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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2023
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-11302

KeyCorp

Exact name of registrant as specified in its charter:

Ohio	**34-6542451**
State or other jurisdiction of incorporation or organization:	**I.R.S. Employer Identification Number:**
127 Public Square, Cleveland, Ohio	**44114-1306**
Address of principal executive offices:	**Zip Code:**

(216) 689-3000
Registrant's telephone number, including area code:

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

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

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

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

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

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

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

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

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

Common Shares with a par value of $1 each	**935,918,922 shares**
Title of class	**Outstanding at July 31, 2023**

KEYCORP
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PART I. FINANCIAL INFORMATION

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

Introduction

This section reviews the financial condition and results of operations of KeyCorp and its subsidiaries for the quarterly periods ended June 30, 2023, and June 30, 2022. Some tables may include additional periods to comply with disclosure requirements or to illustrate trends in greater depth. When you read this discussion, you should also refer to the consolidated financial statements and related notes in this report. The page locations of specific sections and notes that we refer to are presented in the Table of Contents.

References to our "2022 Form 10-K" refer to our Form 10-K for the year ended December 31, 2022, which has been filed with the SEC and is available on its website (www.sec.gov) and on our website (www.key.com/ir).

Terminology

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

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

- We use the phrase ***continuing operations*** in this document to mean all of our businesses other than our government-guaranteed and private education lending business, which has been accounted for as ***discontinued operations*** since 2009.
- We engage in ***capital markets activities*** primarily through business conducted by our Commercial Bank segment. These activities encompass a variety of products and services. Among other things, we trade securities as a dealer, enter into derivative contracts (both to accommodate clients' financing needs and to mitigate certain risks), and conduct transactions in foreign currencies (to accommodate clients' needs).
- For regulatory purposes, capital is divided into two classes. Federal regulations currently prescribe that at least one-half of a bank or BHC's ***total risk-based capital*** must qualify as ***Tier 1 capital***. Both total and Tier 1 capital serve as bases for several measures of capital adequacy, which is an important indicator of financial stability and condition. Banking regulators evaluate a component of Tier 1 capital, known as ***Common Equity Tier 1***, under the ***Regulatory Capital Rules***. The "Capital" section of this report under the heading "Capital adequacy" provides more information on total capital, Tier 1 capital, and the Regulatory Capital Rules, including Common Equity Tier 1, and describes how these measures are calculated.

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

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

Forward-looking statements

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

Forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, many of which are outside of our control. Our actual results may differ materially from those set forth in our forward-looking statements.

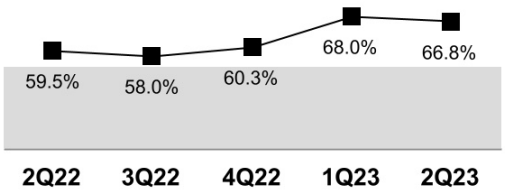
There is no assurance that any list of risks and uncertainties or risk factors is complete. Factors that could cause our actual results to differ from those described in forward-looking statements include, but are not limited to:

- our concentrated credit exposure in commercial and industrial loans;
- deterioration of commercial real estate market fundamentals;
- defaults by our loan counterparties or clients;
- adverse changes in credit quality trends;
- declining asset prices;
- deterioration of asset quality and an increase in credit losses;
- labor shortages and supply chain constraints, as well as the impact of inflation;
- the extensive regulation of the U.S. financial services industry;
- changes in accounting policies, standards, and interpretations;
- operational or risk management failures by us or critical third parties;
- breaches of security or failure or unavailability 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 disasters, which may be exacerbated by climate change;
- societal responses to climate change;
- increased operational risks resulting from remote work;
- evolving capital and liquidity standards under applicable regulatory rules;
- disruption of the U.S. financial system, including the impact of inflation and a potential global economic downturn or recession;
- our ability to receive dividends from our subsidiaries, including KeyBank;
- unanticipated changes in our liquidity position, including but not limited to, changes in our access to or the cost of funding and our ability to secure alternative funding sources;
- downgrades in our credit ratings or those of KeyBank;
- a worsening of the U.S. economy due to financial, political or other shocks;
- our ability to anticipate interest rate changes and manage interest rate risk;
- uncertainty surrounding the transition from LIBOR to an alternate reference rate;
- deterioration of economic conditions in the geographic regions where we operate;
- the soundness of other financial institutions, including the impact of recent bank failures;
- our ability 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;
- our ability to attract and retain talented executives and employees;
- unanticipated adverse effects of strategic partnerships or acquisitions and dispositions of assets or businesses and;
- our ability to develop and effectively use the quantitative models we rely upon in our business planning.

Any forward-looking statements made by us or on our behalf speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement to reflect the impact of subsequent events or circumstances, except as required by applicable securities laws. Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in our 2022 Form 10-K, in Part II, Item 1A. "Risk Factors" of our Form 10-Q for the quarter ended March 31, 2023, and in any subsequent reports filed with the SEC by Key, as well as our registration statements under the Securities Act of 1933, as amended, all of which are or will upon filing be accessible on the SEC's website at www.sec.gov and on our website at www.key.com/ir.

Long-term financial targets

Cash efficiency ratio (a)



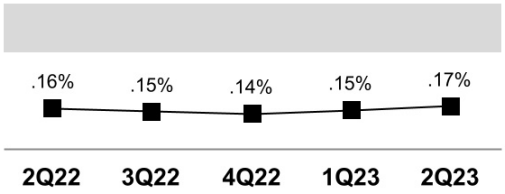
(a) See the section entitled "GAAP to Non-GAAP Reconciliations," which presents the computations of certain financial measures related to "cash efficiency." The section includes tables that reconcile the GAAP performance measures to the corresponding non-GAAP measures, which provides a basis for period-to-period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

Positive Operating Leverage

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

We continue to exercise disciplined expense management. Expenses were down 9% quarter-over-quarter and stable year-over-year. Our commitment to positive operating leverage remains.

Net loan charge-offs to average total loans

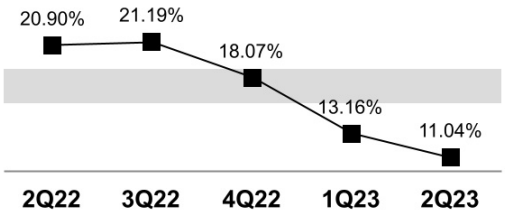


Moderate Risk Profile

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.

We believe our strong risk management practices and disciplined underwriting continue to strengthen our credit quality. Net charge-offs to average loans remain at low levels, in alignment with our moderate risk profile.

Return on average tangible common equity (a)



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

Financial Return

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

Our relationship-based business model, strong expense management and disciplined underwriting continue to drive sound profitable growth.

Strategic developments

Our actions and results during the second quarter of 2023 support our corporate strategy described in the “Introduction” section under the “Corporate strategy” heading on page 49 of our 2022 Form 10-K.

- Our relationship-based business model provides us with a strong granular deposit base and attractive lending and fee-based opportunities. Our long-term strategic commitment to primacy, that is, serving as our client's primary bank, continues to serve us well.
- We grew and expanded relationships, with our differentiated originate-to-distribute model enabling us to support our clients on and off-balance sheet. Market disruption has provided further opportunity for client acquisition.
- We continue to be proactive from both a balance sheet optimization and capital allocation perspective.
- Overall, credit quality remains solid as our new loan originations in both our commercial and consumer businesses continue to meet our criteria for high quality loans as we effectively manage risk and rewards. Our continuous focus on maintaining our risk discipline has and will continue to position us to perform well through all business cycles.
- Our strong capital position allows us to continue to execute against our capital priorities. During the second quarter, the Board of Directors declared a Common Share dividend of $.205 per Common Share, and our Common Equity Tier 1 ratio was 9.3%[(a)] as of June 30, 2023.

Current year expectations - full year 2023 vs. full year 2022

Category	Expectations [(b)]
Average loans	up 6% to 9%
Average deposits	flat to down 2%
Net interest income (TE)	down 12% to 14%
Noninterest income	down 7% to 9%
Noninterest expense	relatively stable
Net charge-offs to average loans	25 to 30 basis points (FY2023)
Effective tax rate	18% to 19% (FY2023)

Quarterly expectations

Category	3Q23 (vs 2Q23)[(b)]	4Q23 (vs 3Q23)[(b)]
Average loans	down 1% to 3%	down 1% to 3%
Average deposits	relatively stable	relatively stable
Net interest income (TE)	down 4% to 6%	flat to down 2%
Noninterest income	up 2% to 4%	up 4% to 6%
Noninterest expense	relatively stable	relatively stable[(c)]
Net charge-offs to average loans	20 to 25 basis points (3Q23)	25 to 35 basis points (4Q23)
Effective tax rate	18% to 19% (3Q23)	18% to 19% (4Q23)

[(a)] June 30, 2023 capital ratios are estimates
[(b)] Relatively stable: +/- 2%
[(c)] Excludes proposed FDIC special assessment discussed under the heading “Supervision and regulation - Deposit insurance and assessments” within this Form 10-Q

Demographics

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

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

derivatives, foreign exchange, financial advisory, and public finance. Additionally, KBCM provides fixed income and equity sales and trading services to investor clients.

Supervision and regulation

The following discussion provides a summary of recent regulatory developments and should be read in conjunction with the disclosure included in our 2022 Form 10-K under the heading “Supervision and Regulation” in Item 1. Business and under the heading “II. Compliance Risk” in Item 1A. Risk Factors as well as the disclosure included in Part II, Item 1A. "Risk Factors" of our Form 10-Q for the quarter ended March 31, 2023.

Regulatory capital requirements

KeyCorp and KeyBank are subject to regulatory capital requirements that are based largely on the Basel III international capital framework (“Basel III”). The Basel III capital framework and the U.S. implementation of the Basel III capital framework (“Regulatory Capital Rules”) are discussed in more detail in Item 1. Business of our 2022 Form 10-K under the heading “Supervision and Regulation — Regulatory capital requirements.”

Under the Regulatory Capital Rules, standardized approach banking organizations, such as KeyCorp and KeyBank, are required to meet the minimum capital and leverage ratios set forth in Figure 1 below. At June 30, 2023, KeyCorp’s ratios under the fully phased-in Regulatory Capital Rules are set forth in Figure 1.

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

Ratios (including stress capital buffer)	Regulatory Minimum Requirement	Stress Capital Buffer [b]	Regulatory Minimum With Stress Capital Buffer	KeyCorp June 30, 2023 [c]
Common Equity Tier 1	4.5 %	2.5 %	7.0 %	9.3 %
Tier 1 Capital	6.0	2.5	8.5	10.8
Total Capital	8.0	2.5	10.5	13.1
Leverage [a]	4.0	N/A	4.0	8.7

(a) As a standardized approach banking organization, KeyCorp is not subject to the 3% supplemental leverage ratio requirement, which became effective January 1, 2018.
(b) Stress capital buffer must consist of Common Equity Tier 1 capital. As a standardized approach banking organization, KeyCorp is not subject to the countercyclical capital buffer of up to 2.5% imposed upon an advanced approaches banking organization under the Regulatory Capital Rules.
(c) June 30, 2023 ratios are estimated and reflect the five-year transition of CECL impacts on regulatory ratios.

Revised prompt corrective action framework

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

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

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

(a) A “well capitalized” institution also must not be subject to any written agreement, order, or directive to meet and maintain a specific capital level for any capital measure.
(b) As a “standardized approach” banking organization, KeyBank is not subject to the 3% supplemental leverage ratio requirement, which became effective January 1, 2018.

As of June 30, 2023, KeyBank (consolidated) satisfied the risk-based and leverage capital requirements necessary to be considered “well capitalized” for purposes of the PCA framework. However, investors should not regard this determination as a representation of the overall financial condition or prospects of KeyBank because the PCA framework is intended to serve a limited supervisory function. Moreover, it is important to note that the PCA framework does not apply to BHCs, like KeyCorp.

Recent regulatory capital-related changes

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

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

The expanded total risk-weighted assets calculation used in the expanded risk-based approach would be phased in over a three-year period starting on July 1, 2025. For Category III and IV banking organizations, the requirement to reflect AOCI in regulatory capital would also be phased in over a three-year period starting on July 1, 2025. All other elements of the calculation of regulatory capital would apply on the effective date of the final rule, which is expected to be on or about July 1, 2025. Comments on the Capital Proposal are due by November 30, 2023.

Capital planning and stress testing

On June 23, 2022, the Federal Reserve announced the results of the supervisory stress test that it conducted of 34 BHCs having more than $100 billion in total consolidated assets (including KeyCorp). The Federal Reserve indicated that all BHCs subject to the stress test maintained capital ratios above the minimum required levels under the severely adverse scenario. The stress test results for individual BHCs were used to determine a BHC's stress capital buffer requirement, which became effective on October 1, 2022, and will remain in effect until September 30, 2023, unless the firm later receives an updated stress capital buffer requirement from the Federal Reserve. On August 4, 2022, the Federal Reserve confirmed that KeyCorp's required stress capital buffer, based on its June 2022 stress test, is 2.5%, which is the minimum buffer required for banking organizations the size of KeyCorp.

On June 28, 2023, the Federal Reserve announced the results of the supervisory stress test that it conducted of 23 large BHCs (not including KeyCorp). As a Category IV banking organization subject to a supervisory stress test every other year, KeyCorp was not required to participate in the Federal Reserve's supervisory stress test in 2023. On July 27, 2023, the Federal Reserve confirmed that KeyCorp's required stress capital buffer (based on the results of KeyCorp's June 2022 stress test) is 2.5%.

See Item 1. Business of our 2022 Form 10-K under the heading "Supervision and Regulation - Regulatory capital requirements - Capital planning and stress testing" for a discussion of other developments concerning capital planning and stress testing requirements.

Deposit insurance and assessments

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

On March 10, 2023, and March 12, 2023, Silicon Valley Bank ("SVB") and Signature Bank ("Signature") were closed by the state banking authorities in California and New York, respectively, and the FDIC was appointed as receiver of SVB and Signature. All deposits of SVB and Signature were transferred to bridge banks established by the FDIC under the systemic risk exception to the least cost test in the FDIA so that the uninsured deposits as well as the insured deposits of both banks were protected by the FDIC. Under the FDIA, the loss to the DIF arising from the use of the systemic risk exception must be recovered through one or more special assessments on IDIs, depository institution holding companies, or both, as the FDIC determines to be appropriate. The FDIA requires the FDIC to consider the following factors in designing any special assessment: the types of entities that benefit from the action taken, economic conditions, the effects on the industry, and such other factors as the FDIC deems appropriate and relevant to the action taken.

On May 11, 2023, the FDIC issued for public comment a proposed rule to impose a special assessment on IDIs to recover the loss to the DIF resulting from the use of the systemic risk exception to protect the uninsured depositors of SVB and Signature. Under the proposal, the FDIC would collect a special assessment from IDIs at an annual rate of approximately 12.5 basis points over eight quarterly assessment periods, starting with the first quarterly assessment period of 2024. The assessment base for the proposed special assessment would be equal to an IDI's estimated uninsured deposits reported as of December 31, 2022, adjusted to exclude the first $5 billion in estimated uninsured deposits held by the IDI. The special assessment rate could be revised before the proposal is finalized in order to reflect any adjustments to the estimated loss to the DIF from protecting the uninsured depositors of SVB and Signature, any mergers or failures of IDIs, or any amendments to the reported estimates of uninsured deposits by the covered IDIs. In its proposal, the FDIC indicated that the special assessment would be a tax-deductible operating expense for IDIs, and that it assumed that the effect on income of the entire amount of the special assessment would occur in one quarter for the IDIs subject to the assessment. Comments on the proposal were due by July 21, 2023.

As proposed, the current estimated impact of the special assessment is approximately $176 million which is expected to be recognized upon the rule's final issuance. Any change to the amount of the uninsured deposits subject to the rule or the terms of the final rule impacting the determination of uninsured deposits, exclusionary criteria, annual rate, or term of annual rate application would have a direct impact on the estimate of Key's special assessment.

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

See Item 1. Business of our 2022 Form 10-K under the heading "Supervision and Regulation – FDIA, Resolution Authority and Financial Stability - Deposit insurance and assessments" for a discussion of other developments concerning deposit insurance and assessments.

Regulatory responses to recent bank failures

Following the failures of SVB and Signature and the resulting stress in the banking system, the Federal Reserve created a new Bank Term Funding Program (the "Program") as an additional source of liquidity available to depository institutions that are in generally sound financial condition. The Program offers loans of up to one year to eligible depository institutions, which would pledge U.S. Treasuries, agency debt, mortgage-backed securities, or other qualifying assets valued at par as collateral. The Program will be in effect until at least March 11, 2024.

As a result of the failures of SVB and Signature in March 2023 and First Republic Bank in May 2023, representatives of federal banking agencies have indicated that consideration is being given to strengthening the oversight and regulation of large regional banks, in particular, those banks with between $100 billion and $250 billion in assets. The strengthened oversight and regulation may consist of new requirements imposed on such banking organizations, including additional capital, liquidity, stress testing, resolution planning, and long-term debt requirements. KeyCorp and KeyBank may be subject to any such new requirements that are adopted.

The issuance by the FDIC of an NPR for a special assessment related to the recent bank failures is discussed above under the heading "Supervision and regulation - Deposit insurance and assessments," and the issuance by the federal banking agencies of an NPR proposing a revision of capital rules applicable to Large Banking Organizations is discussed above under the heading "Supervision and regulation - Recent regulatory capital-related changes."

Cybersecurity disclosure requirements

On July 26, 2023, the SEC adopted final rules requiring public companies (including KeyCorp) to disclose on Form 8-K material cybersecurity incidents and to disclose annually on Form 10-K information regarding their cybersecurity risk management, strategy, and governance. Material cybersecurity incidents must be disclosed on Form 8-K within four business days after the company determines that the cybersecurity incident is material unless the U.S. Attorney General determines that immediate disclosure would pose a substantial risk to national security or public safety. The disclosure of a cybersecurity incident must include a description of the incident's nature, scope, and timing, as well as its material impact or reasonably likely material impact on the company. The annual disclosure on Form 10-K must include information regarding a company's processes, if any, to assess, identify, and manage material cybersecurity risks, management's role in assessing and managing material cybersecurity risks, and the board of directors' oversight of cybersecurity risks. Companies are required to comply with the Form 8-K incident disclosure requirements starting the later of 90 days after the date of publication of the SEC's rules in the Federal Register or December 18, 2023. The disclosures on Form 10-K will be required in annual reports for fiscal years ending on or after December 15, 2023.

Volcker Rule

The Volcker Rule is discussed in detail in Item 1. Business of our 2022 Form 10-K under the heading "Supervision and Regulation - Other Regulatory Developments - Volcker Rule." As of June 30, 2023, Key has completed conforming and/or divesting certain indirect investments subject to the Volcker Rule.

Federal LIBOR transition legislation

On March 15, 2022, President Biden signed into law the Consolidated Appropriations Act, 2022, which contains the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act"). The LIBOR Act addresses certain issues relating to the transition from the use of LIBOR as a benchmark reference rate in contracts to the use of alternate reference rates. Among other things, the LIBOR Act (i) provides for the replacement, by operation of law, of LIBOR with a SOFR-based reference rate selected by the Federal Reserve for contracts which do not have effective fallback language; (ii) authorizes persons who have discretionary authority for selecting a LIBOR replacement to opt into a statutory safe harbor from liability by selecting the benchmark identified by the Federal Reserve; (iii) states that parties to a contract may opt out of the LIBOR Act; and (iv) provides that no federal supervisory agency may take supervisory action against a bank solely because the bank uses a benchmark rate other than SOFR.

On December 16, 2022, the Federal Reserve adopted a final rule to implement the LIBOR Act. The final rule establishes Federal Reserve-selected benchmark replacements for contracts governed by federal or state law that use LIBOR as a benchmark reference rate but do not provide for a clearly defined or practicable replacement after June 30, 2023, when LIBOR will no longer be available in its current form. The final rule identifies separate Federal Reserve-selected replacement rates for different categories of LIBOR contracts, including, among others, derivative

transactions, consumer loans, and contracts involving entities regulated by the Federal Housing Finance Agency. Consistent with the LIBOR Act, each replacement rate is based on SOFR and incorporates spread adjustments for each specified tenor of LIBOR. The final rule also defines various terms and clarifies certain matters relating to the implementation, administration, and calculation of the benchmark replacement rate, including clarification of who is considered a "determining person" able to make the decision to use the Federal Reserve-selected rate in a LIBOR contract. In addition, the final rule indicates that this rule preempts any state or local law, regulation, or standard relating to the selection or use of a benchmark replacement for LIBOR or related conforming changes. The final rule ensures that LIBOR contracts adopting a Federal Reserve-selected benchmark will not be interrupted or terminated following LIBOR's replacement. The final rule became effective February 27, 2023.

On April 26, 2023, five federal financial institution regulatory agencies in conjunction with the state bank and state credit union regulators issued a joint statement on completing the LIBOR transition. In their joint statement, the agencies reminded financial institutions that U.S. dollar LIBOR panels will end on June 30, 2023 and that institutions should complete their transition of remaining LIBOR contracts as soon as practicable. The agencies indicated that bank examiners will continue monitoring efforts through 2023 to ensure that institutions have moved their contracts away from LIBOR in a safe and sound manner and in compliance with applicable legal requirements.

Final NYSE Clawback Listing Standards

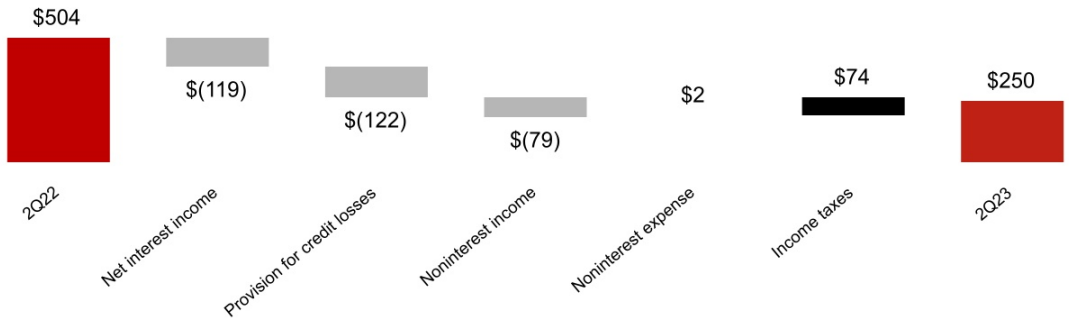
On October 26, 2022, the SEC adopted final rules implementing the incentive-based compensation recovery (clawback) provisions mandated by Section 954 of the Dodd-Frank Act. The rules, which are set forth under new Rule 10D-1 of the Securities Exchange Act of 1934, as amended ("Rule 10D-1"), directed U.S. stock exchanges to establish listing standards requiring listed companies to adopt policies providing for the recovery (or clawback) of incentive-based compensation received by current or former executive officers where such compensation is based on the erroneously reported financial information which required an accounting restatement (a "Clawback Policy"). Under the rules, a company must recover erroneously awarded incentive compensation "reasonably promptly" after such obligation is incurred. Rule 10D-1 also requires that the listing standards include disclosure requirements related to clawbacks.

On June 9, 2023, the SEC approved the NYSE's proposed clawback listing standards. Consistent with Rule 10D-1, the NYSE listing standards require NYSE-listed companies, including KeyCorp, to (i) adopt and implement a compliant Clawback Policy, (ii) file the Clawback Policy as an exhibit to their annual reports, and (iii) provide certain disclosures relating to any compensation recovery triggered by the policy. Failure to comply with the NYSE listing standards could result in a suspension from trading on the NYSE and the commencement of delisting procedures. KeyCorp will be required to adopt a compliant Clawback Policy no later than December 1, 2023.

Results of Operations

Earnings overview

The following chart provides a reconciliation of net income from continuing operations attributable to Key common shareholders for the three months ended June 30, 2022, to the three months ended June 30, 2023 (dollars in millions):



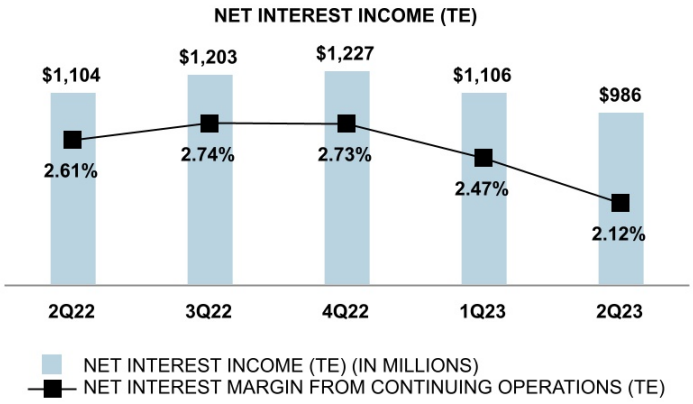
Net interest income

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

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

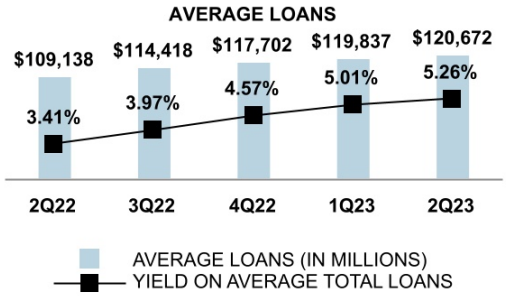
To make it easier to compare both the results across several periods and the yields on various types of earning assets (some taxable, some not), we present net interest income in this discussion on a “TE basis” (i.e., as if all income were taxable and at the same rate). For example, $100 of tax-exempt income would be presented as $126, an amount that, if taxed at the statutory federal income tax rate of 21%, would yield $100.

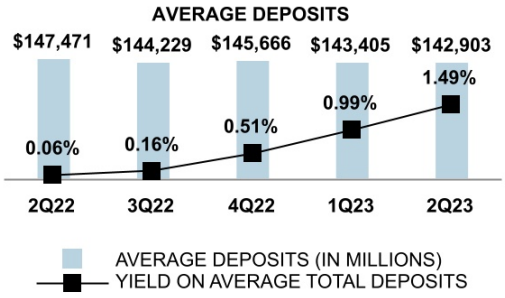
Figure 3 shows the various components of our balance sheet that affect interest income and expense and their respective yields or rates for the current periods and comparative year ago periods. This figure also presents a reconciliation of TE net interest income to net interest income reported in accordance with GAAP for each of those quarters. The net interest margin, which is an indicator of the profitability of the earning assets portfolio less cost of funding, is calculated by dividing annualized TE net interest income by average earning assets.



Net interest income (TE) was $986 million for the second quarter of 2023 and the net interest margin was 2.12%. Compared to the second quarter of 2022, net interest income (TE) decreased $118 million and net interest margin decreased by forty-nine basis points. The decline in net interest income and the net interest margin reflects higher interest-bearing deposit costs and a shift in funding mix to higher cost deposits and borrowings.

For the six months ended June 30, 2023, net interest income (TE) decreased $32 million from the same period last year and net interest margin decreased by twenty-four basis points. The decline in net interest income (TE) and the net interest margin was driven by higher interest-bearing deposit costs, a shift in funding mix to higher cost deposits and borrowings, and lower loan fees from PPP.





Average loans were $120.7 billion for the second quarter of 2023, an increase of $11.5 billion compared to the second quarter of 2022. Commercial loans increased $9.0 billion, largely reflecting growth in commercial and industrial loans, as well as an increase in commercial mortgage real estate loans. Consumer loans increased $2.5 billion, largely driven by Key's residential mortgage business.

Average deposits totaled $142.9 billion for the second quarter of 2023, a decrease of $4.6 billion compared to the year-ago quarter. The decline reflects elevated inflation-related spend, changing client behavior due to higher interest rates, and a normalization of pandemic-related deposits.

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

	Three months ended June 30, 2023			Three months ended June 30, 2022			Change in Net interest income due to		
Dollars in millions	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]	Volume	Yield/Rate	Total
ASSETS									
Loans [b], [c]									
Commercial and industrial [d]	$ 61,426	$ 881	5.76 %	$ 53,858	$ 449	3.34 %	$ 71	$ 361	$ 432
Real estate — commercial mortgage	16,226	235	5.80	15,231	136	3.58	9	90	99
Real estate — construction	2,641	44	6.64	2,125	20	3.81	6	18	24
Commercial lease financing	3,756	29	3.07	3,817	24	2.47	—	5	5
Total commercial loans	84,049	1,189	5.67	75,031	629	3.36	86	474	560
Real estate — residential mortgage	21,659	176	3.25	18,383	131	2.85	25	20	45
Home equity loans	7,620	109	5.75	8,208	78	3.83	(6)	37	31
Consumer direct loans	6,323	77	4.89	6,514	68	4.19	(2)	11	9
Credit cards	984	33	13.49	943	24	10.20	1	8	9
Consumer indirect loans	37	—	—	59	—	—	—	—	—
Total consumer loans	36,623	395	4.33	34,107	301	3.53	18	76	94
Total loans	120,672	1,584	5.26	109,138	930	3.41	104	550	654
Loans held for sale	1,087	17	6.16	1,107	10	3.49	—	7	7
Securities available for sale [b], [e]	38,899	194	1.74	43,023	188	1.60	(19)	25	6
Held-to-maturity securities [b]	9,371	81	3.47	7,291	48	2.65	16	17	33
Trading account assets	1,244	15	4.64	854	7	3.45	4	4	8
Short-term investments	7,798	111	5.73	3,591	13	1.45	28	70	98
Other investments [e]	1,566	16	4.03	800	4	2.27	6	6	12
Total earning assets	180,637	2,018	4.34	165,804	1,200	2.83	139	679	818
Allowance for loan and lease losses	(1,379)			(1,103)					
Accrued income and other assets	17,202			18,826					
Discontinued assets	394			505					
Total assets	$ 196,854			$ 184,032					
LIABILITIES									
Money market deposits	$ 32,419	$ 123	1.53 %	$ 36,362	$ 5	.05 %	$ (1)	$ 119	$ 118
Demand deposits	53,569	256	1.91	49,027	13	.11	1	242	243
Savings deposits	6,592	1	.04	7,891	—	.01	—	1	1
Certificates of deposit ($100,000 or more)	3,851	33	3.48	1,487	1	.44	4	28	32
Other time deposits	11,365	118	4.17	1,972	1	.13	23	94	117
Total interest-bearing deposits	107,796	531	1.98	96,739	20	.08	27	484	511
Federal funds purchased and securities sold under repurchase agreements	3,767	48	5.07	2,792	6	.88	3	39	42
Bank notes and other short-term borrowings	7,982	104	5.22	1,943	9	1.77	60	35	95
Long-term debt [f], [g]	22,284	349	6.26	12,662	61	1.92	73	215	288
Total interest-bearing liabilities	141,829	1,032	2.91	114,136	96	.34	163	773	936
Noninterest-bearing deposits	35,107			50,732					
Accrued expense and other liabilities	5,112			4,261					
Discontinued liabilities [g]	394			505					
Total liabilities	182,442			169,634					
EQUITY									
Key shareholders' equity	14,412			14,398					
Noncontrolling interests	—			—					
Total equity	14,412			14,398					
Total liabilities and equity	$ 196,854			$ 184,032					
Interest rate spread (TE)			1.43 %			2.50 %			
Net interest income (TE) and net interest margin (TE)		$ 986	2.12 %		$ 1,104	2.61 %	$ (24)	$ (94)	(118)
TE adjustment [b]		8			7				
Net interest income, GAAP basis		$ 978			$ 1,097				

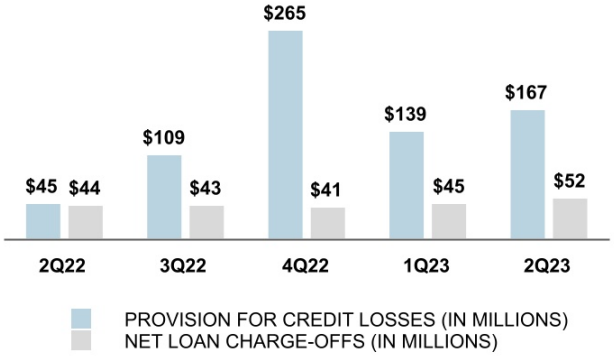
(a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g), calculated using a matched funds transfer pricing methodology.
(b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 21% for the three months ended June 30, 2023, and June 30, 2022.
(c) For purposes of these computations, nonaccrual loans are included in average loan balances.
(d) Commercial and industrial average balances include $194 million and $153 million of assets from commercial credit cards for the three months ended June 30, 2023, and June 30, 2022, respectively.
(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.
(h) Average balances presented are based on daily average balances over the respective stated period.

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

	Six months ended June 30, 2023			Six months ended June 30, 2022			Change in Net interest income due to		
Dollars in millions	Average Balance	Interest [a]	Yield/ Rate [a]	Average Balance	Interest [a]	Yield/ Rate [a]	Volume	Yield/Rate	Total
ASSETS									
Loans [b], [c]									
Commercial and industrial [d]	$ 60,857	$ 1,688	5.59 %	$ 52,723	$ 858	3.28 %	$ 149	$ 681	$ 830
Real estate — commercial mortgage	16,347	459	5.66	14,910	257	3.48	27	175	202
Real estate — construction	2,583	83	6.47	2,076	37	3.60	11	35	46
Commercial lease financing	3,770	56	2.97	3,879	48	2.44	(1)	9	8
Total commercial loans	83,557	2,286	5.51	73,588	1,200	3.28	186	900	1,086
Real estate — residential mortgage	21,548	348	3.23	17,352	243	2.80	64	41	105
Home equity loans	7,749	215	5.61	8,276	153	3.72	(10)	72	62
Consumer direct loans	6,380	152	4.80	6,236	129	4.18	3	20	23
Credit cards	984	65	13.43	938	48	10.28	2	15	17
Consumer indirect loans	39	1	.60	75	—	—	—	1	1
Total consumer loans	36,700	781	4.28	32,877	573	3.49	59	149	208
Total loans	120,257	3,067	5.14	106,465	1,773	3.35	245	1,049	1,294
Loans held for sale	997	30	6.02	1,295	22	3.40	(6)	14	8
Securities available for sale [b], [e]	39,034	388	1.73	43,968	361	1.55	(43)	70	27
Held-to-maturity securities [b]	9,152	155	3.40	7,239	94	2.59	28	33	61
Trading account assets	1,123	27	4.74	848	13	3.10	5	9	14
Short-term investments	5,677	153	5.44	5,447	17	.65	1	135	136
Other investments [e]	1,438	29	4.02	726	6	1.82	9	14	23
Total earning assets	177,678	3,849	4.22	165,988	2,286	2.72	239	1,324	1,563
Allowance for loan and lease losses	(1,357)			(1,080)					
Accrued income and other assets	17,351			18,152					
Discontinued assets	406			522					
Total assets	$ 194,078			$ 183,582					
LIABILITIES									
Money market deposits	$ 33,110	$ 201	1.23 %	$ 36,795	$ 9	.05 %	$ (1)	$ 193	$ 192
Demand deposits	52,993	440	1.67	50,148	20	.08	1	419	420
Savings deposits	6,967	1	.04	7,746	1	.01	—	—	—
Certificates of deposit ($100,000 or more)	3,125	49	3.16	1,562	3	.44	6	40	46
Other time deposits	9,745	190	3.94	2,035	1	.14	17	172	189
Total interest-bearing deposits	105,940	881	1.68	98,286	34	.07	23	824	847
Federal funds purchased and securities sold under repurchase agreements	2,932	70	4.81	1,547	6	.81	9	55	64
Bank notes and other short-term borrowings	7,293	182	5.03	1,327	12	1.82	122	48	170
Long-term debt [f], [g]	21,218	624	5.88	11,751	110	1.86	140	374	514
Total interest-bearing liabilities	137,383	1,757	2.57	112,911	162	.29	294	1,301	1,595
Noninterest-bearing deposits	37,213			50,523					
Accrued expense and other liabilities	4,960			4,043					
Discontinued liabilities [g]	406			522					
Total liabilities	179,962			167,999					
EQUITY									
Key shareholders' equity	14,116			15,583					
Noncontrolling interests	—			—					
Total equity	14,116			15,583					
Total liabilities and equity	$ 194,078			$ 183,582					
Interest rate spread (TE)			1.65 %			2.44 %			
Net interest income (TE) and net interest margin (TE)		$ 2,092	2.29 %		$ 2,124	2.53 %	$ (55)	$ 23	$ (32)
TE adjustment [b]		15			13				
Net interest income, GAAP basis		$ 2,077			$ 2,111				

(a) Results are from continuing operations. Interest excludes the interest associated with the liabilities referred to in (g) below, calculated using a matched funds transfer pricing methodology.
(b) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 21% for the six months ended June 30, 2023, and June 30, 2022, respectively.
(c) For purposes of these computations, nonaccrual loans are included in average loan balances.
(d) Commercial and industrial average balances include $186 million and $147 million of assets from commercial credit cards for the six months ended June 30, 2023, and June 30, 2022, respectively.
(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 Key's matched funds transfer pricing methodology to discontinued operations.
(h) Average balances presented are based on daily average balances over the respective stated period.

Provision for credit losses



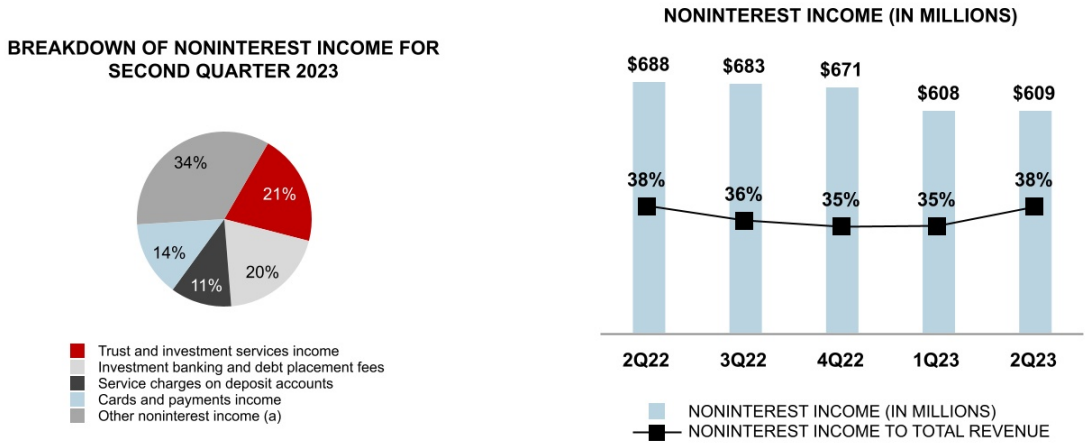
Key's provision for credit losses was $167 million for the three months ended June 30, 2023, compared to $45 million for the three months ended June 30, 2022. The provision for credit losses was $306 million for the six months ended June 30, 2023, compared to $128 million for the six months ended June 30, 2022. The increase was largely driven by changes in the economic outlook and portfolio activity.

Noninterest income

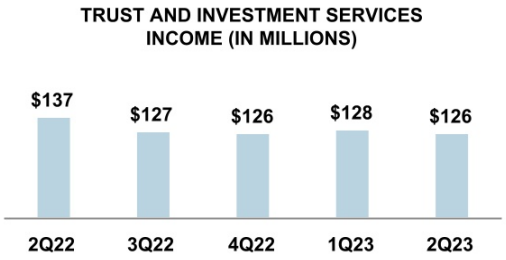
As shown in Figure 4, noninterest income was $609 million, and represented 38% of total revenue for the second quarter of 2023, compared to $688 million, representing 38% of total revenue, for the year-ago quarter.

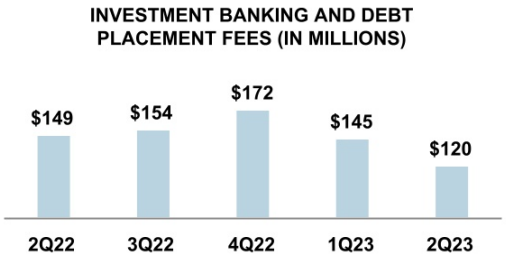
The following discussion explains the composition of certain elements of our noninterest income and the factors that caused those elements to change.

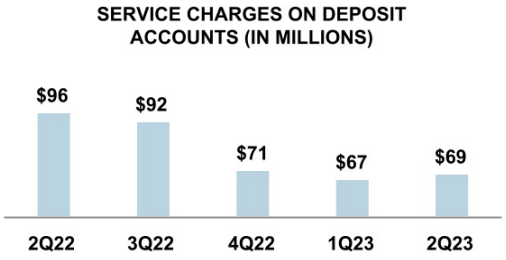
Figure 4. Noninterest Income

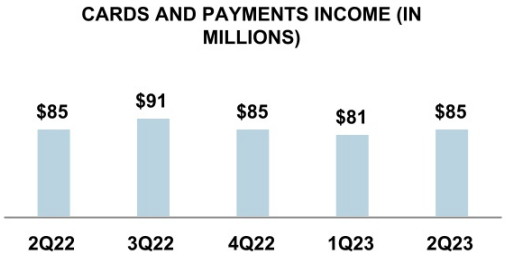


(a) Other noninterest income includes operating lease income and other leasing gains, corporate services income, corporate-owned life insurance income, consumer mortgage income, commercial mortgage servicing fees, and other income. See the "Consolidated Statements of Income" in Item 1. Financial Statements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









Trust and investment services income

Trust and investment services income consists of brokerage commissions, trust and asset management fees, and insurance income. The assets under management that primarily generate certain trust and asset management fees are shown in Figure 5. For the three months ended June 30, 2023, trust and investment services income was down $11 million, or 8.0%, compared to the same period one year ago. For the six months ended June 30, 2023, trust and investment services income was down $19 million, or 7.0%, compared to the same period one year ago. This was primarily due to a decline in fixed income, equity trading, and brokerage commissions.

A significant portion of our trust and investment services income depends on the value and mix of assets under management. As shown in Figure 5, at June 30, 2023, our bank, trust, and registered investment advisory subsidiaries had assets under management of $54.0 billion, up 10.1% compared to June 30, 2022.

Figure 5. Assets Under Administration

Dollars in millions	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Discretionary assets under management by investment type:					
Equity	$ **30,320**	$ 29,139	$ 28,313	$ 26,930	$ 28,344
Fixed income	**13,819**	14,615	14,432	13,035	12,913
Money market	**6,094**	6,490	5,238	4,850	4,604
Total discretionary assets under management	**50,233**	50,244	47,983	44,815	45,861
Non-discretionary assets under administration	**3,719**	3,445	3,299	3,031	3,142
Total	$ **53,952**	$ 53,689	$ 51,282	$ 47,846	$ 49,003

Investment banking and debt placement fees

Investment banking and debt placement fees consist of syndication fees, debt and equity securities underwriting fees, merger and acquisition and financial advisory fees, gains on sales of commercial mortgages, and agency origination fees. For the three months ended June 30, 2023, investment banking and debt placement fees were down $29 million, or 19.5%, compared to the same period a year ago. For the six months ended June 30, 2023, investment banking and debt placement fees decreased $47 million, or 15.1%, compared to the same period a year ago. The decrease reflects lower merger and acquisition advisory fees and lower syndication fees.

Service charges on deposit accounts

Service charges on deposit accounts decreased $27 million, or 28.1%, for the three months ended June 30, 2023, compared to the same period one year ago. For the six months ended June 30, 2023, service charges on deposit accounts decreased by $51 million, or 27.3%, from the six months ended June 30, 2022. The declines for both periods were driven by a reduction in overdraft and non-sufficient funds fees from our new client friendly fee structure and lower account analysis fees related to the interest rate environment.

Cards and payments income

Cards and payments income, which consists of debit card, prepaid card, consumer and commercial credit card, and merchant services income, was relatively flat for the three months ended June 30, 2023 and the six months ended June 30, 2023, compared to the same periods one year ago.

Other noninterest income

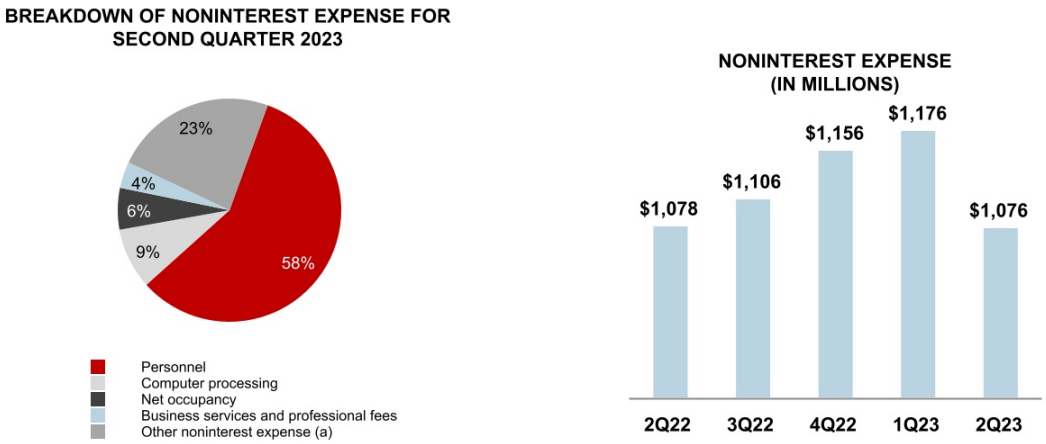
Other noninterest income includes operating lease income and other leasing gains, corporate services income, corporate-owned life insurance income, consumer mortgage income, commercial mortgage servicing fees, and other income. Other noninterest income for the three months ended June 30, 2023, decreased $12 million, or 5.4%, from the year-ago quarter. For the six months ended June 30, 2023, other noninterest income decreased $31 million, or 7.3%, from the same period a year ago. Decreases were driven by the overall decrease in consumer mortgage income from lower gain on sale margins as well as decreases in operating lease income from smaller portfolio size. These decreases were slightly offset by an increase in commercial mortgage servicing fees driven by a higher servicing portfolio.

Noninterest expense

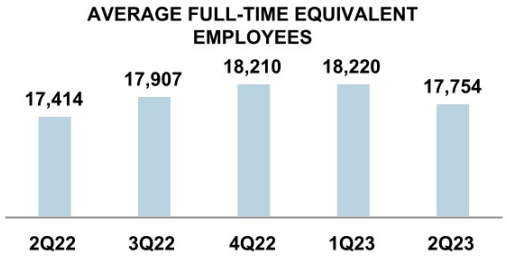
As shown in Figure 6, noninterest expense was $1.1 billion for the second quarter of 2023, compared to $1.1 billion for the second quarter of 2022. Noninterest expense was $2.3 billion for the six months ended June 30, 2023, compared to $2.1 billion for the six months ended June 30, 2022.

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

Figure 6. Noninterest Expense



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



Personnel

Personnel expense, the largest category of our noninterest expense, increased by $15 million, or 2.5%, for the three months ended June 30, 2023, compared to the same period one year ago. For the six months ended June 30, 2023, personnel expense was up $86 million, or 7.0%, compared to the same period one year ago. The increases were driven by higher salaries expense as well as an increase in severance from expense actions in the first quarter, partially offset by decreases in incentive compensation amounts.

Nonpersonnel expense

Nonpersonnel expenses includes net occupancy, computer processing, business services and professional fees, equipment, operating lease expense, marketing, and other miscellaneous expense categories. Nonpersonnel expenses for the three months ended June 30, 2023, decreased $17 million, or 3.6%, from the year-ago quarter, primarily due to decreases in net occupancy expense as we exit corporate facilities and a decline in business services and professional fees offset by an increase in computer processing expense, due to technology investments. For the six months ended June 30, 2023, other nonpersonnel expense increased $18 million, or 2.0%, from the six months ended June 30, 2022, driven by an increase in computer processing expense from technology investments, partially offset by decreases in net occupancy and business service and professional fees.

Income taxes

We recorded tax expense of $58 million for the second quarter of 2023 and $132 million for the second quarter of 2022. We recorded tax expense of $139 million for the six months ended June 30, 2023, compared to $222 million for the six months ended June 30, 2022.

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

Additional information pertaining to how our tax expense (benefit) and the resulting effective tax rates were derived is included in Note 14 (“Income Taxes”) beginning on page 151 of our 2022 Form 10-K.

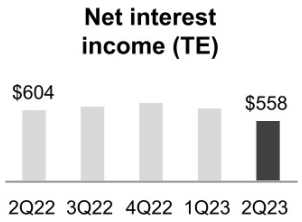
Business Segment Results

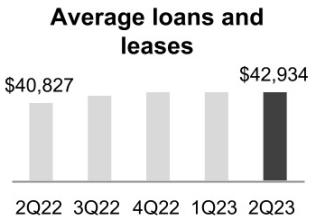
This section summarizes the financial performance of our two major business segments (operating segments): Consumer Bank and Commercial Bank. Note 20 (“Business Segment Reporting”) describes the products and services offered by each of these business segments and provides more detailed financial information pertaining to the segments. For more information on the segment imperatives and market and business overview, see “Business Segment Results” beginning on page 57 of our 2022 Form 10-K. Dollars in the charts are presented in millions.

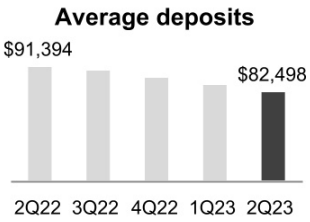
Consumer Bank

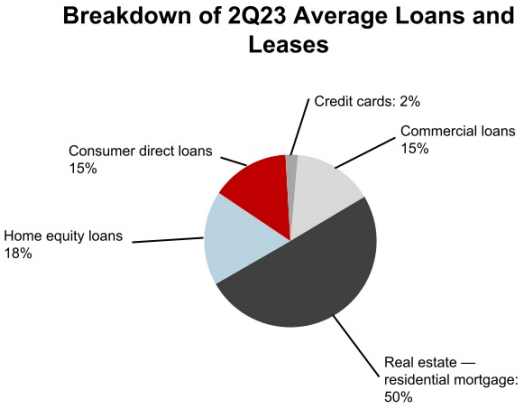
Summary of operations

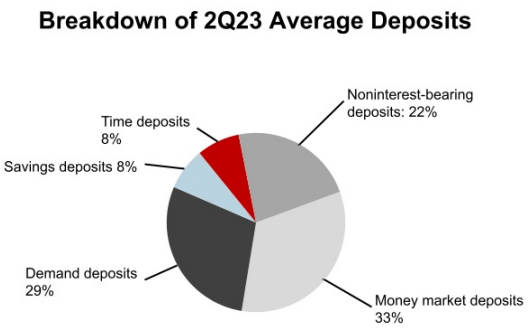
- Net income attributable to Key of $82 million for the second quarter of 2023, compared to $128 million for the year-ago quarter
- Taxable-equivalent net interest income attributable to the Consumer Bank decreased by $46 million, or 7.6%, compared to the second quarter of 2022, driven by higher interest-bearing deposit costs and a shift in funding mix
- Average loans and leases increased $2.1 billion, or 5.2%, from the second quarter of 2022, driven by growth in consumer mortgage loans
- Average deposits decreased $8.9 billion, or 9.7%, from the second quarter of 2022, reflecting elevated inflation-related spend, changing client behavior due to higher interest rates, and a normalization of pandemic-related deposits



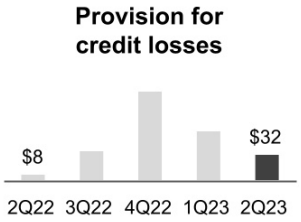


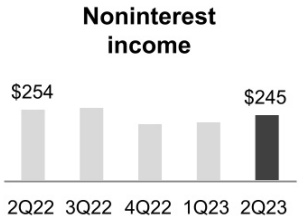


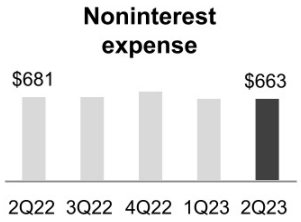




- Provision for credit losses increased $24 million compared to the second quarter of 2022, driven by increases in both the allowance for credit losses and net loan charge-offs
- Noninterest income decreased $9 million, or 3.5%, from the second quarter of 2022, driven by lower service charges on deposit accounts due to a planned reduction in overdraft and non-sufficient funds fees
- Noninterest expense decreased $18 million, or 2.6%, from the second quarter of 2022, reflecting lower incentive compensation and employee benefits from the prior period, partly offset by an increase in salaries



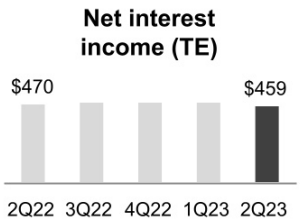


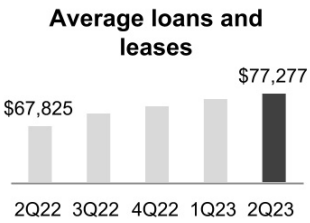


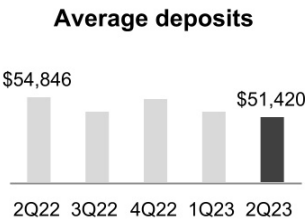
Commercial Bank

Summary of operations

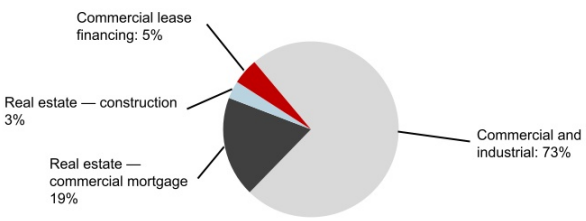
- Net income attributable to Key of $214 million for the second quarter of 2023, compared to $340 million for the year-ago quarter
- Taxable-equivalent net interest income decreased by $11 million, compared to the second quarter of 2022, reflecting higher interest-bearing deposit costs and a shift in funding mix to higher-cost deposits
- Average loan and lease balances increased $9.5 billion, compared to the second quarter of 2022, reflecting growth in commercial and industrial loans and an increase in commercial mortgage real estate loans
- Average deposit balances decreased $3.4 billion, or 6.2%, compared to the second quarter of 2022, reflecting changing client behavior due to higher interest rates



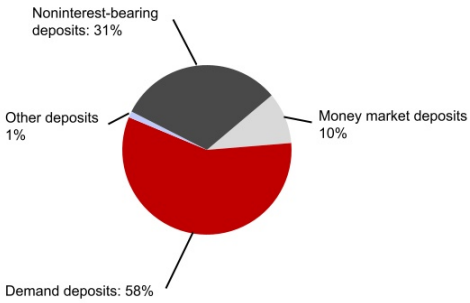




Breakdown of 2Q23 Average Loans and Leases

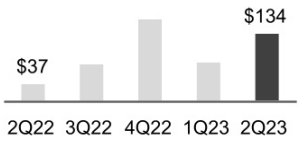


Breakdown of 2Q23 Average Deposits

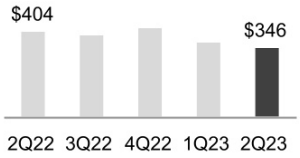


- Provision for credit losses increased $97 million compared to the second quarter of 2022, driven by higher allowance for credit losses due to changes in the economic outlook and portfolio activity
- Noninterest income decreased $58 million, from the second quarter of 2022, primarily driven by lower investment banking and debt placement fees reflecting lower merger and acquisition advisory fees and lower syndication fees, as well as a decrease in corporate services income
- Noninterest expense decreased by $6 million, or 1.5%, from the second quarter of 2022, driven by a decline in incentive compensation

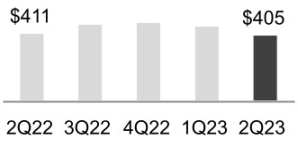
Provision for credit losses



Noninterest income



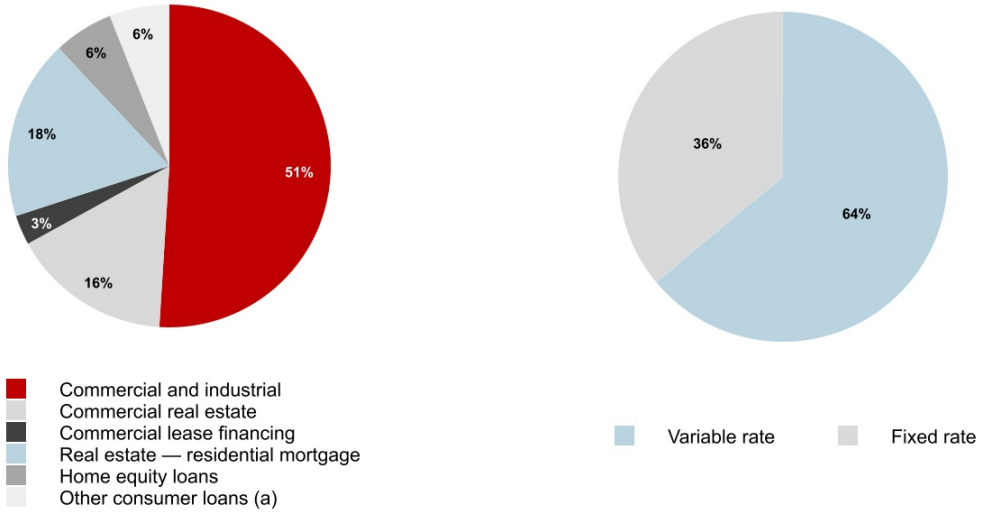
Noninterest expense



Financial Condition

Loans and loans held for sale

Figure 7. Breakdown of Loans at June 30, 2023



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

At June 30, 2023, total loans outstanding from continuing operations were $119.0 billion, compared to $119.4 billion at December 31, 2022. For more information on balance sheet carrying value, see Note 1 (“Summary of Significant Accounting Policies”) under the headings “Loans” and “Loans Held for Sale” starting on page 105 of our 2022 Form 10-K.

Commercial loan portfolio

Commercial loans outstanding were $82.6 billion at June 30, 2023, an increase of $89 million, or .1%, compared to December 31, 2022. The increase was driven by growth in commercial and industrial loans, which increased $412 million, or .7% partially offset by a decline in real estate commercial mortgage loans.

Figure 8 provides our commercial loan portfolios by industry classification at June 30, 2023, and December 31, 2022.

Figure 8. Commercial Loans by Industry

June 30, 2023 *Dollars in millions*	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	$ 852	$ 175	$ 97	$ 1,124	1.4 %
Automotive	1,914	833	9	2,756	3.3
Business products	2,270	168	34	2,472	3.0
Business services	3,612	245	152	4,009	4.8
Chemicals	961	47	4	1,012	1.2
Commercial real estate	8,538	13,683	9	22,230	26.9
Construction materials and contractors	2,330	286	279	2,895	3.5
Consumer goods	4,089	631	297	5,017	6.1
Consumer services	4,867	821	376	6,064	7.3
Equipment	1,995	123	164	2,282	2.8
Finance	9,700	87	368	10,155	12.3
Healthcare	3,223	1,335	297	4,855	5.9
Metals and mining	1,297	80	89	1,466	1.8
Oil and gas	2,472	46	16	2,534	3.1
Public exposure	2,508	11	569	3,088	3.7
Technology	885	12	82	979	1.2
Transportation	1,157	137	498	1,792	2.2
Utilities	6,834	3	443	7,280	8.8
Other	555	(29)	18	544	.7
Total	$ 60,059	$ 18,694	$ 3,801	$ 82,554	100.0 %

December 31, 2022 *Dollars in millions*	Commercial and industrial	Commercial real estate	Commercial lease financing	Total commercial loans	Percent of total
Industry classification:					
Agriculture	$ 907	$ 171	$ 96	$ 1,174	1.4 %
Automotive	1,660	741	12	2,413	2.9
Business products	2,332	176	37	2,545	3.1
Business services	3,497	249	167	3,913	4.7
Chemicals	934	31	45	1,010	1.2
Commercial real estate	8,862	13,897	7	22,766	27.6
Construction materials and contractors	2,351	327	309	2,987	3.7
Consumer goods	4,312	544	286	5,142	6.2
Consumer services	4,963	873	346	6,182	7.5
Equipment	1,988	111	113	2,212	2.7
Finance	8,784	111	462	9,357	11.3
Healthcare	3,379	1,348	310	5,037	6.1
Metals and mining	1,453	86	94	1,633	2.0
Oil and gas	2,385	32	20	2,437	3.0
Public exposure	2,526	9	582	3,117	3.8
Technology	914	12	89	1,015	1.2
Transportation	1,139	159	497	1,795	2.2
Utilities	6,725	5	450	7,180	8.7
Other	536	—	14	550	.7
Total	$ 59,647	$ 18,882	$ 3,936	$ 82,465	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 June 30, 2023, and 50% at December 31, 2022. This portfolio is approximately 87% variable rate and consists of loans originated primarily to large corporate, middle market, and small business clients.

Commercial and industrial loans totaled $60.1 billion at June 30, 2023, an increase of $412 million, or 0.7%, compared to December 31, 2022. The increase was driven by growth in the finance, automotive, business services, and utilities industries, partly offset by declines in most other industry categories.

Commercial real estate loans. Our commercial real estate portfolio includes project loans primarily focused in market-rate and affordable multi-family housing loans, owner-occupied commercial and industrial operating company buildings, and community center grocer-anchored retail centers. These three commercial real estate segments make up 74% of our commercial real estate portfolio. Our non-owner-occupied portfolio is focused on operators of commercial real estate who not only utilize our loan products, but also our broader industry-focused products and services and provide consistent pipelines into our agency, CMBS, and other long-term market take out products. This focus ensures our relationship clients foster and build portfolios with stable, recurring cash flows, with adequate, balanced cash reserves to support our balance sheet exposures through the economic cycle.

At June 30, 2023, commercial real estate loans totaled $18.7 billion, which includes $16.0 billion of mortgage loans and $2.6 billion of construction loans. Compared to December 31, 2022, this portfolio decreased $188 million, or 1.0%, driven by decreases in non-owner occupied. Nonowner-occupied properties, generally properties for which at least 50% of the debt service is provided by rental income from nonaffiliated third parties, represented 81% of total commercial real estate loans outstanding at June 30, 2023.

Since the global financial crisis in 2008, we have limited our construction business and reduced our overall construction loans from 42% to 14% of commercial real estate loans as of June 30, 2023. Construction loans provide a stream of funding for properties not fully leased at origination to support debt service payments over the term of the contract or project. As of June 30, 2023, 74% of our construction portfolio are multi-family project loans.

Our office exposure, which only represents 5% of commercial real estate loans at period end, is largely non-gateway city exposure and is currently 85% occupied.

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

Figure 9. Commercial Real Estate Loans

Dollars in millions	Geographic Region							Total	Percent of Total	Construction	Commercial Mortgage
	West	Southwest	Central	Midwest	Southeast	Northeast	National				
June 30, 2023											
Nonowner-occupied:											
Diversified	$ 9	$ —	$ —	$ 4	$ —	$ 19	$ 225	$ 257	1.4 %	$ —	$ 257
Industrial	50	25	63	126	226	283	34	807	4.3	148	659
Land & Residential	1	3	3	7	2	23	—	39	.2	16	23
Lodging	48	—	9	4	24	71	51	207	1.1	5	202
Medical Office	41	—	43	5	22	105	39	255	1.4	33	222
Multifamily	1,156	563	1,279	1,263	2,880	1,432	455	9,028	48.3	1,964	7,064
Office	148	—	160	98	123	296	59	884	4.7	—	884
Retail	234	15	109	181	95	364	223	1,221	6.5	93	1,128
Self Storage	75	13	45	20	80	35	223	491	2.6	3	488
Senior Housing	143	54	147	77	114	120	232	887	4.7	174	713
Skilled Nursing	—	—	—	51	—	213	105	369	2.0	—	369
Student Housing	—	—	—	55	171	—	—	226	1.2	47	179
Other	13	13	9	38	36	76	185	370	2.0	—	370
Total nonowner-occupied	1,918	686	1,867	1,929	3,773	3,037	1,831	15,041	80.5	2,483	12,558
Owner-occupied	1,156	3	371	606	177	1,340	—	3,653	19.5	163	3,490
Total	$ 3,074	$ 689	$ 2,238	$ 2,535	$ 3,950	$ 4,377	$ 1,831	$ 18,694	100.0 %	$ 2,646	$ 16,048
Nonperforming loans	$ 1	$ —	$ —	$ 22	$ —	$ 6	$ 36	$ 65	N/M	$ —	$ 65
Accruing loans past due 90 days or more	—	—	2	—	—	8	—	10	N/M	—	10
Accruing loans past due 30 through 89 days	1	3	—	1	2	2	—	9	N/M	—	9
December 31, 2022											
Nonowner-occupied:											
Diversified	$ 9	$ —	$ —	$ 4	$ —	$ 24	$ 231	$ 268	1.4 %	$ —	$ 268
Industrial	75	25	101	135	220	284	52	892	4.7	203	689
Land & Residential	1	3	3	3	3	24	—	37	.2	15	22
Lodging	58	—	10	4	20	72	41	205	1.1	22	183
Medical Office	47	—	43	9	19	98	25	241	1.3	64	177
Multifamily	1,083	533	1,388	1,264	2,813	1,370	438	8,889	47.1	1,705	7,184
Office	189	1	173	113	128	300	95	999	5.3	—	999
Retail	282	35	112	183	69	395	235	1,311	6.9	106	1,205
Self Storage	85	13	50	20	79	37	202	486	2.6	4	482
Senior Housing	150	57	144	76	118	120	235	900	4.8	194	706
Skilled Nursing	—	—	—	52	—	239	143	434	2.3	—	434
Student Housing	—	—	—	53	199	13	—	265	1.4	39	226
Other	24	4	9	79	42	83	195	436	2.3	2	434
Total nonowner-occupied	2,003	671	2,033	1,995	3,710	3,059	1,892	15,363	81.4	2,354	13,009
Owner-occupied	1,149	5	364	580	128	1,293	—	3,519	18.6	176	3,343
Total	$ 3,152	$ 676	$ 2,397	$ 2,575	$ 3,838	$ 4,352	$ 1,892	$ 18,882	100.0 %	$ 2,530	$ 16,352
Nonperforming loans	$ —	$ —	$ —	$ 2	$ —	$ 7	$ 12	$ 21	N/M	$ —	$ 21
Accruing loans past due 90 days or more	—	—	—	—	—	8	—	8	N/M	—	8
Accruing loans past due 30 through 89 days	—	—	1	11	—	6	—	18	N/M	—	18

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

Consumer loan portfolio

Consumer loans outstanding as of June 30, 2023, totaled $36.5 billion, a decrease of $472 million, or 1.3%, from December 31, 2022. The decrease reflects balance declines across most consumer loan categories, partly offset by growth in our residential mortgage business.

The residential mortgage portfolio is comprised of loans originated by our Consumer Bank and is the largest segment of our consumer loan portfolio as of June 30, 2023, representing 59% of consumer loans outstanding. This is followed by our home equity portfolio representing 21% of consumer loans outstanding at June 30, 2023.

We held the first lien position for approximately 65% of the home equity portfolio at June 30, 2023, and 66% at December 31, 2022. For loans with real estate collateral, we track borrower performance monthly. Regardless of the lien position, credit metrics are refreshed quarterly, including recent FICO scores as well as updated loan-to-value ratios. This information is used in establishing the ALLL. Our methodology is described in Note 1 ("Summary of Significant Accounting Policies") under the heading "Allowance for Loan and Lease Losses" of our 2022 Form 10-K.

Figure 10 presents our consumer loans by geography.

Figure 10. Consumer Loans by State

Dollars in millions	Real estate — residential mortgage	Home equity loans	Consumer direct loans	Credit cards	Consumer indirect loans	Total
June 30, 2023						
Washington	**$ 4,686**	**$ 1,052**	**$ 235**	**$ 88**	**$ 1**	**$ 6,062**
Ohio	**2,760**	**1,094**	**302**	**203**	**3**	**4,362**
New York	**847**	**2,125**	**780**	**346**	**1**	**4,099**
Colorado	**3,047**	**290**	**160**	**33**	**—**	**3,530**
California	**2,346**	**13**	**519**	**3**	**5**	**2,886**
Oregon	**1,307**	**609**	**116**	**43**	**—**	**2,075**
Pennsylvania	**459**	**546**	**401**	**61**	**2**	**1,469**
Florida	**851**	**44**	**435**	**13**	**5**	**1,348**
Connecticut	**810**	**270**	**117**	**29**	**1**	**1,227**
Utah	**868**	**264**	**69**	**19**	**—**	**1,220**
Other	**3,656**	**1,222**	**3,123**	**163**	**15**	**8,179**
Total	**$ 21,637**	**$ 7,529**	**$ 6,257**	**$ 1,001**	**$ 33**	**$ 36,457**
December 31, 2022						
Washington	$ 4,621	$ 1,100	$ 253	$ 87	$ 2	$ 6,063
Ohio	2,766	1,173	347	214	5	4,505
New York	840	2,256	770	359	1	4,226
Colorado	3,006	301	171	32	—	3,510
California	2,357	16	538	4	6	2,921
Oregon	1,268	630	117	43	—	2,058
Pennsylvania	459	580	403	61	3	1,506
Florida	851	45	453	14	6	1,369
Texas	336	3	397	4	3	743
Illinois	134	3	212	2	1	352
Other	4,763	1,844	2,847	206	16	9,676
Total	$ 21,401	$ 7,951	$ 6,508	$ 1,026	$ 43	$ 36,929

Figure 11 summarizes our loan sales for the six months ended June 30, 2023, and all of 2022.

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

Dollars in millions	Commercial	Commercial Real Estate	Commercial Lease Financing	Residential Real Estate	Total
2023					
Second quarter	**$ 118**	**$ 1,431**	**$ 28**	**$ 283**	**$ 1,860**
First quarter	**125**	**1,121**	**164**	**135**	**1,545**
Total	**$ 243**	**$ 2,552**	**$ 192**	**$ 418**	**$ 3,405**
2022					
Fourth quarter	$ 33	$ 2,774	$ 114	$ 235	$ 3,156
Third quarter	211	1,882	43	353	2,489
Second quarter	41	1,851	150	496	2,538
First quarter	1,469	1,909	39	901	4,318
Total	$ 1,754	$ 8,416	$ 346	$ 1,985	$ 12,501

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

Figure 12. Loans Administered or Serviced

Dollars in millions	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Commercial real estate loans	**$ 493,396**	$ 493,865	$ 488,478	$ 485,342	$ 479,974
Residential mortgage	**11,003**	10,951	11,026	11,014	10,948
Education loans	**278**	294	312	341	366
Commercial lease financing	**1,732**	1,673	1,646	1,619	1,418
Commercial loans	**708**	712	723	727	724
Consumer direct	**455**	480	509	536	575
Consumer indirect	**1,120**	1,316	1,536	1,766	2,039
Total	**$ 508,692**	$ 509,291	$ 504,230	$ 501,345	$ 496,044

In the event of default by a borrower, we are subject to recourse with respect to approximately $7.0 billion of the $508.7 billion of loans administered or serviced at June 30, 2023. Additional information about this recourse arrangement is included in Note 17 (“Contingent Liabilities and Guarantees”) under the heading “Recourse agreement with FNMA.”

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

Securities

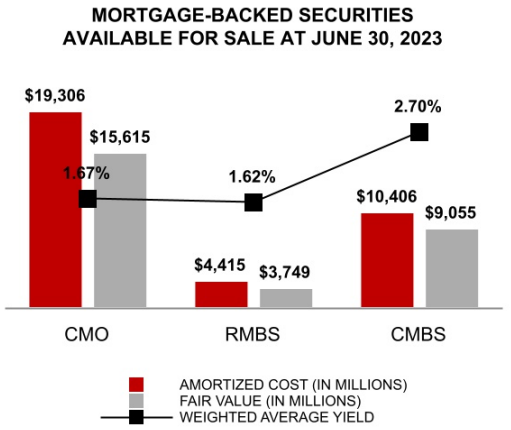
Our securities portfolio is constructed to help manage overall interest rate risk and provide a source of liquidity, including holding securities used to accommodate pledging requirements. Our securities portfolio totaled $47.1 billion at June 30, 2023, compared to $47.8 billion at December 31, 2022. Available-for-sale securities were $37.9 billion at June 30, 2023, compared to $39.1 billion at December 31, 2022. Held-to-maturity securities were $9.2 billion at June 30, 2023, and $8.7 billion at December 31, 2022.

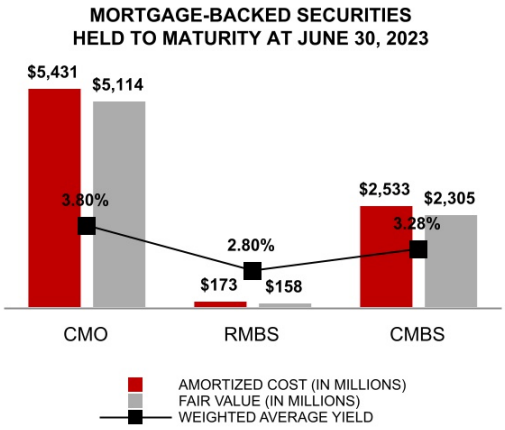
As shown in Figure 13, all of our mortgage-backed securities, which include both securities available-for-sale and held-to-maturity securities, are issued by government-sponsored enterprises or GNMA, and are traded in liquid secondary markets. These securities are recorded on the balance sheet at fair value for the available-for-sale portfolio and at amortized cost for the held-to-maturity portfolio. For more information about these securities, refer to our 2022 Form 10-K within Note 1 (“Summary of Significant Accounting Policies”) under the heading “Securities” and Note 6 (“Fair Value Measurements”) under the heading “Qualitative Disclosures of Valuation Techniques.” Additionally refer to Note 6 (“Securities”) within this report.

Figure 13. Mortgage-Backed Securities by Issuer

Dollars in millions	June 30, 2023	December 31, 2022
FHLMC & FNMA	**$ 24,889**	$ 25,371
GNMA	**11,667**	11,620
Total [(a)]	**$ 36,556**	$ 36,991

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





Securities available for sale

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

Figure 14. Securities Available for Sale

Dollars in millions	U.S. Treasury, Agencies, and Corporations	Agency Residential Collateralized Mortgage Obligations [a]	Agency Residential Mortgage-backed Securities [a]	Agency Commercial Mortgage-backed Securities [a]	Total	Weighted-Average Yield [b]
June 30, 2023						
Remaining maturity:						
One year or less	$ 3,218	$ 53	$ 1	$ 18	$ 3,290	.42 %
After one through five years	6,050	1,695	2,382	2,177	12,304	1.45
After five through ten years	114	8,912	898	5,743	15,667	2.05
After ten years	107	4,955	468	1,117	6,647	1.66
Fair value	$ 9,489	$ 15,615	$ 3,749	$ 9,055	$ 37,908	—
Amortized cost	$ 10,009	$ 19,306	$ 4,415	$ 10,406	$ 44,136	1.66 %
Weighted-average yield [b]	.59 %	1.67 %	1.62 %	2.70 %	1.66 %	—
Weighted-average maturity	1.4 years	8.6 years	6.1 years	7.1 years	6.4 years	—
December 31, 2022						
Fair value	$ 9,415	$ 16,433	$ 3,920	$ 9,349	$ 39,117	— %
Amortized cost	10,044	20,180	4,616	10,712	45,552	1.67

(a) Maturity is based upon expected average lives rather than contractual terms.
(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate of 21%.

Held-to-maturity securities

The majority of our held-to-maturity portfolio consists of Federal agency CMOs and mortgage-backed securities. This portfolio is also comprised of asset-backed securities that were acquired as the result of balance sheet optimization strategies, including the indirect auto portfolio transaction in the third quarter of 2021. The remaining balance is comprised of foreign bonds. Figure 15 shows the composition, yields, and remaining maturities of these securities.

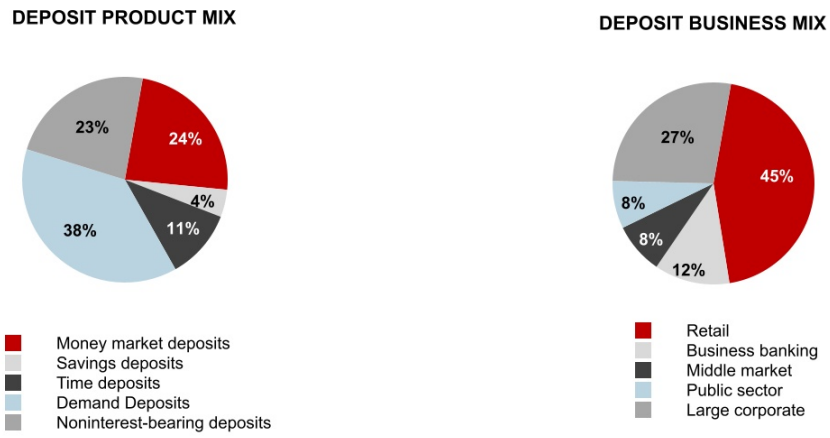
Figure 15. Held-to-Maturity Securities

Dollars in millions	Agency Residential Collateralized Mortgage Obligations [a]	Agency Residential Mortgage-backed Securities [a]	Agency Commercial Mortgage-backed Securities [a]	Asset-backed securities	Other Securities	Total	Weighted-Average Yield [b]
June 30, 2023							
Remaining maturity:							
One year or less	$ 7	$ —	$ 5	$ 1	$ 5	$ 18	2.57 %
After one through five years	2,064	112	1,967	1,032	10	5,185	3.18
After five through ten years	2,194	14	525	4	—	2,737	3.59
After ten years	1,166	47	36	—	—	1,249	4.22
Amortized cost	$ 5,431	$ 173	$ 2,533	$ 1,037	$ 15	$ 9,189	3.44 %
Fair value	$ 5,114	$ 158	$ 2,305	$ 984	$ 14	$ 8,575	—
Weighted-average yield [b]	3.80 %	2.80 %	3.28 %	2.10 %	2.78 %	3.44 %	—
Weighted-average maturity	6.9 years	7.4 years	4.2 years	1.1 years	2.4 years	5.5 years	—
December 31, 2022							
Amortized cost	$ 4,586	$ 181	$ 2,522	$ 1,407	$ 14	$ 8,710	3.18 %
Fair value	4,308	165	2,315	1,311	14	8,113	—

(a) Maturity is based upon expected average lives rather than contractual terms.
(b) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a TE basis using the statutory federal income tax rate of 21%.

Deposits and other sources of funds

Figure 16. Breakdown of Deposits at June 30, 2023



Our highly diversified deposit base is our primary source of funding. At June 30, 2023, our deposits totaled $145.1 billion, an increase of $2.5 billion compared to December 31, 2022. The increase reflects our durable relationship-based business model, in addition to changing client behavior as a result of higher interest rates.

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

Figure 17. Estimated Uninsured Deposits

Dollars in billions	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Uninsured deposits[(a)]	**$ 61.6**	$ 63.3	$ 67.1	$ 69.7	$ 71.6
Total deposits	**145.1**	144.1	142.6	144.9	145.9
Uninsured % of Deposits	**42 %**	44 %	47 %	48 %	49 %
[(a)] Intercompany deposits and accrued interest excluded from uninsured deposits	**$ 8.6**	$ 8.3	$ 8.4	$ 8.3	$ 7.6

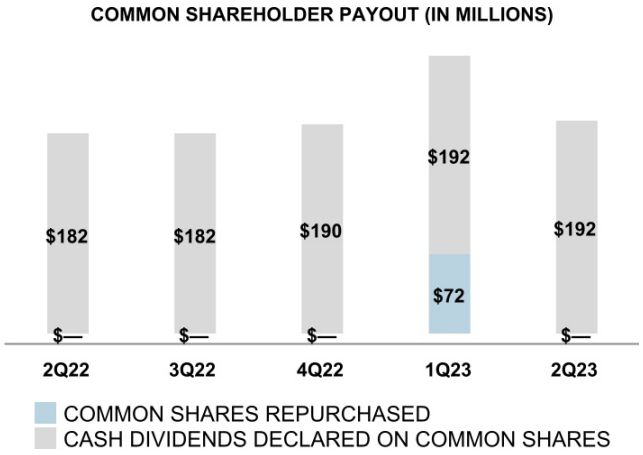
As of June 30, 2023, approximately $13.6 billion of uninsured deposits were collateralized by government-backed securities.

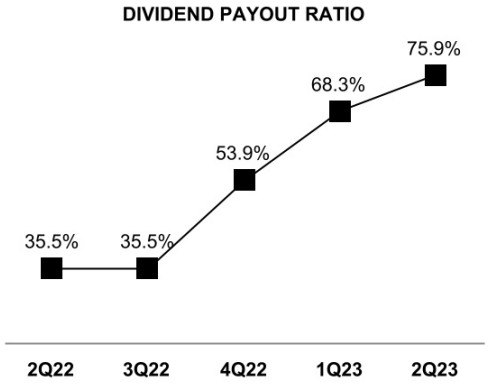
Wholesale funds, consisting of short-term borrowings and long-term debt, totaled $30.7 billion at June 30, 2023, compared to $28.8 billion at December 31, 2022. The increase reflects our desire to maintain increased levels of cash at the Federal Reserve in accordance with our liquidity risk management practices. For more information regarding our wholesale funds, see Item 2. Management's Discussion & Analysis of Financial Condition & Results of Operations under the heading "Risk Management - Liquidity risk management" of this report.

Capital

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

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





Dividends

Consistent with our capital plan, we paid a quarterly dividend of $.205 per Common Share for the second quarter of 2023. Further information regarding the capital planning process and CCAR is included under the heading "Capital planning and stress testing" beginning on page 12 in the "Supervision and Regulation" section of our 2022 Form 10-K.

Common shares outstanding

Our Common Shares are traded on the NYSE under the symbol KEY with 29,198 holders of record at June 30, 2023. Our book value per Common Share was $12.18 based on 935.7 million shares outstanding at June 30, 2023, compared to $11.79 per Common Share based on 933.3 million shares outstanding at December 31, 2022. At June 30, 2023, our tangible book value per Common Share was $9.16, compared to $8.75 per Common Share at December 31, 2022.

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

Figure 18. Changes in Common Shares Outstanding

	2023		2022		
In thousands	**Second**	**First**	**Fourth**	**Third**	**Second**
Shares outstanding at beginning of period	**935,229**	933,325	932,938	932,643	932,398
Open market repurchases and return of shares under employee compensation plans	**(38)**	(4,333)	(2)	(3)	(24)
Shares issued under employee compensation plans (net of cancellations)	**542**	6,237	389	298	269
Shares outstanding at end of period	**935,733**	935,229	933,325	932,938	932,643

As shown above, Common Shares outstanding increased by .5 million shares during the second quarter of 2023. We did not complete any open market share repurchases in the second quarter of 2023.

At June 30, 2023, we had 321.0 million treasury shares, compared to 323.4 million treasury shares at December 31, 2022. Going forward we expect to reissue treasury shares as needed in connection with stock-based compensation awards and for other corporate purposes.

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

Capital adequacy

Capital adequacy is an important indicator of financial stability and performance. All of our capital ratios remained in excess of regulatory requirements at June 30, 2023. Our capital and liquidity levels are intended to position us to weather an adverse operating environment while continuing to serve our clients’ needs, as well as to meet the Regulatory Capital Rules described in Item 1. Business of our 2022 Form 10-K under the heading “Supervision and Regulation.” Our shareholders’ equity to assets ratio was 7.1% at both June 30, 2023, and December 31, 2022. Our tangible common equity to tangible assets ratio was 4.5% at June 30, 2023, compared to 4.4% at December 31, 2022. See the section entitled “GAAP to Non-GAAP Reconciliations,” which presents the computations of certain financial measures related to “tangible common equity.” The minimum capital and leverage ratios under the Regulatory Capital Rules together with the ratios of KeyCorp at June 30, 2023, are set forth in the “Supervision and regulation — Regulatory capital requirements” section in Item 2 of this report.

Figure 19 represents the details of our regulatory capital positions at June 30, 2023, and December 31, 2022, under the Regulatory Capital Rules. Information regarding the regulatory capital ratios of KeyCorp’s banking subsidiaries is presented annually, with the most recent information included in Note 24 (“Shareholders' Equity”) beginning on page 170 of our 2022 Form 10-K.

Figure 19. Capital Components and Risk-Weighted Assets

Dollars in millions	June 30, 2023	December 31, 2022
COMMON EQUITY TIER 1		
Key shareholders' equity (GAAP)	$ **13,844**	$ 13,454
Less: Preferred Stock [a]	**2,446**	2,446
Add: CECL phase-in [b]	**118**	178
Common Equity Tier 1 capital before adjustments and deductions	**11,516**	11,186
Less: Goodwill, net of deferred taxes	**2,608**	2,612
Intangible assets, net of deferred taxes	**67**	88
Deferred tax assets	**1**	1
Net unrealized gains (losses) on available-for-sale securities, net of deferred taxes	**(4,687)**	(4,857)
Accumulated gains (losses) on cash flow hedges, net of deferred taxes	**(1,083)**	(1,160)
Amounts in AOCI attributed to pension and postretirement benefit costs, net of deferred taxes	**(274)**	(277)
Total Common Equity Tier 1 capital	$ **14,884**	$ 14,779
TIER 1 CAPITAL		
Common Equity Tier 1	$ **14,884**	$ 14,779
Additional Tier 1 capital instruments and related surplus	**2,446**	2,446
Less: Deductions	**—**	—
Total Tier 1 capital	$ **17,330**	$ 17,225
TIER 2 CAPITAL		
Tier 2 capital instruments and related surplus	$ **2,017**	$ 2,200
Allowance for losses on loans and liability for losses on lending-related commitments [c]	**1,634**	1,351
Less: Deductions	**—**	—
Total Tier 2 capital	**3,651**	3,551
Total risk-based capital	$ **20,981**	$ 20,776
RISK-WEIGHTED ASSETS[e]		
Risk-weighted assets on balance sheet	$ **124,851**	$ 125,900
Risk-weighted off-balance sheet exposure	**34,265**	35,745
Market risk-equivalent assets	**1,305**	826
Gross risk-weighted assets	**160,421**	162,471
Less: Excess allowance for loan and lease losses	**—**	—
Net risk-weighted assets	$ **160,421**	$ 162,471
AVERAGE QUARTERLY TOTAL ASSETS	$ **200,195**	$ 193,986
CAPITAL RATIOS[e]		
Tier 1 risk-based capital	**10.80 %**	10.60 %
Total risk-based capital	**13.08 %**	12.79 %
Leverage [d]	**8.66 %**	8.88 %
Common Equity Tier 1	**9.28 %**	9.10 %

(a) Net of capital surplus.
(b) Amount reflects our decision to adopt the CECL transitional provision.
(c) The ALLL included in Tier 2 capital is limited by regulation to 1.25% of the institution's standardized total risk-weighted assets (excluding its standardized market risk-weighted assets). The ALLL includes $18 million and $21 million of allowance classified as "discontinued assets" on the balance sheet at June 30, 2023, and December 31, 2022, respectively.
(d) This ratio is Tier 1 capital divided by average quarterly total assets as defined by the Federal Reserve less: (i) goodwill, (ii) the disallowed intangible and deferred tax assets, and (iii) other deductions from assets for leverage capital purposes.
(e) June 30, 2023 capital ratios and risk weighted assets are estimates.

Risk Management

Overview

Like all financial services companies, we engage in business activities and assume the related risks. The most significant risks we face are credit, compliance, operational, liquidity, market, reputation, strategic, and model risks. Our risk management activities are focused on ensuring that we properly identify, measure, and manage such risks across the entire enterprise to maintain safety and soundness, and to maximize profitability. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented under the heading “Risk Management” beginning on page 72 of our 2022 Form 10-K.

Market risk management

Market risk is the risk that movements in market risk factors, including interest rates, foreign exchange rates, equity prices, commodity prices, credit spreads, and volatilities, will reduce Key’s income and the value of its portfolios. These factors influence prospective yields, values, or prices associated with the instrument. We are exposed to market risk both in our trading and nontrading activities, which include asset and liability management activities. Information regarding our fair value policies, procedures, and methodologies is provided in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” on page 109 of our 2022 Form 10-K and Note 5 (“Fair Value Measurements”) in this report.

Trading market risk

Key incurs market risk as a result of trading activities that are used in support of client facilitation and hedging activities, principally within our investment banking and capital markets businesses. Key has exposures to a wide range of risk factors including interest rates, equity prices, foreign exchange rates, credit spreads, and commodity prices, as well as the associated implied volatilities and spreads. Our primary market risk exposures are a result of trading and hedging activities in the derivative and fixed income markets, including securitization positions exposures. At June 30, 2023, we did not have any re-securitization positions. We maintain modest trading inventories to facilitate customer flow, make markets in securities, and hedge certain risks including but not limited to credit risk and interest rate risk. The risks associated with these activities are mitigated in accordance with the Market Risk hedging policy. The majority of our positions are traded in active markets.

Market risk management is an integral part of Key’s risk culture. The Risk Committee of our Board provides oversight of trading market risks. The ERM Committee and the Market Risk Committee regularly review and discuss market risk reports prepared by our MRM that contain our market risk exposures and results of monitoring activities. Market risk policies and procedures have been defined and 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. For more information regarding monitoring of trading positions and the activities related to the Market Risk Rule compliance, see “Market Risk Management” beginning on page 74 of our 2022 Form 10-K.

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

We use a historical simulation VaR model to measure the potential adverse effect of changes in interest rates, foreign exchange rates, equity prices, and credit spreads on the fair value of our covered positions and other non-covered positions. We analyze market risk by portfolios and do not separately measure and monitor our portfolios by risk type. Historical scenarios are customized for specific positions, and numerous risk factors are incorporated in the calculation. Additional consideration is given to the risk factors to estimate the exposures that contain optionality features, such as options and cancellable provisions. VaR is calculated using daily observations over a one-year time horizon and approximates a 95% confidence level. Statistically, this means that we would expect to incur losses greater than VaR, on average, five out of 100 trading days, or three to four times each quarter. We also calculate VaR and stressed VaR at a 99% confidence level. For more information regarding our VaR model, its governance, and assumptions, see “Market Risk Management” on page 74 of our 2022 Form 10-K.

Actual losses for the total covered portfolios exceeded aggregate daily VaR for a total of one day during the quarter ended June 30, 2023, and did not exceed aggregate daily VaR for any day during the quarter ended June 30, 2022. The MRM backtests our VaR model on a daily basis to evaluate its predictive power. The test compares VaR model results at the 99% confidence level to daily held profit and loss. Results of backtesting are provided to the Market Risk Committee. Backtesting exceptions occur when trading losses exceed VaR. We do not engage in correlation trading or utilize the internal model approach for measuring default and credit migration risk. Our net VaR approach incorporates diversification, but our VaR calculation does not include the impact of counterparty risk and our own credit spreads on derivatives.

The aggregate VaR at the 99% confidence level with a one day holding period for all covered positions was $1.6 million at June 30, 2023, and $1.6 million at June 30, 2022. Figure 20 summarizes our VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended June 30, 2023, and June 30, 2022.

Figure 20. VaR for Significant Portfolios of Covered Positions

	2023				2022			
	Three months ended June 30,				Three months ended June 30,			
Dollars in millions	High	Low	Mean	June 30,	High	Low	Mean	June 30,
Trading account assets:								
Fixed income	**$ 2.0**	**$ 1.0**	**$ 1.5**	**1.0**	$ 1.1	$ .6	$ .8	$ 1.1
Derivatives:								
Interest rate	**$ 4.0**	**$ .4**	**$ 1.2**	**.6**	$ .6	$ .1	$ .2	$ .2

Stressed VaR is calculated by running the portfolios through a predetermined stress period which is approved by the Market Risk Committee and is calculated at the 99% confidence level using the same model and assumptions used for general VaR. The aggregate stressed VaR for all covered positions was $3.2 million at June 30, 2023, and $2.8 million at June 30, 2022. Figure 21 summarizes our stressed VaR at the 99% confidence level with a one day holding period for significant portfolios of covered positions for the three months ended June 30, 2023, and June 30, 2022.

Figure 21. Stressed VaR for Significant Portfolios of Covered Positions

	2023				2022			
	Three months ended June 30,				Three months ended June 30,			
Dollars in millions	High	Low	Mean	June 30,	High	Low	Mean	June 30,
Trading account assets:								
Fixed income	**$ 3.5**	**$ 1.6**	**$ 2.4**	**2.6**	$ 2.8	$ 1.2	$ 1.9	$ 1.9
Derivatives:								
Interest rate	**$ 5.6**	**$ .4**	**$ 1.4**	**.5**	$ .5	$ .1	$ .3	$ .2

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 $0.4 million at June 30, 2023, all of which were mortgage-backed security positions. Specific risk is the price risk of individual financial instruments, which is not accounted for by changes in broad market risk factors and is measured through a standardized approach. Market risk weighted assets, including the specific risk calculations, are run quarterly by the MRM in accordance with the Market Risk Rule, and approved by the Chief Market Risk Officer.

Nontrading market risk

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

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

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

The management of nontrading market risk is centralized within Corporate Treasury. The Risk Committee of our Board provides oversight of nontrading market risk. The ERM Committee 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.

LIBOR transition. As disclosed in Item 1A. Risk Factors of our 2022 Form 10-K and discussed above under the heading "Supervision and Regulation - Federal LIBOR transition legislation", bank regulators have issued guidance advising against the use of LIBOR in its current form for new contracts and indicated that bank examiners will continue monitoring efforts through 2023 to ensure that institutions have moved their contracts away from LIBOR in a safe and sound manner and in compliance with applicable legal requirements. Key has complied with such regulatory expectations and successfully transitioned substantially all of it its products away from LIBOR as of June 30, 2023. For most financial products, the most common alternative reference rates have been SOFR-based benchmarks. This is true for both new originations and legacy LIBOR contracts that were subject to amendment or a transition by their terms. We have also originated a small number of new loans using credit sensitive rates in a limited and managed fashion.

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

Figure 22 presents the results of the simulation analysis at June 30, 2023, and June 30, 2022. At June 30, 2023, our simulated impact to changes in interest rates was moderate. The benefit to declining rates has increased as a result of higher funding costs and a funding mix change to more rate sensitive instruments compared to the June 30, 2022 analysis. Current modeled exposure is within the Board approved tolerances. If a tolerance level is breached and determined inconsistent with risk appetite, the development of a remediation plan is required to reduce exposure back to within tolerance.

Figure 22. Simulated Change in Net Interest Income

	June 30, 2023		June 30, 2022	
Basis point change assumption	**-200**	**+200**	-200	+200
Assumed floor in market rates (in basis points)	**—**	**N/A**	—	N/A
Rising rate beta	**N/A**	**50s**	N/A	Low 40s
Tolerance level	**(5.50)%**	**(5.50)%**	(5.50)%	(5.50)%
Interest rate risk assessment	**3.65 %**	**(5.38)%**	(5.70)%	(1.56)%

+200 NII at risk beta sensitivity	June 30, 2023			
Beta assumption	**High 50s**	**Mid 50s**	**High 40s**	**Mid 40s**
Interest rate risk assessment	**(7.48)%**	**(6.43)%**	**(4.39)%**	**(3.49)%**

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

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

The results of additional assessments indicate that net interest income could increase or decrease from the base simulation results presented in Figure 22. Net interest income is highly dependent on the timing, magnitude, frequency, and path of interest rate changes and the associated assumptions for deposit repricing relationships, lending spreads, and the balance behavior of transaction accounts. If fixed rate assets increase by $1 billion, or fixed rate liabilities decrease by $1 billion, then the benefit to rising rates would decrease by approximately 23 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 105 basis points.

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

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

Economic value of equity modeling. EVE complements net interest income simulation analysis as it estimates risk exposure beyond 12-, 24-, and 36-month horizons. EVE modeling measures the extent to which the economic values of assets, liabilities, and off-balance sheet instruments may change in response to fluctuations in interest rates. EVE is calculated by subjecting the balance sheet to an immediate increase or decrease in interest rates, measuring the resulting change in the values of assets, liabilities, and off-balance sheet instruments, and comparing those amounts with the base case of the current interest rate environment. EVE policy limits are measured against a +200 basis point/policy decline scenario. The resulting rate in the policy decline scenario is equal to the greater of the current fed funds target and zero. As of June 30, 2023, the policy decline scenario is minus 200 basis points. This analysis is highly dependent upon assumptions applied to assets and liabilities with non-contractual maturities. Those assumptions are based on historical behaviors, as well as forward expectations. Remediation plans are similarly developed if the analysis indicates that the EVE will decrease by more than 15% in response to an immediate increase or decrease in interest rates. The position is within these guidelines as of June 30, 2023.

Management of interest rate exposure. The results of the various interest rate risk analyses are used to formulate A/LM strategies to achieve the desired risk profile while managing to objectives for capital adequacy and liquidity

risk exposures. Specifically, risk positions are managed by purchasing securities, issuing term debt with floating or fixed interest rates, and using derivatives. Interest rate swaps and options are predominantly used, which modify the interest rate characteristics of certain assets and liabilities.

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

Figure 23. Portfolio Swaps by Interest Rate Risk Management Strategy

	June 30, 2023					December 31, 2022	
			Weighted-Average				
Dollars in millions	Notional Amount	Fair Value	Maturity (Years)	Receive Rate	Pay Rate	Notional Amount	Fair Value
Receive fixed/pay variable — conventional A/LM (a)	$ 52,050	$ (1,264)	2.0	1.4 %	5.3 %	$ 28,450	$ (1,503)
Receive fixed/pay variable — conventional debt (b)	9,880	(288)	3.0	2.5	5.1	10,995	(551)
Receive fixed/pay variable — forward A/LM (c)	6,250	(146)	3.1	3.5	5.1	1,300	(8)
Receive fixed/pay variable — forward debt (d)	4,146	(308)	5.4	2.2	5.4	—	—
Pay fixed/receive variable — conventional debt (e)	100	2	5.0	5.5	3.6	50	1
Pay fixed/receive variable — forward securities	—	—	—	—	—	—	—
Pay fixed/receive variable — securities	1,405	61	2.2	5.1	2.9	405	48
Total portfolio swaps	$ 73,831	$ (1,943) (f)	2.4	1.8 %	5.2 %	$ 41,200	$ (2,013) (f)
Floors — forward purchased	$ 3,250	$ 29	2.6	— %	— %	$ —	$ —
Floors — forward sold	3,250	(13)	2.6	—	—	—	—
Total floors	$ 6,500	$ 16	—	— %	— %	$ —	$ —

(a) Portfolio swaps designated as A/LM are used to manage interest rate risk tied to both assets and liabilities. Notional amount as of June 30, 2023 reflects the impacts of LIBOR transition. Notional amount includes $13.4 billion of short-dated receive fix/pay variable LIBOR swaps and $13.4 billion of short-dated pay fixed/receive variable SOFR swaps which were created as a result of the industry’s operational transition from LIBOR to SOFR related to impacted LIBOR receive fixed/pay variable swaps. The weighted-average maturity, receive rate, and pay rate amounts disclosed exclude the impacts of these short-dated LIBOR and SOFR swaps.

(b) Notional amounts as of June 30, 2023 reflects the impacts of LIBOR transition. Notional amount includes $800 million of SOFR and LIBOR swaps and created as a result of LIBOR transition. The weighted-average maturity, receive rate, and pay rate amounts disclosed exclude the impacts of these swaps created as a result of LIBOR transition.

(c) Notional amount as of June 30, 2023 reflect the impact of the LIBOR transition. Notional amount includes $2.3 billion of forward-starting SOFR swaps created as a result of the industry’s operational transition from LIBOR to SOFR. The weighted-average maturity, receive rate, and pay rate amounts disclosed exclude the impacts of these swaps created as a result of LIBOR transition.

(d) Notional amount as of June 30, 2023 reflects the impacts of LIBOR transition. Notional amount includes $2.8 billion of forward-starting SOFR swaps created as a result of LIBOR transition. The weighted-average maturity, receive rate, and pay rate amounts disclosed exclude the impacts of the SOFR swaps created as a result of LIBOR transition.

(e) Notional amount as of June 30, 2023 reflects the impacts of LIBOR transition. Notional amount includes a $50 million of short-dated LIBOR swap which was ere created as a result of the industry’s operational transition from LIBOR to SOFR. The weighted-average maturity, receive rate, and pay rate amounts disclosed excludes the impacts of the short-dated LIBOR swap.

(f) Excludes accrued interest payable of $221 million at June 30, 2023, and accrued interest of $62 million at December 31, 2022.

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.

Factors affecting liquidity

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

Our credit ratings at June 30, 2023, are shown in Figure 24. We believe these credit ratings, under normal conditions in the capital markets, would enable KeyCorp or KeyBank to issue fixed income securities to investors. During the second quarter, Moody’s, Standard & Poor’s and DBRS Inc., each affirmed KeyCorp and KeyBank’s long-term and short-term credit ratings. All three rating services also changed Key’s Outlook or Trend to “negative”

from “stable”. Their rationale for the Outlook or Trend change is provided in their credit opinions and analysis. This includes a more challenging outlook for the entire banking industry and other company specific factors. KeyCorp and KeyBank’s rating outlook from Fitch Ratings, Inc., remains unchanged and is listed as “stable”.

Figure 24. Credit Ratings

June 30, 2023	Short-Term Borrowings	Long-Term Deposits [a]	Senior Long-Term Debt	Subordinated Long-Term Debt	Capital Securities	Preferred Stock
KEYCORP						
Standard & Poor’s	A-2	N/A	BBB+	BBB	BB+	BB+
Moody’s	P-2	N/A	Baa1	Baa1	Baa2	Baa3
Fitch Ratings, Inc.	F1	N/A	A-	N/A	BB+	BB+
DBRS, Inc.	R-1 (low)	N/A	A	A (low)	A (low)	BBB
KEYBANK						
Standard & Poor’s	A-2	N/A	A-	BBB+	N/A	N/A
Moody’s	P-2	P-1/A1	A3	Baa1	N/A	N/A
Fitch Ratings, Inc.	F1	F1/A	A-	BBB+	N/A	N/A
DBRS, Inc.	R-1 (middle)	A (high)	A (high)	A	N/A	N/A

(a) P-1 rating assigned by Moody’s is specific to KeyBank’s short-term bank deposit ratings. F1 assigned by Fitch Ratings, Inc. is specific to KeyBank’s short-term deposit ratings.

Sources of liquidity

Our primary source of funding for KeyBank are customer deposits resulting in a consolidated loan-to-deposit ratio of 83% as of June 30, 2023. If the cash flows needed to support operating and investing activities are not satisfied by deposit balances, we rely on wholesale funding or on-balance sheet liquid reserves. Conversely, excess cash generated by operating, investing, and deposit-gathering activities may be used to repay outstanding debt or invest in liquid assets. We maintain a Contingency Funding Plan that outlines the process for addressing a liquidity crisis. As part of the plan, we maintain on-balance sheet liquid reserves referred to as our liquid asset portfolio, which consists of high quality liquid assets. During a problem period, that reserve could be used as a source of funding to provide time to develop and execute a longer-term strategy. Our available contingent liquidity at June 30, 2023, totaled $80.0 billion, consisting of $5.5 billion of unpledged securities, $8.9 billion of net balances of federal funds sold and balances in our Federal Reserve account, $55.7 billion of unused secured borrowing capacity at the Federal Reserve Bank of Cleveland, and $9.9 billion of unused secured borrowing capacity at the FHLB. During the second quarter of 2023, our secured term borrowings decreased $1.5 billion as some maturing term borrowings were not replaced.

We have several liquidity programs, which are described in Note 20 (“Long-term Debt”) beginning on page 164 of our 2022 Form 10-K, that are designed to enable KeyCorp and KeyBank to raise funds in the public and private debt markets. The proceeds from most of these programs can be used for general corporate purposes, including acquisitions. There were no bank note issuances during the second quarter of 2023.

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.

At June 30, 2023, KeyCorp held $2.7 billion in cash, which we projected to be sufficient to meet our projected obligations, including the repayment of our maturing debt obligations for the periods prescribed by our risk tolerance.

Typically, KeyCorp meets its liquidity requirements through regular dividends from KeyBank, supplemented with term debt. KeyCorp had no debt issuances during the second quarter of 2023. During the second quarter of 2023, KeyBank paid $175 million cash dividends to KeyCorp. As of June 30, 2023, KeyBank had regulatory capacity to pay $2.8 billion in dividends to KeyCorp without prior regulatory approval.

Our liquidity position and recent activity

Over the past quarter, our liquid asset portfolio, which includes overnight and short-term investments, as well as unencumbered, high quality liquid securities held as protection against a range of potential liquidity stress scenarios, has decreased primarily as a result of a decrease in unencumbered securities, which was offset by an increase in cash 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. In response to the market volatility driven by the recent bank failures, Key has initiated heightened monitoring for liquidity and funding. This heightened monitoring includes daily updates to senior management centered on balance sheet flows and reserve balances held at the Federal Reserve. We have also increased the level of cash held at the Federal Reserve in the event there is an unexpected funding outflow.

From time to time, KeyCorp or KeyBank may seek to retire, repurchase, or exchange outstanding debt, capital securities, preferred shares, or common shares through cash purchase, privately negotiated transactions or other means. Additional information on repurchases of Common Shares by KeyCorp is included in Part II, Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities beginning on page 45 of our 2022 Form 10-K and Part II, Item 2 of this Form 10-Q. Such transactions depend on prevailing market conditions, our liquidity and capital requirements, contractual restrictions, regulatory requirements, and other factors. The amounts involved may be material, individually or collectively.

The Consolidated Statements of Cash Flows summarize our sources and uses of cash by type of activity for the six-month periods ended June 30, 2023, and June 30, 2022.

For more information regarding liquidity governance structure, management of liquidity risk at KeyBank and KeyCorp, long-term liquidity strategies, and other liquidity programs, see "Liquidity Risk Management" beginning on page 80 of our 2022 Form 10-K as well as the disclosure included in Part II, Item 1A. "Risk Factors" of this report.

Credit risk management

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

Credit policy, approval, and evaluation

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

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

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

We maintain an active concentration management program to mitigate concentration risk in our credit portfolios. For individual obligors, we employ a sliding scale of exposure, known as hold limits, which is dictated by the type of loan and strength of the borrower. We also set and monitor industry concentration and correlation risk by setting appropriate limits and tolerances to achieve balanced and acceptable portfolio composition levels with our desired risk profile. We set, measure, and manage that risk consideration of both internal and external industry performance metrics, domestic and global economic data, and by allocating capital adequacy stress test supported capacity.

With highly uncertain economic conditions, we maintain diligent and vigilant portfolio monitoring activities in keeping with our credit risk framework. These activities include proactive higher risk portfolio segment detailed reviews. This allows us greater insight to support our credit loss guidance. All financial institutions will experience credit portfolio migration. Understanding and effectively managing these portfolios allow us to minimize ultimate economic loss, while supporting our fulsome relationship clients.

Allowance for loan and lease losses

We estimate the appropriate level of the ALLL on at least a quarterly basis. The methodology used is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan and Lease Losses” beginning on page 107 of our 2022 Form 10-K. Briefly, the ALLL estimate uses various models and estimation techniques based on our historical loss experience, current borrower characteristics, current economic conditions, reasonable and supportable forecasts, and other relevant factors. The ALLL at June 30, 2023, represents our best estimate of the lifetime expected credit losses inherent in the loan portfolio at that date.

As shown in Figure 25, our ALLL from continuing operations increased by $143 million, or 10.7%, from December 31, 2022. The commercial ALLL increased by $122 million, or 14.1%, from December 31, 2022, through June 30, 2023. Our consumer ALLL increased by $21 million, or 4.4%, from December 31, 2022, through June 30, 2023. Refer to Note 4 (“Asset Quality”) within this report for further discussion of changes in the ALLL.

Figure 25. Allocation of the Allowance for Loan and Lease Losses

	June 30, 2023			December 31, 2022		
Dollars in millions	Amount	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loan Type to Total Loans
Commercial and industrial	**$ 599**	**40.5 %**	**50.5 %**	$ 601	45.0 %	50.0 %
Commercial real estate:						
Commercial mortgage	**315**	**21.3**	**13.5**	203	15.2	13.7
Construction	**39**	**2.6**	**2.2**	28	2.1	2.1
Total commercial real estate loans	**354**	**23.9**	**15.7**	231	17.3	15.8
Commercial lease financing	**33**	**2.2**	**3.2**	32	2.4	3.3
Total commercial loans	**986**	**66.6**	**69.4**	864	64.7	69.1
Real estate — residential mortgage	**200**	**13.5**	**18.2**	196	14.7	17.9
Home equity loans	**96**	**6.5**	**6.3**	98	7.3	6.6
Consumer direct loans	**125**	**8.4**	**5.2**	111	8.3	5.4
Credit cards	**72**	**4.9**	**0.8**	66	4.9	0.9
Consumer indirect loans	**1**	**0.1**	**0.1**	2	0.1	0.1
Total consumer loans	**494**	**33.4**	**30.6**	473	35.3	30.9
Total ALLL — continuing operations [a]	**$ 1,480**	**100.0 %**	**100.0 %**	$ 1,337	100.0 %	100.0 %

(a) Excludes allocations of the ALLL related to the discontinued operations of the education lending business in the amount of $18 million at June 30, 2023, and $21 million at December 31, 2022.

Net loan charge-offs

Figure 26 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 28. Figure 27 shows the ratios of net charge-offs by loan category as a percentage of the respective average loan balance.

Net loan charge-offs for the three months ended June 30, 2023, increased $8 million compared to the year-ago quarter.

Figure 26. Net Loan Charge-offs from Continuing Operations [a]

Dollars in millions	2023 Second	2023 First	2022 Fourth	2022 Third	2022 Second
Commercial and industrial	**$ 27**	$ 27	$ 17	$ 36	$ 31
Real estate — Commercial mortgage	**8**	5	12	1	2
Real estate — Construction	**—**	—	—	—	(1)
Commercial lease financing	**(1)**	(2)	(2)	(1)	(1)
Total commercial loans	**34**	30	27	36	31
Real estate — Residential mortgage	**—**	(1)	(3)	—	(3)
Home equity loans	**1**	—	—	(1)	(1)
Consumer direct loans	**9**	9	8	4	9
Credit cards	**7**	8	7	5	7
Consumer indirect loans	**1**	(1)	2	(1)	1
Total consumer loans	**18**	15	14	7	13
Total net loan charge-offs	**$ 52**	$ 45	$ 41	$ 43	$ 44
Net loan charge-offs to average loans	**.17 %**	.15 %	.14 %	.15 %	.16 %
Net loan charge-offs from discontinued operations — education lending business	**$ 1**	$ 1	$ 2	$ —	$ —

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

Figure 27. Net Loan Charge-offs to Average Loans from Continuing Operations [a]

Dollars in millions	2023 Second	2023 First	2022 Fourth	2022 Third	2022 Second
Commercial and industrial	**0.18 %**	0.18 %	0.12 %	0.25 %	0.23 %
Real estate — commercial mortgage	**0.20**	0.12	0.29	0.02	0.05
Real estate — construction	**—**	—	—	—	(0.19)
Commercial lease financing	**(0.11)**	(0.21)	(0.21)	(0.10)	(0.11)
Total commercial loans	**0.16**	0.14	0.13	0.18	0.17
Real estate — residential mortgage	**—**	(0.02)	(0.06)	—	(0.07)
Home equity loans	**0.05**	—	—	(0.05)	(0.05)
Consumer direct loans	**0.57**	0.56	0.47	0.23	0.55
Credit cards	**2.85**	3.26	2.80	2.05	2.98
Consumer indirect loans	**10.97**	(9.78)	17.25	(7.63)	6.80
Total consumer loans	**0.20**	0.16	0.15	0.08	0.15
Total net loan charge-offs	**0.17 %**	0.15 %	0.14 %	0.15 %	0.16 %

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

Figure 28. Summary of Loan and Lease Loss Experience from Continuing Operations

Dollars in millions	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Average loans outstanding	**$ 120,672**	$ 109,138	**$ 120,257**	$ 106,465
Allowance for loan and lease losses at beginning of period	**1,380**	1,105	**1,337**	1,061
Loans charged off:				
Commercial and industrial	**42**	39	**77**	69
Real estate — commercial mortgage	**9**	3	**14**	7
Real estate — construction	**—**	—	**—**	—
Commercial lease financing	**1**	—	**—**	2
Total commercial loans	**52**	42	**91**	78
Real estate — residential mortgage	**1**	(2)	**1**	(3)
Home equity loans	**2**	—	**3**	1
Consumer direct loans	**11**	10	**22**	17
Credit cards	**9**	8	**18**	15
Consumer indirect loans	**1**	1	**1**	2
Total consumer loans	**24**	17	**45**	32
Total loans charged off	**76**	59	**136**	110
Recoveries:				
Commercial and industrial	**15**	8	**23**	19
Real estate — commercial mortgage	**1**	1	**1**	2
Real estate — construction	**—**	1	**—**	1
Commercial lease financing	**2**	1	**3**	1
Total commercial loans	**18**	11	**27**	23
Real estate — residential mortgage	**1**	1	**2**	1
Home equity loans	**1**	1	**2**	2
Consumer direct loans	**2**	1	**4**	3
Credit cards	**2**	1	**3**	3
Consumer indirect loans	**—**	—	**1**	1
Total consumer loans	**6**	4	**12**	10
Total recoveries	**24**	15	**39**	33
Net loan charge-offs	**(52)**	(44)	**(97)**	(77)
Provision (credit) for loan and lease losses	**152**	38	**240**	115
Allowance for loan and lease losses at end of period	**$ 1,480**	$ 1,099	**$ 1,480**	$ 1,099
Liability for credit losses on off-balance sheet exposures at beginning of period	**276**	166	**225**	160
Provision (credit) for losses on off-balance sheet exposures	**15**	7	**66**	13
Liability for credit losses on off-balance sheet exposures at end of period[(a)]	**$ 291**	$ 173	**$ 291**	$ 173
Total allowance for credit losses at end of period	**$ 1,771**	$ 1,272	**$ 1,771**	$ 1,272
Net loan charge-offs to average total loans	**.17 %**	.16 %	**.16 %**	.15 %
Allowance for loan and lease losses to period-end loans	**1.24**	.98	**1.24**	.98
Allowance for credit losses to period-end loans	**1.49**	1.13	**1.49**	1.13
Allowance for loan and lease losses to nonperforming loans	**343.4**	256.2	**343.4**	256.2
Allowance for credit losses to nonperforming loans	**410.9**	296.5	**410.9**	296.5
Discontinued operations — education lending business:				
Loans charged off	**$ 2**	$ 1	**$ 3**	$ 3
Recoveries	**1**	1	**1**	1
Net loan charge-offs	**$ (1)**	$ —	**$ (2)**	$ (2)

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

Nonperforming assets

Figure 29 shows the composition of our nonperforming assets. As shown in Figure 29, nonperforming assets at June 30, 2023, increased $42 million from December 31, 2022. This increase reflects normalization of nonperforming loan levels, while still favorable relative to long-term levels. The increase was broad-based over four industries.

See Note 1 (“Summary of Significant Accounting Policies”) of our 2022 Form 10-K under the headings “Nonperforming Loans,” “Impaired Loans,” and “Allowance for Loan and Lease Losses” for a summary of our nonaccrual and charge-off policies.

Figure 29. Summary of Nonperforming Assets and Past Due Loans from Continuing Operations

Dollars in millions	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Commercial and industrial	$ 188	$ 170	$ 174	$ 169	$ 197
Real estate — commercial mortgage	65	59	21	34	35
Real estate — construction	—	—	—	—	—
Total commercial real estate loans [a]	65	59	21	34	35
Commercial lease financing	1	1	1	2	2
Total commercial loans [b]	254	230	196	205	234
Real estate — residential mortgage	73	75	77	66	67
Home equity loans	97	104	107	112	120
Consumer direct loans	3	3	3	3	3
Credit cards	3	3	3	3	3
Consumer indirect loans	1	1	1	1	2
Total consumer loans	177	186	191	185	195
Total nonperforming loans [c]	431	416	387	390	429
OREO	15	13	13	12	9
Nonperforming loans held for sale	16	18	20	17	25
Other nonperforming assets	—	—	—	—	—
Total nonperforming assets	$ 462	$ 447	$ 420	$ 419	$ 463
Accruing loans past due 90 days or more	$ 73	$ 55	$ 60	$ 47	$ 41
Accruing loans past due 30 through 89 days	139	164	180	187	137
Nonperforming assets from discontinued operations — education lending business	2	3	3	3	3
Nonperforming loans to period-end portfolio loans	.36 %	.35 %	.32 %	.34 %	.38 %
Nonperforming assets to period-end portfolio loans plus OREO and other nonperforming assets	.39	.37	.35	.36	.41

(a) See Figure 9 and the accompanying discussion in the “Loans and loans held for sale” section for more information related to our commercial real estate loan portfolio.
(b) See Figure 8 and the accompanying discussion in the “Loans and loans held for sale” section for more information related to our commercial loan portfolio.
(c) On January 1, 2023, Key adopted ASU 2022-02 *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. In connection with the adoption of this guidance, nonperforming loans for periods after January 1, 2023, include certain loans which were modified for borrowers experiencing financial difficulty. Amounts prior to January 1, 2023, include nonperforming troubled debt restructurings (TDRs), for which accounting guidance was eliminated upon adoption of ASU 2022-02.

Figure 30 shows the types of activity that caused the change in our nonperforming loan balance during each of the last five quarters.

Figure 30. Summary of Changes in Nonperforming Loans from Continuing Operations

	2023		2022		
Dollars in millions	Second	First	Fourth	Third	Second
Balance at beginning of period	$ 416	$ 387	$ 390	$ 429	$ 439
Loans placed on nonaccrual status	169	143	113	80	118
Charge-offs	(76)	(60)	(67)	(68)	(59)
Loans sold	(23)	(2)	(4)	(3)	(8)
Payments	(20)	(31)	(22)	(29)	(35)
Transfers to OREO	(2)	(2)	(1)	(1)	(2)
Loans returned to accrual status	(33)	(19)	(22)	(18)	(24)
Balance at end of period	$ 431	$ 416	$ 387	$ 390	$ 429

Operational and compliance risk management

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

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

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

Cybersecurity

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 to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems, shut down access to systems for ransom, or cause other damage. As the threat landscape continues to evolve, critical infrastructure, including financial services, remains a top target for cyberattacks. The remote work environment utilized by our employees and our third-party service providers inherently introduces additional operational risk. Additionally, we face heightened risk of cyberattacks in the near term because of recent geopolitical events, which may result in increased attacks against U.S. critical infrastructure, including financial institutions. Cyberattacks may include, but are not limited to, attacks that are intended to disrupt or disable banking services and prevent banking transactions, attempts to breach the security of systems and data, and social engineering attempts aimed at tricking employees and clients into providing sensitive information or executing financial transactions.

We also face cyberattack risks related to our third-party service providers. Cyberattacks successfully compromising or circumventing the security of the systems of our third-party service providers have resulted in, and could again in the future, result in negative consequences to us, including interfering with our third-party providers' ability to fulfill their contractual obligations to us, an interruption in our business processes, or the disclosure or misappropriation of confidential information of us or that of our clients. These cyberattacks may result in regulatory consequences, reputational harm or financial loss or liability that could adversely affect our financial condition or results of

operations. 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 their customers. There have also been numerous highly publicized cases where hackers requested ransom payments in exchange for not disclosing customer information or to restore company access to locked systems. We have incurred, and may again incur, expenses related to responding to cyberattacks involving third-party providers, including the protection of our clients from identity theft as a result of such attacks. We have also incurred, and may continue to 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. To date, Key has not experienced material disruption of our operations as a result of the heightened threat landscape of cyberattacks.

As described in more detail starting on page 72 of our 2022 Form 10-K under the heading “Risk Management — Overview,” 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. Board members are updated on cybersecurity matters at each regularly-scheduled Board meeting. 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.

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.

Dollars in millions	Three months ended 6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	Six months ended 6/30/2023	6/30/2022
Tangible common equity to tangible assets at period-end							
Key shareholders' equity (GAAP)	**$ 13,844**	$ 14,322	$ 13,454	$ 13,290	$ 14,427		
Less: Intangible assets [a]	**2,826**	2,836	2,844	2,856	2,868		
Preferred Stock [b]	**2,446**	2,446	2,446	2,446	1,856		
Tangible common equity (non-GAAP)	**$ 8,572**	$ 9,040	$ 8,164	$ 7,988	$ 9,703		
Total assets (GAAP)	**$ 195,037**	$ 197,519	$ 189,813	$ 190,051	$ 187,008		
Less: Intangible assets [a]	**2,826**	2,836	2,844	2,856	2,868		
Tangible assets (non-GAAP)	**$ 192,211**	$ 194,683	$ 186,969	$ 187,195	$ 184,140		
Tangible common equity to tangible assets ratio (non-GAAP)	**4.5 %**	4.6 %	4.4 %	4.3 %	5.3 %		
Average tangible common equity							
Average Key shareholders' equity (GAAP)	**$ 14,412**	$ 13,817	$ 13,168	$ 14,614	$ 14,398	**$ 14,116**	$ 15,583
Less: Intangible assets (average) [c]	**2,831**	2,841	2,851	2,863	2,827	**2,836**	2,821
Preferred Stock (average)	**2,500**	2,500	2,500	2,148	1,900	**2,500**	1,900
Average tangible common equity (non-GAAP)	**$ 9,081**	$ 8,476	$ 7,817	$ 9,603	$ 9,671	**$ 8,780**	$ 10,862
Return on average tangible common equity from continuing operations							
Net income (loss) from continuing operations attributable to Key common shareholders (GAAP)	**$ 250**	$ 275	$ 356	$ 513	$ 504	**$ 525**	$ 924
Average tangible common equity (non-GAAP)	**9,081**	8,476	7,817	9,603	9,671	**8,780**	10,862
Return on average tangible common equity from continuing operations (non-GAAP)	**11.0 %**	13.2 %	18.1 %	21.2 %	20.9 %	**12.06 %**	17.15 %
Return on average tangible common equity consolidated							
Net income (loss) attributable to Key common shareholders (GAAP)	**$ 251**	$ 276	$ 356	$ 515	$ 507	**$ 527**	$ 928
Average tangible common equity (non-GAAP)	**9,081**	8,476	7,817	9,603	9,671	**8,780**	10,862
Return on average tangible common equity consolidated (non-GAAP)	**11.1 %**	13.2 %	18.1 %	21.3 %	21.0 %	**12.10 %**	17.23 %

(a) For the three months ended June 30, 2023, March 31, 2023, December 31, 2022, September 30, 2022, and June 30, 2022, intangible assets exclude $1 million, $1 million, $2 million, $2 million, and $2 million, respectively, of period-end purchased credit card receivables.
(b) Net of capital surplus.
(c) For the three months ended June 30, 2023, March 31, 2023, December 31, 2022, September 30, 2022, and June 30, 2022, average intangible assets exclude $1 million, $1 million, $2 million, $2 million, and $2 million, respectively, of average purchased credit card receivables. For the six months ended June 30, 2023, and June 30, 2022, average intangible assets exclude $1 million, and $2 million, respectively, of average purchased credit card receivables.

The cash efficiency ratio is a ratio of two non-GAAP performance measures, adjusted noninterest expense and total taxable-equivalent revenue. Accordingly, there is no directly comparable GAAP performance measure. The cash efficiency ratio excludes the impact of our intangible asset amortization from the calculation. We believe this ratio provides greater consistency and comparability between our results and those of our peer banks. Additionally, this ratio is used by analysts and investors to evaluate how effectively management is controlling noninterest expenses in generating revenue, as they develop earnings forecasts and peer bank analysis.

Dollars in millions	Three months ended 6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	Six months ended 6/30/2023	6/30/2022
Cash efficiency ratio							
Noninterest expense (GAAP)	**$ 1,076**	$ 1,176	$ 1,156	$ 1,106	$ 1,078	**$ 2,252**	$ 2,148
Less: Intangible asset amortization	**10**	10	12	12	12	**20**	23
Adjusted noninterest expense (non-GAAP)	**$ 1,066**	$ 1,166	$ 1,144	$ 1,094	$ 1,066	**$ 2,232**	$ 2,125
Net interest income (GAAP)	**$ 978**	$ 1,099	$ 1,220	$ 1,196	$ 1,097	**$ 2,077**	$ 2,111
Plus: Taxable-equivalent adjustment	**8**	7	7	7	7	**15**	13
Noninterest income (GAAP)	**609**	608	671	683	688	**1,217**	1,364
Total taxable-equivalent revenue (non-GAAP)	**$ 1,595**	$ 1,714	$ 1,898	$ 1,886	$ 1,792	**$ 3,309**	$ 3,488
Cash efficiency ratio (non-GAAP)	**66.8 %**	68.0 %	60.3 %	58.0 %	59.5 %	**67.5 %**	60.9 %

Critical Accounting Policies and Estimates

Our business is dynamic and complex. Consequently, we must exercise judgment in choosing and applying accounting policies and methodologies. These choices are critical – not only are they necessary to comply with GAAP, they also reflect our view of the appropriate way to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 ("Summary of Significant Accounting Policies") beginning on page 105 of our 2022 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. Note 1 ("Basis of Presentation and Accounting Policies") of this report should also be reviewed for more information on accounting standards that have been adopted during the period.

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

We rely heavily on the use of judgment, assumptions, and estimates to make a number of core decisions, including accounting for the ALLL; contingent liabilities, guarantees and income taxes; derivatives and related hedging activities; and assets and liabilities that involve valuation methodologies. In addition, we may employ outside valuation experts to assist us in determining fair values of certain assets and liabilities. A brief discussion of each of these areas appears on pages 92 through 94 of our 2022 Form 10-K. During the three months ended June 30, 2023, we did not significantly alter the manner in which we applied our critical accounting policies or developed related assumptions and estimates.

Accounting and Reporting Developments

Accounting Guidance Pending Adoption at June 30, 2023

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

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Item 1. Financial Statements

Consolidated Balance Sheets

Dollars in millions, except per share data	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Cash and due from banks	**$ 758**	$ 887
Short-term investments	**8,959**	2,432
Trading account assets	**1,177**	829
Securities available for sale	**37,908**	39,117
Held-to-maturity securities (fair value: $8,575 and $8,113)	**9,189**	8,710
Other investments	**1,474**	1,308
Loans, net of unearned income of $361 and $368	**119,011**	119,394
Less: Allowance for loan and lease losses	**(1,480)**	(1,337)
Net loans	**117,531**	118,057
Loans held for sale [(a)]	**1,130**	963
Premises and equipment	**652**	636
Goodwill	**2,752**	2,752
Other intangible assets	**75**	94
Corporate-owned life insurance	**4,378**	4,369
Accrued income and other assets	**8,668**	9,223
Discontinued assets	**386**	436
Total assets	**$ 195,037**	$ 189,813
LIABILITIES		
Deposits in domestic offices:		
Interest-bearing deposits	**$ 111,766**	$ 101,761
Noninterest-bearing deposits	**33,366**	40,834
Total deposits	**145,132**	142,595
Federal funds purchased and securities sold under repurchase agreements	**1,702**	4,077
Bank notes and other short-term borrowings	**6,949**	5,386
Accrued expense and other liabilities	**5,339**	4,994
Long-term debt	**22,071**	19,307
Total liabilities	**181,193**	176,359
EQUITY		
Preferred stock	**2,500**	2,500
Common Shares, $1 par value; authorized 2,100,000,000 shares; issued 1,256,702,081 shares	**1,257**	1,257
Capital surplus	**6,231**	6,286
Retained earnings	**15,759**	15,616
Treasury stock, at cost (320,968,822 and 323,377,500 shares)	**(5,859)**	(5,910)
Accumulated other comprehensive income (loss)	**(6,044)**	(6,295)
Total equity	**13,844**	13,454
Total liabilities and equity	**$ 195,037**	$ 189,813

(a) Total loans held for sale include real estate — residential mortgage loans held for sale at fair value of $67 million at June 30, 2023, and $24 million at December 31, 2022.
See Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Income

Dollars in millions, except per share amounts	Three months ended June 30,	Six months ended June 30,

(Unaudited)	2023	2022	2023	2022
INTEREST INCOME				
Loans	**$ 1,576**	$ 923	**$ 3,052**	$ 1,760
Loans held for sale	**17**	10	**30**	22
Securities available for sale	**194**	188	**388**	361
Held-to-maturity securities	**81**	48	**155**	94
Trading account assets	**15**	7	**27**	13
Short-term investments	**111**	13	**153**	17
Other investments	**16**	4	**29**	6
Total interest income	**2,010**	1,193	**3,834**	2,273
INTEREST EXPENSE				
Deposits	**531**	20	**881**	34
Federal funds purchased and securities sold under repurchase agreements	**48**	6	**70**	6
Bank notes and other short-term borrowings	**104**	9	**182**	12
Long-term debt	**349**	61	**624**	110
Total interest expense	**1,032**	96	**1,757**	162
NET INTEREST INCOME	**978**	1,097	**2,077**	2,111
Provision for credit losses	**167**	45	**306**	128
Net interest income after provision for credit losses	**811**	1,052	**1,771**	1,983
NONINTEREST INCOME				
Trust and investment services income	**126**	137	**254**	273
Investment banking and debt placement fees	**120**	149	**265**	312
Cards and payments income	**85**	85	**166**	165
Service charges on deposit accounts	**69**	96	**136**	187
Corporate services income	**86**	96	**162**	187
Commercial mortgage servicing fees	**50**	45	**96**	81
Corporate-owned life insurance income	**32**	35	**61**	66
Consumer mortgage income	**14**	14	**25**	35
Operating lease income and other leasing gains	**23**	28	**48**	60
Other income	**4**	3	**4**	(2)
Total noninterest income	**609**	688	**1,217**	1,364
NONINTEREST EXPENSE				
Personnel	**622**	607	**1,323**	1,237
Net occupancy	**65**	78	**135**	151
Computer processing	**95**	78	**187**	155
Business services and professional fees	**41**	52	**86**	105
Equipment	**22**	26	**44**	49
Operating lease expense	**21**	27	**41**	55
Marketing	**29**	34	**50**	62
Other expense	**181**	176	**386**	334
Total noninterest expense	**1,076**	1,078	**2,252**	2,148
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**344**	662	**736**	1,199
Income taxes	**58**	132	**139**	222
INCOME (LOSS) FROM CONTINUING OPERATIONS	**286**	530	**597**	977
Income (loss) from discontinued operations	**1**	3	**2**	4
NET INCOME (LOSS)	**287**	533	**599**	981
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	**—**	—
NET INCOME (LOSS) ATTRIBUTABLE TO KEY	**$ 287**	$ 533	**$ 599**	$ 981
Income (loss) from continuing operations attributable to Key common shareholders	**$ 250**	$ 504	**$ 525**	$ 924
Net income (loss) attributable to Key common shareholders	**251**	507	**527**	928
Per Common Share:				
Income (loss) from continuing operations attributable to Key common shareholders	**$ .27**	$ .54	**$ .57**	$ 1.00
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—
Net income (loss) attributable to Key common shareholders [a]	**.27**	.55	**.57**	1.00
Per Common Share — assuming dilution:				
Income (loss) from continuing operations attributable to Key common shareholders	**$ .27**	$ .54	**$ .56**	$ .99
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—
Net income (loss) attributable to Key common shareholders [a]	**.27**	.54	**.57**	1.00
Weighted-average Common Shares outstanding (000)	**926,741**	924,302	**926,807**	923,717
Effect of Common Share options and other stock awards	**3,713**	7,506	**5,513**	9,087
Weighted-average Common Shares and potential Common Shares outstanding (000) [b]	**930,454**	931,808	**932,320**	932,805

(a) EPS may not foot due to rounding.
(b) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.
See Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Comprehensive Income

Dollars in millions (Unaudited)	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Net income (loss)	**$ 287**	$ 533	**$ 599**	$ 981
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities available for sale, net of income taxes of $131, $309, $(50), and $871	**(416)**	(980)	**159**	(2,764)
Net unrealized gains (losses) on derivative financial instruments, net of income taxes of $49, $82, $(28), and $259	**(156)**	(260)	**89**	(821)
Net pension and postretirement benefit costs, net of income taxes of $(1), $(1), $(1), and $(2)	**2**	3	**3**	5
Total other comprehensive income (loss), net of tax	**(570)**	(1,237)	**251**	(3,580)
Comprehensive income (loss)	**(283)**	(704)	**850**	(2,599)
Less: Comprehensive income attributable to noncontrolling interests	**—**	—	**—**	—
Comprehensive income (loss) attributable to Key	**$ (283)**	$ (704)	**$ 850**	$ (2,599)

See Notes to Consolidated Financial Statements (Unaudited).

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Consolidated Statements of Changes in Equity

Dollars in millions, except per share amounts (Unaudited)	Key Shareholders' Equity								
	Preferred Shares Outstanding (000)	Common Shares Outstanding (000)	Preferred Stock	Common Shares	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2022	1,996	933,325	$ 2,500	$ 1,257	$ 6,286	$ 15,616	$ (5,910)	$ (6,295)	$ 13,454
Net income (loss)						**599**			**599**
Other comprehensive income (loss)								**251**	**251**
Deferred compensation					**(5)**				**(5)**
Cash dividends declared									
Common Shares ($.410 per share)						**(384)**			**(384)**
Series D Preferred Stock ($25.00 per depositary share)						**(13)**			**(13)**
Series E Preferred Stock ($.765626 per depositary share)						**(15)**			**(15)**
Series F Preferred Stock ($.706250 per depositary share)						**(12)**			**(12)**
Series G Preferred Stock ($.703126 per depositary share)						**(13)**			**(13)**
Series H Preferred Stock ($.775000 per depositary share)						**(19)**			**(19)**
Open market Common Share repurchases		**(2,550)**			**—**		**(38)**		**(38)**
Employee equity compensation program Common Share repurchases		**(1,821)**			**—**		**(34)**		**(34)**
Common shares reissued (returned) for stock options and other employee benefit plans		**6,779**			**(50)**		**123**		**73**
BALANCE AT JUNE 30, 2023	**1,996**	**935,733**	**$ 2,500**	**$ 1,257**	**$ 6,231**	**$ 15,759**	**$ (5,859)**	**$ (6,044)**	**$ 13,844**
BALANCE AT MARCH 31, 2023	1,996	935,229	$ 2,500	$ 1,257	$ 6,207	$ 15,700	$ (5,868)	$ (5,474)	$ 14,322
Net income (loss)						**287**			**287**
Other comprehensive income (loss)								**(570)**	**(570)**
Deferred compensation					**1**				**1**
Cash dividends declared									
Common Shares ($.205 per share)						**(192)**			**(192)**
Series D Preferred Stock ($12.50 per depositary share)						**(6)**			**(6)**
Series E Preferred Stock ($.382813 per depositary share)						**(7)**			**(7)**
Series F Preferred Stock ($.353125 per depositary share)						**(6)**			**(6)**
Series G Preferred Stock ($.351563 per depositary share)						**(7)**			**(7)**
Series H Preferred Stock ($.387500 per depositary share)						**(10)**			**(10)**
Employee equity compensation program Common Share repurchases		**(38)**			**—**		**—**		**—**
Common shares reissued (returned) for stock options and other employee benefit plans		**542**			**23**		**9**		**32**
BALANCE AT JUNE 30, 2023	**1,996**	**935,733**	**$ 2,500**	**$ 1,257**	**$ 6,231**	**$ 15,759**	**$ (5,859)**	**$ (6,044)**	**$ 13,844**

Dollars in millions, except per share amounts (Unaudited)	Key Shareholders' Equity								
	Preferred Shares Outstanding (000)	Common Shares Outstanding (000)	Preferred Stock	Common Shares	Capital Surplus	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2021	1,396	928,850	$ 1,900	$ 1,257	$ 6,278	$ 14,553	$ (5,979)	$ (586)	$ 17,423
Net income (loss)						981			981
Other comprehensive income (loss)								(3,580)	(3,580)
Deferred compensation					(6)				(6)
Cash dividends declared									
Common Shares ($.585 per share)						(364)			(364)
Series D Preferred Stock ($37.50 per depositary share)						(12)			(12)
Series E Preferred Stock ($1.148439 per depositary share)						(16)			(16)
Series F Preferred Stock ($1.059375 per depositary share)						(12)			(12)
Series G Preferred Stock ($1.054689 per depositary share)						(12)			(12)
Employee equity compensation program Common Share repurchases		(1,731)			—		(44)		(44)
Common shares reissued (returned) for stock options and other employee benefit plans		5,524			(31)		100		69
BALANCE AT JUNE 30, 2022	1,396	932,643	$ 1,900	$ 1,257	$ 6,241	$ 15,118	$ (5,923)	$ (4,166)	$ 14,427
BALANCE AT MARCH 31, 2022	1,396	932,398	$ 1,900	$ 1,257	$ 6,214	$ 14,793	$ (5,927)	$ (2,929)	$ 15,308
Net income (loss)						533			533
Other comprehensive income (loss)								(1,237)	(1,237)
Deferred compensation									—
Cash dividends declared									
Common Shares ($.195 per share)						(182)			(182)
Series D Preferred Stock ($12.50 per depositary share)						(6)			(6)
Series E Preferred Stock ($.382813 per depositary share)						(8)			(8)
Series F Preferred Stock ($.353125 per depositary share)						(6)			(6)
Series G Preferred Stock ($.351563 per depositary share)						(6)			(6)
Employee equity compensation program Common Share repurchases		(24)			—		—		—
Common shares reissued (returned) for									

stock options and other employee benefit plans	269			27		4			31
BALANCE AT JUNE 30, 2022	1,396	932,643	$ 1,900	$ 1,257	$ 6,241	$ 15,118	$ (5,923)	$ (4,166)	$ 14,427

See Notes to Consolidated Financial Statements (Unaudited).

Consolidated Statements of Cash Flows

Dollars in millions (Unaudited)	Six months ended June 30, 2023	2022
OPERATING ACTIVITIES		
Net income (loss)	**$ 599**	$ 981
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for credit losses	**306**	128
Depreciation and amortization expense, net	**71**	74
Accretion of acquired loans	**11**	16
Increase in cash surrender value of corporate-owned life insurance	**(52)**	(54)
Stock-based compensation expense	**63**	59
Deferred income taxes (benefit)	**29**	99
Proceeds from sales of loans held for sale	**3,353**	6,855
Originations of loans held for sale, net of repayments	**(3,549)**	(5,414)
Net losses (gains) on sales of loans held for sale	**(37)**	(81)
Net losses (gains) on leased equipment	**(3)**	(1)
Net securities losses (gains)	**7**	—
Net losses (gains) on sales of fixed assets	**13**	(4)
Net decrease (increase) in trading account assets	**(348)**	(108)
Other operating activities, net	**837**	(1,747)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**1,300**	803
INVESTING ACTIVITIES		
Purchases of intangibles assets via acquisitions	**—**	(12)
Cash received (used) in acquisitions, net of cash acquired	**—**	(58)
Net decrease (increase) in short-term investments, excluding acquisitions	**(6,527)**	8,554
Purchases of securities available for sale	**(289)**	(3,969)
Proceeds from sales of securities available for sale	**511**	—
Proceeds from prepayments and maturities of securities available for sale	**1,172**	2,797
Proceeds from prepayments and maturities of held-to-maturity securities	**708**	1,321
Purchases of held-to-maturity securities	**(1,179)**	(1,964)
Purchases of other investments	**(533)**	(369)
Proceeds from sales of other investments	**354**	8
Proceeds from prepayments and maturities of other investments	**5**	6
Net decrease (increase) in loans, excluding acquisitions, sales and transfers	**303**	(10,580)
Proceeds from sales of portfolio loans	**89**	81
Proceeds from corporate-owned life insurance	**43**	39
Purchases of premises, equipment, and software	**(74)**	(42)
Proceeds from sales of premises and equipment	**2**	11
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(5,415)**	(4,177)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	**2,537**	(6,707)
Net increase (decrease) in short-term borrowings	**(812)**	5,282
Net proceeds from issuance of long-term debt	**5,240**	12,101
Payments on long-term debt	**(2,452)**	(7,081)
Open market common share repurchases	**(38)**	—
Employee equity compensation program Common Share repurchases	**(34)**	(44)
Net proceeds from reissuance of Common Shares	**1**	5
Cash dividends paid	**(456)**	(417)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**3,986**	3,139
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	**(129)**	(235)
CASH AND DUE FROM BANKS AT BEGINNING OF PERIOD	**887**	913
CASH AND DUE FROM BANKS AT END OF PERIOD	**$ 758**	$ 678
Additional disclosures relative to cash flows:		
Interest paid	**$ 1,360**	$ 169
Income taxes paid (refunded)	**140**	131
Noncash items:		
Reduction of secured borrowing and related collateral	**$ 3**	$ 4
Loans transferred to portfolio from held for sale	**83**	57
Loans transferred to held for sale from portfolio	**19**	—
Loans transferred to OREO	**4**	3
CMBS risk retentions	**—**	6
ABS risk retentions	**7**	9

See Notes to Consolidated Financial Statements (Unaudited).

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

The consolidated financial statements include the accounts of KeyCorp and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Some previously reported amounts related to derivative valuations and reserves have been reclassified from Other Income to Corporate Services Income to conform to current reporting practices.

The consolidated financial statements include any voting rights entities in which we have a controlling financial interest. In accordance with the applicable accounting guidance for consolidations, we consolidate a VIE if we have: (i) a variable interest in the entity; (ii) the power to direct activities of the VIE that most significantly affect the entity's economic performance; and (iii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE (i.e., we are considered to be the primary beneficiary). Variable interests can include equity interests, subordinated debt, derivative contracts, leases, service agreements, guarantees, standby letters of credit, loan commitments, and other contracts, agreements, and financial instruments. See Note 11 ("Variable Interest Entities") for information on our involvement with VIEs.

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

The unaudited consolidated interim financial statements reflect all adjustments of a normal recurring nature and disclosures that are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full year. The interim financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our 2022 Form 10-K.

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

Accounting Guidance Adopted in 2023

Standard	Date of Adoption	Description	Effect on Financial Statements or Other Significant Matters
ASU 2021-08, Business Combinations (Topic 805)	January 1, 2023 Early adoption is permitted.	At the acquisition date, an acquirer must account for any acquired revenue contracts in accordance with Topic 606 as if it had originated the contracts (i.e. measure contract assets and liabilities, generally consistent with acquiree's financial statements). The guidance should be applied on a prospective basis.	The adoption of this guidance did not have an impact on Key's financial condition or results of operations.
ASU 2022-01, Derivatives and Hedging (Topic 815)	January 1, 2023 Early adoption is permitted.	This guidance allows entities to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets. It also allows multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments. If a breach is anticipated, an entity is required to partially or fully dedesignate a hedged layer or layers until a breach is no longer anticipated. There are additional requirements and enhanced disclosures related to basis adjustments. The guidance should be applied on a prospective, retrospective or modified retrospective basis depending on the amendment.	The adoption of this guidance did not have an impact on Key's financial condition or results of operations.
ASU 2022-02, Financial Instruments —Credit Losses (Topic 326)	January 1, 2023 Early adoption is permitted	The amendments eliminate TDR guidance and instead require entities to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or is a continuation of an existing loan. Entities must disclose current-period gross write-offs on an amortized cost basis by credit quality indicator and class of financing receivable by year of origination. The guidance should be applied on a prospective basis except for amendments related to recognition and measurement of TDRs, where a modified retrospective transition method is optional.	As part of the adoption of this guidance, Key elected to discontinue use of a discounted cash flow (DCF) methodology and apply its portfolio-based allowance approach to non-collateral dependent modified loans. The adoption did not result in a material impact on Key's financial condition or results of operations. Additionally, disclosures for gross charges-offs and loan modifications made to borrowers experiencing financial difficulty have been included in Note 4 (Asset Quality).
ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323)	January 1, 2023 Early adoption is permitted.	Reporting entities may elect to account for their tax equity investments, not limited to LIHTC structures, using the proportional amortization method as long as certain criteria are met. Entities must make an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis. Also, LIHTC investments not accounted for using the proportional amortization method will no longer be allowed to use the delayed equity contribution guidance. Further, accounting guidance in ASC 323-740 is now only applicable to tax equity investments accounted for using the proportional amortization method. The guidance should be applied on a modified retrospective or retrospective basis.	The guidance did not have a material impact on Key's financial condition or results of operations. Key adopted this guidance on a modified retrospective basis.

The following are additional disclosures about our significant accounting policies updated during the six months ended June 30, 2023.

Loans

Effective January 1, 2023, we adopted the provisions of ASU 2022-02, Financial Instruments —Credit Losses (Topic 326), which eliminated the accounting for troubled debt restructurings while expanding loan modification and vintage disclosure requirements. Under this guidance we assess all loan modifications to determine whether one is granted to a borrower experiencing financial difficulty, regardless of whether the modification loan terms include a concession. Modifications granted to borrowers experiencing financial difficulty may be in the form an interest rate reduction, payment delay, other modifications, or some combination thereof. A borrower is considered to be experiencing financial difficulty when there is significant doubt about the borrower's ability to make required payments on the loan or to get equivalent financing from another creditor at a market rate for a similar loan.

Prior to the adoption of ASU 2022-02, a TDR occurred when a loan to a borrower experiencing financial difficulty was restricted with a concession provided that a creditor would not otherwise consider.

Nonperforming Loans

Nonperforming loans are loans for which we do not accrue interest income and may include both commercial and consumer loans and leases, modified loans to borrowers experiencing financial difficulty, and nonaccruing TDR loans prior to the adoption of ASU 2022-02. Nonperforming loans do not include loans held for sale. Once a loan is designated nonaccrual, the interest accrued but not collected is reversed against interest income, and payments subsequently received are applied to principal until qualifying for return to accrual.

Allowance for Loan and Lease Losses

We estimate the ALLL using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The ALLL is measured on a collective (pool) basis when similar risk characteristics exist. Our portfolio segments include commercial and consumer. Each of these two segments comprises multiple loan classes. Classes are characterized by similarities in initial measurement, risk attributes, and the manner in which we monitor and assess credit risk. The commercial segment is composed of commercial and industrial, commercial real estate, and commercial lease financing loan classes. The consumer lending segment is composed of residential mortgage, home equity, consumer direct, credit card, student lending and consumer indirect loan classes.

The ALLL represents our current estimate of lifetime credit losses inherent in our loan portfolio at the balance sheet date. In determining the ALLL, we estimate expected future losses for the loan's entire contractual term adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications.

The ALLL is the sum of three components: (i) asset specific/ individual loan reserves; (ii) quantitative (formulaic or pooled) reserves; and (iii) qualitative (judgmental) reserves.

Asset Specific / Individual Component

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. We have elected to apply the practical expedient to measure expected credit losses of a collateral dependent asset using the fair value of the collateral, less any costs to sell, when foreclosure is not probable, when repayment of the loan is expected to be provided substantially through the operation or sale of the collateral, and the borrower is experiencing financial difficulty.

Individual reserves are determined as follows:

- For commercial non-accruing loans greater than or equal to a defined dollar threshold, individual reserves are determined based on an analysis of the present value of the loan's expected future cash flows or the fair value of the collateral less costs to sell.
- For commercial non-accruing loans below the defined dollar threshold, an established LGD percentage is multiplied by the loan balance and the results are aggregated for purposes of measuring specific reserve impairment.
- The population of individually assessed consumer loans includes loans deemed collateral dependent. These loans are written down based on the collateral's fair market value less costs to sell.

Quantitative Component

We use a non-DCF factor-based approach to estimate expected credit losses that include component PD/LGD/EAD models as well as less complex estimation methods for smaller loan portfolios.

- PD: This component model is used to estimate the likelihood that a borrower will cease making payments as agreed. The major contributors to this are the borrower credit attributes and macro-economic trends. The objective of the PD model is to produce default likelihood forecasts based on the observed loan-level information and projected paths of macroeconomic variables.
- LGD: This component model is used to estimate the loss on a loan once a loan is in default.

- EAD: Estimates the loan balance at the time the borrower stops making payments. For all term loans, an amortization based formulaic approach is used for account level EAD estimates. We calculate EAD using a portfolio specific method in each of our revolving product portfolios. For line products that are unconditionally cancellable, the balances will either use a paydown curve or be held flat through the life of the loan.

Qualitative Component

The ALLL also includes identified qualitative factors related to idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively derived results, and other relevant factors to ensure the ALLL reflects our best estimate of current expected credit losses. While our reserve methodologies strive to reflect all relevant risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes. We provide additional reserves that are designed to provide coverage for losses attributable to such risks. The ALLL also includes factors that may not be directly measured in the determination of individual or collective reserves. Such qualitative factors may include:

- The nature and volume of the institution's financial assets;
- The existence, growth, and effect of any concentrations of credit;
- The volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets;
- The value of the underlying collateral for loans that are not collateral dependent;
- The institution's lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries;
- The quality of the institution's credit review function;
- The experience, ability, and depth of the institution's lending, investment, collection, and other relevant management and staff;
- The effect of other external factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters; and
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the institution operates that affect the collectability of financial assets.

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 deferred tax asset 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.

We use the proportional amortization method for LIHTC and NMTC investments, whereby the associated investment tax credits are recognized as a reduction to tax expense. Certain federal tax credits that are nonrefundable and transferable under applicable regulations are accounted for as government grants and recorded as a reduction to the amortized cost or net investment in the applicable asset generating the credit, generally within "Accrued income and other assets" or "Loans, net of unearned income". Amounts are amortized through depreciation or as an adjustment to yield over the estimated life of the asset. Any gain or loss on the transfer of a tax credit is recorded within "Other income".

2. Earnings Per Common Share

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

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

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions, except per share amounts	**2023**	**2022**	**2023**	**2022**
EARNINGS				
Income (loss) from continuing operations	**$ 286**	$ 530	**$ 597**	$ 977
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	**—**	—
Income (loss) from continuing operations attributable to Key	**286**	530	**597**	977
Less: Dividends on Preferred Stock	**36**	26	**72**	53
Income (loss) from continuing operations attributable to Key common shareholders	**250**	504	**525**	924
Income (loss) from discontinued operations, net of taxes	**1**	3	**2**	4
Net income (loss) attributable to Key common shareholders	**$ 251**	$ 507	**$ 527**	$ 928
WEIGHTED-AVERAGE COMMON SHARES				
Weighted-average Common Shares outstanding (000)	**926,741**	924,302	**926,807**	923,717
Effect of Common Share options and other stock awards	**3,713**	7,506	**5,513**	9,087
Weighted-average Common Shares and potential Common Shares outstanding (000) [a]	**930,454**	931,808	**932,320**	932,805
EARNINGS PER COMMON SHARE				
Income (loss) from continuing operations attributable to Key common shareholders	**$ .27**	$ .54	**$ .57**	$ 1.00
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—
Net income (loss) attributable to Key common shareholders [b]	**.27**	.55	**.57**	1.00
Income (loss) from continuing operations attributable to Key common shareholders — assuming dilution	**$ .27**	$ .54	**$ .56**	$ .99
Income (loss) from discontinued operations, net of taxes — assuming dilution	**—**	—	**—**	—
Net income (loss) attributable to Key common shareholders — assuming dilution [b]	**.27**	.54	**.57**	1.00

(a) Assumes conversion of Common Share options and other stock awards and/or convertible preferred stock, as applicable.
(b) EPS may not foot due to rounding.

3. Loan Portfolio

Loan Portfolio by Portfolio Segment and Financing Receivable [a]

Dollars in millions	June 30, 2023	December 31, 2022
Commercial and industrial [b]	**$ 60,059**	$ 59,647
Commercial real estate:		
Commercial mortgage	**16,048**	16,352
Construction	**2,646**	2,530
Total commercial real estate loans	**18,694**	18,882
Commercial lease financing [c]	**3,801**	3,936
Total commercial loans	**82,554**	82,465
Residential — prime loans:		
Real estate — residential mortgage	**21,637**	21,401
Home equity loans	**7,529**	7,951
Total residential — prime loans	**29,166**	29,352
Consumer direct loans	**6,257**	6,508
Credit cards	**1,001**	1,026
Consumer indirect loans	**33**	43
Total consumer loans	**36,457**	36,929
Total loans [d]	**$ 119,011**	$ 119,394

(a) Accrued interest of $500 million and $417 million at June 30, 2023, and December 31, 2022, respectively, presented in "Accrued income and other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.
(b) Loan balances include $200 million and $172 million of commercial credit card balances at June 30, 2023, and December 31, 2022, respectively.
(c) Commercial lease financing includes receivables held as collateral for a secured borrowing of $5 million and $8 million at June 30, 2023, and December 31, 2022, respectively. Principal reductions are based on the cash payments received from these related receivables. Additional information pertaining to this secured borrowing is included in Note 20 ("Long-Term Debt") beginning on page 164 of our 2022 Form 10-K.
(d) Total loans exclude loans of $381 million at June 30, 2023, and $434 million at December 31, 2022, related to the discontinued operations of the education lending business.

4. Asset Quality

ALLL

We estimate the appropriate level of the ALLL on at least a quarterly basis. The methodology is described in Note 1 ("Summary of Significant Accounting Policies") under the heading "Allowance for Loan and Lease Losses" beginning on page 107 of our 2022 Form 10-K.

The ALLL at June 30, 2023, represents our current estimate of lifetime credit losses inherent in the loan portfolio at that date. The changes in the ALLL by loan category for the periods indicated are as follows:

Three months ended June 30, 2023:

Dollars in millions	March 31, 2023	Provision	Charge-offs	Recoveries	June 30, 2023
Commercial and Industrial	$ 605	$ 21	$ (42)	$ 15	$ 599
Commercial real estate:					
Real estate — commercial mortgage	218	105	(9)	1	315
Real estate — construction	28	11	—	—	39
Total commercial real estate loans	246	116	(9)	1	354
Commercial lease financing	33	(1)	(1)	2	33
Total commercial loans	884	136	(52)	18	986
Real estate — residential mortgage	212	(12)	(1)	1	200
Home equity loans	96	1	(2)	1	96
Consumer direct loans	116	18	(11)	2	125
Credit cards	71	8	(9)	2	72
Consumer indirect loans	1	1	(1)	—	1
Total consumer loans	496	16	(24)	6	494
Total ALLL — continuing operations	1,380	152 [(a)]	(76)	24	1,480
Discontinued operations	19	—	(2)	1	18
Total ALLL — including discontinued operations	$ 1,399	$ 152	$ (78)	$ 25	$ 1,498

(a) Excludes a provision for losses on lending-related commitments of $15 million.

Three months ended June 30, 2022:

Dollars in millions	March 31, 2022	Provision	Charge-offs	Recoveries	June 30, 2022
Commercial and Industrial	$ 489	$ 45	$ (39)	$ 8	$ 503
Commercial real estate:					
Real estate — commercial mortgage	172	(14)	(3)	1	156
Real estate — construction	25	(5)	—	1	21
Total commercial real estate loans	197	(19)	(3)	2	177
Commercial lease financing	31	(3)	—	1	29
Total commercial loans	717	23	(42)	11	709
Real estate — residential mortgage	108	11	2	1	122
Home equity loans	104	(10)	—	1	95
Consumer direct loans	111	10	(10)	1	112
Credit cards	63	3	(8)	1	59
Consumer indirect loans	2	1	(1)	—	2
Total consumer loans	388	15	(17)	4	390
Total ALLL — continuing operations	1,105	38 [(a)]	(59)	15	1,099
Discontinued operations	27	(3)	(1)	1	24
Total ALLL — including discontinued operations	$ 1,132	$ 35	$ (60)	$ 16	$ 1,123

(a) Excludes a provision for losses on lending-related commitments of $7 million.

Six months ended June 30, 2023:

in millions	December 31, 2022	Provision		Charge-offs	Recoveries	June 30, 2023
Commercial and Industrial	$ 601	$ 52		$ (77)	$ 23	$ 599
Commercial real estate:						
Real estate — commercial mortgage	203	125		(14)	1	315
Real estate — construction	28	11		—	—	39
Total commercial real estate loans	231	136		(14)	1	354
Commercial lease financing	32	(2)		—	3	33
Total commercial loans	864	186		(91)	27	986
Real estate — residential mortgage	196	3		(1)	2	200
Home equity loans	98	(1)		(3)	2	96
Consumer direct loans	111	32		(22)	4	125
Credit cards	66	21		(18)	3	72
Consumer indirect loans	2	(1)		(1)	1	1
Total consumer loans	473	54		(45)	12	494
Total ALLL — continuing operations	1,337	240	[a]	(136)	39	1,480
Discontinued operations	21	(1)		(3)	1	18
Total ALLL — including discontinued operations	$ 1,358	$ 239		$ (139)	$ 40	$ 1,498

(a) Excludes a provision for losses on lending-related commitments of $66 million.

Six months ended June 30, 2022:

Dollars in millions	December 31, 2021	Provision		Charge-offs	Recoveries	June 30, 2022
Commercial and Industrial	$ 445	$ 108		$ (69)	$ 19	$ 503
Commercial real estate:						
Real estate — commercial mortgage	182	(21)		(7)	2	156
Real estate — construction	29	(9)		—	1	21
Total commercial real estate loans	211	(30)		(7)	3	177
Commercial lease financing	32	(2)		(2)	1	29
Total commercial loans	688	76		(78)	23	709
Real estate — residential mortgage	95	23		3	1	122
Home equity loans	110	(16)		(1)	2	95
Consumer direct loans	105	21		(17)	3	112
Credit cards	61	10		(15)	3	59
Consumer indirect loans	2	1		(2)	1	2
Total consumer loans	373	39		(32)	10	390
Total ALLL — continuing operations	1,061	115	[a]	(110)	33	1,099
Discontinued operations	28	(2)		(3)	1	24
Total ALLL — including discontinued operations	$ 1,089	$ 113		$ (113)	$ 34	$ 1,123

(a) Excludes a provision for losses on lending-related commitments of $13 million.

As described in Note 1 ("Summary of Significant Accounting Policies"), under the heading “Allowance for Loan and Lease Losses” beginning on page 107 of our 2022 Form 10-K, we estimate the ALLL using relevant available information, from internal and external sources, relating to past events, current economic and portfolio conditions, and reasonable and supportable forecasts. In our estimation of expected credit losses, we use a two year reasonable and supportable period across all products. Following this two year period in which supportable forecasts can be generated, for all modeled loan portfolios, we revert expected credit losses to a level that is consistent with our historical information by reverting the macroeconomic variables (model inputs) to their long run average. We revert to historical loss rates for less complex estimation methods for smaller portfolios. A 20-year fixed length look back period is used to calculate the long run average of the macroeconomic variables. A four quarter reversion period is used where the macroeconomic variables linearly revert to their long run average following the two year reasonable and supportable period.

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

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

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

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

Economic Outlook

As of June 30, 2023, economic uncertainty was elevated due to cooling, but still high, inflationary pressures and rising interest rates. Unemployment rates are still expected to remain at relatively low levels, but job growth is moderating. Inflation, in the United States, is starting to ease as the restrictive monetary policy and higher interest rates are making an impact. Commercial real estate values are under pressure, with office being the most vulnerable market. We utilized the Moody's May 2023 Consensus forecast as our baseline forecast to estimate our expected credit losses as of June 30, 2023. We determined such forecast to be a reasonable view of the outlook for the economy given all available information at quarter end.

The baseline scenario reflects slow economic growth over the next two years in markets in which we operate. U.S. GDP is expected to grow at an annual rate of approximately 1.3% and 0.9% for 2023 and 2024, respectively. The national unemployment rate forecast is expected to reach 4.2% by the fourth quarter of 2023. The U.S. Consumer Price Index annualized rate is forecasted at 4% and 2.5% for 2023 and 2024, respectively. The national home price index is expected to decline approximately 6% over 2023, while the commercial real estate price index is forecasted to drop approximately 5% in 2023 and 9% over 2024.

As a result of the current economic uncertainty, our future loss estimates may vary considerably from our June 30, 2023 assumptions.

Commercial Loan Portfolio

The ALLL from continuing operations for the commercial segment increased by $102 million, or 11.5%, from March 31, 2023. The overall increase in the commercial allowance is driven by changes in the economic outlook and portfolio activity.

The reserves levels are reflective of low economic growth expectations in 2023, primarily related to the high inflation and elevated interest rate environment. The reserve increase from prior quarter is concentrated in the commercial real estate portfolio, reflecting economic deterioration largely within the office sector. Reserve levels also reflect changes in portfolio factors, including the impact of current economic conditions on risk ratings.

Consumer Loan Portfolio

The ALLL from continuing operations for the consumer segment decreased by $2 million, or 0.4%, from March 31, 2023. The overall stability in the consumer allowance is driven by improvement in the economic forecast, offset by credit quality normalization post-pandemic.

Current reserve levels reflect favorable changes economic outlook quarter-over-quarter for the home price environment. Improvement in the unemployment outlook also impacted reserves for all consumer segments.

Credit Risk Profile

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

All 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.

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

As of June 30, 2023	Term Loans Amortized Cost Basis by Origination Year and Internal Risk Rating						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
Dollars in millions	2023	2022	2021	2020	2019	Prior			Total
Commercial and Industrial									
Risk Rating:									
Pass	$ 3,242	$ 10,905	$ 7,306	$ 3,039	$ 2,367	$ 4,060	$ 26,548	$ 152	$ 57,619
Criticized (Accruing)	31	222	436	176	114	396	857	20	2,252
Criticized (Nonaccruing)	4	34	5	3	34	23	85	—	188
Total commercial and industrial	3,277	11,161	7,747	3,218	2,515	4,479	27,490	172	60,059
Current period gross write-offs	—	—	5	4	1	7	25	—	42
Real estate — commercial mortgage									
Risk Rating:									
Pass	719	4,249	3,460	842	1,656	2,934	1,031	68	14,959
Criticized (Accruing)	3	373	186	26	135	211	90	—	1,024
Criticized (Nonaccruing)	—	—	1	21	1	12	30	—	65
Total real estate — commercial mortgage	722	4,622	3,647	889	1,792	3,157	1,151	68	16,048
Current period gross write-offs	—	—	—	1	—	8	—	—	9
Real estate — construction									
Risk Rating:									
Pass	61	876	988	315	203	89	11	6	2,549
Criticized (Accruing)	—	5	23	17	—	50	—	2	97
Criticized (Nonaccruing)	—	—	—	—	—	—	—	—	—
Total real estate — construction	61	881	1,011	332	203	139	11	8	2,646
Current period gross write-offs	—	—	—	—	—	—	—	—	—
Commercial lease financing									
Risk Rating:									
Pass	287	973	668	436	390	956	—	—	3,710
Criticized (Accruing)	22	35	4	9	8	12	—	—	90
Criticized (Nonaccruing)	—	—	—	—	—	1	—	—	1
Total commercial lease financing	309	1,008	672	445	398	969		—	3,801
Current period gross write-offs	—	—	—	—	—	1	—	—	1
Total commercial loans	$ 4,369	$ 17,672	$ 13,077	$ 4,884	$ 4,908	$ 8,744	$ 28,652	$ 248	$ 82,554
Total commercial loan current period gross write-offs	$ —	$ —	$ 5	$ 5	$ 1	$ 16	$ 25	$ —	$ 52

As of December 31, 2022	Term Loans Amortized Cost Basis by Origination Year and Internal Risk Rating						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
Dollars in millions	2022	2021	2020	2019	2018	Prior			Total
Commercial and Industrial									
Risk Rating:									
Pass	$ 11,580	$ 8,636	$ 3,540	$ 2,839	$ 1,787	$ 3,307	$ 25,565	$ 138	$ 57,392
Criticized (Accruing)	40	357	131	160	227	205	936	25	2,081
Criticized (Nonaccruing)	34	2	5	4	22	20	87	—	174
Total commercial and industrial	11,654	8,995	3,676	3,003	2,036	3,532	26,588	163	59,647
Real estate — commercial mortgage									
Risk Rating:									
Pass	4,786	3,817	992	1,853	788	2,578	1,068	67	15,949
Criticized (Accruing)	6	13	20	48	73	175	47	—	382
Criticized (Nonaccruing)	—	—	1	1	1	15	3	—	21
Total real estate — commercial mortgage	4,792	3,830	1,013	1,902	862	2,768	1,118	67	16,352
Real estate — construction									
Risk Rating:									
Pass	698	895	445	262	107	48	1	—	2,456
Criticized (Accruing)	5	1	5	32	25	4	—	2	74
Criticized (Nonaccruing)	—	—	—	—	—	—	—	—	—
Total real estate — construction	703	896	450	294	132	52	1	2	2,530
Commercial lease financing									
Risk Rating:									
Pass	1,039	743	509	467	174	947	—	—	3,879
Criticized (Accruing)	15	1	9	12	9	10	—	—	56
Criticized (Nonaccruing)	—	—	—	—	—	1	—	—	1
Total commercial lease financing	1,054	744	518	479	183	958	—	—	3,936
Total commercial loans	$ 18,203	$ 14,465	$ 5,657	$ 5,678	$ 3,213	$ 7,310	$ 27,707	$ 232	$ 82,465

(a) Accrued interest of $365 million and $314 million as of June 30, 2023, and December 31, 2022, respectively, presented in Other Assets on the Consolidated Balance Sheets, was excluded from the amortized cost basis disclosed in these tables.

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

As of June 30, 2023	Term Loans Amortized Cost Basis by Origination Year and FICO Score						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	
Dollars in millions	2023	2022	2021	2020	2019	Prior			Total
Real estate — residential mortgage									
FICO Score:									
750 and above	$ 621	$ 6,003	$ 8,037	$ 2,517	$ 611	$ 979	$ —	$ —	$ 18,768
660 to 749	188	885	830	239	100	271	—	—	2,513
Less than 660	7	55	37	17	16	134	—	—	266
No Score	1	65	1	1	—	21	1	—	90
Total real estate — residential mortgage	817	7,008	8,905	2,774	727	1,405	1	—	21,637
Current period gross write-offs	—	—	—	—	—	1	—	—	1
Home equity loans									
FICO Score:									
750 and above	—	108	1,436	542	146	486	2,135	373	5,226
660 to 749	11	73	255	172	71	189	916	121	1,808
Less than 660	1	10	30	24	18	82	291	32	488
No Score	1	—	—	—	—	2	4	—	7
Total home equity loans	13	191	1,721	738	235	759	3,346	526	7,529
Current period gross write-offs	1	—	—	—	—	—	—	1	2
Consumer direct loans									
FICO Score:									
750 and above	143	1,264	1,549	741	314	118	98	—	4,227
660 to 749	127	418	376	191	99	60	199	—	1,470
Less than 660	13	61	61	31	17	13	55	—	251
No Score	20	45	20	16	11	19	178	—	309
Total consumer direct loans	303	1,788	2,006	979	441	210	530	—	6,257
Current period gross write-offs	—	3	3	1	1	—	3	—	11
Credit cards									
FICO Score:									
750 and above	—	—	—	—	—	—	499	—	499
660 to 749	—	—	—	—	—	—	400	—	400
Less than 660	—	—	—	—	—	—	101	—	101
No Score	—	—	—	—	—	—	1	—	1
Total credit cards	—	—	—	—	—	—	1,001	—	1,001
Current period gross write-offs	—	—	—	—	—	—	9	—	9
Consumer indirect loans									
FICO Score:									
750 and above	—	1	—	—	—	16	—	—	17
660 to 749	—	—	—	—	—	12	—	—	12
Less than 660	—	—	—	—	—	4	—	—	4
No Score	—	—	—	—	—	—	—	—	—
Total consumer indirect loans	—	1	—	—	—	32	—	—	33
Current period gross write-offs	—	—	—	—	—	1	—	—	1
Total consumer loans	$ 1,133	$ 8,988	$ 12,632	$ 4,491	$ 1,403	$ 2,406	$ 4,878	$ 526	$ 36,457
Total consumer loan current period gross write-offs	$ 1	$ 3	$ 3	$ 1	$ 1	$ 2	$ 12	$ 1	$ 24

As of December 31, 2022	Term Loans Amortized Cost Basis by Origination Year and FICO Score								
Dollars in millions	2022	2021	2020	2019	2018	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term Loans Amortized Cost Basis	Total
Real estate — residential mortgage									
FICO Score:									
750 and above	$ 5,205	$ 8,702	$ 2,584	$ 636	$ 64	$ 978	$ —	$ —	$ 18,169
660 to 749	1,286	919	282	106	28	260	—	—	2,881
Less than 660	41	42	17	14	15	130	—	—	259
No Score	62	1	1	1	1	25	1	—	92
Total real estate — residential mortgage	6,594	9,664	2,884	757	108	1,393	1	—	21,401
Home equity loans									
FICO Score:									
750 and above	146	1,044	736	207	74	617	2,238	398	5,460
660 to 749	83	291	194	79	32	187	974	126	1,966
Less than 660	11	31	25	17	10	81	300	37	512
No Score	7	—	—	—	—	2	4	—	13
Total home equity loans	247	1,366	955	303	116	887	3,516	561	7,951
Consumer direct loans									
FICO Score:									
750 and above	1,291	1,632	811	351	45	97	102	—	4,329
660 to 749	526	434	229	120	26	41	206	—	1,582
Less than 660	58	63	32	23	7	9	57	—	249
No Score	59	32	22	11	9	22	193	—	348
Total consumer direct loans	1,934	2,161	1,094	505	87	169	558	—	6,508
Credit cards									
FICO Score:									
750 and above	—	—	—	—	—	—	524	—	524
660 to 749	—	—	—	—	—	—	402	—	402
Less than 660	—	—	—	—	—	—	99	—	99
No Score	—	—	—	—	—	—	1	—	1
Total credit cards	—	—	—	—	—	—	1,026	—	1,026
Consumer indirect loans									
FICO Score:									
750 and above	—	2	—	—	—	19	—	—	21
660 to 749	—	—	—	—	—	15	—	—	15
Less than 660	—	—	—	—	—	7	—	—	7
No Score	—	—	—	—	—	—	—	—	—
Total consumer indirect loans	—	2	—	—	—	41	—	—	43
Total consumer loans	$ 8,775	$ 13,193	$ 4,933	$ 1,565	$ 311	$ 2,490	$ 5,101	$ 561	$ 36,929

(a) Accrued interest of $135 million and $103 million as of June 30, 2023, and December 31, 2022, respectively, presented in Other Assets on the Consolidated Balance Sheets, was excluded from the amortized cost basis disclosed in this table.

Nonperforming and Past Due Loans

Our policies for determining past due loans, placing loans on nonaccrual, applying payments on nonaccrual loans, and resuming accrual of interest for our commercial and consumer loan portfolios are disclosed in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Nonperforming Loans” beginning on page 106 of our 2022 Form 10-K.

The following aging analysis of past due and current loans as of June 30, 2023, and December 31, 2022, provides further information regarding Key's credit exposure.

Aging Analysis of Loan Portfolio[a]

As of June 30, 2023 *Dollars in millions*	Current [b]	30-59 Days Past Due [b]	60-89 Days Past Due [b]	90 and Greater Days Past Due [b]	Non-performing Loans	Total Past Due and Non-performing Loans [b]	Total Loans [c]
LOAN TYPE							
Commercial and industrial	$ 59,794	$ 17	$ 19	$ 41	$ 188	$ 265	$ 60,059
Commercial real estate:							
Commercial mortgage	15,964	7	2	10	65	84	16,048
Construction	2,646	—	—	—	—	—	2,646
Total commercial real estate loans	18,610	7	2	10	65	84	18,694
Commercial lease financing	3,778	22	—	—	1	23	3,801
Total commercial loans	$ 82,182	$ 46	$ 21	$ 51	$ 254	$ 372	$ 82,554
Real estate — residential mortgage	$ 21,553	$ 6	$ 5	$ —	$ 73	$ 84	$ 21,637
Home equity loans	7,395	24	7	6	97	134	7,529
Consumer direct loans	6,227	11	9	7	3	30	6,257
Credit cards	979	6	4	9	3	22	1,001
Consumer indirect loans	32	—	—	—	1	1	33
Total consumer loans	$ 36,186	$ 47	$ 25	$ 22	$ 177	$ 271	$ 36,457
Total loans	$ 118,368	$ 93	$ 46	$ 73	$ 431	$ 643	$ 119,011

(a) Amounts in table represent amortized cost and exclude loans held for sale.
(b) Accrued interest of $500 million presented in "Accrued income and other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.
(c) Net of unearned income, net of deferred fees and costs, and unamortized discounts and premiums.

As of December 31, 2022 *Dollars in millions*	Current [b]	30-59 Days Past Due [b]	60-89 Days Past Due [b]	90 and Greater Days Past Due [b]	Non-performing Loans	Total Past Due and Non-performing Loans [b]	Total Loans [c]
LOAN TYPE							
Commercial and industrial	$ 59,366	$ 43	$ 33	$ 31	$ 174	$ 281	$ 59,647
Commercial real estate:							
Commercial mortgage	16,305	16	2	8	21	47	16,352
Construction	2,530	—	—	—	—	—	2,530
Total commercial real estate loans	18,835	16	2	8	21	47	18,882
Commercial lease financing	3,928	3	1	3	1	8	3,936
Total commercial loans	$ 82,129	$ 62	$ 36	$ 42	$ 196	$ 336	$ 82,465
Real estate — residential mortgage	$ 21,307	$ 13	$ 3	$ 1	$ 77	$ 94	$ 21,401
Home equity loans	7,804	27	8	5	107	147	7,951
Consumer direct loans	6,478	15	7	5	3	30	6,508
Credit cards	1,007	5	4	7	3	19	1,026
Consumer indirect loans	42	—	—	—	1	1	43
Total consumer loans	$ 36,638	$ 60	$ 22	$ 18	$ 191	$ 291	$ 36,929
Total loans	$ 118,767	$ 122	$ 58	$ 60	$ 387	$ 627	$ 119,394

(a) Amounts in table represent amortized cost and exclude loans held for sale.
(b) Accrued interest of $417 million presented in "Accrued income and other assets" on the Consolidated Balance Sheets is excluded from the amortized cost basis disclosed in this table.
(c) Net of unearned income, net of deferred fees and costs, and unamortized discounts and premiums.

At June 30, 2023, the approximate carrying amount of our commercial nonperforming loans outstanding represented 60% of their original contractual amount owed, total nonperforming loans outstanding represented 70% of their original contractual amount owed, and nonperforming assets in total were carried at 75% of their original contractual amount owed.

Nonperforming loans reduced expected interest income by $8 million and $16 million for the three and six months ended June 30, 2023, respectively, and $4 million and $9 million for the three and six months ended June 30, 2022, respectively.

The amortized cost basis of nonperforming loans on nonaccrual status for which there is no related allowance for credit losses was $226 million at June 30, 2023.

Collateral-dependent Financial Assets

We classify financial assets as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of the collateral. Our commercial loans have collateral that includes cash, accounts receivable, inventory, commercial machinery, commercial properties,

commercial real estate construction projects, enterprise value, and stock or ownership interests in the borrowing entity. When appropriate we also consider the enterprise value of the borrower as a repayment source for collateral-dependent loans. Our consumer loans have collateral that includes residential real estate, automobiles, boats, and RVs.

At June 30, 2023 and June 30, 2022, the recorded investment of consumer residential mortgage loans in the process of foreclosure was approximately $94 million and $155 million, respectively.

There were no significant changes in the extent to which collateral secures our collateral-dependent financial assets during the three months ended June 30, 2023.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023 Key adopted the provision of ASU 2022-02, which eliminated the accounting for TDRs while expanding loan modification and vintage disclosure requirements. As part of our loss mitigation activities, we may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulty. 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. Such modifications may include an extension of maturity date, interest rate reduction, an other than insignificant payment delay, other modifications, or some combination thereof. Many factors can go into what is considered an other than insignificant payment delay such as the significance of the restricted payment amount relative to the normal loan payment or the relative significance of the delay to the original loan terms. Generally, Key considers any delay in payment of greater than 90 days in the last 12 months to be significant. The ALLL for loans modified for borrowers experiencing financial difficulty is determined based on Key's ALLL policy as described within Note 1 ("Basis of Presentation and Accounting Policies").

Modifications for Borrowers Experiencing Financial Difficulty

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

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

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loan and type of concession granted. The table does not include those modifications that only resulted in an insignificant payment delay. The table does not include consumer loans that are still within a trial modification period. Trial modifications may be done for consumer borrowers where a trial payment plan period is offered in advance of a permanent loan modification. As of June 30, 2023, there were 93 loans totaling $10 million in a trial modification period.

Commitments outstanding to lend additional funds to borrowers experiencing financial difficulty whose loans were modified were $38 million at June 30, 2023.

As of June 30, 2023	Interest Rate Reduction	Term Extension	Other	Combination	Total	
Dollars in millions	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	Amortized Cost Basis	% of Total Loan Type
LOAN TYPE						
Commercial and Industrial	$ —	$ 144	$ 19	$ 5	168	0.28 %
Commercial real estate:						
Commercial mortgage	—	7	—	—	7	0.04
Construction	—	—	—	—	—	—
Total commercial real estate loans	—	7	—	—	7	0.04
Commercial lease financing	—	—	—	—	—	—
Total commercial loans	$ —	$ 151	$ 19	$ 5	175	0.21 %
Real estate — residential mortgage	—	—	1	5	6	0.03
Home equity loans	1	—	1	3	5	0.07
Consumer direct loans	—	1	—	1	2	0.03
Credit cards	—	—	—	2	2	0.20
Consumer indirect loans	—	—	—	—	—	—
Total consumer loans	1	1	2	11	15	0.04
Total loans	$ 1	$ 152	$ 21	$ 16	$ 190	0.16 %

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

Financial Effects of Modifications to Borrowers Experiencing Financial Difficulty

The following table summarizes the financial impacts of loan modifications made to specific loans during the three and six months ended June 30, 2023.

Three months ended June 30, 2023	Weighted-average Interest Rate Reduction	Weighted-average Term Extension (in years)
LOAN TYPE		
Commercial and Industrial	(2.02)%	0.17
Commercial mortgage	— %	0.09
Real estate — residential mortgage	(2.15)%	6.11
Home equity loans	(4.16)%	6.78
Consumer direct loans	(4.54)%	0.66
Credit cards	(9.36)%	0.25
Consumer indirect loans	(0.66)%	0.38

Six months ended June 30, 2023	Weighted-average Interest Rate Reduction	Weighted-average Term Extension (in years)
LOAN TYPE		
Commercial and Industrial	(3.85)%	0.31
Commercial mortgage	— %	1.01
Real estate — residential mortgage	(2.06)%	6.36
Home equity loans	(4.26)%	6.65
Consumer direct loans	(4.05)%	0.72
Credit cards	(12.82)%	0.50
Consumer indirect loans	(0.66)%	0.42

Amortized Cost Basis of Modified Loans That Subsequently Defaulted

As of June 30, 2023, there were $7 million of Commercial and Industrial loans that were modified for borrowers experiencing financial difficulty that received term extension modifications and subsequently defaulted during the period.

Key closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified for borrowers experiencing financial difficulty since the adoption of ASU 2022-02 on January 1, 2023.

As of June 30, 2023 *Dollars in millions*	Current	30-89 Days Past Due	90 and Greater Days Past Due	Total
LOAN TYPE				
Commercial and Industrial	$ 156	$ 5	$ 7	$ 168
Commercial real estate				
Commercial mortgage	7	—	—	7
Construction	—	—	—	—
Total commercial real estate loans	163	5	7	175
Commercial lease financing	—	—	—	—
Total commercial loans	163	5	7	175
Real estate — residential mortgage	5	—	1	6
Home equity loans	5	—	—	5
Consumer direct loans	2	—	—	2
Credit cards	2	—	—	2
Consumer indirect loans	—	—	—	—
Total consumer loans	$ 14	$ —	$ 1	$ 15
Total loans	$ 177	$ 5	$ 8	$ 190

Liability for Credit Losses on Off Balance Sheet Exposures

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

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

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions	2023	2022	2023	2022
Balance at beginning of period	$ 276	$ 166	$ 225	$ 160
Provision (credit) for losses on off balance sheet exposures	15	7	66	13
Balance at end of period	$ 291	$ 173	$ 291	$ 173

TDR Disclosures Prior to the Adoption of ASU 2022-02

Prior to our adoption of ASU 2022-02, we accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR. On January 1, 2023, we adopted ASU 2022-02, which eliminated TDR accounting prospectively for all modifications occurring on or after January 1, 2023. See Note 1 (“Summary of Significant Accounting Policies”) in our 2022 Form 10-K for more information on TDR accounting and disclosure requirements and Note 1 (“Summary of Significant Accounting Policies”) under the heading “Basis of Presentation” in this report for more information on our adoption of ASU 2022-02.

Commitments outstanding to lend additional funds to borrowers whose loan terms have been modified in TDRs were $1 million at June 30, 2022.

The consumer TDR other concession category in the table below primarily includes those borrowers’ debts that are discharged through Chapter 7 bankruptcy and have not been formally re-affirmed.

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

Dollars in millions	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Commercial loans:		
Extension of Maturity Date	$ —	$ —
Payment or Covenant Modification/Deferment	—	1
Bankruptcy Plan Modification	—	—
Increase in new commitment or new money	—	—
Total	$ —	$ 1
Consumer loans:		
Interest rate reduction	$ 3	$ 4
Other	6	15
Total	$ 9	$ 19
Total TDRs	$ 9	$ 20

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

Dollars in millions	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Balance at beginning of the period	$ 219	$ 220
Additions	11	22
Payments	(12)	(24)
Charge-offs	(2)	(2)
Balance at end of period	$ 216	$ 216

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

Dollars in millions	June 30, 2022		
	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
LOAN TYPE			
Nonperforming:			
Commercial and industrial	$ 40	$ 25	$ 12
Commercial real estate:			
Commercial mortgage	3	50	23
Total commercial real estate loans	3	50	23
Total commercial loans	43	75	35
Real estate — residential mortgage	224	27	25
Home equity loans	486	32	29
Consumer direct loans	172	2	2
Credit cards	345	2	2
Consumer indirect loans	20	2	1
Total consumer loans	1,247	65	59
Total nonperforming TDRs	1,290	140	94
Prior-year accruing:[(a)]			
Commercial and industrial	11	—	—
Commercial real estate			
Commercial mortgage	1	—	—
Total commercial real estate loans	1	—	—
Total commercial loans	12	—	—
Real estate — residential mortgage	457	42	35
Home equity loans	1,612	99	76
Consumer direct loans	253	4	3
Credit cards	607	4	2
Consumer indirect loans	113	12	6
Total consumer loans	3,042	161	122
Total prior-year accruing TDRs	3,054	161	122
Total TDRs	$ 4,344	$ 301	$ 216

(a) All TDRs that were restructured prior to January 1, 2022 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 three months ended June 30, 2022, there was one commercial loan TDR and 52 consumer loan TDRs with a combined recorded investment of $2 million that experienced payment defaults after modifications resulting in TDR status during 2021.

During the six months ended June 30, 2022, there were five commercial loan TDRs and 90 consumer loan TDRs with a combined recorded investment of $10 million that experienced payment defaults after modifications resulting in TDR status during 2021.

5. Fair Value Measurements

In accordance with GAAP, Key measures certain assets and liabilities at fair value. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between market participants in our principal market. Additional information regarding our accounting policies for determining fair value is provided in Note 6 (“Fair Value Measurements”) and Note 1 (“Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” of our 2022 Form 10-K.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are measured at fair value on a recurring basis in accordance with GAAP. For more information on the valuation techniques used to measure classes of assets and liabilities reported at fair value on a recurring basis as well as the classification of each in the valuation hierarchy, refer to Note 6 (“Fair Value Measurements” in our 2022 Form 10-K. The following tables present these assets and liabilities at June 30, 2023, and December 31, 2022.

	June 30, 2023				December 31, 2022			
Dollars in millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A RECURRING BASIS								
Trading account assets:								
U.S. Treasury, agencies and corporations	$ —	$ 854	$ —	$ 854	$ —	$ 698	$ —	$ 698
States and political subdivisions	—	78	—	78	—	33	—	33
Other mortgage-backed securities	—	242	—	242	—	84	—	84
Other securities	—	1	—	1	—	—	—	—
Total trading account securities	—	1,175	—	1,175	—	815	—	815
Commercial loans	—	2	—	2	—	14	—	14
Total trading account assets	—	1,177	—	1,177	—	829	—	829
Securities available for sale:								
U.S. Treasury, agencies and corporations	—	9,489	—	9,489	—	9,415	—	9,415
States and political subdivisions	—	—	—	—	—	—	—	—
Agency residential collateralized mortgage obligations	—	15,615	—	15,615	—	16,433	—	16,433
Agency residential mortgage-backed securities	—	3,749	—	3,749	—	3,920	—	3,920
Agency commercial mortgage-backed securities	—	9,055	—	9,055	—	9,349	—	9,349
Other securities	—	—	—	—	—	—	—	—
Total securities available for sale	$ —	$ 37,908	$ —	$ 37,908	$ —	$ 39,117	$ —	$ 39,117
Other investments:								
Principal investments:								
Direct	$ —	$ —	$ 1	$ 1	$ —	$ —	$ 1	$ 1
Indirect (measured at NAV) [a]	—	—	—	18	—	—	—	34
Total principal investments	—	—	1	19	—	—	1	35
Equity investments:								
Direct	—	—	2	2	4	—	2	6
Direct (measured at NAV) [a]	—	—	—	34	—	—	—	32
Indirect (measured at NAV) [a]	—	—	—	4	—	—	—	4
Total equity investments	—	—	2	40	4	—	2	42
Total other investments	—	—	3	59	4	—	3	77
Loans, net of unearned income (residential)	—	—	9	9	—	—	9	9
Loans held for sale (residential)	—	67	—	67	—	24	—	24
Derivative assets:								
Interest rate	—	202	5	207	—	301	2	303
Foreign exchange	123	18	—	141	112	23	—	136
Commodity	—	867	—	867	—	1,328	—	1,328
Credit	—	—	—	—	—	—	1	1
Other	—	7	1	8	—	13	—	13
Derivative assets	123	1,094	6	1,223	112	1,666	3	1,781
Netting adjustments [b]	—	—	—	(967)	—	—	—	(757)
Total derivative assets	123	1,094	6	256	112	1,666	3	1,024
Total assets on a recurring basis at fair value	$ 123	$ 40,246	$ 18	$ 39,476	$ 116	$ 41,636	$ 15	$ 41,080
LIABILITIES MEASURED ON A RECURRING BASIS								
Bank notes and other short-term borrowings:								
Short positions	$ 11	$ 688	$ —	$ 699	$ 126	$ 509	$ —	$ 635
Derivative liabilities:								
Interest rate	—	1,321	—	1,321	—	1,307	—	1,307
Foreign exchange	105	18	—	123	107	24	—	131
Commodity	—	842	—	842	—	1,304	—	1,304
Credit	—	9	—	9	—	—	3	3
Other	—	4	—	4	—	5	—	5
Derivative liabilities	105	2,194	—	2,299	107	2,640	3	2,750
Netting adjustments [b]	—	—	—	(751)	—	—	—	(1,262)
Total derivative liabilities	105	2,194	—	1,548	107	2,640	3	1,488
Total liabilities on a recurring basis at fair value	$ 116	$ 2,882	$ —	$ 2,247	$ 233	$ 3,149	$ 3	$ 2,123

(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.

The following table presents the fair value of our direct and indirect principal investments and related unfunded commitments at June 30, 2023, as well as financial support provided for the three and six months ended June 30, 2023, and June 30, 2022.

			Financial support provided							
			Three months ended June 30,				Six months ended June 30,			
	June 30, 2023		2023		2022		2023		2022	
Dollars in millions	Fair Value	Unfunded Commit-ments	Funded Commit-ments	Funded Other	Funded Commit-ments	Funded Other	Funded Commit-ments	Funded Other	Funded Commit-ments	Funded Other
INVESTMENT TYPE										
Direct investments	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Indirect investments (measured at NAV) [a]	18	1	—	—	—	—	—	—	—	—
Total	$ 19	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

(a) Our indirect investments consist of buyout funds, venture capital funds, and fund of funds. These investments are generally not redeemable. Instead, distributions are received through the liquidation of the underlying investments of the fund. An investment in any one of these funds typically can be sold only with the approval of the fund's general partners. At June 30, 2023, no significant liquidation of the underlying investments has been communicated to Key. The purpose of funding our capital commitments to these investments is to allow the funds to make additional follow-on investments and pay fund expenses until the fund dissolves. We, and all other investors in the fund, are obligated to fund the full amount of our respective capital commitments to the fund based on our and their respective ownership percentages, as noted in the applicable Limited Partnership Agreement.

Changes in Level 3 Fair Value Measurements

The following table shows the components of the change in the fair values of our Level 3 financial instruments measured at fair value on a recurring basis for the three and six months ended June 30, 2023, and June 30, 2022.

Dollars in millions	Beginning of Period Balance	Gains (Losses) Included in Other Comprehensive Income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3	Transfers out of Level 3	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Six months ended June 30, 2023											
Other investments											
Principal investments											
Direct [a]	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Other indirect	—	—	—	—	—	—	—	—	—	—	—
Equity investments											
Direct [a]	2	—	—	—	—	—	—	—	—	2	—
Loans, net of unearned income (residential)	9	—	—	—	—	—	—	—	—	9	—
Derivative instruments [b]											
Interest rate	2	—	(17) [c]	18	—	—	—	(2) [d]	4 [d]	5	—
Credit	(2)	—	— [c]	—	2	—	—	—	—	—	—
Other [e]	—	—	— [c]	—	—	—	1	—	—	1	—
Three months ended June 30, 2023											
Other investments											
Principal investments											
Direct [a]	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Other indirect	—	—	—	—	—	—	—	—	—	—	—
Equity investments											
Direct [a]	2	—	—	—	—	—	—	—	—	2	—
Loans, net of unearned income (residential)	9	—	—	—	—	—	—	—	—	9	—
Derivative instruments [b]											
Interest rate	13	—	(23) [c]	—	1	—	—	5 [d]	9 [d]	5	—
Credit	(2)	—	— [c]	—	2	—	—	—	—	—	—
Other [e]	1	—	— [c]	—	—	—	—	—	—	1	—

Dollars in millions	Beginning of Period Balance	Gains (Losses) Included in Other Comprehensive Income	Gains (Losses) Included in Earnings	Purchases	Sales	Settlements	Transfers Other	Transfers into Level 3	Transfers out of Level 3	End of Period Balance	Unrealized Gains (Losses) Included in Earnings
Six months ended June 30, 2022											
Other investments											
Principal investments											
Direct [a]	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Equity investments											
Direct [a]	9	—	(3)	—	—	—	—	—	—	6	(3)
Loans, net of unearned income (residential)	11	—	—	—	—	—	—	—	—	11	—
Derivative instruments [b]											
Interest rate	33	—	(55) [c]	4	(2)	—	—	30 [d]	(13) [d]	(3)	—
Credit	(6)	—	3 [c]	—		—	—	—		(3)	—
Other [e]	5	—	(1) [c]	—	—	—	(3)	—	—	1	—
Three months ended June 30, 2022											
Other investments											
Principal investments											
Direct [a]	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
Equity investments											
Direct [a]	7		(1)	—	—	—	—	—	—	6	(1)
Loans, net of unearned income (residential)	11	—	—	—	—	—	—	—	—	11	—
Derivative instruments [b]											
Interest rate	43	—	(44) [c]	2	(1)			1 [d]	(4) [d]	(3)	—
Credit	(5)	—	2 [c]	—	—	—	—	—	—	(3)	—
Other [e]	(2)	—	(1) [c]	—		—	4	—	—	1	—

(a) Realized and unrealized gains and losses on principal investments and other equity investments are reported in “other income” on the income statement.
(b) Amounts represent Level 3 derivative assets less Level 3 derivative liabilities.
(c) Realized and unrealized gains and losses on derivative instruments are reported in “corporate services income” and “other income” on the income statement.
(d) Certain instruments previously classified as Level 2 were transferred to Level 3 because Level 3 unobservable inputs became significant. Certain derivatives previously classified as Level 3 were transferred to Level 2 because Level 3 unobservable inputs became less significant.
(e) Amounts represent Level 3 interest rate lock commitments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value generally result from the application of accounting guidance that requires assets and liabilities to be recorded at the lower of cost or fair value, or assessed for impairment. For more information on the valuation techniques used to measure classes of assets and liabilities measured at fair value on a nonrecurring basis, refer to Note 6 (“Fair Value Measurements”) in our 2022 Form 10-K. There were no liabilities measured at fair value on a nonrecurring basis at June 30, 2023, and December 31, 2022.

The following table presents our assets measured at fair value on a nonrecurring basis at June 30, 2023, and December 31, 2022:

	June 30, 2023				December 31, 2022			
Dollars in millions	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS MEASURED ON A NONRECURRING BASIS								
Collateral-dependent loans	**$ —**	**$ —**	**$ 68**	**$ 68**	$ —	$ —	$ 17	$ 17
Accrued income and other assets	**—**	**—**	**15**	**15**	—	—	14	14
Total assets on a nonrecurring basis at fair value	**$ —**	**$ —**	**$ 83**	**$ 83**	$ —	$ —	$ 31	$ 31

We have other investments in equity securities that do not have readily determinable fair values and do not qualify for the practical expedient to measure the investment using a net asset value per share. We have elected to measure these securities at cost less impairment plus or minus adjustments due to observable orderly transactions. Impairment is recorded when there is evidence that the expected fair value of the investment has declined to below the recorded cost. At each reporting period, we assess if these investments continue to qualify for this measurement alternative. At June 30, 2023, and December 31, 2022, the carrying amount of equity investments under this method was $288 million and $249 million, respectively. No impairment was recorded for the three months ended June 30, 2023.

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 June 30, 2023, and December 31, 2022, along with the valuation techniques used, are shown in the following table:

Dollars in millions	Level 3 Asset (Liability) June 30, 2023	Level 3 Asset (Liability) December 31, 2022	Valuation Technique	Significant Unobservable Input	Range (Weighted-Average) [a], [b] June 30, 2023	Range (Weighted-Average) [a], [b] December 31, 2022
Recurring						
Loans, net of unearned income (residential)	**$ 9**	$ 9	Market comparable pricing	Comparability factor	**62.91 - 86.12% (71.79%)**	61.00-86.58% (72.21%)
Derivative instruments:						
Interest rate	**5**	2	Discounted cash flows	Probability of default	**.02 - 100% (9.50%)**	.02 - 100% (8.00%)
				Loss given default	**0 - 1 (.494)**	0 - 1 (.492)
Insignificant level 3 assets, net of liabilities[c]	**4**	1				
Nonrecurring						
Collateral-dependent loans	**68**	17	Fair value of collateral	Discount rate	**0 - 10.00% (2.00%)**	0 - 85.00% (34.00%)
Accrued income and other assets:						
OREO and other Level 3 assets [d]	**15**	14	Appraised value	Appraised value	**N/M**	N/M

(a) The weighted average of significant unobservable inputs is calculated using a weighting relative to fair value.
(b) For significant unobservable inputs with no range, a single figure is reported to denote the single quantitative factor used.
(c) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain equity investments and certain financial derivative assets and liabilities.
(d) Excludes amounts pertaining to mortgage servicing assets. No mortgage servicing assets required nonrecurring valuation adjustments as of June 30, 2023, and December 31, 2022. Refer to Note 8 (“Mortgage Servicing Assets”) for significant unobservable inputs pertaining to these assets.

Fair Value Disclosures of Financial Instruments

The Levels in the fair value hierarchy ascribed to our financial instruments and the related carrying amounts at June 30, 2023, and December 31, 2022, are shown in the following tables. Assets and liabilities are further arranged by measurement category.

	June 30, 2023						
		Fair Value					
Dollars in millions	Carrying Amount	Level 1	Level 2	Level 3	Measured at NAV	Netting Adjustment	Total
ASSETS (by measurement category)							
Fair value - net income							
Trading account assets [b]	$ 1,177	$ —	$ 1,177	$ —	$ —	$ —	$ 1,177
Other investments [b]	1,474	—	—	1,418	56	—	1,474
Loans, net of unearned income (residential) [d]	9	—	—	9	—	—	9
Loans held for sale (residential) [b]	67	—	67	—	—	—	67
Derivative assets - trading [b]	250	123	1,059	6	—	(938) [f]	250
Fair value - OCI							
Securities available for sale [b]	37,908	—	37,908	—	—	—	37,908
Derivative assets - hedging [b][g]	6	—	35	—	—	(29) [f]	6
Amortized cost							
Held-to-maturity securities [c]	9,189	—	8,575	—	—	—	8,575
Loans, net of unearned income [d]	117,522	—	—	111,904	—	—	111,904
Loans held for sale [b]	1,063	—	—	1,063	—	—	1,063
Other							
Cash and other short-term investments [a]	9,717	9,717	—	—	—	—	9,717
LIABILITIES (by measurement category)							
Fair value - net income							
Derivative liabilities - trading [b]	$ 1,552	$ 105	$ 2,182	$ 1	$ —	$ (736) [f]	$ 1,552
Fair value - OCI							
Derivative liabilities - hedging [b][g]	(4)	—	11	—	—	(15) [f]	(4)
Amortized cost							
Time deposits [e]	15,905	—	16,020	—	—	—	16,020
Short-term borrowings [a]	8,651	11	8,640	—	—	—	8,651
Long-term debt [e]	22,071	11,547	9,207	—	—	—	20,754
Other							
Deposits with no stated maturity [a]	129,227	—	129,227	—	—	—	129,227

	December 31, 2022						
		Fair Value					
Dollars in millions	Carrying Amount	Level 1	Level 2	Level 3	Measured at NAV	Netting Adjustment	Total
ASSETS (by measurement category)							
Fair value - net income							
Trading account assets [b]	$ 829	$ —	$ 829	$ —	$ —	$ —	$ 829
Other investments [b]	1,308	4	—	1,234	70	—	1,308
Loans, net of unearned income (residential) [d]	9	—	—	9	—	—	9
Loans held for sale (residential) [b]	24	—	24	—	—	—	24
Derivative assets - trading [b]	927	$ 112	1,552	3	—	(740) [f]	927
Fair value - OCI							
Securities available for sale [b]	39,117	—	39,117	—	—	—	39,117
Derivative assets - hedging [b][g]	97	—	114	—	—	(17) [f]	97
Amortized cost							
Held-to-maturity securities [c]	8,710	—	8,113	—	—	—	8,113
Loans, net of unearned income [d]	118,048	—	—	112,590	—	—	112,590
Loans held for sale [b]	939	—	—	939	—	—	939
Other							
Cash and other short-term investments [a]	3,319	3,319	—	—	—	—	3,319
LIABILITIES (by measurement category)							
Fair value - net income							
Derivative liabilities - trading [b]	$ 1,485	$ 107	$ 2,637	$ 3	$ —	$ (1,262) [f]	$ 1,485
Fair value - OCI							
Derivative liabilities - hedging [b][g]	3	—	3	—	—	— [f]	3
Amortized cost							
Time deposits [e]	7,373	—	7,392	—	—	—	7,392
Short-term borrowings [a]	9,463	126	9,337	—	—	—	9,463
Long-term debt [e]	19,307	12,196	6,685	—	—	—	18,881
Other							
Deposits with no stated maturity [a]	135,222	—	135,222	—	—	—	135,222

Valuation Methods and Assumptions

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

(b) Information pertaining to our methodology for measuring the fair values of these assets and liabilities is included in the sections entitled "Qualitative Disclosures of Valuation Techniques" and "Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis" within our 2022 Form 10-K Note 6 ("Fair Value Measurements"). Investments accounted for under the cost method (or cost less impairment adjusted for observable price changes for certain equity investments) are classified as Level 3 assets. These investments are not actively traded in an open market as sales for these types of investments are rare. The carrying amount of the investments carried at cost are adjusted for declines in value if they are considered to be other-than-temporary (or due to observable orderly transactions of the same issuer for equity investments eligible for the cost less impairment measurement alternative). These adjustments are included in "other income" on the income statement.

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

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

(e) Fair values of time deposits and long-term debt classified as Level 2 are based on discounted cash flows utilizing relevant market inputs.

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

(g) Derivative assets-hedging and derivative liabilities-hedging includes both cash flow and fair value hedges. Additional information regarding our accounting policies for cash flow and fair value hedges is provided in Note 1 ("Summary of Significant Accounting Policies") under the heading "Derivatives and Hedging" beginning on page 111 of our 2022 Form 10-K.

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

- Loans at carrying value, net of allowance, of $381 million ($324 million at fair value) at June 30, 2023, and $434 million ($357 million at fair value) at December 31, 2022.

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

6. Securities

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

	June 30, 2023				December 31, 2022			
Dollars in millions	**Amortized Cost [a]**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Amortized Cost [b]**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
SECURITIES AVAILABLE FOR SALE								
U.S. Treasury, agencies, and corporations	**$ 10,009**	**$ —**	**$ 520**	**$ 9,489**	$ 10,044	$ —	$ 629	$ 9,415
Agency residential collateralized mortgage obligations	**19,306**	**—**	**3,691**	**15,615**	20,180	—	3,747	16,433
Agency residential mortgage-backed securities	**4,415**	**—**	**666**	**3,749**	4,616	—	696	3,920
Agency commercial mortgage-backed securities	**10,406**	**—**	**1,351**	**9,055**	10,712	2	1,365	9,349
Other securities	**—**	**—**	**—**	**—**	—	—	—	—
Total securities available for sale	**$ 44,136**	**$ —**	**$ 6,228**	**$ 37,908**	$ 45,552	$ 2	$ 6,437	$ 39,117
HELD-TO-MATURITY SECURITIES								
Agency residential collateralized mortgage obligations	**$ 5,431**	**$ 3**	**$ 320**	**$ 5,114**	$ 4,586	$ 5	$ 283	$ 4,308
Agency residential mortgage-backed securities	**173**	**—**	**15**	**158**	181	—	16	165
Agency commercial mortgage-backed securities	**2,533**	**1**	**229**	**2,305**	2,522	1	208	2,315
Asset-backed securities [c]	**1,037**	**—**	**53**	**984**	1,407	—	96	1,311
Other securities	**15**	**—**	**1**	**14**	14	—	—	14
Total held-to-maturity securities	**$ 9,189**	**$ 4**	**$ 618**	**$ 8,575**	$ 8,710	$ 6	$ 603	$ 8,113

(a) Amortized cost amounts exclude accrued interest receivable which is recorded within Other Assets on the balance sheet. At June 30, 2023, accrued interest receivable on available for sale securities and held-to-maturity securities totaled $63 million and $27 million, respectively.

(b) Amortized cost amounts exclude accrued interest receivable which is recorded within Other Assets on the balance sheet. At December 31, 2022, accrued interest receivable on available for sale securities and held-to-maturity securities totaled $67 million and $88 million, respectively.

(c) Consists primarily of $1.0 billion of securities as of June 30, 2023, and $1.4 billion of securities as of December 31, 2022, related to the purchase of senior notes from a securitization collateralized by sold indirect auto loans.

The following table summarizes securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of June 30, 2023, and December 31, 2022.

	Duration of Unrealized Loss Position					
	Less than 12 Months		12 Months or Longer		Total	
Dollars in millions	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2023						
Securities available for sale:						
U.S Treasury, agencies, and corporations	**$ —**	**$ —**	**$ 9,489**	**$ 520**	**$ 9,489**	**$ 520**
Agency residential collateralized mortgage obligations	**92**	**5**	**15,523**	**3,686**	**15,615**	**3,691**
Agency residential mortgage-backed securities	**330**	**16**	**3,416**	**650**	**3,746**	**666**
Agency commercial mortgage-backed securities	**2,200**	**142**	**6,855**	**1,209**	**9,055**	**1,351**
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	**3,456**	**150**	**1,310**	**170**	**4,766**	**320**
Agency residential mortgage-backed securities	**44**	**2**	**114**	**13**	**158**	**15**
Agency commercial mortgage-backed securities	**376**	**47**	**1,880**	**182**	**2,256**	**229**
Asset-backed securities	**—**	**—**	**985**	**53**	**985**	**53**
Other securities	**10**	**—** [a]	**5**	**1**	**15**	**1**
Total securities in an unrealized loss position	**$ 6,508**	**$ 362**	**$ 39,577**	**$ 6,484**	**$ 46,085**	**$ 6,846**
December 31, 2022						
Securities available for sale:						
U.S. Treasury, agencies, and corporations	$ 494	$ 48	$ 8,920	$ 581	$ 9,414	$ 629
Agency residential collateralized mortgage obligations	3,114	377	13,317	3,370	16,431	3,747
Agency residential mortgage-backed securities	579	31	3,338	665	3,917	696
Agency commercial mortgage-backed securities	4,511	282	4,791	1,083	9,302	1,365
Held-to-maturity securities:						
Agency residential collateralized mortgage obligations	2,659	178	726	105	3,385	283
Agency residential mortgage-backed securities	165	16	—	—	165	16
Agency commercial mortgage-backed securities	2,243	208	—	—	2,243	208
Asset-backed securities	1	— [b]	1,309	96	1,310	96
Other securities	10	— [b]	4	— [b]	14	—
Total securities in an unrealized loss position	$ 13,776	$ 1,140	$ 32,405	$ 5,900	$ 46,181	$ 7,040

(a) At June 30, 2023, gross unrealized losses totaled less than $1 million for other securities held-to-maturity with a loss duration of less than 12 months.
(b) At December 31, 2022, gross unrealized losses totaled less than $1 million for asset-back securities and other securities held-to-maturity with a loss duration of less than 12 months. At December 31, 2022, gross unrealized losses totaled less than $1 million for agency residential mortgage-backed securities held-to-maturity with a loss duration of 12 months or longer.

Based on our evaluation at June 30, 2023, an allowance for credit losses has not been recorded nor have unrealized losses been recognized into income. The issuers of the securities are of high credit quality and have a history of no credit losses, management does not intend to sell, and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely attributed to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments.

At June 30, 2023, securities available for sale and held-to-maturity securities totaling $40.4 billion were pledged to secure securities sold under repurchase agreements, to secure public and trust deposits, to facilitate access to secured funding, and for other purposes required or permitted by law.

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

June 30, 2023	Securities Available for Sale		Held to Maturity Securities	
Dollars in millions	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,398	$ 3,290	$ 18	$ 18
Due after one through five years	13,420	12,304	5,185	4,869
Due after five through ten years	18,805	15,667	2,737	2,513
Due after ten years	8,513	6,647	1,249	1,175
Total	$ 44,136	$ 37,908	$ 9,189	$ 8,575

7. Derivatives and Hedging Activities

We are a party to various derivative instruments, mainly through our subsidiary, KeyBank. The primary derivatives that we use are interest rate swaps, caps, floors, forwards, and futures; foreign exchange contracts; commodity derivatives; and credit derivatives. Generally, these instruments help us manage exposure to interest rate risk, mitigate the credit risk inherent in our loan portfolio, hedge against changes in foreign currency exchange rates, and facilitate client financing and hedging needs.

At June 30, 2023, after taking into account the effects of bilateral collateral and master netting agreements, we had $6 million of derivative assets and $4 million of derivative liabilities in a positive fair value position that relate to contracts designated as hedging instruments. As a result of bilateral collateral and master netting agreements, which are applied at the counterparty level, we could have derivative contracts with negative fair values included in derivative assets and contracts with positive fair values included in derivative liabilities related to counterparties with which we have both hedging and trading derivatives. As of the same date, after taking into account the effects of bilateral collateral and master netting agreements and a reserve for potential future losses, we had derivative assets of $250 million and derivative liabilities of $1.6 billion that were not designated as hedging instruments. These positions are primarily comprised of derivative contracts entered into for client accommodation purposes.

Additional information regarding our accounting policies for derivatives is provided in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Derivatives and Hedging” beginning on page 111 of our 2022 Form 10-K. Our derivative strategies and related risk management objectives are described in Note 8 (“Derivatives and Hedging Activities”) beginning on page 137 of our 2022 Form 10-K.

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

The following table summarizes the fair values of our derivative instruments on a gross and net basis as of June 30, 2023, and December 31, 2022. Total derivative assets and liabilities are adjusted to take into account the impact of legally enforceable master netting agreements that allow us to settle all derivative contracts with a single counterparty on a net basis and to offset the net derivative position with the related cash collateral. Securities collateral related to legally enforceable master netting agreements is not offset on the balance sheet. Our derivative instruments are included in “accrued income and other assets” or “accrued expenses and other liabilities” on the Consolidated Balance Sheets, as follows:

	June 30, 2023			December 31, 2022		
		Fair Value[a]			Fair Value[a]	
Dollars in millions	Notional Amount[e]	Derivative Assets	Derivative Liabilities	Notional Amount	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:						
Interest rate	$ 80,392	$ 35	$ 11	$ 41,200	$ 114	$ 3
Derivatives not designated as hedging instruments:						
Interest rate	186,746	172	1,310	80,772	189	1,304
Foreign exchange	9,707	141	123	9,507	136	131
Commodity	14,576	867	842	16,176	1,328	1,304
Credit	150	—	9	95	1	3
Other [b]	2,659	8	4	940	13	5
Total derivatives not designated as hedging instruments:	213,838	1,188	2,288	107,490	1,667	2,747
Netting adjustments [c]	—	(967)	(751)	—	(757)	(1,262)
Net derivatives in the balance sheet	294,230	256	1,548	148,690	1,024	1,488
Other collateral [d]	—	—	(16)	—	—	(5)
Net derivative amounts	$ 294,230	$ 256	$ 1,532	$ 148,690	$ 1,024	$ 1,483

(a) We take into account bilateral collateral and master netting agreements that allow us to settle all derivative contracts held with a single counterparty on a net basis, and to offset the net derivative position with the related cash collateral when recognizing derivative assets and liabilities. As a result, we could have derivative contracts with negative fair values included in derivative assets and contracts with positive fair values included in derivative liabilities.

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

(c) Netting adjustments represent the amounts recorded to convert our derivative assets and liabilities from a gross basis to a net basis in accordance with the applicable accounting guidance. Excess collateral that has not been offset against net derivative instrument positions totaled $163 million of cash collateral and $248 million of securities collateral posted as well as $45 million of cash collateral and $179 million of securities collateral held.

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

(e) Notional values as of June 30, 2023 reflect the impact of LIBOR transition and include $127 billion of short-dated swaps, with the majority expected to mature prior to September 30, 2023

Fair value hedges. During the six months ended June 30, 2023, we did not exclude any portion of fair value hedging instruments from the assessment of hedge effectiveness.

The following tables summarize the amounts that were recorded on the balance sheet as of June 30, 2023, and December 31, 2022, related to cumulative basis adjustments for fair value hedges.

		June 30, 2023	
Dollars in millions	**Balance sheet line item in which the hedge item is included**	**Carrying amount of hedged item [a]**	**Hedge accounting basis adjustment [b]**
Interest rate contracts	Long-term debt	**$ 8,618**	**$ (598)**
Interest rate contracts	Securities Available for Sale[c]	**1,705**	**61**

		December 31, 2022	
	Balance sheet line item in which the hedge item is included	**Carrying amount of hedged item [a]**	**Hedge accounting basis adjustment [b]**
Interest rate contracts	Long-term debt	$ 10,411	$ (552)
Interest rate contracts	Securities Available for Sale[c]	405	48

(a) The carrying amount represents the portion of the asset or liability designated as the hedged item.
(b) Basis adjustments related to de-designated hedged items that no longer qualify as fair value hedges reduced the hedge accounting basis adjustment by $6 million and $6 million at June 30, 2023, and December 31, 2022, respectively.
(c) Certain amounts are designed as fair value hedges under the last-of-layer method. The carrying amount represents the amortized costs basis of the prepayable financial assets used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the relationship. At June 30, 2023, and December 31, 2022, the amortized costs of the closed portfolios in these hedging relationships was $688 million and $708 million, respectively.

Cash flow hedges. During the six-month period ended June 30, 2023, we did not exclude any portion of cash flow hedging instruments from the assessment of hedge effectiveness.

Considering the interest rates, yield curves, and notional amounts as of June 30, 2023, we expect to reclassify an estimated $640 million of after-tax net losses on derivative instruments designated as cash flow hedges from AOCI to income during the next 12 months. In addition, we expect to reclassify approximately $3 million of net losses related to terminated cash flow hedges from AOCI to income during the next 12 months. These reclassified amounts could differ from actual amounts recognized due to changes in interest rates, hedge de-designations and the addition of other hedges subsequent to June 30, 2023. As of June 30, 2023, the maximum length of time over which we hedge forecasted transactions is 4.52 years.

The following tables summarize the effect of fair value and cash flow hedge accounting on the income statement for the three- and six-month periods ended June 30, 2023, and June 30, 2022.

	Location and amount of net gains (losses) recognized in income on fair value and cash flow hedging relationships			
Dollars in millions	**Interest expense – long-term debt**	**Interest income – loans**	**Interest Income - securities**	**Investment banking and debt placement fees**
Three months ended June 30, 2023				
Total amounts presented in the consolidated statement of income	**$ (349)**	**$ 1,576**	**$ 194**	**$ 120**
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	**$ 377**	**$ —**	**$ (24)**	**$ —**
Recognized on derivatives designated as hedging instruments	**(427)**	**—**	**32**	**—**
Net income (expense) recognized on fair value hedges	**$ (50)**	**$ —**	**$ 8**	**$ —**
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	**$ (1)**	**$ (245)**	**$ —**	**$ —**
Net income (expense) recognized on cash flow hedges	**$ (1)**	**$ (245)**	**$ —**	**$ —**
Three months ended June 30, 2022				
Total amounts presented in the consolidated statement of income	$ (61)	$ 923	$ 188	$ 149
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	$ 145	$ —	$ (51)	$ —
Recognized on derivatives designated as hedging instruments	(126)	—	52	—
Net income (expense) recognized on fair value hedges	$ 19	$ —	$ 1	$ —
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	$ (1)	$ 19	$ —	$ 5
Net income (expense) recognized on cash flow hedges	$ (1)	$ 19	$ —	$ 5

Dollars in millions	Location and amount of net gains (losses) recognized in income on fair value and cash flow hedging relationships			
	Interest expense – long-term debt	Interest income – loans	Interest Income - Securities	Investment banking and debt placement fees
Six months ended June 30, 2023				
Total amounts presented in the consolidated statement of income	**$ (624)**	**$ 3,052**	**$ 388**	**$ 265**
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	**$ 223**	**$ —**	**$ (18)**	**$ —**
Recognized on derivatives designated as hedging instruments	**(320)**	**—**	**30**	**—**
Net income (expense) recognized on fair value hedges	**$ (97)**	**$ —**	**$ 12**	**$ —**
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	**$ (1)**	**$ (460)**	**$ —**	**$ —**
Net income (expense) recognized on cash flow hedges	**$ (1)**	**$ (460)**	**$ —**	**$ —**
Six months ended June 30, 2022				
Total amounts presented in the consolidated statement of income	$ (110)	$ 1,760	$ 361	$ 312
Net gains (losses) on fair value hedging relationships				
Interest contracts				
Recognized on hedged items	$ 385	$ —	$ (328)	$ —
Recognized on derivatives designated as hedging instruments	(342)	—	334	—
Net income (expense) recognized on fair value hedges	$ 43	$ —	$ 6	$ —
Net gain (loss) on cash flow hedging relationships				
Interest contracts				
Realized gains (losses) (pre-tax) reclassified from AOCI into net income	$ (2)	$ 82	$ —	$ 7
Net income (expense) recognized on cash flow hedges	$ (2)	$ 82	$ —	$ 7

The following tables summarize the pre-tax net gains (losses) on our cash flow hedges for the three- and six-month periods ended June 30, 2023, and June 30, 2022, and where they are recorded on the income statement. The table includes net gains (losses) recognized in OCI during the period and net gains (losses) reclassified from OCI into income during the current period.

Dollars in millions	Net Gains (Losses) Recognized in OCI	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income	Net Gains (Losses) Reclassified From OCI Into Income
Three months ended June 30, 2023			
Cash Flow Hedges			
Interest rate	**$ (465)**	Interest income — Loans	**$ (245)**
Interest rate	**(4)**	Interest expense — Long-term debt	**(1)**
Interest rate	**2**	Investment banking and debt placement fees	**—**
Total	**$ (467)**		**$ (246)**
Three months ended June 30, 2022			
Cash Flow Hedges			
Interest rate	$ (241)	Interest income — Loans	$ 19
Interest rate	1	Interest expense — Long-term debt	(1)
Interest rate	3	Investment banking and debt placement fees	5
Total	$ (237)		$ 23

Dollars in millions	Net Gains (Losses) Recognized in OCI	Income Statement Location of Net Gains (Losses) Reclassified From OCI Into Income	Net Gains (Losses) Reclassified From OCI Into Income[a]
Six months ended June 30, 2023			
Cash Flow Hedges			
Interest rate	**$ (356)**	Interest income — Loans	**$ (460)**
Interest rate	**(5)**	Interest expense — Long-term debt	**(1)**
Interest rate	**1**	Investment banking and debt placement fees	**—**
Total	**$ (360)**		**$ (461)**
Six months ended June 30, 2022			
Cash Flow Hedges			
Interest rate	$ (911)	Interest income — Loans	$ 82
Interest rate	4	Interest expense — Long-term debt	(2)
Interest rate	12	Investment banking and debt placement fees	7
Total	$ (895)		$ 87

Nonhedging instruments

The following table summarizes the pre-tax net gains (losses) on our derivatives that are not designated as hedging instruments for the three- and six-month periods ended June 30, 2023, and June 30, 2022, and where they are recorded on the income statement.

	Three months ended June 30, 2023				Three months ended June 30, 2022			
Dollars in millions	**Corporate services income**	**Consumer mortgage income**	**Other income**	**Total**	**Corporate services income**	**Consumer mortgage income**	**Other income**	**Total**
NET GAINS (LOSSES)								
Interest rate	**$ 13**	**$ —**	**$ 1**	**$ 13**	$ 14	$ —	$ (2)	$ 12
Foreign exchange	**13**	**—**	**—**	**13**	13	—	—	13
Commodity	**7**	**—**	**—**	**7**	5	—	—	5
Credit	**2**	**—**	**(17)**	**(16)**	1	—	(7)	(6)
Other	**—**	**2**	**(3)**	**(1)**	—	2	8	10
Total net gains (losses)	**$ 35**	**$ 2**	**$ (20)**	**$ 17**	$ 33	$ 2	$ (1)	$ 34

	Six months ended June 30, 2023				Six months ended June 30, 2022			
Dollars in millions	**Corporate services income**	**Consumer mortgage income**	**Other income**	**Total**	**Corporate services income**	**Consumer mortgage income**	**Other income**	**Total**
NET GAINS (LOSSES)								
Interest rate	**$ 25**	**$ —**	**$ (1)**	**$ 24**	$ 27	$ —	$ 7	$ 34
Foreign exchange	**26**	**—**	**—**	**26**	25	—	—	25
Commodity	**14**	**—**	**—**	**14**	10	—	—	10
Credit	**2**	**—**	**(31)**	**(29)**	3	—	(17)	(14)
Other	**—**	**3**	**(5)**	**(2)**	—	(2)	15	13
Total net gains (losses)	**$ 67**	**$ 3**	**$ (37)**	**$ 33**	$ 65	$ (2)	$ 5	$ 68

Counterparty Credit Risk

We hold collateral in the form of cash and highly rated securities issued by the U.S. Treasury, government-sponsored enterprises, or GNMA. Cash collateral of $328 million was netted against derivative assets on the balance sheet at June 30, 2023, compared to $10 million of cash collateral netted against derivative assets at December 31, 2022. The cash collateral netted against derivative liabilities totaled $112 million at June 30, 2023, and $626 million at December 31, 2022. Our means of mitigating and managing exposure to credit risk on derivative contracts is described in Note 8 (“Derivatives and Hedging Activities”) beginning on page 137 of our 2022 Form 10-K under the heading “Counterparty Credit Risk.”

The following table summarizes the fair value of our derivative assets by type at the dates indicated. These assets represent our 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.

Dollars in millions	**June 30, 2023**	**December 31, 2022**
Interest rate	**$ 146**	$ 136
Foreign exchange	**64**	67
Commodity	**366**	820
Credit	**—**	—
Other	**8**	11
Derivative assets before collateral	**584**	1,034
Plus(Less): Related collateral	**(328)**	(10)
Total derivative assets	**$ 256**	$ 1,024

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

We enter into transactions with broker-dealers and banks for various risk management purposes. These types of transactions are primarily high dollar volume. We enter into bilateral collateral and master netting agreements with these counterparties. We clear certain types of derivative transactions with these counterparties, whereby central clearing organizations become the counterparties to our derivative contracts. In addition, we enter into derivative

contracts through swap execution facilities. Swap clearing and swap execution facilities reduce our exposure to counterparty credit risk. At June 30, 2023, we had gross exposure of $613 million to broker-dealers and banks. We had net exposure of $25 million after the application of master netting agreements and cash collateral, where such qualifying agreements exist.

We enter into transactions using master netting agreements with clients to accommodate their business needs. In most cases, we mitigate our credit exposure by cross-collateralizing these transactions to the underlying loan collateral. For transactions that are not clearable, we mitigate our market risk by buying and selling U.S. Treasuries and Eurodollar futures or entering into offsetting positions. Due to the cross-collateralization to the underlying loan, we typically do not exchange cash or marketable securities collateral in connection with these transactions. To address the risk of default associated with these contracts, we have established a CVA reserve (included in "accrued income and other assets") in the amount of $11 million at June 30, 2023. The CVA is calculated from potential future exposures, expected recovery rates, and market-implied probabilities of default. At June 30, 2023, we had gross exposure of $344 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 $231 million on our derivatives with these counterparties after the application of master netting agreements, collateral, and the related reserve.

Credit Derivatives

We are a buyer and, under limited circumstances, may be a seller of credit protection through the credit derivative market. We purchase credit derivatives to manage the credit risk associated with specific commercial lending and swap obligations as well as exposures to debt securities. Our credit derivative portfolio was in a net liability position of $1 million as of June 30, 2023, and $2 million as of December 31, 2022. Our credit derivative portfolio consists of traded credit default swap indices and risk participation agreements. Additional descriptions of our credit derivatives are provided in Note 8 ("Derivatives and Hedging Activities") beginning on page 137 of our 2022 Form 10-K under the heading "Credit Derivatives."

The following table provides information on the types of credit derivatives sold by us and held on the balance sheet at June 30, 2023, and December 31, 2022. The notional amount represents the amount that the seller could be required to pay. The payment/performance risk shown in the table represents a weighted average of the default probabilities for all reference entities in the respective portfolios. These default probabilities are implied from observed credit indices in the credit default swap market, which are mapped to reference entities based on Key's internal risk rating.

	June 30, 2023			December 31, 2022		
Dollars in millions	Notional Amount	Average Term (Years)	Payment / Performance Risk	Notional Amount	Average Term (Years)	Payment / Performance Risk
Other	**$ 1**	**8.43**	**6.03 %**	$ 1	15.17	5.10 %
Total credit derivatives sold	**$ 1**	**—**	**—**	$ 1	—	—

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 June 30, 2023, 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. Refer to the table below for the aggregate fair value of all derivative contracts with credit risk contingent features held by KeyBank that were in a net liability position.

Dollars in millions	June 30, 2023	December 31, 2022
Net derivative liabilities with credit-risk contingent features	**$ (101)**	$ (612)
Collateral posted	**90**	534

As of June 30, 2023, and December 31, 2022, the fair value of additional collateral that could be required to be posted as a result of the credit risk related contingent features being triggered was immaterial to Key's consolidated

financial statements. There were no derivative contracts with credit risk contingent features held by KeyCorp at June 30, 2023.

8. Mortgage Servicing Assets

We originate and periodically sell commercial and residential mortgage loans but continue to service those loans for the buyers. We also may purchase the right to service commercial mortgage loans from other lenders. We record a servicing asset if we purchase or retain the right to service loans in exchange for servicing fees that exceed the going market servicing rate and are considered more than adequate compensation for servicing. Additional information pertaining to the accounting for mortgage and other servicing assets is included in Note 1 ("Summary of Significant Accounting Policies") under the heading "Servicing Assets" beginning on page 112 of our 2022 Form 10-K.

Commercial

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

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions	**2023**	**2022**	**2023**	**2022**
Balance at beginning of period	**$ 634**	$ 644	**$ 653**	$ 634
Servicing retained from loan sales	**17**	22	**26**	52
Purchases	**6**	12	**10**	23
Amortization	**(30)**	(31)	**(62)**	(62)
Temporary (impairments) recoveries	**—**	—	**—**	—
Balance at end of period	**$ 627**	$ 647	**$ 627**	$ 647
Fair value at end of period	**$ 893**	$ 938	**$ 893**	$ 938

The fair value of commercial mortgage servicing assets is determined by calculating the present value of future cash flows associated with servicing the loans. This calculation uses a number of assumptions that are based on current market conditions. The range and weighted average of the significant unobservable inputs used to determine the fair value of our commercial mortgage servicing assets at June 30, 2023, and June 30, 2022, along with the valuation techniques, are shown in the following table:

Dollars in millions		June 30, 2023			June 30, 2022		
Valuation Technique	**Significant Unobservable Input**	**Range**		**Weighted Average**	**Range**		**Weighted Average**
Discounted cash flow	Expected defaults	**1.00 %**	**2.00 %**	**1.01 %**	1.00 %	2.00 %	1.11 %
	Residual cash flows discount rate	**7.41 %**	**10.56 %**	**10.16 %**	8.25 %	10.18 %	9.42 %
	Escrow earn rate	**5.09 %**	**5.23 %**	**5.11 %**	3.34 %	3.79 %	3.61 %
	Loan assumption rate	**— %**	**2.16 %**	**1.97 %**	— %	1.57 %	1.24 %

If these economic assumptions change or prove incorrect, the fair value of commercial mortgage servicing assets may also change. Expected credit losses, escrow earning rates, and discount rates are critical to the valuation of commercial mortgage servicing assets. Estimates of these assumptions are based on how a market participant would view the respective rates, and reflect historical data associated with the commercial mortgage loans, industry trends, and other considerations. Actual rates may differ from those estimated due to changes in a variety of economic factors. A decrease in the value assigned to the escrow earning rates would cause a decrease in the fair value of our commercial mortgage servicing assets. An increase in the assumed default rates of commercial mortgage loans or an increase in the assigned discount rates would cause a decrease in the fair value of our commercial mortgage servicing assets. Prepayment activity on commercial serviced loans does not significantly affect the valuation of our commercial mortgage servicing assets. Unlike residential mortgages, commercial mortgages experience significantly lower prepayments due to certain contractual restrictions affecting the borrower's ability to prepay the mortgage.

The amortization of commercial servicing assets is determined in proportion to, and over the period of, the estimated net servicing income. The amortization of commercial servicing assets for each period, as shown in the table at the beginning of this note, is recorded as a reduction to contractual fee income. The contractual fee income from servicing commercial mortgage loans totaled $159 million for the six-month period ended June 30, 2023, and $143 million for the six-month period ended June 30, 2022. This fee income was offset by $62 million of amortization for the six-month period ended June 30, 2023, and $62 million for the six-month period ended June 30,

2022. Both the contractual fee income and the amortization are recorded, net, in “commercial mortgage servicing fees” on the income statement.

Residential

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

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions	**2023**	**2022**	**2023**	**2022**
Balance at beginning of period	**$ 105**	$ 101	**$ 106**	$ 93
Servicing retained from loan sales	**3**	6	**4**	17
Purchases	**—**	—	**—**	—
Amortization	**(2)**	(3)	**(4)**	(7)
Temporary (impairments) recoveries	**—**	**—**	**—**	1
Balance at end of period	**$ 106**	$ 104	**$ 106**	$ 104
Fair value at end of period	**$ 130**	$ 125	**$ 130**	$ 125

The fair value of mortgage servicing assets is determined by calculating the present value of future cash flows associated with servicing the loans. This calculation uses a number of assumptions that are based on current market conditions. The range and weighted-average of the significant unobservable inputs used to fair value our mortgage servicing assets at June 30, 2023, and June 30, 2022, along with the valuation techniques, are shown in the following table:

		June 30, 2023			June 30, 2022		
Valuation Technique	**Significant Unobservable Input**	**Range**		**Weighted Average**	**Range**		**Weighted Average**
Discounted cash flow	Prepayment speed	**6.14 %**	**40.07 %**	**7.32 %**	6.99 %	43.84 %	7.96 %
	Discount rate	**7.35 %**	**8.35 %**	**7.39 %**	7.50 %	8.56 %	7.53 %
	Servicing cost	**$ 62.00**	**$ 8,075**	**$ 67.70**	$ 62.00	$ 8,075	$ 66.75

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

The amortization of servicing assets for June 30, 2023, 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 $18 million for the six-month period ended June 30, 2023, and $19 million for the six-month period ended June 30, 2022. This fee income was offset by $4 million of amortization for the six-month period ended June 30, 2023, and $7 million for the six-month period ended June 30, 2022. Both the contractual fee income and the amortization are recorded, net, in “consumer mortgage income” on the income statement.

9. Leases

As a lessee, we enter into leases of land, buildings, and equipment. Our real estate leases primarily relate to bank branches and office space. The leases of equipment principally relate to technology assets for data processing and data storage. As a lessor, we primarily provide financing through our equipment leasing business. For more information on our leasing activity, see Note 10 (“Leases”) beginning on page 145 of our 2022 Form 10-K.

Lessor Equipment Leasing

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

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

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions	**2023**	**2022**	**2023**	**2022**
Sales-type and direct financing leases				
Interest income on lease receivable	**$ 20**	$ 15	**$ 39**	$ 31
Interest income related to accretion of unguaranteed residual asset	**4**	4	**7**	8
Total sales-type and direct financing lease income	**$ 24**	$ 19	**$ 46**	$ 39
Operating leases				
Operating lease income related to lease payments	**$ 22**	$ 27	**$ 46**	$ 56
Other operating leasing gains	**1**	1	**2**	4
Total operating lease income and other leasing gains	**23**	28	**48**	60
Total lease income	**$ 47**	$ 47	**$ 94**	$ 99

10. Goodwill

Our annual goodwill impairment testing is performed as of October 1 each year, or more frequently as events occur or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. A quantitative or qualitative testing approach may be used. Additional information pertaining to our accounting policy for goodwill and other intangible assets is summarized in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Goodwill and Other Intangible Assets” beginning on page 112 of our 2022 Form 10-K.

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

Dollars in millions	Consumer Bank	Commercial Bank	Total
BALANCE AT JUNE 30, 2022	$ 1,819	$ 933	$ 2,752
BALANCE AT DECEMBER 31, 2022	$ 1,819	$ 933	$ 2,752
BALANCE AT JUNE 30, 2023	**$ 1,819**	**$ 933**	**$ 2,752**

11. Variable Interest Entities

Our significant VIEs are summarized below. Additional information pertaining to the criteria used in determining if an entity is a VIE is included in Note 13 (“Variable Interest Entities”) beginning on page 149 of our 2022 Form 10-K.

LIHTC and NMTC investments. We had $2.2 billion and $1.9 billion of investments in LIHTC operating partnerships at June 30, 2023, and December 31, 2022, respectively. These investments are recorded in “accrued income and other assets” on our Consolidated Balance Sheets. We do not have any loss reserves recorded related to these investments because we believe the likelihood of any loss to be remote. For all legally binding, unfunded equity commitments, we increase our recognized investment and recognize a liability. As of June 30, 2023, and December 31, 2022, we had liabilities of $1.2 billion and $957 million, respectively, related to investments in qualified affordable housing projects, which are recorded in “accrued expenses and other liabilities” on our Consolidated Balance Sheets. We continue to invest in these LIHTC operating partnerships.

The assets and liabilities presented in the table below convey the size of KCDC’s direct and indirect investments at June 30, 2023, and December 31, 2022. As these investments represent unconsolidated VIEs, the assets and liabilities of the investments themselves are not recorded on our Consolidated Balance Sheets. Additional information pertaining to our LIHTC investments is included in Note 13 (“Variable Interest Entities”) beginning on page 149 of our 2022 Form 10-K.

Dollars in millions	Unconsolidated VIEs		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
June 30, 2023			
LIHTC investments	**$ 8,701**	**$ 3,750**	**$ 2,621**
December 31, 2022			
LIHTC investments	$ 8,227	$ 3,091	$ 2,370

We had $31 million and $12 million in NMTC investments at June 30, 2023 and December 31, 2022, respectively. These investments are recorded in “accrued income and other assets” on our Consolidated Balance Sheets.

We amortize our LIHTC and NMTC investments over the period that we expect to receive the tax benefits. During the six months ended June 30, 2023, we recognized $107 million of amortization, $104 million of tax credits and $26 million of other tax benefits associated with these investments within “income taxes” on our income statement. During the six months ended June 30, 2022, we recognized $93 million of amortization, $91 million of tax credits and $22 million of other tax benefits associated with these investments within “income taxes” on our income statement.

Principal investments. Our maximum exposure to loss associated with indirect principal investments consists of the investments’ fair value plus any unfunded equity commitments. The fair value of our indirect principal investments totaled $18 million and $34 million at June 30, 2023, and December 31, 2022, respectively. These investments are recorded in “other investments” on our Consolidated Balance Sheets. The table below reflects the size of the private equity funds in which we were invested as well as our maximum exposure to loss in connection with these investments at June 30, 2023, and December 31, 2022.

Dollars in millions	Unconsolidated VIEs		
	Total Assets	Total Liabilities	Maximum Exposure to Loss
June 30, 2023			
Indirect investments	**$ 2,819**	**$ 76**	**$ 19**
December 31, 2022			
Indirect investments	$ 6,636	$ 90	$ 43

Through our principal investing entities, we have formed and funded operating entities that provide management and other related services to our investment company funds, which directly invest in portfolio companies. These entities had no assets at June 30, 2023, and December 31, 2022, that can be used to settle the entities’ obligations. The entities had no liabilities at June 30, 2023, and December 31, 2022, and other equity investors have no recourse to our general credit.

Additional information on our indirect and direct principal investments is provided in Note 6 (“Fair Value Measurements”) beginning on page 125 and in Note 13 (“Variable Interest Entities “) beginning on page 149 of our 2022 Form 10-K.

Other unconsolidated VIEs. We are involved with other various entities in the normal course of business which we have determined to be VIEs. We have determined that we are not the primary beneficiary of these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance or hold a variable interest that could potentially be significant. The table below shows our assets and liabilities associated with these unconsolidated VIEs at June 30, 2023, and December 31, 2022. These assets are recorded in “accrued income and other assets,” “other investments,” “securities available for sale,” “held-to-maturity securities,” and “loans, net of unearned income” on our Consolidated Balance Sheets. Of the total balance as of June 30, 2023, $1.0 billion related to the purchase of senior notes from a securitization collateralized by sold indirect auto loans. Additional information pertaining to our other unconsolidated VIEs is included in Note 13 (“Variable Interest Entities“) under the heading “Other unconsolidated VIEs” on page 151 of our 2022 Form 10-K.

Dollars in millions	Other unconsolidated VIEs	
	Total Assets	Total Liabilities
June 30, 2023		
Other unconsolidated VIEs	**$ 1,450**	**$ 1**
December 31, 2022		
Other unconsolidated VIEs	$ 1,798	$ 1

12. Income Taxes

Income Tax Provision

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

The effective tax rate, which is the provision for income taxes as a percentage of income before income taxes, was 16.7% for the second quarter of 2023 and 19.9% for the second quarter of 2022. The effective tax rates are less than our combined federal and state statutory tax rate of 23.9%, primarily due to income from investments in tax-advantaged assets such as corporate-owned life insurance and tax credits associated with low-income housing investments.

Deferred Taxes

At June 30, 2023, we had a net deferred tax asset of $1.9 billion, compared to a net deferred tax asset of $2.0 billion at December 31, 2022, which are included in “accrued income and other assets” on the balance sheet. The deferred tax asset is primarily related to market fluctuations in the investment security portfolio accounted for in other comprehensive income.

To determine the amount of deferred tax assets that are more likely than not to be realized, and therefore recorded, we conduct a quarterly assessment of all available evidence. This evidence includes, but is not limited to, taxable income in prior periods, projected future taxable income, and projected future reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo change. Based on these criteria, we had a valuation allowance of $11 million at June 30, 2023, and $11 million at December 31, 2022. The valuation allowance is associated with federal and state capital loss carryforwards.

Unrecognized Tax Benefits

At June 30, 2023, Key’s unrecognized tax benefits were $43 million. As permitted under the applicable accounting guidance for income taxes, it is our policy to recognize interest and penalties related to unrecognized tax benefits in “income tax expense.”

Pre-1988 Bank Reserves Acquired in a Business Combination

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

13. Acquisitions and Discontinued Operations

Acquisitions

XUP Payments. On November 19, 2021, KeyBank acquired XUP Payments, a B2B focused digital platform. The acquisition was accounted for as a business combination. As a result of the acquisition, we recognized goodwill of $20.6 million and no separately identified intangible assets were recorded. Other acquired assets and liabilities of XUP were immaterial. The valuation was final as of March 31, 2022.

GradFin. On May 2, 2022, KeyBank acquired GradFin, a public service loan forgiveness counseling provider. The acquisition was accounted for as a business combination. Consideration paid totaled $72 million consisting of $62 million in cash and $10 million in contingent consideration. As a result of the acquisition, we recognized goodwill of $58 million and other intangible assets of $12 million, with remaining assets acquired consisting primarily of cash. Other acquired assets and liabilities of GradFin were immaterial. The valuation was final as of September 30, 2022.

Discontinued operations

Discontinued operations primarily includes our government-guaranteed and private education lending business. At June 30, 2023, and December 31, 2022, approximately $381 million and $434 million, respectively, of education loans are included in discontinued assets on the Consolidated Balance Sheets. Net interest income after provision for credit losses for this business is not material and is included in income (loss) from discontinued operations, net of taxes on the Consolidated Statements of Income.

14. Securities Financing Activities

Additional information regarding our securities financing activities, including risk management activities, is provided in Note 1 (“Summary of Significant Accounting Policies”) beginning on page 105 our 2022 Form 10-K and Note 16 (“Securities Financing Activities”) beginning on page 154 of our 2022 Form 10-K.

The following table summarizes our securities financing agreements at June 30, 2023, and December 31, 2022:

	June 30, 2023				December 31, 2022			
Dollars in millions	Gross Amount Presented in Balance Sheet	Netting Adjustments [a]	Collateral [b]	Net Amounts	Gross Amount Presented in Balance Sheet	Netting Adjustments [a]	Collateral [b]	Net Amounts
Offsetting of financial assets:								
Reverse repurchase agreements	$ —	$ —	$ —	$ —	$ 8	$ (8)	$ —	$ —
Securities borrowed	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ 8	$ (8)	$ —	$ —
Offsetting of financial liabilities:								
Repurchase agreements [c]	$ 1,702	$ —	$ (1,702)	$ —	$ 71	$ (8)	$ (63)	$ —
Total	$ 1,702	$ —	$ (1,702)	$ —	$ 71	$ (8)	$ (63)	$ —

(a) Netting adjustments take into account the impact of master netting agreements that allow us to settle with a single counterparty on a net basis.
(b) These adjustments take into account the impact of bilateral collateral agreements that allow us to offset the net positions with the related collateral. The application of collateral cannot reduce the net position below zero. Therefore, excess collateral, if any, is not reflected above.
(c) Repurchase agreements are collateralized by mortgage-backed securities and U.S. Treasuries and are contracted on an overnight or continuous basis.

As of June 30, 2023, assets pledged as collateral against repurchase agreements totaled $1.7 billion. Assets pledged as collateral are reported in “securities available for sale” and “held-to-maturity securities” on the Consolidated Balance Sheets. At June 30, 2023, the liabilities associated with collateral pledged were solely comprised of customer sweep financing activity and had a carrying value of $1.7 billion. 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.

15. Employee Benefits

Pension Plans

The components of net pension cost (benefit) for all funded and unfunded plans are recorded in Other expense and are summarized in the following table. For more information on our Pension Plans and Other Postretirement Benefit Plans, see Note 18 (“Employee Benefits”) beginning on page 157 of our 2022 Form 10-K.

	Three months ended June 30,		Six months ended June 30,	
Dollars in millions	2023	2022	2023	2022
Interest cost on PBO	$ 11	$ 6	$ 22	$ 13
Expected return on plan assets	(10)	(6)	(21)	(13)
Amortization of losses	2	3	5	7
Settlement loss	—	—	—	—
Net pension cost	$ 3	$ 3	$ 6	$ 7

16. Trust Preferred Securities Issued by Unconsolidated Subsidiaries

We own the outstanding common stock of business trusts formed by us that issued corporation-obligated, mandatorily redeemable, trust preferred securities. The trusts used the proceeds from the issuance of their trust preferred securities and common stock to buy debentures issued by KeyCorp. These debentures are the trusts' only assets; the interest payments from the debentures finance the distributions paid on the mandatorily redeemable trust preferred securities. The outstanding common stock of these business trusts is recorded in Other investments on the Consolidated Balance Sheets. We unconditionally guarantee the following payments or distributions on behalf of the trusts:

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

The Regulatory Capital Rules, discussed in "Supervision and regulation" in Item 2 of this report, require us to treat our mandatorily redeemable trust preferred securities as Tier 2 capital.

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

Dollars in millions	Trust Preferred Securities, Net of Discount [a][d]	Common Stock	Principal Amount of Debentures, Net of Discount [b][d]	Interest Rate of Trust Preferred Securities and Debentures [c]	Maturity of Trust Preferred Securities and Debentures
June 30, 2023					
KeyCorp Capital I	**$ 156**	**$ 6**	**$ 162**	**5.494 %**	**2028**
KeyCorp Capital II	**86**	**4**	**90**	**6.875**	**2029**
KeyCorp Capital III	**112**	**4**	**116**	**7.750**	**2029**
HNC Statutory Trust III	**21**	**1**	**22**	**6.793**	**2035**
HNC Statutory Trust IV	**18**	**1**	**19**	**6.579**	**2037**
Willow Grove Statutory Trust I	**20**	**1**	**21**	**6.862**	**2036**
Westbank Capital Trust II	**8**	**—**	**8**	**7.700**	**2034**
Westbank Capital Trust III	**8**	**—**	**8**	**7.700**	**2034**
Total	**$ 429**	**$ 17**	**$ 446**	**6.616 %**	—
December 31, 2022	$ 433	$ 17	$ 450	5.321 %	—

(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.

(b) We have the right to redeem these debentures. If the debentures purchased by KeyCorp Capital I, HNC Statutory Trust III, Willow Grove Statutory Trust I, HNC Statutory Trust IV, Westbank Capital Trust II, or Westbank Capital Trust III are redeemed before they mature, the redemption price will be the principal amount, plus any accrued but unpaid interest. If the debentures purchased by KeyCorp Capital II or KeyCorp Capital III are redeemed before they mature, the redemption price will be the greater of: (i) the principal amount, plus any accrued but unpaid interest, or (ii) the sum of the present values of principal and interest payments discounted at the Treasury Rate (as defined in the applicable indenture), plus 20 basis points for KeyCorp Capital II or 25 basis points for KeyCorp Capital III, or 50 basis points in the case of redemption upon either a tax or a capital treatment event for either KeyCorp Capital II or KeyCorp Capital III, plus any accrued but unpaid interest.

(c) The interest rates for the trust preferred securities issued by KeyCorp Capital II and KeyCorp Capital III are fixed. The trust preferred securities issued by KeyCorp Capital I 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.

(d) Certain trust preferred securities include basis adjustments related to fair value hedges totaling $13 million at June 30, 2023, and $17 million at December 31, 2022. See Note 7 ("Derivatives and Hedging Activities") for an explanation of fair value hedges.

17. Contingent Liabilities and Guarantees

Legal Proceedings

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

Record-Keeping Investigation. The Company's broker-dealer and investment advisory subsidiaries have been responding to a request for information from the SEC concerning compliance with certain record-keeping requirements relating to business communications transmitted on unapproved electronic communications platforms. The SEC is conducting similar inquiries into recordkeeping practices at other financial institutions. The Company is cooperating with the inquiry.

Guarantees

We are a guarantor in various agreements with third parties. The following table shows the types of guarantees that we had outstanding at June 30, 2023. Information pertaining to the basis for determining the liabilities recorded in connection with these guarantees is included in Note 1 ("Summary of Significant Accounting Policies") under the heading "Contingencies and Guarantees" beginning on page 113 of our 2022 Form 10-K.

June 30, 2023 *Dollars in millions*	**Maximum Potential Undiscounted Future Payments**	**Liability Recorded**
Financial guarantees:		
Standby letters of credit	$ 4,759	$ 91
Recourse agreement with FNMA	6,981	89
Residential mortgage reserve	3,294	12
Written put options [(a)]	3,739	257
Total	$ 18,773	$ 449

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

We determine the payment/performance risk associated with each type of guarantee described below based on the probability that we could be required to make the maximum potential undiscounted future payments shown in the preceding table. We use a scale of low (0% to 30% probability of payment), moderate (greater than 30% to 70% probability of payment), or high (greater than 70% probability of payment) to assess the payment/performance risk, and have determined that the payment/performance risk associated with each type of guarantee outstanding at June 30, 2023, is low. Information pertaining to the nature of each of the guarantees listed below is included in Note 22 ("Commitments, Contingent Liabilities, and Guarantees") under the heading "Guarantees" beginning on page 166 of our 2022 Form 10-K.

Standby letters of credit. At June 30, 2023, our standby letters of credit had a remaining weighted-average life of 1.5 years, with remaining actual lives ranging from less than 1 year to as many as 11.4 years.

Recourse agreement with FNMA. At June 30, 2023, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 7.1 years, and the unpaid principal balance outstanding of loans sold by us as a participant was $22.6 billion. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 30.8% of the principal balance of loans outstanding at June 30, 2023. FNMA delegates responsibility for originating, underwriting, and servicing mortgages, and we assume a limited portion of the risk of loss during the remaining term on each commercial mortgage loan that we sell to FNMA. We maintain a reserve for such potential losses of $89 million that we believe approximates the fair value of our liability in addition to the expected credit loss for the guarantee as described in Note 4 ("Asset Quality").

Residential Mortgage Banking. At June 30, 2023, the unpaid principal balance outstanding of loans sold by us in this program was $11.0 billion. The maximum potential amount of undiscounted future payments that we could be required to make under this program, as shown in the preceding table, is equal to approximately 30% of the principal balance of loans outstanding at June 30, 2023.

Our liability for estimated repurchase obligations on loans sold, which is included in "accrued expenses and other liabilities" on the Consolidated Balance Sheets, was $12 million at June 30, 2023. For more information on our residential mortgages, see Note 8 ("Mortgage Servicing Assets").

Written put options. At June 30, 2023, our written put options had an average life of 1.6 years. These written put options are accounted for as derivatives at fair value, as further discussed in Note 7 ("Derivatives and Hedging Activities").

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

Other Off-Balance Sheet Risk

Other off-balance sheet risk stems from financial instruments that do not meet the definition of a guarantee as specified in the applicable accounting guidance, and from other relationships. Additional information pertaining to types of other off-balance sheet risk is included in Note 22 (“Commitments, Contingent Liabilities, and Guarantees”) under the heading “Other Off-Balance Sheet Risk” on page 166 of our 2022 Form 10-K.

18. Accumulated Other Comprehensive Income

Our changes in AOCI for the three and six months ended June 30, 2023, and June 30, 2022, are as follows:

Dollars in millions	Unrealized gains (losses) on securities available for sale	Unrealized gains (losses) on derivative financial instruments	Net pension and postretirement benefit costs	Total
Balance at December 31, 2022	$ (4,895)	$ (1,124)	$ (276)	$ (6,295)
Other comprehensive income before reclassification, net of income taxes	**159**	**(263)**	**—**	**(104)**
Amounts reclassified from AOCI, net of income taxes [(a)]	**—**	**352**	**3**	**355**
Net current-period other comprehensive income, net of income taxes	**159**	**89**	**3**	**251**
Balance at June 30, 2023	**$ (4,736)**	**$ (1,035)**	**$ (273)**	**$ (6,044)**
Balance at March 31, 2023	$ (4,320)	$ (879)	$ (275)	$ (5,474)
Other comprehensive income before reclassification, net of income taxes	**(416)**	**(344)**	**—**	**(760)**
Amounts reclassified from AOCI, net of income taxes [(a)]	**—**	**188**	**2**	**190**
Net current-period other comprehensive income, net of income taxes	**(416)**	**(156)**	**2**	**(570)**
Balance at June 30, 2023	**$ (4,736)**	**$ (1,035)**	**$ (273)**	**$ (6,044)**
Balance at December 31, 2021	$ (403)	$ 88	$ (271)	$ (586)
Other comprehensive income before reclassification, net of income taxes	(2,764)	(755)	—	(3,519)
Amounts reclassified from AOCI, net of income taxes [(a)]	—	(66)	5	(61)
Net current-period other comprehensive income, net of income taxes	(2,764)	(821)	5	(3,580)
Balance at June 30, 2022	$ (3,167)	$ (733)	$ (266)	$ (4,166)
Balance at March 31, 2022	$ (2,187)	$ (473)	$ (269)	$ (2,929)
Other comprehensive income before reclassification, net of income taxes	(980)	(242)	1	(1,221)
Amounts reclassified from AOCI, net of income taxes [(a)]	—	(18)	2	(16)
Net current-period other comprehensive income, net of income taxes	(980)	(260)	3	(1,237)
Balance at June 30, 2022	$ (3,167)	$ (733)	$ (266)	$ (4,166)

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

Our reclassifications out of AOCI for the three and six months ended June 30, 2023, and June 30, 2022, are as follows:

	Three months ended June 30,		
Dollars in millions	2023	2022	Affected Line Item in the Consolidated Statement of Income
Unrealized gains (losses) on derivative financial instruments			
Interest rate	**$ (245)**	$ 19	Interest income — Loans
Interest rate	**(1)**	(1)	Interest expense — Long-term debt
Interest rate	**—**	5	Investment banking and debt placement fees
	(246)	23	Income (loss) from continuing operations before income taxes
	(58)	5	Income taxes
	$ (188)	$ 18	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	**$ (2)**	$ (3)	Other expense
Settlement loss	**—**	—	Other expense
Amortization of unrecognized prior service credit	**—**	1	Other expense
	(2)	(2)	Income (loss) from continuing operations before income taxes
	—	—	Income taxes
	$ (2)	$ (2)	Income (loss) from continuing operations

Dollars in millions	Six months ended June 30, 2023	2022	Affected Line Item in the Consolidated Statement of Income
Unrealized gains (losses) on derivative financial instruments			
Interest rate	**$ (460)**	$ 82	Interest income — Loans
Interest rate	**(1)**	(2)	Interest expense — Long-term debt
Interest rate	**—**	7	Investment banking and debt placement fees
	(461)	87	Income (loss) from continuing operations before income taxes
	(109)	21	Income taxes
	$ (352)	$ 66	Income (loss) from continuing operations
Net pension and postretirement benefit costs			
Amortization of losses	$ (5)	$ (7)	Other expense
Settlement loss	—	—	Other expense
Amortization of unrecognized prior service credit	1	1	Other expense
	(4)	(6)	Income (loss) from continuing operations before income taxes
	(1)	(1)	Income taxes
	$ (3)	$ (5)	Income (loss) from continuing operations

19. Shareholders' Equity

Comprehensive Capital Plan

In July 2021, the Board of Directors authorized the repurchase of up to $1.5 billion of our Common Shares, effective for the third quarter of 2021 through the third quarter of 2022. In September 2022, the Board of Directors approved the extension of the previous authorization through the third quarter of 2023. As of June 30, 2023, approximately $752 million remained available for gross repurchase under the authorization. During the second quarter of 2023, Key repurchased no shares under this authorization and less than $1 million of shares related to equity compensation programs.

Consistent with our capital plan, the Board declared a quarterly dividend of $.205 per Common Share for the second quarter of 2023.

Preferred Stock

The following table summarizes our preferred stock at June 30, 2023.

Preferred stock series	Amount outstanding (in millions)	Shares authorized and outstanding	Par value	Liquidation preference	Ownership interest per depositary share	Liquidation preference per depositary share	Second quarter 2023 dividends paid per depositary share
5.000% Fixed-to-Floating Rate Perpetual Noncumulative Series D	$ 525	21,000	$ 1	$ 25,000	1/25th	$ 1,000	$ 12.50
6.125% Fixed-to-Floating Rate Perpetual Noncumulative Series E	500	500,000	1	1,000	1/40th	25	.382813
5.650% Fixed Rate Perpetual Noncumulative Series F	425	425,000	1	1,000	1/40th	25	.353125
5.625% Fixed Rate Perpetual Non-Cumulative Series G	450	450,000	1	1,000	1/40th	25	.351563
6.200% Fixed Rate Reset Perpetual Non-Cumulative Series H	600	600,000	1	1,000	1/40th	25	.387500

20. Business Segment Reporting

The following is description of the segments and their primary businesses at June 30, 2023.

Consumer Bank

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

Commercial Bank

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

Other

Other includes various corporate treasury activities such as management of our investment securities portfolio, long-term debt, short-term liquidity and funding activities, and balance sheet risk management, our principal investing unit, restructuring charges, and various exit portfolios as well as reconciling items which primarily represents the unallocated portion of nonearning assets of corporate support functions. Charges related to the funding of these assets are part of net interest income and are allocated to the business segments through noninterest expense. Reconciling items also include intercompany eliminations and certain items that are not allocated to the business segments because they do not reflect their normal operations.

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

The table below shows selected financial data for our business segments for the three- and six-month periods ended June 30, 2023, and June 30, 2022. Capital is assigned to each business segment based on a combination of regulatory and economic equity.

Three months ended June 30,	**Consumer Bank**		**Commercial Bank**		**Other**		**Total Key**	
Dollars in millions	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
SUMMARY OF OPERATIONS								
Net interest income (TE)	**$ 558**	$ 604	**$ 459**	$ 470	**$ (31)**	$ 30	**$ 986**	$ 1,104
Noninterest income	**245**	254	**346**	404	**18**	30	**609**	688
Total revenue (TE) [a]	**803**	858	**805**	874	**(13)**	60	**1,595**	1,792
Provision for credit losses	**32**	8	**134**	37	**1**	—	**167**	45
Depreciation and amortization expense	**21**	22	**22**	30	**17**	17	**60**	69
Other noninterest expense	**642**	659	**383**	381	**(9)**	(31)	**1,016**	1,009
Income (loss) from continuing operations before income taxes (TE)	**108**	169	**266**	426	**(22)**	74	**352**	669
Allocated income taxes and TE adjustments	**26**	41	**52**	86	**(12)**	12	**66**	139
Income (loss) from continuing operations	**82**	128	**214**	340	**(10)**	62	**286**	530
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—	**1**	3	**1**	3
Net income (loss)	**82**	128	**214**	340	**(9)**	65	**287**	533
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	**—**	—	**—**	—	**—**	—
Net income (loss) attributable to Key	**$ 82**	$ 128	**$ 214**	$ 340	**$ (9)**	$ 65	**$ 287**	$ 533
AVERAGE BALANCES [b]								
Loans and leases	**$ 42,934**	$ 40,827	**$ 77,277**	$ 67,825	**$ 461**	$ 486	**$ 120,672**	$ 109,138
Total assets [a]	**45,761**	43,897	**87,106**	78,816	**63,593**	60,814	**196,460**	183,527
Deposits	**82,498**	91,394	**51,420**	54,846	**8,985**	1,231	**142,903**	147,471
OTHER FINANCIAL DATA								
Net loan charge-offs [b]	**$ 32**	$ 23	**$ 20**	$ 21	**$ —**	$ —	**$ 52**	$ 44
Return on average allocated equity [b]	**9.04 %**	13.94 %	**8.17 %**	15.29 %	**(14.75)%**	13.84 %	**7.96 %**	14.76 %
Return on average allocated equity	**9.04**	13.94	**8.17**	15.29	**(13.27)**	14.51	**7.99**	14.85
Average full-time equivalent employees [c]	**7,829**	8,074	**2,487**	2,408	**7,438**	6,932	**17,754**	17,414

(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.

Six months ended June 30,	Consumer Bank		Commercial Bank		Other		Total Key	
Dollars in millions	2023	2022	2023	2022	2023	2022	2023	2022
SUMMARY OF OPERATIONS								
Net interest income (TE)	**$ 1,170**	$ 1,157	**$ 937**	$ 893	**$ (15)**	$ 74	**$ 2,092**	$ 2,124
Noninterest income	**473**	511	**712**	798	**32**	55	**1,217**	1,364
Total revenue (TE) [a]	**1,643**	1,668	**1,649**	1,691	**17**	129	**3,309**	3,488
Provision for credit losses	**92**	51	**215**	78	**(1)**	(1)	**306**	128
Depreciation and amortization expense	**42**	43	**46**	61	**33**	35	**121**	139
Other noninterest expense	**1,284**	1,308	**801**	763	**46**	(62)	**2,131**	2,009
Income (loss) from continuing operations before income taxes (TE)	**225**	266	**587**	789	**(61)**	157	**751**	1,212
Allocated income taxes and TE adjustments	**54**	64	**118**	157	**(18)**	14	**154**	235
Income (loss) from continuing operations	**171**	202	**469**	632	**(43)**	143	**597**	977
Income (loss) from discontinued operations, net of taxes	**—**	—	**—**	—	**2**	4	**2**	4
Net income (loss)	**171**	202	**469**	632	**(41)**	147	**599**	981
Less: Net income (loss) attributable to noncontrolling interests	**—**	—	**—**	—	**—**	—	**—**	—
Net income (loss) attributable to Key	**$ 171**	$ 202	**$ 469**	$ 632	**$ (41)** (d)	$ 147	**$ 599**	$ 981
AVERAGE BALANCES [b]								
Loans and leases	**$ 43,009**	$ 39,746	**$ 76,794**	$ 66,263	**$ 454**	$ 456	**$ 120,257**	$ 106,465
Total assets [a]	**45,847**	42,856	**86,483**	76,827	**61,342**	63,377	**193,672**	183,060
Deposits	**83,561**	91,517	**51,818**	56,037	**7,774**	1,255	**143,153**	148,809
OTHER FINANCIAL DATA								
Net loan charge-offs [b]	**$ 57**	$ 45	**$ 40**	$ 32	**—**	—	**$ 97**	$ 77
Return on average allocated equity [b]	**9.46 %**	11.20 %	**9.09 %**	14.48 %	**(133.40)%**	9.18 %	**8.53 %**	12.64 %
Return on average allocated equity	**9.46**	11.20	**9.09**	14.48	**(127.20)**	9.43	**8.56**	12.69
Average full-time equivalent employees [c]	**7,962**	8,012	**2,502**	2,412	**7,523**	6,838	**17,987**	17,262

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

21. Revenue from Contracts with Customers

The following table represents a disaggregation of revenue from contracts with customers, by business segment, for the three- and six-month periods ended June 30, 2023, and June 30, 2022. The development and application of the methodologies that we use to allocate items among our business segments is a dynamic process. Accordingly, financial results may be revised periodically to reflect enhanced alignment of expense base allocations drivers, changes in the risk profile of a particular business, or changes in our organizational structure.

	Three months ended June 30, 2023			Three months ended June 30, 2022		
Dollars in millions	Consumer Bank	Commercial Bank	Total Contract Revenue	Consumer Bank	Commercial Bank	Total Contract Revenue
NONINTEREST INCOME						
Trust and investment services income	**$ 100**	**$ 14**	**$ 114**	$ 103	$ 18	$ 121
Investment banking and debt placement fees	**—**	**79**	**79**	—	98	98
Services charges on deposit accounts	**41**	**28**	**69**	59	37	96
Cards and payments income	**48**	**35**	**83**	44	39	83
Other noninterest income	**3**	**—**	**3**	3	—	3
Total revenue from contracts with customers	**$ 192**	**$ 156**	**$ 348**	$ 209	$ 192	$ 401
Other noninterest income [a]			**$ 243**			$ 257
Noninterest income from Other[b]			**18**			30
Total noninterest income			**$ 609**			$ 688

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

Dollars in millions	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Consumer Bank	**Commercial Bank**	**Total Contract Revenue**	Consumer Bank	Commercial Bank	Total Contract Revenue
NONINTEREST INCOME						
Trust and investment services income	**$ 200**	**$ 31**	**$ 231**	$ 208	$ 36	$ 244
Investment banking and debt placement fees	**—**	**191**	**191**	—	207	207
Services charges on deposit accounts	**80**	**56**	**136**	114	73	187
Cards and payments income	**93**	**67**	**160**	86	75	161
Other noninterest income	**6**	**—**	**6**	5	—	5
Total revenue from contracts with customers	**$ 379**	**$ 345**	**$ 724**	$ 413	$ 391	$ 804
Other noninterest income [a]			**$ 461**			$ 505
Noninterest income from Other[b]			**32**			55
Total noninterest income			**$ 1,217**			$ 1,364

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

We had no material contract assets or contract liabilities as of June 30, 2023, and June 30, 2022.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of KeyCorp

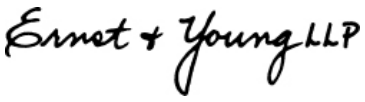
Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of KeyCorp as of June 30, 2023, the related consolidated statements of income, comprehensive income, and changes in equity for the three- and six-month periods ended June 30, 2023 and 2022, the related consolidated statement of cash flows for the six-month periods ended June 30, 2023 and 2022, and the related notes (collectively referred to as the “consolidated interim financial statements”). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of KeyCorp as of December 31, 2022, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and the related notes (not presented herein); and in our report dated February 22, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These financial statements are the responsibility of KeyCorp's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to KeyCorp in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB. We conducted our review in accordance with the standards of the PCAOB. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.



Cleveland, Ohio
August 2, 2023

Item 3. Quantitative and Qualitative Disclosure about Market Risk

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

Item 4. Controls and Procedures

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 1A. Risk Factors

For a discussion of certain risk factors affecting us, see the section titled “Supervision and Regulation” in Part I, Item 1. Business, on pages 12-29 of our 2022 Form 10-K; Part I, Item 1A. Risk Factors, on pages 29-43 of our 2022 Form 10-K; Part II, Item 1A. Risk Factors, on pages 93-94 of our Form 10-Q for the quarter ended March 31, 2023; the sections titled “Supervision and regulation” and “Strategic developments” in this Form 10-Q; and our disclosure regarding forward-looking statements in this Form 10-Q.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

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

In July 2021, the Board of Directors authorized the repurchase of up to $1.5 billion of our Common Shares, effective the third quarter of 2021 through the third quarter of 2022. In September 2022, the Board of Directors approved the extension of the previous authorization through the third quarter of 2023.

The following table summarizes our repurchases of our Common Shares for the three months ended June 30, 2023. Refer to Note 19 (“Shareholders' Equity”) for more information regarding share repurchases made during the three and six months ended June 30, 2023.

Calendar month	Total number of shares purchased [a]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs [a]	Dollar value of shares that may yet be purchased as part of publicly announced plans or programs
April 1 - 30	19,145	12.35	19,145	673,455,506
May 1 - 31	18,653	10.75	18,653	673,254,996
June 1 -30	—	—	—	673,254,996
Total	37,798	$ 11.56	37,798	

(a) Includes Common Shares deemed surrendered by employees in connection with our stock compensation and benefit plans to satisfy tax obligations We did not complete any open market share repurchases in the second quarter of 2023.

Item 5. Other Information

(c) No director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of KeyCorp adopted, modified, or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Exchange Act) during the quarter ended June 30, 2023, except as may be noted below. We do not permit the use of Rule 10b5-1 trading arrangements by our directors or executive officers.

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

Item 6. Exhibits

10.1	KeyCorp Amended and Restated 2019 Equity Compensation Plan (incorporated herein by reference to Exhibit 99.1 to KeyCorp's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 11, 2023).#
15	Acknowledgment of Independent Registered Public Accounting Firm.
22	Subsidiary Issuers of Guaranteed Securities, filed as Exhibit 22 to Form 10-K for the year ended December 31, 2022. ^
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from KeyCorp's Form 10-Q Report for the quarterly period ended June 30, 2023, formatted in inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income; (iii) the Consolidated Statements of Changes in Equity; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements.
104	The cover page from KeyCorp's Form 10-Q for the quarterly period ended June 30, 2023, formatted in inline XBRL (contained in Exhibit 101).

# Indicates management contract or compensatory plan or arrangement.

* Furnished herewith.

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

Information Available on Website

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

SIGNATURE

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

KEYCORP
(Registrant)

August 2, 2023

/s/ Douglas M. Schosser
By: Douglas M. Schosser
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT 15

Acknowledgment of Independent Registered Public Accounting Firm

August 2, 2023

To the Shareholders and Board of Directors of KeyCorp

We are aware of the incorporation by reference in the following Registration Statements (including all amendments thereto) 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. 333-272573
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. 333-256086
Form S-8 No. 333-112225
Form S-8 No. 333-167093
Form S-8 No. 333-188703
Form S-8 No. 333-208272
Form S-8 No. 333-231689
Form S-8 No. 333-271833

of our review report dated August 2, 2023 relating to the unaudited consolidated interim financial statements of KeyCorp that are included in its Form 10-Q for the quarter ended June 30, 2023.



Cleveland, Ohio

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Christopher M. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 2, 2023

/s/ Christopher M. Gorman
Christopher M. Gorman
Chairman, Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Clark H. Khayat, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 2, 2023

/s/ Clark H. Khayat
Clark H. Khayat
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. 1350, the undersigned officer of KeyCorp (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2023

/s/ Christopher M. Gorman
Christopher M. Gorman
Chairman, Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. 1350, the undersigned officer of KeyCorp (the "Company") hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2023

/s/ Clark H. Khayat
Clark H. Khayat
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.