continuous employment from the Date of Grant through the date of termination and the denominator of which shall be number of full months between the Date of Grant and latest Vesting Date.

(c) Certain Terminations Within Two Years After a Change of Control. Subject to Section 11 hereof, if the Participant's continuous employment is terminated within two years following the date of a Change of Control for any reason other than a Voluntary Resignation (excluding a Voluntary Resignation described in Section 1(b)(iii), above) or a Termination for Cause, any unvested Units shall vest in full and be distributed within 45 days following the Participant's termination.

2. Dividend Equivalents. Each Unit is granted with a related dividend equivalent which is subject to the same terms and conditions as the Units. Each dividend equivalent represents the right to be credited with of any dividends paid on a Common Share between the Date of Grant and the Vesting Date of the related Unit. Dividend equivalents are deemed reinvested in Common Shares (based upon the Fair Market Value per Common Share on the date the related dividend is paid to KeyCorp shareholders), which will be delivered at the same time as the Common Shares are delivered upon vesting in the related Unit.

3. Harmful Activity. Notwithstanding any other provision of this Award Agreement to the contrary, if the Participant engages in any Harmful Activity prior to or within twelve months after the Participant's termination of employment with Key, then the Units shall be immediately forfeited without further action or notice, and any Common Shares delivered in payment of the Award within one year prior to the Participant's termination of employment, and any Profits realized by the Participant from the sale of such Common Shares, shall become immediately due and payable to KeyCorp on KeyCorp's demand. This Section 3 shall survive the termination of Participant's employment.

4. KeyCorp's Reservation of Rights. As a condition of receiving this Award, the Participant acknowledges and agrees that Key intends to comply with the requirements of (a) the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (including clawback provisions), as the same may be amended from time to time; (b) the banking regulatory agencies' *Guidance on Sound Incentive Compensation Policies*; and (c) KeyCorp's risk requirements and policies. As a condition of receiving this Award, the Participant understands and agrees that KeyCorp may, in its sole discretion, (x) decrease or cause the forfeiture of all or any part of this Award, (y) initiate a clawback of all or any part of this Award, and/or (z) demand the Participant's repayment to KeyCorp of any Common Shares paid to the Participant under this Award, or the Profits realized from the sale of such Common Shares, if KeyCorp determines that such action is necessary or desirable.

5. Relation to Other Benefits. Any economic or other benefit to the Participant under this Award Agreement shall not be taken into account in determining any benefits to which the Participant may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by Key and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of Key.

6. KeyCorp Stock Ownership Guidelines. If the Participant is subject to and has not met the KeyCorp Stock Ownership Guidelines, the Participant may not sell or otherwise transfer the Common Shares provided upon vesting of the Award (if any) until and unless the Participant meets the Stock Ownership Guidelines or terminates employment with Key; provided, however, that notwithstanding the foregoing, the Participant may sell the number of Common Shares necessary to satisfy any withholding tax obligation that may arise in connection with the vesting of this Award even if the Participant has not met the Stock Ownership Guidelines.

7. Taxes and Withholding. To the extent that Key is required to withhold any federal, state, local or other taxes in connection with the delivery of Common Shares under this Award Agreement, then Key shall retain a number of Common Shares otherwise deliverable hereunder with a value equal to the required withholding (based on the Fair Market Value of the Common Shares on the date of delivery). To the extent that Key is required to withhold any federal, state, local or other taxes at any time other than upon delivery of Common Shares under this Award Agreement, then Key shall have the right in its sole discretion to (a) require the Participant to pay or provide for payment of the required tax withholding, (b) retain a number of Common Shares that otherwise would remain subject to this Award with a value equal to the required withholding amount (determined based on the Fair Market Value of the Common Shares on the date the applicable taxes are required to be withheld) and make a corresponding reduction in the number of Units subject to this Award, or (c) deduct the required tax withholding from any other compensation payable in cash to the Participant. To the extent that withholding taxes are satisfied by the retention of Common Shares, the value of the Common Shares so retained shall not exceed the amount of taxes required to be withheld based on the maximum statutory tax rates in the applicable taxing jurisdictions. Further, to the extent that this Award constitutes a deferral of compensation subject to Section 409A of the Code, any retention of Common Shares pursuant to clause (b) of the immediately preceding sentence to satisfy tax withholding

requirements at any time other than at the time of delivery of Common Shares shall be effected only as permitted pursuant to Treasury Regulations Sections 1.409A-3(j)(4)(vi) and 1.409A-3(j)(4)(xi), as applicable.

8. Entire Agreement; Amendments. This Award Agreement, along with the Plan and the related Acceptance Agreement, contains the entire agreement and understanding of the parties with respect to the subject matter contained therein, and supersedes all prior written or oral communications, representations and negotiations in respect thereto. KeyCorp may modify or amend this Award Agreement at any time upon written notice to the Participant, provided that KeyCorp may not amend this Award Agreement in a manner adverse to the interests of the Participant without the Participant's consent. In the event of any inconsistency between the provisions of this Award Agreement or the related Acceptance Agreement, on the one hand, and the Plan, on the other, the Plan shall govern.

9. Administration. KeyCorp shall have the right, in accordance with the Plan, to determine any questions which arise in connection with the Award. All such determinations and decisions shall be final, conclusive and binding on all persons, including Key, the Participant and the Participant's estate and beneficiaries.

10. Successors and Assigns. Without limiting Section 14.1 of the Plan, the provisions of this Award Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Participant, and the successors and assigns of KeyCorp.

11. Compliance with Section 409A of the Internal Revenue Code. To the extent applicable, it is intended that this Award comply with the provisions of Section 409A of the Code ("Section 409A"). The Award shall accordingly be administered in a manner consistent with this intent, and any provision that would cause the Award to fail to satisfy Section 409A shall have no force and effect until amended to comply with Section 409A. In particular, if Participant is a "specified employee," as determined by Key in accordance with Section 409A, then to the extent required in order to comply with Section 409A, all payments, benefits or reimbursements paid or provided under this Award that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of Participant's separation from service and that would otherwise be paid or provided during the first six months following Participant's separation from service shall be accumulated through (without interest) and paid or provided no earlier than six (6) months following Participant's separation from service (or, if Participant should die during such six-month period, as soon as administratively possible). Further, but solely to the extent necessary to comply with Section 409A, a transaction shall be considered a Change of Control only if it also qualifies as a "change in the ownership" a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of KeyCorp within the meaning of Section 409A, and the Participant's "Disability" will be treated as such only if the Participant would also be considered "disabled" within the meaning of Section 409A.

ACCEPTANCE AGREEMENT

I acknowledge receipt of the attached Award and in consideration thereof, I accept such Award subject to the terms and conditions of the Plan, the Award Agreement, and the restrictions that are set forth in this Acceptance Agreement.

I also understand and agree that the restrictions set forth in this Acceptance Agreement are (i) in addition to, and do not in any way limit or vary the restrictions that are contained in any other agreement, plan, policy, or practice that are applicable to me as an employee of Key, and (ii) binding upon me regardless of whether I vest, sell, transfer, pledge, hypothecate, or otherwise dispose of the Award or any of the Common Shares to be paid to me upon vesting in the Award.

1. I recognize the importance of preserving the confidentiality of Non-Public Information of Key, and I acknowledge and agree that: (a) during my employment with Key, I will acquire, reproduce, and use such Non-Public Information only to the extent reasonably necessary for the proper performance of my duties; (b) both during and after my employment with Key, I will not use, publish, sell, trade or otherwise disclose such Non-Public Information; and (c) upon the termination of my employment with Key, I will immediately return to Key all documents, data, information and equipment in my possession or to which I have access

that may contain such Non-Public Information. I also agree to enter into and to execute nondisclosure agreements in favor of Key and others doing business with Key with whom Key has a confidential relationship.

I acknowledge that Key has informed me that I will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of Non-Public Information that: (1) is made (a) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney, and (b) solely for the purpose of reporting or investigating a suspected violation of law; or (2) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosure of Non-Public Information to attorneys, made under seal, or pursuant to court order is also protected in certain circumstances under the federal Defend Trade Secrets Act. This provision does not limit my right to respond accurately and fully to any question, inquiry or request for information when required by legal process or from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding Key, my employment, or this provision. Furthermore, I am not required to contact Key regarding the subject matter of any such communications before engaging in such communications. I understand that my rights as set forth in this paragraph apply to this agreement, as well as any similar agreement that I have entered into, or may enter into, with Key regarding non-disclosure of information.

2. I acknowledge and agree that the duties of my position at Key may include the development of Intellectual Property, and that any Intellectual Property which I create with any of Key's resources or assistance, in whole or in part, and which pertains to the business of Key is the property of Key. I hereby agree and I hereby assign to Key all right, title, and interest in and absolute title to such Intellectual Property, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property and I agree that I will execute all patent applications and assignments thereof on Key's behalf without additional compensation.

3. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, hire or solicit or entice for employment any Key Employee, without the written consent of Key (which consent Key may grant or withhold in its discretion). "Key Employees" shall include (i) all current Key employees, and (ii) all persons who were employed by Key at any time during the six (6) month period prior to my termination from Key.

4. (a) Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, call upon, solicit, or do business with any Key customer or prospective customer of Key with whom I interacted or learned of during the course of my employment at Key, without the written consent of Key (which consent Key may grant or withhold in its discretion).

(b) In the event that my employment with Key is terminated as a result of a Termination Under Limited Circumstances, the restrictions in paragraph 4(a) of this Acceptance Agreement shall become inapplicable to me; however, the restrictions in paragraphs 1, 2, and 3 of this Acceptance Agreement shall remain in full force and effect.

5. The aforementioned restrictions in paragraphs 1, 2, 3 and 4(a) shall not apply in the event that, within the 2-year period commencing on a Change of Control: (i) my employment with Key is terminated as a result of a Termination Under Limited Circumstances, or (ii) I terminate employment with Key after a relocation of my principal place of employment more than 35 miles from my principal place of employment immediately prior to the Change of Control, or after a reduction in my base salary after a Change of Control.

6. I agree that the Plan, the Award Agreement and this Acceptance Agreement will be governed by Ohio law without regard to the conflicts of laws principles, and that if any term, condition, clause or provision of the Plan, the Award Agreement or this Acceptance Agreement is determined by a Court of competent

jurisdiction to be void or invalid at law, then only that term, condition, clause or provision determined to be void or invalid shall be stricken, and the remainder of the Plan, the Award Agreement and this Acceptance Agreement shall remain in full force and effect in all other aspects.

I also understand and agree that if I engage in any activity that is in violation of the Plan, the Award Agreement or this Acceptance Agreement, such conduct may cause serious damage and irreparable injury to Key, and Key at its election may terminate my employment (if I am still employed), seek monetary damages and attorney fees, and injunctive relief without the necessity of posting bond, as well as any and all other equitable relief to which it may be entitled under the law, the Plan, the Award Agreement and this Acceptance Agreement.

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[\(Back To Top\)](#)

Section 5: EX-10.14 (EXHIBIT 10.14)

EXHIBIT 10.14

KEYCORP

LONG-TERM INCENTIVE DEFERRAL PLAN

This KeyCorp Long-Term Incentive Deferral Plan (the “**Sub-Plan**”) is hereby established, effective as of December 31, 2018 (the “**Effective Date**”), as a sub-plan under the KeyCorp 2013 Equity Compensation Plan and under any successor shareholder-approved equity compensation plan of the Corporation (collectively referred to herein as the “**Equity Compensation Plan**”). The purpose of the Sub-Plan is to allow Participants (as defined below) to elect to defer the payment of Eligible Awards (as defined below) that have become vested in accordance with the terms and conditions of the applicable Award Instrument and the Equity Compensation Plan, and the deferral of an Eligible Award shall be credited to a Participant’s Account (as defined below) under this Sub-Plan only after the vesting of such Eligible Award. In no event shall this Sub-Plan be construed to provide a Participant with any rights with respect to vesting of an Eligible Award beyond the rights set forth in the applicable Award Instrument and the Equity Compensation Plan.

ARTICLE 1

DEFINITIONS

Capitalized terms used in the Sub-Plan but not defined herein shall have the same meanings as defined in the Equity Compensation Plan. In addition to those terms and the terms defined in the preamble hereof, the following words and phrases shall have the meanings set forth below, unless their context clearly requires a different meaning:

“**Account**” means the bookkeeping account maintained by the Corporation on behalf of each Participant pursuant to this Sub-Plan. The sum of each Participant’s Sub-Accounts, in the aggregate, shall constitute his or her Account. The Account and each and every Sub-Account shall be a bookkeeping entry only and shall be used solely as a device to measure and determine the amounts, if any, to be paid to a Participant or his Beneficiary under the Sub-Plan.

“**Beneficiary**” or “**Beneficiaries**” means the person or persons, including one or more trusts, designated by a Participant in accordance with the Sub-Plan to receive payment of the remaining balance of the Participant’s Account in the event of the death of the Participant prior to the Participant’s receipt of the entire amount credited to his Account.

“Beneficiary Designation Form” means the form approved from time to time by the Corporation (which may be electronic) that a Participant may execute in order to designate one or more Beneficiaries.

“Committee” means the Compensation and Organization Committee of the KeyCorp Board of Directors or its delegate(s).

“Corporation” means KeyCorp or its successor in interest.

“Deferral Election” means the Participant’s election on a form approved by the Corporation (which may be electronic) to defer a portion of his or her Eligible Awards in accordance with the provisions of Article 3.

“Eligible Award” means any Performance Shares granted to an Eligible Executive after the Effective Date, and, solely to the extent permitted by the Committee, in its sole discretion, Restricted Stock Units granted to an Eligible Executive.

“Eligible Executive” has the meaning given to such term in Section 2.1 hereof.

“Participant” means any Eligible Executive who (a) at any time elected to defer the receipt of an Eligible Award in accordance with the Sub-Plan, and (b) in conjunction with his or her Beneficiary, has not received a complete payment of the amount credited to his or her Account.

“Plan Year” means a calendar year.

“Separation from Service” means a termination of employment or service with the Corporation and its Subsidiaries, other than as a result of death, in such a manner as to constitute a “separation from service” as defined under Section 409A of the Code.

“Sub-Account” means each bookkeeping sub-account maintained by the Corporation on behalf of each Participant pursuant to the Sub-Plan with respect to any Eligible Awards granted in a particular Plan Year.

ARTICLE 2

ELIGIBILITY

2.1 Eligibility. Participation in the Sub-Plan is limited to those employees of the Corporation and its Subsidiaries who are “executive officers” under Regulation O under federal banking law, and any other employees who may be designated by the Committee (or its delegate), in its sole discretion, as eligible to participate in the Sub-Plan and who are members of a “select group of management or highly compensated employees,” within the meaning of Sections 201, 301 and 401 of ERISA (each an **“Eligible Executive”**).

2.2 Enrollment Requirements. As a condition to initial participation in the Sub-Plan, an Eligible Executive shall complete, execute and return to the Corporation a Deferral Election in accordance with Article 3. In addition, the Corporation may establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 Termination of Eligibility. An individual’s right to defer any Eligible Award under the Sub-Plan shall cease with respect to the Plan Year following the Plan Year in which he or she ceases to be an Eligible Executive, although such individual shall continue to be subject to all of the terms and conditions of the Sub-Plan for as long as he remains a Participant.

ARTICLE 3

DEFERRAL ELECTIONS

3.1 Elections to Defer. Each Eligible Executive may elect to defer Eligible Awards by filing a Deferral Election as provided herein. The Deferral Election with respect to an Eligible Award must be filed with the Corporation by, and shall become irrevocable as of, December 31 (or such earlier date as specified on the form) preceding the first day of the Plan Year in which such Eligible Award is granted to the Eligible Executive under the Equity Compensation Plan.

3.2 Amount Deferred and Form of Payment. A Participant shall designate on each Deferral Election:

(a) The percentage of each Eligible Award that is to be deferred with respect to the applicable Plan Year, subject to the limitations of this Section 3.2(a). Unless otherwise determined by the Committee, with respect to each Plan Year, a Participant may defer (in 5% increments) between 25% and 80% of an Eligible Award, with such percentages applied to the number of units subject to each applicable Eligible Award.

(b) The form of payment of each amount deferred, which may be either (i) in a single lump sum, (ii) in substantially equal annual installments over a period of 5 years, or (iii) in substantially equal annual installments over a period of 10 years; and in any case payment shall be made (or commence) following the Participant's Separation from Service as provided pursuant to Article 5. A Participant may choose a different form of payment for each Eligible Award. To the extent that a Participant does not designate a form of payment on the Deferral Election, the form of payment shall be a single lump sum. Notwithstanding any provision of the Sub-Plan or any Deferral Election to the contrary, however, in the event of a Participant's Separation from Service prior to a vesting date specified in the applicable Award Instrument with respect to an Eligible Award (or a portion thereof), such Eligible Award (or portion thereof) shall not be credited to the Participant's Account pursuant to any Deferral Election under the Sub-Plan and instead shall be paid, to the extent vested (if at all), only at the time and in the form specified in the applicable Award Instrument.

3.3 Relation to Award Instrument. The Sub-Plan is intended to provide Eligible Executives the opportunity to defer payment of Eligible Awards that have become vested in accordance with their terms. Except as otherwise provided in this Sub-Plan, Eligible Awards shall remain subject to the terms and conditions of the applicable Award Instrument and Equity Compensation Plan, including, but not limited to, applicable vesting and forfeiture provisions.

ARTICLE 4

ACCOUNTS

4.1 Establishment. The Committee shall establish and maintain separate Sub-Accounts for each Participant for each Plan Year. For each Eligible Award, if any, that a Participant has elected to defer pursuant to Section 3.1 and that becomes vested pursuant to the terms and conditions of the applicable Award Instrument and the Equity Compensation Plan, and regardless of whether such Eligible Award otherwise would have been paid, pursuant to the applicable Award Instrument and the Equity Compensation Plan, in the form of Common Shares or cash, the Participant's Sub-Account shall be credited with a corresponding number of notional Common Shares (both full and fractional), effective as soon as administratively practicable following the payment date of the Awards, and shall be assigned a form of payment (lump sum or installments) as specified by the Participant under Section 3.2. With respect to any deferral of an Eligible Award which, under the terms of the applicable Award Instrument and the Equity Compensation Plan, would have been paid in cash, the number of notional Common Shares credited to the Participant's Sub-Account under this Section 4.1 shall be determined by dividing (a) the amount of cash that would have been payable as determined under the applicable Award Instrument but for the Participant's Deferral Election, by (b) the Fair Market Value per Common Share on the date of crediting to the Participant's Sub-Account hereunder. For purposes of clarity, Eligible Awards that are forfeited by their terms prior to vesting will in no event be credited to a Participant's Account

under this Sub-Plan. The value of each Participant's Account shall be automatically increased or decreased, as the case may be, to reflect the Fair Market Value from time to time of the number of notional Common Shares credited to the Participant's Account.

4.2 Adjustments. The notional Common Shares credited to a Sub-Account (a) shall, to the extent that dividend equivalents have been credited pursuant to the Award Instrument applicable to the deferred Award, continue to be credited with dividend equivalents until the time of payment in accordance with Article 5 of the Sub-Plan, in a manner consistent with the manner of crediting of dividend equivalents under the applicable Award Instrument; and (b) shall be subject to adjustments as provided in the Equity Compensation Plan.

4.3 Vesting; Forfeiture. Once credited to a Participant's Account in accordance with the foregoing provisions of this Article 4, a Participant's deferrals shall be fully vested; provided, however, that any amounts credited to an Account under this Sub-Plan shall remain subject to forfeiture and recoupment in accordance with the terms of the applicable Award Instrument and Equity Compensation Plan, in addition to the terms of any compensation recovery policy of the Corporation as in effect from time to time.

ARTICLE 5

PAYMENT OF ACCOUNTS

5.1 Date and Medium of Payment of Sub-Accounts.

(a) Date of Payment. Except as otherwise provided in this Article 5, the amounts credited to a Participant's Sub-Accounts shall be paid, or commence to be paid, within 30 days following the Participant's Separation from Service, in the form of payment (lump sum or installments) specified by the Participant for each such Sub-Account in accordance with Section 3.2 hereof.

(b) Six-Month Delay. Notwithstanding Section 5.1(a) to the contrary, if the Participant is a "specified employee" (as determined by the Corporation in accordance with Section 409A of the Code) at the time of his or her Separation from Service, such Sub-Accounts shall instead be paid, or commence to be paid, as soon as administratively practicable following the first business day of the seventh month following the Participant's Separation from Service (or his or her date of death, if earlier). In the event that a Sub-Account is paid in installments: the first installment shall commence at the time specified in Section 5.1(a), and each subsequent installment shall be paid as soon as administratively practicable following the applicable anniversary of the commencement date, until the Sub-Account has been fully paid.

(c) Medium of Payment. Notwithstanding any other provision of this Sub-Plan (i) any portion of a Participant's Account that is attributable to deferral of an Eligible Award which, under the terms of the applicable Award Instrument and the Equity Compensation Plan, would have been paid in Common Shares shall be paid in Common Shares (both full and fractional) delivered under and counted against the share reserve of the Equity Compensation Plan, and (ii) any portion of a Participant's Account that is attributable to deferral of an Eligible Award which, under the terms of the applicable Award Instrument and the Equity Compensation Plan, would have been paid in cash shall be paid in cash, in an amount equal to the Fair Market Value of the number of notional Common Shares (both full and fractional) credited to the Participant's Account as of the date immediately prior to the date of payment pursuant to this Article V.

5.2 No Subsequent Payment Elections. Once a form of payment (lump sum or installments) has become irrevocable and effective with respect to any Sub-Account, a Participant may not elect to change the form of payment of such Sub-Account.

5.3 Death of Participant. Notwithstanding any other provision of this Sub-Plan, in the event of the Participant's death, the remaining amount of all of the Participant's Sub-Accounts shall be paid to the Participant's Beneficiary or Beneficiaries designated on a Beneficiary Designation Form (or, if no such Beneficiary, to the Participant's estate) in a single lump sum as soon as administratively practicable following the date of the Participant's death. A Participant's Beneficiary Designation Form may be changed at any time prior to his death by the execution and delivery of a new Beneficiary Designation Form. The Beneficiary Designation Form on file with the Corporation that bears the latest date at the time of the Participant's death shall govern. If a Participant fails to properly designate a Beneficiary in accordance with this Section 5.3, then payment pursuant to this Section 5.3 shall be made to the Participant's estate.

5.4 Change in Control. Except as otherwise provided in Section 5.1(b) of this Sub-Plan, in the event of a "change in control event" with respect to the Corporation (within the meaning of Section 409A of the Code and the Treasury Regulations thereunder), the remaining vested balance of each Account shall be paid to the applicable Participant in a single lump sum within 30 days following the date of the change in control event, in the medium of payment as provided pursuant to Section 5.1(c) of the Sub-Plan.

5.5 Discretionary Acceleration and Delay of Payments. Notwithstanding any other provision of the Sub-Plan to the contrary, except Section 5.1(b), the Committee may, in its sole discretion (a) accelerate the time or schedule of a payment under the Sub-Plan to a time or form otherwise permitted under Section 409A of the Code in accordance with the requirements, restrictions and limitations of Treasury Regulation Section 1.409A-3(j), and (b) delay the time or form of payment under the Sub-Plan to a time or form otherwise permitted under Section 409A of the Code in accordance with the requirements, restrictions and limitations of Treasury Regulation Section 1.409A-2(b)(7).

5.6 Actual Date of Payment. To the extent permitted by Section 409A of the Code, the Committee, in its sole discretion, may cause any payment under this Sub-Plan to be made or commence on any later date that occurs in the same calendar year as the date on which payment otherwise would be required to be made under this Sub-Plan, or, if later, by the fifteenth (15th) day of the third month after the date on which payment otherwise would be required to be made under this Sub-Plan. Further, to the extent permitted by Section 409A of the Code, the Committee may delay payment in the event that it is not administratively possible to make payment on the date (or within the periods) specified in this Article 5, or the making of the payment would jeopardize the ability of the Corporation (or any entity which would be considered to be a single employer with the Corporation under Section 414(b) or Section 414(c) of the Code) to continue as a going concern. Notwithstanding the foregoing, payment must be made no later than the latest possible date permitted under Section 409A of the Code.

ARTICLE 6

ADMINISTRATION

6.1 General. The Corporation, through the Committee, shall be responsible for the general administration of the Sub-Plan and for carrying out the provisions hereof. In general, the

Committee shall have the full power, discretion and authority to carry out the provisions of the Sub-Plan; in particular, the Committee shall have full discretion to (a) interpret all provisions of the Sub-Plan, (b) resolve all questions relating to eligibility for participation in the Sub-Plan and the amount in the Account of any Participant and all questions pertaining to claims for benefits and procedures for claim review, (c) resolve all other questions arising under the Sub-Plan, including any factual questions and questions of construction, (d) determine all claims for benefits, and (e) adopt such rules, regulations or guidelines for the administration of the Sub-Plan and take such further action as the Committee shall deem advisable in the administration of the Sub-Plan. The actions taken and the decisions made by the Committee hereunder shall be final, conclusive, and binding on all persons, including the Corporation, its shareholders, Eligible Executives, Participants, and their estates and Beneficiaries. Subject to applicable law, the Committee may delegate to one or more officers or employees of the Corporation, subject to such terms as the Committee shall determine, the authority to administer all or any portion of the Sub-Plan, or the authority to perform certain functions, including administrative functions. In the event of such delegation, all references to the Committee in this Sub-Plan (other than such references in the immediately preceding sentence) shall be deemed references to such officers as it relates to those aspects of the Sub-Plan that have been delegated. In accordance with the provisions of Section 503 of ERISA, the Committee shall provide a procedure for handling claims of Participants or their Beneficiaries under the Sub-Plan. Such procedure shall be in accordance with regulations issued by the Secretary of Labor and shall provide adequate written notice within a reasonable period of time with respect to the denial of any such claim as well as a reasonable opportunity for a full and fair review by the Committee of any such denial.

6.2 Compliance with Section 409A of the Code. The Sub-Plan is a nonqualified deferred compensation plan maintained for the benefit of a select group of management or highly compensated employees, and the Sub-Plan shall be subject to all of the provisions of the Equity Compensation Plan concerning compliance with Section 409A of the Code.

ARTICLE 7

AMENDMENT AND TERMINATION

7.1 Amendment. The Corporation reserves the right to amend, terminate or freeze the Sub-Plan, in whole or in part, at any time by action of the Committee or its delegate(s). In no event shall any such action by the Committee or its delegate(s) adversely affect any Participant or Beneficiary who has an Account, or result in any change in the timing or manner of payment of the amount of any Account (except as otherwise permitted under the Sub-Plan), without the consent of the Participant or Beneficiary, unless the Committee or its delegate(s), as the case may be, determines in good faith that such action is necessary to ensure compliance with Section 409A of the Code.

7.2 Payments Upon Termination of Sub-Plan. Except as otherwise provided in Article 5, in the event that the Sub-Plan is terminated, the amounts allocated to a Participant's Sub-Accounts shall be paid to the Participant or his Beneficiary on the dates on which the Participant or his Beneficiary would otherwise receive payments hereunder without regard to the termination of the Sub-Plan.

ARTICLE 8

MISCELLANEOUS

8.1 Governing Law. The Sub-Plan shall be governed and construed in accordance with the internal substantive laws of the State of Ohio.

8.2 Successors. This Sub-Plan shall be binding upon and inure to the benefit of the Corporation and any successor of or to the Corporation, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Corporation whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the "Corporation" for the purposes of this Sub-Plan), and the heirs, beneficiaries, executors and administrators of each Participant.

8.3 Withholding of Taxes. The Corporation or any Subsidiary may withhold or cause to be withheld from any amounts deferred or payable under the Sub-Plan all federal, state, local and other taxes as shall be legally required in the same manner and to the same extent as provided in the Award Instrument applicable to the deferred Award

8.4 Participants Deemed to Accept Sub-Plan. By accepting any benefit under the Sub-Plan, each Participant and each person claiming under or through any such Participant shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, all of the terms and conditions of the Sub-Plan and any action taken under the Sub-Plan by the Board, the Committee and the Corporation, in any case in accordance with the terms and conditions of the Sub-Plan.

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[\(Back To Top\)](#)

Section 6: EX-10.17 (EXHIBIT 10.17)

EXHIBIT 10.17

2013 Equity Compensation Plan

KEYCORP 2013 EQUITY COMPENSATION PLAN

1. EFFECTIVE DATE; PURPOSE; TERM; PRIOR PLANS/

The Corporation hereby establishes an equity compensation plan to be known as the KeyCorp 2013 Equity Compensation Plan. The Plan is effective as of March 14, 2013 (the "Effective Date"), subject to the approval of the Plan by the shareholders of the Corporation (the date of such shareholder approval being the "Approval Date"). Definitions of capitalized terms used in the Plan are contained in

(a) Section 2 of the Plan.

The Plan is intended to promote the interests of the Corporation and its shareholders by providing equity-based incentives for effective service and high levels of performance to Employees and Directors selected by the Committee. To achieve these purposes, the Corporation may grant Awards to selected Employees and Directors in accordance with the terms and conditions hereinafter set forth.

(b)

No Award may be granted under the Plan after the day immediately preceding the tenth (10th) anniversary of the Effective Date, or such earlier date as the Board shall determine. The Plan will remain in effect with respect to outstanding Awards until no Awards remain outstanding.

(c)

If the Company's shareholders approve the Plan, the KeyCorp Deferred Equity Allocation Plan (the "Deferred Equity Allocation Plan"), the KeyCorp Directors' Deferred Share Plan (the "Directors' Deferred Share Plan") and the KeyCorp 2010 Equity Compensation Plan (collectively, the "Prior Plans") each will terminate in its entirety effective on the Approval Date and all Common Shares authorized for issuances under the Prior Plans but which are not yet subject to awards under the Prior Plans will be canceled and no longer be available for issuance as awards; provided that all outstanding awards under each of the Prior Plans as of the Approval Date shall remain outstanding and shall be administered and settled in accordance with the provisions of the applicable Prior Plan.

(d)

2. DEFINITIONS.

2.1 1934 ACT. The term "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

2.2 ACQUISITION PRICE. The term "Acquisition Price" with respect to Restricted Stock and Restricted Stock Units shall mean such amount, if any, required by applicable law or as may be otherwise specified by the Committee in the Award Instrument with respect to the Restricted Stock or Restricted Stock Units as the consideration to be paid by the Participant for the Restricted Stock or Restricted Stock Units.

2.3 APPROVAL DATE. The term "Approval Date" shall mean the date that the Plan is approved by the shareholders of the Corporation.

2.4 AWARD. The term "Award" shall mean an award granted under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards.

2.5 AWARD INSTRUMENT. The term "Award Instrument" shall mean a writing evidencing an Award in such form and with such provisions as the Committee may prescribe, including, without limitation, an agreement to be executed by the Participant and the Corporation, a certificate issued by the Corporation, a sub-plan established under the Plan or a letter executed by the Committee or its designee. An Award Instrument may be in an electronic medium, may be limited to notation on the books and records of the Corporation and, unless otherwise determined by the Committee, need not be signed by a representative of the Corporation or the Participant. Acceptance of the Award Instrument by a Participant constitutes agreement to the terms of the Award evidenced thereby.

2.6 BASE PRICE. The term "Base Price" with respect to a Free-Standing SAR shall mean the price specified in an Award of the Free-Standing SAR to be used as the basis for determining the amount to which a holder of the Free-Standing SAR is entitled upon the exercise of the Free-Standing SAR.

2.7 BOARD. The term "Board" shall mean the Board of Directors of the Corporation.

2.8 CHANGE OF CONTROL. Unless otherwise provided in the relevant Award Instrument or a Deferred Compensation Plan, a "Change of Control" shall be deemed to have occurred if there is a Change of Control under any of clauses (a), (b), (c), or (d) below. For these purposes, the Corporation will be deemed to have become a subsidiary of another corporation if any other corporation (which term shall, for all purposes of this Section 2.8, include, in addition to a corporation, a limited liability company, partnership, trust, or other organization) owns, directly or indirectly, 50 percent or more of the total combined outstanding voting power of all classes of stock of the Corporation or any successor to the Corporation.

A Change of Control will have occurred under this clause (a) if the Corporation is a party to a transaction pursuant to which the Corporation is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation and either:

(a)

immediately after giving effect to that transaction, less than 65% of the then outstanding voting securities of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation represent or were issued in exchange for voting securities of the Corporation outstanding immediately prior to the transaction, or

(i)

immediately after giving effect to that transaction, individuals who were directors of the Corporation on the day before the first public announcement of (x) the pendency of the transaction or (y) the intention of any person or entity to cause the transaction to occur, cease for any reason to constitute at least 51% of the directors of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation.

(ii)

A Change of Control will have occurred under this clause (b) if a tender or exchange offer shall be made and consummated for 35% or more of the outstanding voting stock of the Corporation or any Person is or becomes the beneficial owner of 35% or more of the outstanding voting stock of the Corporation or there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as adopted under the 1934 Act, disclosing the acquisition of 35% or more of the outstanding voting stock of the Corporation in a transaction or series of transactions by any Person.

(b)

(c) A Change of Control will have occurred under this clause (c) if either:

without the prior approval, solicitation, invitation, or recommendation of the Board any person or entity makes a public announcement of a bona fide intention (A) to engage in a transaction with the Corporation that, if consummated, would result in a Change Event (as defined below in this clause (c)), or (B) to "solicit" (as defined in Rule 14a-1 under the 1934 Act) proxies in connection with a proposal that is not approved or recommended by the Board, or

(i)

any person or entity publicly announces a bona fide intention to engage in an election contest relating to the election of directors of the Corporation (pursuant to Regulation 14A, including Rule 14a-11, under the 1934 Act),

(ii)

AND,

at any time within the 24-month period immediately following the date of the announcement of that intention, individuals who, on the day before that announcement, constituted the directors of the Corporation (the "Incumbent Directors") cease for any reason to constitute at least a majority thereof unless both (A) the election, or the nomination for election by the Corporation's shareholders, of each new director was approved by a vote of at least two-thirds of the Incumbent Directors in office at the time of the election or nomination for election of such new director, and (B) prior to the time that the Incumbent Directors no longer constitute a majority of the Board, the Incumbent Directors then in office, by a vote of at least 75% of their number, reasonably determine in good faith that the change in Board membership that has occurred

before the date of that determination and that is anticipated to thereafter occur within the balance of the 24-month period to cause the Incumbent Directors to no longer be a majority of the Board was not caused by or attributable to, in whole or in any significant part, directly or indirectly, proximately or remotely, any event under subclause (i) or (ii) of this clause (c).

For purposes of this clause (c), the term "Change Event" shall mean any of the events described in the following subclauses (x), (y), or (z) of this clause (c):

(x) A tender or exchange offer shall be made for 25% or more of the outstanding voting stock of the Corporation or any Person is or becomes the beneficial owner of 25% or more of the outstanding voting stock of the Corporation or there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as adopted under the 1934 Act, disclosing the acquisition of 25% or more of the outstanding voting stock of the Corporation in a transaction or series of transactions by any Person.

(y) The Corporation is a party to a transaction pursuant to which the Corporation is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation and, after giving effect to such transaction, less than 50% of the then outstanding voting securities of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation represent or were issued in exchange for voting securities of the Corporation outstanding immediately prior to such transaction or less than 51% of the directors of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation were directors of the Corporation immediately prior to such transaction.

(z) There is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Corporation.

(d) A Change of Control will have occurred under this clause (d) if there is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation.

2.9 CODE. The term "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.10 COMMITTEE. The term "Committee" shall mean the Compensation and Organization Committee of the Board or such other committee or subcommittee as may be designated by the Board from time to time to administer the Plan. The Committee shall consist solely of at least three directors each of whom qualify as a Non-Employee Director and "outside director" within the meaning of Section 162(m) of the Code, and satisfies any applicable standards of independence under the federal securities and tax laws and the listing standards of the New York Stock Exchange ("NYSE") or any other national securities exchange on which the Common Shares are listed as in effect from time to time.

2.11 COMMON SHARES. The term "Common Shares" shall mean common shares of the Corporation, with a par value of \$1.00 each.

2.12 CORPORATION. The term "Corporation" shall mean KeyCorp and its successors, including the surviving or resulting corporation of any merger of KeyCorp with or into, or any consolidation of KeyCorp with, any other corporation or corporations.

2.13 COVERED EMPLOYEE. The term "Covered Employee" shall mean an Employee who is, or is determined by the Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Code (or any successor provision).

2.14 DEFERRED COMPENSATION PLANS. The term "Deferred Compensation Plans" shall mean the Existing Deferral Plans and any other plan, agreement or program of the Corporation that is now or hereafter intended to provide Employees or Directors with the opportunity or obligation to defer the payment or delivery of compensation earned by or awarded to them, but only if and to the extent that such plan (a) has been determined

by the Board to be covered by this Plan as a Deferred Compensation Plan, (b) has not been separately approved by the Corporation's shareholders, and (c) is not a plan that is qualified under Section 401(a) of the Code.

2.15 DEFERRED EQUITY ALLOCATION PLAN. The term "Deferred Equity Allocation Plan" shall have the meaning set forth in Section 1(d) of the Plan.

2.16 DIRECTOR. The term "Director" means any individual who is a member of the Board who is not an Employee.

2.17 DIRECTORS' DEFERRED SHARE PLAN. The term "Directors' Deferred Share Plan" shall have the meaning set forth in Section 1(d) of the Plan.

2.18 DISABILITY. The term "Disability" with respect to an Employee shall mean shall mean (1) a physical or mental disability which prevents the Employee from performing the duties the Employee was employed to perform for the Corporation or Subsidiary employing such Employee when such disability commenced, (2) has resulted in the Employee's absence from work for 180 qualifying days, and (3) application has been made for the Employee's disability coverage under the KeyCorp Long Term Disability Plan, and such Disability results in the Participant's termination of employment.

2.19 EFFECTIVE DATE. The term "Effective Date" shall have the meaning set forth in Section 1(a) of the Plan.

2.20 EMPLOYEE. The term "Employee" shall mean any individual employed by the Corporation or by any Subsidiary and shall include officers as well as all other employees of the Corporation or of any Subsidiary (including employees who are members of the Board or of the Board of Directors of any Subsidiary).

2.21 EMPLOYMENT TERMINATION DATE. Except as otherwise determined by the Committee, the term "Employment Termination Date" with respect to an Employee shall mean the first date on which the Employee is no longer employed by the Corporation or any Subsidiary.

2.22 EXERCISE PRICE. The term "Exercise Price" with respect to an Option shall mean the price specified in the Option at which the Common Shares subject to the Option may be purchased by the holder of the Option.

2.23 EXISTING DEFERRAL PLANS. The term "Existing Deferral Plans" shall mean the KeyCorp Deferred Savings Plan, The KeyCorp Deferred Bonus Plan, the KeyCorp Signing Bonus Plan, and such other deferred compensation plans as KeyCorp shall from time to time establish.

2.24 FAIR MARKET VALUE. Except as otherwise determined by the Committee at the time of the grant of an Award in accordance with Section 409A of the Code, the term "Fair Market Value" with respect to Common Shares shall mean:

(a) if the Common Shares are traded on a national securities exchange, the closing price per Common Share on that national exchange on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares; or

(b) if the Common Shares are not traded on a national securities exchange, the fair market value of the Common Shares as determined in good faith by the Committee. The Committee is authorized to adopt another fair market value pricing method, provided such method is stated in the Award Instrument, and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.

2.25 FREE-STANDING STOCK APPRECIATION RIGHT. The term "Free-Standing Stock Appreciation Right" or "Free-Standing SAR" shall mean an SAR granted to a Participant that is not granted in tandem with an Option that entitles the holder thereof to receive from the Corporation, upon exercise of the Free-Standing SAR or any portion of the Free-Standing SAR, an amount equal to 100%, or such lesser percentage as the Committee may determine at the time of grant of the Free-Standing SAR, of the excess, if any, measured at the time of the exercise of the Free-Standing SAR, of

- (a) the aggregate Fair Market Value of the Common Shares underlying the Free-Standing SARs being exercised over

- (b) the aggregate Base Price of those Common Shares underlying the Free-Standing SARs being exercised.

2.26 GOOD REASON. The term "Good Reason" shall have the meaning given to it in any change in control agreement between the Corporation and the Employee. If no such agreement exists or if such agreement does not contain a definition of "Good Reason", an Employee shall be deemed to have "Good Reason" to terminate the Employee's employment with the Corporation or a Subsidiary under this Plan if, within two years after the occurrence of a Change of Control, either or both of the events listed in clauses (a) and (b) of this Section 2.26 occurs without the written consent of the Employee:

- (a) following notice by the Employee to the Corporation and an opportunity by the Corporation to cure, the Employee determines in good faith that the Employee's position, responsibilities, duties, or status with the Corporation are at any time materially less than or reduced from those in effect before the Change of Control or that the Employee's reporting relationships with superior Employee officers have been materially changed from those in effect before the Change of Control; or

- (b) The Corporation's headquarters is relocated outside of the greater Cleveland metropolitan area (but this clause (b) shall apply only if the Corporation's headquarters was the Employee's principal place of employment before the Change of Control).

For purposes of clause (a), the Corporation will be deemed to have had an opportunity to cure and to have failed to effect a cure if the circumstance otherwise constituting Good Reason persists (as determined in good faith by the Employee, whose determination shall be conclusive) for more than seven calendar days after the Employee has given notice to the Corporation of the existence of that circumstance.

2.27 INCENTIVE STOCK OPTION. The term "Incentive Stock Option" shall mean an Option intended by the Committee to qualify as an "incentive stock option" within the meaning of Section 422 of the Code (or any successor provision).

2.28 NON-EMPLOYEE DIRECTOR. The term "Non-Employee Director" shall mean a director who is a "Non-Employee Director" of the Corporation within the meaning of Rule 16b-3.

2.29 NONQUALIFIED OPTION. The term "Nonqualified Option" shall mean an Option intended by the Committee not to qualify as an "incentive stock option" under Section 422 of the Code (or any successor provision) or an Option intended by the Committee to qualify as an "incentive stock option" under Section 422 of the Code but that fails to so qualify.

2.30 OPTION. The term "Option" shall mean an Award entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

2.31 OPTION EXPIRATION DATE. The term "Option Expiration Date" with respect to any Option shall mean the date selected by the Committee after which, except as provided in Section 12.4 of the Plan, in the case of the death of the Participant to whom the Option was granted, the Option may not be exercised.

2.32 OTHER AWARD. The term "Other Award" shall mean an Award granted pursuant to Section 11 of the Plan.

2.33 PARTICIPANT. The term "Participant" shall mean any eligible Employee or Director who holds one or more outstanding Awards.

2.34 PERFORMANCE GOAL. The term "Performance Goal" shall mean the measurable performance goal or goals specified by the Committee in connection with the grant of Performance Shares or Performance Units, or when so determined by the Committee, Options, SARs, Restricted Stock, Restricted Stock Units, Other Awards or dividend equivalents, pursuant to the Plan. Performance Goals may be described in terms of Corporation-wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, region or function within the Corporation or Subsidiary in which an Employee is employed. The Performance Goals may be made relative to the performance of one or more other companies or subsidiaries,

divisions, departments, regions or functions within such other companies, and may be made relative to an index or one or more of the performance goals themselves. The Committee may grant Awards with Performance Goals that are either Qualified Performance-Based Awards or not Qualified Performance-Based Awards. The Performance Goals applicable to any Qualified Performance-Based Award to a Covered Employee will be based on one or more of, a combination of, or ratios involving the following criteria:

- (a) return measures (earnings per share, return on equity, return on assets, economic profit added, earnings before or after interest, taxes, depreciation and amortization);
- (b) revenue (total revenue, gross revenue, net revenue, revenue growth);
- (c) income (gross income, net income (before or after tax), net income after cost of capital, net interest income, noninterest income, fee income);
- (d) expense factors (noninterest expense, efficiency ratio);
- (e) balance sheet measures (loans, deposits, assets, tangible equity);
- (f) pre provision net revenue;
- (g) risk measures (net charge-offs, nonperforming assets, risk weighted assets, classified assets, criticized assets, allowance for loan and lease losses);
- (h) share price measures (share price, share price increase, total shareholder return);
- (i) market capitalization; and
- (j) strategic objectives (branding, mergers and acquisitions, succession management, dynamic market response, expense reduction initiatives, risk management and regulatory compliance).

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Corporation, or the manner in which it conducts its business, or other events or circumstances render the Performance Goals unsuitable, the Committee may in its discretion modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable in order to avoid the dilution or enlargement of awards granted with one or more of those performance goals, including, without limitation, to exclude the effects of extraordinary items, unusual or non-recurring events, cumulative effects of tax or accounting changes, discontinued operations, acquisitions, divestitures and material restructuring or asset impairment charges, except in the case of a Qualified Performance-Based Award (other than in connection with a Change of Control) where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Performance Goals or minimum acceptable level of achievement with respect to such Covered Employee.

2.35 PERFORMANCE PERIOD. The term "Performance Period" shall mean such one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, within which the Performance Goals relating to one or more Awards of Performance Shares or Performance Units are to be achieved.

2.36 PERFORMANCE SHARES. The term "Performance Shares" shall mean an Award denominated in Common Shares and contingent upon attainment of one or more Performance Goals over a Performance Period.

2.37 PERFORMANCE UNITS. The term "Performance Units" shall mean a bookkeeping entry that records a unit equal to \$1.00 awarded pursuant to Section 10 of the Plan, which are contingent upon attainment of one or more Performance Goals over a Performance Period.

2.38 PERSON. The term "Person" shall mean a "person" as used in Section 13(d) and Section 14(d)(2) of the 1934 Act.

2.39 PLAN. The term "Plan" shall mean this KeyCorp 2013 Equity Compensation Plan as from time to time hereafter amended in accordance with Section 22.1 of the Plan.

2.40 PRIOR PLANS. The term "Prior Plans" shall have the meaning set forth in Section 1(d) of the Plan.

2.41 QUALIFIED PERFORMANCE-BASED AWARD. The term "Qualified Performance-Based Award" shall mean any Award of Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units or Other Awards, or portion of such Award, to a Covered Employee that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162 (m) of the Code.

2.42 RESTRICTED STOCK. The term "Restricted Stock" shall mean Common Shares delivered to a Participant pursuant to an Award subject to such restrictions, conditions and contingencies as the Committee may provide in the relevant Award Instrument, including

- (a) the restriction that the Participant not sell, transfer, otherwise dispose of, or pledge or otherwise hypothecate the Restricted Stock during the applicable Restriction Period,;
- (b) the requirement that the Restriction Period will terminate or terminate early upon achievement of specified Performance Goals, and
- (c) such other restrictions, conditions, and contingencies, if any, as the Committee may provide in the Award Instrument with respect to the Restricted Stock.

2.43 RESTRICTED STOCK UNITS. The term "Restricted Stock Units" shall mean an Award pursuant to Section 9 of the Plan whereby a Participant receives the right to receive Common Shares or the cash equivalent thereof at a specified time in the future in consideration of the performance of services, but subject to such restrictions, conditions and contingencies as the Committee may provide in the relevant Award Instrument.

2.44 RESTRICTION PERIOD. The term "Restriction Period" with respect to an Award of Restricted Stock shall mean the period selected by the Committee and specified in the Award Instrument with respect to that Restricted Stock during which the Participant may not sell, transfer, otherwise dispose of, or pledge or otherwise hypothecate that Restricted Stock.

2.45 RULE 16b-3. The term "Rule 16b-3" shall mean Rule 16b-3 (or any successor rule substantially to the same effect) promulgated under the 1934 Act, as in effect from time to time.

2.46 STOCK APPRECIATION RIGHT. The term "Stock Appreciation Right" or "SAR" shall mean a right granted pursuant to Section 7 of the Plan and will include Tandem Stock Appreciation Rights and Free-Standing Stock Appreciation Rights.

2.47 SUBSIDIARY. The term "Subsidiary" shall mean any corporation, partnership, joint venture, or other business entity in which the Corporation owns, directly or indirectly, more than 50% of the total combined voting power of all classes of stock (in the case of a corporation) or other ownership interest (in the case of any entity other than a corporation).

2.48 TANDEM STOCK APPRECIATION RIGHT. The term "Tandem Stock Appreciation Right" or "Tandem SAR" shall mean an Award granted to a Participant with respect to all or any part of any Option that entitles the holder thereof to receive from the Corporation, upon exercise of the Tandem SAR and surrender of the related Option, or any portion of the Tandem SAR and the related Option, an amount equal to 100%, or such lesser percentage as the Committee may determine at the time of the grant of the Tandem SAR, of the excess, if any, measured at the time of the exercise of the Tandem SAR, of (a) the aggregate Fair Market Value of the Common Shares subject to the Option with respect to which the Tandem SAR is exercised over (b) the aggregate Exercise Price of those Common Shares under the Option.

2.49 TERMINATION FOR CAUSE. The termination of the employment of an Employee of the Corporation or any of its Subsidiaries shall be deemed a "Termination for Cause" if, prior to the termination of employment, any of the following has occurred:

- (a) the Employee shall have been convicted of a felony;

(b) the Employee commits an act or series of acts of dishonesty in the course of the Employee's employment which are materially inimical to the best interests of the Corporation or a Subsidiary and that constitutes the commission of a felony;

(c) the Corporation or any Subsidiary has been ordered or directed by any federal or state regulatory agency with jurisdiction to terminate or suspend the Employee's employment and such order or directive has not been vacated or reversed upon appeal; or

(d) after being notified in writing by the Corporation to cease any particular Harmful Activity (as defined in Section 18), the Employee shall intentionally continue to engage in such Harmful Activity while the Employee remains in the employ of the Corporation or a Subsidiary.

If (x) the Corporation or any Subsidiary terminates the employment of the Employee when it has "cause" therefor under clause (c) above, (y) the order or directive is subsequently vacated or reversed on appeal and the vacation or reversal becomes final and no longer subject to further appeal, and (z) the Corporation or the Subsidiary fails to offer to reinstate the Employee to employment within ten days of the date on which the vacation or reversal becomes final and no longer subject to further appeal, the termination of the employment of the Employee will not be deemed to be a "Termination for Cause."

2.50 TERMINATION UNDER LIMITED CIRCUMSTANCES. The term "Termination Under Limited Circumstances" shall mean, except as otherwise set forth in the Award Instrument, an Employee's termination from the Corporation or any Subsidiary under circumstances in which the Employee becomes entitled to receive: (a) a severance under the KeyCorp Separation Pay Plan as in effect at the time of the Employee's termination, or (b) under circumstances under which the Employee is entitled to receive salary continuation benefits under the terms and conditions of an employment separation or letter agreement with the Corporation or any Subsidiary, including, without limitation, a Change of Control Agreement.

2.51 TRANSFEREE. The term "Transferee" shall mean, with respect to Nonqualified Options only, any person or entity to which a Participant transfers or assigns all or part of his or her Options with permission by the Committee.

2.52 VOLUNTARY RESIGNATION. The term "Voluntary Resignation" means that the Employee shall have terminated his or her employment with the Corporation and its Subsidiaries by voluntarily resigning at his or her own instance without having been requested to so resign by the Corporation or its Subsidiaries, except that any resignation by the Employee will not be deemed to be a Voluntary Resignation if, within two years after the occurrence of a Change of Control, the Employee terminates his or her employment for Good Reason.

3. ADMINISTRATION. The Plan shall be administered by the Committee. The Committee shall have authority, subject to the terms of the Plan,

(a) to determine the Participants who are eligible to participate in the Plan, the type, size, and terms of Awards to be granted to any Participant, the time or times at which Awards shall be exercisable or at which restrictions, conditions, and contingencies shall lapse, and the terms and provisions of the instruments by which Awards shall be evidenced,

(b) to establish any other restrictions, conditions, and contingencies on Awards in addition to those prescribed by the Plan,

(c) to interpret the Plan, and

(d) to make all determinations necessary for the administration of the Plan.

The construction and interpretation by the Committee of any provision of the Plan or any Award Instrument delivered pursuant to the Plan and any determination by the Committee pursuant to any provision of the Plan or any Award Instrument shall be final and conclusive. No member or alternate member of the Committee shall be liable for any such action or determination made in good faith.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, subject to any limitations imposed by the Committee or by applicable law, the Committee may delegate to one or more of its

members or to one or more officers of the Corporation, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. The Committee may, by resolution, authorize one or more officers of the Corporation to do one or both of the following on the same basis as the Committee: (i) designate employees to be recipients of Awards under this Plan; and (ii) determine the size of any such Awards; provided, however, that (A) the Committee shall not delegate such responsibilities to any such officer for Awards granted to an Employee who is an officer, director, or more than 10% beneficial owner of any class of the Corporation's equity securities that is registered pursuant to Section 12 of the 1934 Act, as determined by the Committee in accordance with Section 16 of the 1934 Act; (B) the resolution providing for such authorization sets forth the total number of Common Shares such officer(s) may grant; and (C) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Awards granted to Directors may be made pursuant to one or more sub-plans to this Plan, which shall be administered by the Committee, the Board or another committee thereof as specified in such sub-plan(s).

The Board may reserve to itself any or all of the authority or responsibility of the Committee under the Plan or may act as the administrator of the Plan for any and all purposes. To the extent the Board has reserved any such authority or responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this paragraph) shall include the Board. To the extent that any action of the Board under the Plan conflicts with any action taken by the Committee, the action of the Board shall control.

4. ELIGIBILITY. Awards may be granted to Employees and Directors selected by the Committee in its sole discretion. The granting of any Award to a Participant shall not entitle that Participant to, nor disqualify the Participant from, participation in any other grant of an Award.

5. STOCK SUBJECT TO THE PLAN.

5.1 TYPE OF STOCK. The Common Shares that may be issued and distributed to Participants in connection with Awards granted under the Plan may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open market specifically for distribution under the Plan, as the Board may from time to time determine.

5.2 NUMBER OF SHARES AVAILABLE. Subject to adjustment as provided in Section 5.4 and Section 15 of the Plan, the number of Common Shares that may be issued or transferred

- (a) upon the exercise of Options or Stock Appreciation Rights,
- (b) in payment of Restricted Stock and released from a substantial risk of forfeiture thereof,
- (c) in payment of Restricted Stock Units,
- (d) in payment of Performance Shares or Performance Units that have been earned,
- (e) in payment of dividend equivalents paid with respect to Awards made under the Plan,
- (f) as Other Awards or in payment of Other Awards, or
- (g) in payment of any other award pursuant to this Plan,

shall not exceed in the aggregate 86,100,000 Common Shares, plus any shares described in Section 5.4 of the Plan. Common Shares issued under any plan assumed by the Corporation in any corporate transaction or awards granted pursuant to Section 20 will not count against the aggregate share limit described in this Section 5.2.

5.3 SHARE USE. Each Common Share issued or transferred pursuant to an award of Options or Stock Appreciation Rights will reduce the aggregate plan limit described above in Section 5.2 by one Common Share. Each Common Share issued or

transferred (and in the case of Restricted Stock, released from all substantial risk of forfeiture) pursuant to an award other than Options or Stock Appreciation Rights shall reduce the

aggregate plan limit described above in Section 5.2 by 2.05 Common Shares. Any Common Shares that again become available for issuance pursuant to this Section 5 shall be added back to the aggregate plan limit in the same manner such shares were originally deducted from the aggregate plan limit pursuant to this Section 5.3 (or, in the case of Common Shares subject to an outstanding award under a Prior Plan as of the Approval Date that again become available for issuance pursuant to this Section 5, in the same manner such shares were originally deducted from the share limit under the applicable Prior Plan).

5.4 ADJUSTMENTS. The number of Common Shares available in Section 5.2 above shall be adjusted to account for Common Shares relating to any awards granted under this Plan that expire or are forfeited. Common Shares covered by an Award granted under the Plan shall not be counted as used unless and until they are actually issued and distributed to an Employee and, therefore, the total number of Common Shares available under Section 5.2 above as of a given date shall not be reduced by any Common Shares relating to prior Awards that have expired or have been forfeited or cancelled, and upon payment in cash of the benefit provided by any Award granted under the Plan, any Common Shares that were covered by that Award will be available for issuance or transfer hereunder. In addition, the number of Common Shares available in Section 5.2 above shall be increased by any Common Shares subject to outstanding awards under the Prior Plans as of the Approval Date that on or after the Approval Date are forfeited, canceled, settled in cash or otherwise terminated without the issuance of such Common Shares. Notwithstanding anything to the contrary contained herein: (a) if Common Shares are tendered or otherwise used in payment of the Exercise Price of an Option, the total number of Common Shares covered by the Option being exercised shall reduce the aggregate plan limit described above; (b) Common Shares withheld by the Corporation to satisfy the tax withholding obligation shall count against the aggregate plan limit described above; and (c) the number of Common Shares covered by a Stock Appreciation Right, to the extent that it is exercised and settled in Common Shares, and whether or not Common Shares are actually issued and distributed to the Employee upon exercise of the Stock Appreciation Right, shall be considered issued or transferred pursuant to the Plan. In the event that the Corporation repurchases Common Shares with Option proceeds, those Common Shares will not be added to the aggregate plan limit described above. If, under the Plan, a Participant has elected to give up the right to receive compensation in exchange for Common Shares based on Fair Market Value (whether under a Deferred Compensation Plan or otherwise), such Common Shares will not count against the aggregate plan limit described above.

5.5 LIMITS. Notwithstanding anything in this Section 5 or elsewhere in the Plan to the contrary and subject to adjustment as provided in Section 15 of the Plan:

- (a) the aggregate number of Common Shares actually issued or transferred by the Corporation upon the exercise of Incentive Stock Options shall not exceed 5,000,000 Common Shares;
- (b) no Employee shall be granted Options or Stock Appreciation Rights, in the aggregate, for more than 1,000,000 Common Shares during any one calendar year;
- (c) no Employee will be granted Qualified Performance Based Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Other Awards, in the aggregate, for more than 7,500,000 Common Shares during any one calendar year;
- (d) in no event shall any Employee in any calendar year receive Qualified Performance-Based Awards in the form of Other Awards payable in cash under Section 11 of the Plan having an aggregate maximum value in excess of \$7,500,000;
- (e) in no event shall any Employee in any calendar year receive Qualified Performance-Based Awards of Performance Units having an aggregate maximum value as of their respective dates of grant in excess of \$7,500,000; and
- (f) in no event shall the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any single Director during any single calendar year exceed an amount equal to 300% of the Director's cash retainer for such calendar year.

6. STOCK OPTIONS.

6.1 TYPE AND DATE OF GRANT OF OPTIONS.

(a) The Award Instrument pursuant to which any Incentive Stock Option is granted shall specify that the Option granted thereby shall be treated as an Incentive Stock Option. The Award Instrument pursuant to which any Nonqualified Option is granted shall specify that the Option granted thereby shall not be treated as an Incentive Stock Option.

(b) The day on which the Committee authorizes the grant of an Incentive Stock Option shall be the date on which that Option is granted.

(c) The day on which the Committee authorizes the grant of a Nonqualified Option shall be considered the date on which that Option is granted, unless the Committee specifies a later date.

(d) The Committee reserves the discretion after the date of grant of an Option to provide for (i) the availability of a loan at exercise; or (ii) the right to tender in satisfaction of the Exercise Price nonforfeitable, unrestricted Common Shares, which are already owned by the Employee and have a value at the time of exercise that is equal to the Exercise Price.

(e) Options granted under the Plan may be (i) options, including, without limitation, Incentive Stock Options, that are intended to qualify under particular provisions of the Code, (ii) options that are not intended so to qualify, or (iii) combinations of the foregoing. Incentive Stock Options may be granted only to Employees who meet the definition of "employees" under Section 3401(c) of the Code.

6.2 EXERCISE PRICE. The Exercise Price under any Option shall be not less than the Fair Market Value of the Common Shares subject to the Option on the date the Option is granted.

6.3 OPTION EXPIRATION DATE. The Option Expiration Date under any Option shall be not later than ten years from the date on which the Option is granted.

6.4 EXERCISE OF OPTIONS.

(a) Except as otherwise provided in Section 12 of the Plan, an Option may be exercised only while the Participant to whom the Option was granted is in the employ or service of the Corporation or of a Subsidiary. Subject to this requirement, each Option shall become exercisable in one or more installments at the time or times provided in the Award Instrument evidencing the Option. A Participant to whom an Option is granted or, with respect to Nonqualified Options, the Participant's Transferee may exercise the Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Option. Restrictions relating to exercise of an Option granted to an Employee that vest upon the achievement of Performance Goals may not terminate sooner than one year from the date that the Option is granted. If the elimination of restrictions relating to exercise of an Option granted to an Employee is based only on the passage of time rather than the achievement of Performance Goals, the period of time will be no shorter than three years, except that the restrictions may be removed ratably during the three-year period, on an annual basis, as determined by the Committee on the date the Option is granted.

(b) The Award Instrument may provide that specified Performance Goals must be achieved as a condition to the exercise of any Option.

(c) A Participant or, with respect to Nonqualified Options, any Transferee electing to exercise an Option shall deliver to the Corporation (i) the Exercise Price payable in accordance with Section 6.5 of the Plan and (ii) written notice of the election that states the number of whole Common Shares with respect to which the Participant is exercising the Option.

(d) The exercise of an Option will result in the cancellation on a share-by-share basis of any Tandem SAR granted under Section 7 of the Plan.

6.5 PAYMENT FOR COMMON SHARES. Upon exercise of an Option by a Participant or, with respect to Nonqualified Options, any Transferee, the Exercise Price shall be payable by the Participant or Transferee in cash or in such other form of consideration as the Committee determines may be accepted, including without limitation, securities or other property, or any

combination of cash, securities or other property or, to the extent

permitted by applicable law, by delivery by the Participant or Transferee (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act promptly to deliver to the Corporation the amount of sale or loan proceeds to pay the Exercise Price. The Committee, in its sole discretion, may grant to a Participant or, with respect to Nonqualified Options, any Transferee the right to transfer Common Shares acquired upon the exercise of a part of an Option in payment of the Exercise Price payable upon immediate exercise of a further part of the Option or to have the Company withhold Common Shares with an aggregate Fair Market Value equal to the Exercise Price.

6.6 CONVERSION OF INCENTIVE STOCK OPTIONS. The Committee may at any time in its sole discretion take such actions as may be necessary to convert any outstanding Incentive Stock Option (or any installments or portions of installments thereof) into a Nonqualified Option with or without the consent of the Employee to whom that Incentive Stock Option was granted and whether or not that Employee is an Employee at the time of the conversion.

6.7 DIVIDEND EQUIVALENTS. No grant of Options may be accompanied by a tandem award of dividend equivalents or provide for dividends, dividend equivalents or other distributions to be paid on such Options.

7. STOCK APPRECIATION RIGHTS.

7.1 GRANT OF SARS.

The Committee may authorize the granting (i) to any holder of an Option, of Tandem SARs in respect of Options granted hereunder, and (ii) to any Participant, of Free-Standing SARs. A Tandem SAR may be granted only in connection with an Option. A Tandem SAR granted in connection with an Incentive Stock Option may be granted only when the Incentive Stock Option is granted. A Tandem SAR granted in connection with a Nonqualified Option may be granted either when the related Nonqualified Option is granted or at any time thereafter including, in the case of any Nonqualified Option resulting from the conversion of an Incentive Stock Option, simultaneously with or after the conversion. A Free-Standing SAR is not granted in tandem with an Option.

7.2 EXERCISE OF SARS.

A Participant electing to exercise a SAR shall deliver written notice to the Corporation of the election identifying the SAR and, with respect to Tandem SARs, the related Option with respect to which the Tandem SAR was granted to the Participant, and specifying the number of whole Common Shares with respect to which the Participant is exercising the SAR. Upon exercise of a Tandem SAR, the related Option shall be deemed to be surrendered to the extent that the Tandem SAR is exercised. Restrictions relating to exercise of a SAR granted to an Employee that vest upon the achievement of Performance Goals may not terminate sooner than one year from the date that the SAR is granted. If the elimination of restrictions relating to exercise of a SAR granted to an Employee is based only on the passage of time rather than the achievement of Performance Goals, the period of time will be no shorter than three years, except that the restrictions may be removed ratably during the three-year period, on an annual basis, as determined by the Committee on the date the SAR is granted.

(b) The Committee may specify in the Award Instrument pursuant to which SARs are granted that the amount payable on exercise of a SAR may not exceed a maximum specified by the Committee in the Award Instrument.

(c) No SAR granted under this Plan may be exercised more than ten years from the date on which the SAR is granted.

(d) No grant of SARs may be accompanied by a tandem award of dividend equivalents or provide for dividends, dividend equivalents or other distributions to be paid on such SARs.

(e) SARs may be exercised only (i) on a date when the SAR is "in the money" (i.e., when there would be positive consideration received upon exercise of the SAR), (ii) with respect to Tandem SARs, at a time and to the same extent as the related Option is exercisable, (iii) with respect to Tandem SARs, unless otherwise provided in the relevant Award Instrument, by surrender to the Corporation, unexercised, of the related Option or any applicable portion thereof, and (iv) in compliance with all restrictions set forth in the relevant Award Instrument or specified by the Committee.

(f) The Committee may specify in the Award Instrument pursuant to which any SAR is granted waiting periods and restrictions on permissible exercise periods in addition to the restrictions on exercise set forth in this Section 7.

(g) The Committee may specify in the Award Instrument pursuant to which SARs are granted Performance Goals that must be achieved as a condition of the exercise of such SARs.

(h) Each Award Instrument pursuant to which Free-Standing SARs are granted shall specify in respect of each Free-Standing SAR a Base Price, which shall be equal to or greater than the Fair Market Value of the Common Shares subject to each Free-Standing SAR on the date the Free-Standing SAR is granted.

7.3 PAYMENT FOR SARS. The amount payable upon exercise of a SAR may be paid by the Corporation in cash or in whole Common Shares (taken at their Fair Market Value at the time of exercise of the SAR) or in a combination of cash and whole Common Shares and the Committee may either grant to the Participant or retain in the Committee the right to elect among those alternatives; provided, however, that in no event shall the total number of Common Shares that may be paid to a Participant pursuant to the exercise of a Tandem SAR exceed the total number of Common Shares subject to the related Option.

7.4 TERMINATION, AMENDMENT, OR SUSPENSION OF SARS. SARs shall terminate and may no longer be exercised upon the first to occur of

(a) with respect to Tandem SARs, the exercise or termination of the related Option,

(b) any termination date specified by the Committee at the time of grant of the SAR, or

(c) with respect to Tandem SARs, the transfer by the Employee of the related Option. In addition, the Committee may in its sole discretion at any time before the occurrence of a Change of Control amend, suspend, or terminate any SAR theretofore granted under the Plan without the holder's consent; provided that, in the case of amendment, no provision of the SAR, as amended, shall be in conflict with any provision of the Plan.

8. RESTRICTED STOCK.

8.1 CONDITIONS ON RESTRICTED STOCK.

In addition to the restrictions on disposition of Restricted Stock during the Restriction Period, the Committee may provide in the Award Instrument with respect to any Award of Restricted Stock other restrictions, conditions, and contingencies, which other restrictions, conditions, and contingencies, if any, may relate to, in addition to such other matters as the Committee may deem appropriate, the achievement of Performance Goals measured in such manner as may be specified by the Committee. The Committee may impose different restrictions, conditions, and contingencies on separate Awards of Restricted Stock granted to different Participants, whether at the same or different times, and on separate Awards of Restricted Stock granted to the same Participant, whether at the same or different times. The Committee may specify a single Restriction Period for all of the Restricted Stock subject to any particular Award Instrument or may specify multiple Restriction Periods so that the restrictions with respect to the Restricted Stock subject to the Award will expire in stages according to a schedule specified by the Committee and set forth in the Award Instrument. Restrictions relating to Restricted Stock granted to an Employee that vests upon the achievement of Performance Goals may not terminate sooner than one year from the date that the Restricted Stock is granted. If the elimination of restrictions relating to Restricted Stock granted to an Employee is based only on the passage of time rather than the achievement of Performance Goals, the period of time will be no shorter than three years, except that the restrictions may be removed ratably during the three-year period, on an annual basis, as determined by the Committee on the date the Restricted Stock is granted. For any Qualified Performance-Based Award of Restricted Stock, no restrictions shall lapse on any such Award until the Committee certifies, in writing, that the requirements established as described in this Section 8.1(a) have been satisfied.

(a)

- The Committee may specify in the Award Instrument pursuant to which the Restricted Stock is granted, that any or all dividends or other distributions paid on Restricted Stock during the Restriction Period be automatically deferred and reinvested in additional shares of Restricted Stock, which may be subject to the same restrictions as the underlying Award; provided, however, that dividends or other distributions on Restricted Stock with restrictions that lapse as a result of the achievement of Performance Goals shall be deferred until and paid contingent upon the achievement of the applicable Performance Goals.
- (b)

- If so directed by the Committee, all certificates representing Restricted Stock may be held in custody by the Corporation until all restrictions thereon shall have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such Common Shares.
- (c)

8.2 PAYMENT FOR RESTRICTED STOCK. Each Participant to whom an Award of Restricted Stock is made shall pay the Acquisition Price, if any, with respect to that Restricted Stock to the Corporation not later than 30 days after the delivery to the Participant of the Award Instrument with respect to that Restricted Stock. If any Participant fails to pay any Acquisition Price with respect to an Award of Restricted Stock within that 30 day period, the Participant's right under that Award shall be forfeited.

8.3 RIGHTS AS A SHAREHOLDER. Upon payment by a Participant in full of the Acquisition Price, if any, for Restricted Stock under an Award, the Participant shall have all of the rights of a shareholder with respect to the Restricted Stock, including voting and dividend rights, subject only to such restrictions and requirements referred to in Section 8.1 of the Plan as may be incorporated in the Award Instrument with respect to that Restricted Stock.

9. RESTRICTED STOCK UNITS.

9.1 GRANT OF RESTRICTED STOCK UNITS.

- Each grant or sale of Restricted Stock Units shall provide that the Restricted Stock Units shall be subject to deferral and a risk of forfeiture, as determined by the Committee on the date the Restricted Stock Units are granted. In addition, restrictions relating to Restricted Stock Units granted to an Employee that vest upon the achievement of Performance Goals may not terminate sooner than one year from the date that the Restricted Stock Units are granted. If the elimination of restrictions relating to Restricted Stock Units granted to an Employee is based only on the passage of time rather than the achievement of Performance Goals, the period of time will be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis during the three-year period as determined by the Committee on the date the Restricted Stock Units are granted. For any Qualified Performance-Based Award of Restricted Stock Units, no restrictions shall lapse on any such Award until the Committee certifies, in writing, that the requirements established as described in this Section 9.1(a) have been satisfied.
- (a)

- Each Participant to whom an Award of Restricted Stock Units is made shall pay the Acquisition Price, if any, with respect to those Restricted Stock Units to the Corporation not later than 30 days after delivery to the Participant of the Award Instrument with respect to the Restricted Stock Units being granted. If any Participant fails to pay any Acquisition Price with respect to an Award of Restricted Stock Units within that 30 day period, the Participant's right under that Award shall be forfeited.
- (b)

9.2 PAYMENT FOR RESTRICTED STOCK UNITS. The Corporation shall pay each Participant who is entitled to payment for Restricted Stock Units an amount for those Restricted Stock Units (a) in cash, (b) in Common Shares, or (c) any combination of the foregoing, and the Committee may either grant to the Participant or retain in the Committee the right to elect among those alternatives.

9.3 RIGHTS AS A SHAREHOLDER. During any time that the Restricted Stock Units are outstanding, the Participant shall have no right to transfer any rights under his or her Award, shall have no rights of ownership in the Common Shares deliverable upon payment of the Restricted Stock Units and shall have no right to vote them, but, to the extent permitted by Section 409A of the Code, the Committee may, at or after the date on which the Restricted Stock Units are granted, authorize the payment of dividend equivalents on such Common Shares underlying the Restricted Stock Units on either a current or deferred or contingent basis, either in cash or in additional Common Shares; provided, however, that dividends or other distributions on Common Shares underlying Restricted Stock Units with restrictions that lapse as a result of the achievement of Performance Goals shall be deferred until and paid contingent upon the achievement of the applicable Performance Goals.

10. PERFORMANCE SHARES AND PERFORMANCE UNITS.

10.1 DISCRETION OF COMMITTEE WITH RESPECT TO PERFORMANCE SHARES AND PERFORMANCE UNITS. The Committee shall have full discretion to select the Participant to whom Awards of Performance Shares and Performance Units are made, the number of Performance Shares or Performance Units to be granted to any Participant so selected, the kind and level of the Performance Goals, the dates on which each Performance Period shall begin and end, and to determine the form and provisions of the Award Instrument to be used in connection with any Award of Performance Shares or Performance Units.

10.2 CONDITIONS TO PAYMENT FOR PERFORMANCE SHARES AND PERFORMANCE UNITS.

- Unless otherwise provided in the relevant Award Instrument, a Participant must be employed by, or providing services to, the Corporation or a Subsidiary on the last day of a Performance Period to be
- (a) entitled to payment for any Performance Shares or Performance Units.

The Committee may establish, from time to time, one or more formulas to be applied against the Performance Goals to determine whether all, some portion but less than all, or none of the Performance Shares or Performance Units granted with respect to the Performance Period are treated as earned pursuant to any Award. A Participant will be entitled to receive payments with respect to any Performance Shares and Performance Units only to the extent that those Performance Shares or Performance Units, as the case may be, are treated as earned under one or more such formulas. The Performance Period with respect to any Award of Performance Shares or Performance Units granted to an Employee shall be no less than one year. For any Qualified Performance-Based Award of Performance Shares or Performance Units, no Participant will be entitled to receive payments with respect to such Award until the Committee certifies, in writing, that the requirements established as described in this Section 10.2(b) have been satisfied. The Committee may at the date of grant of Performance Shares provide for the payment of dividend equivalents to the holder thereof either in cash or in additional Common Shares subject in all cases to payment on a deferred and contingent basis based on the Participant's earning of the Performance Shares with respect to which such dividend equivalents are paid.

(b)

10.3 PAYMENT FOR PERFORMANCE SHARES AND PERFORMANCE UNITS. The Corporation shall pay each Participant who is entitled to payment for Performance Shares or Performance Units earned with respect to any Performance Period an amount for those Performance Shares or Performance Units, as the case may be, (a) in cash, (b) in Common Shares, or (c) any combination of the foregoing, and the Committee may either grant to the Participant or retain in the Committee the right to elect among those alternatives.

11. OTHER AWARDS

11.1 The Committee may, subject to limitations under applicable law, grant to any Participant such Other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Shares or factors that may influence the value of such shares, including, without limitation, unrestricted Common Shares, or Common Shares subject to transfer restrictions and/or deferred delivery, convertible or exchangeable debt securities, other rights convertible or exchangeable into Common Shares, purchase rights for Common Shares, Awards with value and payment contingent upon performance of the Corporation or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Common Shares or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Corporation. The Committee shall determine the terms and conditions of such Awards. Common Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, Common Shares, other Awards, notes or other property, as the Committee shall determine. For any Qualified Performance-Based Award in the form of an Other Award, no Employee will be entitled to receive payments with respect to such Award until the Committee certifies, in writing, that the requirements established for such Award have been satisfied.

11.2 Cash awards, as an element of or supplement to any other Award granted under the Plan, may also be granted pursuant to this Section 11.

11.3 The Committee may grant Common Shares as a bonus or in lieu of other compensation to a Participant, or may grant Other Awards in lieu of obligations of the Corporation or a Subsidiary to pay cash or

deliver other property (including Common Shares) under the Plan, a Deferred Compensation Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee in a manner that complies with Section 409A of the Code.

11.4 Except as otherwise provided pursuant to a Deferred Compensation Plan, if the earning or vesting of, or elimination of restrictions applicable to, an Other Award granted to an Employee is based only on the passage of time rather than the achievement of Performance Goals, the period of time shall be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis during the three-year period as determined by the Committee at the date of grant. Except as otherwise provided pursuant to the a Deferred Compensation Plan, if the earning or vesting of, or elimination of restrictions applicable to, an Other Award granted to an Employee is based on the achievement of Performance Goals, the earning, vesting or restriction period may not terminate sooner than one year from the date of grant.

12. TERMINATION OF EMPLOYMENT. After an Employee's Employment Termination Date, the rules set forth in this Section 12 shall apply unless otherwise provided in the relevant Award Instrument or a Deferred Compensation Plan, as applicable, or as determined by the Committee, at the Employment Termination Date or thereafter. All factual determinations with respect to the termination of an Employee's employment that may be relevant under this Section 12 shall be made by the Committee in its sole discretion.

12.1 VOLUNTARY RESIGNATION; TERMINATION FOR CAUSE. Upon an Employee's Voluntary Resignation or Termination For Cause all Awards that are not otherwise exercisable and/or vested shall be forfeited as of the date of the Employment Termination Date. Upon an Employee's Voluntary Resignation, unless otherwise provided in the relevant Award Instrument, the Employee or, with respect to Nonqualified Options, any Transferee shall have the right (i) during the period ending six months after the Employment Termination Date, but not later than the Option Expiration Date, to exercise any Options (even though exercise of any Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code) and related Tandem SARs that were outstanding on the Employment Termination Date if and to the same extent as those Options and Tandem SARs were exercisable by the Employee or Transferee (as the case may be) on the Employment Termination Date, and (ii) during the period ending six months after the Employment Termination Date, but not later than the date any Free-Standing SAR expires, to exercise any Free-Standing SARs that were outstanding on the Employment Termination Date if and to the same extent as those Free-Standing SARs were exercisable by the Employee on the Employment Termination Date.

12.2 TERMINATION DUE TO CERTAIN RETIREMENTS. Upon any termination of an Employee's employment with the Corporation or any Subsidiary under the circumstances described in subsections (a) or (b), below, the following will provisions will apply:

- (a) If the Employee terminates on or after attaining age 55 and completion of at least five years of service:
 - (i) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based solely upon the passage of time;
 - (ii) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based upon the attainment of Performance Goals, with the proration and settlement of such Awards as set forth in the applicable Award Instrument; and
 - (iii) the Employee or, with respect to Nonqualified Options, any Transferee shall have the right to exercise, from time to time during the period ending five years after the Employment Termination Date, but not later than the Option Expiration Date or expiration date of the Free-Standing SAR, as the case may be, all Options and/or SARs that were exercisable as of, or that become exercisable after, the Employment Termination Date (even though exercise of any Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code).
- (b) If the Employee terminates on or after attaining age 60 and completion of at least ten years of service:

(i) the Employee shall continue to vest in all Awards whose vesting and/or exercisability was based solely upon the passage of time and which were granted one year or more prior to the Employee's termination on or after attaining age 60 and completion of at least ten years of service;

(ii) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based solely upon the passage of time and which were granted less than one year prior to the Employee's termination on or after attaining age 60 and completion of at least ten years of service;

(iii) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based solely upon the passage of time;

(iv) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based upon the attainment of Performance Goals, with the proration and settlement of such Awards as set forth in the applicable Award Instrument; and

(v) the Employee or, with respect to Nonqualified Options, any Transferee shall have the right to exercise, from time to time during the period ending five years after the Employment Termination Date, but not later than the Option Expiration Date or expiration date of the Free-Standing SAR, as the case may be, all Options and/or SARs that were exercisable as of, or that become exercisable after, the Employment Termination Date (even though exercise of any Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code).

12.3 TERMINATION DUE TO DISABILITY. Upon any termination of an Employee's employment due to Disability:

(a) the Employee shall continue to vest in all Awards whose vesting and/or exercisability was based solely upon the passage of time;

(b) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based upon the attainment of Performance Goals, with the proration and settlement of such Awards as set forth in the applicable Award Instrument; and

(c) the Employee, the Employee's attorney in fact or legal guardian or, with respect to Nonqualified Options, any Transferee shall have the right to exercise, from time to time during the period ending five years after the Employment Termination Date, but not later than the Option Expiration Date or expiration date of the Free-Standing SAR, as the case may be, all Options and/or SARs that were exercisable as of, or that become exercisable after, the Employment Termination Date (even though exercise of any Incentive Stock Option more than one year after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code).

12.4 DEATH OF AN EMPLOYEE. Upon an Employee's death while employed by the Corporation or a Subsidiary or within any of the periods referred to in any Section 12.1, 12.2, or 12.3 of the Plan:

(a) the Employee's estate shall continue to vest in all Awards whose vesting and/or exercisability was based solely upon the passage of time;

(b) the Employee's estate shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based upon the attainment of Performance Goals, with the proration and settlement of such Awards as set forth in the applicable Award Instrument;

- the Employee's executor or administrator, the person or persons to whom the Employee's rights under any Option or SAR are transferred by will or the laws of descent and distribution or, with respect to Nonqualified Options, any Transferee, shall have the right to exercise, from time to time during the period ending four years after the date of the Employee's death, but not later than the Option Expiration Date or expiration date of the Free-Standing SAR, as the case may be, all Options and/or SARs that were exercisable as of, or that become exercisable after, the Employee's death (even though exercise of any Incentive Stock Option more than one year after the Employee's death may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code); and
- (c)

- if the Option Expiration Date of any Nonqualified Option that had not expired before the Employee's death would otherwise expire before the first anniversary of the Employee's death, that Option Expiration Date shall automatically be extended to the first anniversary of the Employee's death or such other date as provided in the relevant Award Instrument provided that the Option Expiration Date shall not be extended beyond the date that is ten years from the date on which the Option was granted;
- (d)

12.5 TERMINATION UNDER LIMITED CIRCUMSTANCES. If the Employee Terminates Under Limited Circumstances:

- (a) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based solely upon the passage of time;

- (b) the Employee shall vest in a pro rata portion of all Awards whose vesting and/or exercisability was based upon the attainment of Performance Goals, with the proration and settlement of such Awards as set forth in the applicable Award Instrument; and

- (c) the Employee or, with respect to Nonqualified Options, any Transferee shall have the right to exercise, from time to time during the period ending three years after the Employment Termination Date, but not later than the Option Expiration Date or expiration date of the Free-Standing SAR, as the case may be, all Options and/or SARs that were exercisable as of, or that become exercisable after, the Employment Termination Date (even though exercise of any Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code).

13. ACCELERATION AFTER A CHANGE OF CONTROL. Notwithstanding anything in this Plan to the contrary, unless otherwise specified in the relevant Award Instrument, if, within two years following the date of a Change of Control, an Employee's employment with the Corporation terminates for any reason other than a Voluntary Resignation or a Termination for Cause (and other than in connection with the Employee's retirement as provided in Section 12.2, Disability as provided in Section 12.3 or death as provided in Section 12.4), then each Award granted to such Employee prior to the Change of Control that then remains outstanding shall be automatically treated as follows:

- (a) any outstanding Option shall become immediately exercisable in full;
- (b) Tandem SARs related to any such Options shall also become immediately exercisable in full;
- (c) any outstanding Free-Standing SAR shall become exercisable in full;

- (d) the Restriction Period with respect to all outstanding Awards of Restricted Stock shall immediately terminate;

- (e) the restrictions, conditions or contingencies on any Restricted Stock Units shall immediately terminate;

- (f) unless otherwise provided pursuant to a Deferred Compensation Plan, the restrictions, conditions or contingencies on any Other Awards shall immediately terminate; and

- (g) the restrictions, conditions, or contingencies on any Performance Shares and Performance Units shall be modified in such manner as the Committee may specify to give the Employee the benefit of those Performance Shares or Performance Units through the date of termination.

Notwithstanding anything herein to the contrary, if within two years after a Change of Control an Employee's Employment Termination Date occurs other than as a result of a Voluntary Resignation or a Termination for Cause, unless otherwise provided in the relevant Award Instrument, the Employee, or with respect to Nonqualified Options any Transferee, shall have the right, during the Extended Period, but not later than the Option Expiration Date or the date of expiration of Free-Standing SARs, as the case may be, to exercise any Options and related SARs that were outstanding on the Employment Termination Date if and to the same extent as those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on the Employment Termination Date (even though, in the case of Incentive Stock Options, exercise of those Options more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Code). As used in the immediately preceding sentence, the term "Extended Period" means the longer of the period that the Option or SAR would otherwise be exercisable in the absence of the immediately preceding sentence or the period ending with second anniversary of the Employee's Employment Termination Date.

14. RESTRICTIONS.

14.1 ASSIGNMENT AND TRANSFER. Nonqualified Options may not be assigned or transferred (other than by will or by the laws of descent and distribution) unless the Committee, in its sole discretion, determines to allow such assignment or transfer and, if the Committee determines to allow any such assignment or transfer, the Transferee shall have the power to exercise such Nonqualified Option in accordance with the terms of the Award and the provisions of the Plan. No Incentive Stock Option, SAR, Restricted Stock during the Restriction Period, Restricted Stock Unit, Performance Share or unvested Other Award may be transferred other than by will or by the laws of descent and distribution. In no event may any Award granted under the Plan be transferred for value.

During an Employee's lifetime, only the Employee (or in the case of incapacity of an Employee, the Employee's attorney in fact or legal guardian) may exercise any Incentive Stock Option or SAR.

14.2 FURTHER RESTRICTIONS. The Committee may specify at the date of grant of any Award that part or all of the Common Shares that are (i) to be issued or transferred by the Corporation upon the exercise of Options or SARs, upon the termination of any period of deferral applicable to Restricted Stock Units or upon payment under any grant of Performance Shares, Performance Units or Other Awards or (ii) no longer subject to the Restriction Period, will be subject to further restrictions on transfer.

15. ADJUSTMENT UPON CHANGES IN COMMON SHARES. Automatically and without Committee action, in the event of any stock dividend, stock split, or share combination of the Common Shares, or by appropriate Committee action in the event of any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Corporation or any spin-off or other distribution to shareholders of the Corporation (other than normal cash dividends), appropriate adjustments to

(a) the maximum number of Common Shares that may be issued under the Plan pursuant to Section 5 of the Plan, the maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options as provided in Section 5 of the Plan, and the maximum number of Common Shares with respect to which any Employee may receive Awards during any calendar year or calendar years as provided in Section 5 of the Plan, and

(b) the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Award shall be made to the extent necessary and in such manner that the benefits of Employees under all then outstanding Awards shall be maintained substantially as before the occurrence of such event.

Any such adjustment shall be conclusive and binding for all purposes of the Plan and shall be effective, in the event of any stock dividend, stock split, or share combination, as of the date of such stock dividend, stock split, or share combination, and in all other cases, as of such date as the Committee may determine. In the event of any such transaction or event, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards under the Plan such alternative consideration as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each Option or SAR with an Exercise Price or Base Price greater than the consideration offered in connection with any such transaction or event or Change of Control, the Committee may in its sole discretion elect to cancel such Option or SAR without any payment to the person holding such Option or SAR; provided, however, that any such adjustment to the number specified in Section 5.5(a) of the

Plan will be made only if and to the extent that such adjustment would not cause any Option intended to qualify as an Incentive Stock Option to fail so to qualify.

Notwithstanding the foregoing: (i) any adjustments made pursuant to Section 15 of the Plan to Awards that are considered “deferred compensation” within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to Section 15 of the Plan to Awards that are not considered “deferred compensation” subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either continue not to be subject to Section 409A of the Code or comply with the requirements of Section 409A of the Code; and (iii) if any Award is subject to Section 409A of the Code, Section 15 of the Plan shall be applicable only to the extent specifically provided in the Award Instrument and permitted pursuant to Section 27 of the Plan.

16. **PURCHASE FOR INVESTMENT.** Each person acquiring Common Shares pursuant to any Award may be required by the Corporation to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Corporation, in its sole discretion, determines that such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any time such representation is no longer necessary for such purposes.

17. **WITHHOLDING OF TAXES.** The Corporation will withhold from any payments of cash made pursuant to the Plan such amount as is necessary to satisfy all applicable Federal, state, and local and other withholding tax obligations. Except as otherwise determined by the Committee, a Participant (or other person exercising an Option with respect to withholding taxes upon exercise of such Option) may elect, or the Committee may require such Participant or other person, to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the grant of an Award, the lapse of any restrictions with respect to an Award, the acquisition of Common Shares pursuant to any Award, or the disposition of any Common Shares received pursuant to any Award by having the Corporation hold back some portion of the Common Shares that would otherwise be delivered pursuant to the Award or by delivering to the Corporation an amount equal to the withholding tax obligation arising with respect to such grant, lapse, acquisition, or disposition in (a) cash, (b) Common Shares, or (c) such combination of cash and Common Shares as the Committee may determine. The Fair Market Value of the Common Shares to be so held back by the Corporation or delivered by the Participant shall be determined as of the date on which the obligation to withhold first arose.

18. **HARMFUL ACTIVITY.** If an Employee shall engage in any “Harmful Activity” prior to or within twelve months after termination of employment with Key, then (a) any shares of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards held by the Employee that have vested, (b) any Profits realized upon the exercise of any Covered Option or SAR and (c) any Profits realized upon the sale of any vested shares of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards, on or after one year prior to the termination of employment with Key shall inure to the Corporation. The aforementioned restriction shall not apply in the event that employment with Key terminates within two years after a Change of Control of the Corporation if any of the following have occurred: a relocation of an Employee’s principal place of employment more than 35 miles from an Employee’s principal place of employment immediately prior to the Change of Control, a reduction in an Employee’s base salary after a Change of Control, or termination of employment under circumstances in which an Employee is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan. If any vested shares of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards or any Profits realized upon the exercise of any Covered Option or SAR or upon the sale of any vested shares of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards inure to the benefit of the Corporation in accordance with the first sentence of this paragraph, an Employee shall provide all such forfeited Awards and pay all such Profits to the Corporation within 30 days after first engaging in any Harmful Activity and all Awards that have not yet vested and all unexercised Covered Options or SARs shall immediately be forfeited and canceled. Consistent with the provisions of Section 3 of the Plan, the determination by the Committee as to whether an Employee engaged in Harmful Activity prior to or within six months after termination of employment with Key shall be final and conclusive. Unless otherwise provided in the relevant Award Instrument with specific reference hereto, the provisions of this Section 18 shall apply to all Awards made under the Plan.

A Harmful Activity shall have occurred if an Employee shall do any one or more of the following:

(a) Use, publish, sell, trade or otherwise disclose Non-Public Information of Key unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to Key.

(b) After notice from the Corporation, fail to return to Key any document, data, or thing in an Employee's possession or to which an Employee has access that may involve Non-Public Information of Key.

(c) After notice from the Corporation, fail to assign to Key all right, title, and interest in and to any confidential or non-confidential Intellectual Property which an Employee created, in whole or in part, during employment with Key, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(d) After notice from the Corporation, fail to agree to do any acts and sign any document reasonably requested by Key to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which an Employee created, in whole or in part, during employment with Key, including, without limitation, the signing of patent applications and assignments thereof.

(e) Upon an Employee's own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, solicit or entice for employment or hire any Employee of Key.

(f) Upon an Employee's own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, call upon, solicit, or do business with (other than business which does not compete with any business conducted by Key) any customer of Key an Employee called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while employed at Key unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom an Employee should have reasonably known was a customer of Key.

(g) Upon an Employee's own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, engage in any business activity in competition with Key in the same or a closely related activity that an Employee was engaged in for Key during the one year period prior to the termination of employment.

For purposes of this Section 18:

"Covered Option or SAR" means any Option or SAR granted under this Plan unless the relevant Award Instrument expressly excludes the Option or SAR from the provisions of this Section 18.

"Intellectual Property" shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing.

"Key" shall mean the Corporation and its Subsidiaries collectively.

"Non-Public Information" shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as Key, and that of its customers or suppliers, and that are not generally known by the public.

"Profit" shall mean, (1) with respect to any Covered Option or SAR, the spread between the Fair Market Value of a Common Share on the date of exercise and the Exercise Price or the Base Price, as the case may be, multiplied by the number of shares exercised under the Covered Option or SAR; and (2) with respect to any shares of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units, any profit realized upon the sale of any Common Shares that were acquired upon the vesting of such Awards.

19. COMPENSATION RECOVERY POLICY. Any Award granted to a Participant shall be subject to forfeiture or repayment pursuant to the terms of any applicable compensation recovery policy adopted by the Corporation, including any such policy that may be adopted to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act or any rules or regulations issued by the Securities and Exchange Commission or any applicable securities exchange.

20. AWARDS IN SUBSTITUTION FOR AWARDS GRANTED BY OTHER COMPANIES. Awards, whether Incentive Stock Options, Nonqualified Options, SARs, Restricted Stock, Restricted Stock Units,

Performance Shares, Performance Units or Other Awards, may be granted under the Plan in substitution for awards held by employees of a company who become Employees of the Corporation or a Subsidiary as a result of the merger or consolidation of the employer company with the Corporation or a Subsidiary, or the acquisition by the Corporation or a Subsidiary of the assets of the employer company, or the acquisition by the Corporation or a Subsidiary of stock of the employer company as a result of which it becomes a Subsidiary. The terms, provisions, and benefits of the substitute Awards so granted may vary from the terms, provisions and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions, and benefits of the awards in substitution for which they are granted.

21. LEGAL REQUIREMENTS. No Awards shall be granted and the Corporation shall have no obligation to make any payment under the Plan, whether in Common Shares, cash, or any combination thereof, unless such payment is, without further action by the Committee, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Code and Federal and state securities laws.

22. MISCELLANEOUS.

22.1 AMENDMENTS. The Board, or a duly authorized committee thereof, may alter or amend the Plan from time to time prior to its termination in any manner the Board, or such duly authorized committee, may deem to be in the best interests of the Corporation and its shareholders, provided, however, that if an amendment to the Plan (i) would materially increase the benefits accruing to Participants under the Plan, (ii) would materially increase the number of securities that may be issued under the Plan, (iii) would materially modify the requirements for participation in the Plan or (iv) must otherwise be approved by the shareholders of the Corporation in order to comply with applicable law or the rules of the New York Stock Exchange or, if the Common Shares are not traded on the New York Stock Exchange, the principal national securities exchange upon which the Common Shares are traded or quoted, then, such amendment will be subject to shareholder approval and will not be effective unless and until such approval has been obtained. Presentation of the Plan or any amendment thereof for shareholder approval shall not be construed to limit the Corporation's authority to offer similar or dissimilar benefits in plans that do not require shareholder approval.

The Committee shall have the authority to amend these terms and conditions applicable to outstanding Awards

- (a) in any case where expressly permitted by the terms of the Plan or of the relevant Award Instrument;
or
- (b) in any other case with the consent of the Employee to whom the Award was granted.

Except as expressly provided in the Plan or in the Award Instrument evidencing the Award, the Committee may not, without the consent of the holder of an Award granted under the Plan, amend the terms and conditions applicable to that Award in a manner adverse to the interests of the Participant.

Notwithstanding the foregoing, except in connection with a corporate transaction or event described in Section 15 of the Plan or with approval by the shareholders of the Corporation, the terms of outstanding Awards may not be amended to reduce the Exercise Price of outstanding Options or the Base Price of outstanding SARs, and no outstanding Options or SARs may be cancelled in exchange for other Awards, or cancelled in exchange for Options or SARs with an Exercise Price or a Base Price that is less than the Exercise Price of the original Options or the Base Price of the original SARs, as applicable, or cancelled in exchange for cash, without approval by the shareholders of the Corporation. This paragraph is intended to prohibit the repricing of "underwater" Options and SARs and will not be construed to prohibit the adjustments provided for in Section 15 of the Plan. Notwithstanding any provision of the Plan to the contrary, this paragraph may not be amended without approval by the shareholders of the Corporation.

22.2 DEFERRAL. Subject to Section 27 of the Plan and to the extent permitted by Section 409A of the Code, the Committee may permit Participants to elect to defer the issuance of Common Shares or the settlement of Awards in cash under the Plan pursuant to such rules, procedures or programs as it may establish for purposes of the Plan. The Committee also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts, to the extent permitted by Section 409A of the Code.

22.3 CONDITIONS. The Committee may condition the grant of any Award or combination of Awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus

or other compensation otherwise payable by the Corporation or a Subsidiary to the Employee, subject to such terms as shall be determined by the Committee in a manner that complies with Section 409A of the Code.

22.4 ACCELERATION. If permitted by Section 409A of the Code, in the event of a termination of employment by reason of death, disability, normal or early retirement, or a Change of Control, of a Participant who holds an Option or SAR not immediately exercisable in full, or any Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which any period of deferral has not been completed, or any Performance Shares, Performance Units or Other Awards that have not been fully earned, or who holds Common Shares subject to any transfer restriction imposed pursuant to Section 14 of the Plan, the Committee may, in its sole discretion, accelerate the time at which such Option or SAR may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such period of deferral will end or the time at which such Performance Shares, Performance Units or Other Awards will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such Award; provided, however, that in the case of a Qualified Performance-Based Award, acceleration is not permitted in the event of normal or early retirement.

22.5 PLAN NONCONTRACTUAL. Nothing herein contained shall be construed as a commitment to or agreement with any person employed by the Corporation or a Subsidiary to continue such person's employment or service with the Corporation or the Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Corporation or any Subsidiary to continue the employment or service or the annual rate of compensation of any such person for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

22.6 INTEREST OF PARTICIPANTS. Any obligation of the Corporation under the Plan to make any payment at any future date merely constitutes the unsecured promise of the Corporation to make such payment from its general assets in accordance with the Plan, and no Participant (or person claiming an interest through a Participant) shall have any interest in, or lien or prior claim upon, any property of the Corporation or any Subsidiary by reason of that obligation.

22.7 FRACTIONAL SHARES. The Corporation will not be required to issue any fractional Common Shares pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

22.8 FOREIGN EMPLOYEES. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for Awards to Participants who are foreign nationals or who are employed by or providing services to the Corporation or any Subsidiary outside of the United States of America as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Corporation may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of the Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Corporation.

22.9 SPECIAL VESTING PROVISIONS. Notwithstanding anything in the Plan to the contrary, 5% of the maximum number of Common Shares that may be issued or transferred under the Plan provided for in Section 5.2 of the Plan, as may be adjusted under Section 15 of the Plan, may be used for Awards granted under Sections 8 through 11 of the Plan that do not comply with the three-year vesting requirements set forth in Sections 6.4(a), 7.2(a), 8.1(a), 9.1(a) and 11.4 of the Plan or the one-year vesting requirements set forth in Sections 6.4(a), 7.2(a), 8.1(a), 9.1(a), 10.2(b) and 11.4 of the Plan.

23. CLAIMS OF OTHER PERSONS. The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Corporation or any Subsidiary, their officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

24. ABSENCE OF LIABILITY. No member of the Board or of the Board of Directors of a Subsidiary, of the Committee, of any other committee of the Board, or any officer or Employee of the Corporation or a Subsidiary shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member,

or by any officer, agent, or Employee, or except in circumstances involving his bad faith or willful misconduct, for anything done or omitted to be done by himself or herself.

25. SEVERABILITY. The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

26. GOVERNING LAW. The provisions of the Plan shall be governed and construed in accordance with the internal substantive laws of the State of Ohio.

27. COMPLIANCE WITH SECTION 409A OF THE CODE.

27.1 To the extent applicable, it is intended that the Plan and any Awards hereunder comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to any Participant. The Plan and any Awards hereunder shall be administered in a manner consistent with this intent. Any reference in the Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

27.2 Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan and Awards hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under the Plan and Awards hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Corporation or any of its affiliates.

27.3 If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Corporation from time to time) and (ii) the Corporation shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Corporation shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the tenth business day of the seventh month after such separation from service.

27.4 Notwithstanding any provision of the Plan or any Award Instrument to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Committee reserves the right to make amendments to the Plan and any Award Instrument as the Corporation deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Participant or for the Participant's account in connection with the Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Corporation nor any of its affiliates shall have any obligation to indemnify or otherwise hold the Participant harmless from any or all of such taxes or penalties.

[\(Back To Top\)](#)

Section 7: EX-10.18 (EXHIBIT 10.18)

EXHIBIT 10.18

KEYCORP

**DIRECTOR DEFERRED COMPENSATION PLAN
(MAY 18, 2000 RESTATEMENT)**

The KeyCorp Director Deferred Compensation Plan, originally established as of January 1, 1984, is hereby amended and restated in its entirety, effective May 18, 2000.

KeyCorp hereby establishes this Director Deferred Compensation Plan for directors of KeyCorp and its subsidiaries to provide directors with the opportunity to defer payment of their directors' fees in accordance with the provisions of this Plan.

ARTICLE I
DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. "Account" shall mean the bookkeeping account established in accordance with Article II hereof.

"Beneficiary" shall mean any person designated by a Participant in accordance with the Plan to receive payment of all or a portion of the remaining balance of the Participant's Account in the event of the death of the Participant prior to receipt by the Participant of the entire amount credited to the Participant's Account.

2. to the Participant's Account.

"Change of Control" shall be deemed to have occurred if under any rabbi trust arrangement maintained by the Corporation, the Corporation is required under the terms of such arrangement to fund such rabbi trust to secure the payment of any Participant's Plan benefits payable hereunder

3. because a "Change of Control" as defined in such rabbi trust has occurred.

"Corporation" shall mean KeyCorp, a bank holding company and its corporate successors, including the surviving corporation resulting from any merger of KeyCorp with any other corporation or corporations.

4. or corporations.

"Director" shall mean (i) any member of the Board of Directors of the Corporation and (ii) any

5. member of the Board of Directors of a Subsidiary.

"Election Agreement" shall mean a written election to defer Fees signed in writing by the Director and in the form provided by the Corporation.

6. and in the form provided by the Corporation.

7. "Fees" shall mean the fees earned as a Director.

"Participant" shall mean any Director who has at any time elected to defer the receipt of Fees in accordance with the Plan.

8. accordance with the Plan.

9. "Plan" shall mean this Director Deferred Compensation Plan, together with all amendments hereto.

"Subsidiary" shall mean a corporation organized and existing under the laws of the United States or of any state or the District of Columbia of which more than 50% percent of the issued and outstanding stock is owned by the Corporation or by a Subsidiary of the Corporation, and which has been designated by the Board of Directors or Chief Executive Officer of the Corporation as a

10. Subsidiary eligible to participate in the Plan.

11. "Year" shall mean the calendar year.

ARTICLE II
ELECTION TO DEFER

1. Eligibility. Any Director may elect to defer receipt of all or a specified portion of his or her Fees for any Year in accordance with Section 2 of this Article.

2. Election to Defer. A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Corporation no later than the last day of the Year prior to the Year for which the Fees would otherwise be paid; provided, however, that any Director hereafter elected to the Board of Directors of the Corporation or a Subsidiary who was not a Director on the preceding December 31 may make an election to defer payment of Fees for the Year in which he or she is elected to the Board of Directors by delivering the Election Agreement to the Corporation within 30 days of such election. A Director who timely delivers the Election Agreement to the Corporation shall be a Participant. A Participant's Election Agreement shall continue to be effective from Year to Year until terminated or modified by written notice to the Corporation. A revocation or modification must be delivered prior to the beginning of the Year for which it is to be effective.

3. Amount Deferred; Date of Deferral. A Participant shall designate on the Election Agreement (a) the amount of his or her Fees that are to be deferred, (b) the date to which the Participant's Fees shall be deferred, (c) whether the distribution of deferred fees is to be paid in its entirety or whether all or a portion of such fees shall be paid in installments, (d) if in installments, the number of quarterly installments, and (e) if in installments, whether installments or payment in full shall be made upon his or her death. Deferral shall be until the earlier to occur of (i) the date specified by the Participant which may be not later than the date on which the Participant would attain age 72, or (ii) the date of death of the Participant, at which time payment of the amount deferred shall be made in accordance with Section 7 or 10 of this Article. A Participant may select not more than one date upon which full distribution shall be made or when installments shall begin; distribution dates shall be the first business day of a calendar quarter.

4. Account. The Corporation shall maintain an Account of the Fees deferred by each Participant. A Participant shall designate on the Election Agreement whether to have the Account valued on the basis of KeyCorp Common Shares in accordance with Section 5 of this Article or receive interest in accordance with Section 6 of this Article. The Corporation may, if necessary or desirable, establish separate Accounts for a Participant to properly account for amounts deferred under the different alternatives and years; all such Accounts are collectively referred to herein as the Account. The Account based on KeyCorp Common Shares shall be known as the "Common Shares Account", and the interest bearing account shall be known as the "Interest Bearing Account"; a Participant may defer a portion of his or her Fees into each type of Account.

5. Common Shares Account. If a Participant elects to have all or a portion of his or her Fees deferred into the Common Shares Account, as of the last business day of any quarter, there shall be added to such Account the number of Common Shares (whole and fractional, rounded to the nearest one-hundredth of a share) equal to the dollar amount of such Fees payable for such calendar quarter plus all dividends payable during such quarter on the Common Shares held in the Account on the first day of such quarter divided by the market value of the Common Shares at the close of business on the last business day of such quarter.

6. Interest Bearing Account. Effective January 1, 1995, if a Participant elects to have all or a portion of his or her Fees deferred into the Interest Bearing Account, there shall be added to the Account as of the last business day of each calendar quarter the dollar amount of such Fees payable for such calendar quarter plus all interest payable on such Interest Bearing Account for such quarter as follows: A Participant's account will receive interest on the average daily balance in the Interest Bearing Account during each month at a rate equal to 50 basis points higher than the effective annual yield of the average of the Moody's Average Corporate Bond Yield Index for the preceding month, as published by Moody's Investor Service, Inc. (or any successor publisher thereto), or, if such index is no longer published, a substantially similar index selected by the Board.

7. Payment of Account; Period of Deferral. The amount of a Participant's Account shall be paid to the Participant in a single payment and/or in a number of substantially equal consecutive quarterly installments (not to exceed 40), as elected by the Participant in his or her Election Agreement. Distributions from the Interest Bearing Account shall be in cash. Distributions from the Common Shares Account made or commenced prior to January 1, 1999 shall be in cash and thereafter distributions from the Common Shares Account shall be in Common Shares; provided however, that in the event that the Corporation shall enter into a transaction intended to qualify as a pooling of interests for accounting purposes prior to January 1, 1999, all distributions from the Common Shares

Account at any time shall be in cash. The amount of the Account remaining after payment of an installment shall continue to be valued in accordance with Section 5 of this Article or bear interest in accordance with Section 6 of this Article. Full payment or the first quarterly installment, as the case may be, shall be made as soon as reasonably possible after (i) the date specified in Section 3 of this Article, or (ii) the date of the Participant's death.

Any installment payment shall be made pro rata from the Common Shares Account and the Interest Bearing Account. The election as to the time for and method of payment of the amount of the Account relating to Fees deferred for a particular Year shall be made on the Election Agreement(s) and may not thereafter be altered except as provided in Section 10 or Section 13 of this Article.

In the event that a Participant elects to receive installment payments under this Section 7,

The amount of the distribution from the Common Shares Account shall be valued based on the fair market value of the Common Shares on the last business day of the calendar quarter immediately (a) prior to the distribution date;

The amount of the distribution from the Interest Bearing Account shall be valued based on the value of such Account on the last business day of the calendar quarter immediately prior to such (b) distribution date;

The amount of each installment shall be determined by dividing the value of the Common Shares Account, the Interest Bearing Account, or both, as the case may be, by the number of installments (c) remaining to be paid to the Participant.

8. Small Payments. Notwithstanding the foregoing, if the quarterly installment payments elected by a Participant hereunder would result in a quarterly payment of less than \$500 in cash or Common Shares, as the case may be, the Corporation shall have the right in its sole discretion to pay the entire amount of the Account to the Participant on the day the installment payments were to begin.

9. Death of Participant. In the event of the death of a Participant, the amount of the Participant's Account shall be paid to the Beneficiary or Beneficiaries designated in writing signed by the Participant in the form provided by the Corporation; in the event there is more than one Beneficiary, such form shall include the proportion to be paid to each Beneficiary and indicate the disposition of such share if a Beneficiary does not survive the Participant; in the absence of any such designation, payment from the Account shall be divided equally among all other Beneficiaries. A Participant's Beneficiary designation may be changed at any time prior to the Participant's death by execution and delivery of a new Beneficiary designation form. The form on file with the Corporation at the time of the Participant's death which bears the latest date shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant's Account shall be paid to the Participant's estate in its entirety ninety days after the appointment of an executor or administrator. In the event of the death of any Beneficiary after the death of a Participant, the remaining amount of the Account payable to such Beneficiary shall be paid in its entirety to the estate of such Beneficiary ninety days after the appointment of an executor or administrator for such estate.

10. Acceleration.

Notwithstanding any other provision of the Plan to the contrary, upon the occurrence of a Change of Control, a Participant shall be entitled to receive from the Corporation the payment of his or her Account in the manner selected as follows: Not later than the later of December 31, 1998, or 30 days after the date a person first becomes a Participant, a Participant shall be entitled to make an election which will be applicable in the event of a Change of Control (the "Change of Control Election"). The Change of Control Election will (a) provide the following payment alternatives to a Participant in the event of a Change of Control:

upon the occurrence of a Change of Control, the entire amount of the Participant's Account will be immediately paid in full, regardless of whether the Participant continues (i) as a Director after the Change of Control;

upon and after the occurrence of a Change of Control, the entire amount of the Participant's Account will be immediately paid in full, but only if either the Participant is not a Director as of immediately after the Change of Control or the Participant ceases to be a Director within two years after the Change of Control; or

(ii) upon the occurrence of a Change of Control, the payment elections specified in the Election Agreement shall govern irrespective of the Change of Control.

A Change of Control Election once made may thereafter be amended by a subsequent Change of Control Election, but such subsequent Change of Control Election shall only become effective if no Change of Control occurs within one year after making such subsequent Change of Control Election.

The Corporation may, in its sole discretion, accelerate the making of payment of the amount of a Participant's Account to a Participant in the event of an "unforeseeable emergency" of the Participant; "unforeseeable emergency" is defined as an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the individual if such withdrawal were not permitted; provided, however, that the amount of the withdrawal under this subsection is limited to the amount necessary to meet such emergency.

(b) The Corporation may, in its sole discretion, accelerate the making of payment of all or any portion of the amount of a Participant's Account to a Participant upon the written request of a Participant, provided that the Corporation determines that such withdrawal would not be adverse to the best interests of the Corporation and further provided that the Participant shall forfeit an amount equal to 10% of the amount requested and that the Participant shall be disqualified from deferring Fees during the remainder of the calendar year in which the payment is made and the next succeeding year thereafter.

11. Change of Control. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, no amendment or modification of this Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant's Pre-Change of Control Account Balance, (2) to reduce or modify the Interest Bearing Account's rate of earnings on or method of crediting such earnings to a Participant's Pre-Change of Control Account Balance, (3) to reduce or modify the Common Shares Account's method of calculating all earnings, gains, and/or losses on a Participant's Pre-Change of Control Account Balance, or (4) to reduce or modify the Participant's deferrals to be credited to a Participant's Plan Account for the applicable deferral period. For purposes of this Section 11, the term "Pre-Change of Control Account Balance" shall mean, with regard to any Plan Participant, the aggregate amount of such Participant's prior deferrals with all earnings, gains, and losses thereon which are credited to the Participant's Plan Account through the close of the calendar year in which such Change of Control occurs.

12. Interest Bearing Account After Change of Control. In accordance with the provisions of Section 6 hereof, in the event that Moody's Average Corporate Bond Yield Index ceases to be published on or after a Change of Control, the Corporation shall reasonably select a substantially similar index to be used in crediting earnings on Participants' Pre-Change of Control Account Balances held in the Plan's Interest Bearing Account.

13. Common Stock Conversion. In the event of a Change of Control in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or as a result of the consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Shares Account to reflect the securities, cash and other property to be received in such reorganization, reclassification, consolidation, merger or sale on the balance in the Common Shares Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Shares Account shall reflect all dividends, interest, earnings and losses attributable to such securities, cash, and other property (with any cash earning interest at the rate applicable to the Interest Bearing Account).

14. Amendment in the Event of a Change of Control. On or after a Change of Control, the provisions of Article I and Article II may not be amended or modified as such provisions apply to Participants' Pre-Change of Control Account Balances.

15. Statement. Each Participant shall receive a statement of his or her Account not less than annually.

16. Valuation of the Account. Each Account shall be valued as of the last day of each calendar quarter until payment of a Participant's Fees in full.

If a Participant has elected to have his or her Fees deferred into the Common Shares Account, the Corporation shall ascertain the number of shares in the Account (whole and fractional, rounded to the nearest one-hundredth of a share) after taking into account additions to the Account under this Article and distributions from the Account under this Article, based on the fair market value of the Common Shares on the last business day of such calendar quarter. Automatically and without further action by the Corporation, in the event of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination, exchange of shares, or a similar corporate change, appropriate adjustments in the number and kind of shares held in a Participant's Account shall be made by the Corporation to reflect such change.

If a Participant has elected to have his or her Fees deferred into the Interest Bearing Account, the Corporation shall ascertain the value of such Interest Bearing Account by adding to the value of the Account at the beginning of such calendar quarter the dollar amount of the Fees deferred into the Account for such quarter, plus the value of any interest paid on the Account in accordance with this Article, less any distributions made from the Account in accordance with this Article.

ARTICLE III ADMINISTRATION

The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out its duties under the Plan, including the power to determine all questions relating to eligibility for and the amount in an Account, all questions pertaining to claims for benefits and procedures for claim review, and the power to resolve all other questions arising under the Plan, including any questions of construction. The Corporation may take such further action as the Corporation shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties.

ARTICLE IV AMENDMENT AND TERMINATION

The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, the Compensation and Organization Committee or any other duly authorized Committee of the Board of Directors; provided, however, that no such action shall adversely affect any Participant or Beneficiary with respect to the amount credited to a Deferred Compensation Account and further provided that any such action shall be subject to the limitations set forth in Article II, Sections 11 and 14, hereof.

ARTICLE V PRIOR PLANS

The Plan incorporates the merger of the KeyCorp Deferred Compensation Plan for Directors (the "Old KeyCorp Plan"), the Deferred Compensation Plan for Board of Directors of Trustcorp, Inc. (Revised November, 1986) (the "Trustcorp Plan"), the Centran Corporation Deferred Director Compensation Plan (the "Centran Plan"), and the Society Bank, Michigan Directors' Deferred Compensation Plan ("Michigan Plan") in their entirety and all accounts existing under such Trustcorp Plan and Centran Plan on September 30, 1990, under such Michigan Plan on June 30, 1993, and under such Old KeyCorp Plan on June 30, 1994, shall become Accounts (or, if a Participant has accounts under the Plan and any of such Plans, shall be merged into the Account under the Plan) fully subject to all terms and conditions hereof. All accounts under the Trustcorp Plan and the Centran Plan will be valued as of September 30, 1990, all accounts under the Michigan Plan will be valued as of June 30, 1993, and all accounts under such Old KeyCorp Plan will be valued as of June 30, 1994 and this will constitute the initial balance of the Account under this Plan. Participants in the Trustcorp Plan, the Centran Plan, the Michigan Plan, or Old KeyCorp Plan will be given the opportunity to indicate the type of election and the type of account(s) into which their Trustcorp Plan, Centran Plan, Michigan Plan, or Old KeyCorp Plan account will be converted. In the absence of any such designation, such Participants in the Trustcorp Plan, the Centran Plan, the Michigan Plan or the Old KeyCorp

Plan shall be deemed to have elected the Interest Bearing Account and the payout method and payment year indicated on their Trustcorp Plan, Centran Plan, Michigan Plan and Old KeyCorp Plan elections, unless they have an Account under this Plan, in which case the Trustcorp Plan, the Centran Plan, the Michigan Plan or Old KeyCorp Plan account will merge into such Account and be subject to the distribution elections made with regard to such Account.

ARTICLE VI
MISCELLANEOUS

1. Nonalienation of Deferred Compensation Account. No Participant or Beneficiary shall encumber or dispose of the right to receive any payment of the amount of an Account hereunder without the written consent of the Corporation. If a Participant or Beneficiary without the written consent of the Corporation attempts to assign, transfer, alienate, or encumber the right to receive the amount of a Deferred Compensation Account hereunder or permits the same to be subject to alienation, garnishment, attachment, execution, or levy of any kind, then the Corporation, in its discretion, may hold or pay such amount or any part thereof to or for the benefit of such Participant or Beneficiary, the Participant's or Beneficiary's spouse, children, blood relatives, or other dependents, or any of them, in such manner and in such proportions as the Corporation may consider proper. Any such application of the amount of an Account may be made without the intervention of a guardian. The receipt by the payee(s) of such payment(s) shall constitute a complete acquittance to the Corporation with respect thereto, and neither the Corporation, nor any Subsidiary, nor any officer, member, employee, or agent thereof, shall have any responsibility for the proper application thereof.

2. Plan Noncontractual. Nothing herein contained shall be construed as a commitment to or agreement with any Director of the Corporation or a Subsidiary to continue such person's directorship with the Corporation or Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Corporation or any Subsidiary to continue the directorship or the rate of director compensation of any such person for any period. All Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.

3. Interest of Director. The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of only the Corporation to make payments from its general assets as provided herein. Further, no Participant or Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected on an Account. At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation's general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Corporation shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Corporation.

4. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable rights against the Corporation or any Subsidiary, or the officers, employees, or directors of the Corporation or any Subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

5. Delegation of Authority. Any action to be taken by the Corporation's Board of Directors under this Plan may be taken by such Board's Compensation and Organization Committee, Executive Committee or any other duly authorized Committee of the Board of Directors.

6. Severability. The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provisions were omitted herefrom.

7. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

EXECUTED at Cleveland, Ohio as of the 18th day of May 2000.

KEYCORP

By: /s/ Thomas E. Helfrich

Thomas E. Helfrich, Executive Vice
President

[\(Back To Top\)](#)

Section 8: EX-10.20 (EXHIBIT 10.20)

EXHIBIT 10.20

KEYCORP AMENDED AND RESTATED SECOND DIRECTOR DEFERRED COMPENSATION PLAN

The KeyCorp Amended and Restated Second Director Deferred Compensation Plan (the "Plan") as previously amended and restated, is hereby amended and restated in its entirety as of September 18, 2013. The Plan is designed to provide Directors of KeyCorp with the opportunity to defer the payment of their directors' fees in accordance with the provisions of this Plan. It is the intention of KeyCorp and it is the understanding of the Directors participating in the Plan that the Plan constitutes a nonqualified plan of deferred compensation that is subject to the provisions of Section 409A of the Code and the applicable regulations issued thereunder.

ARTICLE I DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. "**Account**" shall mean the bookkeeping account established in accordance with Article II hereof.

- "**Beneficiary**" shall mean any person designated by a Participant in accordance with the Plan to receive payment of all or a portion of the remaining balance of the Participant's Account in the event of the death of the Participant prior to receipt by the Participant of the entire amount credited to the Participant's Account.
- 2.

- "**Change of Control**" shall be deemed to have occurred if, and only if, under any rabbi trust arrangement maintained by the Corporation (the "Trust"), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Deferred Shares or Account balances because a "Change of Control," as defined in the Trust, has occurred on or after the effective date of the Plan; provided that the Change of Control transaction also constitutes the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of the Corporation within the meaning of Section 409A of the Code.
- 3.

4. "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

5. **“Corporation”** shall mean KeyCorp, a bank holding company and its corporate successors, including the surviving corporation resulting from any merger of KeyCorp with any other corporation or corporations.

6. **“Director”** shall mean (i) any member of the Board of Directors of the Corporation and (ii) any member of the Board of Directors of a Subsidiary.

7. **“Election Agreement”** shall mean the written election to defer Fees signed in writing by the Director and in the form provided by the Corporation. Election Agreements shall be irrevocable.

8. **“Fees”** shall mean the fees earned as a Director.

9. **“Participant”** shall mean any Director who has at any time elected to defer the receipt of his or her Fees in accordance with the terms of the Plan.

10. **“Plan”** shall mean this Second Director Deferred Compensation Plan, as the same may be amended or substituted from time to time.

11. **“Subsidiary”** shall mean a corporation organized and existing under the laws of the United States or of any state or the District of Columbia of which more than 50% percent of the issued and outstanding stock is owned by the Corporation or by a Subsidiary of the Corporation, and which has been designated by the Board of Directors or the Chief Executive Officer of the Corporation as a Subsidiary eligible to participate in the Plan.

12. “Year” shall mean the calendar year.

ARTICLE II **ELECTION TO DEFER**

1. **Eligibility.** Any Director may elect to defer receipt of all or a specified portion of his or her Fees for any Year prior to 2014 in accordance with Section 2 of this Article. The opportunity to defer Fees earned for 2014 and later Years shall be provided under the terms, and subject to the conditions, of the KeyCorp Directors’ Deferred Share Sub-Plan.

2. **Election to Defer.** A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Corporation no later than the last day of the Year prior to the Year in which the Fees will be earned by the Director; provided, however, that any Director hereafter elected to the Board of Directors of the Corporation or a Subsidiary who was not a previously a Participant in the Plan may make an election to defer the payment of Fees for the Year in which he or she is elected to the Board of Directors by delivering the Election Agreement to the Corporation within 30 days of first becoming a Director.

3. **Amount Deferred; Date of Deferral.** A Participant shall designate on the Election Agreement (a) the amount of his or her Fees that are to be deferred to the Plan for any Year, (b) the date on which the Participant’s Fees shall be distributed, (c) whether the distribution of deferred Fees is to be paid in its entirety or whether such Fees shall be paid in installments, and (d) if in installments, the number of quarterly installments. Deferrals shall be until the earlier to occur: (i) the date specified by the Participant which may be not later than the date on which the Participant would attain age 72, or (ii) the date of death of the Participant, at which time payment of the amount deferred shall be made in accordance with Section 7 or 10 of this Article. A Participant may not select more than one date in each Election Agreement upon which distribution shall be made or when installments shall begin; distribution dates shall be the first business day of a calendar quarter.

4. **Account.** The Corporation shall maintain an Account for the Fees deferred by each Participant. A Participant shall designate on the Election Agreement whether to have the deferred Fees valued on the basis of KeyCorp Common Shares in accordance with Section 5 of this Article or based on an interest accrual in accordance with Section 6 of this Article. The Corporation may, if necessary or desirable, establish separate Accounts for the Participant to properly account for amounts deferred under the different alternatives and Years; all such Accounts are collectively referred to herein as the Account. The Account based on KeyCorp Common Shares shall be known as the “Common Shares Account”, and the interest bearing account shall be known as the “Interest Bearing Account”; a Participant may defer a portion of his or her Fees into each type of Account.

5. **Common Shares Account.** If a Participant elects to have all or a portion of his or her Fees deferred into the Common Shares Account, as of the last business day of any quarter, there shall be added to such Account the number of Common Shares (whole and fractional, rounded to the nearest one-hundredth of a share) equal to the dollar amount of such Fees payable for such calendar quarter plus all dividends payable during such quarter on the Common Shares held in the Account on the first day of such quarter divided by the market value of the Common Shares at the close of business on the last business day of such quarter.

6. **Interest Bearing Account.** If a Participant elects to have all or a portion of his or her Fees deferred into the Interest Bearing Account, there shall be added to the Account as of the last business day of each calendar quarter the dollar amount of such Fees payable for such calendar quarter plus all interest payable on such Interest Bearing Account for such quarter as follows: A Participant’s account will receive interest as of each month equal to 120% of the applicable long term federal rate as published by the Internal Revenue Service for that month, compounded monthly, and divided by 12.

7. **Payment of Account; Period of Deferral.** The amount of a Participant’s Account shall be paid to the Participant in a single payment and/or in a number of individual, substantially equal consecutive quarterly installments (not to exceed 40), as elected by the Participant in his or her Election Agreement. Distributions from the Interest Bearing Account shall be made in cash. Distributions from the Common Shares Account shall be made in Common Shares. The amount of the Account remaining after payment of each individual installment shall continue to be valued in accordance with Section 5 of this Article or bear interest in accordance with Section 6 of this Article. Full payment or the first quarterly installment, as the case may be, shall be made in accordance with the terms of

the Participant's Election Agreement as soon as administratively practicable following the Participant's designated payment date, but in any event no later than 90 days following the date (i) on which the Participant has elected to commence distribution of his or her Account, or (ii) of the Participant's death.

Any installment payment shall be made pro rata from the Common Shares Account and the Interest Bearing Account. The election as to the time for and method of payment of the amount of the Account relating to Fees deferred for a particular Year shall be made on the Election Agreement(s) and thereafter shall not be altered except as provided in Section 10 of this Article.

In the event that a Participant elects to receive installment payments under this Section 7,

The amount of the distribution from the Common Shares Account shall be valued based on the fair market value of the Common Shares on the last business day of the calendar quarter immediately
(a) prior to the distribution date;

The amount of the distribution from the Interest Bearing Account shall be valued based on the value of such Account on the last business day of the calendar quarter immediately prior to such
(b) distribution date;

The amount of each installment shall be determined by dividing the value of the Common Shares Account, the Interest Bearing Account, or both, as the case may be, by the number of installments
(c) remaining to be paid to the Participant.

8. **Small Accounts.** If the quarterly installment payment elected under any Election Agreement would result in a quarterly payment of less than \$500 in cash or Common Shares, as the case may be, the Participant shall receive an immediate lump sum payment of the entire amount of the Account but in any event no later than 90 days following such distribution date. Further, notwithstanding any other provision of this Plan, the Corporation may, to the extent permitted under Section 409A of the Code, accelerate payment of a Participant's Account if, at any time, the balance of the Participant's Account (and the value of any other nonqualified deferred compensation arrangement that is aggregated with the Participant's Account under Treasury Regulation Section 1.409A-1(c)) is less than or equal to the applicable dollar amount then in effect under Section 402(g)(1)(B) of the Code.

9. **Death of Participant.** In the event of the death of a Participant, the amount of the Participant's Account shall be paid to the Beneficiary or Beneficiaries designated in writing signed by the Participant in the form provided by the Corporation; in the event there is more than one Beneficiary, such form shall include the proportion to be paid to each Beneficiary and indicate the disposition of such share if a Beneficiary does not survive the Participant; in the absence of any such designation, payment from the Account shall be divided equally among all other Beneficiaries. A Participant's Beneficiary designation may be changed at any time prior to the Participant's death by execution and delivery of a new Beneficiary designation form. The form on file with the Corporation at the time of the Participant's death which bears the latest date shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant's Account shall be paid to the Participant's estate. Unless a Participant elects otherwise, in the event of the Participant's death after December 31, 2014, payment of the Participant's Account shall be made in a single lump sum to the Participant's Beneficiary(ies).

10. **Acceleration.**

Change of Control Distribution Election. A Participant may elect at the time that he or she first elects to participate in the Plan, to receive a special Change of Control distribution of the Participant's Account in the event of a Change of Control. The Participant shall elect from one of
(a) the following special Change of Control distribution options:

upon the occurrence of a Change of Control, the entire amount of the Participant's Account will be immediately paid in full to the Participant regardless of whether the Participant continues as a Director after the Change of Control, but in any event no later than 90 days
(i) following such Change of Control;

- upon and after the occurrence of a Change of Control, the entire amount of the Participant's Account will be immediately paid in full to the Participant, but only if either (a) the Participant is not a Director as of immediately after the Change of Control, or (b) the Participant ceases to be a Director within two Years after the Change of Control. Such payment under (a) or
- (ii) (b) hereof shall be made no later than 90 days following such applicable distribution date; or

- upon the occurrence of a Change of Control, the payment elections specified in the
- (iii) Participant's Election Agreement shall govern irrespective of the Change of Control.

Unforeseeable Emergency. The Corporation may accelerate the distribution of all or any portion of the Participant's Account to the Participant in the event of a Participant's "unforeseeable emergency". For purposes of this Section 10(b), the term "unforeseeable emergency" shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B)), the loss of the Participant's property due to casualty, or such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of an "unforeseeable emergency" shall be determined in accordance with the requirements of Section 409A of the Code and the applicable regulations issued thereunder. Distribution of the Participant's Account shall be limited to the amount reasonably necessary to satisfy the emergency, and it shall include any applicable taxes that are or will be owed by the Participant as

(b) a result of the distribution.

11. **Change of Control.** Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, no amendment or modification of this Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant's Pre-Change of Control Account Balance, (2) to reduce or modify the Interest Bearing Account's rate of earnings on or method of crediting such earnings to a Participant's Pre-Change of Control Account Balance, (3) to reduce or modify the Common Shares Account's method of calculating all earnings, gains, and/or losses on a Participant's Pre-Change of Control Account Balance, or (4) to reduce or modify the Participant's deferrals to be credited to a Participant's Plan Account for the applicable deferral period. For purposes of this Section 11, the term "Pre-Change of Control Account Balance" shall mean, with regard to any Plan Participant, the aggregate amount of such Participant's prior deferrals with all earnings, gains, and losses thereon which are credited to the Participant's Plan Account through the close of the calendar Year in which such Change of Control occurs.

12. **Common Stock Conversion.** In the event of a Change of Control in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or as a result of the consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Shares Account to reflect the securities, cash and other property to be received in such reorganization, reclassification, consolidation, merger or sale on the balance in the Common Shares Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Shares Account shall reflect all dividends, interest, earnings and losses attributable to such securities, cash, and other property (with any cash earning interest at the rate applicable to the Interest Bearing Account).

13. **Amendment in the Event of a Change of Control.** On or after a Change of Control, the provisions of Article I and Article II may not be amended or modified as such provisions apply to the Participants' Pre-Change of Control Account Balances.

14. **Statement.** Each Participant shall receive a statement of his or her Account not less than annually.

15. **Valuation of the Account.** Each Account shall be valued as of the last day of each calendar quarter until payment of a Participant's Fees is made in full. If a Participant has elected to have his or her Fees deferred into the Common Shares Account, the Corporation shall ascertain the number of shares in the Account (whole and fractional, rounded to the nearest one-hundredth of a share) after taking into account earnings to the Account under this Article and distributions from the Account under this Article, based on the fair market value of the Common Shares on the last business day of such calendar quarter. Automatically and without further action by the Corporation, in the event of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination, exchange of shares, or a similar corporate change, appropriate adjustments in the

number and kind of shares held in a Participant's Account shall be made by the Corporation to reflect such change. If a Participant has elected to have his or her Fees deferred into the Interest Bearing Account, the Corporation shall ascertain the value of such Interest Bearing Account by adding to the value of the Account at the beginning of such calendar quarter the dollar amount of the Fees deferred into the Account for such quarter, plus the value of any interest paid on the Account in accordance with this Article, less any distributions made from the Account in accordance with this Article.

16. **Plan Transfers.** Participants may elect to transfer equity awards (other than stock option awards) granted prior to 2014 under the KeyCorp Directors' Deferred Share Plan to the Plan, provided, the Participant's election to transfer such vested award is made in accordance with the requirements of the grant agreement under which the award was issued and in accordance with the subsequent deferral election requirements of Section 409A of the Code. Transferred awards shall be fully vested under the Plan and shall be subject to the distribution requirements contained within the Participant's transfer election form provided, however, that such Plan transfers shall be deferred under the Plan for a minimum of five (5) full calendar years from the date of the transfer. Transferred awards shall be subject to full investment diversification if cash based, and transferred awards shall be invested in the in the Plan's Common Stock Account if equity based. Awards invested in the Plan's Common Stock Account will not be subject to investment direction or diversification. Transferred awards shall be separately maintained under the Plan.

ARTICLE III ADMINISTRATION

The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out its duties under the Plan, including the power to determine all questions relating to eligibility for and the amount in an Account, all questions pertaining to claims for benefits and procedures for claim review, and the power to resolve all other questions arising under the Plan, including any questions of construction. The Corporation may take such further action as the Corporation shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties.

ARTICLE IV AMENDMENT AND TERMINATION

The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, the Compensation and Organization Committee, the Nominating and Corporate Governance Committee or any other duly authorized Committee of the Board of Directors; provided, however, that no such action shall adversely affect any Participant or Beneficiary with respect to the amount credited to a Participant's Account and further provided that any such action shall be subject to the limitations set forth in Article II hereof. No amendment or termination of the Plan shall result in an acceleration of Plan benefits in violation of Section 409A of the Code.

ARTICLE V MISCELLANEOUS

1. **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant's Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant's Plan Account shall be void. No right, interest, or benefit under the Plan or Participant's Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant's Plan Account, such attempt shall be void and unenforceable.

2. **Plan Noncontractual.** Nothing herein contained shall be construed as a commitment to or agreement with any Director of the Corporation or a Subsidiary to continue such person's directorship with the Corporation or Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Corporation or any Subsidiary to continue the directorship or the rate of director compensation of any such person

for any period. All Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.

3. **Interest of Director.** The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of only the Corporation to make payments from its general assets as provided herein. Further, no Participant or Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected on an Account. At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation's general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Corporation shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Corporation.

4. **Claims of Other Persons.** The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable rights against the Corporation or any Subsidiary, or the officers, employees, or directors of the Corporation or any Subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

5. **Delegation of Authority.** Any action to be taken by the Corporation's Board of Directors under this Plan may be taken by such Board's Compensation and Organization Committee, Executive Committee, Nominating and Corporate Governance Committee or any other duly authorized Committee of the Board of Directors.

6. **Severability.** The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provisions were omitted herefrom.

7. **Governing Law.** The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

ARTICLE VI
COMPLIANCE WITH
SECTION 409A CODE

The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended to facilitate compliance with such provisions.

Notwithstanding any provision of the Plan to the contrary, no, deferral, accrual, transfer or distribution shall be made or given effect under the Plan that would result in early taxation or assessment of penalties or interest of any amount under Section 409A of the Code.

[\(Back To Top\)](#)

Section 9: EX-10.21 (EXHIBIT 10.21)

EXHIBIT 10.21

KEYCORP DIRECTORS' DEFERRED SHARE SUB-PLAN
(September 18, 2013)

ARTICLE I
PURPOSE

The KeyCorp Directors' Deferred Share Sub-Plan ("Sub-Plan") has been established as a sub-plan under the KeyCorp 2013 Equity Compensation Plan ("Equity Compensation Plan"). The Sub-Plan is a successor to the KeyCorp Directors' Deferred Share Plan, adopted as of December 31, 2008 (the "Prior Plan"), which terminated in its entirety effective on May 16, 2013, the date that the Corporation's shareholders approved the Equity Compensation Plan (provided that all outstanding awards under the Prior Plan as of such date shall remain outstanding and shall be administered and settled in accordance with the terms of the Prior Plan). The purpose of the Sub-Plan is to attract, retain and compensate highly qualified individuals to serve as Directors and to align the interests of Directors with the

shareholders of the Corporation further and thereby promote the long-term success and growth of the Corporation. The Sub-Plan is hereby amended and restated in its entirety as set forth herein, effective as of September 18, 2013.

ARTICLE II DEFINITIONS

Capitalized terms used in the Sub-Plan but not defined herein shall have the same meanings as defined in the Equity Compensation Plan. In addition to those terms and the terms defined in Article I hereof, the following terms shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:

(a) **“Account”**: The meaning set forth in Section 4.3.

“Beneficiary” or “Beneficiaries”: The person or persons designated by a Director in accordance with the Sub-Plan to receive payment of the Director’s unpaid Deferred Shares and the Director’s

(b) Account in the event of the death of the Director.

“Beneficiary Designation”: An agreement in substantially the form adopted and modified from time to time by the Corporation pursuant to which a Director may designate a Beneficiary or

(c) Beneficiaries.

“Change of Control”: Notwithstanding any provision of the Equity Compensation Plan, a Change of Control shall be deemed to have occurred if and only if, under any rabbi trust arrangement maintained by the Corporation (the “Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Deferred Shares or Account balances because a “Change of Control,” as defined in the Trust, has occurred on or after the effective date of the Sub-Plan; provided that the Change of Control transaction also constitutes the occurrence of a “change in the ownership,” a “change in the effective control” or a “change in the ownership of a substantial portion of the assets” of the Corporation within the

(d) meaning of Section 409A of the Code.

(e) **“Change of Control Election”**: The meaning set forth in Section 6.1.

(f) **“Deferral Period”**: The meaning set forth in Section 3.2(a).

“Deferred Shares”: A right to receive Common Shares or the equivalent cash value thereof

(g) granted pursuant to Section 11 of the Equity Compensation Plan and Article III of this Sub-Plan.

“Election Agreement”: The written election to defer payment of Fees and/or Deferred Shares in accordance with Section 3.2(b) or Article IV signed in writing by the Director and in the form

(h) provided by the Corporation. Election Agreements shall be irrevocable.

(i) **“Fees”**: The fees earned as Director.

- “Nominating and Corporate Governance Committee”**: The Nominating and Corporate Governance Committee of the Board or any successor committee designated by the Board.
- (j)
- “Participant”**: Any Director who has at any time elected to defer the receipt of his or her Fees and/or Deferred Shares in accordance with the terms of the Sub-Plan.
- (k)
- “Retainer”**: The portion of a Director’s annual cash compensation that is payable on a current basis without regard to the number of Board or committee meetings attended or committee positions.
- (l)
- “Second Director Plan”**: The KeyCorp Second Director Deferred Compensation Plan, as the same may be amended from time to time.
- (m)
- “Settlement Date”**: The date on which the three-year Deferral Period with respect to an award of Deferred Shares ends, provided that the Director has not elected to defer payment of his or her Deferred Shares pursuant to Section 3.2(b).
- (n)
- (o) **“Year”**: The calendar year.

ARTICLE III

ANNUAL DEFERRED SHARE AWARDS

3.1 Annual Awards. Each Director shall receive, after the date of approval of the Equity Compensation Plan by the Corporation’s shareholders in 2013, and each Year thereafter, an annual award of Deferred Shares. The number of Deferred Shares to be awarded shall be equal to a number of Common Shares having an aggregate Fair Market Value as of the date of the award equal to 200% of the Director’s Retainer, unless a lesser number of Deferred Shares is determined by the Nominating and Corporate Governance Committee. To the extent that the application of any formula in computing the number of Deferred Shares to be granted would result in fractional shares of stock, the number of shares shall be rounded down to the nearest whole share. Unless the Nominating and Corporate Governance Committee from time to time determines another date for the annual award due to unusual circumstances or otherwise, beginning with the annual award made during 2014, such annual award shall be made on the day of the Corporation’s annual meeting of shareholders, in accordance with the Corporation’s normal equity granting policies and only to those Directors serving as of the conclusion of such annual meeting. At the time of making the annual award, the Nominating and Corporate Governance Committee shall determine, in its sole discretion, whether Deferred Shares shall be payable in the form of Common Shares (with fractional shares being rounded down to the nearest whole share), cash, or a combination of Common Shares and cash.

3.2 Deferral Period.

- Minimum Three-Year Deferral Period.** Each grant of Deferred Shares shall be subject to a required deferral period (a “Deferral Period”) beginning on the Deferred Shares’ grant date and ending on the earlier of the third anniversary of such grant date or the date of the Corporation’s annual meeting of shareholders that occurs in the third Year following the Year in which such grant date occurs (the “Vesting Date”); provided, however, that the Deferral Period will end (and the Deferred Shares will become fully vested) prior to the Vesting Date (i) in the event of a Change of Control pursuant to a Director’s Change of Control Election as provided in Section 6.1(a); (ii) if the Director dies; or (iii) if the Director’s service as a Director is terminated (unless the termination follows a Change of Control and the Director has elected in a Change of Control Election to receive his or her Deferred Shares pursuant to Section 6.1(c)).
- (a)

Directors' Option to Defer Payment of Deferred Shares. Notwithstanding Section 3.2(a), a Director may elect, during the period specified by the Corporation in accordance with this Section 3.2(b) and Section 409A of the Code, to defer the payment of his or her Deferred Shares. Any deferral election pursuant to this Section 3.2(b) shall specify (x) the date on which the Deferred Shares shall be distributed, which shall be the first day of a calendar quarter commencing after the end of the Deferral Period, (y) whether the distribution of Deferred Shares is to be paid in its entirety or whether Deferred Shares shall be paid in installments, and (z) if in installments, the number of annual installments (not to exceed 10). Deferred Shares being deferred pursuant to this Section 3.2(b) will be paid in the form (cash or Common Shares) originally granted. Any deferral of Deferred Shares pursuant to an election under this Section 3.2(b) will become effective at the conclusion of

(b) the applicable Deferral Period.

With respect to any Deferred Shares granted after 2013, any such election shall be made no later than December 31 of the Year ending immediately prior to the Year in which the Deferred Shares are granted and shall result in the crediting of the applicable Deferred Shares to the

(i) Director's Account maintained under Article IV of this Sub-Plan.

With respect to any Deferred Shares granted prior to 2014, any such election shall be made no later than twelve full calendar months prior to the close of the applicable Deferral Period and shall result in the transfer of the applicable Deferred Shares into the Common Shares Account maintained for the Director under the Second Director Plan or the Director's Account

(ii) maintained under Article IV of this Sub-Plan, as the case may be.

Evergreen Deferral Election. Once a Director elects under Section 3.2(b) of this Sub-Plan to defer Deferred Shares into his or her Account maintained under Article IV of this Sub-Plan (or, as applicable, to transfer such Deferred Shares into the Common Shares Account maintained for the Director under the Second Director Plan), his or her deferral election will continue to be effective

(c) from Year to Year to the extent provided in this Section 3.2(c).

Any election with respect to Deferred Shares granted after 2013 will continue to be effective from Year to Year with respect to Deferred Shares granted after such Year and the Deferred Shares granted in subsequent Years will also be credited to the Director's Account maintained under Article IV of this Sub-Plan in accordance with such election, unless and until the election is revoked or modified, on a form provided by the Corporation, in accordance with this Section 3.2(c)(i). To revoke or modify an evergreen deferral election under this Section 3.2(c)(i) with respect to Deferred Shares otherwise granted in a particular Year, the Director's revocation or modification of his or her evergreen election shall be delivered to the Corporation during the period specified by the Corporation and no later than December 31 of

(i) the Year ending immediately prior to the Year in which the Deferred Shares are granted.

Any election with respect to Deferred Shares granted prior to 2014 will continue to apply to such Deferred Shares for which the applicable three-year Deferral Period lapses after 2013, and such Deferred Shares will be transferred to the Director's Common Shares Account maintained under the Second Director Plan in accordance with such election, unless and until the election is revoked or modified, on a form provided by the Corporation, in accordance with this Section 3.2(c)(ii). No such election shall have any effect upon Deferred Shares granted after 2013. To revoke or modify an evergreen deferral election under this Section 3.2(c)(ii) with respect to Deferred Shares otherwise granted in a particular Year, the Director's revocation or modification of his or her evergreen election shall be delivered to the Corporation during the period specified by the Corporation and no later than twelve full calendar months prior to the

(ii) date on which the applicable Deferral Period ends.

No Rights During Deferral Period. During the Deferral Period, the Director shall have no right to transfer any rights under his or her Deferred Shares and shall have no other rights of ownership

(d) therein.

3.3 Dividend Equivalents. Each award of Deferred Shares will provide for dividend equivalents, such that, on the date of the Corporation's dividend payment, each participating Director will be credited with a number of additional Deferred Shares (including

fractional shares) equal to the amount of cash dividends paid by the Corporation on the number of outstanding Deferred Shares divided by the Fair Market Value of one Common Share on that date. Such dividend equivalents, which shall likewise be credited with dividend equivalents, shall be deferred until the end of the Deferral Period for the Deferred Shares with respect to which the dividend equivalents

were credited and, if the Director has so elected, pursuant to Section 3.2(b), such dividend equivalents shall be credited to the Director's Account maintained under Article IV of this Sub-Plan.

3.4 Payment of Deferred Share Awards. Except as otherwise provided pursuant to a Director's election to defer payment of his or her Deferred Shares in accordance with Section 3.2(b), each Director's Deferred Shares (including dividend equivalents) shall be paid after the conclusion of the applicable Deferral Period in accordance with this Section 3.4.

Settlement Date. A Director, or in the event of such Director's death, his or her Beneficiary, shall be entitled to payment of such Director's Deferred Shares following such Director's Settlement
(a) Date.

Time and Form of Distribution. As soon as practicable following the Settlement Date, but in no event later than 90 days following the Director's Settlement Date, the Corporation shall pay each outstanding award of Deferred Shares to the Director or, in the case of the death of the Director, his or her Beneficiary. Such distribution shall be made in a lump sum in the form determined pursuant to Section 3.1. If payment of Deferred Shares is made in the form of Common Shares, the Corporation will provide procedures to facilitate the sale of such Common Shares following distribution upon the request of the Director. If payment of Deferred Shares is made in cash, the
(b) amount distributed shall be equal to the Fair Market Value on the Settlement Date.

Fractional Shares. The Corporation will not be required to issue any fractional Common Shares
(d) pursuant to this Sub-Plan.

3.5 Shares Subject to Sub-Plan. The Common Shares which may be delivered to Directors upon payment of their Deferred Shares shall be issued or delivered under the Equity Compensation Plan, or any successor equity compensation plan maintained by the Corporation and approved by its shareholders. Any Common Shares delivered to Directors by a trust that is treated as a "grantor trust" within the meaning of Sections 671-679 of the Code shall be treated as delivered by the Corporation pursuant to this Sub-Plan.

3.6 Adjustments. The number of Deferred Shares granted to a Director hereunder, and the kind of shares covered thereby, are subject to adjustment as provided in Section 15 of the Equity Compensation Plan (or the corresponding provision of any successor equity compensation plan maintained by the Corporation and approved by its shareholders under which Common Shares may be delivered pursuant to this Sub-Plan).

3.7 Death of a Director. Notwithstanding anything to the contrary contained in this Sub-Plan, and except in the case of Deferred Shares deferred pursuant to Section 3.2(b), in the event of the death of a Director, the three-year Deferral Period will be deemed to have ended, and the Settlement Date will be deemed to have occurred, on the date of the Director's death. The Director's Deferred Shares shall be paid as soon as practicable following the Settlement Date, but in no event later than 90 days following the Settlement Date, to the Beneficiary or Beneficiaries designated on the Director's Beneficiary Designation or, if no such designation is in effect or no Beneficiary is then living, then to the Director's estate.

ARTICLE IV **DEFERRAL OF FEES; ACCOUNTS**

4.1 Election to Defer Fees. Any Director may elect to defer (i) payment of his receipt of all or a specified portion of his or her Fees for any Year in accordance with this Section 4.1 with such deferred Fees deemed invested in KeyCorp Common Shares. A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Corporation during the period specified by the Corporation and no later than the last day of the Year prior to the Year in which the Fees will be earned by the Director; provided, however, that any Director hereafter elected to the Board of Directors of the Corporation or a subsidiary who was not previously a Participant in the Sub-Plan may make an election to defer the payment of Fees for the Year in which he or she is elected to the Board of Directors by delivering the Election Agreement to the Corporation within 30 days of first becoming a Director (or during such shorter period as may be specified by the Corporation), with any such Election Agreement being effective with respect to Fees earned commencing after the date that the Election Agreement becomes irrevocable.

4.2 Amount of Fees Deferred; Date of Deferral. A Participant shall designate on the Election Agreement (a) the amount of his or her Fees that are to be deferred under this Sub-Plan for any Year, (b) the date on which the deferred Fees shall be distributed, (c) whether the distribution of deferred Fees is to be paid in its entirety or whether such Fees shall be paid in installments, and (d) if in installments, the number of annual installments (not to exceed 10). Deferrals shall be until the earlier to occur of: (x) the date specified by the Participant, or (y) the date of death of the Participant, at which time payment of the amount deferred shall be made in accordance with Section 4.4 or Section 6.1. A Participant may not select more than one date in each Election Agreement upon which distribution shall be made or when installments shall begin. Distribution dates shall be the first business day of a calendar quarter.

4.3 Account. The Corporation shall maintain a bookkeeping account for each Participant to which shall be credited (a) the amount of Fees deferred by the Participant pursuant to this Article IV, (b) the Deferred Shares deferred by the Participant pursuant to Section 3.2 (b) of this Sub-Plan, and (c) dividend equivalents credited in accordance with this Sub-Plan. (an "Account"). All amounts credited to a Director's Account shall be credited in the form of notional Common Shares. With respect to deferred Fees, as of the last business day of any quarter, there shall be added to each Account the number of Common Shares (whole and fractional, rounded to the nearest one-hundredth of a share) equal to the dollar amount of deferred Fees payable for such quarter plus all dividends payable during such quarter on the Common Shares credited to the Account on the first day of such quarter divided by the Fair Market Value of the Common Shares at the close of business on the last business day of such quarter.

4.4 Payment of Account; Period of Deferral. The balance of a Participant's Account shall be paid to the Participant in a single payment and/or in a number of individual, substantially equal consecutive annual installments (not to exceed 10), as elected by the Participant in his or her Election Agreement. Distributions of deferred Fees shall be made in Common Shares, and distributions of deferred Deferred Shares shall be made as described in Section 3.2(b). The amount of the Account remaining after payment of each individual installment shall continue to be valued in accordance with Section 4.5 of this Article. Full payment or the first annual installment, as the case may be, shall be made in accordance with the terms of the Participant's Election Agreement as soon as administratively practicable following the Participant's designated payment date, but in any event no later than 90 days following the date (i) on which the Participant has elected to commence distribution of his or her Account, or (ii) of the Participant's death. Any installment payment shall be made pro rata.

The election as to the time for and method of payment of the amount of the Account relating to Fees deferred for a particular Year shall be made on the Election Agreement(s) and thereafter shall not be altered except as provided in Article VI of this Sub-Plan.

In the event that a Participant elects to receive installment payments under this Section 4.4,

The amount of the distribution from the Account shall be valued based on the Fair Market Value of the Common Shares on the last business day of the quarter immediately prior to the distribution
(a) date;

The amount of each installment shall be determined by dividing the value of the Account by the
(b) number of installments remaining to be paid to the Participant.

4.5 Valuation of the Account. Each Participant's Account shall be valued as of the last day of each quarter until payment of the Participant's Account is made in full. The Corporation shall ascertain the number of shares in the Account (whole and fractional, rounded to the nearest one-hundredth of a share) after taking into account dividend equivalents credited to the Account and deemed reinvested in Common Shares and distributions from the Account under this Article, based on the Fair Market Value of the Common Shares on the last business day of such quarter. Automatically and without further action by the Corporation, in the event of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination, exchange of shares, or a similar corporate change, appropriate adjustments in the number and kind of shares credited to a Participant's Account shall be made by the Corporation to reflect such change.

4.7 Statement. Each Participant shall receive a statement of his or her Account not less than annually.

4.8 Change of Control.

- Adjustments. Notwithstanding any other provision of the Sub-Plan to the contrary, in the event of a Change of Control, no amendment or modification of this Sub-Plan may be made at any time on or after such Change of Control (i) to reduce or modify a Participant's Pre-Change of Control Account Balance, (ii) to reduce or modify the method of calculating all earnings, gains, and/or losses on a Participant's Pre-Change of Control Account Balance, or (iii) to reduce or modify the Participant's deferrals to be credited to the Participant's Account for the applicable deferral period. For purposes of this Section 4.8, the term "Pre-Change of Control Account Balance" shall mean, with regard to any Participant, the aggregate amount of such Participant's prior deferrals with all earnings, gains, and losses thereon which are credited to the Participant's Account through the close of the Year in which such Change of Control occurs.
- (a)

- Common Stock Conversion. In the event of a Change of Control in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or as a result of the consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause each Participant's Account to reflect the securities, cash and other property to be received in such reorganization, reclassification, consolidation, merger or sale on the balance in the Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Account shall reflect all dividends, interest, earnings and losses attributable to such securities,
- (b) cash, and other property.

- Amendment in the Event of a Change of Control. On or after a Change of Control, the provisions of this Article IV may not be amended or modified as such provisions apply to the Participants' Pre-Change of Control Account Balances.
- (c)

4.10 Death of a Participant. In the event of the death of a Participant, the amount of the Participant's Account shall be paid to the Beneficiary or Beneficiaries designated in writing signed by the Participant in the form provided by the Corporation; in the event there is more than one Beneficiary, such form shall include the proportion to be paid to each Beneficiary and indicate the disposition of such share if a Beneficiary does not survive the Participant; in the absence of any such designation, payment from the Account shall be divided equally among all other Beneficiaries. Unless a Participant elects otherwise, in the event of the Participant's death after December 31, 2014, payment of the Participant's Account shall be made in a single lump sum to the Participant's Beneficiary(ies).

ARTICLE V BENEFICIARY DESIGNATION

5.1 Beneficiary Designation. Each Director shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Sub-Plan shall be paid in the event of the Director's death prior to payment of the Director's Deferred Shares or the Director's Account. Each Beneficiary Designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Director's lifetime.

5.2 Changing Beneficiary. Any Beneficiary Designation may be changed by the Director without the consent of the previously named Beneficiary by the Director's filing of a new Beneficiary Designation with the Corporation. The filing of a new Beneficiary Designation shall cancel all Beneficiary Designations previously filed by the Director.

ARTICLE VI ACCELERATION

6.1 Change of Control. Notwithstanding anything to the contrary contained in this Sub-Plan, upon the occurrence of a Change of Control, a Director shall be entitled to receive from the Corporation the payment of his or her Deferred Shares and the balance of his or her Account in the manner selected as follows: Not later than 30 calendar days after the date a person first becomes a Director, a Director shall be entitled to make an election which will be applicable in the event of a Change of Control (the "Change of Control Election"). For purposes of clarity, notwithstanding any other provision of the Sub-Plan to the contrary, a Director's Change of Control Election

in effect immediately prior to September 18, 2013 shall continue in effect on and after such date. The Change of Control Election will provide the following payment alternatives to a Director in the event of a Change of Control:

- upon the occurrence of a Change of Control, the entire amount of the Director's Deferred Shares and the balance of the Director's Account will be immediately paid in full, regardless of whether the
- (a) Director continues as a Director after the Change of Control;

- upon and after the occurrence of a Change of Control and in accordance with Section 3.2(a), the entire amount of the Director's Deferred Shares and the balance of the Director's Account will be immediately paid in full if and when the Director's service as a Director is terminated within two
- (b) years after the Change of Control; or

- upon the occurrence of a Change of Control, the payment elections specified by the Director prior
- (c) to the Change of Control shall govern irrespective of the Change of Control.

6.2 Hardship. In the event of an unforeseeable emergency, the Corporation may accelerate the payment of all or any portion of the Director's Deferred Shares and the Director's Account to the Director, but only up to the amount necessary to meet the emergency. For purposes of this Section 6.2, the term "unforeseeable emergency" shall mean a severe financial hardship to the Director resulting from a sudden and unexpected illness or accident of the Director, the Director's spouse, or the Director's dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), the loss of the Director's property due to casualty, or such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director. The determination of an unforeseeable emergency and the ability of the Corporation to accelerate payment of the Director's Deferred Shares and the Director's Account shall be determined in accordance with the requirements of Section 409A of the Code and the applicable regulations issued thereunder. Payment of the Director's Deferred Shares and the Director's Account shall be limited only to such amount as is necessary to satisfy the emergency, which shall include all applicable taxes owed or to be owed by the Director as a result of the distribution.

6.3 Small Accounts. Notwithstanding any other provision of this Sub-Plan, the Corporation may, to the extent permitted under Section 409A of the Code, accelerate payment of a Director's Account if, at any time, the balance of the Director's Account (and the value of any other nonqualified deferred compensation arrangement that is aggregated with the Director's Account under Treasury Regulation Section 1.409A-1(c)) is less than or equal to the applicable dollar amount then in effect under Section 402(g)(1)(B) of the Code.

ARTICLE VII

ADMINISTRATION, AMENDMENT AND TERMINATION

7.1 Administration. Notwithstanding any provision of the Equity Compensation Plan, the Sub-Plan shall be administered by the Corporation. The Corporation shall have such powers as may be necessary to discharge its duties hereunder. The Corporation may, from time to time, employ, appoint or delegate to an agent or agents (who may be an officer or officers of the Corporation) and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be counsel to the Corporation. No agent appointed by the Corporation to perform administrative duties hereunder shall be liable for any action taken or determination made in good faith. All elections, notices and directions under the Sub-Plan by a Director shall be made on such forms as the Corporation shall prescribe.

7.2 Amendment and Termination. Notwithstanding any provision of the Equity Compensation Plan, the Nominating and Corporate Governance Committee may alter or amend this Sub-Plan from time to time or may terminate it in its entirety; provided, however, that no such action, except for an acceleration of benefits, shall, without the consent of a Director, impair the Director's rights with respect to the amount credited to the Director's Account or with respect to any Deferred Shares issued or to be issued to such Director under the Sub-Plan; and further provided, that any amendment that must be approved by the shareholders of the Corporation in order to comply with applicable law or the rules of the principal exchange upon which the Common Shares are traded or quoted shall not be effective unless and until such approval has been obtained in compliance with such applicable law or rules. Presentation of this Sub-Plan or any amendment hereof for shareholder approval shall not be construed to limit the Corporation's authority to offer similar or dissimilar benefits through plans or other

arrangements that are not subject to shareholder approval unless otherwise limited by applicable law or stock exchange rules.

ARTICLE VIII FINANCING OF BENEFITS

8.1 Financing of Benefits. The Deferred Shares and the balance of a Director's Account payable under the Sub-Plan to a Director or, in the event of his or her death, to his or her Beneficiary, shall be paid by the Corporation from its general assets, including treasury shares. The right to receive payment of the Deferred Shares or an Account balance represents an unfunded, unsecured obligation of the Corporation.

8.2 Security for Benefits. Notwithstanding the provisions of Section 8.1, nothing in this Sub-Plan shall preclude the Corporation from setting aside Common Shares or funds in a so-called "grantor trust" pursuant to one or more trust agreements between a trustee and the Corporation. However, no Director or Beneficiary shall have any secured interest or claim in any assets or property of the Corporation or any such trust and all Common Shares or funds contained in such trust shall remain subject to the claims of the Corporation's general creditors.

ARTICLE IX GENERAL PROVISIONS

9.1 Governing Law. The provisions of this Sub-Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

9.2 Shareholder Approval. Notwithstanding the foregoing provisions of the Sub-Plan, no Common Shares shall be issued or transferred pursuant to the Sub-Plan before the date of the approval of the Equity Compensation Plan by the Corporation's shareholders.

9.3 Miscellaneous. Headings are given to the sections of this Sub-Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of this Sub-Plan or any provisions thereof.

9.4 No Right to Continue as Director. Neither the Sub-Plan, nor the granting of Deferred Shares nor any other action taken pursuant to the Sub-Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that a Director has a right to continue as a Director for any period of time, or at any particular rate of compensation.

9.5 Compliance with Section 409A Requirements. The Sub-Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Sub-Plan shall be administered in a manner consistent with those provisions. Notwithstanding any provision of the Sub-Plan to the contrary, no otherwise permissible election, deferral, accrual, transfer or distribution shall be made or given effect under the Sub-Plan that would result in a violation of Section 409A of the Code.

9.6 Elections Under Prior Plan. Each Director's Account hereunder shall remain subject to the same Change of Control elections, elections under Section 4.2(b) of the Prior Plan that are described in Sections 3.2(b)(ii) and 3.2(c)(ii) of this Sub-Plan to transfer the Deferred Shares to the Director's Common Shares Account under the Second Director Plan, and Beneficiary Designations that were controlling under the Prior Plan immediately prior to the approval of the Equity Compensation Plan by the Corporation's shareholders for the remainder of the period or periods for which such elections or designations are by their original terms applicable or, in the case of Beneficiary Designations and elections under Section 4.2(b) of the Prior Plan that are described in Sections 3.2(b)(ii) and 3.2(c)(ii) of this Sub-Plan, until such time as such designations and elections are revoked or modified or otherwise cease to be effective in accordance with this Sub-Plan.

[\(Back To Top\)](#)

Section 10: EX-10.22 (EXHIBIT 10.22)

**KEYCORP
EXCESS CASH BALANCE PENSION PLAN**

ARTICLE I

THE PLAN

The KeyCorp Excess Cash Balance Pension Plan ("Plan") originally established effective January 1, 1995, is hereby amended and restated in its entirety effective January 1, 1998. The Plan as amended and restated is intended to provide certain key Employees of KeyCorp with a Plan benefit that is generally equal to the benefit that the Participant would have been eligible to receive under the KeyCorp Cash Balance Pension Plan but for the limitations imposed by Section 401(a)(17) and Section 415 of the Internal Revenue Code of 1986, as amended. It is the intention of the Plan and it is the understanding of those Participants covered under the Plan that the Plan is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE II

DEFINITIONS

2.1 **Meanings of Definitions.** As used herein, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is plainly required by the context:

(a) "**Beneficiary**" shall mean the Participant's surviving spouse who is entitled to receive any Plan benefits in the event the Participant dies before his or her Excess Pension Benefit shall have been distributed to him or her in full.

(b) "**Credited Service**" shall be calculated by measuring the period of service commencing on the Participant's Employment Commencement Date and Re-Employment Commencement Date, if applicable, and ending on the Participant's Severance from Service Date, and shall be computed based on each full month during which time the Employee is employed by an Employer.

(c) "**Compensation**" of a Participant for any Plan Year or any partial Plan Year in which the Participant incurs a Severance From Service Date shall mean the entire amount of compensation paid to such Participant during such period by reason of his employment as an Employee, as reported for federal income tax purposes, or which would have been paid except for (1) the timing of an Employer's payroll processing operations, (2) the Participant's written election to defer the receipt of compensation during the Plan Year, (3) the provisions of the KeyCorp 401(k) Savings Plan, or (4) the provisions of the KeyCorp Flexible Benefits Plan provided, however, the term shall not include:

- (i) any amount attributable to the Participant's exercise of stock appreciation rights and the amount of any gain to the Participant upon the exercise of stock options;
- (ii) any amount attributable to the Participant's receipt of non-cash remuneration whether or not it is included in the Participant's income for federal income tax purposes;
- (iii) any amount attributable to the Participant's receipt of moving expenses and any relocation bonus paid to the Participant during the Plan Year;
- (iv) any amount attributable to any severance paid by an Employer or the Corporation to the Participant;
- (v) any amount attributable to fringe benefits (cash and non-cash),

(vi) any amount attributable to any bonus or payment made as an inducement for the Participant to accept employment with an Employer,

(vii) any amount attributable to salary deferrals paid to the Participant during the Plan Year, which have been previously included as Compensation under the Plan during the Plan Year or any prior Plan Year,

(viii) any amount paid to the Participant during the Plan Year which is attributable to interest earned on Compensation deferred under a plan of an Employer or the Corporation; and

(ix) any amount paid for any period after the Participant's Termination or Retirement date; and

In determining a Participant's Compensation under the provisions of this Section 2.1(c), for those Plan Participants who participate in a line of business incentive plan (other than the KeyCorp Annual Incentive Plan, the KeyCorp Long Term Incentive Plan and/or the KeyCorp Staff Incentive Plan), compensation up to a Plan maximum of \$500,000 minus the amount of the Participant's compensation utilized in computing his or her Pension Plan benefit in accordance with Section 401(a)(17) of the Code shall be utilized in calculating the Participant's benefit under the Plan.

In the case of a Disabled Participant, such Participant's Compensation for each year while Disabled shall equal an amount which shall reflect the Participant's Compensation for the calendar year preceding the date of the Participant's Disability.

(d) "**Corporation**" shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(e) "**Employee**" shall mean a common law employee who is employed by an Employer; provided, however, the term "Employee" shall not include any person who at the time services are performed is not classified as a common law employee by the Employer even though such person may for federal income tax purposes, federal employment tax purposes, or any other purpose be reclassified by the Employer as a common law employee retroactive to when such services were performed by reason of administrative, judicial, regulatory or other governmental action.

(f) "**Employer**" shall mean KeyCorp and all of its subsidiaries or affiliates unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer's participation shall be subject to any and all conditions and requirements made by the Corporation as the Plan Administrator, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan.

(g) "**Excess Pension Benefit**" shall mean the vested pension benefit payable pursuant to the terms of this Plan to a Participant meeting the eligibility requirements of Section 3.1 of the Plan.

(h) "**Interest Credit**" shall mean the rate at which a Participant's Opening Account Balance as provided for under Section 3.3 of the Plan is periodically increased on a bookkeeping basis. The Interest Credit allocated to a Participant's Opening Account Balance shall be determined based on one-quarter of the effective annual calendar-year interest rate equal to the average (rounded to the nearest one-hundredth of one percent) 5-year United States Treasury Bill rate in effect each month during the twelve (12) month period ending on October 31 or the last business day in October of the preceding calendar year. The procedures to determine such Interest Credit shall be determined by the Pension Trust Oversight Committee, and the Pension Trust Oversight Committee in its sole and exclusive discretion may modify the Interest Credit to be allocated under the Plan.

(i) "**Participant**" shall mean an Employee who is a participant in the Pension Plan and who is selected by the Corporation to become a Participant in the Plan, and whose participation in the Plan has not been terminated by the Corporation.

(j) "**Pension Plan**" shall mean the KeyCorp Cash Balance Pension Plan as the same shall be in effect on the date of a Participant's Retirement, death, Disability or other termination of employment.

(k) “**Retirement**” shall mean the termination of employment of a Participant under circumstances in which the Participant begins to receive an Early Retirement or Normal Retirement Date benefit under the KeyCorp Cash Balance Pension Plan.

(l) “**Supplemental Retirement Plan**” shall mean the KeyCorp Supplemental Retirement Plan (formerly known as the Society Corporation Supplemental Retirement Plan), the KeyCorp Supplemental Retirement Benefit Plan, and the KeyCorp Supplemental Retirement Benefit Plan for Key Executives, with all amendments, modifications, and supplements which may be made thereto.

(m) “**Termination**” shall mean the voluntary or involuntary and permanent termination of a Participant’s employment from his or her Employer and any other Employer, whether by resignation or otherwise.

All other capitalized and undefined terms used herein shall have the meanings given them in the Pension Plan, unless a different meaning is plainly required by the context.

The masculine gender includes the feminine, and singular references include the plural, unless the context clearly requires otherwise.

ARTICLE III

EXCESS PENSION BENEFIT

3.1 **Eligibility.** Subject to the provisions of Article V hereof, a Participant shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) retires on or after age 65 with five or more years of Credited Service, (ii) terminates employment with an Employer on or after age 55 with ten or more years of Credited Service, (iii) terminates his active employment with an Employer upon becoming Disabled after completing five or more years of Credited Service and disability benefits have ceased under the KeyCorp Long-Term Disability Plan due to the Participant’s election of an Early or Normal Retirement under the Pension Plan, or (iv) dies after completing five years of Credited Service, and has a Beneficiary who is eligible for a benefit under the Pension Plan.

3.2 **Amount of Excess Pension Benefit.** The Excess Pension Benefit payable to a Participant shall be in such amount as is required, when added to the Accrued Benefit payable in lump sum form to the Participant under the Pension Plan as of the Participant’s Retirement or Termination date, to produce a lump sum cash aggregate benefit equal to the benefit which would have been payable under the Pension Plan formula in lump sum form to the Participant if the limitations of Section 401(a)(17) of the Code and the limitations of Section 415 of the Code had not been in effect. For purposes of this Section 3.2 hereof, the term “Pension Plan formula” means the method of calculating a Participant’s pension benefit as reflected in Article IV of the Pension Plan, and shall not include any Predecessor Plan Grandfathered Benefits formula.

3.3 **Opening Account Balance.**

(1) Effective January 1, 1995, all “Employees” (other than “Grandfathered Employees”) as defined in the Society Corporation Supplemental Retirement Plan, as amended and restated as the KeyCorp Supplemental Retirement Plan (“Supplemental Retirement Plan”) whose Supplemental Retirement Plan benefit was valued as of January 1, 1995 in the form of a lump sum cash benefit and thereafter the value of which was transferred to the Plan pursuant to the provisions of Article IX of the Supplemental Retirement Plan, shall have the value of such lump sum cash benefit reflected in a bookkeeping opening account balance (“Opening Account Balance”) established for such Participant. Such Opening Account Balance shall be credited with Interest Credit as of the last day of each calendar quarter, based on the value of the Participant’s Opening Account Balance as of the first day of the applicable quarter. A Participant’s entitlement to such Opening Account Balance shall be governed by the eligibility provisions of Section 3.1 of this Plan, and the value of the Opening Account Balance shall be added to and become a part of such Participant’s Excess Pension Benefit, if any, which shall be payable in accordance with the terms of this Plan.

(2) Effective January 1, 1995, all participants in the Ameritrust Corporation Excess Benefit Plan and all participants in the Ameritrust Corporation Deferred Compensation Plan (augmented retirement benefit) (hereinafter collectively referred to as “Ameritrust Plan”), whose Ameritrust Plan benefit was valued as of

January 1, 1995, in the form of a lump sum cash benefit and thereafter the value of which was transferred to this Plan shall have the value of such lump sum cash benefit reflected in a bookkeeping opening account balance ("Opening Account Balance") established for such Participant. Such Opening Account Balance shall be credited with Interest Credit as of the last day of each calendar quarter, based on the value of the Participant's Opening Account Balance as of the first day of the applicable quarter. A Participant shall be fully vested in such Opening Account Balance, and the value of the Opening Account Balance shall be added to and become a part of such Participant's Excess Pension Benefit, if any, which shall be payable in accordance with the terms of this Plan. If the Participant fails to meet eligibility requirements of Section 3.1 entitling Participant to an Excess Pension Benefit accruing under this Plan on and after January 1, 1995, the Participant shall nonetheless receive, at his or her Termination date, the Participant's vested Opening Account Balance valued as of the Participant's Termination date, which shall be paid pursuant to the benefit distribution (payment) options contained in Article IV of this Plan.

ARTICLE IV

PAYMENT OF EXCESS PENSION BENEFIT

4.1 Immediate Payment Upon Termination or Retirement of Participant. Subject to the provisions of Section 4.2 hereof, a Participant meeting the age and service eligibility requirements of Section 3.1 shall receive an immediate distribution of his or her Excess Pension Benefit upon the Participant's Retirement or Termination date. Such Excess Pension Benefit shall be paid as a lump sum payment, unless the Participant elects in writing, a minimum of one year prior to his or her Retirement or Termination date to receive his or her distribution under a different form of payment. The forms of payment from which a Participant may elect shall be identical to those forms of payment provided under the Pension Plan.

The Excess Pension Benefit payable to a Participant in a form other than a lump sum payment shall be the actuarial equivalent to such lump sum cash payment. In making this determination as provided for in this Article IV, the Corporation shall rely upon calculations made by independent actuaries for the Pension Plan, who shall apply the actuarial assumptions and interest rate then in use under the Pension Plan for converting to the form of payment elected by the Participant.

4.2. Payment Upon Death of Participant.

(a) Upon the death of a Participant who has met the service requirement of Section 3.1, but who has not yet commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant's Beneficiary the Excess Pension Benefit which the Participant would have been entitled to receive had the Participant retired on his or her date of death and commenced distribution of his or her Excess Pension Benefit. Such Excess Pension Benefit shall be paid in the form of a lump sum cash payment.

(b) In the event of a Participant's death after the Participant has commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant's Beneficiary only those survivor benefits provided under the form of benefit payment elected by the Participant.

ARTICLE V

ELECTION BETWEEN PLAN BENEFITS

5.1 Participant's Election Between Plan Benefits. A Participant who meets the eligibility requirements for an Excess Pension Benefit who is also a participant in and meets the eligibility requirements for a benefit under the KeyCorp Executive Supplemental Pension Plan, shall be required prior to the Participant's Retirement or Termination date to elect a benefit from either the Plan or from the KeyCorp Executive Supplemental Pension Plan. A Participant's failure to elect between Plan benefits prior to the Participant's Retirement or Termination date shall result in an automatic default election by the Participant of an Excess Pension Benefit under the Plan (and shall extinguish all rights to a benefit under the KeyCorp Executive Supplemental Pension Plan). Such Excess Pension Benefit shall be paid to the Participant as of his or her Retirement or Termination date in the form of a lump sum cash payment.

5.2 Beneficiary Election Between Plan Benefits. If a Participant dies after having met the eligibility requirements for an Excess Pension Benefit and the Participant at the time of his or her death is also a Participant in the KeyCorp Executive Supplemental Pension Plan and eligible for a benefit under the KeyCorp Executive Supplemental Pension Plan, the Participant's Beneficiary shall be required to elect a death benefit from either the Plan or from the KeyCorp Executive Supplemental Pension Plan, but in no event may the Participant's Beneficiary elect a benefit under both the Plan and the KeyCorp Executive Supplemental Pension Plan. The terms of each respective Plan shall control the form of payment which may be elected by the Participant's Beneficiary.

A Beneficiary's failure to elect between Plan benefits within 120 days from the date of the Participant's death shall result in an automatic default election by the Beneficiary of an Excess Pension Benefit under the Plan to be paid to the Beneficiary in a cash lump sum payment.

ARTICLE VI

ADMINISTRATION

6.1 Administration. The Corporation, which shall be the "Administrator" of the Plan for purposes of ERISA and the "Plan Administrator" for purposes of the Code, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Corporation deems necessary or advisable in the administration of the Plan. All findings, decisions and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Plan Administrator hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 6.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.

6.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under the Plan filed by any person (herein referred to as the "Claimant"), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which the Claimant receives such notice, Claimant may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or Claimant's authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefore, which request shall contain the following information:

- (i) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (i);
- (ii) the specific portions of the denial of the Claimant's claim which the Claimant requests the Plan Administrator to review;
- (iii) a statement by the Claimant setting forth the basis upon which Claimant believes the Plan Administrator should reverse its previous denial of the Claimant's claim and accept the Claimant's claim as made;

any written material which the Claimant desires the Plan Administrator to examine in its (iv) consideration of the Claimant's position as stated pursuant to paragraph (iii) above.

In accordance with this Section, if the Claimant requests a review of the Plan Administrator's decision, such review shall be made by the Plan Administrator, which shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the Claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE VII

CORPORATE ASSETS

All benefits paid under the Plan shall be payable solely out of the general assets of the Corporation. The Corporation shall have no obligation to establish a trust or fund to fund its obligation to pay benefits under the Plan or to insure any benefits under the Plan and nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation or any other person. It is the intention of the Corporation and the Participant that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Corporation may, in its sole discretion, combine the payment due and owing under the Plan with one or more other payments owing to the Participant or the Participant's Beneficiary under any other plan, contract, or otherwise (other than any payment due under the Pension Plan) in one check, direct deposit, wire transfer, or other means of payment.

ARTICLE VIII

AMENDMENT AND TERMINATION

8.1 Termination or Amendment. The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, or any duly authorized Committee thereof; provided, however, that no such action shall adversely affect any Participant who has met the age and service requirements of Section 3.1 or any Participant or Participant's Beneficiary who is receiving or who is eligible to receive an Excess Pension Benefit hereunder, unless an equivalent benefit is provided under another plan maintained by an Employer.

8.2 Effect of Plan Termination. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all Employers to provide for future benefits under the Plan.

ARTICLE IX

MISCELLANEOUS

9.1 Interest of Participant. The obligation of the Employer and of the Corporation to provide a Participant or the Participant's Beneficiary with an Excess Pension Benefit under the Plan merely constitutes the unsecured promise of the Employer and the Corporation to make payments as provided herein and no person shall have any interest in, or a lien or prior claim on any property of the Employer or Corporation.

9.2 Benefits. Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participant and the Participant's Beneficiary who may become entitled to an Excess Pension Benefit under the Plan.

9.3 No Present Interest. Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant's Plan benefit shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge

any right or benefit under the Plan, or Participant's Plan Account shall be void. No right, interest, or benefit under the Plan or Participant's Plan benefit shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant's Plan benefit, such attempt shall be void and unenforceable.

9.4 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301, and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

9.5 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

9.6 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct for anything done or omitted to be done.

9.7 **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.

9.8 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

9.9 **Withholding.** The Corporation shall withhold any tax which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

9.10 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of ERISA, the Code, and, to the extent applicable, the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

9.11 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

9.12 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

9.13 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.

9.14 **Trust Fund.** At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation's general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Employer.

9.15 **Notice.** Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation's address,

attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the Employer's records.

9.16 **Successors.** The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

Executed at Cleveland, Ohio, to be effective as of the first day of January, 1998.

KEYCORP

By: /s/ Thomas E. Helfrich

Title: Executive Vice President

[\(Back To Top\)](#)

Section 11: EX-10.23 (EXHIBIT 10.23)

EXHIBIT 10.23

FIRST AMENDMENT TO THE KEYCORP EXCESS CASH BALANCE PENSION PLAN

WHEREAS, KeyCorp has established the KeyCorp Excess Cash Balance Pension Plan (the "Plan"), and

WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation and Organization Committee to permit amendments to the Plan, and

WHEREAS, the Compensation and Organization Committee of the Board of Directors of KeyCorp has determined it desirable to amend the Plan and has accordingly authorized the execution of this First Amendment,

NOW, THEREFORE, pursuant to such action of the Compensation Committee, the Plan is hereby amended as follows:

1. Article III, Section 3.1 shall be amended to delete it in its entirety and to substitute therefore the following:

"3.1 **Eligibility.** Subject to the provisions of Article V hereof, a Participant shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) terminates employment with an Employer on or after age 55 with five or more years of Credited Service, (ii) terminates his or her active employment with an Employer upon becoming Disabled after completing five or more years of Credited Service and disability benefits have ceased under the KeyCorp Long-Term Disability Plan due to the Participant's election of an Early or Normal Retirement under the Pension Plan, or (iii) dies after completing five years of Credited Service, and has a Beneficiary who is eligible for a benefit under the Pension Plan."

2. Article IV, Section 4.1 shall be amended to add the following new paragraph at the end of such Section:

"Notwithstanding the foregoing provisions of this Section 4.1, however, in the event of the Participant's termination,

Retirement or Disability and within twelve months of such termination, Retirement, or Disability date the Participant engages in any Harmful Activity, such Participant's distribution election (if other than a lump sum distribution) shall become null and void, and the Participant shall receive an immediate lump sum distribution of his or her vested Excess Pension Benefit.

For purposes of this Section 4.1, a "Harmful Activity" shall have occurred if the Participant shall do any one or more of the following:

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(iv) Upon the Participant's own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(v) Upon the Participant's own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

(vi) Upon the Participant's own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant's employment.

For purposes of this Section 4.1 the term:

"Intellectual Property" shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

"Non-Public Information" shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public

"KeyCorp" shall include KeyCorp, its subsidiaries, and its affiliates."

3. The Plan is hereby amended to add a new Article X to the Plan to read in its entirety as follows:

Article X **Change of Control**

Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, a Participant's interest in his or her Excess Pension Benefit shall vest, and the Participant shall be entitled to receive an immediate distribution of his or her Excess Pension Benefit, if on and after a Change of Control the Participant has at least five (5) years of Credited Service, and (i) the Participant's employment is terminated by his or her Employer and any other Employer without cause, or (ii) the Participant resigns within two years following a Change of Control as a result of the Participant's mandatory relocation, reduction in the Participant's base salary, reduction in the Participant's average annual incentive compensation (unless such reduction is attributable to the overall corporate or business unit performance), or the Participant's exclusion from stock option programs as compared to comparably situated Employees.

For purposes of this Article X hereof, a "Change of Control" shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp ("Trust"), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Participants' Plan benefits payable hereunder because a "Change of Control" as defined in the Trust has occurred on and after January 1, 1999.

4. The amendments set forth in Paragraphs 1 through 3 shall be effective as of January 1, 1999.

5. Except as otherwise amended herein, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this First Amendment to the Plan to be executed by its duly authorized officer to be effective as of the 1st day of July, 1999.

KEYCORP

By: /s/ Steven N. Bulloch

Title: Assistant Secretary

[\(Back To Top\)](#)

Section 12: EX-10.24 (EXHIBIT 10.24)

EXHIBIT 10.24

SECOND AMENDMENT TO THE KEYCORP EXCESS CASH BALANCE PENSION PLAN

WHEREAS, KeyCorp has established the KeyCorp Excess Cash Balance Pension Plan (the "Plan"), and

WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation Committee to permit amendments to the Plan, and

WHEREAS, the Compensation Committee of the Board of Directors of KeyCorp has determined it desirable to amend the Plan and has accordingly authorized the execution of this Second Amendment,

NOW, THEREFORE, pursuant to such action of the Compensation Committee, the Plan is hereby amended as follows:

Article III, Section 3.1 shall be amended to delete it in its entirety and to substitute therefore the following:

"3.1 Eligibility. A Participant shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) terminates employment with an Employer on or after age 55 with five or more years of Credited Service, (ii) terminates his or her active employment with an Employer upon becoming Disabled after completing five or more years of Credited Service and disability benefits have ceased under the KeyCorp Long-Term Disability Plan due to the Participant's election of an Early or Normal Retirement under the Pension Plan, or (iii) dies after completing five years of Credited Service, and has a Beneficiary who is eligible for a benefit under the Pension Plan.

Effective January 1, 2003 a Participant shall also be eligible for an Excess Pension Benefit if the Participant becomes involuntarily terminated from his or her employment with an Employer for reasons other than the Participant's Discharge for Cause, and (i) as of the Participant's termination date the Participant has a minimum of twenty-five (25) or more years of Credited Service, and (ii) the Participant enters into a written non-solicitation and non-compete agreement under terms that are satisfactory to the Employer.

For purposes of this Section 3.1, hereof, the term "Discharge for Cause" shall mean a Participant's employment

termination that is the result of the Participant's violation of the Employer's policies, practices or procedures, violation of city, state, or federal law, or failure to perform his or her assigned job duties in a satisfactory manner. The Employer in its sole and absolute discretion shall determine whether a Participant has been Discharged for Cause.

Notwithstanding any of the forgoing provisions of this Section 3.1, however, a Participant's eligibility for an Excess Pension Benefit shall be subject to the election requirements of Article V of the Plan."

2. The amendment set forth in Paragraph 1 shall be effective as of January 1, 2003.

3. Except as otherwise amended herein, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this Second Amendment to the Plan to be executed by its duly authorized officer to be effective as of the first day of January, 2003.

KEYCORP

By: /s/ Steven N. Bulloch

Title: Assistant Secretary

[\(Back To Top\)](#)

Section 13: EX-10.28 (EXHIBIT 10.28)

EXHIBIT 10.28

TRUST AGREEMENT
FOR CERTAIN AMOUNTS
THAT MAY BECOME PAYABLE
TO CERTAIN EXECUTIVES AND DIRECTORS
OF KEYCORP

THIS TRUST AGREEMENT, made as of the 1st day of April, 1997, and amended as of August 25, 2003, is between KeyCorp, an Ohio corporation ("Key"), and Wachovia Bank, National Association, formerly known as Wachovia Bank of North Carolina, N.A. (the "Trustee").

Key has established a number of nonqualified retirement and deferred compensation plans to provide benefits to certain of its executives, Key has entered into a number of agreements with certain of its executives under which those executives may become entitled to payments and benefits after a change of control of Key (as defined in those agreements), and Key has established a plan pursuant to which members of the Board of Directors may defer a portion of the compensation payable to them in consideration of their services as directors and a plan pursuant to which members of the Board of Directors will receive deferred shares as part of the compensation payable to them in consideration for their services as directors. Key has identified and caused to be set forth on Exhibit A to this Trust Agreement a list of all such plans and agreements that Key intends to be subject to the terms of this Trust Agreement.

Key desires to establish a trust (the "Trust") and to contribute to the Trust assets that shall be held therein until paid to or on behalf of a Participant, and that shall be subject, while so held, to the claims of the creditors of Key in the event Key becomes Insolvent (as defined in Section 5.1 below). It is the intention of the parties that the Trust shall constitute an unfunded arrangement for purposes of Title I of the Employee Retirement Income Security Act of 1974. (Certain capitalized terms not defined elsewhere in this Trust Agreement are defined in Article 15 below.)

In consideration of the premises, Key and the Trustee do hereby establish the Trust and agree that the Trust shall be comprised, held, and disposed of as follows:

Article 1. Establishment of Trust

1.1 Key hereby deposits with the Trustee in trust \$100, which shall become the principal of the Trust to be held, administered, and disposed of by the Trustee as provided in this Trust Agreement.

1.2 The Trust hereby established may be revoked by Key at any time before the occurrence of the first to occur of (a) a Potential Change of Control (as defined in Section 15.9) and (b) a Change of Control (as defined in Section 15.3). If any Potential Change of Control occurs, the Trust hereby established may not be revoked by Key until both that particular Potential Change of Control and any other Potential Change of Control that may have also occurred have been "terminated" (as defined in Section 15.10) and the Trust then may be revoked by Key if and only if no Change of Control has then occurred. Upon the occurrence of a Change of Control, the Trust hereby established shall become irrevocable. Key's General Counsel shall notify the Trustee promptly upon the occurrence of any

Change of Control and of any Potential Change of Control.

1.3 The Trust is intended to be a grantor trust, of which Key is the grantor, within the meaning of subpart F, part 1, subchapter J, chapter 1, subtitle A of the Internal Revenue Code, and shall be construed accordingly.

1.4 The principal of the Trust and any earnings thereon shall be held separate and apart from other funds of Key and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Covered Plans (as defined in Section 15.4 below) and this Trust Agreement shall be mere unsecured contractual rights of Participants against Key. Any assets held by the Trust will be subject to the claims of general creditors of Key under federal and state law in the event Key becomes Insolvent.

Article 2. Additional Funding

2.1 Key, in its sole discretion, may at any time, or from time to time, make or cause to be made, directly or indirectly, additional deposits of cash or other property in trust with the Trustee to augment the principal to be held, administered, and disposed of by the Trustee as provided in this Trust Agreement.

2.2 If a Potential Change of Control occurs, Key shall, not later than the day before the occurrence of any Change of Control related to that Potential Change of Control, contribute to the Trust an amount equal to the excess, if any, of the Full Funding Amount (as defined in Section 15.5) over the value of the assets in the Trust (the "Current Trust Asset Value") immediately prior to the contribution. At the time any contribution is made pursuant to Section 2.1 or this Section 2.2, Key may specify, in a written notice to the Trustee, that Key retains the right to withdraw the amount so contributed at any time before the earlier of (a) the occurrence of a Change of Control or

(b) the delivery by Key to the Trustee of a waiver of the right so retained. Absent such a notice by Key at the time of the contribution, the contribution shall be subject to withdrawal by Key only as provided in Article 3, dealing with discretionary withdrawals generally, or in Article 6, dealing with reversion of excess assets.

2.3 Immediately upon the occurrence of the first Change of Control to occur after the execution of this Trust Agreement and thereafter on each and every anniversary of that Change of Control, Key shall contribute to the Trust an amount equal to the excess, if any, of the Full Funding Amount over the Current Trust Asset Value immediately prior to the contribution.

Article 3. Discretionary Withdrawals

3.1 Key, in its sole discretion, at any time before the occurrence of the first to occur of a Potential Change of Control or a Change of Control, may withdraw assets from the Trust provided that no such withdrawal shall reduce the Current Trust Asset Value, immediately after the withdrawal, to an amount below \$100.

3.2 Except in the exercise of a right of withdrawal retained as provided in the second sentence of Section 2.2, Key shall not be entitled to make any discretionary withdrawal of assets from the Trust, after any Potential Change of Control has occurred, until both that particular Potential Change of Control and any other Potential Change of Control that may have also occurred have been terminated and Key may then make such a discretionary withdrawal if and only if no Change of Control has then occurred. No discretionary withdrawal under this Section 3.2 shall reduce the Current Trust Asset Value, immediately after the withdrawal, to an amount below \$100.

3.3 After a Change of Control has occurred, Key may not make any discretionary withdrawal from the Trust. Nothing in this Article 3 shall restrict the right of Key to receive a reversion of excess assets under Article 6.

Article 4. Payments to Participants.

4.1 Not later than 120 days after the occurrence of a Potential Change of Control and again not later than 10 days following the occurrence of a Change of Control, Key shall deliver to the Trustee a schedule (the "Payment Schedule") that lists the names and addresses of all Participants and indicates the amounts payable and to become payable to each Participant and/or provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable and that indicates the form in which such amounts are to be paid, as provided for or available under each Covered Plan, and the time of commencement for payment of such amounts. At the same time as Key delivers the Payment Schedule to the Trustee, Key shall deliver to each Participant that portion of the Payment Schedule that pertains to amounts that may become payable to that particular Participant. After the occurrence of a Change of Control, Key shall update the Payment Schedule, provide revised versions thereof to the Trustee, and provide the relevant portions thereof to each Participant from time to time and at such times so that each termination of the employment of any Participant (or the occurrence of any other fact or circumstance that alters the payments due or to become due to any Participant under any of the Covered Plans) is taken into account in a current revised Payment Schedule that has been appropriately delivered to the Trustee and to each Participant (to the extent relevant to each such Participant) not later than 10 days after its occurrence. Except as otherwise provided herein, the Trustee shall make payments to the Participants in accordance with the Payment Schedule as it may be revised from time to time. The Trustee shall make provision for the reporting and withholding of any federal, state, or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of each Covered Plan and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld, and paid by Key.

4.2 Except as otherwise specifically provided herein, the entitlement of a Participant to payments from Key under a particular Covered Plan shall be determined under the terms of the particular Covered Plan at issue. It is Key's intention that any and all amounts that may become payable to Participants under the Covered Plans will be paid to the Participants at the times and in the amounts specified in the relevant Covered Plan.

4.3 In order to provide added assurances to the Participants that the amounts to which they may be entitled under the Covered Plans will be calculated in good faith and paid promptly at the times and in the amounts specified in the respective Covered Plans, the following procedure shall be followed:

(a) If, concurrently with or after the occurrence of a Change of Control, Key delivers to the Trustee a Payment Schedule indicating that a Participant is entitled to payments under a Covered Plan, the Trustee shall promptly thereafter deliver a copy of the relevant portion of the Payment Schedule to the Participant and shall make the payments so indicated in the Payment Schedule.

(b) If, after the occurrence of a Change of Control, a Participant (either because no Payment Schedule has been delivered to the Trustee or because the Participant believes that the amounts specified in the Payment Schedule are incorrect) delivers written notice (a "Participant Payment Notice") to the Trustee that the Participant is entitled to payments under a Covered Plan and requesting that the Trustee make payments to the Participant pursuant to that Covered Plan, the Trustee shall promptly deliver a copy of the Participant Payment Notice to Key and thereafter:

(i) if Key has not, within ten business days of the delivery of the Participant Payment Notice to the Trustee, delivered to the Trustee a notice (a "Key Stop Payment Notice") in which Key asserts that the Participant is not

entitled to the payments set forth in the Participant Payment Notice, the Trustee shall make the payments set forth in the Participant Payment Notice, or, alternatively,

(ii) if Key has, within ten business days of the delivery of the Participant Payment Notice to the Trustee, delivered to the Trustee a Key Stop Payment Notice, the disparity between the Participant Payment Notice and the Key Stop Payment Notice shall be resolved as provided in Section 4.4 below and any payments or portions thereof that are not in dispute shall be paid by the Trustee as and when due to the Participant.

4.4 If the Trustee has received both a Participant Payment Notice and a Key Stop Payment Notice with regard to the same Covered Plan:

(a) the Trustee shall engage the Accounting Firm (as defined in Section 15.1), at Key's expense, to determine what payments the Participant is entitled to under the particular Covered Plan, which determination shall be made by the Accounting Firm as promptly as practicable but in all events within 30 days of the engagement of the Accounting Firm by the Trustee,

(b) Key shall cooperate with the Accounting Firm and provide to it all information that is available to Key and is required by the Accounting Firm to make the determination referred to in (a) above within the time frame set forth therein, and

(c) unless and until ordered to do otherwise by an award of arbitrators following arbitration proceedings instituted pursuant to Section 4.5 below, the Trustee shall make payments to the Participant in the amount or amounts and at the time or times determined by the Accounting Firm.

4.5 In the event of any dispute between a Participant and Key with respect to whether the Participant is entitled to payments (or the amounts thereof) under a Covered Plan and/or to payment thereof from the assets of the Trust, either party (Key or the Participant) may deliver to the other a demand for binding arbitration. If either party delivers any such demand to the other, the dispute shall be determined by binding arbitration conducted in Cleveland, Ohio according to the Commercial Arbitration Rules of the American Arbitration Association. In any such arbitration the arbitrators may consider, with such weight as they may deem appropriate, any determination by the Accounting Firm that may have been made as provided in Section 4.4 above. The award of the arbitrators will be final and binding and judgment on the award may be entered in any court having jurisdiction over the subject matter and the parties.

4.6 In order to discourage Key from disputing, otherwise than in good faith, any amounts properly due to a Participant, the costs and expenses related to any arbitration proceeding referred to in Section 4.5 shall be borne as provided in this Section 4.6. Key shall bear the cost of its own attorneys and other representatives and all of the fees and expenses of the arbitrators and the arbitration proceedings. The reasonable fees and expenses of the Participant's attorneys relating to the subject matter of the arbitration shall be paid by Key unless and to the extent the arbitrators determine (which determination shall be final and binding upon the parties) that the positions advanced by the Participant in any such arbitration have no reasonable basis (which determination need not be made simply because the arbitrators decide against the Participant on any or all substantive points). If Key fails to pay any of the costs and expenses related to any arbitration as specified in this Section 4.6, the Trustee shall pay such amounts from the assets of the Trust.

4.7 Key may make payments under any Covered Plan directly to or on behalf of a Participant as they become due under the terms of the Covered Plan. If Key makes any such payment it shall notify the Trustee of its decision to make such payments directly prior to the time amounts are payable to or on behalf of the Participant. In addition, if the principal of the Trust and any earnings thereon are not sufficient to make any payments that are due and payable under any Covered Plan in accordance with its terms, Key shall make the balance of each such payment as it falls due. The Trustee shall notify Key whenever principal and earnings are not sufficient.

4.8 When making any payment to a Participant under a Covered Plan that is overdue, the Trustee shall increase the amount of the payment to include interest on the overdue payment from the date due to the date of the distribution calculated on a daily basis, compounded as of the end of each calendar month, and using as the interest rate for each calendar month or part thereof during the period with respect to which interest is due the prime lending rate published by KeyBank National Association or its successor and in effect on the first day of that calendar month.

4.9 Whenever a payment under a Covered Plan with respect to a Participant is payable to a beneficiary of the Participant rather than to the Participant, the beneficiary shall be entitled to all of the rights of the Participant under all of the provisions of this Trust Agreement with respect to that payment.

4.10 Notwithstanding any other provision of this Trust Agreement, if at any time circumstances are such that Key would be prohibited from making any particular payment under a Covered Plan by the regulations adopted by the Federal Deposit Insurance Corporation limiting payments in the nature of golden parachutes in certain circumstances (12 CFR Parts 303 and 359), the Trustee shall refrain from making those same payments until such time as Key would not be prohibited from making those same payments by those regulations. Unless and until the

Trustee is notified in writing by Key or by a federal banking agency that circumstances are such that Key would be prohibited from making any particular payment by reason of the regulations referred to in the immediately preceding sentence, the Trustee may conclusively presume that no such prohibition exists.

Article 5. Trustee Responsibility Regarding Payments to Participants when Key Is Insolvent.

5.1 The Trustee shall cease payments to Participants from the Trust if Key is Insolvent. Key shall be considered "Insolvent" for purposes of this Trust Agreement if (a) it is unable to pay its debts as they become due, or (b) it is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

5.2 At all times during the continuance of the Trust, the principal and income of the Trust shall be subject to claims of general creditors of Key under federal and state law as set forth below.

(a) The Board of Directors and the Chief Executive Officer of Key shall have the duty to inform the Trustee in writing of Key's Insolvency. If a person claiming to be a creditor of Key alleges in writing to the Trustee that Key has become Insolvent, the Trustee shall determine whether Key is Insolvent and, pending such determination, the Trustee shall discontinue payments from the Trust to Participants.

(b) Unless the Trustee has actual knowledge of Key's Insolvency, or has received notice from Key or a person claiming to be a creditor alleging that Key is Insolvent, the Trustee shall have no duty to inquire whether Key is Insolvent. The Trustee may in all events rely on such evidence concerning Key's solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning Key's solvency.

(c) If at any time the Trustee has determined that Key is Insolvent, the Trustee shall discontinue payments to Participants and shall hold the assets of the Trust for the benefit of the general creditors of Key. Nothing in this Trust Agreement shall in any way diminish any rights of Participants to pursue their rights as general creditors of Key with respect to benefits due under the Covered Plans or otherwise.

(d) The Trustee shall resume the making of payments to Participants in accordance with Section 4 of this Trust Agreement only after the Trustee has determined that Key is not Insolvent (or is not any longer Insolvent).

5.3 Provided that there are sufficient assets, if the Trustee discontinues payments under the Covered Plans from the Trust pursuant to Section 5.2 hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Participants under the terms of the Covered Plans for the period of such discontinuance, less the aggregate amount of any payments made to the Participants by Key in lieu of the payments provided for hereunder during any such period of discontinuance.

Article 6. Reversion of Excess Assets.

From time to time after the third anniversary of the first Change of Control occurring after the execution of this Trust Agreement, if and when requested by Key to do so, the Trustee shall engage the services of the Accounting Firm, at the expense of Key, to determine the Aggregate Plan Liability (as defined in Section 15.2). If the Current Trust Asset Value at the time of the calculation exceeds 150% of the dollar amount of the Aggregate Plan Liability and the Trustee is requested to do so by Key, the Trustee shall pay the amount of any such excess over 150% to Key. The Trustee shall determine, in its sole discretion, how the funds necessary to make any such payment are to be raised from Trust assets.

Article 7. Payments to Key.

Except as provided in Article 3 or in Article 6, Key shall not have any right or power to direct the Trustee to return to Key or to divert to others any of the Trust assets before all payments that may become payable to any and all Participants under the Covered Plans have been made to Participants. At such point in time as no further payments are payable or may become payable in the future to or with respect to any Participant under any Covered Plan, the remaining assets of the Trust shall be paid to Key.

Article 8. Investment Authority.

8.1 The Trustee shall invest and reinvest the trust property, including any income accumulated and added to principal, only in (a) annuity or life insurance contracts that either have been contributed to the trust property by Key or are issued by one or more insurance companies that are rated at least A++ by Best Life Insurance Reports at the time of issuance; (b) interest-bearing deposit accounts or certificates issued or offered by any one or more Federal Deposit Insurance Corporation insured financial institutions having in each case an investment grade rating from Moody's Investor Services and Standard & Poor's Investment Advisory Service and a capital and surplus of at least \$1,000,000,000 in the aggregate (but excluding obligations of Key); (c) direct obligations of the United States of America, or obligations the payment of which is guaranteed, as to both principal and interest, by the government or an agency of the government of the United States of America; (d) readily marketable debt securities listed on a United States national securities exchange (other than securities of Key) that are rated at least "investment grade" by one or more nationally recognized rating agencies; or (e) shares or other units of participation in any mutual fund

or investment trust fund maintained by the Trustee, which are invested exclusively or predominantly in assets described in the foregoing clauses (a) through (d) of this Section 8.1. In no event may the Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by Key, other than a de minimis amount held in common investment vehicles in which the Trustee invests. All rights associated with assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee, and shall in no event be exercisable by or rest with Participants. The Trustee shall not be liable to any Participant or beneficiary under any Covered Plan for any insufficiency of the trust property to discharge all benefits due the same under the Covered Plan; rather, the liability for all such benefits shall be and remain the primary and ultimate responsibility of Key and any such benefits not discharged in full by payments made by the Trustee under this Trust Agreement shall be paid by Key.

8.2 The Trustee is empowered to register securities, and to take and hold title to other property, in the name of the Trustee or in the name of a nominee without disclosing the Trust. Securities also may be held in bearer form and may be held in bulk with certificates of the same class and issuer which are assets of other fiduciary accounts. The Trustee shall be responsible for any wrongful acts of any nominee of the Trustee.

8.3 The Trustee is empowered to take all actions necessary or advisable in order to collect any life insurance, annuity, or other benefits or payments of which the Trustee is the designated beneficiary. Key may maintain in force all life insurance policies held in the Trust by paying premiums and other charges due thereon; but if any such premiums or other charges are not paid directly by Key, the Trustee shall pay such premiums and other charges on or before the due date thereof.

8.4 Subject to the Trustee's obligation, as set forth in Section 4, to use Trust assets for payment of benefits to Participants or their beneficiaries: (a) to the extent the Trustee has cash or its equivalent readily available for the payment of premiums due or policy loans and/or dividends are available for such purpose, the Trustee shall pay premiums due with such cash or its equivalent or policy loans and/or dividends, as the Trustee may deem best; but if the Trustee does not have sufficient cash or its equivalent readily available and policy loans and dividends are not available, then the Trustee shall dispose of or otherwise use other assets held by it in the Trust to generate the necessary cash or, if no such other assets are available, the Trustee may surrender one or more of the life insurance policies in order to generate cash with which to pay premiums on one or more of the other life insurance policies. If the Trustee determines to surrender one or more of the life insurance policies as permitted by the immediately preceding sentence, the Trustee may consult with Key, both before and after a Change of Control, as to which life insurance policies should be surrendered to maximize the aggregate economic benefit to the Trust of all of the life insurance policies. The Trustee shall have no liability to Key or any other person if, as a result of an insufficiency of cash or its equivalent, policy loans and dividends, and assets that can be disposed of or otherwise used to generate cash, the Trustee is unable to pay premiums as they become due.

8.5 The Trustee shall be named sole owner and beneficiary of each life insurance policy held in the Trust and shall have full authority and power to exercise all rights of ownership relating to the policy, including the right to borrow against the policy, except that the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

8.6 The Trustee shall have the power to acquire additional life insurance coverage on Participants through application for new life insurance when directed by Key. The Trustee shall acquire any additional life insurance from the agent or agents designated by Key.

Article 9. Accounting by Trustee.

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Key and the Trustee. All such accounts, books, and records shall be open to inspection and audit at all reasonable times by Key. Within 60 days following the close of each calendar year and within 60 days after the removal or resignation of the Trustee, the Trustee shall deliver to Key a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements, and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities, and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

Article 10. Calculations of Current Trust Asset Value and Aggregate Plan Liability.

10.1 Any determination of the Current Trust Asset Value that is to be made before the occurrence of any Change of Control shall be made by Key. After the occurrence of a Change of Control, all determinations of the Current Trust Asset Value shall be reasonably made by the Trustee and may be based on the determination of one or more qualified independent appraisers, consultants, or other experts retained by the Trustee for that purpose.

10.2 Any determination of the Aggregate Plan Liability that is to be made before the occurrence of any Change of Control shall be made by Key. After the occurrence of a Change of Control, all determinations of the Aggregate Plan Liability shall be reasonably made by the Trustee and may be based on the determination of one or more qualified independent actuaries, consultants, or other experts retained by the Trustee for that purpose. All such determinations shall be based on the terms of the Covered Plans and the actuarial assumptions and methodology set forth in Exhibit B.

10.3 Key shall pay all costs incurred in determining the Current Trust Asset Value and/or the Aggregate Plan Liability from time to time. If not so paid, these costs shall be paid from the Trust. Key shall reimburse the Trust within 30 days after receipt of a bill from the Trustee for any such costs paid out of the Trust.

Article 11. Responsibility of Trustee.

11.1 The Trustee shall at all times act in accordance with, and its obligations hereunder shall be at all times subject to, all applicable laws and regulations as from time to time in effect. The Trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request, or approval that is contemplated by, and in conformity with, the terms of the Trust and is given in writing by Key prior to the occurrence of any Change of Control. If the Trustee determines that Key is Insolvent, the Trustee shall not be liable to any person on account of the Trustee's discontinuation of payment from the Trust to Participants for so long as the Trustee deems Key to be Insolvent. Except as otherwise provided in Section 4.5 above with respect to binding arbitration of disputes between a Participant and Key, in the event of a dispute between Key and any other party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute.

11.2 If the Trustee undertakes or defends any litigation arising in connection with the Trust, Key agrees to indemnify the Trustee against the Trustee's costs, expenses, and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If such costs, expenses, and liabilities are not paid by Key in a reasonably timely manner, the Trustee may obtain payment from the Trust. Key shall reimburse the Trust within 30 days after receipt of a bill from the Trustee for any such costs, expenses, and liabilities paid out of the Trust.

11.3 The Trustee may consult with legal counsel (who may also be counsel for the Trustee generally) with respect to any of its duties or obligations hereunder.

11.4 The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants, or other professionals and may rely on the advice given by such professionals, to assist it in performing any of its duties or obligations hereunder, including, without limitation, to assist it in enforcing against Key any of the obligations of Key under this Trust Agreement.

11.5 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein.

11.6 Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give the Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

Article 12. Compensation and Expenses of Trustee.

The Trustee shall be entitled to receive reasonable compensation for its services in accordance with its published fee schedule as in effect from time to time. The Trustee shall be entitled to receive its reasonable expenses incurred with respect to the administration of the Trust, including fees incurred by the Trustee pursuant to Sections 11.3 and 11.4 of this Trust Agreement. Such compensation and expenses shall be payable by Key. If not so paid, the fees and expenses shall be paid from the Trust. Key shall reimburse the Trust within 30 days after receipt of a bill from the Trustee for any such fees or expenses paid out of the Trust.

Article 13. Tenure and Succession of Trustee.

13.1 Key may remove any trustee from time to time serving under this Trust Agreement at any time upon giving 60 days written notice to such trustee and each trustee from time to time serving under this instrument shall have the right to resign by delivering a written notice of resignation to Key, except that: (a) Key shall not have any power to remove the Trustee at any time after a Change of Control, and (b) no such removal or resignation shall become effective until the acceptance of the trust by a successor trustee designated in accordance with Section 13.2.

13.2 If Wachovia Bank, National Association, or any successor to it designated in accordance with this Section 13.2, for any reason shall decline, cease, or otherwise fail to serve as trustee, the vacancy in the trusteeship shall be filled by such bank or trust company, wherever located, having a capital and surplus of at least \$100,000,000 in the aggregate, as shall be designated by Key (if the designation is made prior to the occurrence of

any Change of Control) or by the resigning Trustee (if the designation is made after the occurrence of any Change of Control). If neither Key nor the resigning Trustee designates a successor trustee in circumstances where such a designation is contemplated by this Section 13.2, any party in interest, including any Participant or Beneficiary, may apply to any court of competent jurisdiction sitting in Cuyahoga County, Ohio to have a successor trustee designated by the court.

13.3 Upon acceptance of the trust, each successor trustee shall be vested with the title to the trust property possessed by the trustee that it succeeds and shall have all the powers, discretions, and duties of such predecessor trustee. No successor trustee shall be required to furnish bond.

13.4 Each successor trustee may accept as complete and correct and may rely upon any accounting by any predecessor trustee and upon any statement or representation by any predecessor trustee as to the assets comprising or any other matter pertaining to the administration of the Trust. No successor trustee shall be liable for any act or omission of any predecessor trustee or have any duty to enforce or seek to enforce any claim of any kind against any predecessor trustee on account of any such act or omission.

Article 14. Amendment or Termination.

14.1 Except as provided in the second sentence of this Section 14.1, at any time before the occurrence of the first Change of Control to occur after the execution of this Agreement, Key, in its sole discretion, may amend this Trust Agreement (including the exhibits hereto) in any manner and may terminate this Trust Agreement. If at any particular point in time (a) one or more Potential Changes of Control have occurred, (b) one or more of those Potential Changes of Control has not yet been terminated, and (c) no Change of Control has occurred, then Key may not, at that particular point in time, terminate this Trust Agreement and Key may only amend this Trust Agreement if and to the extent permitted by Section 14.2 below.

14.2 At any particular point in time when (a) one or more Potential Changes of Control have occurred, (b) one or more of those Potential Changes of Control has not yet been terminated, and (c) no Change of Control has occurred: Key may not terminate this Trust Agreement but Key may add one or more additional plans or agreements to the class of Covered Plans and Key may amend this Trust Agreement (including the exhibits hereto), provided that (x) Key determines, in the exercise of its reasonable discretion, that the amendment is in the best interests of the Participants, taken as a group, and (y) no such amendment shall remove any plan or agreement from the class of Covered Plans unless the plan has been terminated and there are no further obligations due or to become due thereunder to any Participant.

14.3 After a Change of Control has occurred, this Trust Agreement (including the exhibits hereto) may not be amended or terminated except as provided in Section 14.5.

14.4 Unless earlier revoked pursuant to Section 1.2, the Trust shall not terminate until the date on which Participants are no longer entitled to any further payments pursuant to the terms of any of the Covered Plans. Upon termination of the Trust on or after that date, any assets remaining in the Trust shall be returned to Key.

14.5 Upon written approval of all Participants who are or may in the future be entitled to receive any payment pursuant to the terms of any of the Covered Plans, Key may terminate the Trust prior to the time all payments that are or may become due in the future under the Covered Plans have been made. All assets in the Trust at any such termination shall be returned to Key.

Article 15. Certain Definitions.

15.1 From and after the occurrence of the first Change of Control to occur after the execution of this Trust Agreement, the term "Accounting Firm" shall mean the independent auditors of Key for the fiscal year preceding the first year in which there occurred either (a) that Change of Control or (b) any Potential Change of Control that had not terminated before the occurrence of that Change of Control and such firm's successor or successors; provided, however, if such firm is unable or unwilling to serve and perform in the capacity contemplated by this Trust Agreement, the Trustee shall select another national accounting firm of recognized standing to serve and perform in that capacity under this Trust Agreement, except that such other accounting firm shall not be the then independent auditors for Key or any of its affiliates (as defined in Rule 12b-2 promulgated under the 1934 Act).

15.2 The term "Aggregate Plan Liability" as at any time shall mean the maximum amount of payments that have not yet been paid but could become payable in the future under the Covered Plans, determined as provided in Section 10.2.

15.3 A "Change of Control" shall be deemed to occur if and when there occurs any of the circumstances set forth in any of clauses (a) through (d) of this Section 15.3. For these purposes and for purposes of Section 15.9, Key will be deemed to have become a subsidiary of another corporation if any other corporation (which term shall, for all purposes of this Section 15.3 and of Section 15.9, include, in addition to a corporation, a limited liability company, partnership, trust, or other organization) owns, directly or indirectly, 50 percent or more of the total combined outstanding voting power of all classes of stock of Key or any successor to Key:

(a) Key is merged with or into, is consolidated with, or becomes the subsidiary of another corporation and, immediately after giving effect to that transaction, either:

(i) less than 45% of the then outstanding voting securities of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key represent or were issued in exchange for voting securities of Key outstanding immediately prior to the transaction, or

(ii) individuals who were directors of Key on the day before the first public announcement of (A) the pendency of the transaction or (B) the intention of any Person to cause the transaction to occur, cease for any reason to constitute at least 50% of the directors of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key.

(b) Any Person becomes the beneficial owner of 35% or more of the outstanding voting stock of Key or files a report on Schedule 13D or Schedule 14D-1, each as adopted under the 1934 Act (or any successor schedule, form, or report), disclosing the acquisition of 35% or more of the outstanding voting stock of Key in a transaction or series of transactions.

(c) The shareholders of Key approve a plan providing for the dissolution of Key or for the sale, lease, exchange, or other disposal of (in one transaction or a series of related transactions) all or substantially all of the assets of Key and its subsidiaries, taken as a whole.

(d) Without the prior approval, solicitation, invitation, or recommendation of the Board of Directors of Key, any Person makes a public announcement of a bona fide intention (i) to engage in a transaction with Key that, if consummated, would result in a Change of Control under any of subclauses (a) through (c) above, (ii) to "solicit" (as defined in Rule 14a-1 under the 1934 Act) proxies in connection with a proposal that is not approved or recommended by the Board of Directors of Key, or (iii) to engage in an election contest relating to the election of directors of Key (pursuant to Regulation 14A, including Rule 14a-11, under the 1934 Act), and, at any time within the 24 month period immediately following the date of the announcement of that intention, individuals who, on the day before that announcement, constituted the directors of Key (the "Incumbent Directors") cease for any reason to constitute at least 50% thereof unless both (x) the election, or the nomination for election by Key's shareholders, of each new director was approved by a vote of at least two-thirds of the Incumbent Directors in office at the time of the election or nomination for election of such new director, and (y) prior to the time that the Incumbent Directors no longer constitute at least 50% of the Board of Directors, the Incumbent Directors then in office, by a vote of at least 75% of their number, reasonably determine in good faith that the change in Board membership that has occurred before the date of that determination and that is anticipated to thereafter occur within the balance of the 24 month period to cause the Incumbent Directors to no longer be at least 50% of the Board of Directors was not caused by or attributable to, in whole or in any significant part, directly or indirectly, proximately or remotely, any event under items (i), (ii), or (iii) of this subclause (d).

15.4 The term "Covered Plan" means any one of the plans and agreements identified on Exhibit A, as the same may be amended from time to time in accordance with Section 14.2 above. To the extent that certain benefits under any one or more of the plans and agreements listed on Exhibit A are secured by one or more "Prior Rabbi Trusts" (as defined in Section 15.11), those benefits, to the extent they are so secured, shall not be treated as benefits under a Covered Plan for purposes of this Trust Agreement (i.e. there is no intention to provide duplicate coverage for any particular benefits) and no benefits that are secured by one or more Prior Rabbi Trusts shall be paid by the Trustee pursuant to this Trust Agreement or taken into account for any purpose under this Trust Agreement.

15.5 The term "Full Funding Amount" as of any point in time shall mean an amount equal to 125% of the Aggregate Plan Liability as of that point in time.

15.6 The term "Internal Revenue Code" shall mean the Internal Revenue Code of 1986, as amended.

15.7 The term "Person" shall mean a "person" as used in Section 13(d) and Section 14(d)(2) of the 1934 Act.

15.8 The term "Participant" shall mean an executive or director who is a participant in or party to any of the Covered Plans.

15.9 A "Potential Change of Control" shall be deemed to occur if and when there occurs any of the circumstances set forth in any of the following clauses (a) through (d):

(a) Key enters into a definitive agreement pursuant to which Key is to be merged with or into, is to be consolidated with, or is to become the subsidiary of another corporation and the definitive agreement contemplates that, immediately after giving effect to that transaction, either:

(i) less than 45% of the then outstanding voting securities of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key will represent or have been issued in exchange for voting securities of Key outstanding immediately prior to the transaction, or

(ii) individuals who were directors of Key on the day before the first public announcement of (A) the pendency of the transaction or (B) the intention of any Person to cause the transaction to occur, will cease for any reason to constitute at least 50% of the directors of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key.

(b) A tender offer or exchange offer is commenced providing for the acquisition of 35% or more of the outstanding voting stock of Key or any application, letter, or notice is delivered to or filed with any state or Federal regulatory authority indicating an intention to acquire 35% or more of the outstanding voting stock of Key.

(c) Without the prior approval, solicitation, invitation, or recommendation of the Board of Directors of Key, any Person makes a public announcement of a bona fide intention (i) to engage in a transaction that, if consummated, would constitute a Change of Control, (ii) to "solicit" (as defined in Rule 14a-1 under the 1934 Act) proxies in connection with a proposal that is not approved or recommended by the Board of Directors of Key, or (iii) to engage in an election contest relating to the election of directors of Key (pursuant to Regulation 14A, including Rule 14a-11, under the 1934 Act) which, if successful, would result in the election of one or more directors, not nominated by the Board of Directors of Key.

(d) There is delivered to the shareholders of Key proxy material soliciting approval a plan providing for the dissolution of Key or for the sale, lease, exchange, or other disposal of (in one transaction or a series of related transactions) all or substantially all of the assets of Key and its subsidiaries, taken as a whole.

15.10 A Potential Change of Control shall be deemed to have "terminated:"

(a) In the case of a Potential Change of Control described in Section 15.9(a), upon the termination of the definitive agreement without the occurrence of a Change of Control.

(b) In the case of a Potential Change of Control described in Section 15.9(b), upon the termination or consummation of the tender or exchange offer, or the withdrawal, rejection, or denial of the application, letter, or notice, without the acquisition of 35% or more of the outstanding voting stock of Key.

(c) In the case of a Potential Change of Control described in Section 15.9(c), the abandonment of the intention to engage in the transaction that, if consummated, would have constituted a Change of Control, the termination of the solicitation without a shareholder vote, or the defeat by the shareholders of the proposal or the termination of the election contest without the election of any director not nominated by the Board of Directors of Key, as the case may be.

(d) In the case of a Potential Change of Control described in Section 15.9(d), the abandonment of the plan before a shareholder vote or the vote by the shareholders not to approve the plan.

15.11 The term "Prior Rabbi Trust" shall mean any one of the following trust agreements: (a) the Trust Agreement entered into between Ameritrust Corporation and Wachovia Bank and Trust Company, N.A. on November 3, 1988, (b) the KeyCorp Umbrella Trust for Executives entered into between Key and NBD Bank, N.A. as of July 1, 1990, or (c) the KeyCorp Umbrella Trust for Directors entered into between Key and NBD Bank, N.A. as of July 1, 1990.

15.12 The term "SEC" shall mean the Securities and Exchange Commission.

15.13 The term "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

16. Miscellaneous

16.1 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

16.2 This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

16.3 Each Participant is an intended beneficiary under the Trust, and as an intended beneficiary shall be entitled to enforce all terms and provisions of this Trust Agreement with the same force and effect as if such person had been a party to this Trust Agreement.

IN WITNESS WHEREOF, Key and the Trustee have executed this Amended Trust Agreement as of August 25, 2003.

Wachovia Bank, National Association

KEYCORP

By

Beverley H. Wood
Senior Vice President

By

Thomas E. Helfrich
Executive Vice President

**EXHIBIT A
COVERED PLANS**

Individual by Individual Limitation on Plans Specified in Category 1 or Category 2: Plans specified in either of Category 1 or Category 2 below are to be covered by the Trust insofar, but only insofar, as the plans provide benefits to individuals who (a) had terminated their employment with Key or a predecessor on or before January 1, 1997 and are listed on Annex I to this Exhibit A, (b) were in job grade 89 (or equivalent) or above with Key or an affiliate at any time on or after January 1, 1997, or (c) were or are members of the KeyCorp Board of Directors.

Time Limitation on Benefits Payable Under Plans Specified in Category 1 or Category 2: In general, benefits payable under plans specified in either of Category 1 or Category 2 are to be covered by the Trust insofar, but only insofar, as the benefits arise out of or are related to the performance of services by an individual on or before the second anniversary of the first Change of Control to occur after the date of execution of the Trust Agreement. In addition, benefits payable with respect to any such plan that are provided pursuant to an agreement specified in either of Category 3 or Category 4 of this Exhibit A are to be covered by the Trust.

Amendments, etc.: If, before the first Change of Control to occur after the date of execution of the Trust Agreement, any of the plans and agreements specified in Categories 1 through 4 below are from time to time amended or modified, or a new plan or agreement is entered into in replacement thereof or substitution therefor, the reference shall be deemed to include the amendment or modification, or the replacement or substitute plan or agreement, as the case may be.

Category 1. Retiree Benefit Plans

- KeyCorp Excess Cash Balance Pension Plan (new plan as of 1/1/95)
- KeyCorp Excess 401(k) Savings Plan (old Society Supplemental Stock Purchase and Savings Plan from 4/15/87)
- KeyCorp Supplemental Retirement Plan (old Society Supplemental Retirement Plan from 5/14/81)
- KeyCorp Supplemental Retirement Benefit Plan (old Key plan from 1/1/81, restated 8/16/90)
- KeyCorp Executive Supplemental Pension Plan (new plan as of 1/1/95)
- Retirement Benefits to be provided pursuant to employment or other agreements with those particular individuals listed on Annex 1 or Annex 2 to this Exhibit A.

Category 2. Deferred Compensation Plan

- KeyCorp Deferred Compensation Plan (new Key plan for 1997, into which the KeyCorp Executive Deferred Compensation Plan was merged)
- KeyCorp Director Deferred Compensation Plan
- KeyCorp Automatic Deferral Plan
- KeyCorp Directors' Deferred Share Plan
- KeyCorp Signing Bonus Plan

Category 3. Employment Agreements (3)

- Robert T. Clutterbuck
- Henry L. Meyer III
- William B. Summers

Category 4. Change of Control Agreements (30 as of August 20, 2003)

- Patrick V. Auletta
- William Barnes
- Kevin M. Blakely
- Richard J. Buoncore
- Thomas W. Bunn
- Michael A. Butler
- George E. Emmons, Jr.
- Michael L. Evans
- Barbara Godin
- Christopher M. Gorman
- Linda A. Grandstaff
- Karen R. Haefling
- Paul N. Harris
- Robert B. Heisler, Jr.

- Thomas E. Helfrich
- Leroy G. Irving
- Robert G. Jones
- Jack L. Kopnisky
- Paul A. Larkins
- Michael J. Monroe
- Peter K. Potchen
- Robert G. Rickert
- Kevin P. Riley
- David J. Schutter
- Thomas C. Stevens
- Patrick J. Swanick
- Andrew R. Tyson
- Joseph M. Vayda
- Jeffrey B. Weeden
- Len E. Williams

Plus any other Change of Control Agreement that (a) is substantially similar to the Change of Control Agreements listed above and (b) is entered into by Key before the occurrence of the first Change of Control to occur after the execution of this Trust Agreement.

ANNEX 1

to

EXHIBIT A

Wilson M. Brown, Jr.

Donald Cruse

Richard Kessler

Bruce C. Murray

Robert Patrick

Frank Ponchak

Perry B. Wydman

Gordon E. Heffern

ANNEX 2
to
EXHIBIT A
Robert W. Gillespie
Roger Noall

EXHIBIT B
Assumptions and Methodology for
Determining Aggregate Plan Liability

1. The liability for benefits under each Plan will be calculated using two different assumptions as to when Participants terminate service:

(a) As of the date of the first Change of Control occurring after the execution of this Trust Agreement.

(b) Twenty four months after the first Change of Control occurring after the execution of this Trust Agreement, assuming future compensation continues at current levels, and future deferrals under deferred compensation plans continue through the end of the twenty four month period at levels that are consistent with the levels of deferrals elected by the participants in those plans under the last elections made before the first to occur of (i) the first Change of Control occurring after execution of this Trust Agreement and (ii) any Potential Change of Control related to that Change of Control.

The liability for accrued benefits under each Plan will be the greater of the liabilities calculated in accordance with (a) and (b) above. If the liability for benefits varies depending upon the circumstances under which a Participant terminates service (for example, whether the Participant resigns or is terminated by action of the employer), the liability shall be calculated based on the greatest potential benefit to the Participant.

2. Calculations will be based upon the most valuable optional form of payment available to the Participant.

3. The liability for benefits under deferred compensation or other defined contribution Plans shall be equal to the deferral or other account balances (vested and unvested) of Participants as of the applicable date, plus projected deferrals expected to be made within 24 months after the applicable date pursuant to prior elections. Account balances of Participants under a Plan shall be calculated based on crediting the highest rate of interest that was being credited under that Plan on the date six months before the first to occur of (i) the first Change of Control occurring after execution of this Trust Agreement and (ii) any Potential Change of Control related to that Change of Control.

4. The liability for benefits under other Plans shall be equal to the present value of accrued benefits (vested and unvested) of Participants as of the relevant dates under 1(a) or (b) above.

5. No mortality is assumed prior to the commencement of benefits. Future mortality is assumed to occur in accordance with the 1983 Group Annuity Table Unisex Rates after the commencement of benefits.

6. The present value of amounts shall be determined using a discount rate equal to the average of the Pension Benefit Guaranty Corporation immediate annuity rate for a nonmultiemployer plan for the full six months prior to the calculation date.

7. In determining the dollar cost of providing any benefit that is to be provided in stock or the value of which is dependent upon the value of KeyCorp Common Shares, the dollar cost of providing those benefits shall be determined using a value for KeyCorp Common Shares equal to 140% of the highest closing price for KeyCorp Common Shares at any time within the six month period ending on the determination date.

8. Where left undefined above, calculations will be performed in accordance with generally accepted actuarial principles.

[\(Back To Top\)](#)

Section 14: EX-10.30 (EXHIBIT 10.30)

EXHIBIT 10.30

**THE KEYCORP
SECOND DEFERRED SAVINGS PLAN**

Effective as of January 1, 2019

KEYCORP

SECOND DEFERRED SAVINGS PLAN

ARTICLE I - PURPOSE; EFFECTIVE DATE

- 1.1. **Purpose.** The purpose of this Second Deferred Savings Plan (hereinafter, the "Plan") is to permit a select group of management or highly compensated employees of KeyCorp (and its selected subsidiaries and/or affiliates) to defer the receipt of income which would otherwise become payable to them. It is intended that this Plan, by providing these eligible individuals an opportunity to defer the receipt of income, will assist in retaining and attracting individuals of exceptional ability. It is the intention of KeyCorp and it is the understanding of those employees covered under the Plan, that the Plan constitutes a nonqualified plan of deferred compensation for a select group of KeyCorp employees, and as such, it is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). It is also the understanding of employees covered under the Plan that the Plan is subject to the requirements of Section 409A of the Code, and that the Plan will be administered in accordance with the requirements of Section 409A.
- 1.2. **Effective Date.** It is the intent that all of the amounts deferred and benefits provided under this Plan will be subject to the terms of Section 409A of the Code, and that this Plan shall be effective as of January 1, 2019 with respect to compensation earned on or after such date.
- 1.3. **Plan Type.** For purposes of §409A, the portion of the amounts deferred by the Participants and benefits attributable thereto, shall be considered an elective account balance plan as defined in Treas. Reg. §1.409A -1(c)(2)(i)(A), or as otherwise provided by the Code; and the portion of the amounts deferred as matching or employer contributions and benefits attributable thereto, shall be considered a nonelective account balance plan as defined in Treas. Reg. §1.409A -1(c)(2)(i)(B), or as otherwise provided by the Code.

ARTICLE II - DEFINITIONS

For the purpose of this Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

- 2.1. **Account(s).** "Account(s)" means the account or accounts maintained on the books of the Corporation used solely to calculate the amount payable to each Participant under this Plan and shall not constitute a separate fund of assets. Account(s) shall be deemed to exist from the time amounts are first credited to such Account(s) until such time that the entire Account Balance has been distributed in accordance with this Plan. The Accounts available for each Participant shall be identified as:
- a) Termination Account; each Participant may maintain up to ----two (2) Termination Accounts (designated as Termination #1 and #2) for each of which the Participant may select a different form of payment as provided under Article 5, below and,
 - b) In-Service Account; each Participant may maintain up to -two (2) In-Service Accounts (designated as In-Service #1 and #2) for each of which the Participant may select a different time and/or form of payments as provided under Article 5, below.
- 2.2. **Beneficiary.** "Beneficiary" means the person, persons or entity as designated by the Participant, entitled under Article VI to receive any Plan benefits payable after the Participant's death.
- 2.3. **Board.** "Board" means the Board of Directors of the Corporation, the Board's Compensation &

Organization Committee, any other committee designated by the Board or subcommittee designated by the Board's Compensation & Organization Committee.

- 2.4. **Change of Control.** A "Change of Control" means a Change of Control as defined under the KeyCorp 2013 Equity Compensation Plan, or any successor equity compensation plan of the Corporation, as either may be amended from time to time and as in effect on the relevant date.
- 2.5. **Code.** "Code" means the Internal Revenue Code of 1986, as may be amended from time to time. Any reference in this Plan to "applicable guidance", "further guidance" or other similar term shall include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to or in connection with Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.
- 2.6. **Committee.** "Committee" means the Corporation's Compensation and Benefits Oversight Committee, or any successor committee thereto.
- 2.7. **Compensation.** "Compensation" means (i) the base salary payable to, (ii) annual Bonus earned by, and (iii) other bonus or incentive compensation (including commissions) earned by a Participant with respect to employment services performed for the Corporation by the Participant and considered to be "wages" for purposes of federal income tax withholding. For purposes of this Plan only, Compensation shall be calculated before reduction for any amounts deferred by the Participant pursuant to the Corporation's tax qualified plans which may be maintained under Section 401(k) or Section 125 of the Code, or pursuant to this Plan or any other non-qualified plan which permits the voluntary deferral of compensation. The Plan Administrator shall determine which compensation is included within this definition of Compensation, and such determination by the Plan Administrator is final and binding unless arbitrary or capricious. Notwithstanding the foregoing, however, the following compensation shall specifically not be included:
- a) any amount attributable to the Participant's receipt of stock appreciation rights, restricted stock awards, and stock units, and the amount of any gain to the Participant upon the exercise of a stock option;
 - b) any amount attributable to the Participant 's receipt of non-cash remuneration which is included in the Participant 's income for federal income tax purposes;
 - c) any amount attributable to the Participant's receipt of moving expenses and any relocation bonus paid to the Participant during the Plan Year;
 - d) any amount attributable to any severance paid by an Employer or the Corporation to the Participant;
 - e) any amount attributable to fringe benefits (cash and non-cash), regardless of whether any or all such items are includible in such Participant's gross income for federal tax purposes;
 - f) any amount attributable to any bonus or payment made as an inducement for the Participant to accept employment with an Employer;
 - g) any amount attributable to compensation of any type including bonus or incentive compensation payments paid on or after the Participant 's Severance From Service Date; and,
 - h) any amounts attributable to deferred cash award payments to the Participant.
- 2.8. **Corporation.** "Corporation" means KeyCorp, an Ohio corporation, or any successor to the business thereof. Unless specifically indicated otherwise, "Corporation" also refers to the Participant's Employer, as appropriate.
- 2.9. **Deferral Commitment.** "Deferral Commitment" means a commitment made by a Participant to defer a portion of Compensation as set forth in Article III, and as permitted by the Plan Administrator in its sole discretion. The Deferral Commitment shall apply to each payment of Compensation payable to a Participant, and the Plan Administrator is empowered to administratively group the various types of Compensation together for purposes of effecting the election to defer. By way of

example: the Plan Administrator may apply the election to defer "salary" to salary, commissions, and any other regularly occurring form of compensation; or the Plan Administrator may apply the election to defer "bonus" to annual bonuses, short-term bonus, long term bonus arrangements and other forms of incentive based compensation, except that Annual Bonus and other incentive compensation may be distinguished to permit separate election to defer. The Deferral Commitment shall specify the Account or Accounts to which the Compensation deferred shall be credited. Such designation shall be made in the form of a whole percentage. Any Deferral Commitment shall be made in a form and at a time deemed acceptable to the Plan Administrator.

- 2.10. **Deferral Period.** "Deferral Period" means each calendar year that a Participant is eligible to participate in the Plan, except that if a Participant first becomes eligible after the beginning of a calendar year, the initial Deferral Period shall be the date the Participant first becomes eligible to participate in this Plan through and including December 31st of that calendar year.
- 2.11. **Determination Date.** "Determination Date" means each calendar day.
- 2.12. **Discretionary Contribution.** "Discretionary Contribution" means the Corporation contribution credited to a Participant's Account(s) under Section 4.5, below.
- 2.13. **Distribution Election.** "Distribution Election" means the form prescribed by the Plan Administrator and completed by the Participant, indicating the chosen form of payment for benefits payable from each Account under this Plan, as elected by the Participant.
- 2.14. **Employee.** "Employee" shall mean a common law employee who is employed by an Employer.
- 2.15. **Employer.** "Employer" shall mean the Corporation and any of its subsidiaries, unless specifically excluded as an Employer for Plan purposes by written action of an officer of the Corporation. An Employer's participation shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.
- 2.16. **Financial Hardship.** "Financial Hardship" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant. The determination of a "financial hardship" and the ability of the Corporation to accelerate the Participant's distribution of Participant's Account shall be determined in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.
- 2.17. **401(k) Plan.** "401(k) Plan" means the "KeyCorp 401(k) Savings Plan", or any other successor defined contribution plan maintained by the Corporation that qualifies under Section 401(a) of the Code and satisfies the requirements of Section 401(k) of the Code.
- 2.18. **401(k) Restoration Contribution.** "401(k) Restoration Contribution" means the Corporation contribution credited to a Participant's Account(s) under Section 4.4, below, as determined by the Plan Administrator in its sole discretion.
- 2.19. **Interest.** "Interest" means the amount credited to or charged against a Participant's Account(s) on each Determination Date, which shall be based on the Valuation Funds chosen by the Participant as provided in Section 2.25, below and in a manner consistent with Section 4.3, below. Such credits or charges to a Participant's Account may be either positive or negative to reflect the increase or

decrease in value of the Account in accordance with the provisions of this Plan.

- 2.20. **Participant.** "Participant" means any individual who is eligible, pursuant to Section 3.1, below, to participate in this Plan, and who either, has elected to defer Compensation under this Plan in accordance with Article III, below, or who is determined by the Plan Administrator in its sole discretion as being eligible to receive a Discretionary Contribution. Such individual shall remain a Participant in this Plan for the period of deferral, or credit, and until such time as all benefits payable under this Plan have been paid in accordance with the provisions hereof.
- 2.21. **Plan.** "Plan" means this KeyCorp Second Deferred Savings Plan as amended from time to time.
- 2.22. **Plan Administrator.** "Plan Administrator" means the Committee or its designee.
- 2.23. **Specified Employees.** "Specified Employees" means a Participant who is determined by the Plan Administrator to be a "specified employee" under the provisions of Treas. Reg. §1.409A-1(i) and other applicable guidance, provided that the Corporation (or a member of the same group of controlled entities as the Corporation) is publicly traded on an established stock exchange.
- 2.24. **Termination.** "Termination", "terminates employment" or any other similar such phrase means the Participant's voluntary or involuntary "separation from service" with the Corporation, for any reason, within the meaning of Section 409A of the Code, and Treas. Reg. §1.409A-1(h) and other applicable guidance.
- 2.25. **Valuation Funds.** "Valuation Funds" means those funds or accounts established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Accounts credited and which mirror the investment funds established under the KeyCorp 401(k) Savings Plan ("Savings Plan"), as may be modified from time to time, provided, however, that (a) the Savings Plan's Corporation Stock Fund, for Plan purposes, shall be excluded from the definition of Valuation Funds, and (b) the Interest Bearing - 120% AFR Fund shall be added to the definition of Valuation Funds for purposes of this Plan. Participant Accounts invested for bookkeeping purposes in the Valuation Funds shall be credited on a bookkeeping basis with all earnings, gains, and losses experienced by the applicable Investment Fund in the Savings Plan. In addition, the Plan Administrator has the power in its sole discretion to add or delete specific Valuation Funds to this Plan.
- 2.26. **Vested Service.** "Vested Service" shall have the same definition as contained in the 401(k) Plan.

ARTICLE III - ELIGIBILITY AND PARTICIPATION

3.1. Eligibility and Participation.

- a) **Eligibility.** Eligibility to participate in the Plan shall be limited to those select key Employees of an Employer who have been selected and designated by the Corporation from time to time. In lieu of designating individual eligible Employees for Plan participation, the Plan Administrator may establish eligibility criteria (consistent with the requirements of this Plan providing for participation of all Employees who satisfy such criteria.
- b) **Participation.** An individual's participation in the Plan shall be effective upon the individual first becoming eligible to participate, and the earlier of a contribution under this Plan being made on behalf of the Participant by the Corporation or the completion and submission of a Deferral Commitment, a Distribution Election, and an Allocation Form (as defined in Section 3.2(c) below) to the Plan Administrator at a time and in a form determined by the Plan Administrator.
- c) **First-Year Participation.** When an individual first becomes eligible to participate in this Plan, and has not previously been eligible to participate in another plan sponsored by the Corporation which is considered to be of a similar type as defined in Treas. Reg. §1.409A -1(c)(2)(i)(A) or

(B), or as otherwise provided by the Code, then, to the extent permitted by the Plan Administrator in the sole discretion, a Deferral Commitment may be submitted to the Plan Administrator within thirty (30) days after of the individual becoming eligible to participate. Such Deferral Commitment will be effective only with regard to Compensation earned and paid with respect to services performed following submission of the Deferral Commitment to the Plan Administrator.

- 3.2. **Form of Deferral Commitment.** A Participant may elect to make a Deferral Commitment at such time and in such form as determined by the Plan Administrator, but in no event later than the date on which the election is required to become irrevocable as set forth in this Article or otherwise required by Section 409A of the Code and applicable guidance. The Deferral Commitment shall specify the following:
- a) **Timing of Deferral Election.** The Participant shall make an election to defer Compensation by filing a Deferral Commitment with the Plan Administrator, and such election shall become irrevocable no later than the last day of the calendar year prior to the Deferral Period, except as provided in Section 3.1(c), above.
 - b) **Deferral Amounts; Accounts.** A Deferral Commitment shall be made with respect to each payment and/or type of Compensation payable by the Corporation to a Participant during the Deferral Period, and shall designate the portion of each deferral that shall be allocated among the various Termination or In-Service Accounts. In addition, no amounts shall be deferred into an In-Service Account during a Deferral Period when amounts are scheduled to be paid from such Account and until such time as that entire Account Balance has been completely distributed. Notwithstanding anything to the contrary, for purposes of this Plan only, base salary attributable to the final pay period of any calendar year shall be deemed to be earned in the subsequent calendar year, provided the amounts are in fact paid (or payable) in the subsequent calendar year under the Corporation's normal compensation practices. The Participant shall set forth the amount to be deferred in the manner provided by the Plan Administrator.
 - c) **Allocation to Valuation Funds.** The Participant shall specify in a separate form (known as the "Allocation Form") filed with the Plan Administrator, the Participant's initial allocation of the amounts deferred into each Account among the various available Valuation Funds.
 - d) **Maximum Deferral.** The maximum amount of salary that may be deferred shall be seventy-five percent (75%); the maximum amount of bonus or incentive compensation that may be deferred shall be seventy-five percent (75%).
- 3.3. **Period of Commitment.** Any Deferral Commitment made by a Participant with respect to Compensation shall remain in effect for the next succeeding Deferral Period, and shall remain in effect for all future Deferral Periods unless revoked or amended in writing by the Participant and delivered to the Plan Administrator prior to the time determined by the Plan Administrator but in no event later than the date on which the election is required to become irrevocable as set forth in this Article or otherwise required by Section 409A of the Code and applicable guidance. If a Participant becomes ineligible to participate in the Plan for any Deferral Period, and again becomes eligible to participate in the Plan for a later Deferral Period, the Participant shall be required to make a new Deferral Commitment as set forth in Section 3.2.
- 3.4. **Irrevocability of Deferral Commitment.** Except as provided in Sections 3.3, above, a Participant's Deferral Commitment shall become irrevocable with respect to a Deferral Period as of the last day on which an election may be made under the terms of this Plan for such Deferral Period (or by such earlier date as designated by the Plan Administrator).
- 3.5. **Change in Status.** If the Plan Administrator determines that a Participant's employment performance is no longer at a level that warrants reward through participation in this Plan, but does not terminate the Participant's employment with the Corporation, the Participant's existing Deferral

Commitment shall terminate at the end of the Deferral Period, and no new Deferral Commitment may be made by such Participant after notice of such determination is given by the Plan Administrator, unless the Participant later satisfies the requirements of Section 3.1.

- 3.6. **Defaults in Event of Incomplete or Inaccurate Deferral Documentation**. In the event that a Participant submits a Deferral Commitment, Allocation Form or Distribution Election to the Plan Administrator that contains information necessary to the efficient operation of this Plan which, in the sole discretion of the Plan Administrator, is missing, incomplete or inaccurate, the Plan Administrator shall be authorized to interpret such form as it determines in its sole discretion in order to fulfil the Participant's wishes and to operate the Plan in compliance with Section 409A of the Code. The Committee and/or Plan Administrator will be entitled to develop certain guidelines to follow when making such interpretations and to apply such guidelines in a consistent manner.

ARTICLE IV - DEFERRED COMPENSATION ACCOUNT

- 4.1. **Accounts**. The Compensation deferred by a Participant under the Plan, any 401(k) Restoration or Discretionary Contributions and Interest shall be credited to the Participant's Account(s) as selected by the Participant, or as otherwise provided in this Article. Separate accounts may be maintained on the books of the Corporation to reflect the different Accounts chosen by the Participant, and the Participant shall designate the portion of each deferral that will be credited to each Account as set forth in Section 3.2(b), above. These Accounts shall be used solely to calculate the amount payable to each Participant under this Plan and shall not constitute a separate fund of assets.
- 4.2. **Timing of Credits; Withholding**. A Participant's deferred Compensation shall be credited to each Account designated by the Participant as soon as practical after the date the Compensation deferred would have otherwise been payable to the Participant. Any 401(k) Restoration and Discretionary Contributions shall be credited to the appropriate Account(s) as provided by the Plan Administrator. Any withholding of taxes or other amounts with respect to deferred Compensation or other amounts credited under this Plan that is required by local, state or federal law shall be withheld from the Participant's corresponding non-deferred portion of the Compensation to the maximum extent possible, and any remaining amount shall reduce the amount credited to the Participant's Account in a manner specified by the Plan Administrator.
- 4.3. **Valuation Funds**. A Participant shall designate, at a time and in a manner acceptable to the Plan Administrator, one or more Valuation Funds for each Account for the sole purpose of determining the amount of Interest to be credited or debited to such Account. Such election shall designate the portion of each deferral of Compensation made into each Account that shall be allocated among the available Valuation Fund(s), and such election shall apply to each succeeding deferral of Compensation until such time as the Participant shall file a new election with the Plan Administrator. Upon notice to the Plan Administrator, Participants shall also be permitted to reallocate the balance in each Valuation Fund among the other available Valuation Funds as determined by the Plan Administrator. The manner in which such elections shall be made and the frequency with which such elections may be changed and the manner in which such elections shall become effective shall be determined in accordance with the procedures to be adopted by the Plan Administrator or its delegates from time to time. As of the Effective Date, such elections may be made on a daily basis electronically, and such elections shall become effective on the date made or the next available Determination Date.
- 4.4. **401(k) Restoration Contributions**. In the sole discretion of the Corporation, a 401(k) Restoration Contribution may be made to the Account of any Participant designated by the Plan Administrator. Unless otherwise provided, the 401(k) Restoration Contribution shall be equal to (a) multiplied by (b) where:

- a) Equals the maximum matching contribution percentage applicable for the 401(k) Plan for the prior calendar year; and,
- b) Equals the lesser of: (1) the amount of Compensation deferred in the prior calendar year under this Plan, and (2) the difference between the Section 401(a)(17) limit applicable for the prior calendar year and the Participant's eligible compensation for that prior calendar year as determined under the terms of the 401(k) Plan.

The 401(k) Restoration Contribution shall be credited to the Participant's Termination #1 Account as soon as practical after the end of the Deferral Period, but in no event later than 90 days after the close of such year.

- 4.5. **Discretionary Contributions.** In its sole discretion, the Corporation may make Discretionary Contributions to a Participant's Account. Discretionary Contributions shall be credited at such times and in such amounts as approved by the Committee in its sole discretion. Notwithstanding otherwise, if the Committee determines that the granting of a Discretionary Contribution requires additional approvals (as example, by the Compensation Committee or the Board, or other person or entity determined by the Committee), then such Discretionary Contribution shall not be granted until such approval is obtained. Unless specified otherwise, such Discretionary Contribution shall be allocated to the Termination #1 Account.
- 4.6. **Determination of Accounts.** Each Participant's Account as of each Determination Date shall consist of the balance of the Account as of the immediately preceding Determination Date, adjusted as follows:
- a) **New Deferrals.** Each Account shall be increased by any deferred Compensation credited since such prior Determination Date in the proportion chosen by the Participant, except that no amount of new deferrals shall be credited to an Account at the same time that a distribution is to be made from that Account.
 - b) **Company Contributions.** Each Account shall be increased by any Discretionary and/or 401(k) Restoration Contributions credited since such prior Determination as set forth above in sections 4.4, and 4.5 or as otherwise directed by the Plan Administrator.
 - c) **Distributions.** Each Account shall be reduced by the amount of each benefit payment made from that Account since the prior Determination Date. Distributions shall be deemed to have been made proportionally from each of the Valuation Funds maintained within such Account based on the proportion that such Valuation Fund bears to the sum of all Valuation Funds maintained within such Account for that Participant as of the Determination Date immediately preceding the date of payment.
 - d) **Interest.** Each Account shall be increased or decreased by the Interest credited to such Account since such Determination Date as though the balance of that Account as of the beginning of the current month had been invested in the applicable Valuation Funds chosen by the Participant.
- 4.7. **Vesting of Accounts.** Each Participant shall be vested in the amounts credited to such Participant's Account and Interest thereon as follows:
- a) **Amounts Deferred.** A Participant shall be one hundred percent (100%) vested at all times in the amount of Compensation elected to be deferred under this Plan, including any Interest thereon.
 - b) **401(k) Restoration Contributions.** A Participant shall be one hundred percent (100%) vested at all times in the amount of 401(k) Restoration Contributions credited under this Plan, including any Interest thereon.
 - c) **Discretionary Contributions.** Unless otherwise determined by the Committee, a Participant's Discretionary Contributions and Interest thereon shall become vested upon Participant's completion of three (3) years of Vested Service.

- 4.8. **Statement of Accounts.** To the extent that the Corporation does not arrange for Account balances to be accessible online by the Participant, the Plan Administrator shall provide to each Participant a statement showing the balances in the Participant's Account no less frequently than annually.

ARTICLE V - PLAN BENEFITS

- 5.1. **Termination Account.** The vested portion of a Participant's Termination Account shall be distributed to the Participant upon the termination of employment with the Corporation.
- a) **Timing of Payment.** Subject to Section 5.5, benefits payable from the Termination Account shall be made on or about the July 1 of the calendar year immediately following the date of the Participant's termination.
 - b) **Form of Payment.** The form of benefit payment shall be that form selected by the Participant in the first Deferral Commitment which designated a portion of the Compensation deferred be allocated to the Termination Account, and as permitted pursuant to Section 5.6 below. If the Form of Payment selected provides for subsequent payments, subsequent payments shall be made on or about the anniversary of the initial payment.
- 5.2. **In-Service Account.** The vested portion of a Participant's In-Service Account shall generally be distributed to the Participant upon the date specified by the Participant.
- a) **Timing of Payment.** Subject to Section 5.5, benefits payable from the In-Service Account shall commence on or about July 1 of the year specified in the first Deferral Commitment which designated a portion of the Compensation deferred be allocated to the In-Service Account. In no event shall the date selected be earlier than the first day of the fourth calendar year following the initial filing of the Deferral Commitment with respect to that In-Service Account. In the event that the Participant terminates employment with the Corporation prior to the date so specified, the benefits under this section shall be made on or about the July 1 of the calendar year immediately following the date of the Participant's termination. By way of example: if a Participant maintains an In-Service Account with a distribution date of 2024 and terminates service (as defined herein) with the Corporation on January 1, 2021, a payment will be made on or about July 1, 2022, in the form provided in Section 5.2(b) (i.e. lump sum).
 - b) **Form of Payment.** The form of benefit payment from each In-Service Account shall be that form selected by the Participant in the first Deferral Commitment which designated a portion of the Compensation deferred be allocated to the In-Service Account pursuant to Section 5.6, below, except that if the Participant terminates employment with the Corporation prior to the date so specified, then the In-Service Account shall be paid in a lump sum at the time provided in Section 5.2(a). If the Form of Payment selected provides for subsequent payments, subsequent payments shall be made on or about the anniversary of the initial payment.
 - c) **Change of Time and/or Form of Payment.** The Participant may subsequently amend the form of payment or the intended date of payment to a date later than that date of payment in force immediately prior to the filing of such request, by filing such amendment with the Plan Administrator no later than twelve (12) months prior to the current date of payment. The Participant may file this amendment, provided that each amendment must provide for a payout as otherwise permitted under this paragraph at a date no earlier than five (5) years after the date of payment in force immediately prior to the filing of such request, and the amendment may not take effect for twelve (12) months after the request is made. For purposes of this Article, a payment of amounts under this Plan, including the payment of annual installments over a number of years, shall be treated as a single payment, as provided in Treas. Reg. §1-409A-2(b)(2)(iii).
- 5.3. **Distribution Upon Death.** Upon the death of a Participant prior to the commencement of benefits under this Plan from any particular Account, the Corporation shall pay to the Participant's Beneficiary an amount equal to the vested Account balance in that Account in the form of a lump sum payment

as soon as practical. In the event of the death of the Participant after the commencement of benefits under this Plan from any Account, the benefits from that Account(s) shall be paid to the Participant's designated Beneficiary from that Account at the same time and in the same manner as if the Participant had survived.

- 5.4. **Hardship Distributions.** Upon a finding that a Participant has suffered a Financial Hardship, the Plan Administrator may, in its sole discretion, terminate the existing Deferral Commitment, and/or make distributions from any or all of the Participant's Accounts. The amount of such distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Financial Hardship plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such Financial Hardship is or may be relieved through the reimbursement or compensation by insurance, or otherwise or by liquidation of the Participant's assets (to the extent that liquidation of such assets would not itself cause severe financial hardship). The amount of such distribution will not exceed the Participant's vested Account balances. If payment is made due to Financial Hardship, the Participant's deferrals under this Plan shall cease and the Participant will be ineligible to participate in the Plan for the period of the Financial Hardship and for twelve (12) months thereafter. If the Participant is again eligible to participate, any resumption of the Participant's deferrals under the Plan after such twelve (12) month period shall be made only at the election of the Participant in accordance with Article III herein.
- 5.5. **Payment to Specified Employees.** Notwithstanding anything else to the contrary, payments of benefits from the Termination Account, and benefits payable from an In-Service Account caused by the termination of employment (other than by reason of death) of a Participant who is determined to meet the definition of Specified Employee at the time of termination shall be payable as otherwise provided, except that the initial payment shall be made as soon as practical following the first date that is no earlier than the six (6) months following the termination of employment with the Corporation.
- 5.6. **Form of Payment.** Unless otherwise specified in this Article, the benefits payable from any Account under this Plan shall be paid in the form of benefit as provided below, and specified by the Participant in the Distribution Election applicable to that Account at the time of the initial deferral or credit to that Account. The permitted forms of benefit payments are:
- a) A lump sum amount which is equal to the vested Account balance; and
 - b) Annual installments for a period of up to fifteen (15) years (or in the event of payment of the In-Service Account, a maximum of five (5) years) where the annual payment shall be equal to the balance of the Account immediately prior to the payment, multiplied by a fraction, the numerator of which is one (1) and the denominator of which commences at the number of annual payment initially chosen and is reduced by one (1) in each succeeding year. Interest on the unpaid balance shall be based on the most recent allocation among the available Valuation Funds chosen by the Participant, made in accordance with Section 4.3, above.
- 5.7. **Small Account.** If the Participant's vested, unpaid Termination Account balance as of the time the payments are to commence from the Termination Account is less than \$50,000, the remaining unpaid, vested Termination Account shall be paid in a lump sum, notwithstanding any election by the Participant to the contrary; and, if the Participant's vested, unpaid In-Service Account balance as of the time the payments are to commence from such In-Service Account is less than \$25,000, the remaining unpaid, vested In-Service Account shall be paid in a lump sum, notwithstanding any election by the Participant to the contrary. Application of this provision shall be made separately with respect to each Account and only to the extent permitted by Section 409A of the Code.
- 5.8. **Withholding.** The Employer may withhold or cause to be withheld from any amounts payable under the Plan, or to the extent permitted pursuant to Section 409A of the Code from any amounts deferred under the Plan, all federal, state, local and other taxes as shall be legally required to be withheld.

Further, the Employer shall have the right to (a) require a Participant to pay or provide for payment of the amount of any taxes that Employer may be required to withhold with respect to amounts credited to a Participant's Account under the Plan, or (b) deduct from any amount of compensation otherwise payable in cash to the Participant the amount of any taxes that the Employer may be required to withhold with respect to amounts credited to a Participant's Account under the Plan..

- 5.9. **Payment to Guardian.** If a Plan benefit is payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of the property, the Plan Administrator may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Plan Administrator may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution. Such distribution shall completely discharge the Plan Administrator and the Corporation from all liability with respect to such benefit.
- 5.10. **Effect of Payment.** The full payment of the applicable benefit under this Article V shall completely discharge all obligations on the part of the Corporation to the Participant (and the Participant's Beneficiary) with respect to the operation of this Plan, and the Participant's (and Participant's Beneficiary's) rights under this Plan shall terminate.

ARTICLE VI - BENEFICIARY DESIGNATION

- 6.1. **Beneficiary Designation.** Each Participant shall have the right, at any time, to designate one (1) or more persons or entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant's death prior to complete distribution of the Participant's vested Account balance. Each Beneficiary designation shall be in a written form prescribed by the Plan Administrator and shall be effective only when filed with the Plan Administrator during the Participant's lifetime.
- 6.2. **Changing Beneficiary.** Any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new Beneficiary designation with the Plan Administrator.
- 6.3. **No Beneficiary Designation.** If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:
- a) The Participant's surviving spouse;
 - b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves surviving issue, then such issue shall take by right of representation the share the deceased child would have taken if living; or,
 - c) The Participant's estate.
- 6.4. **Effect of Payment.** Payment to the Beneficiary shall completely discharge the Corporation's obligations under this Plan.

ARTICLE VII - ADMINISTRATION

- 7.1. **Committee; Duties.** The Plan Administrator shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Plan Administrator shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to

determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Plan Administrator shall deem necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator may employ such attorneys, investment counsel, agents, and accountants, as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The Plan Year, for purposes of Plan administration, shall be the calendar year.

- 7.2. **Compliance with Section 409A of the Code.** It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that effects such intent, and the Plan Administrator shall not take any action that would be inconsistent with such intent. Although the Committee shall use its best efforts to avoid the imposition of taxation, interest and penalties under Section 409A of the Code, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Corporation, the Board, any director, officer, employee and advisor, nor the Committee (nor its designee(s)) shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan. For purposes of the Plan, the phrase "permitted by Section 409A of the Code," or words or phrases of similar import, shall mean that the event or circumstance shall only be permitted to the extent it would not cause an amount deferred or payable under the Plan to be includible in the gross income of a Participant or Beneficiary under Section 409A(a)(1) of the Code.
- 7.3. **Agents.** The Committee and/or Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Corporation.
- 7.4. **Binding Effect of Decisions.** The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.
- 7.5. **Absence of Liability.** No member of the Board, the Plan Administrator or their respective delegates, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

ARTICLE VIII - CLAIMS PROCEDURE

- 8.1. **Claim.** Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "Claimant"), or requesting information under the Plan shall present the request in writing to the Plan Administrator, which shall respond in writing as soon as practical, but in no event later than ninety (90) days after receiving the initial claim.
- 8.2. **Denial of Claim.** If the claim or request is denied, the written notice of denial shall state:
- a) The reasons for denial, with specific reference to the Plan provisions on which the denial is

based;

- b) A description of any additional material or information required and an explanation of why it is necessary, in which event the time frames listed in section 8.1 shall be one hundred and eighty (180) and seventy-five (75) days from the date of the initial claim respectively; and
 - c) An explanation of the Plan's claim review procedure.
- 8.3. **Review of Claim.** Any Claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing to the Plan Administrator. Such request must be made within sixty (60) days after receipt by the Claimant of the written notice of denial, or in the event Claimant has not received a response sixty (60) days after receipt by the Plan Administrator of Claimant's claim or request. The claim or request shall be reviewed by the Plan Administrator which may, but shall not be required to, grant the Claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing. If the Claimant fails to file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any.
- 8.4. **Final Decision.** The decision on review shall normally be made within sixty (60) days after the Plan Administrator's receipt of claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the Claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.
- 8.5. **Limitation of Action.** If the Plan Administrator makes a final written determination denying a Participant's or Beneficiary's claim, the Participant or Beneficiary must file an action with respect to the denied claim within 180 days following the date of the Plan Administrator's final determination.

ARTICLE IX - AMENDMENT AND TERMINATION OF PLAN

- 9.1. **Amendment.** The Corporation may at any time amend the Plan by a written action of an officer of KeyCorp; provided, however, that a material change to the Plan must be approved by the Committee. Notice of an amendment shall be given to all Participants and to Beneficiary(ies) receiving installment payments. No amendment shall reduce the amount vested or accrued in any Account as of the date the amendment is adopted nor shall any amendment or termination result in an acceleration of distributions under the Plan in violation of Section 409A of the Code. In addition, any amendment which adds a distribution event to the Plan shall not be effective with respect to Accounts already established as of the time of such amendment, except to the extent permitted by Section 409A of the Code.
- 9.2. **Corporation's Right to Terminate.** The Corporation may, in its sole discretion, terminate the entire Plan, or terminate a portion of the Plan that is identified as an elective account balance plan as defined in Treas. Reg. §1.409A-1(c)(2)(i)(A), or as a nonelective account balance plan as defined in Treas. Reg. §1.409A-1(c)(2)(i)(B), and require distribution of all benefits due under the Plan or portion thereof, as may be provided under Section 409A, or Treas. Reg. §1.409A-3(j)(4)(ix) or as may otherwise be permitted under the Code or appropriate regulations.
- 9.3. **Change of Control.** Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, no amendment or modification of the Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant's Account balances immediately prior to the Change of Control, (2) to reduce or modify the choice of Valuation Funds or method of crediting such earnings to a Participant's Account balances immediately prior to the Change of Control, or (3) to reduce or modify the Participant's Deferrals and/or 401(k) Restoration Contributions and Discretionary Contributions to be credited to a Participant's Plan Account for the applicable Deferral

Period.

ARTICLE X - MISCELLANEOUS

- 10.1. **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.
- 10.2. **Unsecured General Creditor.** Notwithstanding any other provision of this Plan, Participants and Participants' Beneficiary(ies) shall be unsecured general creditors, with no secured or preferential rights to any assets of the Corporation or any other party for payment of benefits under this Plan. Any property held by the Corporation for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. The Corporation's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.
- 10.3. **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.
- 10.4. **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.
- 10.5. **Trust Fund.** The Corporation shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Corporation may establish one (1) or more trusts, with such trustees as the Corporation may approve, for the purpose of assisting in the payment of such benefits. The assets of any such trust shall be held for payment of the Corporation's general creditors in the event of bankruptcy or insolvency. To the extent any benefits provided under the Plan are paid from any such trust, the Corporation shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Corporation.
- 10.6. **Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgements, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.
- 10.7. **Not a Contract of Employment.** This Plan shall not constitute a contract of employment between the Corporation and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of the Corporation or to interfere with the right of the Corporation to discipline or discharge a Participant at any time.
- 10.8. **Protective Provisions.** A Participant will cooperate with the Corporation by furnishing any and all information requested by the Corporation, in order to facilitate the payment of benefits hereunder, and taking such other action as may be requested by the Corporation.
- 10.9. **Governing Law.** The provisions of this Plan shall be construed and interpreted according to the laws of the State of Ohio, except as preempted by federal law.
- 10.10. **Validity.** If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced

as if such illegal and invalid provision had never been inserted herein.

- 10.11. **Notice.** Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee and/or Plan Administrator shall be directed to the Corporation's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the Corporation's records.
- 10.12. **Successors.** The provisions of this Plan shall bind and inure to the benefit of the Corporation and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of the Corporation, and successors of any such corporation or other business entity.

KeyCorp

BY: /s/ Craig T. Beazer

DATED:

[\(Back To Top\)](#)

Section 15: EX-10.32 (EXHIBIT 10.32)

EXHIBIT 10.32

**Amended and Restated
First Niagara Bank And First Niagara Financial Group, Inc.
Directors Deferred Fees Plan**

Section 1. **Purpose and Effective Date.** The purpose of the Amended and Restated First Niagara Bank and First Niagara Financial Group, Inc. Directors Deferred Fees Plan (the "Plan") is to give each member of the Boards of Directors of First Niagara Bank, N.A. (the "Bank") and First Niagara Financial Group, Inc. ("FNFG") who is not an officer or employee of FNFG or any of its subsidiaries (each, a "Director"), the opportunity to defer payment of all or a portion of his or her cash and equity compensation for services as a director. As used in the Plan, the term "Company" means both the Bank and FNFG, unless the context clearly requires otherwise. The Plan was originally adopted effective August 18, 1992. The Plan was amended and restated effective April 20, 1998, was further amended and restated on December 8, 2008, effective as of January 1, 2005, and is hereby further amended and restated effective December 10, 2013.

Section 2. **Administration.** The Plan shall be interpreted and administered by the Compensation Committee of the Board of Directors of FNFG, or such other committee designated by the Board of Directors of FNFG to administer the Plan (the "Committee"). Determinations made by the Committee pursuant to the Plan shall be final and binding on all parties. To the extent permitted by law or other applicable regulation, the Committee may authorize one or more of its members or any other person to act on its behalf. Any reference to the Committee shall be deemed to include any person to whom any duty of the Committee has been delegated.

Section 3. **Eligibility and Deferrals.** Each Director is eligible to participate in the Plan. A Director shall commence participation in the Plan (each, a "Participant") by making a deferral election in accordance with Section 4 of the Plan on the election form(s) established from time to time by the Committee (the "Deferral Election Form").

(a) **Cash Compensation.** Each Director may elect to defer payment of all or any portion of his or her member and chairperson retainers or other cash compensation ("Cash Compensation"). The Deferral Election Form shall set forth the percentage or dollar amount of Cash Compensation subject to such deferral election. A Participant's deferral election as to Cash Compensation is "evergreen," and will automatically continue to apply to Cash Compensation earned in subsequent calendar years (each, a "Year"), unless a Participant terminates the election in writing or delivers to the Company a new Deferral Election Form. Any such written termination or delivery of a new Deferral Election Form shall only be effective with respect to Cash Compensation earned during or after

the Year following the Year in which the written termination or new Deferral Election Form is delivered to the Company.

(b)Restricted Stock Units. Each Director may elect to defer into the Plan the payment of all or any number of the shares under a restricted stock unit award ("Restricted Stock Units" or "RSUs") earned in the next Year. Each share under an RSU represents one share of the common stock of FNFG, par value \$0.01 per share ("FNFG Stock"). The Deferral Election Form shall set forth the percentage or number of shares under an RSU, the payment of which shall be deferred into the Plan. A Participant's deferral election as to RSUs is not evergreen, and does not automatically continue to apply to RSUs earned in subsequent Years.

Section 4. **Time of Elections.**

(a)General Rule. Prior to the beginning of each Year, a Director may elect to defer the payment of all or any portion of his or her Cash Compensation and/or RSUs to be earned during the next following Year. The Deferral Election Form described in this Section becomes irrevocable as of the date delivered to the Company.

(b)Initial Deferral Elections. When a Director becomes initially eligible to participate in the Plan during a Year, he or she may defer the payment of Cash Compensation and/or RSUs to be earned during such Year by completing and delivering to the Company a Deferral Election Form within 30 days of becoming a director. The Deferral Election Form described in this Section becomes irrevocable as of the date delivered to the Company, and applies to Cash Compensation and/or RSUs earned after the date the Deferral Election Form becomes irrevocable.

(c)Subsequent Deferral Elections. Subject to any restrictions that may be imposed by the Committee, a Participant may further delay payment of all or any portion of an Account (as defined below) for a Year, or change the form of payment of such compensation; provided that the following requirements are met: (i) the election does not take effect for at least 12 months after the election is made; (ii) the election is made at least 12 months before the original payment date; and (iii) the new payment date is at least five years later than the original payment date.

Section 5. **Accounts.**

(a) Accounts for Post-2013 Amounts. For amounts earned on or after January 1, 2014, each Participant shall have a separate account for each Year that he or she participates in the Plan (each, an "Account"). The Accounts are bookkeeping entries maintained by the Company to record the payment obligation of the Company to a Director under the Plan. For each Account, the Committee shall establish separate subaccounts for deferrals of Cash Compensation ("Cash Subaccounts") and RSUs ("RSU Subaccounts") under the Plan.

(i) Cash Subaccounts. A Participant's Cash Subaccount shall be credited with the amount of deferrals of Cash Compensation for a given Year at the time such amounts would otherwise have been paid to the Participant. The Cash Subaccounts shall be invested in one or more hypothetical investment options made available to Participants by the Committee. Each Cash Subaccount shall be adjusted for earnings or losses based on the performance of the hypothetical investment options selected. Participants shall be fully vested at all times in their Cash Subaccounts, including any earnings thereon. Any payment from a Participant's Cash Subaccount shall be made in cash.

(ii) RSU Subaccounts. A Participant's RSU Subaccount shall be credited with the number of shares under an RSU that are deferred in a given Year at the time such shares would otherwise have been paid to the Participant. RSUs are not actually invested in shares of FNFG Stock and Participants do not have any real or beneficial ownership in such shares unless and until shares of FNFG Stock are delivered to the Participant. Unless the Committee determines otherwise, effective as of the payment date for any dividend on the FNFG Stock, the RSU Subaccounts of each Participant who had a balance in his or her RSU Subaccount on the record date for such dividend shall be credited with the number of shares (including any fractional portion) obtained by dividing (i) the aggregate dollar amount of such dividend payable in respect of the number of shares in such Participant's RSU Subaccounts (determined by multiplying the per share dividend by the number of shares held in the RSU Subaccounts on the record date for such dividend); by (ii) the per share Fair Market Value of the FNFG Stock on the payment date for such dividend. "Fair Market Value" means the closing price of a share of FNFG Stock on the day of determination, or such other value determined under any other method adopted by the Committee in its sole discretion. Participants shall vest in the number of shares credited to their RSU Subaccount as set forth in the applicable RSU award agreement. The number of whole shares credited to a Participant's RSU Subaccount shall be paid in shares of FNFG Stock, with any fractional shares paid in cash. Such shares of FNFG Stock shall be paid under FNFG's 2012 Equity Incentive Plan, or any successor thereto, and shall count against the shares available for issuance under such plan.

(b) Account for Pre-2014 Amounts. A Participant shall have one account for all amounts earned prior to January 1, 2014, excluding amounts that are grandfathered from Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated and other official guidance issued thereunder (collectively, "Section 409A") pursuant to Section 8(e) of the Plan (which shall be accounted for separately), and shall be permitted to elect one time and form of payment with respect to all amounts in such account. The account established pursuant to this Section shall be considered a single Account for purposes of Sections 4(c) and 6 of the Plan.

Section 6. **Payment of Accounts.**

(a) Timing of Payment. The timing of payment for each Account shall be: (i) January 1st of the Year following the Participant's Separation from Service, or (ii) the later of January 1st of a specified year or January 1st of the Year following the Participant's Separation from Service (each a "Payment Event"), as specified on the Deferral Election Form for such Account. Payment shall be made or commence on the date of the Payment Event or later in the Year containing the Payment Event. "Separation from Service" means the date a Participant ceases to be a member of both the Board of Directors of the Bank and the Board of Directors of the FNFG; provided, that the determination of whether a "separation from service" has occurred shall be made in accordance with the requirements of Section 409A.

(b) Form of Payment. The form of payment for each Account shall be: (i) lump sum, or (ii) up to ten annual installments, as specified on the Deferral Election Form for such Account.

(c) Death. In the event of the death of a Participant, whether before or after such Participant's Separation from Service, any unpaid portion of such Participant's Accounts shall be paid to the Participant's Beneficiary in the form of a lump sum in the Year following the Year in which the Participant died; provided, however, if a Participant elected to receive payment of his or her Account for any Year prior to 2014 upon death in other than a lump sum,

payment shall be made in the form specified in such election and shall not be made in the form of a lump sum. "Beneficiary" means any one or more persons or entities last designated by a Participant in writing to receive the balance of the Participant's Accounts in the event of his or her death; provided, however, that if a Participant fails to designate a Beneficiary in writing, any unpaid portion of such Participant's Accounts shall be paid to the executor or personal representative of the Participant's estate.

(d)Prohibition on Accelerated Payment. Payment of all or a portion of a Participant's Accounts may not be accelerated except as expressly permitted by Section 409A.

Section 7. Amendment and Termination. To the extent permitted by applicable law, the Board of Directors of FNFG may, at any time, and in its discretion, amend, suspend or terminate the Plan; provided, however, that no such amendment, suspension or termination shall adversely affect such Participant's rights with respect to vested amounts credited to his or her

Account without the consent of a Participant; and provided further that no such amendment, suspension or termination shall be effective if such action would result in a violation of Section 409A.

Section 8. Miscellaneous.

(a)No Right to Continuing Service. Nothing in the Plan or any instrument executed pursuant to the Plan shall confer upon any Participant any right to continue to serve the Company or its subsidiaries or interfere in any way with the right of the Company to terminate the Participant's service at any time.

(b)Unfunded. All amounts provided under the Plan shall be paid from the general assets of the Company and no separate fund shall be established to secure payment of Plan benefits.

(c)No Assignment. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable hereunder prior to the date that such amounts are paid.

(d)Governing Law. The Plan shall be construed in accordance with the laws of the State of New York.

(e)Amounts Grandfathered from Section 409A. Any amounts that were "earned and vested" (within the meaning of Section 409A) before January 1, 2005, including any earnings on such amounts, are subject to the applicable terms of the Plan in effect before January 1, 2005.

(f)Section 409A. It is intended that the Plan comply with requirements of Section 409A, so as to prevent the inclusion in gross income of any benefits accrued hereunder in a taxable year prior to the taxable year or years in which such amount would otherwise be actually distributed or made available to the Participants. The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent and any Company policy regarding compliance with or exemption from Section 409A, as such policy may be adopted and amended from time to time. In the event that any change made by the amendment and restatement of the Plan, effective December 10, 2013, would result in a violation of Section 409A if applied to amounts earned prior to such date, then the terms of the Plan immediately prior to December 10, 2013 shall apply so as to avoid such violation.

* * * * *

[\(Back To Top\)](#)

Section 16: EX-10.36 (EXHIBIT 10.36)

EXHIBIT 10.36

**FORM OF
STOCK OPTION AGREEMENT**
granted by
FIRST NIAGARA FINANCIAL GROUP, INC.
under the
FIRST NIAGARA FINANCIAL GROUP, INC.
2012 EQUITY INCENTIVE PLAN

This Stock Option Agreement (this “**Option**” or this “**Agreement**”) is hereby made subject to the provisions of the 2012 Equity Incentive Plan (the “**Plan**”) of First Niagara Financial Group, Inc. (including its Subsidiaries where applicable, the “**Company**”), which provisions are hereby incorporated by reference and made a part hereof. A copy of the Plan has been provided to the holder of this Option (the “**Participant**”), and the Participant hereby accepts this Option, subject to all the terms and provisions of the Plan and this Agreement, and agrees that all decisions under and interpretations of the Plan and this Agreement by the Committee will be final, binding and conclusive upon the Participant and the Participant's beneficiaries, heirs, legal representatives, successors and permitted assigns. Unless the context clearly indicates otherwise, capitalized terms used herein but not defined will have the meaning given such terms in the Plan. The term “**Stock**” shall refer to the common stock, \$0.01 par value per share, of the Company.

The number of shares of Stock (or share determination formula) available under this Option and the exercise price per share (the “**Exercise Price**”) are set forth in the award notice or email (the “**Award Notice**”) sent to the Participant that sets forth the grant of this Option and the terms thereof, and such Award Notice is hereby incorporated by reference and made a part hereof. For purposes of this Agreement, the “**Grant Date**” shall mean the date that this Option was granted to the Participant, as set forth in the Award Notice sent to the Participant, and the “**Expiration Date**” means the ten-year anniversary of the Grant Date.

1. **Vesting Schedule.**

Except as otherwise provided in Section 3 of this Agreement, subject to the Participant's continued Service with the Company through the applicable vesting date, this Option shall vest and become exercisable as follows:

[Vesting Schedule]

This Option may not be exercised at any time on or after the Expiration Date.

2. **Exercise Procedure.**

This Option will be exercised in whole or in part by the Participant's delivery to the Company of written notice setting forth the number of shares with respect to which this Option is to be exercised, together with payment of the Exercise Price for such shares by cash or other means acceptable to the Committee, including: (a) by tendering shares of Stock valued at Fair Market Value as of the day of exercise; (b) by irrevocably authorizing a third party, acceptable to the Committee, to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of this Option and to remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise; (c) by a “net settlement” of this Option, using a portion of the shares of Stock obtained on exercise in payment of the Exercise Price; (d) by personal, certified or cashier's check; (e) by other property deemed acceptable by the Committee; or (f) by any combination thereof. Under no circumstances will fractional shares of Stock be issued; if the Participant elects to pay the Exercise Price using shares of Stock already owned by him or her, or Shares to be received from his or her exercise of this Option and such payment involves a fraction of a share of Stock, the remaining fraction of such share shall be redeemed by the Company and the Company shall pay the Participant the Fair Market Value of such fractional share in cash in lieu of issuing such fractional share.

Upon the exercise of this Option, the Participant shall have the right to direct the Company to satisfy the minimum required federal, state and local tax withholding by reducing the number of shares of Stock (based on the Fair Market Value on the date that the Option is exercised) otherwise to be delivered to the Participant that are necessary to satisfy the minimum amount of the taxes required to be withheld.

3. Effect of Certain Events.

This Option will terminate upon the Expiration Date, except as set forth in the following provisions:

- (a) Death or Disability. In the event of the Participant's Termination of Service by reason of the Participant's death or Disability, this Option will become fully exercisable as to all shares subject to this Option, whether or not then vested and exercisable. This Option may thereafter be exercised by the Participant (or in the event of the Participant's death, by the Participant's legal representative or beneficiaries) for a period of one year following the date of the Termination of Service, subject to termination on the Expiration Date, if earlier.
- (b) Retirement. In the event of the Participant's Termination of Service due to Retirement, this Option will become fully exercisable as to all shares subject to this Option, whether or not then exercisable. This Option may thereafter be exercised by the Participant for a period of one year from the date of the Termination of Service, subject to termination on the Expiration Date, if earlier. **"Retirement"** means a Termination of Service by the Participant who meets the age and years of service requirements set forth in the definition of Retirement in the Plan on the date of the Termination of Service.
- (c) Change in Control. If there is a Change in Control Agreement by and between the Participant and the Company on the date of the Termination of Service, then the terms of such Change in Control Agreement shall apply instead of this Section 3 (c). Otherwise, in the event of the Participant's Termination of Service by the Company other than for Cause within the 12-month period following a Change in Control, or a Termination of Service by the Participant for Good Reason within the 14-month period following a Change in Control, this Option will become fully exercisable as to all shares subject to this Option, whether or not then exercisable, and this Option may thereafter be exercised by the Participant for a period of one year from the date of the Termination of Service, subject to termination on the Expiration Date, if earlier.
- (d) Termination for Cause. Notwithstanding any other provision in this Agreement, if the Participant's Service has been terminated for Cause, this Option (both the vested and unvested portions) will expire and be forfeited.
- (e) Other Termination. Except as otherwise provided by this Section 3, and except as otherwise provided by a Change in Control Agreement by and between the Participant and the Company on the date of the Termination of Service, upon the Termination of Service of the Participant, any unvested shares of Stock under this Option will expire and be forfeited, and this Option may thereafter be exercised, to the extent it was exercisable at the time of such Termination of Service, for a period of three months following the date of the Termination of Service, subject to termination on the Expiration Date, if earlier.

4. Covenants.

Unless the Compensation Committee determines otherwise and so advises the Participant in a signed writing, the Participant agrees to comply with this Section 4 while employed by the Company and for the one-year period (an unlimited period for the covenant set forth in Section 4(d) below) immediately following the Participant's Termination of Service with the Company, regardless of the reason for such Termination of Service.

(a)

The Participant shall not, directly or indirectly, either for the Participant's own benefit or purpose or for the benefit or purpose of any person other than the Company or any of its Subsidiaries, solicit, call on, do business with, or actively interfere with the Company's or any Subsidiary's relationship with, or attempt to divert or entice away, any person or entity that the Participant should reasonably know (i) is a customer of the Company or any Subsidiary for which the Company or any Subsidiary provides any services as of the date of the Participant's Termination of Service; or (ii) was a customer of the Company or any Subsidiary for which the Company or any Subsidiary provided any services at any time during the 12-month period immediately preceding the date of the Participant's Termination of Service; or (iii) was, as of the date of the Participant's Termination of Service, considering retention of the Company or any Subsidiary to provide any services.

(b)

The Participant shall not, directly or indirectly, either for the Participant's own benefit or purpose or for the benefit or purpose of any person other than the Company or any of its Subsidiaries, employ, or offer to employ, call on, or actively interfere with the Company's or any Subsidiary's relationship with, or attempt to divert or entice away, any employee of the Company or any of its Subsidiaries, nor shall the Participant assist any other person in such activities.

(c)

During the Participant's employment with the Company or any Subsidiary, and thereafter regardless of the reason for the Termination of Service, the Participant will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Company and its Subsidiaries, whether or not conceived of or prepared by the Participant, other than: (i) information generally known to the public; (ii) as required in the course of employment by the Company or Subsidiary; (iii) as required by any court, supervisory authority, administrative agency or applicable law; or (iv) with the prior written consent of the Compensation Committee or its designee.

(d)

Upon any breach of the covenants set forth in this Section 4, the Participant agrees and acknowledges that this Option (both the vested and unvested portions) shall automatically and immediately terminate and become null and void. In addition, the Participant agrees and acknowledges that a breach of the covenants set forth in this Section 4 will cause the Company and its Subsidiaries irreparable harm, and that the Company and its Subsidiaries will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining the Participant, and each and every person and entity acting in concert or participating with the Participant, from initiation and/or continuation of such breach. The Participant further understands and agrees that for the purpose of fashioning an appropriate injunctive remedy, the time period of the covenants set forth in this Section 4 shall be extended by any time period the Participant is found to be in breach of said covenants. In the event any of this Section 4 is determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of the Participant and the Company and its Subsidiaries that said court reduce and reform the provisions thereof so as to apply to the greatest limitations considered enforceable by the court.

(e)

5. Miscellaneous.

- (a) This Option is not intended to be and shall not be treated as an Incentive Stock Option.
- (b) Delivery of shares of Common Stock upon the exercise of this Option will comply with all applicable laws (including the requirements of the Securities Act) and the applicable requirements of any securities exchange or similar entity.
- (c) This Option, including the number of shares subject to this Option and the exercise price, will be adjusted upon the occurrence of the events specified in Section 3.3 of the Plan.
- (d) This Option does not confer upon the Participant any rights as a stockholder of the Company prior to the date on which the Participant fulfills all conditions for receipt of such rights.
- (e) This Agreement may not be amended or otherwise modified unless evidenced in writing and signed by the Company and the Participant.
- (f) Pursuant to Section 7.2 of the Plan, the Committee may permit the transfer of this Option; provided, however, that such transfer is not made for consideration to the Participant and such transfer is limited to immediate Family Members of the Participant, trusts and partnerships established for the primary benefit of such family members or to charitable organizations.
- (g) This Option will be governed by and construed in accordance with the laws of the State of Delaware.
- (h) The granting of this Option does not confer upon the Participant any right to be retained in the Service of the Company or any Subsidiary.
- (i) In the event of any conflict among the provisions of the Plan and this Agreement, the provisions of the Plan will be controlling and determinative.
- (j) The Participant's rights, payments and benefits with respect to this Option shall be subject to reduction, cancellation, forfeiture or recoupment pursuant to Section 7.17 of the Plan.
- (k) Notwithstanding any other provision of the Plan or this Agreement to the contrary, in order to comply with Section 10D of the Securities Exchange Act of 1934, as amended, and any regulations promulgated, or national securities exchange listing conditions adopted, with respect thereto (collectively, the "**Clawback Requirements**"), if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, then the Participant shall return to the Company, or forfeit if not yet paid, the shares of Stock under this Option received during the three-year period preceding the date on which the Company is required to prepare the accounting restatement, based on the erroneous data, in excess of the number of shares that would have vested based on the accounting restatement, as determined by the Committee, in accordance with the Clawback Requirements and any policy adopted by the Committee pursuant to the Clawback Requirements.

Any actions by the Company under this Agreement or the Plan must comply with the law, including regulations and other interpretive action, of the Federal Deposit Insurance Act, Federal Deposit Insurance Corporation, or other entities that supervise any of the activities of the Company. Specifically, any payments to the Participant by the Company, whether pursuant to this Agreement, the Plan or otherwise, are subject to and conditioned upon their compliance with Section 18 (k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 359.

(l)

This Option is subject to all laws, regulations and orders of any governmental authority which may be applicable thereto and, notwithstanding any of the provisions hereof, the Company will not be obligated to issue any shares of Stock hereunder if the issuance of such shares would constitute a violation of any such law, regulation or order or any provision thereof.

(m)

The Committee will have the authority and discretion to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan. Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(n)

This Option is intended to be exempt from the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated and other official guidance issued thereunder, and this Agreement will be administered and interpreted consistent with such intention.

(o)

IN WITNESS WHEREOF, the Company has executed this Agreement effective as of the Grant Date.

FIRST NIAGARA FINANCIAL GROUP, INC.

By: _____

[\(Back To Top\)](#)

Section 17: EX-21 (EXHIBIT 21)

EXHIBIT 21

**KEYCORP
SUBSIDIARIES OF THE REGISTRANT AT DECEMBER 31, 2018**

Subsidiaries ^(a)	Jurisdiction of Incorporation or Organization	Parent Company
KeyBank National Association	United States	KeyCorp

(a) Subsidiaries of KeyCorp other than KeyBank National Association are not listed above since, in the aggregate, they would not

constitute a significant subsidiary. KeyBank National Association is 100% owned by KeyCorp.

[\(Back To Top\)](#)

Section 18: EX-23 (EXHIBIT 23)

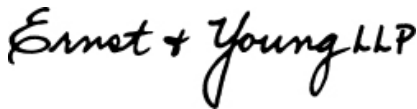
EXHIBIT 23

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

We consent to the incorporation by reference in the following Registration Statements of KeyCorp:

Form S-3 No. 333-55959
Form S-3 No. 333-59175
Form S-3 No. 333-64601
Form S-3 No. 333-76619
Form S-3 No. 333-218629
Form S-8 No. 333-49609
Form S-8 No. 333-70669
Form S-8 No. 333-107074
Form S-8 No. 333-107075
Form S-8 No. 333-107076
Form S-8 No. 333-112225
Form S-8 No. 333-116120
Form S-8 No. 333-167093
Form S-8 No. 333-188703
Form S-8 No. 333-208272

of our reports dated February 25, 2019, with respect to the consolidated financial statements of KeyCorp and the effectiveness of internal control over financial reporting of KeyCorp included in this Annual Report (Form 10-K) of KeyCorp for the year ended December 31, 2018.



Cleveland, Ohio

February 25, 2019

[\(Back To Top\)](#)

Section 19: EX-24 (EXHIBIT 24)

EXHIBIT 24

KEYCORP POWER OF ATTORNEY

Each of the undersigned, an officer, a director, or both of KeyCorp, an Ohio corporation, hereby constitutes and appoints Paul N. Harris and Craig T. Beazer, and each of them, as his true and lawful attorney-in fact with full power of substitution and resubstitution, to sign in his name, place, and stead and to file with the United States Securities and Exchange Commission in accordance with Securities Exchange Act of 1934, as amended, KeyCorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and all exhibits, amendments and supplements thereto, with full power and authority to take such actions that the attorney-in-fact deems necessary in connection with the execution and filing of such Annual Report on Form 10-K.

This Power of Attorney may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned has hereto set his or her hand as of February 25, 2019.

/s/ Beth E. Mooney
Beth E. Mooney
Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)

/s/ Donald R. Kimble
Donald R. Kimble
Chief Financial Officer
(Principal Financial Officer)

/s/ Douglas M. Schosser
Douglas M. Schosser
Chief Accounting Officer
(Principal Accounting Officer)

/s/ Bruce D. Broussard
Bruce D. Broussard, Director

/s/ Charles P. Cooley
Charles P. Cooley, Director

/s/ Gary M. Crosby
Gary M. Crosby, Director

/s/ Alexander M. Cutler
Alexander M. Cutler, Director

/s/ H. James Dallas
H. James Dallas, Director

/s/ Elizabeth R. Gile
Elizabeth R. Gile, Director

/s/ Ruth Ann M. Gillis
Ruth Ann M. Gillis, Director

/s/ William G. Gisel, Jr.
William G. Gisel, Jr., Director

/s/ Carlton L. Highsmith
Carlton L. Highsmith, Director

/s/ Richard J. Hipple
Richard J. Hipple, Director

/s/ Kristen L. Manos
Kristen L. Manos, Director

/s/ Barbara R. Snyder
Barbara R. Snyder, Director

/s/ David K. Wilson
David K. Wilson, Director

[\(Back To Top\)](#)

Section 20: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

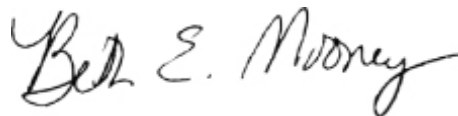
I, Beth E. Mooney, certify that:

1. I have reviewed this annual report on Form 10-K of KeyCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and

procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2019



Beth E. Mooney
Chairman, Chief Executive Officer and President

[\(Back To Top\)](#)

Section 21: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Donald R. Kimble, certify that:

1. I have reviewed this annual report on Form 10-K of KeyCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2019



Donald R. Kimble
Chief Financial Officer

[\(Back To Top\)](#)

Section 22: EX-32.1 (EXHIBIT 32.1)

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