Section 1: 10-K (FORM 10-K)
FORM 10-K

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

(Check one)

☑ Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2008

☐ 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: 1-11302

KeyCorp

Exact name of Registrant as specified in its charter:

Ohio

State or other jurisdiction of incorporation or organization: 34-6542451

I.R.S. Employer Identification No.: 127 Public Square, Cleveland, Ohio 44114

Address of principal executive offices:

(216) 689-6300

Registrant’s telephone number, including area code:

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

Title of each class Name of each exchange on which registered

Common Shares, $1 par value New York Stock Exchange
7.750% Non-Cumulative Perpetual Convertible Preferred Stock, Series A New York Stock Exchange
5.875% Trust Preferred Securities, issued by KeyCorp Capital V, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp
6.125% Trust Preferred Securities, issued by KeyCorp Capital VI, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp
5.700% Trust Preferred Securities, issued by KeyCorp Capital VII, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp
7.000% Enhanced Trust Preferred Securities, issued by KeyCorp Capital VIII, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp
6.750% Enhanced Trust Preferred Securities, issued by KeyCorp Capital IX, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp
8.000% Enhanced Trust Preferred Securities, issued by KeyCorp Capital X, including Junior New York Stock Exchange
Subordinated Debentures of KeyCorp and Guarantee of KeyCorp

1 The Subordinated Debentures and the Guarantee are issued by KeyCorp. The Trust Preferred Securities and the Enhanced Trust Preferred Securities are issued by the individual trusts.

2 The Subordinated Debentures and Guarantee of KeyCorp have been registered on the New York Stock Exchange only in connection with the trading of the Trust Preferred Securities and the Enhanced Trust Preferred Securities and not for independent trading.

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

Yes ☑ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

The aggregate market value of voting stock held by nonaffiliates of the Registrant is approximately $5,332,568,825.88 (based on the June 30, 2008, closing price of Common Shares of $10.98 as reported on the New York Stock Exchange). As of February 23, 2009, there were 494,705,197 Common Shares outstanding.

Certain specifically designated portions of KeyCorp’s 2008 Annual Report to Shareholders are incorporated by reference into Parts I, II and IV of this Form 10-K. Certain specifically designated portions of KeyCorp’s definitive Proxy Statement for its 2009 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.
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PART I

ITEM 1. BUSINESS

Overview
KeyCorp, organized in 1958 under the laws of the State of Ohio, is headquartered in Cleveland, Ohio. It is a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended (“BHCA”), and is one of the nation’s largest bank-based financial services companies, with consolidated total assets of $104.531 billion at December 31, 2008. KeyCorp is the parent holding company for KeyBank National Association (“KeyBank”), its principal subsidiary, through which most of its banking services are provided. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. As of December 31, 2008, these services were provided across the country through KeyBank’s 986 full-service retail banking branches (“branches”) in fourteen states, additional offices, a telephone banking call center services group and a network of 1,478 automated teller machines (“ATMs”) in sixteen states. Additional information pertaining to KeyCorp’s two business groups is included in the “Line of Business Results” section beginning on page 28 and in Note 4 (“Line of Business Results”) beginning on page 88 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) and is incorporated herein by reference. KeyCorp and its subsidiaries had an average of 18,095 full-time-equivalent employees during 2008.

In addition to the customary banking services of accepting deposits and making loans, KeyCorp’s bank and trust company subsidiaries offer personal and corporate trust services, personal financial services, access to mutual funds, cash management services, investment banking and capital markets products, and international banking services. Through its subsidiary banks, trust company and registered investment adviser subsidiaries, KeyCorp provides investment management services to clients that include large corporate and public retirement plans, foundations and endowments, high-net-worth individuals and multiemployer trust funds established for providing pension, vacation or other benefits to employees.

KeyCorp provides other financial services — both within and outside of its primary banking markets — through nonbank subsidiaries. These services include accident, health, and credit-life insurance on loans made by KeyBank, principal investing, community development financing, securities underwriting and brokerage, and merchant services. KeyCorp is an equity participant in a joint venture that provides merchant services to businesses.

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

The following financial data is included in the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) and is incorporated herein by reference as indicated below:

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The executive offices of KeyCorp are located at 127 Public Square, Cleveland, Ohio 44114-1306, and its telephone number is (216) 689-6300. Key’s website is www.key.com. The investor relations section of our website may be reached through www.key.com/aboutkey and selecting “Investor Relations.” We make available free of charge, on or through the investor relations links on our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the United States Securities and Exchange Commission (the “SEC”). Also posted on our website, and available in print upon request of any shareholder to our Investor Relations Department, are our charters for our Audit Committee, Compensation and Organization Committee, Executive Committee, Nominating and Corporate Governance Committee, and Risk Management Committee; our Corporate Governance Guidelines; our Code of Ethics governing our directors, officers and employees; and our Standards for Determining Independence of Directors. Within the time period required by the SEC and the New York Stock Exchange, we will post on our website any amendment to the Code of Ethics and any waiver applicable to any senior executive officer or director. Key also makes available a summary of filings made with the SEC of statements of beneficial ownership of KeyCorp’s equity securities filed by its directors and officers under Section 16 of the Securities Exchange Act of 1934, as amended.

Shareholders may obtain a copy of any of the above-referenced corporate governance documents by writing to our Investor Relations Department. Our Investor Relations Department can be contacted at Investor Relations, KeyCorp, 127 Public Square, Mailcode OH-01-27-1113, Cleveland, Ohio 44114-1306, telephone (216) 689-6300, e-mail: investor_relations@keybank.com.

Acquisitions and Divestitures

The information presented in Note 3 (“Acquisitions and Divestitures”) on page 87 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) is incorporated herein by reference.

Competition

The market for banking and related financial services is highly competitive. KeyCorp and its subsidiaries (“Key”) compete with other providers of financial services, such as bank holding companies, commercial banks, savings associations, credit unions, mortgage banking companies, finance companies, mutual funds, insurance companies,
investment management firms, investment banking firms, broker-dealers and other local, regional and national institutions that offer financial services. Key competes by offering quality products and innovative services at competitive prices.

In recent years, mergers and acquisitions have led to greater concentration in the banking industry, placing added competitive pressure on Key’s core banking products and services. Consolidation efforts intensified during 2008 as the challenges of the liquidity crisis and market disruption led to redistribution of deposits and certain banking assets to stronger and larger financial institutions. Financial institutions with liquidity challenges sought mergers and the deposits and certain banking assets of the 26 banks that failed during 2008 were redistributed through the Federal Deposit Insurance Corporation’s (“FDIC”) least-cost resolution process. These factors intensified the concentration of the industry and placed increased competitive pressure on Key’s core banking products and services.

The competitive landscape was also affected by the conversion of traditional investment banks to bank holding companies. The challenges of the liquidity crisis increased the desirability of the bank holding company structure due to the access it provides to government-sponsored sources of liquidity, such as the discount window and other programs designed specifically for bank holding companies and certain of their affiliates. The financial modernization legislation enacted in November 1999, which permits commercial bank affiliates to have affiliates that underwrite and deal in securities, underwrite insurance and make merchant banking investments under certain conditions, has enabled many of the more recent structural and regulatory changes. These structural and regulatory changes intensified the competitive landscape within which Key competes, since additional institutions now have access to low cost funding. For additional information on the financial modernization legislation, see “Financial Modernization Legislation” on page 9 of this report.

Supervision and Regulation

The following discussion addresses certain material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides certain specific information regarding Key. This regulatory framework is intended primarily to protect customers and depositors, the Deposit Insurance Fund (the “DIF”) of the FDIC and the banking system as a whole, and generally is not intended for the protection of security holders.

Set forth below is a brief discussion of selected laws, regulations and regulatory agency policies applicable to Key. This discussion is not intended to be comprehensive and is qualified in its entirety by reference to the full text of the statutes, regulations and regulatory agency policies to which this discussion refers. Changes in the applicable laws, regulations and regulatory agency policies cannot necessarily be predicted by management, yet such changes may have a material effect on Key’s business, financial condition or results of operations.

General

As a bank holding company, KeyCorp is subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) under the BHCA. Under the BHCA, bank holding companies may not, in general, directly or indirectly acquire the ownership or control of more than 5% of the voting shares, or substantially all of the assets, of any bank, without the prior approval of the Federal Reserve Board. In addition, bank holding companies are generally prohibited from engaging in commercial or industrial activities.

KeyCorp’s bank subsidiaries are also subject to extensive regulation, supervision and examination by applicable federal banking agencies. KeyCorp operates one full-service, FDIC-insured national bank subsidiary, KeyBank, and one national bank subsidiary whose activities are limited to those of a fiduciary. Both of KeyCorp’s national bank subsidiaries and their subsidiaries are subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (the “OCC”). Because domestic deposits in KeyBank are insured (up to applicable limits) and certain deposits of KeyBank and debt obligations of KeyBank and KeyCorp are temporarily guaranteed (up to applicable limits) by the FDIC, the FDIC also has certain regulatory and supervisory authority over KeyBank and KeyCorp under the Federal Deposit Insurance Act (the “FDIA”).
KeyCorp also has other financial services subsidiaries that are subject to regulation, supervision and examination by the Federal Reserve Board, as well as other applicable state and federal regulatory agencies and self-regulatory organizations. For example, KeyCorp’s brokerage and asset management subsidiaries are subject to supervision and regulation by the SEC, the Financial Industry Regulatory Authority and state securities regulators, and KeyCorp’s insurance subsidiaries are subject to regulation by the insurance regulatory authorities of the various states. Other nonbank subsidiaries of KeyCorp are subject to laws and regulations of both the federal government and the various states in which they are authorized to do business.

Dividend Restrictions

On November 14, 2008, KeyCorp sold $2.5 billion of Fixed-Rate Cumulative Perpetual Preferred Stock, Series B (the “Series B Preferred Stock”) and a Warrant to purchase 35,244,361 common shares, par value $1.00 (the “Common Shares”) to the United States Department of the Treasury (the “U.S. Treasury”) in conjunction with its Capital Purchase Program. The terms of the transaction with the U.S. Treasury include limitations on KeyCorp’s ability to pay dividends and repurchase Common Shares. For three years after the issuance or until the U.S. Treasury no longer holds any Series B Preferred Stock, KeyCorp will not be able to increase its dividends above the level paid in the third quarter of 2008, nor will KeyCorp be permitted to repurchase any of its Common Shares or preferred stock without the approval of the U.S. Treasury, subject to the availability of certain limited exceptions (e.g., for purchases in connection with benefit plans). The Federal Reserve Board also advised in its February 24, 2009 Supervisory Letter SR 09-04 that recipients of CPP funds should communicate reasonably in advance with Federal Reserve Board staff concerning how any proposed dividends, capital redemptions and capital repurchases are consistent with the requirements of CPP, and discouraged bank holding companies from using proceeds of the CPP to pay dividends on trust preferred securities or repay debt obligations.

In addition, various statutory and regulatory provisions limit the amount of dividends that may be paid to KeyCorp by its bank subsidiaries without regulatory approval. Historically, dividends paid to KeyCorp by KeyBank have been an important source of cash flow for KeyCorp to pay dividends on its equity securities and interest on its debt. The approval of the OCC is required for the payment of any dividend by a national bank if the total of all dividends declared by the board of directors of such bank in any calendar year would exceed the total of: (i) the bank’s net income for the current year plus (ii) the retained net income (as defined and interpreted by regulation) for the preceding two years, less any required transfer to surplus or a fund for the retirement of any preferred stock. In addition, a national bank can pay dividends only to the extent of its undivided profits. KeyCorp’s national bank subsidiaries are subject to these restrictions. During 2008, KeyBank did not pay any dividends to KeyCorp; nonbank subsidiaries paid KeyCorp a total of $113,234 in dividends. As of the close of business on December 31, 2008, KeyBank would not have been permitted to pay dividends to KeyCorp without prior regulatory approval since the bank had a net loss of $1.161 billion for 2008. During 2008, KeyCorp made capital infusions of $1.6 billion into KeyBank in the form of cash. At December 31, 2008, KeyCorp held $4.756 billion in short-term investments, the funds from which can be used to pay dividends, service debt, and finance corporate operations.

If, in the opinion of a federal banking agency, a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the institution, could include the payment of dividends), the agency may require that such institution cease and desist from such practice. The OCC and the FDIC have indicated that paying dividends that would deplete a depository institution’s capital base to an inadequate level would be an unsafe and unsound practice. Moreover, under the FDIA, an insured depository institution may not pay any dividend (i) if payment would cause it to become less than “adequately capitalized” or (ii) while it is in default in the payment of an assessment due to the FDIC. See “Federal Deposit Insurance Act — Prompt Corrective Action” beginning on page 8. Also, the federal banking agencies have issued policy statements that provide that FDIC-insured depository institutions and their holding companies should generally pay dividends only out of their current operating earnings.

American Recovery and Reinvestment Act of 2009

On February 13, 2009, the House of Representatives and the Senate passed the economic stimulus bill known as the “American Recovery and Reinvestment Act of 2009.” President Obama signed the bill into law on Tuesday, February 17, 2009. The bill contains provisions that will affect institutions that received or will receive financial...
assistance under the Capital Purchase Program. KeyCorp is currently reviewing the requirements and will make any necessary revisions to its policies and procedures to ensure compliance with applicable law.

**Holding Company Structure**

**Bank Transactions With Affiliates.** Federal banking law and the regulations promulgated thereunder impose qualitative standards and quantitative limitations upon certain transactions by a bank with its affiliates. Transactions covered by these provisions, which include bank loans and other extensions of credit to affiliates, bank purchases of assets from affiliates, and bank sales of assets to affiliates, must be on arm’s length terms, and cannot exceed certain amounts, determined with reference to the bank’s regulatory capital, and if a loan or other extension of credit, must be secured by collateral in an amount and quality expressly prescribed by statute. For these purposes, a bank includes certain of its subsidiaries and other companies it is deemed to control, while an affiliate includes the bank’s parent bank holding company, certain of its nonbank subsidiaries and other companies it is deemed to control, and certain other companies. As a result, these provisions materially restrict the ability of KeyBank, as a bank, to fund its affiliates including KeyCorp, KeyBanc Capital Markets Inc., any of the Victory mutual funds, most of the Austin Capital funds, and KeyCorp’s nonbanking subsidiaries engaged in making merchant banking investments.

**Source of Strength Doctrine.** Under Federal Reserve Board policy, a bank holding company is expected to serve as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at a time when KeyCorp may not have the resources to, or would choose not to, provide it. Certain loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits in, and certain other indebtedness of, the subsidiary bank. In addition, federal law provides that in the event of its bankruptcy, any commitment by a bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

**Regulatory Capital Standards and Related Matters**

**Risk-Based and Leverage Regulatory Capital.** Federal law defines and prescribes minimum levels of regulatory capital for bank holding companies and their bank subsidiaries. Adequacy of regulatory capital is assessed periodically by the federal banking agencies in the examination and supervision process, and in the evaluation of applications in connection with specific transactions and activities, including acquisitions, expansion of existing activities and commencement of new activities.

Bank holding companies are subject to risk-based capital guidelines adopted by the Federal Reserve Board. These guidelines establish minimum ratios of qualifying capital to risk-weighted assets. Qualifying capital includes Tier 1 capital and Tier 2 capital. Risk-weighted assets are calculated by assigning varying risk-weights to broad categories of assets and off-balance sheet exposures, based primarily on counterparty credit risk. The required minimum Tier 1 risk-based capital ratio, calculated by dividing Tier 1 capital by risk-weighted assets, is currently 4.00%. The required minimum total risk-based capital ratio is currently 8.00%. It is calculated by dividing the sum of Tier 1 capital and Tier 2 capital (which cannot exceed the amount of Tier 1 capital), after certain deductions, by risk-weighted assets.

Tier 1 capital includes common equity, qualifying perpetual preferred equity (including the Series A Preferred Stock and the Series B Preferred Stock), and minority interests in the equity accounts of consolidated subsidiaries less certain intangible assets (including goodwill) and certain other assets. Tier 2 capital includes qualifying hybrid capital instruments, perpetual debt, mandatory convertible debt securities, perpetual preferred equity not includable in Tier 1 capital, and limited amounts of term subordinated debt, medium-term preferred equity, certain unrealized holding gains on certain equity securities, and the allowance for loan and lease losses.

Bank holding companies, such as KeyCorp, whose securities and commodities trading activities exceed specified levels, also are required to maintain capital for market risk. Market risk includes changes in the market value of trading account, foreign exchange, and commodity positions, whether resulting from broad market movements (such as changes in the general level of interest rates, equity prices, foreign exchange rates, or commodity prices) or from position specific factors (such as idiosyncratic variation, event risk, and default risk). The federal banking agencies have developed and published for comment a proposed rule that would modify the existing market risk capital.
requirements. The proposed rule would enhance modeling requirements consistent with advances in risk management, enhance sensitivity to risks not adequately captured in the current methodologies of the existing requirements, and modify the definition of covered position to better capture positions for which the market risk capital requirements are appropriate. It would also impose an explicit capital requirement for incremental default risk to capture default risk over a time horizon of one year taking into account the impact of liquidity, concentrations, hedging, and optionality. The proposed rule has not yet been adopted as a final rule. At December 31, 2008, Key had regulatory capital in excess of all minimum risk-based requirements, including all required adjustments for market risk.

In addition to the risk-based standard, bank holding companies are subject to the Federal Reserve Board’s leverage ratio guidelines. These guidelines establish minimum ratios of Tier 1 capital to total assets. The minimum leverage ratio, calculated by dividing Tier 1 capital by average total consolidated assets, is 3.00% for bank holding companies that either have the highest supervisory rating or have implemented the Federal Reserve Board’s risk-based capital measure for market risk. All other bank holding companies must maintain a minimum leverage ratio of at least 4.00%. At December 31, 2008, Key had regulatory capital in excess of all minimum leverage capital requirements.

KeyCorp’s national bank subsidiaries are also subject to risk-based and leverage capital requirements adopted by the OCC, which are substantially similar to those imposed by the Federal Reserve Board on bank holding companies. At December 31, 2008, each of KeyCorp’s national bank subsidiaries had regulatory capital in excess of all minimum risk-based and leverage capital requirements.

In addition to establishing regulatory minimum ratios of capital to assets for all bank holding companies and their bank subsidiaries, the risk-based and leverage capital guidelines also identify various organization-specific factors and risks that are not taken into account in the computation of the capital ratios but that affect the overall supervisory evaluation of a banking organization’s regulatory capital adequacy and can result in the imposition of higher minimum regulatory capital ratio requirements upon the particular organization. Neither the Federal Reserve Board nor the OCC has advised KeyCorp or any of its national bank subsidiaries of any specific minimum risk-based or leverage capital ratio applicable to KeyCorp or such national bank subsidiary.

**Basel Accords.** The current minimum risk-based capital requirements adopted by the U.S. federal banking agencies are based on a 1988 international accord ("Basel I") that was developed by the Basel Committee on Banking Supervision. In 2004, the Basel Committee published its new capital framework document ("Basel II") governing the capital adequacy of large, internationally active banking organizations that generally rely on sophisticated risk management and measurement systems. Basel II is designed to create incentives for these organizations to improve their risk measurement and management processes and to better align minimum capital requirements with the risks underlying activities conducted by these organizations.

Basel II adopts a three-pillar framework for addressing capital adequacy — minimum capital requirements, supervisory review, and market discipline. The minimum capital requirement pillar includes capital charges for credit, operational, and market risk exposures of a banking organization. The supervisory review pillar addresses the need for a banking organization to assess its capital adequacy position relative to its overall risk, rather than only with respect to its minimum capital requirement, as well as the need for a banking organization supervisory authority to review and respond to the banking organization’s capital adequacy assessment. The market discipline pillar imposes public disclosure requirements on a banking organization that are intended to allow market participants to assess key information about the organization’s risk profile and its associated level of capital.

In December 2007, the federal banking agencies issued a final rule to implement the advanced approaches framework of Basel II in the U.S. The rule was effective April 1, 2008, but implementation is subject to a multi-year transition period in which limits are imposed upon the amount by which minimum required capital may decrease. It does not supersede or change the existing prompt corrective action and leverage capital requirements, and explicitly reserves the agencies’ authority to require organizations to hold additional capital where appropriate. Application of the final rule to U.S. banking organizations is mandatory for some and optional for others. Currently, neither KeyCorp nor KeyBank is required to apply the final rule.

In July 2008, the agencies issued a proposed rule for implementing the standardized approach framework of Basel II. The proposal would provide an alternative approach to determining risk-based capital requirements for banking organizations that are not required to use the advanced approaches framework final rule published in
December 2007. While the advanced approaches framework is mandatory for large, internationally active banking organizations, the standardized approach framework would be optional for others (including KeyCorp and KeyBank), which could also choose to remain under the Basel I framework.

Federal Deposit Insurance Act

Deposit Insurance Coverage Limits. Prior to enactment of the EESA, the FDIC standard maximum depositor insurance coverage limit was $100,000, excluding certain retirement accounts qualifying for a maximum coverage limit of $250,000. Pursuant to the EESA, the FDIC standard maximum coverage limit has been temporarily increased to $250,000 through December 31, 2009. As provided in the EESA, this temporary standard maximum coverage limit increase expires on January 1, 2010, and is not to be taken into account by the FDIC for purposes of setting deposit insurance assessments.

Deposit Insurance Assessments. Substantially all of KeyBank’s domestic deposits are insured up to applicable limits by the FDIC. Accordingly, KeyBank is subject to deposit insurance premium assessments by the FDIC. Under current law, the FDIC is required to maintain the DIF reserve ratio within the range of 1.15% to 1.50% of estimated insured deposits. Because the DIF reserve ratio fell and was expected to remain below 1.15%, the FDIA required the FDIC to establish and implement a restoration plan to restore the DIF reserve ratio to at least 1.15% within five years, absent extraordinary circumstances. The FDIC has invoked the extraordinary circumstances provision under the FDIA to allow the restoration plan for the DIF to be extended to seven years. Consequently, and depending upon an institution’s risk category, for the first quarter of 2009 annualized deposit insurance assessments will range from $.12 to $.50 for each $100 of assessable domestic deposits, as compared with $.05 to $.43 throughout 2008. On February 27, 2009, the FDIC Board of Directors approved an emergency special assessment of 20 basis points on all insured depository institutions on June 30, 2009, to be collected on September 30, 2009. The interim rule would also allow the FDIC Board to impose an emergency special assessment of 10 basis points if necessary to maintain public confidence. Moreover, under a new risk-based assessment system that is to be implemented in the second quarter of 2009, annualized deposit insurance assessments would range from $.07 to $.775 for each $100 of assessable domestic deposits based on the institution’s risk category. At December 31, 2008, the unused portion of the one-time premium assessment credit available to Key under deposit insurance reform legislation enacted in 2006 was approximately $3.9 million. The remainder of Key’s one-time premium assessment credit is expected to be utilized during the first quarter of 2009.

FICO Assessments. Since 1997, all FDIC-insured depository institutions have been required through assessments collected by the FDIC to service the annual interest on 30-year noncallable bonds issued by the Financing Corporation (“FICO”) in the late 1980s to fund losses incurred by the former Federal Savings and Loan Insurance Corporation. FICO assessments are separate from and in addition to deposit insurance assessments, are adjusted quarterly and, unlike deposit insurance assessments, are assessed uniformly without regard to an institution’s risk category. Throughout 2008, the annualized FICO assessment rate ranged from $.011 to $.014 for each $100 of assessable domestic deposits.

Temporary Liquidity Guarantee Program. In October 2008, the FDIC, with the written concurrence of the Federal Reserve Board, made a systemic risk recommendation to the Secretary of the Treasury, who in consultation with the President determined that the systemic risk exception to the least-cost resolution provision under the FDIA should be invoked. Consequently, and in order to avoid or mitigate serious adverse effects on economic conditions and financial stability, the FDIC established and by final regulation implemented its Temporary Liquidity Guarantee Program (the “TLGP”).

Under the TLGP regulation, the FDIC will temporarily guarantee the unpaid principal and interest due under a limited amount of qualifying newly issued senior unsecured debt of participating eligible entities (the “Debt Guarantee”) as well as all depositor funds in qualifying noninterest-bearing transaction accounts maintained at participating FDIC-insured depository institutions (the “Transaction Account Guarantee”). For FDIC-guaranteed debt issued on or before June 30, 2009, the Debt Guarantee expires on the earlier of the maturity of the debt or June 30, 2012. The Transaction Account Guarantee expires on January 1, 2010. The U.S. Treasury, in conjunction with other banking regulators, has announced an intention to extend the TLGP as part of its Financial Stability Plan. Details as to how the extension through October 31, 2009 would be implemented have not been announced.
Participants in the TLGP are subject to certain assessments by the FDIC. Assessments on participants under the Debt Guarantee part of the TLGP are computed by multiplying the amount of their FDIC-guaranteed debt by annualized rates which, depending on the type of issuer entity and the maturity of such debt, range from 50 to 110 basis points. In addition, participants under the Debt Guarantee part of the TLGP that have elected to have flexibility, before exceeding their FDIC-guaranteed debt limit, to issue senior unsecured debt not guaranteed by the FDIC and maturing beyond June 30, 2012, are assessed an additional one-time, nonrefundable fee. Such fee is computed by multiplying the participant’s qualifying senior unsecured debt outstanding as of September 30, 2008, and maturing no later than June 30, 2009 (or if no such debt was outstanding as of September 30, 2008, then the amount of the participant’s FDIC-guaranteed debt limit) by 37.5 basis points. Assessments on participants under the Transaction Account Guarantee part of the TLGP are computed by multiplying qualifying noninterest-bearing transaction account balances in excess of $250,000 by an annualized 10 basis point rate. Moreover, to the extent that participant assessments are insufficient to cover the expenses or losses to DIF arising from the TLGP, the FDIA requires the FDIC to impose one or more emergency special assessments on all FDIC-insured depository institutions. Each such special assessment will be computed with reference to the amount by which an insured depository institution’s average total assets exceed the sum of the institution’s average tangible equity and average total subordinated debt.

KeyCorp is a participant in the Debt Guarantee component of the TLGP. KeyBank is a participant in both the Transaction Account Guarantee and the Debt Guarantee components of the TLGP, including the special election to issue long-term, senior unsecured debt not guaranteed by the FDIC. As of December 31, 2008, KeyCorp had $500 million of guaranteed debt outstanding under the TLGP and KeyBank had $1.0 billion of guaranteed debt outstanding under the TLGP.

Liability of Commonly Controlled Institutions. Under the FDIA, an insured depository institution which is under common control with another insured depository institution generally is liable to the FDIC for any loss incurred, or reasonably anticipated to be incurred, by the FDIC in connection with the default of any such commonly controlled institution, or any assistance provided by the FDIC to the commonly controlled institution which is in danger of default. The term “default” is defined generally to mean the appointment of a conservator or receiver and the term “in danger of default” is defined generally as the existence of certain conditions indicating that a “default” is likely to occur in the absence of regulatory assistance.

Conservatorship and Receivership of Institutions. If any insured depository institution becomes insolvent and the FDIC is appointed its conservator or receiver, the FDIC may, under federal law, disaffirm or repudiate any contract to which such institution is a party, if the FDIC determines that performance of the contract would be burdensome, and that disaffirmance or repudiation of the contract would promote the orderly administration of the institution’s affairs. Such disaffirmance or repudiation would result in a claim by its holder against the receivership or conservatorship. The amount paid upon such claim would depend upon, among other factors, the amount of receivership assets available for the payment of such claim and its priority relative to the priority of others. In addition, the FDIC as conservator or receiver may enforce most contracts entered into by the institution notwithstanding any provision providing for termination, default, acceleration, or exercise of rights upon or solely by reason of insolvency of the institution, appointment of a conservator or receiver for the institution, or exercise of rights or powers by a conservator or receiver for the institution. The FDIC as conservator or receiver also may transfer any asset or liability of the institution without obtaining any approval or consent of the institution’s shareholders or creditors.

Least-Cost Resolution. In attempting to resolve the problems of an insured institution in default or in danger of default, in general the FDIC is required to satisfy the institution’s obligations to insured depositors at the least cost to DIF and not to take any action that would have the effect of increasing the losses to DIF by protecting depositors for more than the insured portion of deposits or by protecting creditors other than depositors.

Depositor Preference. The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of its depositors (including claims by the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as receiver would be afforded a priority over other general unsecured claims against such an institution. If an insured depository institution fails, insured and uninsured
depositors along with the FDIC will be placed ahead of unsecured, nondeposit creditors, including a parent holding company and subordinated creditors, in order of priority of payment.

Prompt Corrective Action. The “prompt corrective action” provisions of the FDIA create a statutory framework that applies a system of both discretionary and mandatory supervisory actions indexed to the capital level of FDIC-insured depository institutions. These provisions impose progressively more restrictive constraints on operations, management, and capital distributions of the institution as its regulatory capital decreases, or in some cases, based on supervisory information other than the institution’s capital level. This framework and the authority it confers on the federal banking agencies supplements other existing authority vested in such agencies to initiate supervisory actions to address capital deficiencies. Moreover, other provisions of law and regulation employ regulatory capital level designations the same as or similar to those established by the prompt corrective action provisions both in imposing certain restrictions and limitations and in conferring certain economic and other benefits upon institutions. These include restrictions on brokered deposits, limits on exposure to interbank liabilities, determination of risk-based FDIC deposit insurance premium assessments, and action upon regulatory applications.

FDIC-insured depository institutions are grouped into one of five prompt corrective action capital categories — well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized — using the Tier 1 risk-based, total risk-based, and Tier 1 leverage capital ratios as the relevant capital measures. An institution is considered well capitalized if it has a total risk-based capital ratio of at least 10.00%, a Tier 1 risk-based capital ratio of at least 6.00% and a Tier 1 leverage capital ratio of at least 5.00% and is not subject to any written agreement, order or capital directive to meet and maintain a specific capital level for any capital measure. An adequately capitalized institution must have a total risk-based capital ratio of at least 8.00%, a Tier 1 risk-based capital ratio of at least 4.00% and a Tier 1 leverage capital ratio of at least 4.00% (3.00% if it has achieved the highest composite rating in its most recent examination) and is not well capitalized. An institution’s prompt corrective action capital category, however, may not constitute an accurate representation of the overall financial condition or prospects of the institution or its parent bank holding company, and should be considered in conjunction with other available information regarding the financial condition and results of operations of the institution and its parent bank holding company. KeyBank is well-capitalized pursuant to the prompt corrective action guidelines.

Financial Modernization Legislation

The provisions of the Gramm-Leach-Bliley Act of 1999 (the “GLBA”) authorized new activities for qualifying financial institutions. The GLBA repealed significant provisions of the Glass-Steagall Act to permit commercial banks, among other things, to have affiliates that underwrite and deal in securities and make merchant banking investments. The GLBA modified the BHCA to permit bank holding companies that meet certain specified standards (known as “financial holding companies”) to engage in a broader range of financial activities than previously permitted under the BHCA, and allowed subsidiaries of commercial banks that meet certain specified standards (known as “financial subsidiaries”) to engage in a wide range of financial activities that are prohibited to such banks themselves. In 2000, KeyCorp elected to become a financial holding company. Under the authority conferred by the GLBA, KeyCorp has been able to expand the nature and scope of its equity investments in nonfinancial companies, acquire its Victory Capital Advisers Inc. subsidiary, operate its KeyBanc Capital Markets Inc. subsidiary with fewer operating restrictions, and establish financial subsidiaries to engage more efficiently in certain activities.

In order for a company to maintain its status as a financial holding company under the GLBA, its depository institution subsidiaries must remain well capitalized (as defined under the prompt corrective action provisions of the FDIA) and well managed (as determined by the depository institution’s primary regulator). If any of the depository institution subsidiaries of a financial holding company fail to satisfy these criteria, the holding company must enter into an agreement with the Federal Reserve Board setting forth a plan to correct the deficiencies. If these deficiencies are not corrected within a 180-day period, the Federal Reserve Board may order the financial holding company to divest its depository institution subsidiaries. Alternatively, the holding company could retain its depository institution subsidiaries but would have to cease engaging in any activities that are permissible under the GLBA but were not permissible for a bank holding company prior to the enactment of that statute. In addition, if a depository institution subsidiary of a financial holding company receives a less than satisfactory rating under the
Community Reinvestment Act (“CRA”), the holding company will not be permitted to commence new activities or make new acquisitions in reliance on the GLBA until the CRA rating of the subsidiary improves to being at least satisfactory.

The GLBA also established new privacy protections for customers of financial institutions. Under federal law, a financial institution must provide notice to customers about its privacy policies and practices, describe the conditions under which the financial institution may disclose nonpublic personal information about customers to nonaffiliated third parties, and provide an “opt-out” method for consumers to prevent the financial institution from disclosing that information to nonaffiliated third parties.

USA PATRIOT Act

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA PATRIOT Act”) and the federal regulations issued pursuant to it substantially broaden previously existing anti-money laundering law and regulation, increase compliance, due diligence and reporting obligations for financial institutions, create new crimes and penalties, and require the federal banking agencies, in reviewing merger and other acquisition transactions, to consider the effectiveness of the parties in combating money laundering activities.

Fair and Accurate Credit Transactions Act of 2003

The Fair and Accurate Credit Transactions Act of 2003 (the “FACT Act”) imposes new requirements on financial institutions regarding identity theft and reporting to credit bureaus. The FACT Act also allows customers to choose to opt-out of having certain information shared across a financial institution’s affiliates for marketing solicitation purposes. Final regulations were issued in 2007 concerning the details of this marketing opt-out. Key implemented a marketing use opt-out three years ago, which Key believes satisfies the material requirements of this opt-out rule. In addition, on October 31, 2007, the federal financial regulatory agencies together issued final regulations (the “Red Flag Guidelines”) implementing Sections 114 and 315 of the FACT Act. The Red Flag Guidelines require Key to develop and implement an identity theft protection program for covered accounts. The identity theft program was in place by the required November 1, 2008 deadline. Compliance with the Red Flag Guidelines requires Key to have a formal program in place that identifies threats, assesses risk, prioritizes gaps, remediates high risk gaps and provides board level reporting. Key believes that it has implemented an identity theft program, as required by the Red Flag Guidelines, and achieved regulatory requirements.

Entry Into Certain Covenants

KeyCorp entered into two transactions during 2006 and one transaction (with an overallotment option) in 2008, each of which involved the issuance of trust preferred securities (“Trust Preferred Securities”) by Delaware statutory trusts formed by KeyCorp (the “Trusts”), as further described below. Simultaneously with the closing of each of those transactions, KeyCorp entered into a replacement capital covenant (each, a “Replacement Capital Covenant” and collectively, the “Replacement Capital Covenants”) for the benefit of persons that buy or hold specified series of long-term indebtedness of KeyCorp or its then largest depository institution, currently KeyBank (the “Covered Debt”). Each of the Replacement Capital Covenants provide that neither KeyCorp nor any of its subsidiaries (including any of the Trusts) will redeem or purchase all or any part of the Trust Preferred Securities or certain junior subordinated debentures issued by KeyCorp and held by the Trust (the “Junior Subordinated Debentures”), as applicable, on or before the date specified in the applicable Replacement Capital Covenant, with certain limited exceptions, except to the extent that, during the 180 days prior to the date of that redemption or purchase, KeyCorp has received proceeds from the sale of qualifying securities that (i) have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the Trust Preferred Securities or the Junior Subordinated Debentures, as applicable, at the time of redemption or purchase, and (ii) KeyCorp has obtained the prior approval of the Federal Reserve Board, if such approval is then required by the Federal Reserve Board. KeyCorp will provide a copy of the Replacement Capital Covenants to respective holders of Covered Debt upon request made in writing to KeyCorp, Investor Relations, 127 Public Square, Mail Code OH-01-27-1113, Cleveland, OH 44114-1306.
The following table identifies the (i) closing date for each transaction, (ii) issuer, (iii) series of Trust Preferred Securities issued, (iv) Junior Subordinated Debentures, and (v) applicable Covered Debt as of the date this annual report was filed with the SEC.

<table>
<thead>
<tr>
<th>Closing Date</th>
<th>Issuer</th>
<th>Trust Preferred Securities</th>
<th>Junior Subordinated Debentures</th>
<th>Covered Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/20/06</td>
<td>KeyCorp Capital VIII and KeyCorp</td>
<td>$250,000,000 principal amount of 7% Enhanced Trust Preferred Securities</td>
<td>KeyCorp’s 7% junior subordinated debentures due June 15, 2066</td>
<td>KeyCorp’s 5.70% junior subordinated debentures due 2035, underlying the 5.70% trust preferred securities of KeyCorp Capital VII (CUSIP No. 49327LAA4011)</td>
</tr>
<tr>
<td>11/21/06</td>
<td>KeyCorp Capital IX and KeyCorp</td>
<td>$500,000,000 principal amount of 6.750% Enhanced Trust Preferred Securities</td>
<td>KeyCorp’s 6.750% junior subordinated debentures due December 15, 2066</td>
<td>KeyCorp’s 5.70% junior subordinated debentures due 2035, underlying the 5.70% trust preferred securities of KeyCorp Capital VII (CUSIP No. 49327LAA4011)</td>
</tr>
<tr>
<td>2/27/08</td>
<td>KeyCorp Capital X and KeyCorp</td>
<td>$700,000,000 principal amount of 8.000% Enhanced Trust Preferred Securities</td>
<td>KeyCorp’s 8.000% junior subordinated debentures due March 15, 2068</td>
<td>KeyCorp’s 5.70% junior subordinated debentures due 2035, underlying the 5.70% trust preferred securities of KeyCorp Capital VII (CUSIP No. 49327LAA4011)</td>
</tr>
<tr>
<td>3/3/2008</td>
<td>KeyCorp Capital X and KeyCorp</td>
<td>$40,000,000 principal amount of 8.000% Enhanced Trust Preferred Securities</td>
<td>KeyCorp’s 8.000% junior subordinated debentures due March 15, 2068</td>
<td>KeyCorp’s 5.70% junior subordinated debentures due 2035, underlying the 5.70% trust preferred securities of KeyCorp Capital VII (CUSIP No. 49327LAA4011)</td>
</tr>
</tbody>
</table>

ITEM 1A. RISK FACTORS

An investment in our Common Shares is subject to risks inherent to our business, our industry and ownership of our equity securities. Described below are certain risks and uncertainties that management has identified as material. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones we face. Although we have significant risk management policies, procedures and verification processes in place, additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors.

IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCUR, OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS, AND/OR ACCESS TO LIQUIDITY AND/OR CREDIT COULD BE MATERIALLY AND ADVERSELY AFFECTED (“MATERIAL ADVERSE EFFECT ON KEY”). IF THIS WERE TO HAPPEN, THE VALUE OF OUR SECURITIES — COMMON SHARES, SERIES A PREFERRED STOCK, SERIES B PREFERRED STOCK AND OUR TRUST PREFERRED SECURITIES — COULD DECLINE, PERHAPS SIGNIFICANTLY, AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.
Risks Related To Our Business

Disruptions in financial markets have affected and may continue to affect KeyCorp. Management’s actions may be unable to mitigate the extreme external factors presenting market risk.

The capital and credit markets, including the fixed income markets, have been experiencing extreme volatility and disruption since July 2007. During the third and fourth quarters of 2008, the volatility and disruption reached unprecedented levels. Uncertainties in these markets present significant challenges, particularly for the financial services industry. As a financial services company, our operations and financial condition are significantly affected by general economic and market conditions. For example, during 2008, the continued disruptions in the financial markets caused markdowns and/or losses by financial institutions from trading, hedging and other market activities. We were similarly affected. For example, we recorded an after-tax, noncash charge of $420 million during the fourth quarter of 2008 due to goodwill impairment resulting from a decline in the fair value of our National Banking unit, reflecting the extreme weakness in financial markets. In addition, during 2008, we increased our provision for loan losses in response to the deterioration in our loan portfolios resulting from the economic decline. In an effort to reduce the potential effects of any prolonged market disruption, management has implemented certain strategic decisions, including securing additional outside sources of funding for certain of our businesses, divesting and/or ceasing to conduct certain of our noncore businesses and closely managing growth and investment opportunities. It is difficult to predict how long these challenging economic conditions will exist, which of our markets, products or other businesses will ultimately be affected, and whether management’s actions will effectively mitigate these extreme external factors. Furthermore, the models that Key uses to assess the creditworthiness of customers and to estimate losses inherent in its credit exposure may become less predictive due to fundamental changes in the U.S. economy. Accordingly, these factors could have a Material Adverse Effect on Key. Additional information regarding disruptions in financial markets is included in the sections captioned “Introduction — Economic Overview” and “Highlights of Key’s 2008 Performance — Financial performance” beginning on pages 18 and 23, respectively, of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto). Additional information regarding certain strategic decisions management has implemented is included in the section captioned “Highlights of Key’s 2008 Performance — Strategic developments” on page 28 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

Additional information regarding market risk is included in the section captioned “Risk Management — Market risk management” beginning on page 54 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

We are subject to interest rate risk.

Our earnings and cash flows are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, the competitive environment within our markets, consumer preferences for specific loan and deposit products and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence not only the amount of interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits as well as the fair value of our financial assets and liabilities. If the interest we pay on deposits and other borrowings increases at a faster rate than the interest we receive on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest we receive on loans and other investments falls more quickly than the interest we pay on deposits and other borrowings. Management uses simulation analysis to produce an estimate of interest rate exposure based on assumptions and judgments related to balance sheet growth, customer behavior, new products, new business volume, product pricing, the behavior of market interest rates and anticipated hedging activities. Simulation analysis involves a high degree of subjectivity and requires estimates of future risks and trends. Accordingly, there can be no assurance that actual results will not differ from those derived in simulation analysis due to the timing, magnitude and frequency of interest rate changes, actual hedging strategies employed, changes in interest rate environment, and the possible effects of unanticipated or unknown events.

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Although management believes it has implemented effective asset and liability management strategies, including simulation analysis and the use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected and/or prolonged change in market interest rates could have a Material Adverse Effect on Key. Additional information regarding interest rate risk is included in the section captioned “Risk Management — Market risk management — Interest rate risk management” beginning on page 54 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

We are subject to other market risk.

Traditionally, market factors such as changes in foreign exchange rates, changes in the equity markets and changes in the financial soundness of bond insurers, sureties and even other unrelated financial companies have the potential to affect current market values of financial instruments. Recent market events have demonstrated this effect to an extreme. Since July 2007, conditions in the fixed income markets, specifically the widening of credit spreads over benchmark U.S. Treasury securities for many fixed income securities, have caused significant volatility in the market values of loans, securities, and certain other financial instruments that are held in our trading or held-for-sale portfolios. Although management works to minimize the adverse affects when it is feasible to do so, those opportunities are not always available. It is possible that such volatility and adverse effects will continue over a prolonged period of time and/or worsen over time. As such, it is not possible for management to predict whether there will be further substantial changes in the financial markets that could have a Material Adverse Effect on Key.

Additional information regarding market risk is included in the section captioned “Risk Management — Market risk management — Trading portfolio risk management” on page 56 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

Declining asset prices could adversely affect Key.

In recent months, the volatility and disruption that the capital and credit markets have experienced have reached extreme levels. The market dislocations have led to the failure of several substantial financial institutions, causing widespread liquidation of assets and further constraining credit markets. These asset sales, along with asset sales by other leveraged investors, including some hedge funds, have rapidly driven down prices and valuations across a wide variety of traded asset classes. Asset price deterioration has a negative effect on the valuation of many of the asset categories represented on our balance sheet, and reduces our ability to sell assets at prices we deem acceptable. This could have a Material Adverse Effect on Key.

There can be no assurance that the EESA, the American Recovery and Reinvestment Act of 2009, and other initiatives undertaken by the United States government to restore liquidity and stability to the U.S. financial system will help stabilize the U.S. financial system.

The EESA was enacted in response to the ongoing financial crisis affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions. Pursuant to the EESA, the U.S. Treasury has authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities, preferred equity and warrants, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Under its authority provided by EESA, the U.S. Treasury established the Capital Purchase Program, and the core provisions of the Financial Stability Plan. There can be no assurance regarding the actual impact that the EESA or the American Recovery and Reinvestment Act of 2009 (the “Recovery Bill”), or programs and other initiatives undertaken by the U.S. government will have on the financial markets; the extreme levels of volatility and limited credit availability currently being experienced may persist. The failure of the EESA or other government programs to help stabilize the financial markets and a continuation or worsening of current financial market conditions could have a Material Adverse Effect on Key. For additional information on programs and regulatory changes as a result of the EESA, including increase in deposit insurance limits and the TLGP and the Capital Purchase Program, see the sections captioned “Business — Supervision and Regulation” and “Federal Deposit Insurance Act” beginning on pages 3 and 7, respectively, and the sections captioned “Introduction — Economic Overview — EESA and the U.S. Treasury’s Capital Purchase Program” and “FDIC’s standard maximum deposit insurance limit increase and the Temporary Liquidity Guarantee Program,” each of which begins on page 19 of the Financial Review Section of KeyCorp’s 2008 Annual Report to
Shareholders (Exhibit 13 hereto). In the event that recent turmoil in the financial markets continues, we may experience a Material Adverse Effect on Key from (1) continued or accelerated disruption and volatility in financial markets, (2) continued capital and liquidity concerns regarding financial institutions generally and our transaction counterparties specifically, (3) limitations resulting from further governmental action to stabilize or provide additional regulation of the financial system, or (4) recessionary conditions that are deeper or last longer than currently anticipated.

**The soundness of other financial institutions could adversely affect Key.**

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services to institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Key has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. During 2008, Key incurred $54 million of derivative-related charges as a result of market disruption caused by the failure of Lehman Brothers. Defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by Key cannot be realized upon or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due us. While we maintain processes aimed at minimizing such exposures, it is not possible to anticipate all of these risks and it is not feasible to mitigate these risks completely. Accordingly, there is no assurance that losses from such risks would not have a Material Adverse Effect on Key.

**We are subject to credit risk.**

There are inherent risks associated with our lending and trading activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where we operate. Increases in interest rates and/or further weakening of economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. We also are subject to various laws and regulations that affect our lending activities. Failure to comply with applicable laws and regulations could subject us to regulatory enforcement action that could result in the assessment against us of civil money or other penalties.

As of December 31, 2008, approximately 72% of our loan portfolio consisted of commercial, financial and agricultural loans, commercial real estate loans, including commercial mortgage and construction loans, and commercial leases. These types of loans are typically larger than residential real estate loans and consumer loans. We closely monitor and manage risk concentrations and utilize various portfolio management practices to limit excessive concentrations when it is feasible to do so; however, our loan portfolio still contains a number of commercial loans with relatively large balances. The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans, and an increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, any of which could have a Material Adverse Effect on Key. Additional information regarding credit risk is included in the section captioned “Risk Management — Credit risk management” beginning on page 60 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

**We are subject to liquidity risk.**

Market conditions or other events could negatively affect the level or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost, in a timely manner and without adverse consequences. Although management has implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned as well as unanticipated changes in assets and liabilities under both normal and adverse conditions, any substantial, unexpected and/or prolonged change in the level or cost of liquidity could have a Material Adverse Effect on Key. Certain credit markets that we participate in and rely upon as sources of funding have been
significantly disrupted and highly volatile since the third quarter of 2007. These conditions increase our liquidity risk exposure. Part of our strategy to reduce liquidity risk involves promoting customer deposit growth, exiting certain noncore lending businesses, utilizing the Federal Reserve’s Term Auction Facility, and the FDIC’s TLGP. If market disruption or other factors reduce the cost effectiveness and/or the availability of supply in the credit markets for a prolonged period of time, management may expand the utilization of secured wholesale funding instruments, such as the Federal Reserve’s Term Auction Facility and the issuance of FDIC-guaranteed debt under the FDIC’s TLGP; or use other potential means of accessing funding and managing liquidity such as generating client deposits, securitizing or selling loans, extending the maturity of wholesale borrowings, purchasing deposits from other banks, and utilizing relationships with fixed income investors in a variety of markets — domestic, European and Canadian — as well as increased management of loan growth and investment opportunities and other management tools. However, there can be no assurance that these alternative means of funding will remain available, and it is unclear what impact, given current economic conditions, unavailability of such funding would have on Key. For example, in 2007 and 2008, Key was unable to securitize its student loan portfolio at cost-effective rates. Accordingly, a deep and prolonged disruption in the markets could have the effect of significantly restricting the accessibility of cost effective capital and funding, which could have a Material Adverse Effect on Key. Additional information regarding liquidity risk is included in the section captioned “Risk Management — Liquidity risk management” beginning on page 56 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

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

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, that represents management’s estimate of losses within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance reflects management’s continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unexpected losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a degree of subjectivity and requires that we make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies and our independent auditors periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments that can differ somewhat from those of our own management. In addition, if charge-offs in future periods exceed the allowance for loan losses (i.e., if the loan allowance is inadequate), we will need additional loan loss provisions to increase the allowance for loan losses. Additional provisions to increase the allowance for loan losses, should they become necessary, would result in a decrease in net income and capital and may have a Material Adverse Effect on Key. Additional information regarding the allowance for loan losses is included in the section captioned “Risk Management — Credit risk management — Allowance for loan losses” beginning on page 61 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

We are subject to operational risk.

We, like all businesses, are subject to operational risk, which represents the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance (legal) risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards. Although we seek to mitigate operational risk through a system of internal controls, resulting losses from operational risk could take the form of explicit charges, increased operational costs, harm to our reputation or foregone opportunities, any and all of which could have a Material Adverse Effect on Key. Additional information regarding operational risk is included in the section captioned “Risk Management — Operational risk management” beginning on page 67 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).
Our profitability depends significantly on economic conditions in the geographic regions in which we operate.

Our success depends primarily on economic conditions in the markets in which we operate. Although we are somewhat geographically diversified, we still do have concentrations of loans and other business activities in geographic areas where our branches are principally located — the Northwest, the Rocky Mountains, the Great Lakes and the Northeast. We also have potential exposure to geographic areas outside of our branch footprint. For example, the residential properties segment of our commercial real estate construction portfolio has been adversely affected by the downturn in the U.S. housing market because of deteriorating market conditions, principally in Florida and southern California, and the significant and steady increase in the level of nonperforming loans since the second half of 2007. As a result, management recently increased the provision for loan losses. The regional economic conditions in areas in which we conduct our business have an impact on the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources. A significant decline in general economic conditions caused by inflation, recession, an act of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors, such as severe declines in the value of homes and other real estate, could also impact these regional economies and, in turn, have a Material Adverse Effect on Key. Additional information on the risks of the economic conditions of the geographic regions in which we operate is included in the section captioned “Introduction — Economic overview” beginning on page 18 and “Figure 1. Community Banking Geographic Diversity” beginning on page 20, which are part of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

We operate in a highly competitive industry and market areas.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national and super-regional banks as well as smaller community banks within the various markets in which we operate. However, we also face competition from many other types of financial institutions, including, without limitation, savings associations, credit unions, mortgage banking companies, finance companies, mutual funds, insurance companies, investment management firms, investment banking firms, broker-dealers and other local, regional and national financial services firms. In recent years, while the breadth of the institutions that we compete with has increased, competition has intensified as a result of consolidation efforts. We expect this trend to continue. During 2008, competition intensified as the challenges of the liquidity crisis and market disruption led to redistribution of deposits and certain banking assets to stronger and larger financial institutions. The competitive landscape was also affected by the conversion of traditional investment banks to bank holding companies during the current liquidity crisis due to the access it provides to government-sponsored sources of liquidity. The financial services industry could become even more competitive as a result of legislative, regulatory, structural and technological changes and continued consolidation. Also, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks.

Our ability to compete successfully depends on a number of factors, including, among other things:

- our ability to develop and execute strategic plans and initiatives;
- our ability to develop, maintain and build upon long-term customer relationships based on quality service, high ethical standards and safe, sound assets;
- our ability to expand our market position;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the rate at which we introduce new products and services relative to our competitors;
- our ability to attract and retain talented executives and relationship managers; and
- industry and general economic trends.
Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a Material Adverse Effect on Key.

**We are subject to extensive government regulation and supervision.**

We are subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors’ funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. It is likely that there will be significant changes to the banking and financial institutions regulatory regime in light of the recent performance of and government intervention in the financial services industry. It is not possible to predict the impact of such changes on our results of operations. Changes to statutes, regulations or regulatory policies; changes in the interpretation or implementation of statutes, regulations or policies; and/or continuing to become subject to heightened regulatory practices, requirements or expectations, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products that we may offer and/or increase the ability of nonbanks to offer competing financial services and products, among other things. Failure to appropriately comply with laws, regulations or policies (including internal policies and procedures designed to prevent such violations) could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a Material Adverse Effect on Key. Additional information regarding supervision and regulation is included in the section captioned “Supervision and Regulation” in Item 1. Business, beginning on page 3 of this report.

**Our controls and procedures may fail or be circumvented.**

Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a Material Adverse Effect on Key.

**We rely on dividends from our subsidiaries for most of our funds.**

KeyCorp is a legal entity separate and distinct from its subsidiaries. It receives substantially all of its cash flow from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on our Common Shares and interest and principal on our debt. Various laws and regulations limit the amount of dividends that KeyBank (KeyCorp’s largest subsidiary) and certain nonbank subsidiaries may pay to KeyCorp. During 2008, KeyBank did not pay any dividends to KeyCorp; nonbank subsidiaries paid KeyCorp $113,234 in dividends. As of the close of business on December 31, 2008, KeyBank would not have been permitted to pay dividends to KeyCorp without prior regulatory approval since the bank had a net loss of $1.161 billion for 2008.

Also, KeyCorp’s right to participate in a distribution of assets upon a subsidiary’s liquidation or reorganization is subject to the prior claims of the subsidiary’s creditors. In the event KeyBank is unable to pay dividends to KeyCorp, we may not be able to service debt, pay obligations or pay dividends on our Common Shares. The inability to receive dividends from KeyBank could have a Material Adverse Effect on Key. Additional information regarding dividend restrictions is included in the section captioned “Supervision and Regulation — Dividend Restrictions” in Item 1. Business, beginning on page 4 of this report, and in Note 5 (“Restrictions on Cash, Dividends and Lending Activities”) and Note 14 (“Shareholders’ Equity”) under the heading “Preferred Stock — Series B” on page 91 and beginning on page 102, respectively, of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

**Our earnings may be affected by changes in accounting principles and in tax laws.**

Changes in U.S. generally accepted accounting principles could have a Material Adverse Effect on Key. Although these changes may not have an economic impact on our business, they could affect our ability to attain targeted levels for certain performance measures.
We, like all businesses, are subject to tax laws, rules and regulations. Changes to tax laws, rules and regulations, including changes in the interpretation or implementation of tax laws, rules and regulations by the Internal Revenue Service or other governmental bodies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, among other things. Failure to appropriately comply with tax laws, rules and regulations could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a Material Adverse Effect on Key. Additional information concerning our income tax risks is included in Note 17 (“Income Taxes”) beginning on page 110 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto).

Potential acquisitions may disrupt our business and dilute shareholder value.

Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities of the target company;
- exposure to potential asset quality issues of the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
- potential disruption to our business;
- potential diversion of our management’s time and attention;
- the possible loss of key employees and customers of the target company;
- difficulty in estimating the value (including goodwill) of the target company;
- difficulty in estimating the fair value of acquired assets, liabilities and derivatives of the target company; and
- potential changes in banking or tax laws or regulations that may affect the target company.

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a Material Adverse Effect on Key.

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

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities in which we are engaged can be intense, and we may not be able to retain or hire the people we want and/or need. In order to attract and retain qualified employees, we must compensate such employees at market levels. Typically, those levels have caused employee compensation to be our greatest expense. If we are unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain our competitive position, our performance, including our competitive position, could suffer, and, in turn, cause a Material Adverse Effect on Key. Although we maintain employment agreements with certain key employees, and have incentive compensation plans aimed, in part, at long-term employee retention, the unexpected loss of services of one or more of our key personnel could still occur, and such events may have a Material Adverse Effect on Key because of the loss of the employee’s skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel for our talented executives and/or relationship managers.

Pursuant to the standardized terms of the Capital Purchase Program, among other things, we agreed to institute certain restrictions on the compensation of certain senior executive management positions that could have an adverse effect on our ability to hire or retain the most qualified senior executives. Other restrictions may also be imposed under the Recovery Bill or other legislation or regulations. Key’s ability to attract and/or retain talented
executives and/or relationship managers may be affected by these developments or any new executive compensation limits, and such restrictions could result in a Material Adverse Effect on Key.

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

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failure, interruption or security breach of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a Material Adverse Effect on Key.

We continually encounter technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Our largest competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a Material Adverse Effect on Key.

We are subject to claims and litigation.

From time to time, customers and/or vendors may make claims and take legal action against us. We maintain reserves for certain claims when management deems it is appropriate to do so upon its assessment of the claims. Whether any particular claims and legal actions are founded or unfounded, if such claims and legal actions are not resolved in our favor they may result in significant financial liability and/or adversely affect how the market perceives us and our products and services as well as impact customer demand for those products and services. We are also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business, including, among other things, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number of these investigations and proceedings has increased in recent years with regard to many firms in the financial services industry. There have also been a number of highly publicized cases involving fraud or misconduct by employees in the financial services industry in recent years, and we run the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity may not be effective in all cases. Any financial liability for which we have not adequately maintained reserves, and/or any reputation damage from such claims and legal actions, could have a Material Adverse Effect on Key.

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

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause us to incur additional expenses. Although management has established disaster recovery plans and procedures, the occurrence of any such event could have a Material Adverse Effect on Key.

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Risks Associated With Our Common Shares

Our issuance of securities to the U.S. Treasury may limit Key’s ability to return capital to its shareholders and is dilutive to our Common Shares. If we are unable to redeem such preferred shares, the dividend rate increases substantially after five years.

In connection with our sale of $2.5 billion of the Series B Preferred Stock to the U.S. Treasury in conjunction with its Capital Purchase Program, we also issued a Warrant to purchase 35,244,361 of our Common Shares at an exercise price of $10.64. The number of shares was determined based upon the requirements of the Capital Purchase Program, and was calculated based on the average market price of our Common Shares for the 20 trading days preceding approval of our issuance (which was also the basis for the exercise price of $10.64). The terms of the transaction with the U.S. Treasury include limitations on our ability to pay dividends and repurchase our Common Shares. For three years after the issuance or until the U.S. Treasury no longer holds any Series B Preferred Stock, we will not be able to increase our dividends above the level of our quarterly dividend declared during the third quarter of 2008 ($0.1875 per common share on a quarterly basis) nor repurchase any of our Common Shares or preferred stock without, among other things, U.S. Treasury approval or the availability of certain limited exceptions, e.g., purchases in connection with our benefit plans. Furthermore, as long as the Series B Preferred Stock issued to the U.S. Treasury is outstanding, dividend payments and repurchases or redemptions relating to certain equity securities, including our Common Shares, are prohibited until all accrued and unpaid dividends are paid on such preferred stock, subject to certain limited exceptions. These restrictions combined with the dilutive impact of the Warrant may have an adverse effect on the market price of our Common Shares, and, as a result, they could have a Material Adverse Effect on Key.

Unless we are able to redeem the Series B Preferred Stock during the first five years, the dividend payments on this capital will increase substantially at that point, from 5% ($125 million annually) to 9% ($225 million annually). Depending on market conditions at the time, this increase in dividends could significantly impact our liquidity, and as a result, have a Material Adverse Effect on Key.

KeyCorp is required to conduct stress tests pursuant to the U.S. Treasury's Capital Assistance Program, and could be required to raise additional capital that would be dilutive to our Common Shares and may limit our ability to return capital to our shareholders.

On February 25, 2009, the U.S. Treasury announced preliminary details of the Capital Assistance Program (the “CAP”) component of its Financial Stability Plan. The CAP is intended to ensure the continued ability of U.S. financial institutions to lend to creditworthy borrowers in the event of a weaker than expected economic environment and larger than expected potential losses. There are two components of CAP: (1) a supervisory exercise that involves a forward-looking capital assessment (the “Stress Test”) to determine whether any of the major U.S. banking organizations, including Key, need to raise additional capital, and (2) access to qualifying financial institutions to mandatory convertible preferred equity intended to serve as a bridge to private capital in the future.

Participation in CAP is mandatory for all bank holding companies with assets in excess of $100 billion, like KeyCorp. Under the CAP, institutions are required to conduct a Stress Test under assumptions provided by the U.S. government. Following the Stress Test, should the U.S. Treasury and Key’s banking regulators determine that additional capital is necessary Key will have a six month window to raise that capital privately or to access the capital made available by the U.S. Treasury under the CAP. Should Key need to issue additional equity capital, it would be dilutive to our Common Shares and may limit our ability to return capital to our shareholders. These factors may have a Material Adverse Effect on Key.

To view the CAP term sheet, including a summary of the terms of the mandatory convertible preferred stock and the warrant to purchase common shares that the U.S. Treasury receives in connection with any CAP issuance see www.financialstability.gov.
Our share price can be volatile.

Share price volatility may make it more difficult for you to resell your Common Shares when you want and at prices you find attractive. Our share price can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly results of operations;
- recommendations by securities analysts;
- operating and stock price performance of other companies that investors deem comparable to our business;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions of us and/or our competitors in the marketplace;
- new technology used, or services offered, by competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments entered into by us or our competitors;
- failure to integrate acquisitions or realize anticipated benefits from acquisitions;
- changes in governmental regulations;
- geopolitical conditions such as acts or threats of terrorism or military conflicts; and
- the occurrence or nonoccurrence, as appropriate, of any circumstance described in these Risk Factors.

General market fluctuations, market disruption, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our share price to decrease regardless of operating results.

An investment in our Common Shares is not an insured deposit.

Our Common Shares are not a bank deposit and, therefore, are not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our Common Shares is inherently risky for the reasons described in this “Risk Factors” section and elsewhere in this report and is subject to the same market forces that affect the price of Common Shares in any company. As a result, if you acquire our Common Shares, you may lose some or all of your investment.

Our articles of incorporation and regulations as well as certain banking laws may have an anti-takeover effect.

Provisions of our articles of incorporation and regulations, federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions may inhibit a nonnegotiated merger or other business combination, which, in turn, could adversely affect the market price of our common shares.

Risks Associated With Our Industry

Difficult market conditions have adversely affected the financial services industry, business and results of operations.

Dramatic declines in the housing market over the past eighteen months, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities, and commercial and investment banks. The resulting write-downs to assets of financial institutions have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to seek government assistance or bankruptcy protection. It is not possible to predict how long these economic conditions will exist, which of our markets, products or other businesses will ultimately be
affected, and whether management’s actions and government remediation efforts will effectively mitigate these factors. Accordingly, the resulting lack of available credit, lack of confidence in the financial sector, decreased consumer confidence, increased volatility in the financial markets and reduced business activity could have a Material Adverse Effect on Key. Furthermore, the continued deterioration in economic conditions could result in an increase in loan delinquencies and nonperforming assets, decreases in loan collateral values and a decrease in demand for our products and services, among other things, any of which could have a Material Adverse Effect on Key.

As a result of the challenges presented by economic conditions, Key may face the following risks, including, but not limited to:

- Increased regulation of our industry, including heightened legal standards and regulatory requirements or expectations imposed in connection with the EESA, the Recovery Bill or other government initiatives. Compliance with such regulation will likely increase our costs and limit our ability to pursue business opportunities.
- Impairment of our ability to assess the creditworthiness of our customers if the models and approaches we use to select, manage, and underwrite customers become less predictive of future behaviors due to fundamental changes in economic conditions.
- The process we use to estimate losses inherent in our credit exposure requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of our borrowers to repay their loans. Such process may no longer be capable of accurate estimation and, in turn, may impact the reliability of our evaluation of our credit risk and exposure.
- Our ability to borrow from other financial institutions or to engage in securitization funding transactions on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.
- Increased intensity of competition in the financial services industry due to: (i) the recent mergers of certain financial institutions with stronger and larger financial institutions and the redistribution of FDIC-insured deposits and certain banking assets through the FDIC least-cost resolution process, and (ii) the conversion of certain investment banks to bank holding companies. We expect competition to intensify as a result of these changes to the competitive landscape. Should competition in the financial services industry continue to intensify, our ability to market products and services may be adversely affected.
- We will be required to pay significantly higher FDIC premiums in the future because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. Key is also likely to be required to pay other fees necessary to support the EESA, the Recovery Bill and other government efforts.
- Key’s ability to attract talented executives and/or relationship managers may be hindered as a result of executive compensation limits under the Capital Purchase Program and/or regulations that may be issued by the U.S. Treasury or other regulators pursuant to its authority under the EESA or the Recovery Bill. Furthermore, Key may lose talented executives and relationship managers as a result of such limitations.

Financial services companies depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. We may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a Material Adverse Effect on Key.
Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete through alternative methods financial transactions that historically have involved banks. For example, consumers can now maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a Material Adverse Effect on Key.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments.

ITEM 2. PROPERTIES

The headquarters of KeyCorp and KeyBank are located in Key Tower at 127 Public Square, Cleveland, Ohio 44114-1306. At December 31, 2008, Key leased approximately 704,919 square feet of the complex, encompassing the first twenty-three floors, the 28th floor and the 54th through 56th floors of the 57-story Key Tower. As of the same date, KeyBank owned 481 and leased 505 branches. The lease terms for applicable branches are not individually material, with terms ranging from month-to-month to 99 years from inception.

ITEM 3. LEGAL PROCEEDINGS

The information in the Legal Proceedings section of Note 18 (“Commitments, Contingent Liabilities and Guarantees”), beginning on page 113 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report, no matter was submitted to a vote of security holders of KeyCorp.

PART II

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

The dividend restrictions discussion on page 4 of this report and the following disclosures included in the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) are incorporated herein by reference:

- Discussion of Common Shares, shareholder information and repurchase activities in the section captioned “Capital — Common shares outstanding” 49-50
- Presentation of quarterly market price and cash dividends per Common Share 68
- Discussion of dividend restrictions in the “Liquidity risk management — Liquidity for KeyCorp” section, Note 5 (“Restrictions on Cash, Dividends and Lending Activities”), and Note 14 (“Shareholders’ Equity”) 58, 91, 102
- KeyCorp common share price performance (2003-2008) graph 49

Unregistered Sale of Series B Preferred Stock

On November 14, 2008, we sold $2.5 billion of Series B Preferred Stock and granted a Warrant to purchase 35,244,361 of our Common Shares at an exercise price of $10.64 to the U.S. Treasury in conjunction with its Capital Purchase Program. The Series B Preferred Stock and the Warrant were issued in a private placement exempt from
registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. For further information on the terms of the Series B Preferred Stock and Warrant, see KeyCorp’s Form 8-K filed with the SEC on November 20, 2008, which is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA
The Selected Financial Data presented on page 26 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) is incorporated herein by reference.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION
The information included under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 16 through 69 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
The information included under the caption “Risk Management — Market risk management” on pages 54 through 56 of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
The Selected Quarterly Financial Data and the financial statements and the notes thereto, presented on page 68 and on pages 73 through 124, respectively, of the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto) are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
Not applicable.

ITEM 9A. 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 Exchange Act), to ensure that information required to be disclosed by KeyCorp in reports that it files or submits under the Securities Exchange Act of 1934, as amended, 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 fiscal quarter that materially affected, or are reasonably likely to materially affect, KeyCorp’s internal control over financial reporting.


ITEM 9B. OTHER INFORMATION
Not applicable.
PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is set forth in the sections captioned “Issue One — ELECTION OF DIRECTORS,” “EXECUTIVE OFFICERS,” and “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” contained in KeyCorp’s definitive Proxy Statement for the 2009 Annual Meeting of Shareholders to be held May 21, 2009, and is incorporated herein by reference. KeyCorp expects to file its final proxy statement on or before April 2, 2009.

KeyCorp has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. H. James Dallas, Lauralee E. Martin, Eduardo R. Menascé and Peter G. Ten Eyck, II are members of the Audit Committee. The Board of Directors has determined that Ms. Martin and Mr. Menascé each qualify as an “audit committee financial expert,” as defined in Item 407(d)(5) of Regulation S-K, and that each member of the Audit Committee is “independent,” as that term is defined in Section 303A.02 of the New York Stock Exchange’s listing standards.

KeyCorp has adopted a code of ethics that applies to all of its employees, including its Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and any persons performing similar functions, and to KeyCorp’s Board of Directors. The Code of Ethics is located on KeyCorp’s website (www.key.com). Any amendment to, or waiver from a provision of, the Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer will be promptly disclosed on its website as required by laws, rules and regulations of the SEC. Shareholders may obtain a copy of the Code of Ethics free of charge by writing KeyCorp Investor Relations, at 127 Public Square (Mail Code OH-01-27-1113), Cleveland, OH 44114-1306.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in the sections captioned “COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS,” “COMPENSATION DISCUSSION AND ANALYSIS” and “COMPENSATION AND ORGANIZATION COMMITTEE REPORT” contained in KeyCorp’s definitive Proxy Statement for the 2009 Annual Meeting of Shareholders to be held May 21, 2009, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is set forth in the sections captioned “EQUITY COMPENSATION PLAN INFORMATION” and “SHARE OWNERSHIP AND OTHER PHANTOM STOCK UNITS” contained in KeyCorp’s definitive Proxy Statement for the 2009 Annual Meeting of Shareholders to be held May 21, 2009, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth in the section captioned “DIRECTOR INDEPENDENCE” contained in KeyCorp’s definitive Proxy Statement for the 2009 Annual Meeting of Shareholders to be held May 21, 2009, and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is set forth in the sections captioned “AUDIT FEES,” “AUDIT-RELATED FEES,” “TAX FEES,” “ALL OTHER FEES” and “PRE-APPROVAL POLICIES AND PROCEDURES” contained in KeyCorp’s definitive Proxy Statement for the 2009 Annual Meeting of Shareholders to be held May 21, 2009, and is incorporated herein by reference.
PART IV

ITEM 15.  EXHIBITS AND FINANCIAL STATEMENTS

(a) (1) Financial Statements

The following financial statements of KeyCorp and its subsidiaries, and the auditor’s report thereon, are incorporated herein by reference to the pages indicated in the Financial Review section of KeyCorp’s 2008 Annual Report to Shareholders (Exhibit 13 hereto):

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Independent Registered Public Accounting Firm</td>
<td>72</td>
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<tr>
<td>Consolidated Balance Sheets at December 31, 2008 and 2007</td>
<td>73</td>
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<td>Consolidated Statements of Income for the Years Ended December 31, 2008, 2007 and 2006</td>
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<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>77-124</td>
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</tbody>
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(a) (2) Financial Statement Schedules

All financial statement schedules for KeyCorp and its subsidiaries have been included in the consolidated financial statements or the related footnotes, or they are either inapplicable or not required.

(a) (3) Exhibits*

3.1 Certificate of Amendment to the Amended and Restated Articles of Incorporation of KeyCorp filed with the Ohio Secretary of State on November 14, 2008 (setting forth the Part E, Express Terms of Fixed Rate Cumulative Perpetual Preferred Stock, Series B), filed as Exhibit 3.1 to Form 8-K filed November 20, 2008, and incorporated herein by reference.

3.2 Amended and Restated Articles of Incorporation of KeyCorp, filed as Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 2008, and incorporated herein by reference.

3.3 Amended and Restated Regulations of KeyCorp, effective May 15, 2008, filed as Exhibit 3.2 to Form 10-Q for the quarter ended June 30, 2008, and incorporated herein by reference.

10.1 Form of Premium Priced Option Grant between KeyCorp and Henry L. Meyer III, dated January 13, 1999.

10.2 Form of Option Grant between KeyCorp and Henry L. Meyer III, dated November 15, 2000.

10.3 Form of Award of Restricted Stock (2003-2005).

10.4 Form of Award of Executive Officer Grants (2004-2006), filed as Exhibit 10.1 to Form 10-Q for quarter ended June 30, 2004, and incorporated herein by reference.

10.5 Form of Award of Executive Officer Grants (2005-2007), filed as Exhibit 10.2 to Form 8-K filed February 16, 2005, and incorporated herein by reference.

10.6 Form of Award of Officer Grants (2005-2007), filed as Exhibit 10.3 to Form 8-K filed February 16, 2005, and incorporated herein by reference.


10.8 Form of Award of KeyCorp Executive Officer Grant with Restricted Stock Units (2008-2010), filed as Exhibit 10.1 to Form 10-Q for quarter ended March 31, 2008, and incorporated herein by reference.

10.9 Form of Award of KeyCorp Executive Officer Grant (2008-2010), filed as Exhibit 10.2 to Form 10-Q for quarter ended March 31, 2008, and incorporated herein by reference.
10.10 Form of Award of KeyCorp Officer Grant with Restricted Stock Units (2008-2010), filed as Exhibit 10.3 to Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by reference.
10.11 Form of Award of KeyCorp Officer Grant (2008-2010), filed as Exhibit 10.4 to Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by reference.
10.13 First Amendment to the Meyer Agreement, effective as of January 1, 2009 (entered into in connection with KeyCorp’s participation in the Troubled Asset Relief Program’s Capital Purchase Program).
10.14 KeyCorp Annual Incentive Plan (November 14, 2008 Restatement), filed as Exhibit 10.2 to Form 8-K filed on November 20, 2008, and incorporated herein by reference.
10.15 KeyCorp Annual Performance Plan (January 1, 2008 Restatement), effective as of January 1, 2008, filed as Exhibit 10.10 to Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.
10.16 KeyCorp Amended and Restated 1991 Equity Compensation Plan (amended as of March 13, 2003).
10.19 KeyCorp Umbrella Trust for Directors between KeyCorp and National Bank of Detroit, dated July 1, 1990.
10.20 Amendment to the Director Deferred Compensation Plan, effective December 28, 2004, filed as Exhibit 10.20 to Form 10-K for the year ended December 31, 2004, and incorporated herein by reference.
10.21 KeyCorp Amended and Restated Second Director Deferred Compensation Plan, effective as of December 31, 2008.
10.22 KeyCorp Directors’ Deferred Share Plan, effective as of December 31, 2008.
10.23 KeyCorp Directors’ Survivor Benefit Plan, effective September 1, 1990.
10.24 KeyCorp Excess Cash Balance Pension Plan (Amended and Restated as of January 1, 1998).
10.25 First Amendment to KeyCorp Excess Cash Balance Pension Plan, effective July 1, 1999.
10.26 Second Amendment to KeyCorp Excess Cash Balance Pension Plan, effective January 1, 2003.
10.27 Restated Amendment to KeyCorp Excess Cash Balance Pension Plan, effective December 31, 2004, filed as Exhibit 10.4 to Form 8-K filed January 24, 2005, and incorporated herein by reference.
10.28 Disability Amendment to KeyCorp Excess Cash Balance Pension Plan, effective as of December 31, 2007, filed as Exhibit 10.26 to Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.
10.29 KeyCorp Second Excess Cash Balance Pension Plan, effective as of December 31, 2008.
10.30 KeyCorp Automatic Deferral Plan (December 31, 2008 Restatement).
10.31 KeyCorp Deferred Bonus Plan, effective as of December 31, 2008.
10.32 KeyCorp Commissioned Deferred Compensation Plan, restated as of December 31, 2008.
10.33 Trust Agreement for certain amounts that may become payable to certain executives and directors of KeyCorp, dated April 1, 1997, and amended as of August 25, 2003.
10.35 KeyCorp Umbrella Trust for Executives between KeyCorp and National Bank of Detroit, dated July 1, 1990.
Table of Contents

10.39 First Amendment to KeyCorp Supplemental Retirement Benefit Plan, effective January 1, 1995, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.

10.40 Second Amendment to KeyCorp Supplemental Retirement Benefit Plan, effective August 1, 1996, filed as Exhibit 10.47 to Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.

10.41 Third Amendment to KeyCorp Supplemental Retirement Benefit Plan, adopted July 1, 1999.


10.43 KeyCorp Supplemental Retirement Benefit Plan for Key Executives, effective July 1, 1990, restated August 16, 1990.

10.44 Amendment to KeyCorp Supplemental Retirement Benefit Plan for Key Executives, effective January 1, 1995, filed as Exhibit 10.54 to Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.

10.45 Second Amendment to KeyCorp Supplemental Retirement Benefit Plan for Key Executives, effective August 1, 1996, filed as Exhibit 10.55 to Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.

10.46 Third Amendment to KeyCorp Supplemental Retirement Benefit Plan for Key Executives, adopted July 1, 1999.

10.47 Fourth Amendment to KeyCorp Supplemental Retirement Benefit Plan for Key Executives, effective December 28, 2004, filed as Exhibit 10.70 to Form 10-K for the year ended December 31, 2004, and incorporated herein by reference.


10.49 KeyCorp Deferred Equity Allocation Plan, filed as Exhibit 10.58 to Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.

10.50 Form of Change of Control Agreement (New Tier I) between KeyCorp and Certain Executive Officers of KeyCorp, effective December 17, 2007, filed as Exhibit 10.2 to Form 8-K filed January 22, 2008, and incorporated herein by reference.

10.51 Form of Change of Control Agreement (Revised Tier I) between KeyCorp and Certain Executive Officers of KeyCorp, effective December 17, 2007, filed as Exhibit 10.3 to Form 8-K filed January 22, 2008, and incorporated herein by reference.

10.52 Form of Change of Control Agreement (New Tier II) between KeyCorp and Certain Executive Officers of KeyCorp, effective December 17, 2007, filed as Exhibit 10.4 to Form 8-K filed January 22, 2008, and incorporated herein by reference.

10.53 Form of Change of Control Agreement (Revised Tier II) between KeyCorp and Certain Executive Officers of KeyCorp, effective December 17, 2007, filed as Exhibit 10.5 to Form 8-K filed January 22, 2008, and incorporated herein by reference.

10.54 Form of Amendment to Change of Control Agreements, effective as of January 1, 2009 (entered into in connection with KeyCorp’s participation in the Troubled Asset Relief Program’s Capital Purchase Program).


10.56 Letter Agreement between KeyCorp and Peter Hancock, dated November 25, 2008.

10.57 KeyCorp Deferred Savings Plan, effective December 31, 2008.

KeyCorp hereby agrees to furnish the SEC upon request, copies of instruments, including indentures, which define the rights of long-term debt security holders.

All documents listed as Exhibits 10.1 through 10.58 constitute management contracts or compensatory plans or arrangements.

* Copies of these Exhibits have been filed with the SEC. Shareholders may obtain a copy of any exhibit, upon payment of reproduction costs, by writing KeyCorp Investor Relations, 127 Public Square, Mail Code OH-01-27-1113, Cleveland, OH 44114-1306.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the date indicated.

KEYCORP

/s/ Thomas C. Stevens
Thomas C. Stevens
Vice Chairman and Chief Administrative Officer
February 27, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Henry L. Meyer III</td>
<td>Chairman, Chief Executive Officer, and President (Principal Executive Officer), and Director</td>
</tr>
<tr>
<td>* Jeffrey B. Weeden</td>
<td>Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)</td>
</tr>
<tr>
<td>* Robert L. Morris</td>
<td>Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)</td>
</tr>
<tr>
<td>* Ralph Alvarez</td>
<td>Director</td>
</tr>
<tr>
<td>* William G. Bares</td>
<td>Director</td>
</tr>
<tr>
<td>* Edward P. Campbell</td>
<td>Director</td>
</tr>
<tr>
<td>* Dr. Carol A. Cartwright</td>
<td>Director</td>
</tr>
<tr>
<td>* Alexander M. Cutler</td>
<td>Director</td>
</tr>
<tr>
<td>* H. James Dallas</td>
<td>Director</td>
</tr>
<tr>
<td>* Lauralee E. Martin</td>
<td>Director</td>
</tr>
<tr>
<td>* Eduardo R. Menascé</td>
<td>Director</td>
</tr>
<tr>
<td>* Bill R. Sanford</td>
<td>Director</td>
</tr>
<tr>
<td>* Thomas C. Stevens</td>
<td>Director</td>
</tr>
<tr>
<td>* Peter G. Ten Eyck, II</td>
<td>Director</td>
</tr>
</tbody>
</table>

/s/ Paul N. Harris
By Paul N. Harris, attorney-in-fact
February 27, 2009

Section 2: EX-10.1 (EX-10.1)
KEYCORP
NON-QUALIFIED GRANT AGREEMENT
PREMIUM PRICED OPTIONS

Henry L. Meyer III

By action of the Compensation and Organization Committee (“Committee”) of the Board of Directors of KeyCorp, taken pursuant to the KeyCorp Amended and Restated 1991 Equity Compensation Plan (“Plan”) on January 13, 1999 (the “Option Grant Date”), you have been granted Non-Qualified Stock Options (the “Options”) to purchase 75,000 Common Shares at a price per share as set forth in paragraph 1 below (the “Exercise Price”), which may be exercised, subject to the provisions of the Plan, from time to time, in part as to such Options as you specify or, if you so direct, with respect to the full number of Common Shares then remaining subject to the Options, during the period commencing July 13, 1999 and ending January 13, 2009 (“Option Expiration Date”). (Unless otherwise indicated, the capitalized terms used herein shall have the same meaning as set forth in the Plan).

1. As to one-third of such Options, the Exercise Price of such Options shall be $40.00 per Common Share; (ii) as to one-third of such Options, the Exercise Price of such Options shall be $45.00 per Common Share; and (iii) as to one-third of such Options, the Exercise Price of such Options shall be $50.00 per Common Share. Within the foregoing limits, at the time or times you exercise Options granted hereunder, you shall specify the number of Options being exercised and the Exercise Price of the Options you desire to exercise. Upon exercise of Options with a specified Exercise Price, the number of Options, if any, remaining available for future exercise at that specified Exercise Price shall be reduced accordingly.

2. Unless your employment is terminated for “Cause” (as defined in your employment agreement hereinafter referred to), death, disability, or voluntary resignation by you at any time without either having “Good Reason” during a “Window Period” or being “Constructively Terminated”, all as defined in and under your Employment Agreement, dated as of May 15, 1997, as amended from time to time (the “Employment Agreement”), you shall be treated, for all purposes (including vesting and period of exercisability), as if your employment with KeyCorp continued through the Option Expiration Date. In the event that your employment is terminated because of death or disability, the Options may be exercised for one year from your death or disability, as the case may be. In the event that your employment is terminated for Cause or voluntary resignation by you at any time without either having Good Reason during a Window Period or being Constructively Terminated under the Employment Agreement, the Options shall immediately be forfeited and cease to be exercisable.

3. If, after written notice from KeyCorp, you shall engage in any competitive activity in violation of the Employment Agreement within one year after the Employment Termination Date, then any Profits realized upon the exercise of Options granted pursuant to this Agreement on or after one year prior to the Employment Termination Date shall inure to KeyCorp. If any Profits realized upon the exercise of any Option inure to the benefit of KeyCorp in accordance:

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with the first sentence of this paragraph, you shall pay all such Profits to KeyCorp within 30 days after first engaging in any prohibited activity and all unexercised Options granted pursuant to this Agreement shall immediately be forfeited and canceled.

For purposes of this Agreement:

“Profit” shall mean, with respect to any Option, the positive spread between the Fair Market Value of a Common Share on the date of exercise and the applicable Exercise Price.

The Options shall be governed by the terms, conditions, and provisions of the Plan.

This Agreement may not be modified, amended or waived except by an instrument in writing signed by both parties hereto.

January 13, 1999

Thomas E. Helfrich  
Executive Vice President

Acceptance

The undersigned hereby acknowledges receipt of the Plan, agrees to be bound by the foregoing Agreement and agrees and consents to the terms, conditions, and provisions of the Agreement, Plan and the Award evidenced by this Agreement.

Henry L. Meyer III

Section 3: EX-10.2 (EX-10.2)

KEYCORP  
NON-QUALIFIED GRANT AGREEMENT

Henry L. Meyer III

By action of the Compensation and Organization Committee (“Committee”) of the Board of Directors of KeyCorp, taken pursuant to the KeyCorp Amended and Restated 1991 Equity Compensation Plan (“Plan”) on November 15, 2000, you have been granted Non-Qualified Stock Options (the “Options”) effective on such date (the “Option Grant Date”) to purchase 100,000 Common Shares at a price of $22.9375 per share (the “Exercise Price”), which may be exercised, subject to the provisions of the Plan, from time to time, in part or with respect to the full number of Common Shares then remaining subject to the Options, during the period as set forth below and ending November 15, 2010. (Unless otherwise indicated, the capitalized terms used herein shall have the same meaning as set forth in the Plan).

1. Subject to earlier vesting as provided in Section 2 below, 33,334 Options shall become vested and exercisable on November 15, 2001, 33,333 Options shall become vested and exercisable on November 15, 2002, and 33,333 Options shall become vested and exercisable on November 15, 2003.

2. The Options shall also vest and become exercisable as of immediately prior to the termination of your employment in all cases except when your employment is terminated for “Cause,” by “Voluntary Resignation within Five Years,” or as a result of death or disability. Upon vesting and becoming exercisable (whether pursuant to the preceding sentence, Section 1 above, or otherwise) the Options shall remain vested and exercisable through November 15, 2010 (as fully as if you continued to be employed through that date) unless your employment was terminated for “Cause” or by “Voluntary Resignation within Five Years.” In the event that your employment is terminated because of death or disability, the provisions of the Plan shall govern the vesting and exercisability of the Options. In the event your employment is terminated for “Cause” or by “Voluntary Resignation within Five Years,” the Options shall: (i) in the case of “Cause,” immediately be forfeited and cease to be exercisable, and (ii) in the case of “Voluntary Resignation within Five Years,” those Options which have not vested shall be terminated and those Options which have vested shall be exercisable pursuant to the provisions of the Plan. The term “Voluntary Resignation within Five Years” means if you voluntarily elect to resign your employment at your own instance without having been requested to so resign by KeyCorp on or before the fifth anniversary date of the Option Grant Date, except that any resignation by you shall not be deemed to be a Voluntary Resignation if (a) you terminate your employment “on grounds of Constructive Termination,” (b) you terminate your employment after a “Change of Control” and receive a severance benefit or continuing compensation under your Employment Agreement (as hereinafter defined), or (c) the Committee otherwise determines that your resignation is not voluntary. The terms “Cause,” “on grounds of Constructive Termination,” and “Change of Control” shall have the meanings given to them in the Employment Agreement, dated as of May 15, 1997, between you and KeyCorp, as heretofore or hereafter amended or restated from time to time (including any employment agreement replacing or superseding such agreement) (herein the “Employment Agreement”).
3. If, after written notice from KeyCorp, you shall engage in any “Competitive Activity” (as defined in your Employment Agreement) in violation of your Employment Agreement within one year after Employment Termination Date, then any Profits realized upon the exercise of any Option the subject of this Agreement on or after one year prior to the Employment Termination Date shall inure to KeyCorp. If any Profits realized upon the exercise of any Option the subject of this Agreement inure to the benefit of KeyCorp in accordance with the first sentence of this paragraph, you shall pay all such Profits to KeyCorp within 30 days after first engaging in any such Competitive Activity and all unexercised Options the subject of this Agreement shall immediately be forfeited and canceled.

For purposes of this Agreement:

“Profit” shall mean, with respect to any Option, the positive spread between the Fair Market Value of a Common Share on the date of exercise and the exercise price multiplied by the number of shares exercised under the Option.

4. If KeyCorp prior to May 15, 2001 enters into a transaction intended to qualify as a pooling of interests for accounting purposes the Options the subject of this Agreement shall become void as if they were never granted in the event that KeyCorp shall receive an opinion from Ernst & Young or advice from the Securities and Exchange Commission that such grant will cause KeyCorp to be unable to account for the transaction as a pooling of interests.

The Options shall be governed by the terms, conditions, and provisions of the Plan, including, without limitation, Section 11 thereof. This Agreement may not be modified, amended or waived except by an instrument in writing signed by both parties hereto.

November 15, 2000

Thomas E. Helfrich
Executive Vice President

Acceptance

The undersigned hereby acknowledges receipt of the Plan, agrees to be bound by the foregoing Agreement and agrees and consents to the terms, conditions, and provisions of the Agreement, Plan and the Award evidenced by this Agreement.

Henry L. Meyer III

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Section 4: EX-10.3 (EX-10.3)

KEYCORP
AWARD OF RESTRICTED STOCK

By action of the Compensation Committee (“Committee”) of the Board of Directors of KeyCorp, taken pursuant to the KeyCorp Amended and Restated 1991 Equity Compensation Plan (“Plan”) on January 16, 2003, you have been awarded <<Restricted_Shares>> shares of Restricted Stock. (Unless otherwise indicated, the capitalized terms used herein shall have the same meaning as set forth in the Plan.)

1. One-half of the Restricted Stock (“the Time Lapse Restricted Shares”) may not be sold, transferred, otherwise disposed of, pledged or otherwise hypothecated until the earlier of the following:
   a) December 31, 2005; or
   b) the date not more than two years on or after a Change of Control upon which your employment terminates under circumstances entitling you to receive severance benefits or salary continuation benefits under KeyCorp Separation Pay Plan or under any employment or change of control or similar arrangement or agreement.

2. The remaining one-half of the Restricted Stock (“the Performance Accelerated Restricted Shares”) may not be sold, transferred, otherwise disposed of, pledged, or otherwise hypothecated until the earliest of the following shall occur:
   a) December 31, 2009;
   b) the percentage increase in KeyCorp’s average daily stock price plus dividends for the years 2003 through 2005 exceeds the percentage increase in the average daily stock price plus dividends of the median of the banks which comprise the Standard & Poor’s Regional Bank Index (If at any time the Standard & Poor’s Regional Bank Index ceases to be published or is altered in such manner as to make its use as a comparative reference inappropriate, as determined by the Committee in its sole discretion, then the Committee shall (i) select such other index as is then available that the Committee deems most appropriate to use as a substitute for the Standard & Poor’s Regional Bank Index and (ii) decide whether to use that other index to determine whether the condition of this paragraph has been met); or
c) the first day on which a Change of Control occurs on or before December 31, 2005.
3. If you shall die or become Disabled prior to the lapse of the restrictions on the Time Lapse Restricted Shares, then a pro rata number of the Time Lapse Restricted Shares shall be retained by you or your estate and become freely transferable upon death or Disability but the remainder shall immediately be forfeited upon your death or Disability, as the case may be.

4. The restrictions shall lapse upon a pro rata number of the Time Lapse Restricted Shares when you have been continuously employed by KeyCorp and reach age 65 and each year thereafter that you remain employed by KeyCorp on your birthday the restrictions shall lapse on the lesser of an additional one-third of the Time Lapse Restricted Shares or the number of Time Lapse Restricted Shares remaining in your award.

5. The Time Lapse Restricted Shares shall immediately be forfeited if you retire between the ages of 55 and 65 prior to the lapse of the restrictions; provided, however, that the Committee may in its sole discretion determine that a pro rata number of the Time Lapse Restricted Shares shall be retained by you and become freely transferable upon retirement but that the remainder shall immediately be forfeited upon your retirement.

6. If you retire at age 65 or older, die or become Disabled prior to the lapse of the restrictions on the Performance Accelerated Restricted Shares and such shares thereafter cease to be restricted because of the performance of KeyCorp’s average daily stock price plus dividends, then a pro rata number of the Performance Accelerated Restricted Shares shall be retained by you or your estate and become freely transferable if and when the restrictions lapse because of the performance of KeyCorp’s average daily stock price plus dividends but the remainder shall immediately be forfeited upon your retirement, death, or Disability, as the case may be, and if the restrictions do not lapse as a result of performance of KeyCorp’s average daily stock price plus dividends, the pro rata number of Performance Accelerated Restricted Shares retained by you or your estate shall be forfeited on December 31, 2005.

7. The Performance Accelerated Restricted Shares shall be forfeited if you retire between the ages of 55 and 65 prior to the lapse of the restrictions; provided, however, that the Committee may in its sole discretion determine that a pro rata number of shares shall be retained by you and become freely transferable if and when the performance of KeyCorp’s average daily stock price plus dividends meets the requirements of this Agreement but that the remainder of the shares shall immediately be forfeited upon your retirement, and if the restrictions do not lapse as a result of performance of KeyCorp’s average daily stock price plus dividends, the pro rata number of Performance Accelerated Restricted Shares retained by you shall be forfeited on December 31, 2005.

8. For purposes of this Agreement, the pro rata number of shares of Restricted Stock granted to you shall be based on a fraction the numerator of which is the number of months beginning in January 2003 that are completed prior to your change of status and the denominator of which is 36.

9. The Restricted Stock shall be immediately forfeited if your employment with KeyCorp terminates prior to the date of the lapse of the restrictions as set forth earlier in this
Agreement unless your employment terminates because of death, Disability, or retirement (in which case the specific provisions set forth earlier in this Agreement shall apply).

10. The Restricted Stock upon which the restrictions have lapsed nevertheless may not be sold or otherwise transferred until and unless you meet KeyCorp’s Stock Ownership Guidelines or terminate your employment with KeyCorp; provided, however, that notwithstanding the foregoing you shall be permitted to sell the number of shares necessary to satisfy any withholding tax obligation that may arise in connection with the lapse of any restriction on the Restricted Stock.

11. If the lapse of the restrictions on the Restricted Stock would result in compensation to you that if earned would not be deductible by KeyCorp by reason of the disallowance rules of Section 162(m) of the Internal Revenue Code but would be deductible if deferred until a later year, then the Committee in its sole discretion may require that all or a portion of the Restricted Stock shall be exchanged for an award of equal value which shall be deferred into and remain in the KeyCorp Deferred Compensation Plan (“Deferred Plan”) Common Stock Account pursuant to the provisions of the Deferred Plan; provided that if the Committee shall not require a deferral pursuant to this paragraph, then any provision in any KeyCorp Plan, Employment Agreement, or similar agreement or arrangement requiring a deferral by you because of Section 162(m) shall be deemed waived by KeyCorp with respect to the Restricted Stock.

12. You may elect to exchange Restricted Stock for an award of equal value which shall be deferred into the Deferred Plan Common Stock Account; provided, however, that such election shall be made at least one year prior to the lapse of the restrictions upon the Restricted Stock and provided further that the deferred award may not be transferred to another account in the Deferred Plan.

13. The Committee reserves the right to (at any time and from time to time) make adjustments in or alter the performance criteria (i.e., daily average stock price performance) set forth in this Agreement, in the Committee’s sole discretion, to take into account changed circumstances which, in the Committee’s judgment, make the performance criteria inapplicable, inappropriate, or otherwise undesirable. Consistent with the provisions of the Plan, the determination by the Committee as to whether the performance criteria have been satisfied or should be adjusted or altered shall be final and conclusive.

14. If you are an officer for purposes of Section 16 of the Securities Exchange Act of 1934, you shall be permitted to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the lapse of any restriction on the Restricted Stock by delivering to KeyCorp in Common Shares an amount equal to the withholding tax obligation arising with respect to such lapse.

15. Notwithstanding any other provisions of this Agreement, if you engage in any “harmful activity” (as defined in Section 16 of the Plan) prior to or within six months after the termination of your employment with KeyCorp, then any and all shares of Restricted Stock which have vested on or after one year prior to termination of employment shall be immediately
forfeited to KeyCorp and the sales price realized upon the sale of any such shares of Restricted Stock by you shall inure to and be payable to KeyCorp upon demand.

16. The provisions of Section 11 of the Plan entitled “Acceleration upon Change of Control” shall not apply to the Time Lapse Restricted Shares at any time and shall not apply to the Performance Accelerated Restricted Shares after December 31, 2005.

January 16, 2003

/s/ Thomas E. Helfrich
Thomas E. Helfrich
Executive Vice President

4
ACCEPTANCE OF RESTRICTED STOCK AWARD

I acknowledge receipt of the above award and in consideration thereof I accept such award subject to the terms and conditions of the Plan (including, without limitation, the Harmful Activity provisions thereof) and the restrictions upon me as set forth hereinafter.

My agreement to the following restrictions is (i) in addition to (and not in limitation of) any other agreements, plans, policies, or practices that are applicable to me as a KeyCorp or Subsidiary (collectively “Key”) employee, and (ii) independent of any Plan provisions.

1. I recognize the importance of preserving the confidentiality of Non-Public Information of Key. Therefore, I acknowledge and agree that:
   (a) during my employment with Key, I will acquire, reproduce, and use such Non-Public Information only to the extent reasonably necessary for the proper performance of my duties; (b) during and after my employment with Key, I will not use, publish, sell, trade or otherwise disclose such Non-Public Information; and (c) upon termination of my employment with Key, I will immediately return to Key all documents, data, and things in my possession or to which I have access that involve such Non-Public Information. I agree to sign nondisclosure agreements in favor of Key and others doing business with Key with whom Key has a confidential relationship.

2. I acknowledge and agree that the duties of my position at Key may include the development of Intellectual Property. Accordingly, any Intellectual Property which I create with any of Key’s resources or assistance, in whole or in part, during my employment with Key, and which pertains to the business of Key, is the property of Key; and I hereby agree to and do assign to Key all right, title, and interest in and to such Intellectual Property, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property and agree to sign patent applications and assignments thereof, without additional compensation.

3. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, hire or solicit or entice for employment any Key employee without the written consent of Key, which consent it may grant or withhold in its discretion.

4. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, call upon, solicit, or do business with (other than for a business which does not compete with any business or business activity conducted by Key) any Key customer or potential customer I interacted with, became acquainted with, or learned of through access to information while I performed services for Key during my employment with Key, without the written consent of Key, which consent it may grant or withhold in its discretion.

5. In the event a court of competent jurisdiction determines that any of the restrictions contained in the above numbered paragraphs are excessive because of duration or
scope or are otherwise unenforceable, the provisions hereof shall not be void but, with respect to such limitations held to be excessive, they shall be modified to incorporate the maximum limitations such court will permit, not exceeding the limitations contained herein. In the event I engage in any activity in violation hereof, I acknowledge that such activity may cause serious damage and irreparable injury to Key, which will permit Key to terminate my employment (if applicable) and seek monetary damages, and Key shall also be entitled to injunctive, equitable, and other relief. I acknowledge and agree that the validity, interpretation, and performance of this Agreement shall be construed under the laws of Ohio.

BY SIGNING THIS ACCEPTANCE OF RESTRICTED STOCK AWARD, YOU ACKNOWLEDGE THAT YOU HAVE HAD AMPLE OPPORTUNITY TO READ THIS AGREEMENT AND THE PLAN, MAKE A DILIGENT INQUIRY, ASK QUESTIONS, AND CONSULT WITH YOUR ATTORNEY IF YOU CHOSE TO DO SO.

__________________________
Sign Your Name

__________________________
Date

Section 5: EX-10.7 (EX-10.7)

Henry L. Meyer III

By action of the Compensation Committee (“Committee”) of the Board of Directors of KeyCorp on January 16, 2003, you have been awarded 40,485 shares of Phantom Stock.

1. Each share of Phantom Stock shall have a value equal to the Fair Market Value (as defined in the Amended and Restated 1991 Equity Compensation Plan as amended from time to time (“1991 Plan”)) of a KeyCorp Common Share on the date of this award and shall thereafter reflect the gains and losses attributable to such Common Shares.

2. An amount equal to the cash dividend payable on an equivalent number of Common Shares shall be paid to you on the Phantom Stock on each date that a cash dividend is payable on the Common Shares; provided however, that additional amounts shall be paid as are necessary to put you in the same after-tax position (including the gross-up for taxes on the additional amounts paid) as you would have been in if for purposes of federal, state, and local taxes you had received cash dividends on Common Shares.

3. The value of 13,495 shares of the Phantom Stock (“the Time Lapse Phantom Shares”) shall be paid in cash to you on the earlier of the following:

   a) December 31, 2005; or

   b) the date not more than two years on or after a “Change of Control” (as defined in the 1991 Plan) upon which your employment terminates under circumstances entitling you to receive severance benefits or salary continuation benefits under the Corporation’s Separation Pay Plan or under any employment or change of control or similar arrangement or agreement.

4. The value of the remaining 26,990 shares of the Phantom Stock (“the Performance Accelerated Phantom Shares”) shall be paid in cash to you on the date when the earliest of the following shall occur:

   a) December 31, 2009;

   b) the percentage increase in the Corporation’s average daily stock price plus dividends for the years 2003 through 2005 exceeds the percentage increase in the average daily stock price plus dividends of the median of the banks which comprise the Standard & Poor’s 500 Banks Index (If at any time the Standard & Poor’s 500 Banks Index ceases to be published or is altered in such manner as to make its use as a comparative reference inappropriate, as determined by the Committee in its sole discretion, then the Committee shall (i) select such other index as is then available that the Committee deems most appropriate to use as a substitute for the Standard & Poor’s 500 Banks Index and (ii) decide whether to
use that other index to determine whether the condition of this paragraph has been met); or
c) the first day on which a Change of Control occurs on or before December 31, 2005.

5. If you shall die or become disabled prior to the payable date for the Time Lapse Phantom Shares, then the value of a pro rata number of the Time Lapse Phantom Shares shall be paid to you or your estate upon death or “Disability” (as defined in the 1991 Plan) but that the remaining shares shall immediately be forfeited upon your death or Disability, as the case may be.

6. The Time Lapse Phantom Shares shall immediately be forfeited if you retire between the ages of 55 and 65 prior to the payable date for such Shares; provided, however, that the Committee may in its sole discretion determine that the value of a pro rata number of the Time Lapse Phantom Shares shall be paid to you upon retirement but that the remaining Time Lapse Phantom Shares shall immediately be forfeited upon your retirement.

7. If you shall die or become Disabled prior to the payable date for the Performance Accelerated Phantom Shares and the value of such shares thereafter becomes payable because of the performance of the Corporation’s average daily stock price plus dividends, then the value of a pro rata number of the Performance Accelerated Phantom Shares shall be paid to you or your estate if and when the value of such Shares becomes payable because of the performance of the Corporation’s average daily stock price plus dividends but the remainder of the Performance Accelerated Phantom Shares shall immediately be forfeited upon your death or Disability, as the case may be, and if the value of such shares does not become payable as a result of performance of the Corporation’s average daily stock price, the pro rata number of Performance Accelerated Phantom Shares shall be forfeited on December 31, 2005.

8. The Performance Accelerated Performance Shares shall be forfeited if you shall retire between the ages of 55 and 65 prior to the payable date for such Shares; provided, however, that the Committee may in its sole discretion determine that the value of a pro rata number of shares shall be paid to you if and when the performance of the Corporation’s average daily stock price plus dividends meets the requirements of this award but that the remainder of the shares shall immediately be forfeited upon your retirement, and if the value of such Shares does not become payable as a result of performance of the Corporation’s average daily stock price plus dividends, the pro rata number of Performance Accelerated Phantom Shares shall be forfeited on December 31, 2005.

9. For purposes of this award, the pro rata number of shares of Phantom Stock granted to you shall be based on a fraction the numerator of which is the number of months beginning in January 2003 that are completed prior to your change of status and the denominator of which is 36.

10. The Phantom Stock shall be immediately forfeited if your employment with the Corporation terminates prior to the date of payment set forth in the preceding provisions of this award unless your employment terminates because of death, Disability, or retirement (in which case the specific provisions of the foregoing paragraphs of this award shall apply).
11. If the payment of the value of the Phantom Stock would result in compensation to you that if earned would not be deductible by the Corporation by reason of the disallowance rules of Section 162(m) of the Internal Revenue Code but would be deductible if deferred until a later year, then the Committee in its sole discretion may require that all or a portion of the Phantom Stock shall be deferred into and remain in the Corporation Deferred Compensation Plan (“Deferred Plan”) Common Stock Account pursuant to the provisions of the Deferred Plan; provided that if the Committee shall not require a deferral pursuant to this award, then any provision in any Corporation Plan, Employment Agreement, or similar agreement or arrangement requiring a deferral by you because of Section 162(m) shall be deemed waived by the Corporation with respect to the Phantom Stock.

12. You may elect to defer the payment of the value of the Phantom Stock into the Deferred Plan Common Stock Account; provided, however, that such election shall be made at least one year prior to the payable date for the Phantom Stock and provided further that the deferred award may not be transferred to another account in the Deferred Plan.

13. The Committee reserves the right to (at any time and from time to time) make adjustments in or alter the performance criteria set forth in this award, in the Committee’s sole discretion, to take into account changed circumstances which, in the Committee’s judgment, make the performance criteria inapplicable, inappropriate, or otherwise undesirable and that the determination by the Committee as to whether the performance criteria have been satisfied or should be adjusted or altered shall be final and conclusive.

14. Notwithstanding any other provisions of this award, if you engage in any “harmful activity” (as defined in the 1991 Plan) prior to or within six months after your termination of employment with the Corporation, then any payment of the value of the Phantom Stock on or after one year prior to termination of employment shall inure to and be payable to the Corporation upon demand.

15. Until December 31, 2005 but not thereafter, the payment of the value of the Performance Accelerated Phantom Shares shall be subject to an “Acceleration upon Change of Control” (as defined in the 1991 Plan) and the payment of the value of the Time Lapse Phantom Shares shall never be subject to an Acceleration upon Change of Control.

January 16, 2003

/s/ Thomas E. Helfrich
Thomas E. Helfrich
Executive Vice President
ACCEPTANCE OF PHANTOM STOCK AWARD

I acknowledge receipt of the above award and in consideration thereof I accept such award subject to the restrictions upon me as set forth hereinafter.

My agreement to the following restrictions is in addition to (and not in limitation of) any other agreements, plans, policies, or practices that are applicable to me as a KeyCorp or Subsidiary (collectively “Key”) employee.

1. I recognize the importance of preserving the confidentiality of Non-Public Information of Key. Therefore, I acknowledge and agree that: (a) during my employment with Key, I will acquire, reproduce, and use such Non-Public Information only to the extent reasonably necessary for the proper performance of my duties; (b) during and after my employment with Key, I will not use, publish, sell, trade or otherwise disclose such Non-Public Information; and (c) upon termination of my employment with Key, I will immediately return to Key all documents, data, and things in my possession or to which I have access that involve such Non-Public Information. I agree to sign nondisclosure agreements in favor of Key and others doing business with Key with whom Key has a confidential relationship.

2. I acknowledge and agree that the duties of my position at Key may include the development of Intellectual Property. Accordingly, any Intellectual Property which I create with any of Key’s resources or assistance, in whole or in part, during my employment with Key, and which pertains to the business of Key, is the property of Key; and I hereby agree to and do assign to Key all right, title, and interest in and to such Intellectual Property, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property and agree to sign patent applications and assignments thereof, without additional compensation.

3. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, hire or solicit or entice for employment any Key employee without the written consent of Key, which consent it may grant or withhold in its discretion.

4. Except in the proper performance of my duties for Key, I acknowledge and agree that from the date hereof through a period of one (1) year after the termination of my employment with Key for any reason, I will not, directly or indirectly, for myself or on behalf of any other person or entity, call upon, solicit, or do business with (other than for a business which does not compete with any business or business activity conducted by Key) any Key customer or potential customer I interacted with, became acquainted with, or learned of through access to information while I performed services for Key during my employment with Key, without the written consent of Key, which consent it may grant or withhold in its discretion.

5. In the event a court of competent jurisdiction determines that any of the restrictions contained in the above numbered paragraphs are excessive because of duration or scope or are otherwise unenforceable, the provisions hereof shall not be void but, with respect to
BY SIGNING THIS ACCEPTANCE OF PHANTOM STOCK AWARD, YOU ACKNOWLEDGE THAT YOU HAVE HAD AMPLE OPPORTUNITY TO READ THIS AGREEMENT AND THE PLAN, MAKE A DILIGENT INQUIRY, ASK QUESTIONS, AND CONSULT WITH YOUR ATTORNEY IF YOU CHOSE TO DO SO.

Sign Your Name

Date

Section 6: EX-10.13 (EX-10.13)

FIRST AMENDMENT TO AGREEMENT
BY AND BETWEEN
KEYCORP AND
HENRY L. MEYER III

WHEREAS, Henry L. Meyer III (“Meyer”) and KeyCorp entered into an Agreement dated January 1, 2008 (“Meyer Agreement”), which outlines the terms and conditions of Meyer’s employment with KeyCorp and further, provides Meyer with certain payments and other employee benefits in the event that his employment is terminated following a Change of Control (as that term is defined in the Meyer Agreement), and

WHEREAS, on November 14, 2008, the United States Department of Treasury (“Treasury”) purchased from KeyCorp $2.5 billion of Preferred Stock and warrants to purchase common stock under the Troubled Assets Relief Program (the “TARP”) Capital Purchase Program of the Emergency Economic Stabilization Act of 2008 (“EESA”).

NOW THEREFORE, and pursuant to the requirements of the EESA, the Meyer Agreement is hereby amended as follows:

1. Section 16 of the Meyer Agreement shall be deleted in its entirety and the following Section 16 shall be substituted therefore:


   (a) If any payments otherwise payable to Meyer under this Agreement are prohibited by any statute or regulation in effect at the time the payments would otherwise be payable, including, without limitation, the compensation prohibitions specifically mandated under Section 111(b) and/or Section 111(c) of the Emergency Economic Stabilization Act of 2008 (“EESA”) as may be applicable to Key as of the time of Meyer’s termination, or by any regulation issued by the Federal Deposit Insurance Corporation (the “FDIC”) that limits executive change of control payments that can be made by an FDIC insured institution or its holding company if the institution is financially troubled (any such limiting statute or regulation being a “Limiting Rule”):

      (i) Unless such payment is specifically limited under the provisions of EESA, Key will use its best efforts to obtain the consent of the appropriate governmental agency (whether the FDIC or any other agency) to the payment by Key to Meyer of the maximum amount that is permitted (up to the amounts that would be due to Meyer absent the Limiting Rule); and

   ...
(ii) Meyer will be entitled to receive a lump sum payment equal to the greater of either (i) the aggregate amount payable under this Agreement (as limited by the Limiting Rule) or (ii) the aggregate payments that would be due under applicable Key severance, separation pay, and/or salary continuation plans that may be in effect at the time of Meyer’s termination (as if Meyer were not a party to this Agreement) up to the amounts that would be due to Meyer under this Agreement or otherwise absent the Limiting Rule; provided that the timing of any payments shall be made in the manner set forth in Section 7.1(h) (i.e., the first day of the seventh month following the Termination Date) and provided further, that the payment may not exceed the amount specified in Section 7.1(c), and the payment will otherwise comply with all requirements under Section 409A.

(b) In the event of an extension or renewal of this Agreement pursuant to Section 1 hereof during the period of time commencing on the date that Key, if ever, becomes subject to Section 111(c) of EESA due to the U.S. Treasury’s auction purchases and ending on the last day of the “TARP authorities period” (as that term is defined in accordance with Section 111(c) of EESA), then notwithstanding any other provisions in this Agreement to the contrary, the terms of such extension or renewal shall incorporate the compensation prohibitions specifically mandated under Section 111(c) of EESA such that the payments due under such extension or renewal will be limited, in a manner similar to that described in Section 16(a)(ii) to an amount that would not violate Section 111(c) of EESA.”

2. The amendment set forth in Paragraph 1 shall be effective as of January 1, 2009.

3. Except as amended herein, the Meyer Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this First Amendment to the Meyer Agreement to be executed as of this 15th day of December, 2008, to be effective as of January 1, 2009.

KeyCorp

By: /s/ Thomas C. Stevens
Thomas C. Stevens
Vice Chair

Henry L. Meyer III

Vice Chair

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Section 7: EX-10.16 (EX-10.16)

Exhibit 10.16

AMENDED AND RESTATED
1991 EQUITY COMPENSATION PLAN
(Amended as of March 13, 2003)

1. Purpose. The KeyCorp Amended and Restated 1991 Equity Compensation Plan is intended to promote the interests of the Corporation and its shareholders by providing equity-based incentives for effective service and high levels of performance to Employees selected by the Committee. To achieve these purposes, the Corporation may grant Awards of Options, Stock Appreciation Rights, Limited Stock Appreciation Rights, Restricted Stock, and Performance Shares to selected Employees, all in accordance with the terms and conditions hereinafter set forth.

2. Definitions.


2.2 Acquisition Price. The term “Acquisition Price” with respect to Restricted Stock shall mean such amount, if any, required by applicable law and as may be specified by the Committee in the Award Instrument with respect to that Restricted Stock as the consideration to be paid by the Employee for that Restricted Stock.

2.3 Award. The term “Award” shall mean an award granted under the Plan of an Option, of Stock Appreciation Rights, of Limited Stock Appreciation Rights, of Restricted Stock, or of Performance Shares.

2.4 Award Instrument. The term “Award Instrument” shall mean a written instrument evidencing an Award in such form and with such provisions as the Committee may prescribe, including, without limitation, an agreement to be executed by the Employee and the Corporation, a certificate issued by the Corporation, or a letter executed by the Committee or its designee. Acceptance of the Award Instrument by an Employee constitutes agreement to the terms of the Award evidenced thereby.

2.5 Change of Control. A “Change of Control” shall be deemed to have occurred if, at any time after the date of the grant of the relevant Award, there is a Change of Control under any of clauses (a), (b), (c), or (d) below. For these purposes, the Corporation will be deemed to have become a subsidiary of another corporation if any other corporation (which term shall include, in addition to a corporation, a limited liability company, partnership, trust, or other organization) owns, directly or indirectly, 50 percent or more of the total combined outstanding voting power of all classes of stock of the Corporation or any successor to the Corporation.

(a) A Change of Control will have occurred under this clause (a) if the Corporation is a party to a transaction pursuant to which the
Corporation is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation and either

(i) immediately after giving effect to that transaction, less than 65% of the then outstanding voting securities of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation represent or were issued in exchange for voting securities of the Corporation outstanding immediately prior to the transaction, or

(ii) immediately after giving effect to that transaction, individuals who were directors of the Corporation on the day before the first public announcement of (A) the pendency of the transaction or (B) the intention of any person or entity to cause the transaction to occur, cease for any reason to constitute at least 51% of the directors of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation.

(b) A Change of Control will have occurred under this clause (b) if a tender or exchange offer shall be made and consummated for 35% or more of the outstanding voting stock of the Corporation or any person (as the term “person” is used in Section 13(d) and Section 14(d)(2) of the 1934 Act) is or becomes the beneficial owner of 35% or more of the outstanding voting stock of the Corporation or there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as adopted under the 1934 Act, disclosing the acquisition of 35% or more of the outstanding voting stock of the Corporation in a transaction or series of transactions by any person (as defined earlier in this clause (b)).

(c) A Change of Control will have occurred under this clause (c) if either

(i) without the prior approval, solicitation, invitation, or recommendation of the Corporation’s Board of Directors any person or entity makes a public announcement of a bona fide intention (A) to engage in a transaction with the Corporation that, if consummated, would result in a Change Event (as

2
and, at any time within the 24 month period immediately following the date of the announcement of that intention, individuals who, on the day before that announcement, constituted the directors of the Corporation (the “Incumbent Directors”) cease for any reason to constitute at least a majority thereof unless both (A) the election, or the nomination for election by the Corporation’s shareholders, of each new director was approved by a vote of at least two-thirds of the Incumbent Directors in office at the time of the election or nomination for election of such new director, and (B) prior to the time that the Incumbent Directors no longer constitute a majority of the Board of Directors, the Incumbent Directors then in office, by a vote of at least 75% of their number, reasonably determine in good faith that the change in Board membership that has occurred before the date of that determination and that is anticipated to thereafter occur within the balance of the 24 month period to cause the Incumbent Directors to no longer be a majority of the Board of Directors was not caused by or attributable to, in whole or in any significant part, directly or indirectly, proximately or remotely, any event under subclause (i) or (ii) of this clause (c).

For purposes of this clause (c), the term “Change Event” shall mean any of the events described in the following subclauses (x), (y), or (z) of this clause (c):

(x) A tender or exchange offer shall be made for 25% or more of the outstanding voting stock of the Corporation or any person (as the term “person” is used in Section 13(d) and Section 14(d)(2) of the 1934 Act) is or becomes the beneficial owner of 25% or more of the outstanding voting stock of the Corporation or there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form, or report), each as adopted under the 1934 Act, disclosing the acquisition of 25% or more of the outstanding voting stock of the Corporation in a
transaction or series of transactions by any person (as defined earlier in this subclause (x)).

(y) The Corporation is a party to a transaction pursuant to which the Corporation is merged with or into, or is consolidated with, or becomes the subsidiary of another corporation and, after giving effect to such transaction, less than 50% of the then outstanding voting securities of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation represent or were issued in exchange for voting securities of the Corporation outstanding immediately prior to such transaction or less than 51% of the directors of the surviving or resulting corporation or (if the Corporation becomes a subsidiary in the transaction) of the ultimate parent of the Corporation were directors of the Corporation immediately prior to such transaction.

(z) There is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Corporation.

(d) A Change of Control will have occurred under this clause (d) if there is a sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation.

2.6 Committee. The term “Committee” shall mean a committee appointed by the Board of Directors of the Corporation to administer the Plan. The Committee shall be composed of not less than three directors of the Corporation. The Board of Directors may also appoint one or more directors as alternate members of the Committee. No officer or Employee of the Corporation or of any Subsidiary shall be a member or alternate member of the Committee. The Committee shall at all times be so comprised (a) as to satisfy the disinterested administration standard contained in Rule 16b-3, if required to qualify for the Rule 16b-3 Exemption and (b) as to satisfy the outside director standard under Section 162(m) of the Internal Revenue Code of 1986, as amended, if required to qualify compensation paid under one or more of the provisions of the Plan as performance-based compensation within the meaning of that section.

2.7 Common Shares. The term “Common Shares” shall mean common shares of the Corporation, with a par value of $1 each.

2.8 Corporation. The term “Corporation” shall mean KeyCorp and its successors, including the surviving or resulting corporation of any merger of KeyCorp
2.9 Disability. The term “Disability” with respect to an Employee shall mean physical or mental impairment which entitles the Employee to receive disability payments under any long-term disability plan maintained by the Corporation.

2.10 Employee. The term “Employee” shall mean any individual employed by the Corporation or by any Subsidiary and shall include officers as well as all other employees of the Corporation or of any Subsidiary (including employees who are members of the Board of Directors of the Corporation or any Subsidiary).

2.11 Employment Termination Date. The term “Employment Termination Date” with respect to an Employee shall mean the first date on which the Employee is no longer employed by the Corporation or any Subsidiary.

2.12 Exercise Price. The term “Exercise Price” with respect to an Option shall mean the price specified in the Option at which the Common Shares subject to the Option may be purchased by the holder of the Option.

2.13 Fair Market Value. Except as otherwise determined by the Committee at the time of the grant of an Award, the term “Fair Market Value” with respect to Common Shares shall mean: (a) if the Common Shares are traded on a national exchange, the mean between the high and low sales price per Common Share on that national exchange on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares, or (b) if the Common Shares are not traded on a national exchange, the mean between the high and low sales price per Common Share in the over-the-counter market, National Market System, as reported by the National Quotations Bureau, Inc. and NASDAQ on the date for which the determination of fair market value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares.

2.14 Incentive Stock Option. The term “Incentive Stock Option” shall mean an Option intended by the Committee to qualify as an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2.15 Limited Stock Appreciation Right. The term “Limited Stock Appreciation Right” or “Limited SAR” shall mean an Award granted to an Employee with respect to all or any part of any Option, that entitles the holder thereof to receive from the Corporation, upon exercise of the Limited SAR and surrender of the related Option, or any portion of the Limited SAR and the related Option, an amount equal to (unless the Committee specifies a lesser amount at the time of the grant of the Award):

(a) in the case of a Limited SAR granted with respect to an Incentive Stock Option, 100% of the excess, if any, measured at the time of the exercise of
2.16 Nonqualified Option. The term "Nonqualified Option" shall mean an Option intended by the Committee not to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

2.17 Option. The term "Option," (a) when used otherwise than in connection with the term Stock Appreciation Right or Limited Stock Appreciation Right, shall mean an Award entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time, and (b) when used in connection with the term Stock Appreciation Right or Limited Stock Appreciation Right, shall mean (i) any such Award or (ii) any award under any other plan maintained or assumed by the
Corporation entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

2.18 Option Expiration Date. The term “Option Expiration Date” with respect to any Option shall mean the date selected by the Committee after which, except as provided in Section 10.4 in the case of the death of the Employee to whom the option was granted, the Option may not be exercised.

2.19 Performance Goal. The term “Performance Goal” shall mean a performance goal specified by the Committee in connection with the potential grant of Performance Shares and may include, without limitation, goals based upon cumulative earnings per Common Share, return on investment, return on shareholders’ equity, or achievement of any other goals, whether or not readily expressed in financial terms, that are related to the performance by the Corporation, by any Subsidiary, or by any Employee or group of Employees in connection with services performed by that Employee or those Employees for the Corporation, a Subsidiary, or any one or more subunits of the Corporation or of any Subsidiary.

2.20 Performance Period. The term “Performance Period” shall mean such one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be relevant in connection with one or more Awards of Performance Shares.

2.21 Performance Shares. The term “Performance Shares” shall mean an Award denominated in Common Shares and contingent upon attainment of one or more Performance Goals by the Corporation or a Subsidiary or any subunit of the Corporation or of any Subsidiary over a Performance Period.

2.22 Plan. The term “Plan” shall mean this KeyCorp Amended and Restated 1991 Equity Compensation Plan as from time to time hereafter amended in accordance with Section 20.

2.23 Restricted Stock. The term “Restricted Stock” shall mean Common Shares of the Corporation delivered to an Employee pursuant to an Award subject to such restrictions, conditions and contingencies as the Committee may provide in the relevant Award Instrument, including (a) the restriction that the Employee not sell, transfer, otherwise dispose of, or pledge or otherwise hypothecate the Restricted Stock during the applicable Restriction Period, (b) the requirement that, subject to the provisions of Section 10, if the Employee’s employment terminates so that the Employee is no longer employed by the Corporation or any Subsidiary before the end of the applicable Restriction Period, the Employee will offer to sell to the Corporation at the Acquisition Price each Common Share of Restricted Stock held by the Employee at the Employment Termination Date with respect to which, as of that date, any restrictions, conditions, or contingencies have not lapsed, and (c) such other restrictions, conditions, and contingencies, if any, as the Committee may provide in the Award Instrument with respect to that Restricted Stock.
2.24 **Restriction Period.** The term “Restriction Period” with respect to an Award of Restricted Stock shall mean the period selected by the Committee and specified in the Award Instrument with respect to that Restricted Stock during which the Employee may not sell, transfer, otherwise dispose of, or pledge or otherwise hypothecate that Restricted Stock.

2.25 **Rule 16b-3.** Term “Rule 16b-3” shall mean Rule 16b-3 or any rule promulgated in replacement thereof or in substitution therefor under the 1934 Act.

2.26 **Rule 16b-3 Exemption.** The term “Rule 16b-3 Exemption” shall mean the exemption from Section 16(b) of the 1934 Act that is available under Rule 16b-3.

2.27 **Section 16(b) Employee.** The term “Section 16(b) Employee” shall mean an individual who is, or at any time within the preceding six months was, a director, officer, or 10% shareholder of the Corporation within the meaning of Section 16(b) of the 1934 Act.

2.28 **Stock Appreciation Right.** The term “Stock Appreciation Right” or “SAR” shall mean an Award granted to an Employee with respect to all or any part of any Option that entitles the holder thereof to receive from the Corporation, upon exercise of the SAR and surrender of the related Option, or any portion of the SAR and the related Option, an amount equal to 100%, or such lesser percentage as the Committee may determine at the time of the grant of the Award, of the excess, if any, measured at the time of the exercise of the SAR, of (a) the Fair Market Value of the Common Shares subject to the Option with respect to which the SAR is exercised over (b) the Exercise Price of those Common Shares under the Option.

2.29 **Subsidiary.** The term “Subsidiary” shall mean any corporation, partnership, joint venture, or other business entity in which the Corporation owns, directly or indirectly, 50 percent or more of the total combined voting power of all classes of stock (in the case of a corporation) or other ownership interest (in the case of any entity other than a corporation).

2.30 **Tandem Award.** The term “Tandem Award” shall mean any two or more Awards that are linked by the terms of any such Awards so that the exercise of one such Award, in whole or in part, requires or will automatically result in the surrender or cancellation, in whole or in proportionate part, of the other such Awards.

2.31 **Transferee.** The term “Transferee” shall mean, with respect to Nonqualified Options only, any person or entity to which an Employee is permitted by the Committee to transfer or assign all or part of his or her Options.

3. **Administration.** The Plan shall be administered by the Committee. No Award may be made under the Plan to any member or alternate member of the Committee. The Committee shall have authority, subject to the terms of the Plan, (a) to
determine the Employees who are eligible to participate in the Plan, the type, size, and terms of Awards to be granted to any Employee, the time or
times at which Awards shall be exercisable or at which restrictions, conditions, and contingencies shall lapse, and the terms and provisions of the
instruments by which Awards shall be evidenced, (b) to establish any other restrictions, conditions, and contingencies on Awards in addition to
those prescribed by the Plan, (c) to interpret the Plan, and (d) to make all determinations necessary for the administration of the Plan.

The construction and interpretation by the Committee of any provision of the Plan or any Award Instrument delivered pursuant to the Plan and
any determination by the Committee pursuant to any provision of the Plan or any Award Instrument shall be final and conclusive. No member or
alternate member of the Committee shall be liable for any such action or determination made in good faith.

The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or
writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of
the Corporation to execute and deliver documents on behalf of the Committee and the Committee may delegate to one or more employees, agents,
or officers of the Corporation, or to one or more third party consultants, accountants, lawyers, or other advisors, such ministerial duties related to
the operation of the Plan as it may deem appropriate.

4. Eligibility. Awards may be granted to Employees of the Corporation or any Subsidiary selected by the Committee in its sole discretion. The
granting of any Award to an Employee shall not entitle that Employee to, nor disqualify the Employee from, participation in any other grant of an
Award. The maximum number of Common Shares with respect to which any Employee may receive Awards during any calendar year shall be the
lesser of 400,000 Common Shares or .2% of the outstanding Common Shares of the Corporation on the date such award was made, which maximum
number shall be subject to adjustment as provided in Section 13 of the Plan.

5. Stock Subject to the Plan. The stock that may be issued and distributed to Employees in connection with Awards granted under the Plan
shall be Common Shares and may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open
market specifically for distribution under the Plan, as the Board of Directors may from time to time determine.

Subject to adjustment as provided in Section 13, the number of Common Shares available for grant of Awards under the Plan shall be
determined from time to time as follows: (a) on the date of the 1994 Annual Meeting of Shareholders of the Corporation (at which meeting an
amendment and restatement of the Plan was submitted for approval of the shareholders of the Corporation), the number of Common Shares
available for grant of Awards under the Plan shall equal two percent of the total number of Common Shares outstanding on March 31, 1994, and
(b) on January 2, 1995 and on each January 2 occurring thereafter through January 2, 2009, the number of Common Shares available
for grant of Awards under the Plan shall be increased by adding to the number of Common Shares then available for grant of Awards under the Plan, the number of Common Shares of the Corporation that, when added to the number of Common Shares that otherwise remain available for grant of additional Awards under the Plan on that January 2, equals two percent of the total number of Common Shares of the Corporation outstanding on December 31st of the next proceeding year.

The number of Common Shares remaining available for grants of additional Awards under the Plan at any particular time during a calendar year shall be reduced, upon the granting thereafter of any Award under the Plan, by the full number of Common Shares subject to that Award except that, in the case of any particular Tandem Award, the number of Common Shares counted as being subject to such Tandem Award shall be the maximum number of Common Shares with respect to which the Employee may receive value under such Tandem Award. If any Award for any reason expires or is terminated, in whole or in part, without the receipt by an Employee of Common Shares (or the equivalent thereof in cash or other property), the Common Shares subject to that part of the Award that has so expired or terminated shall again be available for the future grant of Awards under the Plan.

Notwithstanding any other provision of the Plan, but subject to adjustment under Section 13, (a) the maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options shall be 9,600,000 Common Shares, and (b) the maximum number of Common Shares that may be issued under the Plan as Restricted Stock during any calendar year shall be that number of Common Shares that is equal to five percent of the total number of Common Shares available for grant of Awards under the Plan as of January 2 of that calendar year.


6.1 Type and Date of Grant of Options.

(a) The Award Instrument pursuant to which any Incentive Stock Option is granted shall specify that the Option granted thereby shall be treated as an Incentive Stock Option. The Award Instrument pursuant to which any Nonqualified Option is granted shall specify that the Option granted thereby shall not be treated as an Incentive Stock Option.

(b) The day on which the Committee authorizes the grant of an Incentive Stock Option shall be the date on which that Option is granted. No Incentive Stock Option may be granted on any date after the tenth anniversary of the date of adoption, on March 17, 1994, by the Board of Directors of the Corporation, of the Plan as amended and restated.

(c) The day on which the Committee authorizes the grant of a Nonqualified Option shall be considered the date on which that Option is granted, unless the Committee specifies a later date.

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6.2 Exercise Price. The Exercise Price under any Option shall be not less than the Fair Market Value of the Common Shares subject to the Option on the date the Option is granted.

6.3 Option Expiration Date. The Option Expiration Date under any Incentive Stock Option shall be not later than ten years from the date on which the Option is granted. The Option Expiration Date under any Nonqualified Option shall not be later than ten years and one month from the date on which the Option is granted.

6.4 Exercise of Options.

(a) Except as otherwise provided in Section 10, an Option may be exercised only while the Employee to whom the Option was granted is in the employ of the Corporation or of a Subsidiary. Subject to this requirement, each Option shall become exercisable in one or more installments at the time or times provided in the Award Instrument evidencing the Option. Once any portion of an Option becomes exercisable, that portion shall remain exercisable until expiration or termination of the Option. An Employee to whom an Option is granted or, with respect to Nonqualified Options, the Employee’s Transferee may exercise the Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Option.

(b) An Employee or, with respect to Nonqualified Options, any Transferee electing to exercise an Option shall deliver to the Corporation (i) the Exercise Price payable in accordance with Section 6.5 and (ii) written notice of the election that states the number of whole Common Shares with respect to which the Employee is exercising the Option.

6.5 Payment For Common Shares. Upon exercise of an Option by an Employee or, with respect to Nonqualified Options, any Transferee, the Exercise Price shall be payable by the Employee or Transferee in cash or in such other form of consideration as the Committee determines may be accepted, including without limitation, securities or other property, or any combination of cash, securities or other property, or by delivery by the Employee or Transferee (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act promptly to deliver to the Corporation the amount of sale or loan proceeds to pay the Exercise Price. The Committee, in its sole discretion, may grant to an Employee or, with respect to Nonqualified Options, any Transferee the right to transfer Common Shares acquired upon the exercise of a part of an Option in payment of the Exercise Price payable upon immediate exercise of a further part of the Option.
6.6 Conversion of Incentive Stock Options. The Committee may at any time in its sole discretion take such actions as may be necessary to convert any outstanding Incentive Stock Option (or any installments or portions of installments thereof) into a Nonqualified Option with or without the consent of the Employee to whom that Incentive Stock Option was granted and whether or not that Employee is an Employee at the time of the conversion.


7.1 Grant of SARs and Limited SARs. An SAR may be granted only in connection with an Option. An SAR granted in connection with an Incentive Stock Option may be granted only when the Incentive Stock Option is granted. An SAR granted in connection with a Nonqualified Option may be granted either when the related Nonqualified Option is granted or at any time thereafter including, in the case of any Nonqualified Option resulting from the conversion of an Incentive Stock Option, simultaneously with or after the conversion. Similarly, a Limited SAR may be granted only in connection with an Option. A Limited SAR granted in connection with an Incentive Stock Option may be granted only when the Incentive Stock Option is granted. A Limited SAR granted in connection with a Nonqualified Option may be granted either when the related Nonqualified Option is granted or at any time thereafter including, in the case of any Nonqualified Option resulting from the conversion of an Incentive Stock Option, simultaneously with or after the conversion.

7.2 Exercise of SARs and Limited SARs.

(a) An Employee electing to exercise an SAR or a Limited SAR shall deliver written notice to the Corporation of the election identifying the SAR or Limited SAR and the related Option with respect to which the SAR or Limited SAR was granted to the Employee and specifying the number of whole Common Shares with respect to which the Employee is exercising the SAR or Limited SAR. Upon exercise of the SAR or Limited SAR, the related Option shall be deemed to be surrendered to the extent that the SAR or Limited SAR is exercised.

(b) SARs and Limited SARs may be exercised only (i) after the expiration of six months from the date of grant of the SAR or Limited SAR, (ii) on a date when the SAR or Limited SAR is “in the money” (i.e., when there would be positive consideration received upon exercise of the SAR or Limited SAR), (iii) at a time and to the same extent as the related Option is exercisable, (iv) unless otherwise provided in the relevant Award Instrument, by surrender to the Corporation, unexercised, of the related Option or any applicable portion thereof, and (v) in compliance with all restrictions set forth in or specified by the Committee pursuant to
Section 7.2(c) (in the case of SARs) or Section 7.2(d) (in the case of Limited SARs).

(c) The Committee may specify in the Award Instrument pursuant to which any SAR is granted waiting periods and restrictions on permissible exercise periods in addition to the restrictions on exercise set forth in Section 7.2(b), including, without limitation, any restriction necessary to make applicable the Rule 16b-3 Exemption.

7.3 Payment for SARs and Limited SARs. The amount payable upon exercise of an SAR or Limited SAR may be paid by the Corporation in cash, or, if the Committee shall determine in its sole discretion, in whole Common Shares (taken at their Fair Market Value at the time of exercise of the SAR or Limited SAR) or in a combination of cash and whole Common Shares; provided, however, that in no event shall the total number of Common Shares that may be paid to an Employee pursuant to the exercise of an SAR or Limited SAR exceed the total number of Common Shares subject to the related Option.

7.4 Termination, Amendment, or Suspension of SARs and Limited SARs. SARs and Limited SARs shall terminate and may no longer be exercised upon the first to occur of (a) exercise or termination of the related Option, (b) any termination date specified by the Committee at the time of grant of the SAR or Limited SAR, or (c) the transfer by the Employee of the related Option. In addition, the Committee may in its sole discretion at any time before the occurrence of a Change of Control amend, suspend, or terminate any SAR or Limited SAR theretofore granted under the Plan without the holder’s consent; provided that, in the case of amendment, no provision of the SAR or Limited SAR, as amended, shall be in conflict with any provision of the Plan.
8. Restricted Stock.

8.1 Additional Conditions on Restricted Stock. In addition to the restrictions on disposition of Restricted Stock during the Restriction Period and the requirement to offer Restricted Stock to the Corporation if the Employee’s employment terminates during the Restriction Period, the Committee may provide in the Award Instrument with respect to any Award of Restricted Stock other restrictions, conditions, and contingencies, which other restrictions, conditions, and contingencies, if any, may relate to, in addition to such other matters as the Committee may deem appropriate, the Employee’s personal performance, corporate performance, or the performance of any subunit of the Corporation or any Subsidiary, in each case measured in such manner as may be specified by the Committee. The Committee may impose different restrictions, conditions, and contingencies on separate Awards of Restricted Stock granted to different Employees, whether at the same or different times, and on separate Awards of Restricted Stock granted to the same Employee, whether at the same or different times. The Committee may specify a single Restriction Period for all of the Restricted Stock subject to any particular Award Instrument or may specify multiple Restriction Periods so that the restrictions with respect to the Restricted Stock subject to the Award will expire in stages according to a schedule specified by the Committee and set forth in the Award Instrument; provided, however, that no Restriction Period with respect to any Restricted Stock shall end earlier than one year after the date on which that Restricted Stock is granted.

8.2 Payment for Restricted Stock. Each Employee to whom an Award of Restricted Stock is made shall pay the Acquisition Price with respect to that Restricted Stock to the Corporation not later than 30 days after the delivery to the Employee of the Award Instrument with respect to that Restricted Stock. If any Employee fails to pay the Acquisition Price with respect to any Award of Restricted Stock within that 30 day period, the Employee’s right under that Award shall be forfeited.

8.3 Rights as a Shareholder. Upon payment by an Employee in full of the Acquisition Price for Restricted Stock under an Award, the Employee shall have all of the rights of a shareholder with respect to the Restricted Stock, including voting and dividend rights, subject only to such restrictions and requirements referred to in Section 8.1 as may be incorporated in the Award Instrument with respect to that Restricted Stock.


9.1 Discretion of Committee with Respect to Performance Shares. The Committee shall have full discretion to select the Employees to whom Awards of Performance Shares are made, the number of Performance Shares to be granted to any Employee so selected, the kind and level of the Performance Goals and whether those Performance Goals are to apply to the Corporation, a Subsidiary, or any one or more subunits of the Corporation or of any Subsidiary, and the dates on which each Performance Period shall begin and end, and to determine the form and provisions of the Award Instrument to be used in connection with any Award of Performance Shares.
9.2 Conditions to Payment for Performance Shares.

(a) Unless otherwise provided in the relevant Award Instrument, an Employee must be employed by the Corporation or a Subsidiary on the last day of a Performance Period to be entitled to payment for any Performance Shares.

(b) The Committee may establish, from time to time, one or more formulas to be applied against the Performance Goals to determine whether all, some portion but less than all, or none of the Performance Shares granted with respect to a Performance Period are treated as earned pursuant to any Award. An Employee will be entitled to receive payments with respect to any Performance Shares only to the extent that those Performance Shares are treated as earned under one or more such formulas.

9.3 Payment for Performance Shares. The Corporation shall pay each Employee who is entitled to payment for Performance Shares earned with respect to any Performance Period an amount for those Performance Shares (a) in cash (based upon the per share Fair Market Value of Common Shares on the last day of the Performance Period), (b) in Common Shares (one Common Share for each Performance Share earned), (c) in Restricted Stock (one Common Share of Restricted Stock for each Performance Share earned), or (d) any combination of the foregoing, in such proportions as the Committee may determine. Restricted Stock issued by the Corporation in payment of Performance Shares shall be subject to all the provisions of Section 8.

10. Termination of Employment. After an Employee’s Employment Termination Date, the rules set forth in this Section 10 shall apply. All factual determinations with respect to the termination of an Employee’s employment that may be relevant under this Section 10 shall be made by the Committee in its sole discretion.

10.1 Termination Other Than Upon Death, Disability, or Certain Retirements. Upon any termination of an Employee’s employment for any reason other than the Employee’s retirement (under any retirement plan of the Corporation or of a Subsidiary) as provided in Section 10.2, disability as provided on Section 10.3, or death as provided in Section 10.4:

(a) Unless otherwise provided in the relevant Award Instrument, the Employee or, with respect to Nonqualified Options, any Transferee shall have the right (i) during the period ending six months after the Employment Termination Date, but not later than the Option Expiration Date, to exercise any Nonqualified Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on
the Employment Termination Date, and (ii) during the period ending three months after the Employment Termination Date, but not later that the Option Expiration Date, to exercise any Incentive Stock Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee on the Employment Termination Date. Notwithstanding the preceding sentence, if within two years after a Change of Control an Employee’s Employment Termination Date occurs other than as a result of a Voluntary Resignation, unless otherwise provided in the relevant Award Instrument, the Employee or, with respect to Nonqualified Options, any Transferee shall have the right, during the Extended Period, but not later than the Option Expiration Date, to exercise any Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on the Employment Termination Date (even though, in the case of Incentive Stock Options, exercise of those Options more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Internal Revenue Code of 1986, as amended). As used in the immediately preceding sentence, the term “Extended Period” means the longer of the period that the Option or SAR would otherwise be exercisable in the absence of the immediately preceding sentence or the period ending with the second anniversary date of the Change of Control last occurring before the Employment Termination Date and the term “Voluntary Resignation” means that the Employee shall have terminated his or her employment with the Corporation and its Subsidiaries by voluntarily resigning at his or her own instance without having been requested to so resign by the Corporation or its Subsidiaries except that any resignation by the Employee will not be deemed to be a Voluntary Resignation if, after the Change of Control, the Employee’s base salary was reduced or the Employee was required to relocate his or her principal place of employment more than 35 miles, (b) Unless otherwise provided in the relevant Award Instrument, the Employee shall offer for resale at the Acquisition Price to the Corporation each Common Share of Restricted Stock held by the Employee at the Employment Termination Date with respect to which, as of that date, any restrictions, conditions, or contingencies have not lapsed, and (c) Unless otherwise provided in the relevant Award Instrument, the Employee shall forfeit each Performance Share with respect to
which, as of that date, any restrictions, conditions, or contingencies have not lapsed.

10.2 Termination Due To Certain Retirements. Upon any termination of an Employee’s employment with the Corporation or any Subsidiary under circumstances entitling the Employee to immediate payment of normal retirement or early retirement benefits under any retirement plan of the Corporation or of a Subsidiary (whether the Employee elects to commence or defer receipt of such payment):

(a) Unless otherwise provided in the relevant Award Instrument, the Employee or, with respect to Nonqualified Options, any Transferee shall have the right (i) to exercise, from time to time during the period ending three years (two years if the Option was granted prior to January 1, 2002) after the Employment Termination Date, but not later than the Option Expiration Date, any Nonqualified Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on the Employment Termination Date, and (ii) to exercise, from time to time during the period ending three years (two years if the Option was granted prior to January 1, 2002) after the Employment Termination Date, but no later than the Option Expiration Date, any Incentive Stock Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee on the Employment Termination Date (even though exercise of the Incentive Stock Option more than three months after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Internal Revenue Code of 1986, as amended),

(b) The relevant Award Instrument may provide that the Employee or, with respect to Nonqualified Options, any Transferee will have the right to exercise, from time to time until not later than the Option Expiration Date, Nonqualified Stock Options and SARs and Incentive Stock Options and SARs to the extent such Options and SARs become exercisable by their terms prior to the Option Expiration Date (or such earlier date as specified in the relevant Award Instrument), notwithstanding the fact that such Options and SARs were not exercisable in whole or in part (whether because a condition to exercise had not yet occurred or a specified time period had not yet elapsed or otherwise) on the Employment Termination Date,
10.3 Termination Due To Disability. Upon any termination of an Employee’s employment due to disability:

(a) Unless otherwise provided in the relevant Award Instrument, the Employee, the Employee’s attorney in fact or legal guardian or, with respect to Nonqualified Options, any Transferee shall have the right (i) to exercise, from time to time during the period ending three years (two years if the Option was granted prior to January 1, 2002) after the Employment Termination Date, but not later than the Option Expiration Date, any Nonqualified Options and related SARs that were outstanding on the Employment Termination Date, if and to the same extent those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on the Employment Termination Date, and (ii) to exercise, from time to time during the period ending three years (two years if the Option was granted prior to January 1, 2002) after the Employment Termination Date, but no later than the Option Expiration Date, any Incentive Stock Options and related SARs that were outstanding on the employment Termination Date, if and to the same extent as those Options and SARs were exercisable by the Employee on the Employment Termination Date (even though exercise of the Incentive Stock Option more than one year after the Employment Termination Date may cause the Option to fail to qualify for Incentive Stock Option treatment under the Internal Revenue Code of 1986, as amended).

(b) Unless otherwise provided in the relevant Award Instrument, the Employee shall offer for resale at the Acquisition Price to the Corporation each Common Share of Restricted Stock held by the Employee at the Employment Termination Date with respect to which, as of that date, any restrictions, conditions, or contingencies have not lapsed, and
10.4 Death of an Employee. Upon the death of an Employee while employed by the Corporation or any Subsidiary or within any of the periods referred to in any Section 10.1, 10.2, or 10.3 during which any particular Option or SAR remains potentially exercisable:

(a) Unless otherwise provided in the relevant Award Instrument, if the Option Expiration Date of any Nonqualified Option that had not expired before the Employee’s death would otherwise expire before the first anniversary of the Employee’s death, that Option Expiration Date shall automatically be extended to the first anniversary of the Employee’s death or such other date as provided in the relevant Award Instrument,

(b) Unless otherwise provided in the relevant Award Instrument, the Employee’s executor or administrator, the person or persons to whom the Employee’s rights under any Option or SAR are transferred by will or the laws of descent and distribution or, with respect to Nonqualified Options, any Transferee shall have the right to exercise, from time to time during the period ending three years (two years if the Option was granted prior to January 1, 2002) after the date of the Employee’s death, but not later than the Option Expiration Date, any Options and related SARs that were outstanding on the date of the Employee’s death, if and to the same extent as those Options and SARs were exercisable by the Employee or Transferee (as the case may be) on the date of the Employee’s death,

(c) Unless otherwise provided in the relevant Award Instrument, the Employee shall offer for resale at the Acquisition Price to the Corporation each Common Share of Restricted Stock held by the Employee at the Employment Termination Date with respect to which, as of that date, any restrictions, conditions, or contingencies have not lapsed, and

(d) Unless otherwise provided in the relevant Award Instrument, the Employee shall forfeit each Performance Share with respect to which, as of that date, any restrictions, conditions, or contingencies have not lapsed.

11. Acceleration Upon Change of Control. Unless otherwise specified in the relevant Award Instrument, upon the occurrence of a Change of Control of the
Corporation, each Award theretofore granted to any Employee that then remains outstanding shall be automatically treated as follows: (a) any outstanding Option shall become immediately exercisable in full, (b) SARs and Limited SARs related to any such Options shall also become immediately exercisable in full, (c) the Restriction Period with respect to all outstanding Awards of Restricted Stock shall immediately terminate, and (d) the restrictions, conditions, or contingencies on any Performance Shares shall be modified in such manner as the Committee may specify to give the Employee the benefit of those Performance Shares through the date of Change of Control.

12. Assignability. Nonqualified Options may not be assigned or transferred (other than by will or by the laws of descent and distribution) unless the Committee, in its sole discretion, determines to allow such assignment or transfer and, if the Committee determines to allow any such assignment or transfer, the Transferee shall have the power to exercise such Nonqualified Option in accordance with the terms of the Award and the provisions of this Plan. No Incentive Stock Option, SAR, Limited SAR, Restricted Stock during the Restriction Period, or Performance Share may be transferred other than by will or by the laws of descent and distribution. During an Employee’s lifetime, only the Employee (or in the case of incapacity of an Employee, the Employee’s attorney in fact or legal guardian) may exercise any Incentive Stock Option, SAR, Limited SAR, Restricted Stock during the Restriction Period, or Performance Share requiring or permitting exercise.

13. Adjustment Upon Changes in Common Shares. Automatically and without Committee action, in the event of any stock dividend, stock split, or share combination of the Common Shares, or by appropriate Committee action in the event of any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Corporation or any spin-off or other distribution to shareholders of the Corporation (other than normal cash dividends), appropriate adjustments to (a) the maximum number of Common Shares that may be issued under the Plan pursuant to Section 5, the maximum number of Common Shares that may be issued under the Plan pursuant to Incentive Stock Options as provided in Section 5, and the maximum number of Common Shares with respect to which any Employee may receive Awards during any calendar year as provided in Section 4, and (b) the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Award shall be made to the extent necessary and in such manner that the benefits of Employees under all then outstanding Awards shall be maintained substantially as before the occurrence of such event. Any such adjustment shall be conclusive and binding for all purposes of the Plan and shall be effective, in the event of any stock dividend, stock split, or share combination, as of the date of such stock dividend, stock split, or share combination, and in all other cases, as of such date as the Committee may determine.

14. Purchase For Investment. Each person acquiring Common Shares pursuant to any Award may be required by the Corporation to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Corporation, in its sole discretion, determines that
such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any time such representation is no longer necessary for such purposes.

15. Withholding of Taxes. The Corporation will withhold from any payments of cash made pursuant to the Plan such amount as is necessary to satisfy all applicable federal, state, and local withholding tax obligations. The Committee may, in its discretion and subject to such rules as the Committee may adopt from time to time, permit or require an Employee (or other person exercising an Option with respect to withholding taxes upon exercise of such Option) to satisfy, in whole or in part, any withholding tax obligation that may arise in connection with the grant of an Award, the lapse of any restrictions with respect to an Award, the acquisition of Common Shares pursuant to any Award, or the disposition of any Common Shares received pursuant to any Award by having the Corporation hold back some portion of the Common Shares that would otherwise be delivered pursuant to the Award or by delivering to the Corporation an amount equal to the withholding tax obligation arising with respect to such grant, lapse, acquisition, or disposition in (a) cash, (b) Common Shares, or (c) such combination of cash and Common Shares as the Committee may determine. The Fair Market Value of the Common Shares to be so held back by the Company or delivered by the Employee shall be determined as of the date on which the obligation to withhold first arose.

16. Harmful Activity. If an Employee shall engage in any “harmful activity” prior to or within six months after termination of employment with Key, then any Profits realized upon the exercise of any Covered Option on or after one year prior to the termination of employment with Key shall inure to the Corporation. The aforementioned restriction shall not apply in the event that employment with Key terminates within two years after a Change of Control of the Corporation if any of the following have occurred: a relocation of an Employee’s principal place of employment more than 35 miles from an Employee’s principal place of employment immediately prior to the Change of Control, a reduction in an Employee’s base salary after a Change of Control, or termination of employment under circumstances in which an Employee is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan. If any Profits realized upon the exercise of any Covered Option inure to the benefit of the Corporation in accordance with the first sentence of this paragraph, an Employee shall pay all such Profits to the Corporation within 30 days after first engaging in any harmful activity and all unexercised Covered Options shall immediately be forfeited and canceled. Consistent with the provisions of Section 3 of the Plan, the determination by the Committee as to whether an Employee engaged in “harmful activity” prior to or within six months after termination of employment with Key shall be final and conclusive.

A “harmful activity” shall have occurred if an Employee shall do any one or more of the following:
a. Use, publish, sell, trade or otherwise disclose Non-Public Information of the Key unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to Key.

b. After notice from the Corporation, fail to return to Key any document, data, or thing in an Employee’s possession or to which an Employee has access that may involve Non-Public Information of Key.

c. After notice from the Corporation, fail to assign to Key all right, title, and interest in and to any confidential or non-confidential Intellectual Property which an Employee created, in whole or in part, during employment with Key, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

d. After notice from the Corporation, fail to agree to do any acts and sign any document reasonably requested by Key to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which an Employee created, in whole or in part, during employment with Key, including, without limitation, the signing of patent applications and assignments thereof.

e. Upon an Employee’s own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, solicit or entice for employment or hire any Employee of Key.

f. Upon an Employee’s own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, call upon, solicit, or do business with (other than business which does not compete with any business conducted by Key) any customer of Key an Employee called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while employed at Key unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom an Employee should have reasonably known was a customer of Key.

g. Upon an Employee’s own behalf or upon behalf of any other person or entity that competes or plans to compete with Key, engage in any business activity in competition with Key in the same or a closely related activity that an Employee was engaged in for Key during the one year period prior to the termination of employment.

For purposes of this Section 16:

“Covered Option” means any Option granted on or after January 1, 2001 unless the granting resolution expressly excludes the Option from the provisions of this Section 16.
“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing.

“Key” shall mean the Corporation and its Subsidiaries collectively.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as Key, and that of its customers or suppliers, and that are not generally known by the public.

“Profit” shall mean, with respect to any Covered Option, the spread between the Fair Market Value of a Common Share on the date of exercise and the exercise price multiplied by the number of shares exercised under the Covered Option.

17. Awards in Substitution for Awards Granted by Other Companies. Awards, whether Incentive Stock Options, Nonqualified Options, SARs, Limited SARs Restricted Stock, or Performance Shares, may be granted under the Plan in substitution for awards held by employees of a company who become Employees of the Corporation or a Subsidiary as a result of the merger or consolidation of the employer company with the Corporation or a Subsidiary, or the acquisition by the Corporation or a Subsidiary of the assets of the employer company, or the acquisition by the Corporation or a Subsidiary of stock of the employer company as a result of which it becomes a Subsidiary. The terms, provisions, and benefits of the substitute Awards so granted may vary from the terms, provisions and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions, and benefits of the awards in substitution for which they are granted.
18. Legal Requirements. No Awards shall be granted and the Corporation shall have no obligation to make any payment under the Plan, whether in Common Shares, cash, or any combination thereof, unless such payment is, without further action by the Committee, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the United States Internal Revenue Code and Federal and state securities laws.

19. Duration and Termination of the Plan. The Plan shall become effective and shall be deemed to have been adopted on the date on which it is approved by the shareholders of the Corporation and shall remain in effect thereafter until terminated by action of the Board of Directors. No termination of the Plan shall adversely affect the rights of any Employee with respect to any Award granted before the effective date of the termination.

20. Amendments. The Board of Directors, or a duly authorized committee thereof, may alter or amend the Plan from time to time prior to its termination in any manner the Board of Directors, or such duly authorized committee, may deem to be in the best interests of the Corporation and its shareholders, except that no amendment may be made without shareholder approval if shareholder approval is required under Rule 16b-3 to qualify for the Rule 16b-3 Exemption, is required by any applicable securities law or tax law, or is required by the rules of any exchange on which the Common Shares of the Corporation are traded or, if the Common Shares are not listed on an exchange, by the rules of the registered national securities association through whose inter-dealer quotation system the Common Shares are quoted. The Committee shall have the authority to amend these terms and conditions applicable to outstanding Awards (a) in any case where expressly permitted by the terms of the Plan or of the relevant Award Instrument or (b) in any other case with the consent of the Employee to whom the Award was granted. Except as expressly provided in the Plan or in the Award Instrument evidencing the Award, the Committee may not, without the consent of the holder of an Award granted under the Plan, amend the terms and conditions applicable to that Award in a manner adverse to the interests of the Employee.

21. Plan Noncontractual. Nothing herein contained shall be construed as a commitment to or agreement with any person employed by the Corporation or a Subsidiary to continue such person’s employment with the Corporation or the Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Corporation or any Subsidiary to continue the employment or the annual rate of compensation of any such person for any period. All Employees shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

22. Interest of Employees. Any obligation of the Corporation under the Plan to make any payment at any future date merely constitutes the unsecured promise of the Corporation to make such payment from its general assets in accordance with the Plan, and no Employee shall have any interest in, or lien or prior claim upon, any property of the Corporation or any Subsidiary by reason of that obligation.
23. **Claims of Other Persons.** The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Corporation or any Subsidiary, their officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

24. **Absence of Liability.** No member of the Board of Directors of the Corporation or a Subsidiary, of the Committee, of any other committee of the Board of Directors, or any officer or Employee of the Corporation or a Subsidiary shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, or except in circumstances involving his bad faith or willful misconduct, for anything done or omitted to be done by himself.

25. **Severability.** The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

26. **Governing Law.** The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

27. **Duration and Termination of the Plan.** The Plan shall remain in effect through June 30, 2012, and shall then terminate, unless terminated at an earlier date by action of the Board of Directors or a duly authorized Committee thereof; provided, however, that termination of the Plan shall not affect Awards granted prior thereto.

28. **Plan Effective Date.** The Plan, originally named the Society Corporation 1991 Equity Compensation Plan, was approved by the Corporation’s shareholders at the Annual Meeting of Shareholders held on April 16, 1991 and became effective on that date. On March 17, 1994, the Corporation’s Board of Directors adopted, subject to shareholder approval, certain amendments to the Plan, then renamed the KeyCorp Amended and Restated 1991 Equity Compensation Plan. The shareholders approved these amendments at the Corporation’s Annual Meeting of Shareholders held on May 19, 1994. The Plan was further amended by action of the Committee on July 17, 1996 to amend the definition of Change of Control as set forth in Section 2.5 of the Plan, which amendment was effective as of January 1, 1996. If the Corporation hereafter enters into a transaction intended to be accounted for as a pooling of interests and the Committee determines, based on the written advice of the Corporation’s independent accountants, that the July 17, 1996 amendment or the operation thereof would conflict with or jeopardize the pooling of interests accounting treatment for such transaction, then the July 17, 1996 amendment shall be inoperative and shall be treated as if it had never been effected so that the definition of Change of Control would be as in effect prior to such amendment. The Plan was further amended and restated as of September 19, 1996, to provide for the transferability of Options granted hereunder. The Plan was further amended by action of the Equity Based Compensation Subcommittee of the
Compensation and Organization Committee on May 6, 1998 to amend Section 10.1(a) of the Plan to extend the option exercise period for terminated employees upon a change of control in certain circumstances. The amendment to Section 10.1(a) only applies to Awards and Award Instruments granted or entered into on or after January 1, 1999. If the Corporation enters into a transaction intended to qualify as a pooling of interests for accounting purposes prior to January 1, 1999, the amendment to Section 10.1(a) shall become null and void. The Subcommittee also amended the Plan to delete Section 17 of the Plan and all cross-references thereto. References in the Plan to specific numbers of Common Shares have been adjusted pursuant to Section 13 to reflect the two-for-one split in the Common Shares effective March 6, 1998. With respect to clause (a) of the last paragraph of Section 5, as of May 6, 1998, Incentive Stock Options covering 451,823 Common Shares had been theretofore granted and not expired or terminated unexercised, leaving 9,148,177 Common Shares then available for future grant of Incentive Stock Options (subject to increase in the event that outstanding Incentive Stock Options expire or terminate unexercised). The Plan was further amended by action of the Compensation and Organization Committee on March 15, 2000 to amend Section 1 of the Plan to clarify that Awards under the Plan may be made to any Employee of the Corporation. The Plan was amended on January 17, 2001 to amend Section 6.4(a) to remove the requirement that an Option will not become exercisable unless an Optionee has been continuously employed by the Corporation for at least six months from the date of grant. The Plan was also amended to add a new Section 16 entitled “Harmful Activity” which states that, if an Optionee engages in a “harmful activity” prior to or within six months of termination of employment, profits from the exercise of a Covered Option will inure to the benefit of the Corporation in certain circumstances. Section 16 does not apply to Options granted prior to January 1, 2001. The Plan was amended on March 14, 2001 to amend Sections 10.2, 10.3, and 10.4 to extend the period during which Options are exercisable pursuant to these sections to three years after retirement, disability, or death. The amendment only applies to Options granted on or after January 1, 2002. The Plan was amended on November 14, 2001 to amend Section 2.2 to change the consideration required for Restricted Stock. The Plan was amended on November 21, 2002 to terminate the Plan on June 30, 2012. The Plan was amended on March 13, 2003 to amend Section 5 to terminate on January 2, 2009 the automatic replenishment of available Common Shares.

Section 8: EX-10.18 (EX-10.18)

KEYCORP
1997 STOCK OPTION PLAN
FOR DIRECTORS
(as of March 14, 2001)

1. Purpose of the Plan. The purpose of the KeyCorp 1997 Stock Option Plan for Directors is to encourage Directors to acquire a larger stock ownership in KeyCorp, thus increasing their proprietary interest in KeyCorp and more closely aligning their interests with those of the shareholders of KeyCorp.

2. Definitions. Unless the context clearly indicates otherwise, the following terms have the meanings set forth below.

“Board of Directors” or “Board” means the Board of Directors of KeyCorp.

“Committee” means the committee appointed by the Board of Directors to administer the Plan. The Committee shall be composed of not less than three Directors of KeyCorp. The Board of Directors may also appoint one or more Directors as alternate members of the Committee. No officer or employee of KeyCorp or of any subsidiary of KeyCorp shall be a member or alternate member of the Committee. The Committee shall at all times be comprised solely of “Non-Employee Directors”, as such term is defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934.

“Director” means a member of the Board of Directors of KeyCorp.

“Fair Market Value” means, unless otherwise determined by the Committee, (a) if the Common Shares are traded on a national exchange, the mean between the high and low sales price per Common Share on that national exchange on the date for which the determination of Fair Market Value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares, or (b) if the Common Shares are not traded on a national exchange, the mean between the high and low sales price per Common Share in the over-the-counter market, National Market System, as reported by the National Quotations Bureau, Inc. and NASDAQ on the date for which the determination of Fair Market Value is made or, if there are no sales of Common Shares on that date, then on the next preceding date on which there were any sales of Common Shares.

“Plan” means this KeyCorp 1997 Stock Option Plan for Directors as it may be amended from time to time.
3. Administration of the Plan. The Plan shall be administered by the Committee. The Board may from time to time remove members from or add members to the Committee. Vacancies on the Committee, however caused, shall be filled by the Board. The Board shall select one of the Committee’s members as Chair. Members of the Committee shall be eligible to be granted options to purchase KeyCorp Common Shares under the Plan while serving on the Committee.

The Committee shall be vested with full authority to make such rules and regulations as it deems necessary or desirable to administer the Plan and to interpret the provisions of the Plan. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all optionees and any person claiming under or through an optionee, unless otherwise determined by the Board.

Any determination, decision or action of the Committee provided for in the Plan may be made or taken by action of the Board if it so determines, with the same force and effect as if such determination, decision or action had been made or taken by the Committee. No member of the Committee or of the Board shall be liable for any determination, decision or action made in good faith with respect to the Plan or any option granted under the Plan. The fact that a member of the Board or the Committee shall at the time be, or shall theretofore have been or thereafter may be, a person who has received or is eligible to receive an option shall not disqualify him or her from taking part in and voting at any time as a member of the Board or of the Committee, as applicable, in favor of or against any amendment or repeal of the Plan.

4. Stock Subject to the Plan.

(a) The stock to be issued upon exercise of options granted under the Plan shall be KeyCorp Common Shares which shall be made available from Common Shares held in treasury. The aggregate number of Common Shares which may be issued under or subject to options granted under this Plan shall not exceed 1,000,000 shares.

(b) In the event that any outstanding option or portion thereof under the Plan for any reason expires or is terminated, the Common Shares allocable to the unexercised portion of such option may again be made subject to option under the Plan.

5. Grant of Options. All options granted under this Plan shall be “nonqualified stock options” for purposes of the Internal Revenue Code of 1986, as amended.

6. Option Price. The purchase price per Common Share which is subject to an option shall be 100 percent of the Fair Market Value of a Common Share on the date the option is granted.
7. Eligibility of Optionees.

(a) Options on KeyCorp Common Shares shall automatically be granted annually on the third business day following the date of the earnings release of KeyCorp for the first quarter of each year, commencing in 1998, to those persons who are then serving as Directors of KeyCorp and who are not then employees or officers of KeyCorp. The options granted to each Director on an annual basis shall, as of the option grant date, have a value equal to 2.75 times the annual cash retainer payable to a Director in the year of the option grant (and the value of the options shall be determined in accordance with the formula set forth in Exhibit A to this Plan, which formula is intended to approximate on a simplified basis the Black-Scholes value of the options).

(b) Subject to the terms of the Plan and subject to review by the Board, the Committee shall have exclusive jurisdiction (i) to determine the dates on which, or the time periods during which, the options may be exercised, (ii) to determine the purchase price of the shares subject to each option in accordance with Section 6 of the Plan, and (iii) to prescribe the form, which shall be consistent with the Plan, of the instrument evidencing any options granted under the Plan.

8. Non-Transferability of Options. Unless otherwise determined by the Committee, no option granted under the Plan shall be assignable or transferable by the optionee other than by will or the laws of descent and distribution, and during the lifetime of an optionee the option shall be exercisable only by such optionee.


(a) Unless otherwise determined by the Committee, each option granted under the Plan shall terminate on the date which is 10 years after the date of grant. The Committee in its discretion may provide further limitations on the exercisability of options granted under the Plan. An option may be exercised only during the continuance of the optionee’s service as a Director, except as provided in Sections 10 and 11 of the Plan.

(b) A person electing to exercise an option shall give written notice to KeyCorp of such election and of the number of shares he or she has elected to purchase, in such form or forms as the Committee shall have prescribed or approved, and shall at the time of exercise tender the full purchase price of the shares he or she has elected to purchase. Unless otherwise determined by the Committee, the purchase price shall be paid in full in cash upon the exercise of the option.

10. Termination of Directorship. If an optionee’s status as a Director ceases for any reason other than death, any option granted to him or her under the Plan shall terminate thirty-six months (twenty-four months if the Option was granted prior to March 14, 2001) after the termination of such optionee as a Director; provided, however, that no option shall be exercisable after its expiration date.
11. **Death of Optionee.** If an optionee dies while serving as a Director, or after cessation of such service but within the period during which he or she could have exercised the option under Section 10 of the Plan, then the option may be exercised by the executors or administrators of the optionee’s estate or by any person or persons who have acquired the option directly from the optionee by bequest or inheritance, within thirty-six months (twenty-four months if the Option was granted prior to March 14, 2001) after: (i) the date of the optionee’s death in the case of an optionee who died while still serving as a director, and (ii) the date the optionee ceased being a director in the case of an optionee who ceased being a director prior to such optionee’s death, except that in no case shall an option be exercisable after its expiration date.

12. **Amendment or Termination of the Plan.** The Committee may at any time amend, modify suspend or terminate the Plan or modify any outstanding options granted under the Plan. No amendment, modification, suspension or termination of the Plan nor modification of any outstanding option shall in any manner affect, alter or impair any option theretofore granted under the Plan without the consent of the optionee or any person validly claiming under or through the optionee.

13. **Adjustment Upon Changes in Common Shares.** Automatically and without Committee action in the event of any stock dividend, stock split or share combination of the Common Shares, or by appropriate Committee action in the event of any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation or dissolution involving KeyCorp or any spin-off or other distribution to shareholders of KeyCorp (other than normal cash dividends), (a) appropriate adjustments to the maximum number of Common Shares that may be issued under or subject to options granted under the Plan pursuant to Section 4 shall be made, and (b) appropriate adjustments to the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding option shall be made to the extent necessary and in such manner that the benefits of Directors under all then outstanding options shall be maintained substantially as before the occurrence of such event. Any such adjustment shall be conclusive and binding for all purposes of the Plan, in the event of any stock dividend, stock split or share combination, as of the date of such stock dividend, stock split or share combination, and in all other cases, as of such date as the Committee may determine.

14. **Awards in Substitution for Options Granted by Other Companies.** Options may be granted under the Plan in substitution for awards held by directors of a company who become Directors of KeyCorp as a result of the merger or consolidation of such company with KeyCorp, or the acquisition by KeyCorp of the assets of such company, or the acquisition by KeyCorp of stock of such company as a result of which it becomes a subsidiary. The terms, provisions and benefits of the substitute options so granted may vary from the terms, provisions and benefits set forth in or authorized by the Plan to such extent as the Committee at the time of the grant may deem appropriate to conform, in whole or in part, to the terms, provisions and benefits of the awards in substitution for which they are granted.
15. **Legal Requirements.** No options shall be granted and KeyCorp shall have no obligation to make any payment under the Plan, whether in Common Shares, cash or any combination thereof, unless such payment is, without further action by KeyCorp, in compliance with all applicable Federal and state laws and regulations, including, without limitation, the United States Internal Revenue Code and Federal and state securities laws.

16. **Absence of Liability.** No member of the Board of Directors of KeyCorp, of the Committee, of any other committee of the Board of Directors or any officer or Director of KeyCorp or a subsidiary of KeyCorp shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent or employee, or except in circumstances involving his or her bad faith or willful misconduct, for any thing done or omitted to be done by himself or herself.

17. **Severability.** The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.

18. **Governing Law.** The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

19. **Plan Effective Date.** The Plan was approved by the Board of Directors of KeyCorp at a meeting held on January 16, 1997 and amended on November 19, 1997, April 21, 1999, and March 14, 2001.
### Exhibit 10.19

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<th>Formula</th>
<th>Example</th>
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<tr>
<td>Amount of annual cash retainer payable to a director in year of option grant</td>
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<tr>
<td>multiply by 2.75</td>
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<tr>
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<td>74,250</td>
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<tr>
<td>multiply by 3</td>
<td>X 3</td>
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<td>222,750</td>
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<td>divide by Fair Market Value (mean between high and low sales price per Common Share) of a Common Share on the date of the option grant</td>
<td>65</td>
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<tr>
<td></td>
<td>3,426</td>
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<tr>
<td>round up to nearest whole number divisible by 100. This would be the number of Common Shares covered by the options grant to each Director.</td>
<td>3,500 Common Shares</td>
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### Section 9: EX-10.19 (EX-10.19)

**KEYCORP**  
UMBRELLA TRUST™ FOR DIRECTORS  
JULY 1, 1990

KeyCorp  
One KeyCorp Plaza  
Post Office Box 88  
Albany, New York 12201-0088

NBD Bank, N.A.  
611 Woodward Avenue  
Detroit, Michigan 48226
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This Trust Agreement is made and entered into by and between KeyCorp, a New York corporation (the “Company”), and NBD Bank, N.A., a Michigan banking corporation (the “Trustee”).

The Company hereby establishes with the Trustee a trust to hold all monies and other assets, together with the income thereon, as shall be paid or transferred to it hereunder in accordance with the terms and conditions of this Trust Agreement. The Trustee hereby accepts the trust established under this Trust Agreement and agrees to hold, IN TRUST, all monies and other assets transferred to it hereunder for the uses and purposes and upon the terms and conditions set forth herein, and the Trustee further agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

PREAMBLE

The Company has adopted the following plans (the “Plans”) which shall be subject to this trust:

- Deferred Compensation Plan for Directors
- Directors’ Retirement Plan
- Directors’ Survivor Benefit Plan

If only one Plan is subject to this trust at any time, references in this Trust Agreement to the Plans shall refer to such Plan.

The Plans are administered by an administrative committee (the “Committee”) appointed by the Company. If the Plans are administered by more than one Committee at any time, references in this Trust Agreement to the Committee which relate to a particular Plan shall refer to the Committee which administers that Plan and, if the reference does not relate to a particular Plan, shall refer to all of such Committees.
references in this Trust Agreement to the Committee shall refer to the administrative committee(s) which administers the Plan(s), unless the Company appoints a separate administrative committee to administer this Trust Agreement. If the Company appoints a separate administrative committee to administer this Trust Agreement, references in this Trust Agreement to the Committee shall refer to such administrative committee which is appointed to administer this Trust Agreement, unless the context clearly indicates otherwise.

The Plan participants who are covered by this Trust Agreement ("Participants") shall be all persons who are Plan participants prior to a Special Circumstance, unless the Company specifically designates only specified individuals or groups of Plan participants as Participants covered by this Trust Agreement. After a person becomes a Participant covered by this Trust Agreement, such person will continue to be a Participant at all times thereafter (including after retirement or other termination of service) until all Plan benefits payable to such Participant have been paid, the Participant ceases to be entitled to any Plan benefits, or the Participant’s death, whichever occurs first. The term “Participant” shall not include any beneficiaries of Participants.

At any time prior to a Special Circumstance, the Company may, by written notice to the Trustee, cause additional plans to become Plans subject to this Trust Agreement or cause additional Plan participants to become Participants covered by this Trust Agreement. Upon and after a Special Circumstance, the Company shall not add any additional plans or Plan participants to this Trust Agreement.

The Company shall provide the Trustee with certified copies of the following items: (i) the Plan documents; (ii) all Plan amendments promptly upon their adoption; and (iii) lists and specimen signatures of the members of the Committee(s) which administer the Plan(s) and this Trust Agreement and any other Company representatives authorized to take action in regard to the administration of the Plan(s) and this trust, including any changes in the members of such Committee(s) and of such other representatives promptly following any such change. The Company shall also provide the Trustee at least annually with a list of all Participants in each Plan who are covered by this Trust Agreement.
The purpose of this trust is to give Participants greater security by placing assets in trust for use only to pay Plan benefits to Participants or, if the Company becomes insolvent, to pay creditors. The Company shall continue to be liable to Participants to make all payments required under the terms of the Plans to the extent such payments are not made from this trust. Distributions made from this trust to Participants or their beneficiaries shall, to the extent of such distributions, satisfy the Company’s obligations to pay benefits to Participants and their beneficiaries under the Plans.

The Company and the Trustee agree that the trust hereby created has been established to pay obligations of the Company pursuant to the Plans and is subject to the rights of general creditors of the Company, and accordingly is a grantor trust under the provisions of Sections 671 through 677 of the Internal Revenue Code of 1986, as amended (the “Code”). The Company hereby agrees to report all items of income, deductions and credits of the trust on its own income tax returns; and the Company shall have no right to any distributions from the trust or any claim against the trust for funds necessary to pay any income taxes which the Company is required to pay on account of reporting the income of the trust on its income tax returns. No contribution to or income of the trust is intended to be taxable to Participants until benefits are distributed to them.

The Plans are solely for directors and are not employee benefit plans within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and as such are intended not to be covered by ERISA.

ARTICLE I

EFFECTIVE DATE; DURATION

1.01 Effective Date and Trust Year

This trust shall become effective when the Trust Agreement has been executed by the Company and the Trustee and the Company has made a contribution to the trust. For tax purposes the trust year shall be the calendar year. For financial reporting purposes the trust year shall coincide with the Company’s fiscal year. The Company shall report any change in its fiscal year to the Trustee.
1.02 Duration

1.02-1 This trust shall continue in effect until all assets of the trust fund are exhausted through distribution of benefits to Participants, payment to creditors in the event of insolvency, payment of fees and expenses of the Trustee, and return of remaining funds to the Company pursuant to 1.02-2. Notwithstanding the foregoing, this trust shall terminate on the day before twenty-one (21) years after the death of the last survivor of all present or future Participants who are now living and those persons now living who are designated as beneficiaries of any such Participants in accordance with the terms of any of the Plans.

1.02-2 Except as otherwise provided in 1.02 and 1.03, the trust shall be irrevocable until all benefits payable under the Plans to Participants who are covered by this Trust Agreement are paid. The Trustee shall then return to the Company any assets remaining in the trust.

1.02-3 If the existence of this trust or any Subtrust is held to be Tax Funding by a federal court and appeals from that holding are no longer timely or have been exhausted, this trust or such Subtrust shall terminate. The Board of Directors of the Company (the “Board”) may also terminate this trust or any Subtrust if it determines that either (i) judicial authority or the opinion of the Treasury Department or Internal Revenue Service (as expressed in proposed or final regulations, rulings, or similar administrative announcements) creates a significant risk that the trust or any Subtrust will be held to be Tax Funding or (ii) the Code requires the trust or any Subtrust to be amended in a way that creates a significant risk that the trust or such Subtrust will be held to be Tax Funding, and failure to so amend the trust or such Subtrust could subject the Company to material penalties. Upon any such termination, the assets of each terminated Subtrust remaining after payment of the Trustee’s fees and expenses shall be distributed as follows:

(a) Such assets shall be transferred to a new trust established by the Company which is not deemed to be Tax Funding, but which is similar in all other respects to this trust, if the Company determines that it is possible to establish such a trust.
(b) If the Company determines that it is not possible to establish the trust in (a) above, then the assets shall be distributed to the Company if the Written Consent of Participants, as defined in 1.02-5, is obtained for such distribution.

(c) If the Company determines that it is not possible to establish the trust in (a) above and the Written Consent of Participants is not obtained to distribute the assets to the Company, then the assets of the terminated Subtrust shall be allocated in proportion of (i) the vested accrued benefits and (ii) then, if any assets remain, the unvested (if any) accrued benefits of Participants under the applicable Plan and shall be distributed to such Participants in lump sums. Any assets remaining shall be distributed to other Subtrusts or the Company in accordance with 2.04.

Notwithstanding the foregoing, the Trustee shall distribute Plan benefits to a Participant to the extent that a federal court has held that the interest of the Participant in this trust causes such Plan benefits to be includible for federal income tax purposes in the gross income of the Participant prior to actual payment of such Plan benefits to the Participant and appeals from that holding are no longer timely or have been exhausted. The Trustee may also distribute Plan benefits to a Participant, upon direction of the Committee, if the Trustee reasonably believes that there is a significant risk that the Participant’s interest in the trust fund will be held to be Tax Funding with respect to such Participant. The provisions of this paragraph shall also apply to any beneficiary of a Participant.

1.02-4 This trust is “Tax Funding” if it causes the interest of a Participant in this trust to be includible for federal income tax purposes in the gross income of the Participant prior to actual payment of Plan benefits to the Participant.

1.02-5 “Written Consent of Participants” means, for the purposes of this Trust Agreement, consent in writing by Participants who (i) are a majority in number and (ii) have more than fifty percent (50%) in value of the accrued benefits, of the Participants in each Subtrust under this Trust Agreement on the date of such consent.
1.03 Irrevocability

1.03-1 Subject to 1.02, this trust shall become irrevocable upon the issuance by the Internal Revenue Service of a private letter ruling establishing that its existence and ownership of assets do not cause the trust to be deemed to be Tax Funding. If such a ruling is denied or the Company is informed that a ruling will not be forthcoming, the Company may revoke the trust and take possession of all assets held by the Trustee for the trust. This trust shall also become irrevocable if such a ruling is not requested by the Company within ninety (90) days after the date of establishing this trust.

1.03-2 Notwithstanding the provisions of 1.03-1, if a Special Circumstance occurs, the Company may declare the trust to be irrevocable.

1.04 Special Circumstance

1.04-1 Upon the occurrence of a Special Circumstance described in 1.04-2, the trust assets shall be held for Participants who had accrued benefits under the Plans before the Special Circumstance occurred, including benefits accrued for such Participants after the Special Circumstance.

1.04-2 A “Special Circumstance” shall mean a Change in Control (as defined in 1.04-3) or a Default (as defined in 1.04-6).

1.04-3 A “Change in Control” shall mean a Change in Control of a nature that would be required to be reported (assuming such event has not been “previously reported”) in response to Item 1(a) of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or any successor thereto; provided that, without limitation, such a Change in Control shall be deemed to have occurred at such time as:

(a) Any person is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of twenty-five percent (25%) or more of the combined voting power of the Company’s Voting Securities;

(b) Individuals who constitute the Board of the Company on the date hereof (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of the Company or the Board of any corporation with which the Company mergers, provided that any...
person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least three quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (b), considered as though such person were a member of the Incumbent Board;

(c) If any person or entity acquires an interest which is determined by the Federal Reserve Board to constitute a controlling interest in the Company;

(d) The sale by the Company of more than fifty percent (50%) of the book value of its assets to a single purchaser or to a group of affiliated purchasers; or

(e) The merger or consolidation of the Company in a transaction in which the shareholders of the Company receive less than fifty percent (50%) of the outstanding voting shares of the continuing corporation.

1.04-4 For purposes of this Trust Agreement, a Change in Control shall be deemed to have occurred when the Trustee makes a determination to that effect on its own initiative or upon receipt by the Trustee of written notice to that effect from the Company. The Chief Executive Officer of the Company or the Board shall furnish written notice to the Trustee when a Change in Control occurs under 1.04-3.

1.04-5 “Voting Securities” shall mean any securities of the Company which vote generally in the election of directors.

1.04-6 A “Default” shall mean a failure by the Company to contribute, within thirty (30) days of receipt of written notice from the Trustee, any of the following amounts:

(a) The full amount of any insufficiency in assets of any Subtrust that is required to pay any premiums or loan interest payments on insurance contracts which are held in the Subtrust;
(b) The full amount of any insufficiency in assets of any Subtrust that is required to pay any Plan benefit that is payable upon a direction from the Committee pursuant to 3.02-3 or upon resolution of a disputed claim pursuant to 3.03-2; or

c) Any contribution which is then required under 2.01.

If, after the occurrence of a Default, the Company at any time cures such Default by contributing to the trust all amounts which are then required under subparagraphs (a), (b) and (c) above, it shall then cease to be deemed that a Default has occurred or that a Special Circumstance has occurred by reason of such Default.

ARTICLE II

TRUST FUND AND FUNDING POLICY

2.01 Contributions

2.01-1 The Company shall contribute to the trust such amounts as are required to purchase or hold insurance contracts in the trust and to pay premiums and loan interest payments thereon, all as described in 2.02-1. The Company shall also contribute to the trust such amounts as are necessary to enable the Trustee to make all Plan benefit payments to Participants when due, unless the Company makes such payments directly, whenever the Trustee advises the Company that the assets of the trust or Subtrust, other than insurance contracts or amounts needed to pay future premiums or loan interest payments on insurance contracts, are insufficient to make such payments. In its discretion, the Company may contribute to the trust such additional amounts or assets as the Committee may reasonably decide are necessary to provide security for all Plan benefits payable to Participants covered by this trust.

2.01-2 Whenever the Company makes a contribution to the trust, the Company shall designate the Plan(s) and Subtrust(s) to which such contribution (or designated portions thereof) shall be allocated. The Company may also make contributions to a special reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceedings.
Company shall designate a separate Subtrust to receive such contributions, which shall be distinct from the other Subtrust(s) established for the Plant(s).

A trust funding deposit for payment of future insurance premiums (“Trust Funding Deposit”) shall be established in each Subtrust which holds insurance contracts. The Company shall designate the portion of each contribution which shall be allocated to the Trust Funding Deposit for a particular Subtrust. The Trust Funding Deposit for a Subtrust shall normally be used only to pay premiums on insurance contracts which are held in that Subtrust. However, if necessary, the Trust Funding Deposit may be used to pay Plan benefits which are payable to Participants from the Subtrust in the sole discretion of the Trustee.

2.01-3 The Company shall, immediately upon the occurrence of a Special Circumstance (as defined in 1.04-2) or a Potential Change in Control (as defined in 2.01-7), and at least annually following a Special Circumstance, contribute to the trust the sum of the following:

(a) The present value of the remaining premiums and the interest on any policy loans on insurance contracts held in the trust to the extent the Trust Funding Deposit is determined to be inadequate to pay such remaining premiums and policy loan interest.

(b) The amount by which the present value of all benefits (vested and unvested) payable under the Plans on a pretax basis to Participants covered by this trust exceeds the value of all trust assets. Each Participant’s benefit under any Plan for purposes of calculating present value shall be the highest benefit the Participant would have accrued under the Plan within the twenty-four (24) months following such event, assuming that the Participant’s service continues for twenty-four (24) months at the same rate of compensation, that the Participant continues to make future deferrals under deferred compensation plans in accordance with his prior elections, and that the Participant is terminated at a time when he is entitled to receive any benefit enhancement provided by the Plan upon a Change in Control. Any benefit enhancement or right with respect to the Plans which is provided under employment or
severance agreements of Participants shall be taken into account in making the foregoing calculation.

(c) The present value of a reasonable estimate provided by the Trustee of its fees and expenses due over the remaining duration of the trust. Unless the Trustee estimates a greater amount, such amount shall be presumed to be equal to two percent (2%) of the present value of all accrued benefits (vested and unvested) payable under the Plans on a pretax basis to Participants covered by this trust.

(d) The present value of a reasonable estimate provided by the Trustee of the anticipated fees and expenses for the purpose of commencing or defending lawsuits or legal or administrative proceedings over the remaining duration of the trust. Unless the Trustee estimates a greater amount, such amount shall be presumed to be equal to two percent (2%) of the present value of all accrued benefits (vested and unvested) payable under the Plans on a pretax basis to Participants covered by this trust.

2.01-4 The calculations required under 2.01-3 shall be based on the terms of the Plans and the actuarial assumptions and methodology set forth in Appendix A attached hereto. Before a Special Circumstance, Appendix A may be revised by the Committee from time to time. After a Special Circumstance, Appendix A may be revised only with the Written Consent of Participants.

2.01-5 Whenever the Company makes a contribution to the trust pursuant to 2.01-3, it shall furnish the Trustee with a written statement setting forth the computation of all required amounts contributed under subparagraphs (a), (b), (c) and (d) of 2.01-3.

Whenever a Special Circumstance occurs or the Company makes a contribution pursuant to 2.01-3, the Company shall deliver to the Trustee, contemporaneously with or immediately prior to such event, a schedule (the “Payment Schedule”) indicating the amounts payable under each Plan in respect of each Participant, or providing a formula or instructions acceptable to the Trustee for determining the amounts so payable, the form in which such amounts are to be paid (as provided for or
available under the Plans) and the time of commencement for payment of such amounts. The Payment Schedule shall include any other necessary instructions with respect to Plan benefits (including legal expenses) payable under the Plans and any conditions with respect to any Participant’s entitlement to, and the Company’s obligation to provide, such benefits, and such instructions may be revised from time to time to the extent so provided under the Plans or this Trust Agreement.

A modified Payment Schedule shall be delivered by the Company to the Trustee at each time that (i) additional amounts are required to be paid by the Company to the Trustee pursuant to 2.01-3, (ii) Excess Assets are returned to the Company pursuant to 2.04, and (iii) upon the occurrence of any event requiring a modification of the Payment Schedule. The Company shall also furnish a Payment Schedule or modified Payment Schedule for any or all Plan(s) upon request by the Trustee at any other time. Whenever the Company is required to deliver to the Trustee a Payment Schedule or a modified Payment Schedule, the Company shall also deliver at the same time to each Participant the respective portion of the Payment Schedule or modified Payment Schedule that sets forth the amount payable to that Participant.

2.01-6 Any contribution to the trust which is made by the Company under 2.01-3 on account of a Potential Change in Control shall be returned to the Company following one (1) year after delivery of such contribution to the Trustee unless a Change in Control shall have occurred during such one (1) year period, if the Company requests such return within sixty (60) days after such one (1) year period. If no such request is made within this sixty (60) day period, the contribution shall become a permanent part of the trust fund. The one (1) year period shall recommence in the event of and upon the date of any subsequent Potential Change in Control.

2.01-7 A “Potential Change in Control” shall be deemed to occur if:

(a) Any person, as defined in Section 13(d)(3) of the Act, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company delivers to the Company a statement containing the information required by Schedule 13-D under the Act, or any amendment to any such statement, that shows that such person has acquired, directly or indirectly, the beneficial ownership of (i) more
than twenty-four and nine-tenths percent (24.9%) of any class of equity security of the Company entitled to vote as single class in the
election or removal from office of directors, or (ii) more than twenty-four and nine-tenths percent (24.9%) of the voting power of any group of
classes of equity securities of the Company entitled to vote as a single class in the election or removal from office of directors;

(b) The Company becomes aware that preliminary or definitive copies of a proxy statement and information statement or other
information have been filed with the Securities and Exchange Commission pursuant to Rule 14a-6, Rule 14a-11, Rule 14c-5, or Rule 14f-1 under
the Act relating to a Potential Change in Control of the Company;

(c) Any person delivers to the Company pursuant to Rule 14d-3 under the Act a Tender Offer Statement relating to Voting Securities of
the Company;

(d) Any person (other than the Company) publicly announces an intention to take actions which if consummated would constitute a
Change in Control;

(e) The Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in
Control;

(f) The Board approves a proposal, or the Company enters into an agreement, which if consummated would constitute a Change in
Control; or

(g) The Board adopts a resolution to the effect that, for purposes of this Trust Agreement, a Potential Change in Control has occurred.

Notwithstanding the foregoing, a Potential Change in Control shall not be deemed to occur as a result of any event described in (a) through
(f) above, if directors who were a majority of the members of the Board prior to such event determine that the
event shall not constitute a Potential Change in Control and furnish written notice to the Trustee of such determination.

2.01-8 For purposes of this trust, a Potential Change in Control shall be deemed to have occurred when the Trustee makes a determination to that effect on its own initiative or upon receipt by the Trustee of written notice to that effect from the Company. The Chief Executive Officer of the Company or the Board shall furnish written notice to the Trustee when a Potential Change in Control occurs under 2.01-7.

2.01-9 The Trustee shall accept the contributions made by the Company and hold them as a trust fund for the payment of benefits under the Plans. The Trustee shall not be responsible for determining the required amount of contributions or for collecting any contribution not voluntarily paid, nor shall the Trustee be responsible for the adequacy of the trust fund to meet and discharge all liabilities under the Plans. Contributions may be in cash or in other assets specified in 2.02.

2.02 Investments and Valuation

2.02-1 The trust fund shall be invested primarily in insurance contracts (“Contracts”). Such Contracts may be purchased by the Company and transferred to the Trustee as in-kind contributions or may be purchased by the Trustee with the proceeds of cash contributions (or may be purchased upon direction by the Committee pursuant to 2.02-2 or an Investment Manager pursuant to 2.02-4). The Company’s contributions to the trust shall include sufficient cash to make projected premium payments on such Contracts and payments of interest due on loans secured by the cash value of such Contracts, unless the Company makes these payments directly. The Trustee shall have the power to exercise all rights, privileges, options and elections granted by or permitted under any Contract or under the rules of the insurance company issuing the Contract (“Insurer”), including the right to obtain policy loans against the cash value of the Contract. Prior to a Special Circumstance, the exercise by the Trustee of any incidents of ownership under any Contract shall be subject to the direction of the Committee. The Committee may from time to time direct the Trustee in writing as to the designation of the beneficiary of a Participant under a Contract for any part of the death benefits payable to such beneficiary thereunder, and the Trustee shall file such designation with the Insurer.
Notwithstanding anything contained herein to the contrary, neither the Company nor the Trustee shall be liable for the refusal of any Insurer to issue or change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in the trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for failure of any Insurer to pay the proceeds of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than its own negligence or willful misconduct) any Contracts shall lapse or otherwise become uncollectible.

2.02-2 Prior to a Special Circumstance, the Trustee shall invest the trust fund in accordance with written directions by the Committee, including directions for exercising rights, privileges, options and elections pertaining to Contracts and for borrowing from Contracts or other borrowing by the Trustee. The Trustee shall act only as an administrative agent in carrying out directed investment transactions and shall not be responsible for the investment decision. If a directed investment transaction violates any duty to diversify, to maintain liquidity or to meet any other investment standard under this trust or applicable law, the entire responsibility shall rest upon the Company. The Trustee shall be fully protected in acting upon or complying with any investment objectives, guidelines, restrictions or directions provided in accordance with this paragraph.

After a Special Circumstance the Committee shall no longer be entitled to direct the Trustee with respect to the investment of the trust fund, unless the Written Consent of Participants is obtained for the Committee to continue to have this right pursuant to 2.02-2. If such Written Consent of Participants is not obtained, the trust fund shall be invested by the Trustee pursuant to 2.02-3 or by an Investment Manager pursuant to 2.02-4. The Trustee or Investment Manager shall have the right to invest the Trust Fund primarily in insurance contracts pursuant to 2.02-1.

Notwithstanding the foregoing, no investments shall be made at any time in any securities, instruments, accounts or real property of the Company, and the Trustee
may not loan trust fund assets to the Company, or permit the Company to pledge trust fund assets as collateral for loans to the Company.

The Committee may not direct the Trustee to make any investments, and the Company may not make any contributions to the trust fund, which are not permissible investments under 2.02-2 and 2.02-3.

2.02-3 If the Trustee does not receive instructions from the Committee for the investment of part or all of the trust fund for a period of at least sixty (60) days, the Trustee shall invest and reinvest the assets of the trust fund as the Trustee, in its sole discretion, may deem appropriate, in accordance with applicable law. Permissible investments shall be limited to the following:

   (a) Insurance or annuity contracts;

   (b) Preferred or common stocks, bonds, notes, debentures, commercial paper, certificates of deposit, money market funds, obligations of governmental bodies, or other securities;

   (c) Interest-bearing savings or deposit accounts with any federally-insured bank or savings and loan association (including the Trustee or an affiliate of the Trustee); or

   (d) Shares or certificates of participation issued by investment companies, investment trusts, mutual funds, or common or pooled investment funds (including any common or pooled investment fund now or hereafter maintained by the Trustee or an affiliate of the Trustee).

2.02-4 The Company may appoint one or more investment managers ("Investment Manager") subject to the following provisions:

   (a) The Company may appoint one or more Investment Managers to manage (including the power to acquire and dispose of) a specified portion of the assets of the trust (hereinafter referred to as that Investment Manager’s “Segregated Fund”). Any Investment Manager so appointed must be either (A) an investment adviser registered as such under the Investment Advisers Act of 1940, (B) a bank, as defined in that
Act, or (C) an insurance company qualified to perform services in the management, acquisition or disposition of the assets of trusts under the laws of more than one state; and any Investment Manager so appointed must acknowledge in writing to the Company and to the Trustee that it is a fiduciary with respect to the Plans. The Trustee, until notified in writing to the contrary, shall be fully protected in relying upon any written notice of the appointment of an Investment Manager furnished to it by the Company. In the event of any vacancy in the office of Investment Manager, the Trustee shall be deemed to be the Investment Manager of that Investment Manager’s Segregated Fund until an Investment Manager thereof shall have been duly appointed; and in such event, until an Investment Manager shall have been so appointed and qualified, references herein to the Trustee’s acting in respect of that Segregated Fund pursuant to direction from the Investment Manager shall be deemed to authorize the Trustee to act in its own discretion in managing and controlling the assets of that Segregated Fund, and subparagraphs (b) and (c) below shall have no effect with respect thereto and shall be disregarded.

(b) Each Investment Manager appointed pursuant to subparagraph (a) above shall have exclusive authority and discretion to manage and control the assets of its Segregated Fund and may invest and reinvest the assets of the Segregated Fund in any investments in which the Trustee is authorized to invest under 2.02-3, subject to the terms and limitations of any written instruments pertaining to its appointment as Investment Manager. Copies of any such written instruments shall be furnished to the Trustee. In addition, each Investment Manager from time to time and at any time may delegate to the Trustee (or in the event of any vacancy in the office of Investment Manager, the Trustee may exercise in respect of that Investment Manager’s Segregated Fund) discretionary authority to invest and reinvest otherwise uninvested cash held in its Segregated Fund temporarily in bonds, notes or other evidences of
indebtedness issued or fully guaranteed by the United States of America or any agency or instrumentality thereof, or in other obligations of a short-term nature, including prime commercial paper obligations or part interests therein.

(c) Unless the Trustee knowingly participates in, or knowingly undertakes to conceal, an act or omission of an Investment Manager, knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager with respect to the Plans, the Trustee shall not be liable for any act or omission of any Investment Manager and shall not be under any obligation to invest or otherwise manage the assets of the Plans that are subject to the management of any Investment Manager. Without limiting the generality of the foregoing, the Trustee shall not be liable by reason of taking or refraining from taking at the direction of an Investment Manager any action in respect of that Investment Manager’s Segregated Fund. The Trustee shall be under no duty to question or to make inquiries as to any direction or order or failure to give direction or order by any Investment Manager; and the Trustee shall be under no duty to make any review of investments acquired for the trust at the direction or order of any Investment Manager and shall be under no duty at any time to make any recommendation with respect to disposing of or continuing to retain any such investment.

2.02-5 The values of all assets in the trust fund shall be reasonably determined by the Trustee and may be based on the determination of qualified independent parties or Experts (as described in 2.06-2). At any time before or after a Special Circumstance, the Trustee shall have the right to secure confirmation of value by a qualified independent party or Expert for all property of the trust fund, as well as any property to be substituted for other property of the trust fund pursuant to 2.05. Before a Special Circumstance the Company may designate one or more independent parties, who are acceptable to the Trustee, to determine the fair market value of any notes, securities, real property or other assets.
Any insurance or annuity contracts held in the trust fund shall be valued at their cash surrender value, except for purposes of substituting other property for such Contracts pursuant to 2.05-2. All securities shall be valued net of costs to sell, or register for sale, such securities. All real property shall be valued net of costs to sell such real property. All other assets of the trust fund shall be valued at their fair market value.

The Company shall pay all costs incurred in valuing the assets of the trust fund, including any assets to be substituted for other assets of the trust fund pursuant to 2.05. If not so paid, these costs shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such costs paid out of the trust fund.

2.03 Subtrusts

2.03-1 The Trustee shall establish a separate subtrust (“Subtrust”) for each Plan to which it shall credit contributions it receives which are earmarked for that Plan and Subtrust. The Trustee shall also establish a separate Subtrust to which it shall credit contributions it receives which are earmarked to the special reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceedings. Each Subtrust shall reflect an undivided interest in assets of the trust fund and shall not require any segregation of particular assets, except that an insurance contract covering benefits of a particular Plan shall be held in the Subtrust for the Plan. All contributions shall be designated by the Company for a particular Subtrust. However, any contribution received by the Trustee which is not earmarked for a particular Subtrust shall be allocated among the Subtrusts as the Trustee may determine in its sole discretion.

The Committee may direct the Trustee to maintain a separate sub-account within each Subtrust for a Plan for each Participant who is covered by the Subtrust. Each sub-account in a Subtrust shall reflect an individual interest in assets of the Subtrust and, as much as possible, shall operate in the same manner as if it were a separate Subtrust.

2.03-2 The Trustee shall allocate investment earnings and losses and expenses of the trust fund among the Subtrusts in proportion to their balances, except that changes in the value of an insurance contract (including premiums and interest on loans on an insurance contract) shall be allocated to the Subtrust for which it is held. Payments
to creditors during Insolvency Administration under 5.02 shall be charged against the Subtrusts in proportion to their balances, except that payment of Plan benefits to a Participant as a general creditor shall be charged against the Subtrust for that Plan.

2.03-3 Assets allocated to a Subtrust for one Plan may not be utilized to provide benefits under any other Plans until all benefits under such Plan have been paid in full, except that Excess Assets of a Subtrust may be transferred to other Subtrusts pursuant to 2.04-5.

2.04 Recapture of Excess Assets

2.04-1 In the event the trust shall hold Excess Assets, the Committee, at its option, may direct the Trustee to return part or all of such Excess Assets to the Company.

2.04-2 “Excess Assets” are assets of the trust exceeding one hundred twenty-five percent (125%) of the amounts described in subparagraphs (a), (b), (c) and (d) of 2.01-3.

2.04-3 The calculation required by 2.04-2 shall be based on the terms of the Plans and the actuarial assumptions and methodology set forth in Appendix A. Before a Special Circumstance, the calculation shall be made by the Company or a qualified actuary or consultant selected by the Committee. After a Special Circumstance, the calculation shall be made by a qualified actuary or consultant selected by the Trustee, provided the Committee may select a qualified actuary or consultant with the Written Consent of Participants.

2.04-4 Excess Assets shall be returned to the Company in the following order of priority, unless the Trustee determines otherwise to protect the participants:

(a) Cash and cash equivalents;

(b) All taxable investments of the trust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Committee may request;

(c) All non-taxable investments of the trust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Committee may request; and
(d) Contracts with Insurers, proceeding in order of Contracts on insureds from the youngest to the oldest ages based on the insured’s attained age on the date of return of Excess Assets.

2.04-5 If any Subtrust holds Excess Assets, the Committee may direct the Trustee to transfer such Excess Assets to other Subtrusts, either ratably in proportion to the unfunded liabilities to Participants for Plan benefits of all other Subtrusts or first to the other Subtrust(s) with the largest percentage of such unfunded liabilities. After a Special Circumstance the Trustee may also transfer Excess Assets of a Subtrust to other Subtrusts upon its own initiative in such amounts as it may determine in its sole discretion.

Excess Assets of a Subtrust for a Plan shall be determined in the same manner as Excess Assets of the trust are determined pursuant to 2.04-2 and 2.04-3. In making this determination each Subtrust for a Plan shall bear its allocable share of the amounts described in subparagraphs (a) and (b) of 2.01-3 which relate to that Plan. The Trustee, in its sole discretion, shall determine whether there are Excess Assets in the separate Subtrust which constitutes the reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceedings. Excess Assets for this Subtrust shall be any amounts which the Trustee reasonably determines will not be needed in the future for payment of such fees and expenses.
2.05 Substitution of Other Property

2.05-1 The Company shall have the power to reacquire part or all of the assets or collateral held in the trust fund at any time, by simultaneously substituting for it other readily marketable property of equivalent value, net of any costs or disposition; provided that, if the trust holds Excess Assets, the property which is substituted shall not be required to be of equivalent value, but only of sufficient value so that the trust will retain Excess Assets of not less than $10,000 after such substitution. The property which is substituted must be among the types of investments authorized under 2.02 and may not be less liquid or marketable or less well secured than the property for which it is substituted, as determined by the Trustee. Such power is exercisable in a nonfiduciary capacity and may be exercised without the approval or consent of Participants or any other person.

2.05-2 Except for insurance contracts, the value of any assets reacquired under 2.05-1 shall be determined as provided in 2.02-5. The value of any insurance contract reacquired under 2.05-1 shall be the present value of future projected cash flow or benefits payable under the Contract, but not less than the cash surrender value. The projection shall include death benefits based on reasonable mortality assumptions, including known facts specifically relating to the health of the insured and the terms of the Contract to be reacquired. Values shall be reasonably determined by the Trustee and may be based on the determination of qualified independent parties and Experts, as described in 2.02-5 and 2.06-2. The Trustee shall have the right to secure confirmation of value by a qualified independent party or Expert for all property to be substituted for other property.

2.05-3 The Company shall pay all costs incurred in valuing the assets of the trust fund, including any assets to be substituted for other assets of the trust fund pursuant to 2.05. If not so paid, these costs shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such costs paid out of the trust fund.

2.06 Administrative Powers of Trustee

2.06-1 Subject in all respects to applicable provisions of this Trust Agreement and the Plans, including limitations on investment of the trust fund, the
Trustee shall have the rights, powers and privileges of an absolute owner when dealing with property of the trust, including (without limiting the generality of the foregoing) the powers listed below:

(a) To sell, convey, transfer, exchange, partition, lease, and otherwise dispose of any of the assets of the trust at any time held by the Trustee under this Trust Agreement;

(b) To exercise any option, conversion privilege or subscription right given the Trustee as the owner of any security held in the trust; to vote any corporate stock either in person or by proxy, with or without power of substitution; to consent to or oppose any reorganization, consolidation, merger, readjustment of financial structure, sale, lease or other disposition of the assets of any corporation or other organization, the securities of which may be an asset of the trust; and to take any action in connection therewith and receive and retain any securities resulting therefrom;

(c) To deposit any security with any protective or reorganization committee, and to delegate to such committee such power and authority with respect thereto as the Trustee may deem proper, and to agree to pay out of the trust such portion of the expenses and compensation of such committee as the Trustee, in its discretion, shall deem appropriate;

(d) To cause any property of the trust to be issued, held or registered in the name of the Trustee as trustee, or in the name of one or more of its nominees, or one or more nominees of any system for the central handling of securities, or in such form that title will pass by delivery, provided that the records of the Trustee shall in all events indicate the true ownership of such property, or to deposit any securities held in the trust with a securities depository;

(e) To renew or extend the time of payment of any obligation due to or become due;
(f) To commence or defend lawsuits or legal or administrative proceedings; to compromise, arbitrate or settle claims, debts or damages in favor of or against the trust; to deliver or accept, in either total or partial satisfaction of any indebtedness or other obligation, any property; to continue to hold for such period of time as the Trustee may deem appropriate any property so received; and to pay all costs and reasonable attorneys’ fees in connection therewith out of the assets of the trust;

(g) To foreclose any obligation by judicial proceeding or otherwise;

(h) Subject to 2.02, to borrow money from any person in such amounts, upon such terms and for such purposes as the Trustee, in its discretion, may deem appropriate; and in connection therewith, to execute promissory notes, mortgages or other obligations and to pledge or mortgage any trust assets as security; and to lend money on a secured or unsecured basis to any person other than a party in interest;

(i) To manage any real property in the trust in the same manner as if the Trustee were the absolute owner thereof, including the power to lease the same for such term or terms within or beyond the existence of the trust and upon such conditions as the Trustee may deem proper; and to grant options to purchase or acquire options to purchase any real property;

(j) To appoint one or more persons or entities as ancillary trustee or sub-trustee for the purpose of investing in and holding title to real or personal property or any interest therein located outside the State of Michigan; provided that any such ancillary trustee or sub-trustee shall act with such power, authority, discretion, duties, and functions of the Trustee as shall be specified in the instrument establishing such ancillary trust or sub-trust, including (without limitation) the power to receive, hold and manage property, real or personal, or undivided interests
therein; and the Trustee may pay the reasonable expenses and compensation of such ancillary trustees or sub-trustees out of the trust;

(k) To hold such part of the assets of the trust uninvested for such limited periods of time as may be necessary for purposes of orderly trust administration or pending required directions, without liability for payment of interest;

(l) To determine how all receipts and disbursements shall be credited, charged or apportioned as between income and principal, and the decision of the Trustee shall be final and not subject to question by any Participant or beneficiary of the trust; and

(m) Generally to do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the orderly administration or protection of the trust fund.

2.06-2 The Trustee may engage one or more qualified independent attorneys, accountants, actuaries, appraisers, consultants or other experts (an “Expert”) for any purpose, including the determination of Excess Assets pursuant to 2.04 or disputed claims pursuant to 3.03. The determination of an Expert shall be final and binding on the Company, the Trustee, and all of the Participants unless, within thirty (30) days after receiving a determination deemed by any Participant to be adverse, any Participant initiates suit in a court of competent jurisdiction seeking appropriate relief. The Trustee shall have no duty to oversee or independently evaluate the determination of the Expert. The Trustee shall be authorized to pay the fees and expenses of any Expert out of the assets of the trust fund.

2.06-3 The Company shall from time to time pay taxes (references in this Trust Agreement to the payment of taxes shall include interest and applicable penalties) of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of the trust fund, the income or any property forming a part thereof, or any security transaction pertaining thereto. To the extent that any taxes levied or assessed upon the trust fund are not paid by the Company or contested by the Company pursuant to the last sentence of this paragraph, the Trustee shall pay such taxes.
out of the trust fund, and the Company shall upon demand by the Trustee deposit into the trust fund an amount equal to the amount paid from the trust fund to satisfy such tax liability. If requested by the Company, the Trustee shall, at the Company’s expense, contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, but only if it has received an indemnity bond or other security satisfactory to it to pay any expenses of such contest. Alternatively, the Company may itself contest the validity of any such taxes, but any such contest shall not affect the Company’s obligation to reimburse the trust fund for taxes paid from the trust fund.

2.06-4 Notwithstanding any provisions in the Plans or this Trust Agreement to the contrary, the Company and Trustee may withhold any benefits payable to a beneficiary as a result of the death of the Participant or any other beneficiary until such time as (a) the Company or Trustee is able to determine whether a generation-skipping transfer tax, as defined in Chapter 13 of the Code, or any substitute provision therefore, is or may become payable by the Company or Trustee as a result of benefit payments to the beneficiary; and (b) the Company or Trustee has determined the amount of generation-skipping transfer tax that is or may become due, including interest thereon. If any such tax is or may become payable, the Company or Trustee shall reduce the benefits otherwise payable hereunder to such beneficiary by such amounts as the Company or Trustee feels are reasonably necessary to pay any generation-skipping transfer tax and interest thereon which is or may become due.

Any excess amounts so withheld from a beneficiary, which are not used to pay generation-skipping transfer tax and interest thereon, shall be payable to the beneficiary as soon as there is a final determination of the applicable generation-skipping transfer tax and interest thereon. Whenever any amounts which were withheld are paid to any beneficiary, interest shall be payable by the Company or Trustee to such beneficiary for the period of time between the date when such amounts would otherwise have been paid to the beneficiary and the date when such amounts are actually paid to the beneficiary after the aforementioned generation-skipping transfer tax determinations are made and the amount of benefits payable to the beneficiary is finally determined. Interest shall be payable at the same rate as provided under 5.03-2.
ARTICLE III
ADMINISTRATION

3.01 Committee, Company Representatives

3.01-1 The Committee is the plan administrator for the Plans and has general responsibility to interpret the Plans and determine the rights of Participants and beneficiaries.

3.01-2 The Trustee shall be given the names and specimen signatures of the members of the Committee and any other Company representatives authorized to take action in regard to the administration of the Plans and this trust. The Trustee shall accept and rely upon the names and signatures until notified of any change. Instructions to the Trustee shall be signed for the Committee by the Chairman or such other person as the Committee may designate and for the Company by any officer or such other representative as the Company may designate.

3.02 Payment of Benefits

3.02-1 Benefit payments shall normally be made directly by the Company. If such payments are not made when due, after sixty (60) days written notice to the Company to permit the Company to cure any such Default, unless such notice is waived by the Company, the Trustee shall pay benefits to Participants and beneficiaries on behalf of the Company in satisfaction of its obligations under the Plans. Benefit payments from a Subtrust shall be made in full until the assets of the Subtrust are exhausted. Payments due on the date the Subtrust is exhausted shall be covered pro rata. The Company’s obligation shall not be limited to the trust fund, and a Participant or beneficiary shall have a claim against the Company for any payment not made by the Trustee.

3.02-2 A Participant’s entitlement to benefits under the Plans shall be determined by the Committee. Any benefit enhancement or right with respect to the Plans which is provided under employment or severance agreements of Participants shall be taken into account in making the foregoing determination. Any claim for such benefits shall be considered and reviewed under the claims procedures established for the Plans.
3.02-3 The Trustee shall make payments in accordance with written directions from the Committee or consultant designated by the Committee, except as provided in 3.03. The Trustee may request such directions from the Committee or consultant designated by the Committee. If the Committee or consultant designated by the Committee fails to furnish written directions to the Trustee, within sixty (60) days after receiving a written request for directions from the Trustee, the Trustee may make payments in accordance with written directions from Participants or may determine the amounts due under the terms of the Plans in reliance upon the most recent Payment Schedule furnished to it by the Company.

The Trustee shall make any required income tax withholding and shall pay amounts withheld to taxing authorities on the Company’s behalf or determine that such amounts have been paid by the Company.

3.02-4 The Trustee shall use the assets of the trust or any Subtrust to make benefit payments or other payments in the following order of priority, unless the Trustee determines otherwise to protect the Participants:

(a) Cash contributions from the Company which are specifically designated to enable the Trustee to make such benefit payments or other payments when due;

(b) Cash and cash equivalents of the trust or Subtrust;

(c) All taxable investments of the trust or Subtrust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Trustee may determine;

(d) All non-taxable investments of the trust or Subtrust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Trustee may determine; and

(e) Contracts with Insurers held in the trust or Subtrust, in such order and manner (for example, making tax-free withdrawals prior to any taxable withdrawals from Contracts) as the Trustee may determine. Unless the Trustee determines otherwise to protect the Participants, the Trustee shall make tax-free withdrawals prior to any taxable withdrawals from Contracts; shall make withdrawals from Contracts to the premium
vanish point before surrendering any Contracts; and shall surrender Contracts, only if necessary, proceeding in order of Contracts on
insureds from the youngest to the oldest ages based on the insured’s age on the date of surrender of the Contract.

Notwithstanding the foregoing, the Trustee may use the assets of the trust or any Subtrust in any other order of priority directed by the
Committee with the Written Consent of Participants affected thereby.

3.03 Disputed Claims

3.03-1 A Participant covered by this Trust whose claim has been denied by the Committee, or who has received no response to the claim
within sixty (60) days after submission, may submit the claim to the Trustee. The Trustee shall give written notice of the claim to the Committee. If
the Trustee receives no written response from the Committee within thirty (30) days after the date the Committee is given written notice of the
claim, the Trustee shall pay the Participant the amount claimed, unless it determines that a lesser amount is due under the terms of the Plans. If a
written response is received within such thirty (30) days, the Trustee shall consider the claim, including the Committee’s response. If the merits of
the claim depend on compensation, service or other data in the possession of the Company and it is not provided, the Trustee may rely upon
information provided by the Participant. Any benefit enhancement or right with respect to the Plans which is provided under employment or
severance agreements of Participants shall be taken into account in making the foregoing determination.

3.03-2 The Trustee shall give written notice to the Participant and the Committee of its decision on the claim. If the decision is to grant the
claim, the Trustee shall make payment to the Participant. The Trustee may decline to decide a claim and may file suit to have the matter resolved by
a court of competent jurisdiction. All of the Trustee’s expenses in the court proceeding, including attorneys’ fees, shall be allowed as
administrative expenses of the trust.

Either the Participant or the Company may challenge the Trustee’s decision by filing suit in a court of competent jurisdiction. If no such suit
is filed within
sixty (60) days after delivery of written notice of the Trustee’s decision, the decision shall become final and binding on all parties.

Notwithstanding the two preceding paragraphs, after the Trustee decides a claim or declines to decide a claim, any dispute between a Participant and the Company or the Trustee as to the interpretation or application of the provisions of this Trust Agreement and amounts payable hereunder may, at the election of any party to such dispute (or, if more than one Participant is such a party, at the election of two-thirds (2/3) of such Participants) be determined by binding arbitration in New York in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court of competent jurisdiction. All fees and expenses of such arbitration shall be paid by the Trustee and considered an expense of the trust under 3.06.

If the Participant is not satisfied with the decision of the Arbitrator, the Participant may appeal the Arbitrator’s decision by filing suit in a court of competent jurisdiction. If no such suit is filed within sixty (60) days after delivery of written notice of the Arbitrator’s decision, the decision shall become final and binding on all. If the Participant appeals the Arbitrator’s decision, and the decision is ultimately upheld, the Participant shall reimburse the Trustee for all expenses incurred in defending the Arbitrator’s decision.

3.03-3 If the Committee opposes a claim presented under 3.03-1 and the Trustee ultimately pays the claim from trust assets, the Trustee shall reimburse the Participant’s expenses in pursuing the claim, including attorneys’ fees at the trial and appellate level. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such Participant’s expenses which are reimbursed by the Trustee.
3.04 Records

3.04-1 The Trustee shall keep complete records on the trust fund open to inspection by the Company, Committee and Participants at all reasonable times. In addition to accountings required below, the Trustee shall furnish to the Company, Committee and Participants any information reasonably requested about the trust fund.

3.05 Accountings

3.05-1 The Trustee shall furnish the Company with a complete statement of accounts annually within sixty (60) days after the end of the trust year showing assets and liabilities and income and expense for the year of the trust and each Subtrust. The Trustee shall also furnish the Company with accounting statements at such other times as the Company may reasonably request. The form and content of the statement of accounts shall be sufficient for the Company to include in computing its taxable income and credits the income, deductions and credits against tax that are attributable to the trust fund. The Trustee shall also allow, upon the Company’s request, access to the statements of account by the Company’s independent public accountant.

3.05-2 The Company may object to an accounting within one hundred eighty (180) days after it is furnished and require that it be settled by audit by a qualified, independent certified public accountant. The auditor shall be chosen by the Trustee from a list of at least five such accountants furnished by the Company at the time the audit is requested. Either the Company or the Trustee may require that the account be settled by a court of competent jurisdiction, in lieu of or in conjunction with the audit. All expenses of any audit or court proceedings, including reasonable attorneys’ fees, shall be allowed as administrative expenses of the trust.

3.05-3 If the Company does not object to an accounting within the time provided, the account shall be settled for the period covered by it.

3.05-4 When an account is settled, it shall be final and binding on all parties, including all Participants and persons claiming through them.

3.06 Expenses and Fees

3.06-1 The Trustee shall be reimbursed for all reasonable expenses and shall be paid a reasonable fee fixed by agreement with the Company from time to time. No increase in the fee shall be effective before sixty (60) days after the Trustee gives
written notice to the Company of the increase. The Trustee shall notify the Company periodically of expenses and fees.

3.06-2 The Company shall pay Trustee and other administrative and valuation fees and expenses. If not so paid, these fees and expenses shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any fees and expenses paid out of the trust fund.

ARTICLE IV
LIABILITY

4.01 Indemnity

4.01-1 Subject to such limitations as may be imposed by applicable law, the Company shall indemnify and hold harmless the Trustee from any claim, loss, liability or expense arising from any action or inaction in administration of this trust based on direction or information from either the Company, Committee, any Investment Manager or any Expert, or any action taken with respect to Written Consent of Participant as defined in 1.02-5, except in the case of willful misconduct or bad faith.

4.02 Bonding

4.02-1 The Trustee need not give any bond or other security for performance of its duties under this trust.

ARTICLE V
INSOLVENCY

5.01 Determination of Insolvency

5.01-1 The Company is Insolvent for purposes of this trust if:

(a) The Company is unable to pay its debts as they come due; or

(b) The Company is the subject of a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute).

5.01-2 The Company shall promptly give written notice to the Trustee upon becoming Insolvent. The Chief Executive Officer of the Company and the Board
shall be obligated to give such notice. If the Trustee receives such notice or receives from any other person claiming to be a creditor of the Company a written allegation that the Company is Insolvent, the Trustee shall independently determine whether such insolvency exists. The expenses of such determination shall be allowed as administrative expenses of the trust.

5.01-3 Upon receipt of the notice or allegation described in 5.01-2, the Trustee shall discontinue making payments from the trust fund to Participants and beneficiaries under the Plans and shall commence Insolvency Administration under 5.02.

5.01-4 The Trustee shall have no obligation to investigate the financial condition of the Company prior to receiving a notice or allegation of insolvency under 5.01-2.

5.02 Insolvency Administration

5.02-1 During Insolvency Administration, the Trustee shall hold the trust fund for the benefit of the creditors of the Company and make payments only in accordance with 5.02-2. The Participants and beneficiaries shall have no greater rights than general creditors of the Company. The Trustee shall continue the investment of the trust fund in accordance with 2.02.

5.02-2 The Trustee shall make payments out of the trust fund in one or more of the following ways:

(a) To creditors in accordance with instructions from a court, or a person appointed by a court, having jurisdiction over the Company’s condition of insolvency;

(b) To Participants and beneficiaries in accordance with such instructions; or

(c) In payment of its own fees or expenses.

5.02-3 The Trustee shall have a priority claim against the trust fund with respect to its own fees and expenses.
5.03 Termination of Insolvency Administration

5.03-1 Insolvency Administration shall terminate when the Trustee determines that the Company:

(a) Is not Insolvent, in response to a notice or allegation of insolvency under 5.01-2;

(b) Has ceased to be Insolvent; or

(c) Has been determined by a court of competent jurisdiction not to be Insolvent or to have ceased to be Insolvent.

5.03-2 Upon termination of Insolvency Administration under 5.03-1, the trust fund shall continue to be held for the benefit of the Participants and beneficiaries under the Plans. Benefit payments due during the period of Insolvency Administration shall be made as soon as practicable, together with interest from the due dates at the following rates:

(a) For the Deferred Compensation Plan for Directors, the rate credited on the Participant’s account under the Plan.

(b) For the Directors’ Retirement Plan, a rate equal to the interest rate fixed by the Pension Benefit Guaranty Corporation for valuing immediate annuities in the preceding month.

5.04 Creditors’ Claims During Solvency

5.04-1 During periods of Solvency the Trustee shall hold the trust fund exclusively to pay Plan benefits and fees and expenses of the trust until all Plan benefits have been paid. Creditors of the Company shall not be paid during Solvency from the trust fund, which may not be seized by or subjected to the claims of such creditors in any way.

5.04-2 A period of Solvency is any period not covered by 5.02.
ARTICLE VI
SUCCESSOR TRUSTEES

6.01 Resignation and Removal

6.01-1 The Trustee may resign at any time by notice to the Company, which shall be effective in sixty (60) days unless the Company and the Trustee agree otherwise.

6.01-2 The Trustee may be removed by the Company on sixty (60) days’ written notice or shorter notice accepted by the Trustee. After a Special Circumstance the Trustee may be removed only with the Written Consent of Participants.

6.01-3 When resignation or removal is effective, the Trustee shall begin transfer of assets to the successor Trustee immediately. The transfer shall be completed within sixty (60) days, unless the Company extends the time limit.

6.01-4 If the Trustee resigns or is removed, the Company shall appoint a successor by the effective date of resignation or removal under 6.01-1 or 6.01-2. After a Special Circumstance a successor Trustee may be appointed only with the Written Consent of Participants. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the trust.

6.02 Appointment of Successor

6.02-1 The Company may appoint any national or state bank or trust company that is unrelated to the Company as a successor to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, which shall have all of the rights and powers of the former Trustee, including ownership rights in the trust assets. The former Trustee shall execute any instruments necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer. After a Special Circumstance a successor Trustee may be appointed only with the Written Consent of Participants.

6.02-2 The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing trust assets, subject to Article II. The successor Trustee shall not be responsible for, and the Company shall indemnify and
hold harmless the successor Trustee from any claim or liability because of, any action or inaction of any prior Trustee or any other past event, any existing condition or any existing assets.

6.03 Accountings; Continuity

6.03-1 A Trustee who resigns or is removed shall submit a final accounting to the Company as soon as practicable. The accounting shall be received and settled as provided in 3.05 for regular accountings.

6.03-2 No resignation or removal of the Trustee or change in identity of the Trustee for any reason shall cause a termination of the Plan or this trust.

ARTICLE VII
GENERAL PROVISIONS

7.01 Interests Not Assignable

7.01-1 The interest of a Participant in the trust fund may not be assigned, pledged or otherwise encumbered, seized by legal process, transferred or subjected to the claims of the Participant’s creditors in any way.

7.01-2 The Company may not create a security interest in the trust fund in favor of any of its creditors. The Trustee shall not make payments from the trust fund of any amounts to creditors of the Company other than Participants, except as provided in 5.02.

7.01-3 The Participants shall have no interest in the assets of the trust fund beyond the right to receive payment of Plan benefits and reimbursement of expenses from such assets subject to the instructions during Insolvency referred to in 5.02. During Insolvency Administration the Participants’ rights to trust assets shall not be superior to those of any other general creditors of the Company.

7.02 Amendment

7.02-1 The Company and the Trustee may amend this Trust Agreement at any time by a written instrument executed by both parties. Except as provided below, any such amendment after a Special Circumstance or more than two (2) years after the date hereof may be made only with the Written Consent of Participants. Notwithstanding the foregoing, any such amendment may be made by written agreement of the Company.
and the Trustee without the Written Consent of Participants if such amendment will not have a material adverse effect on the rights of any Participant hereunder or, prior to a Special Circumstance, is necessary to comply with any laws, regulations or other legal requirements.

7.03 Applicable Law

7.03-1 This trust shall be governed, construed and administered according to the laws of Michigan, except as preempted by ERISA.

7.04 Agreement Binding on All Parties

7.04-1 This Trust Agreement shall be binding upon the heirs, personal representatives, successors and assigns of any and all present and future parties.

7.05 Notices and Directions

7.05-1 Any notice or direction under this Trust Agreement shall be in writing and shall be effective when actually delivered or, if mailed, when deposited postpaid as first-class mail. Mail to a party shall be directed to the address stated below or to such other address as either party may specify by notice to the other party. Notices to the Committee shall be sent to the address of the Company. Notices to Participants who have submitted claims under 3.03 shall be mailed to the address shown in the claim submission. Until notice is given to the contrary, notices to the Company and the Trustee shall be addressed as follows:

Company: KeyCorp
One KeyCorp Plaza
Post Office Box 88
Albany, New York 12201-0088
Attention: Lee Irving

Trustee: NBD Bank, N.A.
611 Woodward Avenue
Detroit, Michigan 48226
Attention: Ken Oswald

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7.06 No Implied Duties

7.06-1 The duties of the Trustee shall be those stated in this trust, and no other duties shall be implied.

7.07 Gender, Singular and Plural

7.07-1 All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

ARTICLE VIII

INSURER

8.01 Insurer Not a Party

8.01-1 The Insurer shall not be deemed to be a party to this Trust Agreement, and its obligations shall be measured and determined solely by the terms of its Contracts and other agreements executed by it.

8.02 Authority of Trustee

8.02-1 The Insurer shall accept the signature of the Trustee on any documents or papers executed in connection with such Contracts. The signature of the Trustee shall be conclusive proof to the Insurer that the person on whose life an application is being made is eligible to have such Contract issued on his life and is eligible for a Contract of the type and amount requested.

8.03 Contract Ownership

8.03-1 The Insurer shall deal with the Trustee as the sole and absolute owner of the trust’s interests in such Contracts and shall have no obligation to inquire whether any action or failure to act on the part of the Trustee is in accordance with or authorized by the terms of the Plans or this Trust Agreement.

8.04 Limitation of Liability

8.04-1 The Insurer shall be fully discharged from any and all liability for any action taken or any amount paid in accordance with the direction of the Trustee and shall have no obligation to see to the proper application of the amounts so paid. The Insurer shall have no liability for the operation of this Trust Agreement or the Plans, whether or not in accordance with their terms and provisions.
8.05 Change of Trustee

8.05-1 The Insurer shall be fully discharged from any and all liability for dealing with a party or parties indicated on its records to be the Trustee until such time as it shall receive at its home office written notice of the appointment and qualification of a successor Trustee.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Trust Agreement to be executed by their respective duly authorized officers on the dates set forth below.

Company:

By: ________________________________________

Its: ________________________________________

Executed: ________________________________________ , 199__

Trustee:

By: ________________________________________

Its: ________________________________________

Executed: ________________________________________ , 199__
APPENDIX A

ASSUMPTIONS AND METHODOLOGY FOR
CALCULATIONS REQUIRED UNDER 2.01 AND 2.04

1. The liability for benefits under each Plan will be calculated using two different assumptions as to when Participants terminate service:
   (a) As of the applicable date under 2.01-3 or 2.04.
   (b) Twenty-four (24) months after the applicable date, assuming future compensation continues at current levels, and future deferrals under deferred compensation plans continue pursuant to prior elections.

   The liability for accrued benefits under each Plan will be the greater of the liabilities calculated in accordance with (a) and (b) above.

2. Calculations will be based upon the most valuable optional form of payment available to the Participant.

3. The liability for benefits under deferred compensation or other defined contribution Plans shall be equal to the deferral or other account balances (vested and unvested) of Participants as of the applicable date, plus projected deferrals expected to be made within twenty-four (24) months after the applicable date pursuant to prior elections. Account balances of Participants under a Plan shall be calculated based on crediting the highest rate of interest which may become payable to Participants under the Plan.

4. The liability for benefits under other Plans shall be equal to the present value of accrued benefits (vested and unvested) of Participants as of the relevant dates under 1(a) or (b) above.

5. No mortality is assumed prior to the commencement of benefits. Future mortality is assumed to occur in accordance with the 1983 Group Annuity Table Male Rates after the commencement of benefits.

6. The present value of accounts shall be determined using a discount rate equal to the then current Pension Benefit Guaranty Corporation immediate annuity rate for nonmulti-employer plan.

7. Where left undefined above, calculations will be performed in accordance with generally accepted actuarial principles.

EXHIBIT A.1

Section 10: EX-10.20 (EX-10.20)

KEYCORP
DIRECTOR DEFERRED COMPENSATION PLAN
(MAY 18, 2000 RESTATEMENT)

The KeyCorp Director Deferred Compensation Plan, originally established as of January 1, 1984, is hereby amended and restated in its entirety, effective May 18, 2000.

KeyCorp hereby establishes this Director Deferred Compensation Plan for directors of KeyCorp and its subsidiaries to provide directors with the opportunity to defer payment of their directors’ fees in accordance with the provisions of this Plan.

ARTICLE I
DEFINITIONS

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. “Account” shall mean the bookkeeping account established in accordance with Article II hereof.

2. “Beneficiary” shall mean any person designated by a Participant in accordance with the Plan to receive payment of all or a portion of the remaining balance of the Participant’s Account in the event of the death of the Participant prior to receipt by the Participant of the entire amount credited to the Participant’s Account.

3. “Change of Control” shall be deemed to have occurred if under any rabbi trust arrangement maintained by the Corporation, the Corporation is required under the terms of such arrangement to fund such rabbi trust to secure the payment of any Participant’s Plan benefits payable hereunder because a “Change of Control” as defined in such rabbi trust has occurred.

4. “Corporation” shall mean KeyCorp, a bank holding company and its corporate successors, including the surviving corporation resulting from any merger of KeyCorp with any other corporation or corporations.

5. “Director” shall mean (i) any member of the Board of Directors of the Corporation and (ii) any member of the Board of Directors of a Subsidiary.
6. “Election Agreement” shall mean a written election to defer Fees signed in writing by the Director and in the form provided by the Corporation.
ARTICLE II
ELECTION TO DEFER

1. Eligibility. Any Director may elect to defer receipt of all or a specified portion of his or her Fees for any Year in accordance with Section 2 of this Article.

2. Election to Defer. A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Corporation no later than the last day of the Year prior to the Year for which the Fees would otherwise be paid; provided, however, that any Director hereafter elected to the Board of Directors of the Corporation or a Subsidiary who was not a Director on the preceding December 31 may make an election to defer payment of Fees for the Year in which he or she is elected to the Board of Directors by delivering the Election Agreement to the Corporation within 30 days of such election. A Director who timely delivers the Election Agreement to the Corporation shall be a Participant. A Participant’s Election Agreement shall continue to be effective from Year to Year until terminated or modified by written notice to the Corporation. A revocation or modification must be delivered prior to the beginning of the Year for which it is to be effective.

3. Amount Deferred; Date of Deferral. A Participant shall designate on the Election Agreement (a) the amount of his or her Fees that are to be deferred, (b) the date to which the Participant’s Fees shall be deferred, (c) whether the distribution of deferred fees is to be paid in its entirety or whether all or a portion of such fees shall be paid in installments, (d) if in installments, the number of quarterly installments, and (e) if in installments, whether installments or payment in full shall be made upon his or her death. Deferral shall be until the earlier to occur of (i) the date specified by the Participant which may be not later than the date on which the
Participant would attain age 72, or (ii) the date of death of the Participant, at which time payment of the amount deferred shall be made in accordance with Section 7 or 10 of this Article. A Participant may select not more than one date upon which full distribution shall be made or when installments shall begin; distribution dates shall be the first business day of a calendar quarter.

4. **Account.** The Corporation shall maintain an Account of the Fees deferred by each Participant. A Participant shall designate on the Election Agreement whether to have the Account valued on the basis of KeyCorp Common Shares in accordance with Section 5 of this Article or receive interest in accordance with Section 6 of this Article. The Corporation may, if necessary or desirable, establish separate Accounts for a Participant to properly account for amounts deferred under the different alternatives and years; all such Accounts are collectively referred to herein as the Account. The Account based on KeyCorp Common Shares shall be known as the “Common Shares Account”, and the interest bearing account shall be known as the “Interest Bearing Account”; a Participant may defer a portion of his or her Fees into each type of Account.

5. **Common Shares Account.** If a Participant elects to have all or a portion of his or her Fees deferred into the Common Shares Account, as of the last business day of any quarter, there shall be added to such Account the number of Common Shares (whole and fractional, rounded to the nearest one-hundredth of a share) equal to the dollar amount of such Fees payable for such calendar quarter plus all dividends payable during such quarter on the Common Shares held in the Account on the first day of such quarter divided by the market value of the Common Shares at the close of business on the last business day of such quarter.

6. **Interest Bearing Account.** Effective January 1, 1995, if a Participant elects to have all or a portion of his or her Fees deferred into the Interest Bearing Account, there shall be added to the Account as of the last business day of each calendar quarter the dollar amount of such Fees payable for such calendar quarter plus all interest payable on such Interest Bearing Account for such quarter as follows: A Participant’s account will receive interest on the average daily balance in the Interest Bearing Account during each month at a rate equal to 50 basis points higher than the effective annual yield of the average of the Moody’s Average Corporate Bond Yield Index for the preceding month, as published by Moody’s Investor Service, Inc. (or any successor publisher thereto), or, if such index is no longer published, a substantially similar index selected by the Board.

7. **Payment of Account; Period of Deferral.** The amount of a Participant’s Account shall be paid to the Participant in a single payment and/or in a number of substantially equal consecutive quarterly installments (not to exceed 40), as elected by the Participant in his or her Election Agreement. Distributions from the Interest Bearing Account shall be in cash. Distributions from the Common Shares Account made or commenced prior to January 1, 1999 shall be in cash and thereafter distributions from the Common Shares Account shall be in Common Shares; provided however, that in the event that the Corporation shall enter into a transaction intended to qualify as a pooling of interests for accounting purposes prior to
January 1, 1999, all distributions from the Common Shares Account at any time shall be in cash. The amount of the Account remaining after payment of an installment shall continue to be valued in accordance with Section 5 of this Article or bear interest in accordance with Section 6 of this Article. Full payment or the first quarterly installment, as the case may be, shall be made as soon as reasonably possible after (i) the date specified in Section 3 of this Article, or (ii) the date of the Participant’s death.

Any installment payment shall be made pro rata from the Common Shares Account and the Interest Bearing Account. The election as to the time for and method of payment of the amount of the Account relating to Fees deferred for a particular Year shall be made on the Election Agreement(s) and may not thereafter be altered except as provided in Section 10 or Section 13 of this Article.

In the event that a Participant elects to receive installment payments under this Section 7,

(a) The amount of the distribution from the Common Shares Account shall be valued based on the fair market value of the Common Shares on the last business day of the calendar quarter immediately prior to the distribution date;

(b) The amount of the distribution from the Interest Bearing Account shall be valued based on the value of such Account on the last business day of the calendar quarter immediately prior to such distribution date;

(c) The amount of each installment shall be determined by dividing the value of the Common Shares Account, the Interest Bearing Account, or both, as the case may be, by the number of installments remaining to be paid to the Participant.

8. Small Payments. Notwithstanding the foregoing, if the quarterly installment payments elected by a Participant hereunder would result in a quarterly payment of less than $500 in cash or Common Shares, as the case may be, the Corporation shall have the right in its sole discretion to pay the entire amount of the Account to the Participant on the day the installment payments were to begin.

9. Death of Participant. In the event of the death of a Participant, the amount of the Participant’s Account shall be paid to the Beneficiary or Beneficiaries designated in writing signed by the Participant in the form provided by the Corporation; in the event there is more than one Beneficiary, such form shall include the proportion to be paid to each Beneficiary and indicate the disposition of such share if a Beneficiary does not survive the Participant; in the absence of any such designation, payment from the Account shall be divided equally among all other Beneficiaries. A Participant’s Beneficiary designation may be changed at any time prior to the Participant’s death by execution and delivery of a new Beneficiary designation form. The form on file with the Corporation at the time of the Participant’s death which bears the latest date
10. Acceleration

(a) Notwithstanding any other provision of the Plan to the contrary, upon the occurrence of a Change of Control, a Participant shall be entitled to receive from the Corporation the payment of his or her Account in the manner selected as follows: Not later than the later of December 31, 1998, or 30 days after the date a person first becomes a Participant, a Participant shall be entitled to make an election which will be applicable in the event of a Change of Control (the “Change of Control Election”). The Change of Control Election will provide the following payment alternatives to a Participant in the event of a Change of Control:

(i) upon the occurrence of a Change of Control, the entire amount of the Participant’s Account will be immediately paid in full, regardless of whether the Participant continues as a Director after the Change of Control;

(ii) upon and after the occurrence of a Change of Control, the entire amount of the Participant’s Account will be immediately paid in full, but only if either the Participant is not a Director as of immediately after the Change of Control or the Participant ceases to be a Director within two years after the Change of Control; or

(iii) upon the occurrence of a Change of Control, the payment elections specified in the Election Agreement shall govern irrespective of the Change of Control.

A Change of Control Election once made may thereafter be amended by a subsequent Change of Control Election, but such subsequent Change of Control Election shall only become effective if no Change of Control occurs within one year after making such subsequent Change of Control Election.

(b) The Corporation may, in its sole discretion, accelerate the making of payment of the amount of a Participant’s Account to a Participant in the event of an “unforeseeable emergency” of the Participant; “unforeseeable emergency” is defined as an unanticipated emergency that is caused by an
event beyond the control of the Participant that would result in severe financial hardship to the individual if such withdrawal were not permitted; provided, however, that the amount of the withdrawal under this subsection is limited to the amount necessary to meet such emergency.

(c) The Corporation may, in its sole discretion, accelerate the making of payment of all or any portion of the amount of a Participant’s Account to a Participant upon the written request of a Participant, provided that the Corporation determines that such withdrawal would not be adverse to the best interests of the Corporation and further provided that the Participant shall forfeit an amount equal to 10% of the amount requested and that the Participant shall be disqualified from deferring Fees during the remainder of the calendar year in which the payment is made and the next succeeding year thereafter.

11. Change of Control. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, no amendment or modification of this Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the Interest Bearing Account’s rate of earnings on or method of crediting such earnings to a Participant’s Pre-Change of Control Account Balance, (3) to reduce or modify the Common Shares Account’s method of calculating all earnings, gains, and/or losses on a Participant’s Pre-Change of Control Account Balance, or (4) to reduce or modify the Participant’s deferrals to be credited to a Participant’s Plan Account for the applicable deferral period. For purposes of this Section 11, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate amount of such Participant’s prior deferrals with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account through the close of the calendar year in which such Change of Control occurs.

12. Interest Bearing Account After Change of Control. In accordance with the provisions of Section 6 hereof, in the event that Moody’s Average Corporate Bond Yield Index ceases to be published on or after a Change of Control, the Corporation shall reasonably select a substantially similar index to be used in crediting earnings on Participants’ Pre-Change of Control Account Balances held in the Plan’s Interest Bearing Account.

13. Common Stock Conversion. In the event of a Change of Control in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or as a result of the consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Shares Account to reflect the securities, cash and other property to be received in such reorganization, reclassification, consolidation, merger or sale on the balance in the Common Shares Account and, from and after
such reorganization, reclassification, consolidation, merger or sale, the Common Shares Account shall reflect all dividends, interest, earnings and losses attributable to such securities, cash, and other property (with any cash earning interest at the rate applicable to the Interest Bearing Account).

14. **Amendment in the Event of a Change of Control.** On or after a Change of Control, the provisions of Article I and Article II may not be amended or modified as such provisions apply to Participants’ Pre-Change of Control Account Balances.

15. **Statement.** Each Participant shall receive a statement of his or her Account not less than annually.

16. **Valuation of the Account.** Each Account shall be valued as of the last day of each calendar quarter until payment of a Participant’s Fees in full.

If a Participant has elected to have his or her Fees deferred into the Common Shares Account, the Corporation shall ascertain the number of shares in the Account (whole and fractional, rounded to the nearest one-hundredth of a share) after taking into account additions to the Account under this Article and distributions from the Account under this Article, based on the fair market value of the Common Shares on the last business day of such calendar quarter. Automatically and without further action by the Corporation, in the event of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination, exchange of shares, or a similar corporate change, appropriate adjustments in the number and kind of shares held in a Participant’s Account shall be made by the Corporation to reflect such change.

If a Participant has elected to have his or her Fees deferred into the Interest Bearing Account, the Corporation shall ascertain the value of such Interest Bearing Account by adding to the value of the Account at the beginning of such calendar quarter the dollar amount of the Fees deferred into the Account for such quarter, plus the value of any interest paid on the Account in accordance with this Article, less any distributions made from the Account in accordance with this Article.

**ARTICLE III**
**ADMINISTRATION**

The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out its duties under the Plan, including the power to determine all questions relating to eligibility for and the amount in an Account, all questions pertaining to claims for benefits and procedures for claim review, and the power to resolve all other questions arising under the Plan, including any questions of construction. The Corporation may take such further action as the Corporation shall deem advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties.
ARTICLE IV
AMENDMENT AND TERMINATION

The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, the Compensation and Organization Committee or any other duly authorized Committee of the Board of Directors; provided, however, that no such action shall adversely affect any Participant or Beneficiary with respect to the amount credited to a Deferred Compensation Account and further provided that any such action shall be subject to the limitations set forth in Article II, Sections 11 and 14, hereof.

ARTICLE V
PRIOR PLANS

The Plan incorporates the merger of the KeyCorp Deferred Compensation Plan for Directors (the “Old KeyCorp Plan”), the Deferred Compensation Plan for Board of Directors of Trustcorp, Inc. (Revised November, 1986) (the “Trustcorp Plan”), the Centran Corporation Deferred Director Compensation Plan (the “Centran Plan”), and the Society Bank, Michigan Directors’ Deferred Compensation Plan (“Michigan Plan”) in their entirety and all accounts existing under such Trustcorp Plan and Centran Plan on September 30, 1990, under such Michigan Plan on June 30, 1993, and under such Old KeyCorp Plan on June 30, 1994, shall become Accounts (or, if a Participant has accounts under the Plan and any of such Plans, shall be merged into the Account under the Plan) fully subject to all terms and conditions hereof. All accounts under the Trustcorp Plan and the Centran Plan will be valued as of September 30, 1990, all accounts under the Michigan Plan will be valued as of June 30, 1993, and all accounts under such Old KeyCorp Plan will be valued as of June 30, 1994 and this will constitute the initial balance of the Account under this Plan. Participants in the Trustcorp Plan, the Centran Plan, the Michigan Plan, or Old KeyCorp Plan will be given the opportunity to indicate the type of election and the type of account(s) into which their Trustcorp Plan, Centran Plan, Michigan Plan, or Old KeyCorp Plan account will be converted. In the absence of any such designation, such Participants in the Trustcorp Plan, the Centran Plan, the Michigan Plan or the Old KeyCorp Plan shall be deemed to have elected the Interest Bearing Account and the payout method and payment year indicated on their Trustcorp Plan, Centran Plan, Michigan Plan and Old KeyCorp Plan elections, unless they have an Account under this Plan, in which case the Trustcorp Plan, the Centran Plan, the Michigan Plan or Old KeyCorp Plan account will merge into such Account and be subject to the distribution elections made with regard to such Account.

ARTICLE VI
MISCELLANEOUS

1. Nonalienation of Deferred Compensation Account. No Participant or Beneficiary shall encumber or dispose of the right to receive any payment of the amount of an Account hereunder without the written consent of the Corporation. If a Participant or Beneficiary without the written consent of the Corporation attempts to assign, transfer, alienate, or encumber the right
to receive the amount of a Deferred Compensation Account hereunder or permits the same to be subject to alienation, garnishment, attachment, 
execution, or levy of any kind, then the Corporation, in its discretion, may hold or pay such amount or any part thereof to or for the benefit of such 
Participant or Beneficiary, the Participant’s or Beneficiary’s spouse, children, blood relatives, or other dependents, or any of them, in such manner 
and in such proportions as the Corporation may consider proper. Any such application of the amount of an Account may be made without the 
intervention of a guardian. The receipt by the payee(s) of such payment(s) shall constitute a complete acquittance to the Corporation with respect 
thereto, and neither the Corporation, nor any Subsidiary, nor any officer, member, employee, or agent thereof, shall have any responsibility for the 
proper application thereof.

2. **Plan Noncontractual.** Nothing herein contained shall be construed as a commitment to or agreement with any Director of the Corporation or a 
Subsidiary to continue such person’s directorship with the Corporation or Subsidiary, and nothing herein contained shall be construed as a 
commitment or agreement on the part of the Corporation or any Subsidiary to continue the directorship or the rate of director compensation of any 
such person for any period. All Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.

3. **Interest of Director.** The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely 
constitutes the unsecured promise of only the Corporation to make payments from its general assets as provided herein. Further, no Participant or 
Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected on an Account. At its discretion, the Corporation may 
establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed 
under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject 
to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the 
Corporation shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Corporation.

4. **Claims of Other Persons.** The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or 
equitable rights against the Corporation or any Subsidiary, or the officers, employees, or directors of the Corporation or any Subsidiary, except any 
such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

5. **Delegation of Authority.** Any action to be taken by the Corporation’s Board of Directors under this Plan may be taken by such Board’s 
Compensation and Organization Committee, Executive Committee or any other duly authorized Committee of the Board of Directors.

6. **Severability.** The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the 
Plan shall be construed in all respects as if such invalid or unenforceable provisions were omitted herefrom.
7. **Governing Law.** The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

EXECUTED at Cleveland, Ohio as of the 18th day of May 2000.

KEYCORP

By: __________________________________________________________________________
Thomas E. Helfrich, Executive Vice President

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**Section 11: EX-10.22 (EX-10.22)**

**KEYCORP AMENDED AND RESTATED SECOND DIRECTOR DEFERRED COMPENSATION PLAN**

The KeyCorp Amended and Restated Second Director Deferred Compensation Plan (the “Plan”) as amended in 2007, is hereby amended and restated in its entirety to be effective as of December 31, 2008. The Plan, as amended, is designed to provide Directors of KeyCorp with the opportunity to defer the payment of their directors’ fees in accordance with the provisions of this Plan. It is the intention of KeyCorp and it is the understanding of the Directors participating in the Plan that the Plan constitutes a nonqualified plan of deferred compensation that is subject to the provisions of Section 409A of the Code and the applicable regulations issued thereunder.

**ARTICLE I DEFINITIONS**

For the purposes hereof, the following words and phrases shall have the meanings indicated.

1. “**Account**” shall mean the bookkeeping account established in accordance with Article II hereof.

2. “**Beneficiary**” shall mean any person designated by a Participant in accordance with the Plan to receive payment of all or a portion of the remaining balance of the Participant’s Account in the event of the death of the Participant prior to receipt by the Participant of the entire amount credited to the Participant’s Account.

3. “**Change of Control**” shall be deemed to have occurred if, under any rabbi trust arrangement maintained by the Corporation (the “Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Deferred Shares because a “Change of Control,” as defined in the Trust, has occurred on or after the effective date of the Plan.

4. “**Corporation**” shall mean KeyCorp, a bank holding company and its corporate successors, including the surviving corporation resulting from any merger of KeyCorp with any other corporation or corporations.

5. “**Director**” shall mean (i) any member of the Board of Directors of the Corporation and (ii) any member of the Board of Directors of a Subsidiary.

6. “**Election Agreement**” shall mean the written election to defer Fees signed in writing by the Director and in the form provided by the Corporation. Election Agreements shall be irrevocable.

7. “**Fees**” shall mean the fees earned as a Director.

8. “**Participant**” shall mean any Director who has at any time elected to defer the receipt of his or her Fees in accordance with the terms of the Plan.

9. “**Plan**” shall mean this Second Director Deferred Compensation Plan, as the same may be amended or substituted from time to time.
ARTICLE II
ELECTION TO DEFER

1. **Eligibility.** Any Director may elect to defer receipt of all or a specified portion of his or her Fees for any Year in accordance with Section 2 of this Article.

2. **Election to Defer.** A Director who desires to defer the payment of all or a portion of his or her Fees for any Year must complete and deliver an Election Agreement to the Corporation no later than the last day of the Year prior to the Year in which the Fees will be earned by the Director; provided, however, that any Director hereafter elected to the Board of Directors of the Corporation or a Subsidiary who was not a previously a Participant in the Plan may make an election to defer the payment of Fees for the Year in which he or she is elected to the Board of Directors by delivering the Election Agreement to the Corporation within 30 days of first becoming a Director.

3. **Amount Deferred; Date of Deferral.** A Participant shall designate on the Election Agreement (a) the amount of his or her Fees that are to be deferred to the Plan for any Year, (b) the date on which the Participant’s Fees shall be distributed, (c) whether the distribution of deferred Fees is to be paid in its entirety or whether such Fees shall be paid in installments, and (d) if in installments, the number of quarterly installments. Deferrals shall be until the earlier to occur: (i) the date specified by the Participant which may be not later than the date on which the Participant would attain age 72, or (ii) the date of death of the Participant, at which time payment of the amount deferred shall be made in accordance with Section 7 or 10 of this Article. A Participant may not select more than one date in each Election Agreement upon which distribution shall be made or when installments shall begin; distribution dates shall be the first business day of a calendar quarter.

4. **Account.** The Corporation shall maintain an Account for the Fees deferred by each Participant. A Participant shall designate on the Election Agreement whether to have the deferred Fees valued on the basis of KeyCorp Common Shares in accordance with Section 5 of this Article or based on an interest accrual in accordance with Section 6 of this Article. The Corporation may, if necessary or desirable, establish separate Accounts for the Participant to properly account for amounts deferred under the different alternatives and Years; all such Accounts are collectively referred to herein as the Account. The Account based on KeyCorp Common Shares shall be known as the “Common Shares Account”, and the interest bearing account shall be known as the “Interest Bearing Account”; a Participant may defer a portion of his or her Fees into each type of Account.

5. **Common Shares Account.** If a Participant elects to have all or a portion of his or her Fees deferred into the Common Shares Account, as of the last business day of any quarter, there shall be added to such Account the number of Common Shares (whole and fractional, rounded to the nearest one-hundredth of a share) equal to the dollar amount of such Fees payable for such calendar quarter plus all dividends payable during such quarter on the Common Shares held in the Account on the first day of such quarter divided by the market value of the Common Shares at the close of business on the last business day of such quarter.

10. “**Subsidiary**” shall mean a corporation organized and existing under the laws of the United States or of any state or the District of Columbia of which more than 50% percent of the issued and outstanding stock is owned by the Corporation or by a Subsidiary of the Corporation, and which has been designated by the Board of Directors or the Chief Executive Officer of the Corporation as a Subsidiary eligible to participate in the Plan.

11. “**Year**” shall mean the calendar year.
6. **Interest Bearing Account.** If a Participant elects to have all or a portion of his or her Fees deferred into the Interest Bearing Account, there shall be added to the Account as of the last business day of each calendar quarter the dollar amount of such Fees payable for such calendar quarter plus all interest payable on such Interest Bearing Account for such quarter as follows: A Participant’s account will receive interest as of each month equal to 120% of the applicable long term federal rate as published by the Internal Revenue Service for that month, compounded monthly, and divided by 12.

7. **Payment of Account; Period of Deferral.** The amount of a Participant’s Account shall be paid to the Participant in a single payment and/or in a number of individual, substantially equal consecutive quarterly installments (not to exceed 40), as elected by the Participant in his or her Election Agreement. Distributions from the Interest Bearing Account shall be made in cash. Distributions from the Common Shares Account shall be made in Common Shares. The amount of the Account remaining after payment of each individual installment shall continue to be valued in accordance with Section 5 of this Article or bear interest in accordance with Section 6 of this Article. Full payment or the first quarterly installment, as the case may be, shall be made in accordance with the terms of the Participant’s Election Agreement as soon as administratively practicable following the Participant’s designated payment date, but in any event no later than 90 days following the date (i) on which the Participant has elected to commence distribution of his or her Account, or (ii) of the Participant’s death.

Any installment payment shall be made pro rata from the Common Shares Account and the Interest Bearing Account. The election as to the time for and method of payment of the amount of the Account relating to Fees deferred for a particular Year shall be made on the Election Agreement(s) and thereafter shall not be altered except as provided in Section 10 of this Article.

In the event that a Participant elects to receive installment payments under this Section 7,

(a) The amount of the distribution from the Common Shares Account shall be valued based on the fair market value of the Common Shares on the last business day of the calendar quarter immediately prior to the distribution date;

(b) The amount of the distribution from the Interest Bearing Account shall be valued based on the value of such Account on the last business day of the calendar quarter immediately prior to such distribution date;

(c) The amount of each installment shall be determined by dividing the value of the Common Shares Account, the Interest Bearing Account, or both, as the case may be, by the number of installments remaining to be paid to the Participant.

8. **Small Payments.** If the quarterly installment payment elected under any Election Agreement would result in a quarterly payment of less than $500 in cash or Common Shares, as the case may be, the Participant shall receive an immediate lump sum payment of the entire amount of the Account but in any event no later than 90 days following such distribution date.

9. **Death of Participant.** In the event of the death of a Participant, the amount of the Participant’s Account shall be paid to the Beneficiary or Beneficiaries designated in writing signed by the Participant in the form provided by the Corporation; in the event there is more than one Beneficiary, such form shall include the proportion to be paid to each Beneficiary and indicate the disposition of such share if a Beneficiary does not survive the Participant; in the absence of any such designation, payment from the Account shall be divided equally among all other Beneficiaries. A Participant’s Beneficiary designation may be changed at any time prior to the Participant’s death by execution and delivery of a
new Beneficiary designation form. The form on file with the Corporation at the time of the Participant’s death which bears the latest date shall govern. In the absence of a Beneficiary designation or the failure of any Beneficiary to survive the Participant, the amount of the Participant’s Account shall be paid to the Participant’s estate in its entirety ninety days after the appointment of an executor or administrator. In the event of the death of any Beneficiary after the death of a Participant, the remaining amount of the Account payable to such Beneficiary shall be paid in its entirety to the estate of such Beneficiary ninety days after the appointment of an executor or administrator for such estate.

10. **Acceleration**

(a) **Change of Control Distribution Election.** A Participant may elect at the time that he or she first elects to participate in the Plan, to receive a special Change of Control distribution of the Participant’s Account in the event of a Change of Control. The Participant shall elect from one of the following special Change of Control distribution options:

(i) upon the occurrence of a Change of Control, the entire amount of the Participant’s Account will be immediately paid in full to the Participant regardless of whether the Participant continues as a Director after the Change of Control, but in any event no later than 90 days following such Change of Control;

(ii) upon and after the occurrence of a Change of Control, the entire amount of the Participant’s Account will be immediately paid in full to the Participant, but only if either (a) the Participant is not a Director as of immediately after the Change of Control, or (b) the Participant ceases to be a Director within two Years after the Change of Control. Such payment under (a) or (b) hereof shall be made no later than 90 days following such applicable distribution date; or

(iii) upon the occurrence of a Change of Control, the payment elections specified in the Participant’s Election Agreement shall govern irrespective of the Change of Control.

(b) **Unforeseeable Emergency.** The Corporation may accelerate the distribution of all or any portion of the Participant’s Account to the Participant in the event of a Participant’s “unforeseeable emergency”. For purposes of this Section 10(b), the term “unforeseeable emergency” shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, the Participant’s spouse, or the Participant’s dependent (as defined in Section 152 of the Code, without regard to Sections 152 (b)(1), (b)(2), and (d)(1)(B)), the loss of the Participant’s property due to casualty, or such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of an “unforeseeable emergency” shall be determined in accordance with the requirements of Section 409A of the Code and the applicable regulations issued thereunder. Distribution of the Participant’s Account shall be limited to the amount reasonably necessary to satisfy the emergency, and it shall include any applicable taxes that are or will be owed by the Participant as a result of the distribution.

11. **Change of Control.** Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, no amendment or modification of this Plan may be made at any time on
or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the Interest Bearing Account’s rate of earnings on or method of crediting such earnings to a Participant’s Pre-Change of Control Account Balance, (3) to reduce or modify the Common Shares Account’s method of calculating all earnings, gains, and/or losses on a Participant’s Pre-Change of Control Account Balance, or (4) to reduce or modify the Participant’s deferrals to be credited to a Participant’s Plan Account for the applicable deferral period. For purposes of this Section 11, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate amount of such Participant’s prior deferrals with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account through the close of the calendar Year in which such Change of Control occurs.

12. **Common Stock Conversion.** In the event of a Change of Control in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or as a result of the consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Shares Account to reflect the securities, cash and other property to be received in such reorganization, reclassification, consolidation, merger or sale on the balance in the Common Shares Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Shares Account shall reflect all dividends, interest, earnings and losses attributable to such securities, cash, and other property (with any cash earning interest at the rate applicable to the Interest Bearing Account).

13. **Amendment in the Event of a Change of Control.** On or after a Change of Control, the provisions of Article I and Article II may not be amended or modified as such provisions apply to the Participants’ Pre-Change of Control Account Balances.

14. **Statement.** Each Participant shall receive a statement of his or her Account not less than annually.

15. **Valuation of the Account.** Each Account shall be valued as of the last day of each calendar quarter until payment of a Participant’s Fees is made in full. If a Participant has elected to have his or her Fees deferred into the Common Shares Account, the Corporation shall ascertain the number of shares in the Account (whole and fractional, rounded to the nearest one-hundredth of a share) after taking into account earnings to the Account under this Article and distributions from the Account under this Article, based on the fair market value of the Common Shares on the last business day of such calendar quarter. Automatically and without further action by the Corporation, in the event of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination, exchange of shares, or a similar corporate change, appropriate adjustments in the number and kind of shares held in a Participant’s Account shall be made by the Corporation to reflect such change. If a Participant has elected to have his or her Fees deferred into the Interest Bearing Account, the Corporation shall ascertain the value of such Interest Bearing Account by adding to the value of the Account at the beginning of such calendar quarter the dollar amount of the Fees deferred into the Account for such quarter, plus the value of any interest paid on the Account in accordance with this Article, less any distributions made from the Account in accordance with this Article.

16. **Plan Transfers.** Participants may elect to transfer equity awards (other than stock option awards) granted under the KeyCorp Directors’ Deferred Share Plan to the Plan, provided, the Participant’s election to transfer such vested award is made in accordance with the requirements of the grant agreement under which the award was issued and in accordance with the subsequent deferral election requirements of Section 409A of the Code. Transferred awards shall be fully vested under the
Plan and shall be subject to the distribution requirements contained within the Participant’s transfer election form provided, however, that such Plan transfers shall be deferred under the Plan for a minimum of five (5) full calendar years from the date of the transfer. Transferred awards shall be subject to full investment diversification if cash based, and transferred awards shall be invested in the Plan’s Common Stock Account if equity based. Awards invested in the Plan’s Common Stock Account will not be subject to investment direction or diversification. Transferred awards shall be separately maintained under the Plan.

ARTICLE III
ADMINISTRATION

The Corporation shall be responsible for the general administration of the Plan and for carrying out the provisions hereof. The Corporation shall have all such powers as may be necessary to carry out its duties under the Plan, including the power to determine all questions relating to eligibility for and the amount in an Account, all questions pertaining to claims for benefits and procedures for claim review, and the power to resolve all other questions arising under the Plan, including any questions of construction. The Corporation may take such further action as it deems advisable in the administration of the Plan. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties.

ARTICLE IV
AMENDMENT AND TERMINATION

The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, the Compensation and Organization Committee or any other duly authorized Committee of the Board of Directors; provided, however, that no such action shall adversely affect any Participant or Beneficiary with respect to the amount credited to a Participant’s Account and further provided that any such action shall be subject to the limitations set forth in Article II hereof. No amendment or termination of the Plan shall result in an acceleration of Plan benefits in violation of Section 409A of the Code.

ARTICLE V
MISCELLANEOUS

1. **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account, such attempt shall be void and unenforceable.

2. **Plan Noncontractual.** Nothing herein contained shall be construed as a commitment to or agreement with any Director of the Corporation or a Subsidiary to continue such person’s directorship with the Corporation or Subsidiary, and nothing herein contained shall be construed as a commitment or agreement on the part of the Corporation or any Subsidiary to continue the directorship or the rate of director compensation of any such person for any period. All Directors shall remain subject to removal to the same extent as if the Plan had never been put into effect.
3. **Interest of Director.** The obligation of the Corporation under the Plan to make payment of amounts reflected on an Account merely constitutes the unsecured promise of only the Corporation to make payments from its general assets as provided herein. Further, no Participant or Beneficiary shall have any claim whatsoever against any Subsidiary for amounts reflected on an Account. At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Corporation shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Corporation.

4. **Claims of Other Persons.** The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable rights against the Corporation or any Subsidiary, or the officers, employees, or directors of the Corporation or any Subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

5. **Delegation of Authority.** Any action to be taken by the Corporation’s Board of Directors under this Plan may be taken by such Board’s Compensation and Organization Committee, Executive Committee or any other duly authorized Committee of the Board of Directors.

6. **Severability.** The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provisions were omitted herefrom.

7. **Governing Law.** The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.

**ARTICLE VI**

**COMPLIANCE WITH SECTION 409A CODE**

The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended to facilitate compliance with such provisions.

Notwithstanding any provision of the Plan to the contrary, no deferral, accrual, transfer or distribution shall be made or given effect under the Plan that would result in early taxation or assessment of penalties or interest of any amount under Section 409A of the Code.

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**Section 12: EX-10.23 (EX-10.23)**

**KEYCORP DIRECTORS’ DEFERRED SHARE PLAN**

**(December 31, 2008)**

**ARTICLE I**

**PURPOSE**

The purpose of this KeyCorp Directors’ Deferred Share Plan (“Plan”) is to attract, retain and compensate highly qualified individuals to serve as Directors and to align the interests of Directors with the shareholders of the Corporation further and thereby promote the long-term success and growth of the Corporation.

**ARTICLE II**

**DEFINITIONS**

For purposes of this Plan, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:

(a) **“Account”:** A bookkeeping account in which Deferred Shares shall be recorded and to which dividends may be credited in accordance with the Plan.

(b) **“Beneficiary” or “Beneficiaries”:** The person or persons designated by a Director in accordance with the Plan to receive payment of the Director’s Account in the event of the death of the Director.

(c) **“Beneficiary Designation”:** An agreement in substantially the form adopted and modified from time to time by the Corporation pursuant to which a Director may designate a Beneficiary or Beneficiaries.

(d) **“Board”:** The Board of Directors of the Corporation.

(e) **“Change of Control”:** A Change of Control shall be deemed to have occurred if, under any rabbi trust arrangement maintained by the Corporation (the “Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Deferred Shares because a “Change of Control,” as defined in the Trust, has occurred on or after the effective date of the Plan.
(f) “Change of Control Election”: The meaning set forth in Section 4.6(a).

(g) “Committee”: The Nominating and Corporate Governance Committee of the Board or any successor committee designated by the Board.

(h) “Common Shares”: The Corporation’s common shares, $1.00 par value per share. Common Shares may be shares of original issuance or treasury shares or a combination of the foregoing.
ARTICLE III
ANNUAL DEFERRED SHARE AWARDS

Each Director shall receive, after the date of approval of the Plan by the Corporation’s shareholders in 2003, and each Plan Year thereafter, an annual award of Deferred Shares. The number of Deferred Shares to be awarded shall be equal to a number of Common Shares having an aggregate Fair Market Value of the date of the award equal to 200% of the Director’s Retainer, unless a lesser number of Deferred Shares is determined by the Committee. To the extent that the application of any formula in computing the number of Deferred Shares to be granted would result in fractional shares of stock, the number of shares shall be rounded down to the nearest whole share. Unless the Committee from time to time determines another date for the annual award due to unusual circumstances or otherwise, such annual award shall be made the later of the July Committee meeting or the third business day following the second quarter earnings release. At the time of making the annual award, the Committee shall determine,
in its sole discretion, whether the Director’s Account shall be distributed pursuant to Section 5.3 in the form of Common Shares (with fractional shares being rounded down to the nearest whole share), cash, or a combination of Common Shares and cash.

ARTICLE IV
DIRECTORS’ ACCOUNTS

4.1 Grant of Deferred Shares. All of a Director’s Deferred Shares granted pursuant to Article III above shall be credited on a bookkeeping basis to the Director’s Account. The number of Deferred Shares, which shall be credited to a Director’s Account effective as of the day such Deferred Shares were awarded, shall be equal to the number of Deferred Shares granted pursuant to such award. Separate sub-accounts may be established to reflect on a bookkeeping basis all earnings, gains, or losses attributable to the Deferred Shares.

4.2 Deferral Period.

(a) Minimum Three-Year Deferral Period. Each grant of Deferred Shares shall be subject to a required deferral period (a “Deferral Period”) beginning on the Deferred Shares’ grant date and ending on the third anniversary of such grant date; provided, however, that the Deferral Period will end prior to the third anniversary of the grant date (i) in the event of a Change of Control pursuant to a Director’s Change of Control Election as provided in Section 4.6(a)(i); (ii) if the Director dies or (iii) the Director’s service as a Director is terminated (unless the termination follows a Change of Control and the Director has elected in a Change of Control Election to receive his or her Account pursuant to Section 4.6(a)(iii)).

(b) Directors’ Option to Transfer the Deferred Shares. Notwithstanding Section 4.2(a), a Director may elect at any time, provided that his or her election is no later than twelve full calendar months prior to the close of the applicable Deferral Period to transfer his or her Deferred Shares into the Common Shares Account maintained under the Director Deferred Compensation Plan. Such transfer will become effective at the conclusion of the applicable three-year Deferral Period.

(c) Evergreen Deferral Election. Once a Director elects to transfer Deferred Shares into his or her Common Shares Account maintained under the Director’s Deferred Compensation Plan, his or her transfer election will continue to be effective from Plan Year to Plan Year and the Deferred Shares for which the applicable three-year Deferral Period lapses following such election will also be transferred to his or her Director’s Deferred Compensation Plan’s Common Shares Account. To modify this evergreen deferral election with respect to Deferred Shares otherwise granted in a particular Plan Year, the Director’s revocation or modification of his or her evergreen election shall be delivered to the Corporation no later than twelve full calendar months prior to the date on which the applicable Deferral Period ends.

(d) No Rights During Deferral Period. During the Deferral Period, the Director shall have no right to transfer any rights under his or her Deferred Shares and shall have no other rights of ownership therein.

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4.3 Dividend Equivalents. A Director’s Account will be credited, on the date of the Corporation’s dividend payment, with that number of additional Deferred Shares (including fractional shares) equal to the amount of cash dividends paid by the Corporation on the number of Deferred Shares in the Director’s Account divided by the Fair Market Value of one Common Share on that date. Such dividend equivalents, which shall likewise be credited with dividend equivalents, shall be deferred until the end of the Deferral Period for the Deferred Shares with respect to which the dividend equivalents were credited and, if the Director has so elected, such dividend equivalents shall be transferred, along with the Deferred Shares, into the Director’s Common Shares Account under the Director Deferred Compensation Plan.

4.4 Death of a Director. Notwithstanding anything to the contrary contained in this Plan, in the event of the death of a Director, the three-year Deferral Period will be deemed to have ended, and the Settlement Date will be deemed to have occurred, on the date of the Director’s death. The Director’s Account shall be paid, as soon as practicable following the Settlement Date, but in no event later than 90 days following the Settlement Date, to the Beneficiary or Beneficiaries designated on the Director’s Beneficiary Designation or, if no such designation is in effect or no Beneficiary is then living, then to the Director’s estate.

4.5 Acceleration.

(a) Change of Control. Notwithstanding anything to the contrary contained in this Plan, upon the occurrence of a Change of Control, a Director shall be entitled to receive from the Corporation the payment of his or her Account in the manner selected as follows: Not later than the later of 30 calendar days after the effective date of this Plan, or 30 calendar days after the date a person first becomes a Director, a Director shall be entitled to make an election which will be applicable in the event of a Change of Control (the “Change of Control Election”). The Change of Control Election will provide the following payment alternatives to a Director in the event of a Change of Control:

(i) upon the occurrence of a Change of Control, the entire amount of the Director’s Account will be immediately paid in full, regardless of whether the Director continues as a Director after the Change of Control;

(ii) upon and after the occurrence of a Change of Control and in accordance with Section 4.2(a), the entire amount of the Director’s Account will be immediately paid in full if and when the Director’s service as a Director is terminated; or

(iii) upon the occurrence of a Change of Control, the payment elections specified by the Director prior to the Change of Control shall govern irrespective of the Change of Control.

(b) Hardship in the event of an unforeseeable emergency, the Corporation may accelerate the payment of all or any portion of the Director’s Account to the Director but only up to the amount necessary to meet the emergency. For purposes of this Section 4.6(b), the term “unforeseeable emergency” shall mean a severe financial hardship to the Director resulting from a sudden and unexpected illness or accident of the Director, the Director’s spouse, or the Director’s dependent (as defined in Section 152 of the Code, without regard to Section 152(b)(1), (b)(2), and (d)(1)(B)), the loss of the Director’s property due to casualty, or such other similar extraordinary and unforeseeable circumstances arising as a result of events.
ARTICLE V

DISTRIBUTION OF ACCOUNTS

5.1 Settlement Date. A Director, or in the event of such Director’s death, his or her Beneficiary, shall be entitled to a distribution of such Director’s Account, as provided in this Article V, following such Director’s Settlement Date.

5.2 Amount to be Distributed. The amount to which a Director, or in the event of such Director’s death, his or her Beneficiary, is entitled in accordance with the following provisions of this Article V, shall be based on the Director’s balance in his or her Account determined as of the Settlement Date.

5.3 Form of Distribution. As soon as practicable following the Settlement Date, but in no event later than 90 days following the Director’s Settlement Date, the Corporation shall distribute or cause to be distributed, to the Director or, in the case of the death of the Director, his or her Beneficiary, the balance of the Director’s Account. Distribution of a Director’s Account shall be made in a lump sum in the form determined pursuant to Article III. If distribution of an Account is made in the form of Common Shares, the Corporation will provide procedures to facilitate the sale of such Common Shares following distribution upon the request of the Director. If distribution of an Account is made in cash, the amount distributed shall be equal to the Fair Market Value on the Settlement Date.

5.4 Fractional Shares. The Corporation will not be required to issue any fractional Common Shares pursuant to this Plan.

5.5 Transfer of Deferred Shares. In accordance with the provisions of Section 4.2(b) and 4.2(c) hereof, if a Director elects to transfer his or her Deferred Shares to the Director Deferred Compensation Plan, such Deferred Shares when transferred shall be subject to the terms and conditions of the Director Deferred Compensation Plan, provided, however, that in no event shall such Deferred Shares be transferred unless the Director’s transfer election has been made a minimum of twelve months prior to the close of the applicable Deferral Period for such Shares, and provided further, that the transferred Deferred Shares are deferred under the Director Deferred Compensation Plan for a minimum of five (5) years from the date of the Deferred Shares transfer, regardless of the Director’s termination or retirement, and regardless of the distribution instructions contained in the Director’s transfer election form (as required under the subsequent deferral requirements of Section 409A of the Code).
ARTICLE VI

BENEFICIARY DESIGNATION

6.1 Beneficiary Designation. Each Director shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of the Director’s death prior to distribution of the Director’s Account. Each Beneficiary Designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Director’s lifetime.

6.2 Changing Beneficiary. Any Beneficiary Designation may be changed by the Director without the consent of the previously named Beneficiary by the Director’s filing of a new Beneficiary Designation with the Corporation. The filing of a new Beneficiary Designation shall cancel all Beneficiary Designations previously filed by the Director.

ARTICLE VII

SHARES SUBJECT TO PLAN; ADJUSTMENTS

7.1 Shares Subject to Plan. Subject to adjustment as provided in this Plan, the total number of Common Shares which may be delivered to Directors upon distribution of their Accounts shall not in the aggregate exceed 500,000 Common Shares. Any Common Shares delivered to Directors by a trust that is treated as a “grantor trust” within the meaning of Sections 671-679 of the Internal Revenue Code of 1986, as amended, shall be treated as delivered by the Corporation under this Plan.

7.2 Forfeitures; Etc.; Payment in Cash. The number of Common Shares available under Section 7.1 shall be adjusted to account for shares credited to the Accounts that are forfeited, surrendered or relinquished to the Corporation, to provide for the payment of taxes or otherwise, paid or distributed to Directors or their Beneficiaries in the form of cash, or transferred to a Director’s Common Shares Account pursuant to Sections 4.2(b) and 4.2(c). Upon forfeiture, surrender or relinquishment, upon payment or distribution in cash, or upon transfer to a Director’s Common Shares Account, of Common Shares credited to an Account, such Common Shares shall again be available for delivery upon distribution of an Account under this Plan.

7.3 Adjustments.

(a) Adjustments. The Committee may make or provide for such adjustments in the (i) number of Common Shares covered by this Plan, (ii) number of Deferred Shares granted or credited to Accounts hereunder, and (iii) kind of shares covered thereby, as the Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of Directors that otherwise would result from (x) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Corporation, (y) any merger, consolidation, spin-off, spin-out, split-off, split-up, reorganization, partial or complete liquidation of the Corporation or other distribution of assets, issuance of rights or warrants to purchase securities of the Corporation, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Committee may provide in substitution for any or all outstanding grants or awards under this Plan such alternative consideration as it may in good faith determine to be equitable under the circumstances and may require in connection
ARTICLE VIII
ADMINISTRATION, AMENDMENT AND TERMINATION

8.1 Administration. The Plan shall be administered by the Corporation. The Corporation shall have such powers as may be necessary to discharge its duties hereunder. The Corporation may, from time to time, employ, appoint or delegate to an agent or agents (who may be an officer or officers of the Corporation) and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be counsel to the Corporation. No agent appointed by the Corporation to perform administrative duties hereunder shall be liable for any action taken or determination made in good faith. All elections, notices and directions under the Plan by a Director shall be made on such forms as the Corporation shall prescribe.

8.2 Amendment and Termination. The Committee may alter or amend this Plan from time to time or may terminate it in its entirety; provided, however, that no such action, except for an acceleration of benefits, shall, without the consent of a Director, impair the rights in any Deferred Shares issued or to be issued to such Director under the Plan; and further provided, that any amendment that must be approved by the shareholders of the Corporation in order to comply with applicable law or the rules of the principal exchange upon which the Common Shares are traded or quoted shall not be effective unless and until such approval has been obtained in compliance with such applicable law or rules.

Presentation of this Plan or any amendment hereof for shareholder approval shall not be construed to limit the Corporation’s authority to offer similar or dissimilar benefits through plans or other arrangements that are not subject to shareholder approval unless otherwise limited by applicable law or stock exchange rules.
ARTICLE IX
FINANCING OF BENEFITS

9.1 Financing of Benefits. The Deferred Shares payable under the Plan to a Director or, in the event of his or her death, to his or her Beneficiary, shall be paid by the Corporation from its general assets, including treasury shares. The right to receive payment of the Deferred Shares represents an unfunded, unsecured obligation of the Corporation.

9.2 Security for Benefits. Notwithstanding the provisions of Section 9.1, nothing in this Plan shall preclude the Corporation from setting aside Common Shares or funds in a so-called “grantor trust” pursuant to one or more trust agreements between a trustee and the Corporation. However, no Director or Beneficiary shall have any secured interest or claim in any assets or property of the Corporation or any such trust and all Common Shares or funds contained in such trust shall remain subject to the claims of the Corporation’s general creditors.

ARTICLE X
GENERAL PROVISIONS

10.1 Governing Law. The provisions of this Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

10.2 Shareholder Approval. Notwithstanding the foregoing provisions of the Plan, no Common Shares shall be issued or transferred pursuant to the Plan before the date of the approval of this Plan by the Corporation’s shareholders.

10.3 Miscellaneous. Headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of this Plan or any provisions thereof.

10.4 No Right to Continue as Director. Neither the Plan, nor the granting of Deferred Shares nor any other action taken pursuant to the Plan, shall constitute or be evidence of any agreement or understanding, express or implied, that a Director has a right to continue as a Director for any period of time, or at any particular rate of compensation.

10.5 Compliance with Section 409A Requirements. The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be administered in a manner consistent with those provisions. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, transfer or distribution shall be made or given effect under the Plan that would result in a violation of Section 409A of the Code.

Section 13: EX-10.24 (EX-10.24)

KEYCORP
DIRECTORS’ SURVIVOR BENEFIT PLAN
Effective as of September 1, 1990

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(ii)
KEYCORP
DIRECTORS’ SURVIVOR BENEFIT PLAN

ARTICLE I
PURPOSE: EFFECTIVE DATE

The purpose of this Directors’ Survivor Benefit Plan (hereinafter referred to as the “Plan”), is to provide death benefits to the Beneficiaries of eligible Directors of KeyCorp. It is intended that the Plan will aid in retaining and attracting Directors of exceptional ability by providing them with these benefits. This Plan shall be effective as of September 1, 1990.

ARTICLE II
DEFINITIONS

For purposes of this plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 BENEFICIARY. “Beneficiary” means the person, persons or entity entitled under Article V to receive Plan benefits payable upon a Participant’s death.

2.2 BOARD. “Board” means the Board of Directors of KeyCorp.

2.3 COMMITTEE. “Committee” means the Compensation Committee of the Board.

2.4 COMPANY. “Company means KeyCorp, a New York Corporation, or any successor to the business thereof.

2.5 PARTICIPANT. “Participant” means any individual who meets the conditions for participation described in Article III.

2.6 PARTICIPATION AGREEMENT. “Participation Agreement” means the agreement filed by a Participant on a form prescribed by the Committee which acknowledges assent to the terms of the Plan.

2.7 YEAR OF SERVICE. “Year of Service” means twelve (12) months of service on the Board.
ARTICLE III
PARTICIPATION

3.1 ELIGIBILITY AND PARTICIPATION.

(a) ELIGIBILITY. Eligibility to participate in the Plan shall be limited to Directors of the Company.

(b) PARTICIPATION. A Director’s participation in the Plan shall be effective upon notification of the Director of eligibility to participate, completion of a Participation Agreement by the Director and acceptance of the Participation Agreement by the Committee.

3.2 SUICIDE. No benefits shall be paid under this Plan upon the death of a Participant by reason of suicide within twenty-four (24) months after signing a Participation Agreement.

ARTICLE IV
BENEFITS

4.1 DEATH DURING ACTIVE SERVICE ON THE BOARD. Upon the death of a Participant who is a member of the Board of Directors, the Company shall pay the Participant’s Beneficiary one hundred thousand dollars ($100,000) plus the amount needed to pay all federal and state income taxes on the benefit herein provided, based upon the highest combined federal and state marginal tax rate applicable to the Beneficiary in the year of the Participant’s death.

4.2 DEATH AFTER TERMINATION OF BOARD SERVICE.

(a) If a Participant terminates service on the Board after five (5) or more Years of Service, upon the death of the Participant, the Company shall pay the Participant’s Beneficiary one hundred thousand dollars ($100,000) plus the amount needed to pay all federal and state income taxes on the benefit provided, based upon the highest combined federal and state marginal tax rate applicable to the Beneficiary in the year of the Participant’s death.

(b) If a Participant terminates service on the Board with less than five (5) Years of Service, no benefits shall be payable under this Plan to either the Participant or the Participant’s Beneficiary.
4.3 PAYMENT OF BENEFITS. Any benefits due to a Beneficiary under this plan shall be payable within one hundred twenty (120) days after all documents prescribed by the Committee have been forwarded to the Company.

ARTICLE V

BENEFICIARY DESIGNATION

5.1 BENEFICIARY DESIGNATION. Subject to Section 5.3, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of the Participant’s death. Each Beneficiary designation shall be in written form prescribed by the Committee and shall be effective only when filed with the Committee during the Participant’s lifetime.

5.2 CHANGING BENEFICIARY. Subject to Section 5.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Committee. The filing of a new designation shall cancel all designations previously filed.

5.3 COMMUNITY PROPERTY. If the Participant resides in a community property state, the following rules shall apply:

(a) Designation by a married Participant of a Beneficiary other than the Participant’s spouse shall not be effective unless the spouse executes a written consent that acknowledges the effect of the designation, or it is established the consent cannot be obtained because the spouse cannot be located.

(b) A married Participant’s Beneficiary designation may be changed by a Participant with the consent of the Participant’s spouse as provided for in Section 5.3(a) by the filing of a new designation with the Committee.

(c) If the Participant’s marital status changes after the Participant has designated a Beneficiary, the following shall apply:

(i) If the Participant is married at the time of death but was unmarried when the designation was made, the designation shall be void unless the spouse has consented to it in the manner prescribed in Section 5.3(a).

(ii) If the Participant is unmarried at the time of death but was married when the designation was made:
5.4 NO BENEFICIARY DESIGNATION. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant’s benefits, the Participant’s Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant’s spouse;

(b) The Participant’s children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take by right of representation the share the parent would have taken if living;

(c) The Participant’s estate.

ARTICLE VI
ADMINISTRATION

6.1 COMMITTEE DUTIES. This Plan shall be administered by the Compensation Committee of the Board. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under this Plan.

6.2 AGENTS. The Committee may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to Company.

6.3 BINDING EFFECT OF DECISIONS. The decision or action of the Committee in respect of any questions arising out of or in connection with the administration, interpretation and application of the Plan in the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in Plan.
6.4 INDEMNITY OF THE COMMITTEE. Company shall indemnify and hold harmless the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan, except in the case of gross negligence or willful misconduct.

ARTICLE VII
CLAIMS PROCEDURE

7.1 CLAIM. The Committee shall establish rules and procedures to be followed by Participants and Beneficiaries in (a) filing claims for benefits, and (b) for furnishing and verifying proofs necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article. Such rules and procedures shall require that claims and proofs be made in writing and directed to the Committee.

7.2 REVIEW OF CLAIM. The Committee shall review all claims for benefits. Upon receipt by the Committee of such a claim, it shall determine all facts which are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within ninety (90) days of receipt of such claim. If prior to the expiration of the initial ninety (90) day period, the Committee determines additional time is needed to come to a determination on the claim, the Committee shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of one hundred eighty (180) days from the date the application was received.

7.3 NOTICE OF DENIAL OF CLAIM. In the event that any Participant, Beneficiary or other claimant claims to be entitled to a benefit under the Plan, and the Committee determines that such claim should be denied in whole or in part, the Committee shall, in writing, notify such claimant that the claim has been denied, in whole or in part, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall refer to the specific sections of the Plan relied on, shall describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and where appropriate,

7.4 RECONSIDERATION OF DENIED CLAIM.

(a) Within sixty (60) days after receipt of the notice of the denial of a claim, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Committee, a reconsideration by the Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such sixty (60) day period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Committee is correct. If such claimant or duly authorized representative requests a reconsideration within such sixty (60) day period, the claimant or duly
authorized representative shall have thirty (30) days after filing a request for reconsideration to submit additional written material in support of this claim, review pertinent documents, and submit issues and comments in writing.

(b) After such reconsideration request, the Committee shall determine within sixty (60) days of receipt of the claimant’s request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. The written notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. In the event of special circumstances determined by the Committee, the time for the Committee to make a decision may be extended by an additional sixty (60) days upon written notice to the claimant prior to the commencement of the extension. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Committee within ninety (90) days after mailing or delivery to the claimant by the Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Committee and actually institutes such legal proceeding within one hundred eighty (180) days after such mailing or delivery.

7.5 COMPANY TO SUPPLY INFORMATION. To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee of all matters relating to the retirement, death or other cause for termination of employment of all Participants, and such other pertinent facts as the Committee may require.

ARTICLE VIII
TERMINATION AMENDMENT

8.1 AMENDMENT. The Board may, in its sole discretion, amend this Plan at any time or from time to time. Any amendment may provide different benefits or amounts of benefits from those herein set forth. However, no such amendment shall reduce the amount of benefit payable with respect to a Participant who has terminated service on the Board before the effective date of the amendment.

8.2 TERMINATION. The Board may, in its sole discretion, terminate this Plan at any time. The Participants shall have no right to continuation of the death benefit protection provided by this Plan. However, no such termination shall prevent the payment of benefits with respect to Participants who have terminated service on the Board before the effective date of termination.

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ARTICLE IX
MISCELLANEOUS

9.1 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interest or claims in any property or assets of Company, nor shall they be Beneficiaries of, or have any rights, claims or interests in any life insurance policies or the proceeds therefrom owned or which may be acquired by the Company. Any and all other Company assets and policies shall be, and remain, the general, unpledged, and unrestricted assets of the Company. Company’s obligation under the Plan shall be that of an unfunded and unsecured promise of Company to pay money.

9.2 TRUST FUND. At its discretion, Company may establish one or more trusts, with such trustees as the Board may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust shall be irrevocable, its assets shall be held for payment of all Company’s general creditors in the event of insolvency or bankruptcy. To the extent any benefits provided under the Plan are paid from any such trust, Company shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of Company.

9.3 NONASSIGNABILITY. A Participant, Beneficiary nor any other person shall have no right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof. Such amounts and all rights under this Plan are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by Participant or any other person, nor be transferable by operation of law in the event of a Participant’s or any other person’s bankruptcy or insolvency.

9.4 NOT A CONTRACT OF EMPLOYMENT. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between Company and the Participant, and the Participant or Beneficiary shall have no rights against Company except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of Company or to interfere with the right of Company to discipline or discharge the Participant at any time.

9.5 PROTECTIVE PROVISIONS. A Participant or Beneficiary will cooperate with Company by furnishing any and all information requested by Company, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Company may deem necessary and taking such other action as may be requested by Company.

9.6 GOVERNING LAW. The provision of this Plan shall be construed and interpreted according to the laws of the State of New York.
9.7 VALIDITY. In case any provision of this Plan shall be held illegal or invalid for any reasons, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

9.8 NOTICE. Any notice or firing required or permitted to be given to the Committee under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail to the Committee. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

9.9 SUCCESSORS. Provisions of this Plan shall bind and inure to the benefit of KeyCorp and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of KeyCorp, and successors of any such corporation or other business entity. IN WITNESS WHEREOF, and pursuant to resolution of the Board of KeyCorp, such corporation has caused this instrument to be executed by its duly authorized officers effective as of September 1, 1990.

KEYCORP
By: ___________________________
   Chairman

By: ___________________________

Dated: _________________________

Section 14: EX-10.25 (EX-10.25)

KEYCORP
EXCESS CASH BALANCE PENSION PLAN

ARTICLE I
THE PLAN

The KeyCorp Excess Cash Balance Pension Plan (“Plan”) originally established effective January 1, 1995, is hereby amended and restated in its entirety effective January 1, 1998. The Plan as amended and restated is intended to provide certain key Employees of KeyCorp with a Plan benefit that is generally equal to the benefit that the Participant would have been eligible to receive under the KeyCorp Cash Balance Pension Plan but for the limitations imposed by Section 401(a)(17) and Section 415 of the Internal Revenue Code of 1986, as amended. It is the intention of the Plan and it is the understanding of those Participants covered under the Plan that the Plan is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE II
DEFINITIONS

2.1 Meanings of Definitions. As used herein, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is plainly required by the context:

(a) “Beneficiary” shall mean the Participant’s surviving spouse who is entitled to receive any Plan benefits in the event the Participant dies before his or her Excess Pension Benefit shall have been distributed to him or her in full.

(b) “Credited Service” shall be calculated by measuring the period of service commencing on the Participant’s Employment Commencement Date and Re-Employment Commencement Date, if applicable, and ending on the Participant’s Severance from Service Date, and shall be computed based on each full month during which time the Employee is employed by an Employer.

(c) “Compensation” of a Participant for any Plan Year or any partial Plan Year in which the Participant incurs a Severance From Service Date shall mean the entire amount of compensation paid to such Participant during such period by reason of his employment as an Employee, as reported for federal income tax purposes, or which would have been paid except for (1) the timing of an Employer’s payroll processing operations, (2) the Participant’s written election to defer the receipt of compensation during the Plan Year, (3) the provisions of the KeyCorp 401(k) Savings Plan, or (4) the provisions of the KeyCorp Flexible Benefits Plan provided, however, the term shall not include:

(i) any amount attributable to the Participant’s exercise of stock appreciation rights and the amount of any gain to the Participant upon the exercise of stock options;

(ii) any amount attributable to the Participant’s receipt of non-cash remuneration whether or not it is included in the Participant’s income for federal income tax purposes;
In determining a Participant’s Compensation under the provisions of this Section 2.1(c), for those Plan Participants who participate in a line of business incentive plan (other than the KeyCorp Annual Incentive Plan, the KeyCorp Long Term Incentive Plan and/or the KeyCorp Staff Incentive Plan), compensation up to a Plan maximum of $500,000 minus the amount of the Participant’s compensation utilized in computing his or her Pension Plan benefit in accordance with Section 401(a)(17) of the Code shall be utilized in calculating the Participant’s benefit under the Plan.

In the case of a Disabled Participant, such Participant’s Compensation for each year while Disabled shall equal an amount which shall reflect the Participant’s Compensation for the calendar year preceding the date of the Participant’s Disability.

(d) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(e) “Employee” shall mean a common law employee who is employed by an Employer; provided, however, the term “Employee” shall not include any person who at the time services are performed is not classified as a common law employee by the Employer even though such person may for federal income tax purposes, federal employment tax purposes, or any other purpose be reclassified by the Employer as a common law employee retroactive to when such services were performed by reason of administrative, judicial, regulatory or other governmental action.

(f) “Employer” shall mean KeyCorp and all of its subsidiaries or affiliates unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer’s participation shall be subject to any and all conditions and requirements made by the Corporation as the Plan Administrator, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan.
(g) “Excess Pension Benefit” shall mean the vested pension benefit payable pursuant to the terms of this Plan to a Participant meeting the eligibility requirements of Section 3.1 of the Plan.

(h) “Interest Credit” shall mean the rate at which a Participant’s Opening Account Balance as provided for under Section 3.3 of the Plan is periodically increased on a bookkeeping basis. The Interest Credit allocated to a Participant’s Opening Account Balance shall be determined based on one-quarter of the effective annual calendar-year interest rate equal to the average (rounded to the nearest one-hundredth of one percent) 5-year United States Treasury Bill rate in effect each month during the twelve (12) month period ending on October 31 or the last business day in October of the preceding calendar year. The procedures to determine such Interest Credit shall be determined by the Pension Trust Oversight Committee, and the Pension Trust Oversight Committee in its sole and exclusive discretion may modify the Interest Credit to be allocated under the Plan.

(i) “Participant” shall mean an Employee who is a participant in the Pension Plan and who is selected by the Corporation to become a Participant in the Plan, and whose participation in the Plan has not been terminated by the Corporation.

(j) “Pension Plan” shall mean the KeyCorp Cash Balance Pension Plan as the same shall be in effect on the date of a Participant’s Retirement, death, Disability or other termination of employment.

(k) “Retirement” shall mean the termination of employment of a Participant under circumstances in which the Participant begins to receive an Early Retirement or Normal Retirement Date benefit under the KeyCorp Cash Balance Pension Plan.

(l) “Supplemental Retirement Plan” shall mean the KeyCorp Supplemental Retirement Plan (formerly known as the Society Corporation Supplemental Retirement Plan), the KeyCorp Supplemental Retirement Benefit Plan, and the KeyCorp Supplemental Retirement Benefit Plan for Key Executives, with all amendments, modifications, and supplements which may be made thereto.

(m) “Termination” shall mean the voluntary or involuntary and permanent termination of a Participant’s employment from his or her Employer and any other Employer, whether by resignation or otherwise.

All other capitalized and undefined terms used herein shall have the meanings given them in the Pension Plan, unless a different meaning is plainly required by the context.

The masculine gender includes the feminine, and singular references include the plural, unless the context clearly requires otherwise.

ARTICLE III
EXCESS PENSION BENEFIT

3.1 Eligibility. Subject to the provisions of Article V hereof, a Participant shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) retires on or after age 65 with five or more years of Credited Service, (ii) terminates employment with an Employer on or after age 55 with ten or more years of Credited Service, (iii) terminates his active employment with an Employer upon becoming Disabled after completing five or more years of Credited Service and disability benefits have ceased under the KeyCorp Long-Term Disability Plan due to the Participant’s election of an Early or Normal Retirement.
under the Pension Plan, or (iv) dies after completing five years of Credited Service, and has a Beneficiary who is eligible for a benefit under the Pension Plan.

3.2 **Amount of Excess Pension Benefit.** The Excess Pension Benefit payable to a Participant shall be in such amount as is required, when added to the Accrued Benefit payable in lump sum form to the Participant under the Pension Plan as of the Participant’s Retirement or Termination date, to produce a lump sum cash aggregate benefit equal to the benefit which would have been payable under the Pension Plan formula in lump sum form to the Participant if the limitations of Section 401(a)(17) of the Code and the limitations of Section 415 of the Code had not been in effect. For purposes of this Section 3.2 hereof, the term “Pension Plan formula” means the method of calculating a Participant’s pension benefit as reflected in Article IV of the Pension Plan, and shall not include any Predecessor Plan Grandfathered Benefits formula.

3.3 **Opening Account Balance.**

(1) Effective January 1, 1995, all “Employees” (other than “Grandfathered Employees”) as defined in the Society Corporation Supplemental Retirement Plan, as amended and restated as the KeyCorp Supplemental Retirement Plan (“Supplemental Retirement Plan”) whose Supplemental Retirement Plan benefit was valued as of January 1, 1995 in the form of a lump sum cash benefit and thereafter the value of which was transferred to the Plan pursuant to the provisions of Article IX of the Supplemental Retirement Plan, shall have the value of such lump sum cash benefit reflected in a bookkeeping opening account balance (“Opening Account Balance”) established for such Participant. Such Opening Account Balance shall be credited with Interest Credit as of the last day of each calendar quarter, based on the value of the Participant’s Opening Account Balance as of the first day of the applicable quarter. A Participant’s entitlement to such Opening Account Balance shall be governed by the eligibility provisions of Section 3.1 of this Plan, and the value of the Opening Account Balance shall be added to and become a part of such Participant’s Excess Pension Benefit, if any, which shall be payable in accordance with the terms of this Plan.

(2) Effective January 1, 1995, all participants in the Ameritrust Corporation Excess Benefit Plan and all participants in the Ameritrust Corporation Deferred Compensation Plan (augmented retirement benefit) (hereinafter collectively referred to as “Ameritrust Plan”), whose Ameritrust Plan benefit was valued as of January 1, 1995, in the form of a lump sum cash benefit and thereafter the value of which was transferred to this Plan shall have the value of such lump sum cash benefit reflected in a bookkeeping opening account balance (“Opening Account Balance”) established for such Participant. Such Opening Account Balance shall be credited with Interest Credit as of the last day of each calendar quarter, based on the value of the Participant’s Opening Account Balance as of the first day of the applicable quarter. A Participant shall be fully vested in such Opening Account Balance, and the value of the Opening Account Balance shall be added to and become a part of such Participant’s Excess Pension Benefit, if any, which shall be payable in accordance with the terms of this Plan. If the Participant fails to meet eligibility requirements of Section 3.1 entitling Participant to an Excess Pension Benefit accruing under this Plan on and after January 1, 1995, the Participant shall nonetheless receive, at his or her Termination date, the Participant’s vested Opening Account Balance valued as of the Participant’s Termination date, which shall be paid pursuant to the benefit distribution (payment) options contained in Article IV of this Plan.

4
ARTICLE IV

PAYMENT OF EXCESS PENSION BENEFIT

4.1 **Immediate Payment Upon Termination or Retirement of Participant.** Subject to the provisions of Section 4.2 hereof, a Participant meeting the age and service eligibility requirements of Section 3.1 shall receive an immediate distribution of his or her Excess Pension Benefit upon the Participant’s Retirement or Termination date. Such Excess Pension Benefit shall be paid as a lump sum payment, unless the Participant elects in writing, a minimum of one year prior to his or her Retirement or Termination date to receive his or her distribution under a different form of payment. The forms of payment from which a Participant may elect shall be identical to those forms of payment provided under the Pension Plan.

The Excess Pension Benefit payable to a Participant in a form other than a lump sum payment shall be the actuarial equivalent to such lump sum cash payment. In making this determination as provided for in this Article IV, the Corporation shall rely upon calculations made by independent actuaries for the Pension Plan, who shall apply the actuarial assumptions and interest rate then in use under the Pension Plan for converting to the form of payment elected by the Participant.

4.2 **Payment Upon Death of Participant.**

(a) Upon the death of a Participant who has met the service requirement of Section 3.1, but who has not yet commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant’s Beneficiary the Excess Pension Benefit which the Participant would have been entitled to receive had the Participant retired on his or her date of death and commenced distribution of his or her Excess Pension Benefit. Such Excess Pension Benefit shall be paid in the form of a lump sum cash payment.

(b) In the event of a Participant’s death after the Participant has commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant’s Beneficiary only those survivor benefits provided under the form of benefit payment elected by the Participant.

ARTICLE V

ELECTION BETWEEN PLAN BENEFITS

5.1 **Participant’s Election Between Plan Benefits.** A Participant who meets the eligibility requirements for an Excess Pension Benefit who is also a participant in and meets the eligibility requirements for a benefit under the KeyCorp Executive Supplemental Pension Plan, shall be required prior to the Participant’s Retirement or Termination date to elect a benefit from either the Plan or from the KeyCorp Executive Supplemental Pension Plan. A Participant’s failure to elect between Plan benefits prior to the Participant’s Retirement or Termination date shall result in an automatic default election by the Participant of an Excess Pension Benefit under the Plan (and shall extinguish all rights to a benefit under the KeyCorp Executive Supplemental Pension Plan). Such Excess Pension Benefit shall be paid to the Participant as of his or her Retirement or Termination date in the form of a lump sum cash payment.

5.2 **Beneficiary Election Between Plan Benefits.** If a Participant dies after having met the eligibility requirements for an Excess Pension Benefit and the Participant at the time of his or her death is also a Participant in the KeyCorp Executive Supplemental Pension Plan and eligible for a benefit under the KeyCorp Executive Supplemental Pension Plan, the Participant’s Beneficiary shall be required to elect a death benefit from either the Plan or from the KeyCorp Executive Supplemental Pension Plan, but in no event may the Participant’s Beneficiary elect a benefit under both the Plan and the KeyCorp.
Executive Supplemental Pension Plan. The terms of each respective Plan shall control the form of payment which may be elected by the Participant’s Beneficiary.

A Beneficiary’s failure to elect between Plan benefits within 120 days from the date of the Participant’s death shall result in an automatic default election by the Beneficiary of an Excess Pension Benefit under the Plan to be paid to the Beneficiary in a cash lump sum payment.

**ARTICLE VI**

**ADMINISTRATION**

6.1 Administration. The Corporation, which shall be the “Administrator” of the Plan for purposes of ERISA and the “Plan Administrator” for purposes of the Code, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Corporation deems necessary or advisable in the administration of the Plan. All findings, decisions and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Plan Administrator hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 6.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.

6.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under the Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which the Claimant receives such notice, Claimant may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or Claimant’s authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefore, which request shall contain the following information:

(i) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (i);

(ii) the specific portions of the denial of the Claimant’s claim which the Claimant requests the Plan Administrator to review;
(iii) a statement by the Claimant setting forth the basis upon which Claimant believes the Plan Administrator should reverse its previous denial of the Claimant’s claim and accept the Claimant’s claim as made;

(iv) any written material which the Claimant desires the Plan Administrator to examine in its consideration of the Claimant’s position as stated pursuant to paragraph (iii) above.

In accordance with this Section, if the Claimant requests a review of the Plan Administrator’s decision, such review shall be made by the Plan Administrator, which shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the Claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE VII
CORPORATE ASSETS

All benefits paid under the Plan shall be payable solely out of the general assets of the Corporation. The Corporation shall have no obligation to establish a trust or fund to fund its obligation to pay benefits under the Plan or to insure any benefits under the Plan and nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation or any other person. It is the intention of the Corporation and the Participant that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Corporation may, in its sole discretion, combine the payment due and owing under the Plan with one or more other payments owing to the Participant or the Participant’s Beneficiary under any other plan, contract, or otherwise (other than any payment due under the Pension Plan) in one check, direct deposit, wire transfer, or other means of payment.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.1 Termination or Amendment. The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, or any duly authorized Committee thereof; provided, however, that no such action shall adversely affect any Participant who has met the age and service requirements of Section 3.1 or any Participant or Participant’s Beneficiary who is receiving or who is eligible to receive an Excess Pension Benefit hereunder, unless an equivalent benefit is provided under another plan maintained by an Employer.

8.2 Effect of Plan Termination. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all Employers to provide for future benefits under the Plan.

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ARTICLE IX
MISCELLANEOUS

9.1 **Interest of Participant.** The obligation of the Employer and of the Corporation to provide a Participant or the Participant’s Beneficiary with an Excess Pension Benefit under the Plan merely constitutes the unsecured promise of the Employer and the Corporation to make payments as provided herein and no person shall have any interest in, or a lien or prior claim on any property of the Employer or Corporation.

9.2 **Benefits.** Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participant and the Participant’s Beneficiary who may become entitled to an Excess Pension Benefit under the Plan.

9.3 **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan benefit shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan benefit shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan benefit, such attempt shall be void and unenforceable.

9.4 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees” within the meaning of Sections 201, 301, and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

9.5 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

9.6 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct for anything done or omitted to be done.

9.7 **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.

9.8 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.
9.9 **Withholding.** The Corporation shall withhold any tax which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

9.10 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of ERISA, the Code, and, to the extent applicable, the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

9.11 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

9.12 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

9.13 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.

9.14 **Trust Fund.** At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Employer.

9.15 **Notice.** Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.
9.16 Successors. The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

Executed at Cleveland, Ohio, to be effective as of the first day of January, 1998.

KEYCORP

By: _________________________________

Title: _________________________________

Section 15: EX-10.26 (EX-10.26)

WHEREAS, KeyCorp has established the KeyCorp Excess Cash Balance Pension Plan (the “Plan”), and

WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation and Organization Committee to permit amendments to the Plan, and

WHEREAS, the Compensation and Organization Committee of the Board of Directors of KeyCorp has determined it desirable to amend the Plan and has accordingly authorized the execution of this First Amendment,

NOW, THEREFORE, pursuant to such action of the Compensation Committee, the Plan is hereby amended as follows:

1. Article III, Section 3.1 shall be amended to delete it in its entirety and to substitute therefore the following:

   “3.1 Eligibility. Subject to the provisions of Article V hereof, a Participant shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) terminates employment with an Employer on or after age 55 with five or more years of Credited Service, (ii) terminates his or her active employment with an Employer upon becoming Disabled after completing five or more years of Credited Service and disability benefits have ceased under the KeyCorp Long-Term Disability Plan due to the Participant’s election of an Early or Normal Retirement under the Pension Plan, or (iii) dies after completing five years of Credited Service, and has a Beneficiary who is eligible for a benefit under the Pension Plan.”

2. Article IV, Section 4.1 shall be amended to add the following new paragraph at the end of such Section:

   “Notwithstanding the foregoing provisions of this Section 4.1, however, in the event of the Participant’s termination, Retirement or Disability and within twelve months of such termination, Retirement, or Disability date the Participant engages in any Harmful Activity, such Participant’s distribution election (if other than a lump sum distribution) shall become null and void, and the Participant shall receive an immediate lump sum distribution of his or her vested Excess Pension Benefit.

For purposes of this Section 4.1, a “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following:

1
Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 4.1 the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business
3. The Plan is hereby amended to add a new Article X to the Plan to read in its entirety as follows:

**Article X**

**Change of Control**

Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, a Participant’s interest in his or her Excess Pension Benefit shall vest, and the Participant shall be entitled to receive an immediate distribution of his or her Excess Pension Benefit, if on and after a Change of Control the Participant has at least five (5) years of Credited Service, and (i) the Participant’s employment is terminated by his or her Employer and any other Employer without cause, or (ii) the Participant resigns within two years following a Change of Control as a result of the Participant’s mandatory relocation, reduction in the Participant’s base salary, reduction in the Participant’s average annual incentive compensation (unless such reduction is attributable to the overall corporate or business unit performance), or the Participant’s exclusion from stock option programs as compared to comparably situated Employees.

For purposes of this Article X hereof, a “Change of Control” shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp (“Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust to secure the payment of any Participants’ Plan benefits payable hereunder because a “Change of Control” as defined in the Trust has occurred on and after January 1, 1999.

4. The amendments set forth in Paragraphs 1 through 3 shall be effective as of January 1, 1999.

5. Except as otherwise amended herein, the Plan shall remain in full force and effect.

**IN WITNESS WHEREOF**, KeyCorp has caused this First Amendment to the Plan to be executed by its duly authorized officer to be effective as of the ___ day of July, 1999.

**KEYCORP**

By: ________________________________

Title: ______________________________

Section 16: EX-10.27 (EX-10.27)
For purposes of this Section 3.1, hereof, the term “Discharge for Cause” shall mean a Participant’s employment termination that is the result of the Participant’s violation of the Employer’s policies, practices or procedures, violation of city, state, or federal law, or failure to perform his or her assigned job duties in a satisfactory manner. The Employer in its sole and absolute discretion shall determine whether a Participant has been Discharged for Cause.
Notwithstanding any of the forgoing provisions of this Section 3.1, however, a Participant’s eligibility for an Excess Pension Benefit shall be subject to the election requirements of Article V of the Plan.”

2. The amendment set forth in Paragraph 1 shall be effective as of January 1, 2003.

3. Except as otherwise amended herein, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this Second Amendment to the Plan to be executed by its duly authorized officer to be effective as of the first day of January, 2003.

KEYCORP

By: _______________________________

Title: ______________________________

Section 17: EX-10.30 (EX-10.30)

ARTICLE I

THE PLAN

The KeyCorp Second Excess Cash Balance Pension Plan (“Plan”), as originally established December 28, 2004 to be effective January 1, 2005, and thereafter amended as of December 31, 2007 is hereby amended and restated as of December 31, 2008. The Plan, as structured, is designed to provide certain select employees of KeyCorp with a Plan benefit that is generally equal to the benefit that the employee would have been eligible to receive under the KeyCorp Cash Balance Pension Plan but for the compensation and accrual limitations imposed by Section 401(a)(17) and Section 415 of the Internal Revenue Code of 1986, as amended, when combined with any vested benefit provided to the employee under the KeyCorp Excess Cash Balance Pension Plan. It is the intention of the Plan and it is the understanding of those employees covered under the Plan that the Plan is unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. It is also the understanding of those employees covered under the Plan that the Plan will be administered in accordance with the requirements of Section 409A of the Code.

ARTICLE II

DEFINITIONS

2.1 Meanings of Definitions. As used herein, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is plainly required by the context:

(a) “Beneficiary” shall mean the person, persons or entity entitled to receive the Participant’s Plan benefits, if any, that are payable after a Participant’s death.

(b) “Credited Service” shall be calculated by measuring the period of service commencing on the Participant’s Employment Commencement Date and Re-Employment Commencement Date, if applicable, and ending on the Participant’s Severance from Service Date. Credited Service shall be computed based on each full month that the Employee is employed by an Employer.

(c) “Compensation” of a Participant for any Plan Year or any partial Plan Year in which the Participant incurs a Severance From Service Date shall mean the entire amount of compensation paid to such Participant during such period by reason of his employment as an Employee, as reported for federal income tax purposes, or which would have been paid except for (1) the timing of an Employer’s payroll processing operations, (2) the Participant’s written election to defer the receipt of compensation during the Plan Year, (3) the provisions of the KeyCorp 401(k) Savings Plan, or (4) the provisions of the KeyCorp Flexible Benefits Plan and/or any transportation reimbursement plan for the applicable Plan year provided, however, the term shall not include:

(i) any amount attributable to the Participant’s exercise of stock appreciation rights and the amount of any gain to the Participant upon the exercise of stock options;
For Plan Years beginning on and after January 1, 2006, only that Compensation which is in excess of the compensation limits mandated under Section 401(a)(17) of the Code shall be utilized in determining the Participant’s Excess Pension Benefit under the provisions of Section 3.2 of the Plan. Notwithstanding the foregoing, however, if the Participant is in a benefits designator 85 or below, then only that Compensation which is in excess of the compensation limits mandated under Section 401(a)(17) of the Code up to a Plan Compensation maximum of $500,000 shall be utilized in determining the Participant’s Excess Pension Benefit under the provisions of Section 3.2 hereof.

(d) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(e) “Disability” shall mean (1) a physical or mental disability which prevents a Participant from performing the duties the Participant was employed to perform for his or her Employer when such disability commenced, (2) has resulted in the Participant’s absence from work for 180 qualifying days, and (3) application has been made for the Participant’s disability coverage under the KeyCorp Long Term Disability Plan.

(f) “Employee” shall mean a common law employee who is employed by an Employer; provided, however, that the term “Employee” shall not include any person who at the time services are performed is not classified as a common law employee by the Employer even though such person may for federal income tax purposes, federal employment tax purposes, or any other purpose be reclassified by the Employer as a common law employee retroactive to when such services were performed by reason of administrative, judicial, regulatory or other governmental action.

2
“Employer” shall mean KeyCorp and all of its subsidiaries or affiliates unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer’s participation shall be subject to any and all conditions and requirements made by the Corporation as the Plan Administrator, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan.

“Excess Pension Benefit” shall mean the vested pension benefit payable pursuant to the terms of this Plan to a Participant meeting the eligibility requirements of Section 3.1 of the Plan.

“Excess Pension Program Benefit” shall mean the Participant’s collective nonqualified pension benefit accrued under the KeyCorp Excess Cash Balance Pension Plan and KeyCorp Second Excess Cash Balance Pension Plan, subject to the terms and conditions of each respective Plan.

“Executive Supplemental Pension Program Benefit” shall mean the Participants’ collective nonqualified pension benefit accrued under the KeyCorp Executive Supplemental Pension Plan and KeyCorp Second Executive Supplemental Pension Plan, subject to the terms and conditions of each respective Plan.

“Interest Credit” shall mean the rate at which a Participant’s Opening Account Balance, as provided for under Section 3.3 of the Plan, is periodically increased on a bookkeeping basis. The Interest Credit rate to be allocated to a Participant’s Opening Account Balance shall mirror the Pension Plan’s Interest Credit rate for each applicable Plan Year.

“Participant” shall mean an Employee who is a participant in the Pension Plan and who is a job grade 86 or above, and is selected by the Corporation to become a Participant in the Plan, and whose participation in the Plan has not been terminated by the Corporation.

“Pension Plan” shall mean the KeyCorp Cash Balance Pension Plan, as the same shall be in effect on the date of a Participant’s Retirement, death, Disability or other termination of employment.

“Retirement” shall mean the termination of employment of a Participant under circumstances in which entitle the Participant to receive an Early Retirement or Normal Retirement Date benefit under the KeyCorp Cash Balance Pension Plan.

“Supplemental Retirement Plan” shall mean the KeyCorp Second Supplemental Retirement Plan (formerly known as the Society Corporation Supplemental Retirement Plan), the KeyCorp Excess Pension Benefit Plan, and the KeyCorp Excess Pension Benefit Plan for Key Executives, with all amendments made thereto.

“Termination” shall mean the voluntary or involuntary and permanent termination of a Participant’s employment from his or her Employer and any other Employer, whether by resignation or otherwise.

All other capitalized and undefined terms used herein shall have the meanings given them in the Pension Plan, unless a different meaning is plainly required by the context.

The masculine gender includes the feminine, and singular references include the plural, unless the context clearly requires otherwise.
ARTICLE III
EXCESS PENSION BENEFIT

3.1 **Eligibility.** A Participant selected by the Corporation to participate in the Plan shall be eligible for an Excess Pension Benefit hereunder if the Participant (i) terminates employment with an Employer on or after age 55 with five or more years of Credited Service, (ii) is terminated from employment with an Employer in conjunction with his or her Disability, or (iii) dies after completing five years of Credited Service and has a Beneficiary who is eligible for a benefit under the Pension Plan.

A Participant shall also be eligible for an Excess Pension Benefit if the Participant becomes involuntarily terminated from his or her employment with an Employer for reasons other than the Participant’s Discharge for Cause, and (i) as of the Participant’s termination date the Participant has a minimum of twenty-five (25) or more years of Credited Service, (ii) the Participant enters into a written non-solicitation and non-compete agreement with the Employer under terms that are satisfactory to the Employer.

For purposes of this Section 3.1, hereof, the term “Discharge for Cause” shall mean a Participant’s employment termination that is the result of the Participant’s violation of the Employer’s policies, practices or procedures, violation of city, state, or federal law, or failure to perform his or her assigned job duties in a satisfactory manner. The Employer shall determine whether a Participant has had a Discharge for Cause.

Notwithstanding any of the forgoing provisions of this Section 3.1, however, a Participant’s eligibility for an Excess Pension Benefit shall be subject to the requirements of Article V of the Plan.

3.2 **Amount of Excess Pension Benefit.** The Excess Pension Benefit payable to a Participant shall be in such amount as is required, when added to the excess pension benefit payable in lump sum form to the Participant under the KeyCorp Excess Cash Balance Pension Plan (if any) and the Accrued Benefit payable in lump sum form to the Participant under the Pension Plan as of the Participant’s Retirement or Termination date to produce a lump sum cash aggregate benefit equal to the benefit which would have been payable under the Pension Plan formula in lump sum form to the Participant if the limitations of Section 401(a)(17) of the Code and the limitations of Section 415 of the Code had not been in effect. For purposes of this Section 3.2 hereof, the term “Pension Plan formula” means the method of calculating a Participant’s pension benefit as reflected in Article IV of the Pension Plan and shall not include any Predecessor Plan Grandfathered Benefits formula.

3.3 **Opening Account Balance.** Effective January 1, 2005, Participants in the frozen KeyCorp Excess Cash Balance Pension Plan who as of December 31, 2004 were not vested in their Excess Cash Balance Pension Plan benefit shall have their accrued but not vested benefit transferred to this Plan and reflected in a bookkeeping opening account balance (“Opening Account Balance”) established for the Participant. Such Opening Account Balance shall be credited with Interest Credit as of the last day of each calendar quarter, based on the value of the Participant’s Opening Account Balance as of the first day of the applicable quarter. A Participant’s entitlement to this Opening Account Balance shall be governed by the eligibility provisions of Section 3.1 of this Plan, and the value of the Opening Account Balance shall be added to and become a part of such Participant’s Excess Pension Benefit, if any, which shall be payable in accordance with the terms of this Plan. The establishment of the Participant’s Plan Opening Account Balance shall terminate the Participant’s entitlement to any benefit under the frozen KeyCorp Excess Cash Balance Pension Plan.
ARTICLE IV
PAYMENT OF EXCESS PENSION BENEFIT

4.1 Immediate Payment Upon Termination or Retirement of the Participant. Subject to the provisions of Section 4.2, Section 4.4, and Section 4.5 hereof, a Participant shall receive an immediate distribution of his or her Excess Pension Benefit which shall be made within 90 days following the Participant’s (1) attainment of age 55, and (2) upon the Participant’s termination of employment. Such Excess Pension Benefit shall be paid in the form of a single life annuity, unless the Participant elects in writing, a minimum of sixty days prior to the Participant’s distribution date to receive his or her distribution under a different form of payment that is actuarially equivalent to the Participant’s Excess Pension Benefit when paid as a single life annuity payment. The forms of payment from which a Participant may elect shall be identical to those forms of payment provided under the Pension Plan, provided however, that the lump sum payment option available under the Pension Plan shall not be a form of distribution available under this Plan. Such payment method, once elected by the Participant, shall be irrevocable.

In calculating the Participant’s actuarially equivalent form of distribution the Corporation shall rely upon calculations made by independent actuaries for the Pension Plan, who shall apply the actuarial assumptions and interest rate then in use under the Pension Plan for converting to the form of payment elected by the Participant.

4.2 Forfeiture of Plan Benefits. Notwithstanding the any other provision of this Article VI, however, if the Participant engages in any Harmful Activity prior to or within twelve months of his or her Termination or Retirement date, then by operation of this Section 4.2 hereof and without any further notice to the Participant all further Excess Pension Benefits shall be immediately forfeited. In the event that a Participant has received a distribution of his or her Excess Pension Benefit, and the Participant engages in any Harmful Activity prior to or within twelve months of his or her Termination or Retirement, then in such event the Participant shall repay to the Corporation the full amount of such distributed Plan benefits within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s employment with an Employer terminates within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or termination of employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan.

The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement shall be final and conclusive upon the Participant and upon all other Persons.

For purposes of this Section 4.2, a “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following:

ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.
(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(iv) After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(v) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(vi) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

(vii) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 4.2 the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

4.3 Payment Upon Death of the Participant.

(a) Upon the death of a Participant who has met the service requirement of Section 3.1, but who has not yet commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant’s Beneficiary the Excess Pension Benefit that the Participant would have been entitled to receive had the Participant retired on his or her date of death and commenced distribution of his or her

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For the natural text above, there are no further sections that need to be addressed. The document contains clauses related to confidentiality, intellectual property, and post-employment restrictions. For a more comprehensive understanding, one might consider reviewing the entire document to gain a full perspective on the agreements and obligations.
Excess Pension Benefit. Such Excess Pension Benefit shall be paid in the form of a single life annuity within 90 days following such date of death.

(b) In the event of a Participant’s death after the Participant has commenced distribution of his or her Excess Pension Benefit, there shall be paid to the Participant’s Beneficiary only those survivor benefits provided under the form of benefit payment elected by the Participant.

4.4 Distribution of Small Accounts. Notwithstanding any Plan provision other than Section 4.5 hereof, if the value of a Participant’s vested Excess Pension Benefit as of the Participant’s distribution date is under $50,000, such balance shall be distributed to the Participant as a single lump sum distribution as soon as reasonably practicable but in no event later than 90 days following the Participant’s separation from service date (provided the Participant has attained age 55).

4.5 Payment Limitation for Key Employees. Notwithstanding any other provision of the Plan to the contrary, in the event that the Participant constitutes a “key” employee of the Corporation, (as that term is defined in accordance with Section 416(i) of the Code without regard to paragraph (5) thereof), the distribution of the Participant’s Plan benefit shall not begin before the first day of the seventh month following the Participant’s date of separation from service (or, if earlier, the date of the Participant’s death). To the extent that an amount is deferred under the requirements of this Section 4.5 until the first business day of the seventh month following the Participant’s separation from service date, the payments to which the Participant would otherwise have been entitled during the first six months following the Participant’s separation from service date shall be accumulated and paid to the Executive on the first business day of the seventh month. The term “key employee” and the term “separation from service” shall be defined for Plan purposes in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.

ARTICLE V
DISTRIBUTION OF LARGEST PLAN BENEFIT

5.1 Distribution of the Largest Plan Benefit. Unless otherwise previously elected by the Participant, a Participant who meets the eligibility requirements for an Excess Pension Program Benefit and who also meets the eligibility requirements for an Executive Supplemental Pension Program Benefit, shall automatically be provided the larger of the two Program benefits (i.e. the greater of the Participant’s Excess Pension Program Benefit or the Participant’s Executive Supplemental Pension Program Benefit).

In making the determination required under this Section 5.1 hereof, the Corporation shall rely upon calculations made by independent actuaries for the Pension Plan, who shall apply the actuarial assumptions and interest rate then in use under the Pension Plan for converting the Participant’s Excess Pension Program Benefit to a single life annuity form of payment. The Participant automatically shall receive the Program Benefit that provides the Participant with the largest monthly single life annuity benefit.

5.2 Beneficiary Distribution of the Largest Plan Benefit.

(a) Upon the death of a Participant meeting eligibility requirements for an Excess Pension Program Benefit and the eligibility requirements for an Executive Supplemental Pension
ARTICLE VI
ADMINISTRATION

6.1 Administration. The Corporation, which shall be the “Administrator” of the Plan for purposes of ERISA and the “Plan Administrator” for purposes of the Code, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Corporation deems necessary or advisable in the administration of the Plan. All findings, decisions and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Plan Administrator hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 6.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.

6.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under the Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which the Claimant receives such notice, Claimant may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or Claimant’s authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefore, which request shall contain the following information:

(i) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (i);

(ii) the specific portions of the denial of the Claimant’s claim which the Claimant requests the Plan Administrator to review;
In accordance with this Section, if the Claimant requests a review of the Plan Administrator’s decision, such review shall be made by the Plan Administrator, which shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the Claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE VII
CORPORATE ASSETS

All benefits paid under the Plan shall be payable solely out of the general assets of the Corporation. The Corporation shall have no obligation to establish a trust to fund its obligation to pay benefits under the Plan or to insure any benefits under the Plan and nothing contained in the Plan shall create or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and the Participant that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The Corporation may, in its sole discretion, combine the payment due and owing under the Plan with one or more other payments owing to the Participant or the Participant’s Beneficiary under any other plan, contract, or otherwise (other than any payment due under the Pension Plan) in one check, direct deposit, wire transfer, or other means of payment.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.1 Termination or Amendment. The Corporation reserves the right to amend or terminate the Plan at any time by action of its Board of Directors, or any duly authorized Committee thereof; provided, however, that no such action shall adversely affect the accrued benefit of any Participant who has met the age and service requirements of Section 3.1 or any Participant or Participant’s Beneficiary who is receiving or who is eligible to receive an Excess Pension Benefit hereunder. No amendment or termination will result in an acceleration of Excess Pension Benefits in violation of Section 409A of the Code.

8.2 Effect of Plan Termination. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all Employers to provide for future benefits under the Plan.
ARTICLE IX
MISCELLANEOUS

9.1 **Interest of Participant.** The obligation of the Employer and of the Corporation to provide a Participant or the Participant’s Beneficiary with an Excess Pension Benefit under the Plan merely constitutes the unsecured promise of the Employer and the Corporation to make payments as provided herein and no person shall have any interest in, or a lien or prior claim on any property of the Employer or Corporation.

9.2 **Benefits.** Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participant and the Participant’s Beneficiary who may become entitled to an Excess Pension Benefit under the Plan.

9.3 **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan benefit shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or the Participant’s Plan benefit shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or his or her Beneficiary. If the Participant or the Participant’s Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or the Participant’s Plan benefit, such attempt shall be void and unenforceable.

9.4 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees” within the meaning of Sections 201, 301, and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

9.5 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

9.6 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct for anything done or omitted to be done.

9.7 **Expenses.** The Corporation will pay all Plan expenses.

9.8 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.
9.9 **Withholding.** The Corporation shall withhold any tax which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

9.10 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of ERISA, the Code, and, to the extent applicable, the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

9.11 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

9.12 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

9.13 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.

9.14 **Trust Fund.** At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Employer.

9.15 **Notice.** Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

9.16 **Successors.** The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

**ARTICLE X**

**CHANGE OF CONTROL**

Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, a Participant’s interest in his or her Excess Pension Benefit shall vest, and the Participant shall be entitled to receive an immediate distribution of his or her Excess Pension Benefit, if on and after a Change of Control (i) the Participant’s employment is terminated by his or her Employer and any other Employer without cause, or (ii) the Participant resigns within two years following a Change of Control as a result of the Participant’s mandatory relocation, reduction in the Participant’s base salary, reduction in
the Participant’s average annual incentive compensation (unless such reduction is attributable to the overall corporate or business unit performance) or the Participant’s exclusion from stock option programs as compared to comparably situated Employees.

For purposes of this Article X hereof, “Change of Control” shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp (“Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust because a “Change of Control”, as defined in the Trust, has occurred.

ARTICLE XI
COMPLIANCE WITH SECTION 409A CODE

The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred on and after January 1, 2005. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in a violation, early taxation or assessment of penalties, or interest of any amount under Section 409A of the Code.

IN WITNESS WHEREOF, KeyCorp has caused this KeyCorp Second Excess Cash Balance Pension Plan to be executed by its duly authorized officer this 29th day of December, 2008, to be effective as of December 31, 2008.

KEYCORP
By: /s/ Steven N. Bulloch
Title: Assistant Secretary

Section 18: EX-10.31 (EX-10.31)

The KeyCorp Automatic Deferral Plan (“Plan”), as originally established January 1, 1999, and amended January 1, 2005, and December 31, 2007, is hereby amended and restated effective as of December 31, 2008. The Plan, as structured, requires certain key Employees of KeyCorp to automatically defer a percentage of the total amount of their incentive compensation accrued under a KeyCorp-sponsored incentive compensation plan to the Plan. While requiring the automatic deferral of certain incentive compensation to the Plan until vested, the Plan provides Plan Participants with a tax-favorable savings vehicle while permitting KeyCorp to retain the continued services of such Participants. It is the intention of KeyCorp, and it is the understanding of those Participants covered under the Plan, that the Plan is unfunded for tax purposes and it is exempt from the provisions and requirements of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). It is also the understanding of Participants covered under the Plan that the Plan will be administered in accordance with the requirements of Section 409A of the Code.

ARTICLE II
DEFINITIONS

2.1 Meaning of Definitions. For the purposes of this Plan, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:

(a) “Beneficiary” shall mean the person, persons or entity entitled under Article VIII to receive any Plan benefits payable after a Participant’s death.
(b) “Board” shall mean the Board of Directors of KeyCorp, the Board’s Compensation and Organization Committee, or any other committee designated by the Board or a subcommittee designated by the Board’s Compensation and Organization Committee.
(c) “Change of Control” shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp (“Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust because a “Change of Control”, as defined in the Trust, has occurred.
(d) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, together with all regulations promulgated...
thereunder. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(e) "Common Stock Account" shall mean the investment account established under the Plan for bookkeeping purposes in which the Participant shall have his or her Participant Deferrals and Corporate Contributions credited. Participant Deferrals and Corporate Contributions shall be credited based on a bookkeeping allocation of KeyCorp Common Shares (both whole and fractional rounded to the nearest one-hundredth of a share) ("Common Shares") which shall be equal to the amount of Participant Deferrals and Corporate Contributions deferred. The Common Stock Account shall also reflect on a
bookkeeping basis all dividends, gains, and losses attributable to such Common Shares. All Participant Deferrals and all Corporate Contributions credited to the Common Stock Account shall be based on a ten-day average of the New York Stock Exchange’s closing price for such Common Shares immediately preceding, up to and including the date such Participant Deferrals and Corporate Contributions are credited to the Participant’s Plan Account.”

(f) “Corporate Contributions” shall mean the dollar amount which an Employer has agreed to contribute on a bookkeeping basis to the Participant’s Plan Account in accordance with the provisions of Article V of the Plan.

(g) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(h) “Deferral Period” shall mean each applicable Incentive Compensation Plan’s Plan Year.

(i) “Determination Date” shall mean the last business day of each calendar quarter.

(j) “Disability” shall mean (1) a physical or mental disability which prevents a Participant from performing the duties the Participant was employed to perform for his or her Employer when such disability commenced, (2) has resulted in the Participant’s absence from work for 180 qualifying days, and (3) application has been made for the Participant’s disability coverage under the KeyCorp Long Term Disability Plan.

(k) “Discharge for Cause” shall mean the termination (whether by the Participant or the Employer) of a Participant’s employment from his or her Employer and any other Employer that is the result of (1) serious misconduct as an Employee, including, but not limited to, a continued failure after notice to perform a substantial portion of his or her duties and responsibilities unrelated to illness or incapacity, unethical behavior such as acts of self-dealing or self-interest, harassment, violence in the workplace, or theft; (2) the commission of a crime involving a controlled substance, moral turpitude, dishonesty, or breach of trust; or (3) the Employer being directed by a regulatory agency or self-regulatory agency to terminate or suspend the Participant or to prohibit the Participant from performing services for the Employer. The Corporation in its sole and absolute discretion shall determine whether a Participant has been Discharged for Cause, as provided for in this Section 2.1(k), provided, however, that for a period of two years following a Change of Control, any determination by the Corporation that an Employee has been Discharged for Cause shall be set forth in writing with the factual basis for such Discharge for Cause clearly specified and documented by the Corporation.

(l) “Employee” shall mean a common law employee who is employed by an Employer.

(m) “Employer” shall mean the Corporation and any of its subsidiaries or affiliates, unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer’s Plan participation shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.
(n) **“Harmful Activity”** shall have occurred if the Participant shall do any one or more of the following. This provision shall survive the Participant’s termination of employment from KeyCorp

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(iv) After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(v) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(vi) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

(vii) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 2.1(n) the term:

**“Intellectual Property”** shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.
“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

(o) “Incentive Compensation Award” shall collectively mean the incentive compensation accrued by an Employee under the terms of an Incentive Compensation Plan during the applicable Deferral Period, which shall become subject to the automatic deferral and vesting provisions of Article III and Article VI of the Plan when such accrued incentive compensation exceeds $100,000 for the applicable Deferral Period. For purposes of this Section 2.1(o), the term “Incentive Compensation Award” shall not include any compensation paid to the Employee for the applicable Deferral Period which constitutes any form of hiring bonus, sales commissions, referral awards, recognition awards, and/or corporate long term incentive compensation plan awards.

(p) “Incentive Compensation Plan” shall mean a line of business or management incentive compensation plan that is sponsored by KeyCorp or an affiliate of KeyCorp which the Corporation in its sole discretion has determined constitutes an Incentive Compensation Plan for purposes of the automatic deferral and vesting provisions of Article III and Article VI of the Plan.

(q) “Involuntary Termination” shall mean the termination (by the Employer) of a Participant’s employment from his or her Employer and from any other Employer, but shall not include the Participant’s Discharge for Cause or Termination Under Limited Circumstances.

(r) “Participant” shall mean an Employee who meets the eligibility and participation requirements set forth in Section 3.1 of the Plan, provided, however, that the term Participant shall not include any Employee who has attained age 58 or older prior to the start of the applicable Deferral Period, and who affirmatively elects in a manner prescribed by the Corporation to not participate in the Plan for the applicable Deferral Period.

(s) “Participant Deferrals” shall mean any Incentive Compensation Award required to be automatically deferred to the Plan for each applicable Deferral Period.

(t) “Plan” shall mean the KeyCorp Automatic Deferral Plan with all amendments hereafter made.

(u) “Plan Account” shall mean those bookkeeping accounts established by the Corporation for each Plan Participant, which shall reflect all Corporate Contributions and Participant Deferrals invested for bookkeeping purposes in the Plan’s Common Stock Account, with all earnings, dividends, gains, and losses thereon. Plan Accounts shall not constitute separate Plan funds or separate Plan assets. Neither the maintenance of, nor the crediting of amounts to such Plan Accounts shall be treated as (i) the allocation of any Corporation
2.2 Pronouns. The masculine pronoun wherever used herein includes the feminine in any case so requiring, and the singular may include the plural.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation. An Employee shall be required to participate in the Plan, and shall automatically become a Plan Participant upon the Employee’s grant of an Incentive Compensation Award in excess of $100,000 during the applicable Deferral Period.

3.2 Automatic Deferral Requirements. An Employee meeting the eligibility and automatic participation requirements of Section 3.1 hereof, shall automatically defer, in accordance with the terms

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of the applicable Incentive Compensation Plan in which the Employee participates, the following amount from the Employee’s applicable Incentive Compensation Award:

(a) **The Portion of the Participant’s Incentive Compensation Award between $100,000 up to and including $500,000.** Twenty percent (20%) of the Participant’s Incentive Compensation Award between $100,000 up to and including $500,000 shall be automatically deferred to the Plan.

(b) **The Portion of the Participant’s Incentive Compensation Award between $500,000 up to and including $1,000,000.** Twenty five percent (25%) of the Participant’s Incentive Compensation Award between $500,000 up to and including $1,000,000 shall be automatically deferred to the Plan.

(c) **The Portion of the Participant’s Incentive Compensation Award Greater than $1,000,000.** Thirty percent (30%) of the Participant’s Incentive Compensation Award greater than $1,000,000 Plan shall be automatically deferred to the Plan.

3.3 **Commitment Limited by Termination Under Limited Circumstances, Involuntary Termination, Retirement, Disability, or Death.** As of a Participant’s Termination Under Limited Circumstances, Involuntary Termination, Retirement, Disability or death, the Participant shall be relieved from and, further, shall not be permitted to make any further Participant Deferrals to the Plan, and any Incentive Compensation Award that thereafter would have been subject to the Automatic Deferral Requirements of Section 3.2 hereof, if and to the extent payable, shall be paid directly to the Participant or to the Participant’s Beneficiary in accordance with the terms of the applicable Incentive Compensation Plan.

3.4 **Effect of a Participant’s Discharge for Cause or Voluntary Termination on Participant Deferrals.** In the event of a Participant’s Discharge for Cause or Voluntary Termination, the Participant shall forfeit his or her Incentive Compensation Award to the extent that it would otherwise become subject to the Automatic Deferral Requirements of Section 3.2 of the Plan when paid but for the termination of the Participant’s employment. As to whether the balance of the Participant’s Incentive Compensation Award not subject to the Automatic Deferral Requirements of Section 3.2, if any, shall be payable to the Participant shall be determined in accordance with the terms of the applicable Incentive Compensation Plan.

3.5 **Change in Participation Status.** Participants shall make automatic Participant Deferrals to the Plan only when the Participant’s Incentive Compensation Award exceeds $100,000 for the applicable Deferral Period. During those Deferral Periods in which the Participant does not automatically defer Participant Deferrals to the Plan, Participant Deferrals and Corporate Contributions previously credited to the Participant’s Plan Account shall remain in the Plan and shall continue to vest under the terms of Section 6.1 hereof; such Participant Deferrals and Corporate Contributions with all earnings, gains, or losses thereon when vested shall be distributed to the Participant in accordance with the provisions of Article VII of the Plan.
ARTICLE IV
PARTICIPANT DEFERRALS

4.1 Plan Account. All Participant Deferrals shall be credited on a bookkeeping basis to a Plan Account established in the Participant’s name. Separate sub-accounts may be established to reflect on a bookkeeping basis all earnings, gains, or losses attributable to the Participant’s Participant Deferrals and those Corporate Contributions credited to the Participant’s Plan Account in accordance with the provisions of Section 5.1 hereof.

4.2 Investment of Participant Deferrals. Participant Deferrals shall be automatically invested on a bookkeeping basis in the Plan’s Common Stock Account.

4.3 Crediting of Participant Deferrals. Participant Deferrals shall be credited to the Participant’s Plan Account as of the payroll date on which the Participant’s Incentive Compensation Award would have been payable to the Participant but for the Incentive Compensation Plan’s automatic deferral provisions to the Plan.

ARTICLE V
CORPORATE CONTRIBUTIONS

5.1 Crediting of Corporation Contributions. Matching Corporate Contributions equal to 15% of the Participant’s Participant Deferrals for the applicable Deferral Period shall be credited on a bookkeeping basis to the Participant’s Plan Account as of the date on which the Participant’s Participant Deferrals are automatically deferred and credited to the Plan.

5.2 Investment of Corporate Contributions. All Corporate Contributions credited to the Participant’s Plan Account shall be invested for bookkeeping purposes in the Plan’s Common Stock Account.

5.3 Determination of Amount. The Plan Administrator shall verify the amount of Participant Deferrals, Corporate Contributions, dividends, and earnings and losses, if any, to be credited to each Participant’s Plan Account in accordance with the provisions of the Plan. The reasonable and equitable decision of the Plan Administrator as to the value of each Plan Account shall be conclusive and binding upon all Participants and the Beneficiary of each deceased Participant having any interest, direct or indirect in the Participant’s bookkeeping Plan Account. As soon as reasonably practicable after the close of the Plan Year, the Corporation shall send to each Participant an itemized accounting statement that shall reflect the Participant’s Plan Account balance.

5.4 Corporate Assets. All Participant Deferrals, Corporate Contributions, dividends, earnings and any other gains and losses credited to a Participant’s Plan Account on a bookkeeping basis, remain the assets and property of the Corporation, which shall be distributed to the Participant only in accordance with Articles VII and X of the Plan. Distributions made under the Plan shall be in the form of Common Shares. Participants and Beneficiaries shall have the status of general unsecured creditors of the Corporation. Nothing contained in the Plan shall create, or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and it is the understanding of the Participant that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.
5.5 No Present Interest. Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary including any domestic relations proceedings. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account, such attempt shall be void and unenforceable.

ARTICLE VI
VESTING

6.1 Vesting in Participant Deferrals and Corporate Contributions. The calculation of a Participant’s vested interest in those Participant Deferrals and Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account shall be measured from the last day of the applicable calendar quarter in which Participant Deferrals and Corporate Contributions are credited to the Participant’s Plan Account (“Quarterly Deferral Date”). A Participant shall become vested in his or her Participant Deferrals and Corporate Contributions with all earnings, gains, and losses thereon for each applicable Deferral Period under the following three-year graded vesting schedule:

(a) From the date the Participant’s Participant Deferrals and Corporate Contributions are credited to the Participant’s Plan Account until one full calendar year from the Quarterly Deferral Date . . . . . 0%.

(b) One full calendar year from the Quarterly Deferral Date of the Participant’s Participant Deferrals and Corporate Contributions to the Plan but less than two full calendar years from such Quarterly Deferral Date . . . . . 33%.

(c) Two full calendar years from the Quarterly Deferral Date of the Participant’s Participant Deferrals and Corporate Contributions to the Plan but less than three full calendar years from such Quarterly Deferral Date . . . . . 66%.

(d) Three full calendar years from the date of the Quarterly Deferral Date of the Participant’s Participant Deferrals and Corporate Contributions to the Plan . . . . . 100%.

Notwithstanding the foregoing provisions of this Section 6.1, a Participant shall become fully vested in all Participant Deferrals and Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account upon the Participant’s Termination Under Limited Circumstances, Disability or death.

6.2 Continued Vesting Upon Retirement. Subject to the provisions of Section 7.7 of the Plan, upon the Participant’s Retirement, the Participant’s non-vested Participant Deferrals and Corporate Contributions credited to the Participant’s Plan Account with all earnings and gains thereon, shall remain in the Plan and shall continue to vest under the vesting provisions of Section 6.1 of the Plan.

6.3 Forfeiture of Corporate Contributions. In the event of the Participant’s Involuntary Termination, as that term is defined in accordance with Section 2.1(q) of the Plan, the Participant shall become immediately vested in those Participant Deferrals allocated on a bookkeeping basis to the
Participant’s Plan Account with all earnings and gains thereon. All non-vested Corporate Contributions and related earnings credited on a bookkeeping basis to the Participant’s Plan Account shall be forfeited as of the Participant’s last day of employment.

6.4 Forfeiture of Participant Deferrals and Corporate Contributions. Notwithstanding any provision of the Plan to the contrary, upon the Participant’s Discharge for Cause or the Participant’s Voluntary Termination, the Participant shall automatically forfeit all Participant Deferrals and Corporate Contributions allocated on a bookkeeping basis to the Participant’s Plan Account with all earnings and gains thereon that have not vested in accordance with the vesting provisions of Section 6.1 of the Plan as of the Participant’s last day of employment.

ARTICLE VII
DISTRIBUTION OF PLAN BENEFITS

7.1 Distributions Prior to Retirement. A Participant’s vested Participant Deferrals and vested Corporate Contributions with all earnings, gains and losses thereon, shall be distributed to the Participant within 90 days following the Determination Date coinciding with or immediately following the Participant’s vesting in his or her Plan benefit, in a single lump sum distribution of Common Shares, based on the bookkeeping number of whole and fractional Common Shares attributable to those vested Participant Deferrals and Corporate Contributions maintained in the Plan’s Common Stock Account as of such Determination Date.

7.2 Distributions Following Retirement. Subject to the Harmful Activity provisions of Section 7.7 hereof, upon the Participant’s Retirement, the Participant’s Plan Account balance shall continue to be maintained within the Plan and all Participant Deferrals and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon, shall continue to vest under the vesting provisions of Section 6.1 of the Plan, and when vested, shall be distributed to the Participant in accordance with the provisions of Section 7.1 hereof.

7.3 Distributions Following Termination Under Limited Circumstances, Disability or Death. Upon the Participant’s Termination Under Limited Circumstances, Disability, or death, all Participant Deferrals and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon shall become immediately vested and shall be distributed to the Participant in a single lump sum distribution of Common Shares in accordance with the distribution provisions of Section 7.1 hereof.

7.4 Distributions Following Involuntary Termination. Upon the Participant’s Involuntary Termination, all Participant Deferrals credited to the Participant’s Plan Account with all related earnings, gains and losses thereon, in accordance with the provisions of Section 6.3 of the Plan, shall become immediately vested and shall be distributed to the Participant in a single lump sum distribution of Common Shares in accordance with the distribution provisions of Section 7.1 hereof. All non-vested Corporate Contributions credited to the Participant’s Plan Account with all related earnings thereon shall be forfeited by the Participant as of his or her last day of employment.

7.5 Distributions Following Voluntary Termination or Discharge for Cause. Upon the Participant’s Voluntary Termination or Discharge for Cause, all non-vested Participant Deferrals and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon shall be forfeited by the Participant as of his or her last day of employment.
7.6 Withholding. The withholding of taxes with respect to the Participant’s Participant Deferrals, Corporate Contributions, and all earnings and gains thereon shall be made at such time as it becomes required by any state, federal or local law; such taxes shall be withheld from the Participant’s Participant Deferrals and Corporate Contributions in accordance with applicable law to the maximum extent possible.

7.7 Harmful Activity. If a Participant engages in any “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement of his or her employment with an Employer, then (a) all non-vested Participant Deferrals and all non-vested Corporate Contributions with all earnings, gains, and losses thereon that are maintained in the Plan in conjunction with the continued vesting provisions of Section 7.2 hereof shall be immediately forfeited, and (b) all distributions of Participant Deferrals and Corporate Contributions with all earnings and gains thereon that have been made to the Participant within one year prior to the Participant’s Termination or Retirement date shall be fully repaid by the Participant to the Corporation within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s employment with an Employer terminates within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or termination of employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan.

The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement shall be final and conclusive upon the Participant and upon all other Persons.

7.8 Distribution Limitation. If the Corporation determines that a Participant’s Participant Deferrals and/or Corporate Contributions with all earnings and gains thereon:

1. would not be deductible by the Corporation if paid in accordance with the distribution instructions specified by the Participant in his or her Distribution Agreement by reason of the disallowance rules of Section 162(m) of the Code, but

2. would be deductible by the Corporation if deferred and paid in a later Plan Year, the Corporation reserves the right to defer the distribution of all or any portion of such Participant’s Participant Deferrals and/or Corporate Contributions with all interest and earnings thereon until such time as the Corporation determines that the distribution of all or any portion of such Participant’s Participant Deferrals and/or Corporate Contributions will be payable without the disallowance of the deduction prescribed by Code Section 162(m) (“Deferrals”).

Notwithstanding any other provision of this Section 7.8, however, all Participant Deferrals and Corporate Contributions together with all earnings, gains, and losses thereon, shall be distributed to the Participant no later than April 15 of the year following the employment termination date of the Participant, regardless of the deductibility of such distribution.

7.9 Payment Limitation for Key Employees. Notwithstanding any other provision of the Plan to the contrary, in the event that the Participant constitutes a “key employee” of the Corporation, (as that term is defined in accordance with Section 416(i) of the Code without regard to

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paragraph (5) thereof), the distribution of the Participant’s Plan benefit shall not begin before the first day of the seventh month following the Participant’s date of separation from service (or, if earlier, the date of the Participant’s death). Payment shall be made to the Participant within 90 days following the Determination Date that coincides with or immediately follows the conclusion of this mandatory six-month deferral period. The term “key employee” and the term “separation from service” shall be defined for Plan purposes in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.

7.10 Facility of Payment. If it is found that any individual to whom an amount is payable hereunder is incapable of attending to his or her financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount (unless prior claim therefor shall have been made by a duly qualified guardian or other legal representative) may, in the discretion of the Corporation, be paid to another person for the use or benefit of the individual found incapable of attending to his or her financial affairs or in satisfaction of legal obligations incurred by or on behalf of such individual. Any such payment shall be charged to the Participant’s Plan Account from which any such payment would otherwise have been paid to the individual found incapable of attending to his or her financial affairs, and shall be a complete discharge of any liability thereunder under the Plan.

ARTICLE VIII
BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Subject to Section 8.3 hereof, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant’s death prior to complete distribution of the Participant’s vested Plan Account. Each Beneficiary designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Participant’s lifetime.

8.2 Changing Beneficiary. Any Beneficiary designation may be changed by the Participant without the consent of the previously named Beneficiary by the Participant’s filing of a new designation with the Corporation. The filing of a new designation shall cancel all designations previously filed by the Participant.

8.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary (including all contingent Beneficiaries) designated by a deceased Participant dies before the Participant, the Participant’s Beneficiary shall be the Participant’s estate.

ARTICLE IX
ADMINISTRATION

9.1 Administration. The Corporation, as Plan Administrator, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all
questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Corporation shall deem necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Corporation may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 9.2. The plan year, for purposes of Plan administration, shall be the calendar year.

9.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under this Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which he or she receives such notice, he or she may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his or her authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefor, which request shall contain the following information:

(a) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his or her claim which the Claimant requests the Plan Administrator to review;

(c) a statement by the Claimant setting forth the basis upon which he or she believes the Plan Administrator should reverse its previous denial of the claim and accept the claim as made; and

(d) any written material which the Claimant desires the Plan Administrator to examine in its consideration of his or her position as stated pursuant to paragraph (b) above.

In accordance with this Section 9.2, if the Claimant requests a review of the claim decision, such review shall be made by the Plan Administrator, who shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the claimant and upon all other persons or entities. If the Participant or Beneficiary shall not file written
notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already
provided, if any, under the Plan.

ARTICLE X
AMENDMENT AND TERMINATION OF PLAN

10.1 Reservation of Rights. The Corporation reserves the right to terminate the Plan at any time by action of the Board, or any duly authorized
committee thereof, and to modify or amend the Plan, in whole or in part, at any time and for any reason, subject to the following:

(a) Preservation of Account Balance. No termination, amendment, or modification of the Plan shall reduce (i) the amount of Participant
Deferrals and Corporate Contributions, and (ii) all earnings and gains on such Participant Deferrals and Corporate Contributions that have
accrued up to the effective date of the termination, amendment, or modification.

(b) Changes in Earnings Rate. No amendment or modification of the Plan shall reduce the rate of earnings to be credited on all Participant
Deferrals and Corporate Contribution, and all earnings and gains accrued thereon under the Common Stock Account until the close of the
applicable Plan Year in which such amendment or modification is made.

10.2 Effect of Plan Termination. If the Corporation terminates the Plan, either in whole or in part, the Corporation shall instruct the Plan
Administrator to not accept any additional Participant Deferrals. If such a termination occurs, the Plan shall continue to operate and to be effective
with regard to those Participant Deferrals deferred and Corporate Contributions made prior to the effective date of such termination.

10.3 Effect of Plan Termination. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the
liability of the Corporation and all Employers to make further Corporate Contributions to the Plan.

ARTICLE XI
CHANGE OF CONTROL

11.1 Change of Control. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control as defined in
accordance with Section 2.1(c) of the Plan, no amendment or modification of the Plan may be made at any time on or after such Change of Control
(1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the Common Stock Accounts’ method of
calculating earnings, gains, and/or losses on the Participant’s Pre-Change of Control Account Balance, or (3) to reduce or modify the Participant’s
Participant Deferrals and/or Corporate Contributions to be credited to the Participant’s Plan Account for the applicable Deferral Period. For
purposes of this Section 11.1, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate
amount of the Participant’s Participant Deferrals and Corporate Contributions with all earnings, gains, and losses thereon which are credited to the
Participant’s Plan Account through the close of the calendar year in which such Change of Control occurs.

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11.2 **Common Stock Conversion.** In the event of a transaction or occurrence in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Stock Account to reflect on a bookkeeping basis the securities, cash and other property that would have been received in such reorganization, reclassification, consolidation, merger or sale in an equivalent amount of Common Shares equal to the balance in the Common Stock Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Stock Account shall reflect on a bookkeeping basis all dividends, interest, earnings and losses attributable to such securities, cash, and other property.

11.3 **Amendment in the Event of a Change of Control.** On and after a Change of Control, the provisions of Article II, Article III, Article IV, Article V, Article VI, Article VII, Article VIII, Article IX, Article X, and this Article XI may not be amended or modified as such Sections and Articles apply with regard to the Participants’ Pre-Change of Control Account Balances.

**ARTICLE XII**

**MISCELLANEOUS PROVISIONS**

12.1 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees.”

12.2 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation, or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

12.3 **Benefits.** Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participants, former Participants, and Beneficiaries.

12.4 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

12.5 **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.

12.6 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

12.7 **Withholding.** The Corporation shall withhold any tax which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.
12.8 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

12.9 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

12.10 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

12.11 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.

12.12 **Trust Fund.** At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Employer.

12.13 **Validity.** In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.14 **Notice.** Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

12.15 **Successors.** The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

**ARTICLE XIII**
**COMPLIANCE WITH SECTION 409A OF THE CODE**

13.1 **Compliance With Code Section 409A.** The Plan is intended to provide for the deferral of compensation in accordance with the requirements of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with
such provisions with respect to amounts deferred on and after January 1, 2005. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in the violation, early taxation, or assessment of penalties or interest of any amount under Section 409A of the Code.

IN WITNESS WHEREOF, KeyCorp has caused this KeyCorp Automatic Deferral Plan to be amended this 29th day of December, 2008, to be effective as of December 31, 2008.

KEYCORP

By: /s/ Steven N. Bulloch
Title: Assistant Secretary

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Section 19: EX-10.32 (EX-10.32)

McDONALD FINANCIAL GROUP
DEFERRAL PLAN

ARTICLE I

The McDonald Financial Group Deferral Plan (“Plan”) as originally established effective January 1, 2003, and thereafter amended effective January 1, 2005, is hereby amended in its entirety to be effective December 31, 2008. The Plan as amended and restated, is structured to maintain on a bookkeeping basis, those not vested discretionary bonus awards that have been granted to Plan Participants under the various KeyCorp-sponsored Incentive Compensation Plan(s) which mandate that such discretionary bonus awards be subject to a three year vesting period prior to distribution to the Plan Participant. The Plan, provides a bookkeeping structure for such discretionary bonus awards until such awards become vested and distributed to Plan Participants. As structured, the Plan also provides Plan Participants with a tax-favorable savings vehicle, while permitting KeyCorp to retain such Participants’ continued employment. It is the intention of KeyCorp, and it is the understanding of those Participants covered under the Plan, that the Plan is unfunded for tax purposes. It is also the understanding of Participants covered under the Plan that the Plan will be administered in accordance with the requirements of Section 409A of the Code.

ARTICLE II
DEFINITIONS

2.1 Meaning of Definitions. For the purposes of this Plan, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:

(a) “Beneficiary” shall mean the person, persons or entity entitled under Article VIII to receive any Plan benefits that may become payable after a Participant’s death.

(b) “Board” shall mean the Board of Directors of KeyCorp, the Board’s Compensation and Organization Committee, or any other committee designated by the Board or a subcommittee designated by the Board’s Compensation and Organization Committee.

(c) “Change of Control” shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp (“Trust”), as such Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust because of a “Change of Control” as that term is defined in the Trust.

(d) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, together with all regulations promulgated thereunder. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(e) “Common Stock Account” shall mean the investment account established under the Plan for bookkeeping purposes, in which a Participant may elect to have his or her Discretionary Bonus Awards credited. Discretionary Bonus Awards invested in the Common Stock Account shall be credited based on a bookkeeping allocation of KeyCorp Common Shares (both whole and fractional rounded to the nearest one-hundredth of a share) that shall be equal to the amount of Discretionary Bonus Awards and Corporate
Contributions invested by the Participant and by the Corporation in the Common Stock Account. The Common Stock Account shall also reflect on a bookkeeping basis all dividends, gains, and losses attributable to such Common Shares. All Corporate Contributions and all Discretionary Bonus Awards credited to the Common Stock Account, shall be based on the ten-day average of the New York Stock Exchange’s closing price for such Common Shares immediately preceding, up to, and including the day such Discretionary Bonus Awards and Corporate Contributions are credited to the Participants’ Plan Account.

(f) “Corporate Contributions” shall mean the dollar amount that an Employer has agreed to contribute on a bookkeeping basis to the Participant’s Plan Account in accordance with the provisions of Article V of the Plan.

(g) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(h) “Deferral Period” shall mean each applicable calendar year.

(i) “Determination Date” shall mean the last business day of each calendar quarter.

(j) “Disability” shall mean (1) the physical or mental disability of a permanent nature which prevents a Participant from performing the duties such Participant was employed to perform for his or her Employer when such disability commenced, (2) qualifies for disability benefits under the federal Social Security Act within 30 months following the Participant’s disability, and (3) qualifies the Participant for disability coverage under the KeyCorp Long Term Disability Plan.

(k) “Discharge for Cause” shall mean the termination (whether by the Participant or the Employer) of a Participant’s employment from his or her Employer and any other Employer that is the result of (1) serious misconduct as an Employee, including, but not limited to, a continued failure after notice to perform a substantial portion of his or her duties and responsibilities unrelated to illness or incapacity, unethical behavior such as acts of self-dealing or self-interest, harassment, violence in the workplace, or theft; (2) the commission of a crime involving a controlled substance, moral turpitude, dishonesty, or breach of trust; or (3) the Employer being directed by a regulatory agency or self-regulatory agency to terminate or suspend the Participant or to prohibit the Participant from performing services for the Employer. The Corporation in its sole and absolute discretion shall determine whether a Participant has been Discharged for Cause, as provided for in this Section 2.1(k), provided, however, that for a period of two years following a Change of Control, any determination by the Corporation that an Employee has been Discharged for Cause shall be set forth in writing with the factual basis for such Discharge for Cause clearly specified and documented by the Corporation.

(l) “Discretionary Bonus Awards” shall mean those not-vested discretionary bonus award(s) granted to an Employee under the terms of an Incentive Compensation Plan during the applicable Deferral Period, which shall be subject to the automatic deferral and vesting provisions of Article III and Article VI of the Plan. For purposes of this Section 2.1(l), the term “Discretionary Bonus Awards” shall not include any compensation paid to the Employee during the applicable Deferral Period which constitutes any form of a hiring bonus, sales
commissions, referral awards, recognition awards, and/or corporate long-term incentive compensation plan awards.

(m) “Employee” shall mean a common law employee who is employed by an Employer.

(n) “Employer” shall mean the Corporation and any of its subsidiaries or affiliates, unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer’s Plan participation shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.

(o) “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following. This provision shall survive the Participant’s termination of employment from KeyCorp.

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(iv) After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(v) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(vi) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.
(vii) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 2.1(o) the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

(p) “Incentive Compensation Plan” shall mean a line of business or management incentive compensation plan that is sponsored by KeyCorp or an affiliate of KeyCorp that mandates the deferral of unvested Discretionary Bonus Awards granted under the applicable Incentive Compensation Plan and which the Corporation in its sole discretion has determined constitutes an Incentive Compensation Plan for purposes of the Plan.

(q) “Interest Bearing Account” shall mean the investment account established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Discretionary Bonus Awards credited. Discretionary Bonus Awards invested for bookkeeping purposes in the Interest Bearing Account shall be credited with earnings as of each Determination Date which shall be based on the effective annual yield of the average of Moody’s Average Corporate Bond Yield Index for the previous calendar month increased by 50 basis points. In the event that Moody’s Investor Services, Inc. ceases to publish such Index (or any successor publisher thereto) the Board, in its sole and absolute discretion, shall select a substantially similar index to be used in crediting earnings under the Interest Bearing Account.

(r) “Investment Accounts” shall collectively mean those investment accounts established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Discretionary Bonus Awards credited. Investment Accounts shall include the Plan’s (1) Interest Bearing Account, (2) Common Stock Account, and (3) Investment Funds.

(s) “Investment Funds” shall mean those investment accounts established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Discretionary Bonus awards credited and which mirror the investment funds established under Article VIII of the KeyCorp 401(k) Savings Plan (“Savings Plan”) as may be amended from time to time, provided, however, that the Savings Plan’s Corporation Stock Fund, for Plan purposes, shall be excluded from the definition of Investment Funds. Discretionary Bonus Awards invested for bookkeeping purposes in the
Investment Funds shall be credited on a bookkeeping basis with those earnings, gains, and losses experienced by the Savings Plan’s investment funds.

(t) “Involuntary Termination” shall mean the termination (by the Employer) of a Participant’s employment from his or her Employer and from any other Employer, other than a Discharge for Cause or a Termination Under Limited Circumstances.

(u) “Participant” shall mean an Employee who meets the eligibility and participation requirements set forth in Section 3.1 of the Plan.

(v) “Plan” shall mean the McDonald Financial Group Deferral Plan with all amendments, modifications and revisions as hereafter made.

(w) “Plan Account” shall mean those bookkeeping accounts established by the Corporation for each Plan Participant, which shall reflect all Discretionary Bonus Awards and Corporate Contributions invested for bookkeeping purposes in the Plan’s Investment Accounts, with all earnings, dividends, gains, and losses thereon. Plan Accounts shall not constitute separate Plan funds or separate Plan assets. Neither the maintenance of, nor the crediting of amounts to such Plan Accounts shall be treated (i) as the allocation of any Corporation assets to, or a segregation of any Corporation assets in any such Plan Accounts, or (ii) as otherwise creating a right in any person or Participant to receive specific assets of the Corporation.

(x) “Plan Year” shall mean the calendar year.

(y) “Retirement” shall mean the termination of a Participant’s employment any time after the Participant’s attainment of age 55 and completion of 5 years of Vesting Service but shall not include the Participant’s (i) Discharge for Cause, (ii) Involuntary Termination, (iii) Termination Under Limited Circumstances, (iv) Disability, or (v) death.

(z) “Termination Under Limited Circumstances” shall mean the termination (whether by the Participant or the Employer) of a Participant’s employment from his or her Employer, and from any other Employer (i) under circumstances in which the Participant is entitled to receive severance benefits or salary continuation benefits under the KeyCorp Separation Pay Plan, (ii) under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement or employment agreement within two years after a change of control (as defined by such agreement) has occurred, or (iii) as otherwise expressly approved by an officer of the Corporation.

(aa) “Vesting Service” for purposes of Section 2.1(y) shall be calculated by measuring the period of service commencing on the Employee’s employment commencement date and ending on the Employee’s termination date and shall be computed based on each full calendar month that the Employee is employed by an Employer.

(bb) “Voluntary Termination” shall mean a voluntary termination of the Participant’s employment from his or her Employer and from any other Employer, whether by resignation or otherwise, but shall not include the Participant’s Discharge for Cause, Involuntary Termination, Retirement, Termination Under Limited Circumstances, or termination as a result of Disability or death.
2.2 Pronouns. The masculine pronoun wherever used herein includes the feminine in any case so requiring, and the singular may include the plural.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation. An Employee shall automatically become a Plan Participant upon (i) the Employee’s meeting the applicable Incentive Compensation Plan’s annual production criteria established by the Corporation for the applicable Deferral Period, and (ii) the Employee being awarded a non-vested Discretionary Bonus Award under his or her applicable Incentive Compensation Plan.

3.2 Automatic Deferral Requirements. An Employee meeting the eligibility and automatic participation requirements of Section 3.1 hereof, shall automatically have his or her non-vested Discretionary Bonus Awards deferred to the Plan. Such Discretionary Bonus Awards shall be maintained in the Plan until vested or forfeited.

3.3 Deferral Limited by Termination Under Limited Circumstances, Involuntary Termination, Retirement, Disability, or Death. As of a Participant’s Termination Under Limited Circumstances, Involuntary Termination, Retirement, Disability or Death, the Participant shall be relieved from and, further, shall not be permitted to have any further bonus awards deferred to the Plan, and any Discretionary Bonus Awards that thereafter would have been subject to the Automatic Deferral Requirements of Section 3.2 hereof, if and to the extent payable, shall be paid directly to the Participant in accordance with the terms of the applicable Incentive Compensation Plan.

3.4 Effect of a Participant’s Discharge for Cause or Voluntary Termination on Participant’s Discretionary Bonus Award. In the event of a Participant’s Discharge for Cause or Voluntary Termination, the Participant shall forfeit his or her Discretionary Bonus Award to the extent that it would otherwise become subject to the Automatic Deferral Requirements of Section 3.2 of the Plan when paid but for the termination of the Participant’s employment.

3.5 Change in Participation Status. During those Deferral Periods in which the Participant does not automatically defer Discretionary Bonus Awards to the Plan, Discretionary Bonus Awards and Corporate Contributions previously credited to the Participant’s Plan Account shall remain in the Plan and shall continue to vest under the terms of Section 6.1 hereof; such Discretionary Bonus Awards and Corporate Contributions with all earnings, gains, or losses thereon when vested shall be distributed to the Participant in accordance with the provisions of Article VII of the Plan.

ARTICLE IV
DISCRETIONARY BONUS AWARDS

4.1 Plan Account/Investment of Discretionary Bonus Awards. Discretionary Bonus Awards and Corporate Contributions shall be credited on a bookkeeping basis to a Plan Account.
established in the Participant’s name. Each Participant shall direct the manner in which his or her Discretionary Bonus Awards are to be invested for bookkeeping purposes under the Plan. All Discretionary Bonus Awards may be invested for bookkeeping purposes in any one or more of the Plan’s Investment Accounts, in such amounts as the Participant shall select, provided that such election amounts are expressed in five percent increments. Participants may modify their investment elections at such times and in such manner as permitted by the Corporation.

4.2 **Crediting of Discretionary Bonus Awards.** Discretionary Bonus Awards shall be credited to the Participant’s Plan Account as of the date that the Participant’s Discretionary Bonus Awards would have been payable to the Participant under an Incentive Compensation Plan but for the Incentive Compensation Plan’s mandatory deferral requirements.

4.3 **Default Investment Election.** In the event that a Participant fails to direct the manner in which his or her Discretionary Bonus Award(s) shall be invested for bookkeeping purposes under the Plan, then such Discretionary Bonus Award(s) when credited to the Participant’s Plan Account shall be automatically invested on a bookkeeping basis in the Plan’s Interest Bearing Account.

**ARTICLE V**

**CORPORATE CONTRIBUTIONS**

5.1 **Crediting of Corporation Contributions.** Corporate Contributions equal to 15% of the Participant’s Discretionary Bonus Awards for the applicable Deferral Period shall be credited on a bookkeeping basis to the Participant’s Plan Account as of the payroll date on which the Participant’s Discretionary Bonus Awards are automatically deferred and credited to the Plan.

5.2 **Investment of Corporate Contributions.** All Corporate Contributions credited to the Participant’s Plan Account shall be invested for bookkeeping purposes in the Plan’s Common Stock Account. Corporate Contributions are not subject to Participant investment direction.

5.3 **Determination of Amount.** The Plan Administrator shall verify the amount of Discretionary Bonus Awards, Corporate Contributions, dividends, and earnings, if any, to be credited to each Participant’s Plan Account in accordance with the provisions of the Plan. The reasonable and equitable decision of the Plan Administrator as to the value of each Plan Account shall be conclusive and binding upon all Participants and the Beneficiary of each deceased Participant having any interest, direct or indirect in the Participant’s Plan Account. As soon as reasonably practicable after the close of the Plan Year, the Corporation shall send to each Participant an itemized accounting statement that shall reflect the Participant’s Plan Account balance.

5.4 **Corporate Assets.** All Discretionary Bonus Awards, Corporate Contributions, dividends, earnings and any other gains and losses credited to a Participant’s Plan Account on a bookkeeping basis, remain the assets and property of the Corporation, which shall be subject to distribution to the Participant only in accordance with Article VII of the Plan. Participants and Beneficiaries shall have the status of general unsecured creditors of the Corporation. Nothing contained in the Plan shall create, or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and it is the understanding of the Participant that the Plan be unfunded.

5.5 **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation,
alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account, such attempt shall be void and unenforceable.

ARTICLE VI
VESTING

6.1 Vesting in Discretionary Bonus Awards and Corporate Contributions. Subject to the provisions of Section 7.9 of the Plan, the calculation of a Participant’s vested interest in those Discretionary Bonus Awards and Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account shall be measured from the last day of the applicable calendar quarter in which the Discretionary Bonus Awards and Corporate Contributions are credited to the Participant’s Plan Account (“Quarterly Deferral Date”). A Participant shall become vested in his or her Discretionary Bonus Awards and Corporate Contributions with all earnings, gains, and losses thereon under the following three-year graded vesting schedule:

(a) From the date the Participant’s Discretionary Bonus Awards and Corporate Contributions are credited to the Participant’s Plan Account until one full calendar year from the Quarterly Deferral Date . . . . . . 0%.

(b) One full calendar year from the Quarterly Deferral Date of the Participant’s Discretionary Bonus Awards and Corporate Contributions to the Plan but less than two full calendar years from such Quarterly Deferral Date . . . . . 33%.

(c) Two full calendar years from the Quarterly Deferral Date of the Participant’s Discretionary Bonus Awards and Corporate Contributions to the Plan but less than three full calendar years from such Quarterly Deferral Date . . . . . 66%.

(d) Three full calendar years from the date of the Quarterly Deferral Date of the Participant’s Discretionary Bonus Awards and Corporate Contributions to the Plan . . . . . . 100%.

Notwithstanding the foregoing provisions of this Section 6.1, a Participant shall become fully vested in all Discretionary Bonus Awards and Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account upon the Participant’s Termination Under Limited Circumstances, Disability or death.

6.2 Continued Vesting Upon Retirement. Subject to the provisions of Section 7.9 of the Plan, upon the Participant’s Retirement, the Participant’s unvested Discretionary Bonus Awards and Corporate Contributions credited to the Participant’s Plan Account with all earnings and gains thereon, shall remain in the Plan and shall continue to vest under the vesting provisions of Section 6.1 of the Plan.
6.3 **Forfeiture of Corporate Contributions.** In the event of the Participant’s Involuntary Termination, as that term is defined in accordance with Section 2.1(t) of the Plan, the Participant shall become immediately vested in those Discretionary Bonus Awards allocated on a bookkeeping basis to the Participant’s Plan Account with all related earnings and gains thereon. All not vested Corporate Contributions and related earnings credited on a bookkeeping basis to the Participant’s Plan Account shall be forfeited as of the Participant’s last day of employment.

6.4 **Forfeiture of Discretionary Bonus Awards and Corporate Contributions.** Notwithstanding any provision of the Plan to the contrary, upon the Participant’s Discharge for Cause or the Participant’s Voluntary Termination, the Participant shall automatically forfeit all Discretionary Bonus Awards and Corporate Contributions allocated on a bookkeeping basis to the Participant’s Plan Account with all earnings and gains thereon that are not vested in accordance with the vesting provisions of Section 6.1 of the Plan as of the Participant’s last day of employment.

**ARTICLE VII**

**DISTRIBUTION OF PLAN BENEFITS**

7.1 **Distribution of Interest Bearing Account and/or Investment Funds.** Subject to the provisions of Section 7.8 and Section 7.9 hereof, a Participant shall receive a distribution of his or her vested Plan Account balance from the Plan’s Interest Bearing Account and/or Investment Funds as a single lump sum cash distribution.

7.2 **Distribution for Common Stock Account.** Subject to the provisions of Section 7.8 and Section 7.9 hereof, a Participant shall receive a distribution of his or her vested Plan Account balance from the Plan’s Common Stock Account as a single lump sum distribution of KeyCorp Common Shares.

7.3 **Distribution of Account Balance.** The Participant’s vested Plan Account shall be valued as of the Determination Date immediately following his or her Termination, Retirement, or Disability (the “valuation date”), and such lump sum distribution shall be made to the Participant no later than 90 days thereafter.

7.4 **Distributions Following Retirement.** Subject to the Harmful Activity provisions of Section 7.9 of the Plan, upon the Participant’s Retirement, the Participant’s Plan Account balance shall continue to be maintained within the Plan and all Discretionary Bonus Awards and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon, shall continue to vest under the vesting provisions of Section 6.1 of the Plan, and when vested, shall be immediately distributed to the Participant in accordance with the provisions of Section 7.3 hereof.

7.5 **Distributions Following Termination Under Limited Circumstances, Disability or Death.** Upon the Participant’s Termination Under Limited Circumstances, Disability or death, all Discretionary Bonus Awards and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon shall become immediately vested and distributed to the Participant in accordance with the provisions of Section 7.3 hereof.

7.6 **Distributions Following Involuntary Termination.** In accordance with the provisions of Section 6.3 of the Plan, upon the Participant’s Involuntary Termination, all Discretionary Bonus Awards credited to the Participant’s Plan Account with all related earnings, gains and losses thereon, shall become immediately vested and distributed to the Participant in accordance with the provisions of Section 7.3.
hereof as a single lump sum distribution. All not vested Corporate Contributions credited to the Participant’s Plan Account with all related earnings thereon shall be forfeited by the Participant as of his or her last day of employment.

7.7 **Distributions Following Voluntary Termination or Discharge for Cause.** Upon the Participant’s Voluntary Termination or Discharge for Cause, all not vested Discretionary Bonus Awards and Corporate Contributions credited to the Participant’s Plan Account with all earnings, gains, and losses thereon shall be forfeited by the Participant as of his or her last day of employment.

7.8 **Payment Limitation for Key Employees.** Notwithstanding any other provision of the Plan to the contrary, including the provisions contained within this Article VII hereof, in the event that the Participant constitutes a “key” employee of the Corporation (as that term is defined in accordance with Section 416(i) of the Code without regard to paragraph (5) thereof), distributions of the Participant’s Plan benefit may not commence before the first day of the seventh month following the Participant’s date of separation from service (or, if earlier, the date of death of the Participant). Payment shall be made to the Participant within 90 days following the Determination Date that coincides with or immediately follows the conclusion of this mandatory six-month deferral period. The term “separation from service” shall be defined for Plan purposes in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.

7.9 **Harmful Activity.** If a Participant engages in any “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement of employment with an Employer, (a) all not vested Discretionary Bonus Awards and not vested Corporate Contributions with all earnings and gains thereon that are maintained in the Plan in conjunction with the continued vesting provisions of Section 6.2 hereof shall be immediately forfeited, and (b) all distribution of Discretionary Bonus Awards and Corporate Contributions with all earnings and gains thereon made to the Participant within one year prior to the Participant’s Termination or Retirement date shall be fully repaid by the Participant to the Corporation within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s employment with an Employer terminates within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or termination of employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan.

The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s Retirement or Termination with an Employer shall be final and conclusive upon the Participant and upon all other Persons.

7.10 **Withholding.** The withholding of taxes with respect to the Participant’s Discretionary Bonus Awards, Corporate Contributions, and all earnings and gains thereon shall be made at such time as it becomes required by any state, federal or local law; such taxes shall be withheld from the Participant’s Discretionary Bonus Awards and Corporate Contributions in accordance with applicable law to the maximum extent possible.

7.11 **Facility of Payment.** If it is found that any individual to whom an amount is payable hereunder is incapable of attending to his or her financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount (unless prior claim therefor shall have been made by a duly qualified guardian or other legal representative) may, in the discretion of the
Corporation, be paid to another person for the use or benefit of the individual found incapable of attending to his or her financial affairs or in satisfaction of legal obligations incurred by or on behalf of such individual. Any such payment shall be charged to the Participant’s Plan Account from which any such payment would otherwise have been paid to the individual found incapable of attending to his or her financial affairs, and shall be a complete discharge of any liability therefor under the Plan.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Subject to Section 8.3 hereof, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant’s death prior to complete distribution of the Participant’s vested Plan Account. Each Beneficiary designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Participant’s lifetime.

8.2 Changing Beneficiary. A Beneficiary designation may be changed by the Participant without the consent of the previously named Beneficiary by the Participant’s filing of a new designation with the Corporation. The filing of a new designation shall cancel all designations previously filed by the Participant.

8.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary (including all contingent Beneficiaries) designated by a deceased Participant dies before the Participant, the Participant’s Beneficiary shall be the Participant’s estate.

ARTICLE IX

ADMINISTRATION

9.1 Administration. The Corporation, as the Plan Administrator, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve any and all questions arising under the Plan, including any question of construction and/or interpretation, and (d) to take such further action as the Corporation deems necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Corporation may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 9.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.
9.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under this Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which he or she receives such notice, he or she may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his or her authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefor, which request shall contain the following information:

(a) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his or her claim which the Claimant requests the Plan Administrator to review;

(c) a statement by the Claimant setting forth the basis upon which he or she believes the Plan Administrator should reverse its previous denial of the claim and accept the claim as made; and

(d) any written material which the Claimant desires the Plan Administrator to examine in its consideration of his or her position as stated pursuant to paragraph (b) above.

In accordance with this Section, if the Claimant requests a review of the Claim decision, such review shall be made by the Plan Administrator who shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE X
AMENDMENT AND TERMINATION OF PLAN

10.1 Reservation of Rights. The Corporation reserves the right to terminate the Plan at any time by action of the Corporation, or any duly authorized committee thereof, and to modify or amend the Plan, in whole or in part, at any time and for any reason, subject to the following:

(a) Preservation of Account Balance. No termination, amendment, or modification of the Plan shall reduce (i) the amount of Discretionary Bonus Awards and Corporate Contributions, and (ii) all earnings and gains on such Discretionary Bonus Awards and
Upon the Plan’s termination, all Participant Plan Account balances shall remain in the Plan and shall continue to vest in accordance with the provisions of Article VI of the Plan and when vested shall be distributed to the Participant in accordance with the provisions of Article VII hereof. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all Employers as of the Plan’s termination date or such other date designated by the Corporation to make further Corporate Contributions to the Plan.

ARTICLE XI

CHANGE OF CONTROL

11.1 Change of Control. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control as defined in accordance with Section 2.1(c) of the Plan, no amendment or modification of the Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the Common Stock Accounts’ method of calculating earnings, gains, and/or losses on the Participant’s Pre-Change of Control Account Balance, or (3) to reduce or modify the Participant’s Discretionary Bonus Awards and/or Corporate Contributions to be credited to the Participant’s Plan Account for the applicable Deferral Period. For purposes of this Section 11.1, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate amount of the Participant’s Discretionary Bonus Awards and Corporate Contributions with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account through the close of the calendar year in which such Change of Control occurs.

11.2 Common Stock Conversion. In the event of a transaction or occurrence in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Stock Account to reflect on a bookkeeping basis the securities, cash and other property that would have been received in such reorganization, reclassification, consolidation, merger or sale in an equivalent amount of Common Shares equal to the balance in the Common Stock Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Stock Account shall reflect on a bookkeeping basis all dividends, interest, earnings and losses attributable to such securities, cash, and other property.

11.3 Amendment in the Event of a Change of Control. On and after a Change of Control, the provisions of Article II, Article III, Article IV, Article V, Article VI, Article VII, Article VIII, Article IX, Article X, and this Article XI may not be amended or modified as such Sections and Articles apply with regard to the Participants’ Pre-Change of Control Account Balances.
ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees.”

12.2 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation, or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

12.3 **Benefits.** Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participants, former Participants, and Beneficiaries.

12.4 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

12.5 **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.

12.6 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

12.7 **Withholding.** The Corporation shall withhold any tax which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

12.8 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

12.9 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

12.10 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

12.11 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.
12.12 Validity. In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.13 Notice. Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

12.14 Successors. The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

ARTICLE XIII
COMPLIANCE WITH
SECTION 409A CODE

13.1 Compliance With Section 409A. The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred on and after January 1, 2005. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in a violation under Section 409A of the Code.

IN WITNESS WHEREOF, KeyCorp has caused this McDonald Financial Group Deferral Plan to be executed this 29th day of December, 2008, to be effective as of December 31, 2008.

KEYCORP
By: /s/ Steven N. Bulloch
Title: Assistant Secretary

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Section 20: EX-10.33 (EX-10.33)

KEYCORP
DEFERRED BONUS PLAN

ARTICLE I
In accordance with the requirements of the American Jobs Creation Act of 2004, the KeyCorp Signing Bonus Plan (“Plan”) as originally established January 1, 1999, and thereafter amended and restated in its entirety as the KeyCorp Deferred Bonus Plan effective January 1, 2005, is hereby amended and restated in its entirety as of December 31, 2008. The Plan as amended and restated, continues to be structured to provide for the mandatory deferral of certain bonuses granted to selected employees of KeyCorp. As structured, the Plan is intended to provide those selected employees of KeyCorp with a tax-favorable savings vehicle, while allowing KeyCorp to retain the employee’s continued employment. It is the intention of KeyCorp, and it is the understanding of those employees who become covered under the Plan, that the Plan is unfunded for tax purposes. It is also the understanding of those employees covered under the Plan that the Plan will be administered in accordance with the requirements of Section 409A of the Code.

ARTICLE II
DEFINITIONS
2.1 Meaning of Definitions. For the purposes of this Plan, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:
(a) “Beneficiary” shall mean the person, persons or entity entitled under Article VIII to receive any Plan benefits payable after a Participant’s death.
(b) “Board” shall mean the Board of Directors of KeyCorp, the Board’s Compensation and Organization Committee, or any other committee designated by the Board or a subcommittee designated by the Board’s Compensation and Organization Committee.
(c) “Change of Control” shall be deemed to have occurred if under a rabbi trust arrangement established by KeyCorp (“Trust”), as such
Trust may from time to time be amended or substituted, the Corporation is required to fund the Trust because a “Change of Control”, as defined in the Trust, has occurred on and after January 1, 1999.

(d) “Common Stock Account” shall mean the investment account established under the Plan for bookkeeping purposes in which the Participant shall have his or her Deferred Bonus credited. A Participant’s Deferred Bonus shall be credited based on a bookkeeping allocation of KeyCorp Common Shares (both whole and fractional rounded to the nearest one-hundredth of a share) (“Common Shares”), which on the date credited shall be equal in market value (as determined under the last sentence of this Section 2.1(d)) to the amount of the Deferred Bonus. The Common Stock Account shall also reflect on a bookkeeping basis all dividends, gains, and losses attributable to such Common Shares. All Deferred Bonuses credited to the Common Stock Account shall be based on the New York Stock Exchange’s closing price for such Common Shares as of the day such Deferred Bonus is credited to the Participant’s Plan Account.
(e) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(f) “Date of Hire” shall mean the first day an Employee commences active employment with an Employer.

(f) “Determination Date” shall mean as of the date that the Participant vests in his or her Deferred Bonus amount.

(g) “Disability” shall mean (1) a physical or mental disability which prevents a Participant from performing the duties the Participant was employed to perform for his or her Employer when such disability commenced, (2) has resulted in the Participant’s absence from work for 180 qualifying days, and (3) application has been made for the Participant’s disability coverage under the KeyCorp Long Term Disability Plan.

(h) “Distribution Agreement” shall mean the executed agreement submitted by the Employee to the Corporation in conjunction with the Employee’s execution of his or her employment agreement or as otherwise required by the Corporation, which shall contain, in pertinent part, the Employee’s distribution instructions for such Deferred Bonus, when vested. In the event the Employee elects to transfer his or her vested Deferred Bonus to the KeyCorp Deferred Savings Plan, the transferred Deferred Bonus shall be subject to a mandatory 5 year deferral period from the date such Deferred Bonus has vested and is transferred to the KeyCorp Deferred Savings Plan (i.e. the date that it is otherwise payable to the Participant) under the subsequent election requirements of Section 409A of the Code. An Employee’s election to transfer a vested Deferred Bonus to the KeyCorp Deferred Savings Plan shall be made a minimum of twelve full months prior to the date on which the Employee vests in his or her Deferred Bonus, in accordance with the requirements of Section 409A.

(i) “Employee” shall mean a common law employee who is employed by an Employer.

(j) “Employer” shall mean the Corporation and any of its subsidiaries or affiliates, unless specifically excluded as an Employer for Plan purposes by written action by an officer of the Corporation. An Employer’s Plan participation shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.

(k) “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following. This provision shall survive the Participant’s termination of employment with Key:

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.
After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 2.1(k) the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

“Deferred Bonus” shall mean all or any portion of the Employee’s bonus award that the Employer automatically defers to the Plan.
2.2 Pronouns. The masculine pronoun wherever used herein includes the feminine in any case so requiring, and the singular may include the plural.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation. An Employee shall become a Plan Participant upon the Employer’s mandatory deferral of the Employee’s Deferred Bonus.

ARTICLE IV
DEFERRED BONUS

4.1 Crediting of the Deferred Bonus. A Deferred Bonus shall be credited on a bookkeeping basis to a Plan Account established in the Participant’s name as of the date on which the
Deferred Bonus would have been payable to the Participant but for the Employer’s mandatory deferral of such Deferred Bonus to the Plan (“Deferred Bonus Date”).

4.2 **Investment of Deferred Bonuses.** All Deferred Bonuses shall be automatically invested on a bookkeeping basis in the Plan’s Common Stock Account.

4.3 **Determination of Amount.** The Plan Administrator shall verify the amount of the Participant’s Deferred Bonus, with all dividends, gains and losses, if any, credited to each Participant’s Plan Account in accordance with the provisions of the Plan. The reasonable and equitable decision of the Plan Administrator as to the value of each Plan Account shall be conclusive and binding upon the Participants and the Beneficiary of each deceased Participant having any interest, direct or indirect in the Participant’s Plan Account. As soon as reasonably practicable after the close of the Plan Year, the Corporation shall send each Participant an itemized statement that shall reflect the Participant’s Plan Account balance.

4.4 **Corporate Assets.** All Deferred Bonuses, dividends, earnings and any other gains and losses credited to each Participant’s Plan Account on a bookkeeping basis, remain the assets and property of the Corporation, which shall be subject to distribution to the Participant only in accordance with Article VI of the Plan. Distributions made under the Plan shall be in the form of Common Shares or as a bookkeeping plan-to-plan transfer to the KeyCorp Deferred Savings Plan as provided for in Article VI hereof. Participants and Beneficiaries shall have the status of general unsecured creditors of the Corporation. Nothing contained in the Plan shall create, or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and it is the understanding of the Participant that the Plan is an unfunded Plan.

4.5 **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary, including domestic relations proceedings. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account, such attempt shall be void and unenforceable.

**ARTICLE V**

**VESTING**

5.1 **Deferred Bonus Vesting.** The calculation of a Participant’s vested interest in the Deferred Bonus credited on a bookkeeping basis to the Participant’s Plan Account shall be measured in whole calendar years. A Participant shall become vested in the Deferred Bonus allocated on a bookkeeping basis to the Participant’s Plan Account with all earnings, gains, and losses thereon after three full calendar years of service with his or her Employer following the Deferred Bonus Date (as defined in Section 4.1(a)). Alternatively, at the Employer’s election, with such election having been communicated to the Employee in writing prior to the Deferred Bonus Date, the Employee shall become vested in his or her Deferred Bonus under the following three-year graded vesting schedule (or such other multi-year vesting schedule as is expressly communicated in writing to the Employee by the Employer prior to the Participant’s Deferred Bonus Date):
(a) One full calendar year from the Participant’s Deferred Bonus Date but less than two full calendar years from such Deferred Bonus Date 33%.

(b) Two full calendar years from the Participant’s Deferred Bonus Date but less than three full calendar years from such Deferred Bonus Date 66%.

(c) Three full calendar years from the Participant’s Deferred Bonus Date 100%.

Notwithstanding the foregoing provisions of this Section 5.1, however, a Participant shall become fully vested in the Deferred Bonus credited on a bookkeeping basis to the Participant’s Plan Account upon the Participant’s Termination Under Limited Circumstances, Disability or death.

5.2 Forfeiture of the Participant’s Deferred Bonus. Notwithstanding any provision of the Plan to the contrary, upon the Participant’s Termination of Employment, the not vested Deferred Bonus credited on a bookkeeping basis to the Participant’s Plan Account with all earnings and gains thereon shall be automatically forfeited as of the Participant’s last day of employment.

ARTICLE VI

DISTRIBUTION OF PLAN BENEFITS

6.1 Distribution of the Participant’s Deferred Bonus. A Participant’s vested Deferred Bonus with all earnings and gains thereon shall be distributed from the Plan concurrently with or immediately following the Participant’s vesting in his or her Deferred Bonus (but in any event within 90 days of the Participant’s vesting date) in accordance with the distribution directions provided by the Participant in his or her Distribution Agreement, as follows:

(a) as a single lump sum distribution of Common Shares, or

(b) as a plan-to-plan transfer of the Participant’s vested Deferred Bonus to the KeyCorp Deferred Savings Plan, provided, that the Participant is in a benefits designator 86 or above and is otherwise eligible to participate in the KeyCorp Deferred Savings Plan. Such plan-to-plan transfer will be subject to the subsequent election provisions of Section 409A of the Code and will not be subject to distribution from the Deferred Savings Plan until the subsequent election requirements of Section 409A of the Code have been met.

Subject to the withholding requirements of Section 6.5 hereof, distributions from the Plan shall be made in Common Shares based on the bookkeeping number of whole and fractional Common Shares attributable to the Participant’s vested Deferred Bonus maintained in the Plan’s Common Stock Account as of the Determination Date. Participants’ Plan Account balances transferred to the KeyCorp Deferred Savings Plan’s Common Stock Account will not be subject to investment diversification and/or reallocation under the KeyCorp Deferred Savings Plan.

6.2 Distributions Following Termination Under Limited Circumstances, Disability or Death. Upon the Participant’s Termination Under Limited Circumstances, Disability, or death, the Deferred Bonus credited to the Participant’s Plan Account with all earnings, gains, and losses thereon shall become immediately vested and shall be distributed to the Participant or the Participant’s
Beneficiary within 90 days thereafter in a single lump sum distribution of Common Shares, less all applicable tax withholdings.

6.3 Payment Limitation for Key Employees. Notwithstanding any other provision of the Plan to the contrary, including without limitation, the provisions of Section 6.2 hereof, in the event that the Participant constitutes a “specified employee” of the Corporation (as that term is defined in accordance with Treasury Reg. Section 1.409A-1(i)) at the time of his or her “separation from service”, then in such event the distributions of the Participant’s vested Deferred Bonus due to the Participant’s separation from service shall not be made before the first day of the seventh month following the Participant’s date of separation from service (or, if earlier, the date of death of the Participant). To the extent an amount is deferred under this Section 6.3 until the first business day of the seventh month following the Participant’s separation from service date, then in such event, the payment to which the Participant would otherwise have been entitled to during the first six months shall be paid to the Participant on the first business day of the seventh month with all Plan earnings, gains and losses thereon. The term “separation from service” shall be defined for Plan purposes in accordance with the requirements of Section 409A(c)(2)(A)(i) of the Code and applicable regulations issued thereunder.

6.4 Harmful Activity. If a Participant engages in any “Harmful Activity” prior to or within twelve months after the Participant’s Termination of Employment with an Employer, then all not vested Plan benefits shall be immediately forfeited, and any Plan distributions made to the Participant within one year prior to the Participant’s Termination or Retirement date shall be fully repaid by the Participant to the Corporation within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s Termination of Employment within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment of more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or Termination of Employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan.

The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s termination of employment with an Employer shall be final and conclusive upon the Participant and upon all other Persons.

6.5 Withholding. The withholding of taxes with respect to any Deferred Bonus with all earnings and gains thereon shall be made at such time as it becomes required by any state, federal or local law; such taxes shall be withheld from the Deferred Bonus in accordance with applicable law and shall be paid by reducing the number of Common Shares to be distributed to the Participant based on such Common Shares’ market value as of the distribution date.

6.6 Facility of Payment. If it is found that any individual to whom an amount is payable hereunder is incapable of attending to his or her financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount (unless prior claim therefor shall have been made by a duly qualified guardian or other legal representative) may, in the discretion of the Corporation, be paid to another person for the use or benefit of the individual found incapable of attending to his or her financial affairs or in satisfaction of legal obligations incurred by or on behalf of such individual. Any such payment shall be charged to the Participant’s Plan Account from which any such payment would otherwise have been paid to the individual found incapable of attending to his or her financial affairs, and shall be a complete discharge of any liability therefor under the Plan.
ARTICLE VII
BENEFICIARY DESIGNATION

7.1 Beneficiary Designation. Subject to Section 7.3 hereof, each Participant shall have the right, at any time, to designate one or more persons or an entity as the Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant’s death prior to complete distribution of the Participant’s vested Plan Account. Each Beneficiary designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Participant’s lifetime.

7.2 Changing Beneficiary. Any Beneficiary designation may be changed by the Participant without the consent of the previously named Beneficiary by the Participant’s filing of a new designation with the Corporation. The filing of a new designation shall cancel all designations previously filed by the Participant.

7.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary (including all contingent Beneficiaries) designated by a deceased Participant dies before the Participant, or if the Beneficiary disclaims his or her interest in such benefit, the Participant’s Beneficiary shall be the Participant’s estate.

ARTICLE VIII
ADMINISTRATION

8.1 Administration. The Corporation, as the “Plan Administrator” shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Corporation shall deem necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Corporation may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 8.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.

8.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under this Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant.
and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which he or she receives such notice, he or she may obtain a review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his or her authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefor, which request shall contain the following information:

(a) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his or her claim which the Claimant requests the Plan Administrator to review;

(c) a statement by the Claimant setting forth the basis upon which he or she believes the Plan Administrator should reverse its previous denial of the claim and accept the claim as made; and

(d) any written material which the Claimant desires the Plan Administrator to examine in its consideration of his or her position as stated pursuant to paragraph (b) above.

In accordance with this Section 8.2, if the Claimant requests a review of the claim decision, such review shall be made by the Plan Administrator, who shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the claimant and upon all other persons or entities. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE IX
AMENDMENT AND TerMINATION OF PLAN

9.1 Reservation of Rights. The Corporation reserves the right to terminate the Plan at any time by action of the Board of Directors of the Corporation, or any duly authorized committee thereof, and to modify or amend the Plan, in whole or in part, at any time and for any reason, subject to the following:

(a) Preservation of Account Balance. No termination, amendment, or modification of the Plan shall reduce (i) the amount of Deferred Bonuses, and (ii) all earnings and gains on such Deferred Bonuses that have accrued up to the effective date of the termination, amendment, or modification.

(b) Changes in Earnings Rate. No amendment or modification of the Plan shall reduce the rate of earnings to be credited on Deferred Bonuses with all earnings and gains accrued.
9.2 **Effect of Plan Termination.** If the Corporation terminates the Plan, either in whole or in part, the Plan Administrator shall not accept any additional Deferred Bonuses. If such a termination occurs, the Plan shall continue to operate and to be effective with regard to those Deferred Bonuses maintained in the Plan prior to the effective date of such termination.

**ARTICLE X**

**CHANGE OF CONTROL**

10.1 **Change of Control.** Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control as defined in accordance with Section 2.1(c) of the Plan, no amendment or modification of the Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, or (2) to reduce or modify the Common Stock Accounts’ method of calculating earnings, gains, and/or losses on the Participant’s Pre-Change of Control Account Balance. For purposes of this Section 10.1, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate undistributed amount of the Participant’s Deferred Bonus with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account through the close of the calendar year in which such Change of Control occurs.

10.2 **Common Stock Conversion.** In the event of a transaction or occurrence in which the Common Shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Stock Account to reflect on a bookkeeping basis the securities, cash and other property that would have been received in such reorganization, reclassification, consolidation, merger or sale in an equivalent amount of Common Shares equal to the balance in the Common Stock Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Stock Account shall reflect on a bookkeeping basis all dividends, interest, earnings and losses attributable to such securities, cash, and other property.

10.3 **Amendment in the Event of a Change of Control.** On and after a Change of Control, the provisions of Article II, Article IV, Article V, Article VI, Article VII, Article VIII, Article IX, and this Article X, may not be amended or modified as such Sections and Articles apply with regard to the Participants’ Pre-Change of Control Account Balances.

**ARTICLE XI**

**MISCELLANEOUS PROVISIONS**

11.1 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees.”
11.2 No Commitment as to Employment. Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation, or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

11.3 Benefits. Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participants, former Participants, and Beneficiaries.

11.4 Absence of Liability. No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

11.5 Expenses. The expenses of administration of the Plan shall be paid by the Corporation.

11.6 Precedent. Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

11.7 Withholding. The Corporation shall withhold any tax that the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

11.8 Validity of Plan. The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

11.9 Parties Bound. The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

11.10 Headings. All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

11.11 Duty to Furnish Information. The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.

11.12 Validity. In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

11.13 Notice. Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits
Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

11.14 Successors. The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

ARTICLE XII  
COMPLIANCE WITH  
SECTION 409A OF THE CODE

12.1 Compliance With Section 409A. The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred on and after January 1, 2005. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in a violation, early taxation, or assessment of penalties or interest of any amount under Section 409A of the Code.

ARTICLE XIII  
SPECIAL CASH AWARD

13.1 Special Cash Recognition Award. In conjunction with certain resolutions authorized by the Board dated October 31, 2008, the special cash recognition award (“Special Award”) granted to certain selected Employees of KeyCorp and its affiliates shall be deferred under the Plan. Such Special Award shall be allocated to a bookkeeping account established in the Employee’s name, and contrary to Article IV, shall not be invested in the Plan’s Common Stock Account and shall not accrue any earnings, gains or losses while maintained in the Plan.

13.2 Special Cash Award Vesting Schedule. Notwithstanding any other Plan provision to the contrary, Participants shall become vested in their Special Awards in accordance with the following vesting schedule:

(a) Upon the Participant’s completion of two full years of vesting service . . . . . 50%
(b) Upon the Participant’s completion of three full years of vesting service . . . . . 100%

For purposes of this Section 13.2 hereof, vesting service shall be measured in consecutive 12-month increments. Vesting service shall commence as of the date that the Special Award is credited to the Participant’s Plan Account.

13.3 Distribution of the Special Award. The Participant’s Special Award, when vested, shall be immediately distributed in a lump sum cash payment to the Participant. The Participant’s Special Award shall not be subject to the Plan-to-Plan transfer provisions of Section 6.1 of the Plan.
13.4 Distribution Upon a Participant’s Termination Under Limited Circumstances, Disability, or Death. Subject to the requirements of Article VI, Section 6.3 through Section 6.7 hereof, upon a Participant’s Termination Under Limited Circumstances, Disability or death, as those terms are defined in accordance with Section 2.1(q), and Section 2.1(g) of the Plan, the Special Award credited to the Participant’s Plan Account shall become immediately vested and distributed to the Participant or to the Participant’s Beneficiary in a lump sum cash payment.

13.5 Withholding. The withholding of taxes with respect to the Participant’s Special Award shall be made at such time as it becomes required by any state, federal or local law; such taxes shall be withheld from the Participant’s Special Award to the maximum extent possible in accordance with applicable law.

13.6 Forfeiture of the Participant’s Special Award. If the Participant terminates his or her employment prior to fully vesting in his or her Special Award, the unvested Special Award shall be immediately forfeited as of the Participant’s last day of employment.

IN WITNESS WHEREOF, KeyCorp has caused this KeyCorp Deferred Bonus Plan to be executed this 29th day of December, 2008, to be effective as of December 31, 2008.

KEYCORP

By:        /s/ Steven N. Bulloch

Title:    Assistant Secretary

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Section 21: EX-10.34 (EX-10.34)

KEYCORP

COMMISSIONED DEFERRED COMPENSATION PLAN
(Amended and Restated as of December 31, 2008)

ARTICLE I

The KeyCorp Commissioned Deferred Compensation Plan (“Plan”) as originally established effective January 1, 2003, and amended January 1, 2005, is hereby amended and restated effective as of December 31, 2008. The Plan, as structured, is intended to provide certain selected employees of KeyCorp with the opportunity to defer up to 50% of their commissions earned in excess of $100,000 during the applicable Plan year. In providing those selected employees of KeyCorp with an opportunity to defer their immediate receipt of taxable income to a later date, the Plan also provides KeyCorp with the opportunity to retain those employees continued employment with Key. It is the intention of KeyCorp and it is the understanding of those employees who are covered under the Plan that the Plan is unfunded for tax purposes. It is also the understanding of those employees covered under the Plan that the Plan will be administered in accordance with the requirements of Section 409A of the Code.

ARTICLE II

DEFINITIONS

2.1 Meaning of Definitions. For the purposes of this Plan, the following words and phrases shall have the meanings hereinafter set forth, unless a different meaning is clearly required by the context:

(a) “Beneficiary” shall mean the person, persons or entity entitled under Article VII to receive any Plan benefits payable after a Participant’s death.

(b) “Change of Control” shall be deemed to have occurred if under any rabbi trust arrangement maintained by the Corporation, the Corporation is required under the terms of such arrangement to fund such rabbi trust to secure the payment of any Participants’ Plan benefits which become payable hereunder because a “Change of Control” as defined in such rabbi trust has occurred.

(c) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time, together with all regulations promulgated thereunder. Reference to a section of the Code shall include such section and any comparable section or sections of any future legislation that amends, supplements, or supersedes such section.

(d) “Commission” shall mean those commissions or incentive payout(s) awarded to the Employee that are tied to the Employee’s direct performance in conjunction with a KeyCorp sales event(s) and are generally defined as a percent, share, or dollar amount of the direct sale or profit generated to KeyCorp as a result of such event.

(e) “Common Stock Account” shall mean the investment account established under the Plan for bookkeeping purposes, in which a Participant may elect to have his or her Participant Deferrals credited. Participant Deferrals to the Common Stock Account shall be credited based on a bookkeeping allocation of KeyCorp Common Shares (both whole and fractional rounded to the nearest one-hundredth of a share) which shall be equal to the amount of Participant Deferrals and Corporate Contributions invested by the
Participant and by the Corporation in the Common Stock Account. The Common Stock Account shall also reflect on a bookkeeping basis all Dividends, gains, and losses attributable to such Common Shares. All Corporate Contributions and all Participant Deferrals credited to the Common Stock Account shall be based on the ten-day average of the New York Stock Exchange’s closing price for such Common Shares immediately preceding, up to, and including the day such Participant Deferrals and Corporate Contributions are credited to the Participants’ Plan Account.

(f) “Corporate Contributions” shall mean the contribution amount which an Employer has agreed to contribute on a bookkeeping basis to the Participant’s Plan Account in accordance with the provisions of Article V of the Plan.

(g) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(h) “Deferral Period” shall mean each applicable Plan Year, provided however, that a Participant’s initial Deferral Period shall be from his or her first day of participation in the Plan through the last day of the applicable Plan Year.

(i) “Determination Date” shall mean the last business day of each calendar quarter.

(j) “Disability” shall mean (1) the physical or mental disability of a permanent nature which prevents a Participant from performing the duties that such Participant was employed to perform for his or her Employer when such disability commenced, (2) qualifies for disability benefits under the Federal Social Security Act within 30 months following the Participant’s disability, and (3) qualifies the Participant for disability coverage under the KeyCorp Long Term Disability Plan.

(k) “Discharge for Cause” shall mean the termination (whether by the Participant or the Employer) of a Participant’s employment from his or her Employer and any other Employer that is the result of (1) serious misconduct as an Employee, including, but not limited to, a continued failure after notice to perform a substantial portion of his or her duties and responsibilities unrelated to illness or incapacity, unethical behavior such as acts of self-dealing or self-interest, harassment, violence in the workplace, or theft; (2) the commission of a crime involving a controlled substance, moral turpitude, dishonesty, or breach of trust; or (3) the Employer being directed by a regulatory agency or self-regulatory agency to terminate or suspend the Participant or to prohibit the Participant from performing services for the Employer. The Corporation in its sole and absolute discretion shall determine whether a Participant has been Discharged for Cause, as provided for in this Section 2.1(k), provided, however, that for a period of two years following a Change of Control, any determination by the Corporation that an Employee has been Discharged for Cause shall be set forth in writing with the factual basis for such Discharge for Cause clearly specified and documented by the Corporation.

(l) “Dividends” shall mean those quarterly earnings approved by the KeyCorp Board of Directors and awarded by the Corporation to all shareholders of record as of each applicable ex-dividend date which shall be payable in such form and at such time as the Corporation shall determine.

(m) “Early Retirement” shall mean the Participant’s retirement from his or her employment with an Employer on or after the Participant’s attainment of age 55 and completion of a
minimum of five years of Vesting Service, but prior to the Participant’s Normal Retirement Date.

(n) “Employee” shall mean a common law employee who is employed by an Employer.

(o) “Employer” shall mean the Corporation and any of its subsidiaries, unless specifically excluded as an Employer for Plan purposes by written action by an Officer of the Corporation. An Employer’s participation in the Plan shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.

(p) “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following. The provisions of this Section 2.1 (p) shall survive the Participant’s termination of employment with KeyCorp.

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(iv) After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(v) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(vi) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.
(vii) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 2.1(p) the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

(q) “Involuntary Termination” shall mean the termination (by the Employer) of a Participant’s employment from his or her Employer and from any other Employer, other than a Discharge for Cause or a Termination Under Limited Circumstances.

(r) “Normal Retirement” shall mean the Participant’s retirement under the KeyCorp Cash Balance Pension Plan on or after the Participant’s Normal Retirement Date.

(s) “Participant” shall mean an Employee who meets the eligibility requirements set forth in Section 3.1(a) and becomes a Plan Participant pursuant to Section 3.1(b) or Section 3.1(c) of the Plan.

(t) “Participant Deferrals” shall mean the percentage or whole dollar amount of the Participant’s Commissions that are earned by the Participant during the applicable Plan Year which the Participant has elected in accordance with his or her Participation Agreement to defer to the Plan.

(u) “Participation Agreement” shall mean the executed agreement submitted by the Participant to the Corporation prior to the start of each applicable Deferral Period, which contains, in pertinent part, the Participant’s deferral commitment for such Deferral Period, and the distribution option selected by the Participant for the payment of such Participant Deferrals, Dividends, and Corporate Contributions upon the Participant’s full vesting in such Dividends and Corporate Contributions.

(v) “Plan” shall mean the KeyCorp Commissioned Deferred Compensation Plan with all amendments hereafter made.

(w) “Plan Account” shall mean the bookkeeping account established by the Corporation for each Plan Participant, which shall reflect all Corporate Contributions, Participant Deferrals, and Dividends invested for bookkeeping purposes in the Plan’s Common Stock.
Account with all gains and losses thereon. Plan Accounts shall not constitute separate Plan funds or separate Plan assets. Neither the maintenance of, nor the crediting of amounts to such Plan Accounts shall be treated (i) as the allocation of any Corporation assets to, or a segregation of any Corporation assets in any such Plan Accounts, or (ii) as otherwise creating a right in any person or Participant to receive specific assets of the Corporation. All benefits under the Plan shall be paid from the general assets of the Corporation.

(x) \textit{“Plan Year”} shall mean the calendar year.

(y) \textit{“Retirement”} shall mean the termination of a Participant’s employment any time after the Participant’s attainment of age 55 and completion of 5 years of Vesting Service under the KeyCorp Cash Balance Pension Plan, but shall not include the Participant’s (i) Discharge for Cause, (ii) Involuntary Termination, (iii) Termination under Limited Circumstances, (iv) Disability or Death.

(z) \textit{“Termination”} shall mean the voluntary or involuntary and permanent termination of a Participant’s employment from his or her Employer and any other Employer, whether by resignation or otherwise, but shall not include the Participant’s Retirement.

(aa) \textit{“Termination Under Limited Circumstances”} shall mean the termination (whether by the Participant or the Employer) of a Participant’s employment from his or her Employer, and from any other Employer (i) under circumstances in which the Participant is entitled to receive severance benefits or salary continuation benefits under the KeyCorp Separation Pay Plan, (ii) under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement or employment agreement within two years after a change of control (as defined by such agreement) has occurred, or (iii) as otherwise expressly approved by an officer of the Corporation.

(bb) \textit{“Voluntary Termination”} shall mean a voluntary termination of the Participant’s employment from his or her Employer and from any other Employer, whether by resignation or otherwise, but shall not include the Participant’s Discharge for Cause, Involuntary Termination, Retirement, Termination Under Limited Circumstances, or termination as a result of Disability or death.

2.2 \textbf{Additional Reference}. All other words and phrases used herein shall have the meaning given them in the KeyCorp Cash Balance Pension Plan, unless a different meaning is clearly required by the context.

2.3 \textbf{Pronouns}. The masculine pronoun wherever used herein includes the feminine in any case so requiring, and the singular may include the plural.
ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation.

(a) Eligibility. An Employee shall be eligible to participate in the Plan if (1) the Employee earns Commissions during any Plan Year in excess of $100,000, and (2) the Corporation selects such Employee to participate in the Plan.

(b) Participation. An Employee meeting the eligibility criteria of Section 3.1(a) may elect to participate in the Plan with respect to any Deferral Period by submitting a Participation Agreement to the Corporation no later than the year prior to the year in which such Commissions are earned by the Participant, in conjunction with procedures and times established by the Corporation.

(c) Mid-Year Participation. When an Employee first becomes eligible to participate in the Plan during a Deferral Period, the Participant shall be required to submit a Participation Agreement to the Corporation within thirty (30) days after the Corporation notifies the Employee of his or her Plan eligibility. Such Participation Agreement will be effective only if it is provided to the Corporation within 30 days of the Participant’s notice of Plan eligibility.

3.2 Deferral Limitations. A Participant may defer to the Plan no more than 50% of the Participant’s earned Commissions in excess of $100,000 (in 5% increments) that are payable to the Participant during the applicable Deferral Period.

3.3 Commitment Limited by Termination, Retirement, Disability or Death. As of the Participant’s Termination date, Retirement date, date of Disability or date of death, all Participant Deferrals under the Plan shall cease.

3.4 Modification of Deferral Commitment. A Participant’s deferral commitment as evidenced by his or her Participation Agreement for the applicable Deferral Period shall be irrevocable.

3.5 Change in Employment Status. If the Corporation determines that a Participant’s performance is no longer at the level that deserves to be rewarded through participation in the Plan, but does not terminate the Participant’s employment, the Participant’s Participant Deferrals under the Plan shall continue until the end of the applicable Deferral Period. Thereafter, the Corporation shall not permit the Participant to make any further deferrals to the Plan.

ARTICLE IV
PARTICIPANT DEFERRALS

4.1 Plan Account. All Participant Deferrals and Corporate Contributions shall be credited on a bookkeeping basis to a Plan Account established in the Participant’s name. Separate sub-accounts
shall be established to reflect all Dividends attributable to such Participant Deferrals and Corporate Contributions.

4.2 **Investment of Participant Deferrals.** All Participant Deferrals shall be invested for bookkeeping purposes in the Plan’s Common Stock Account.

4.3 **Crediting of Participant Deferrals; Withholding.** Participant Deferrals shall be credited to the Participant’s Plan Account as of the date the Participant’s Commission would have been paid to the Participant “but for” the Participant’s election to defer such Commission to the Plan. The withholding of taxes with respect to all Participant Deferrals as required by state, federal or local law shall be withheld from the Participant’s compensation to the maximum extent possible; thereafter, any taxes remaining due shall be paid by reducing the amount of Participant Deferrals to be credited to the Participant’s Plan Account.

**ARTICLE V**

**CORPORATE CONTRIBUTIONS**

5.1 **Crediting of Corporation Contributions.** Corporate Contributions in an amount equal to 15% of the Participant’s Participant Deferrals deferred to the Plan for any applicable Deferral Period shall be credited on a bookkeeping basis to the Participant’s Plan Account as of the date on which the Participant’s Participant Deferrals are deferred and credited to the Plan.

5.2 **Investment of Corporate Contributions.** All Corporate Contributions credited to the Participant’s Plan Account shall be invested for bookkeeping purposes in the Plan’s Common Stock Account.

5.3 **Determination of Amount.** The Plan Administrator shall verify the amount of Participant Deferrals, Corporate Contributions, Dividends, and all earnings and losses thereon, to be credited to each Participant’s Plan Account in accordance with the provisions of the Plan. The reasonable and equitable decision of the Plan Administrator as to the value of each Plan Account shall be conclusive and binding upon all Participants and the Beneficiary of each deceased Participant having any interest, direct or indirect in the Participant’s Plan Account. As soon as reasonably practicable after the close of the Plan Year, the Corporation shall send to each Participant an itemized accounting statement that shall reflect the Participant’s Plan Account balance.

5.4 **Corporate Assets.** All Participant Deferrals, Corporate Contributions, Dividends, earnings and any other gains and losses credited to a Participant’s Plan Account on a bookkeeping basis, remain the assets and property of the Corporation, which shall become subject to distribution to the Participant only in accordance with the provisions of Articles VII, and X of the Plan. Distributions made under the Plan shall be in the form of Common Shares. All Participants and Beneficiaries shall have the status of general unsecured creditors of the Corporation. Nothing contained in the Plan shall create, or shall be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and it is the understanding of the Participant that the Plan is not funded for tax purposes, and that it is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

5.5 **No Present Interest.** Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge. Any attempt to anticipate, alienate, sell,
assign, pledge, encumber, or charge any right or benefit under the Plan, or to the Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary, including any domestic relations proceedings. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account such attempt shall be void and unenforceable.

**ARTICLE VI**

**VESTING**

6.1 **Vesting in Dividends and Corporate Contributions.** The calculation of a Participant’s vested interest in his or her Corporate Contributions and all Dividends credited on a bookkeeping basis to the Participant’s Plan Account shall be measured from the last day of the applicable calendar quarter in which such Participant Deferrals and Corporate Contributions are credited to the Participant’s Plan Account (“Quarterly Deferral Date”). A Participant shall become vested in those Corporate Contributions, and in those Dividends credited to the Participant’s Plan Account with regard to the applicable Participant Deferrals and Corporate Contributions, upon the Participant’s completion of three years of vested service. For purposes of this Section 6.1, the term “vested service” shall be determined from the Quarterly Deferral Date and shall be based upon full calendar years.

Notwithstanding the foregoing provisions of this Section 6.1, however, a Participant shall become fully vested in all Dividends and Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account upon the Participant’s Termination Under Limited Circumstances, Disability or death.

6.2 **Continued Vesting Upon Retirement.** Subject to the provisions of Section 7.11 of the Plan, upon the Participant’s Retirement, the Participant’s not-vested Dividends and not-vested Corporate Contributions credited to the Participant’s Plan Account with all gains and losses thereon, shall remain in the Plan and shall continue to vest under the vesting provisions of Section 6.1 hereof.

**ARTICLE VII**

**DISTRIBUTION OF PLAN BENEFITS**

7.1 **Distributions Prior to Termination, Termination Under Limited Circumstances, or Retirement.** A Participant’s Participant Deferrals, vested Corporate Contributions and vested Dividends shall be distributed to the Participant as of the Determination Date concurrently with or immediately following the Participant’s vesting in his or her Corporate Contributions and Dividends in accordance with the distribution directions provided by the Participant in his or her Participation Agreement, as follows:

(a) as a single lump sum distribution of Common Shares, or

(b) in substantially equal annual installments payments of Common Shares over a five (5) year period.

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Lump sum distributions from the Plan of Participant Deferrals, vested Corporate Contributions, and vested Dividends shall be made in Common Shares based on the bookkeeping number of whole and fractional Common Shares attributable to those Participant Deferrals, vested Corporate Contributions and vested Dividends maintained in the Plan’s Common Stock Account as of the Determination Date concurrently with or immediately following the Participant’s vesting date. Plan Distributions shall be made as soon as reasonably practicable following the applicable Determination Date but in any event within 90 days of such Determination Date.

7.2 Distributions Following Retirement. Subject to the Harmful Activity provisions of Section 7.11 hereof, upon the Participant’s Retirement, the Participant’s Plan Account balance shall continue to be maintained in the Plan and all Corporate Contributions and Dividends credited to the Participant’s Plan Account with any and all gains and losses thereon, shall continue to vest under the vesting provisions of Section 6.1 of the Plan, and when vested, shall be distributed to the Participant in accordance with the provisions of Section 7.1 hereof.

7.3 Distributions Following Termination Under Limited Circumstances, Disability or Death. Upon the Participant’s Termination Under Limited Circumstances, Disability or death all Participant Deferrals, Corporate Contributions, and Dividends credited to the Participant’s Plan Account with any and all gains and losses thereon shall become immediately vested and shall be distributed to the Participant in a single lump sum distribution of Common Shares as of the Determination Date concurrently with or immediately following the Participant’s vesting date but in any event within 90 days of such Determination Date.

7.4 Distributions Following Involuntary Termination. Upon the Participant’s Involuntary Termination, all Participant Deferrals credited to the Participant’s Plan Account and all Dividends credited on such Participant Deferrals with all gains and losses thereon, shall become immediately vested and shall be distributed to the Participant in a single lump sum distribution as of the Determination Date concurrently with or immediately following the Participant’s vesting date but in any event within 90 days of such Determination Date. All not-vested Corporate Contributions and all not-vested Dividends credited on such Corporate Contributions with all related earnings and or losses thereon shall be forfeited by the Participant as of his or her last day of employment.

7.5 Distributions Following Voluntary Termination or Discharge for Cause. Upon the Participant’s Voluntary Termination or Discharge for Cause, all not-vested Corporate Contributions and all not-vested Dividends credited to the Participant’s Plan Account with all gains and losses thereon shall be forfeited by the Participant as of his or her last day of employment, and the Participant shall receive a lump sum distribution of only his or her Participant Deferrals, as of the Determination Date concurrently with or immediately following the Participant’s termination date but in any event within 90 days of such Determination Date.

7.6 Withholding. The withholding of taxes with respect to the Participant’s Participant Deferrals, Corporate Contributions, and Dividends shall be made at such time as it becomes required by any state, federal or local law. All required taxes shall be withheld from the Participant’s Participant Deferrals and Corporate Contributions in accordance with applicable law to the maximum extent possible.

7.7 Distribution of Account Balance. The Participant’s vested Plan Account balance shall be valued as of the Determination Date immediately following his or her date of Termination or Retirement (the “valuation date”):

(a) Lump Sum Distributions. If a Participant has elected to receive a lump sum distribution of all of his or her vested Plan Account balance, such lump sum distribution of
Common Shares shall be made as soon as reasonably practicable following the Participant’s valuation date.

(b) **Installment Distributions.** If a Participant has elected to receive an installment distribution of all of his or her vested Plan Account, such installment distribution of Common Shares shall commence as soon as reasonably practicable following the Participant’s valuation date. The Participant’s vested unpaid Plan Account balance invested for bookkeeping purposes in the Plan’s Common Stock Account shall be reflected as a number of whole and fractional Common Shares in a distribution sub-account and shall be credited with Dividends on a bookkeeping basis which shall be reinvested in the Plan’s Common Stock Account throughout the installment distribution period; all such reinvested Dividends shall be paid to the Participant in Common Shares in conjunction with the Participant’s final installment payment under the Plan.

7.8 **Distribution of Small Accounts.** Notwithstanding the provisions of Sections 7.1 and 7.2 hereof, if the value of a Participant’s vested Account balance as of the Determination Date immediately following the Participant’s date of Termination or Retirement is under $50,000, such balance shall be distributed to the Participant as a single distribution within 90 days following such Determination Date.

7.9 **Payment Limitation for Key Employees.** Notwithstanding any other provision of the Plan to the contrary, in the event that the Participant constitutes a “key” employee of the Corporation, (as that term is defined in accordance with Section 416(i) of the Code without regard to paragraph (5) thereof), the distribution of the Participant’s Plan benefit shall not begin before the first day of the seventh month following the Participant’s date of separation from service (or, if earlier, the date of the Participant’s death). Payment shall be made to the Participant within 90 days following the Determination Date that coincides with or immediately follows the conclusion of this mandatory six-month deferral period. The term “key employee” and the term “separation from service” shall be defined for Plan purposes in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.

7.10 **Distribution Limitation.** If the Corporation determines that any amount of a Participant’s Participant Deferrals, Dividends, and/or Corporate Contributions with all interest and earnings thereon:

(1) would not be deductible by the Corporation if paid in accordance with the distribution instructions specified by the Participant in his or her Participation Agreement by reason of the disallowance rules of Section 162(m) of the Code, but

(2) would be deductible by the Corporation if deferred and paid in a later Plan Year,

the Corporation reserves the right to defer the distribution of all or any portion of such Participant’s Participant Deferrals, Dividends, and/or Corporate Contributions with all interest and earnings thereon until such time as the Corporation determines that the distribution of all or any portion of such Participant’s Participant Deferrals, Dividends, and/or Corporate Contributions will be payable without the disallowance of the deduction prescribed by Code Section 162(m) (“Deferrals”). Such Deferrals shall continue to be held in the Participant’s Plan Account and shall continue to be credited, on a bookkeeping basis, with all earnings, gains, and losses thereon.

Subject to the payment limitations contained in Section 7.9 hereof, in the event of the Participant’s Termination or Retirement, all Deferrals required to be continued under this Section 7.10
shall be paid to the Participant on or immediately following April 15th of the year immediately following the Participant’s Termination or Retirement, regardless of the deductibility of such payment.

7.11 Harmful Activity. If a Participant engages in any “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement with an Employer, then by operation of this Section 7.11 hereof, and without any further notice to the Participant, (a) (i) all Corporate Contributions, and (ii) all Dividends allocated to the Participant’s Plan Account with regard to both Participant Deferrals and Corporate Contributions maintained in the Participant’s Plan Account shall become immediately forfeited regardless of whether such Corporate Contributions and Dividends are in a distribution status in accordance with the provisions of Section 7.1(b) or whether they are being maintained in the Plan in conjunction with the continued vesting provisions of Section 7.2, and (b) all distributions of Corporate Contributions and Dividends made to the Participant within one year prior to the Participant’s Termination or Retirement date shall be fully repaid by the Participant to the Corporation within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s employment with an Employer terminates within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or termination of employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan.

The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement shall be final and conclusive upon the Participant and upon all other Persons.

7.12 Facility of Payment. If it is found that any individual to whom an amount is payable hereunder is incapable of attending to his or her financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount (unless prior claim therefor shall have been made by a duly qualified guardian or other legal representative) may, in the discretion of the Corporation, be paid to another person for the use or benefit of the individual found incapable of attending to his or her financial affairs or in satisfaction of legal obligations incurred by or on behalf of such individual. Any such payment shall be charged to the Participant’s Plan Account from which any such payment would otherwise have been paid to the individual found incapable of attending to his or her financial affairs, and shall be a complete discharge of any liability therefor under the Plan.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Subject to Section 8.3 hereof, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant’s death prior to complete distribution of the Participant’s Plan Account. Each Beneficiary designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Participant’s lifetime.
8.2 Changing Beneficiary. Subject to Section 8.3, a Participant’s Beneficiary designation may be changed by the Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Corporation. The filing of a new designation shall cancel all previously filed designations.

8.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary (including all contingent Beneficiaries) designated by a deceased Participant dies before the Participant or before complete distribution of the Participant’s benefits, the Participant’s Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant’s spouse;

(b) The Participant’s children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation the share the parent would have taken if living;

(c) The Participant’s estate.

8.4 Distribution upon Death. If a Participant dies after the distribution of his or her interest under the Plan has commenced, the remaining portion of the Participant’s entire interest under the Plan, if any, shall be distributed to the Participant’s Beneficiary under the method of distribution being used as of the Participant’s date of death. If the Participant dies before the distribution of the Participant’s Plan Account has commenced, the Participant’s entire interest under the Plan shall be valued as of the Determination Date immediately following the Participant’s date of death, and shall be distributed to his or her Beneficiary in a lump sum payment as soon as reasonably practicable following the Participant’s date of death.

ARTICLE IX
ADMINISTRATION

9.1 Administration. The Corporation, as Plan Administrator, shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Corporation shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve any and all questions arising under the Plan, including any question of construction and/or interpretation, and (d) to take such further action as the Corporation deems necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Corporation may employ such attorneys, investment counsel, agents, and accountants as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Corporation hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 9.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.
9.2 **Claims Review Procedure.** Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under this Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which he or she receives such notice, he or she may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his or her authorized representative may request that the claim denial be reviewed by filing with the Plan Administrator a written request therefor, which request shall contain the following information:

(a) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan Administrator shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his or her claim which the Claimant requests the Plan Administrator to review;

(c) a statement by the Claimant setting forth the basis upon which he or she believes the Plan Administrator should reverse its previous denial of the claim and accept the claim as made; and

(d) any written material which the Claimant desires the Plan Administrator to examine in its consideration of his or her position as stated pursuant to paragraph (b) above.

In accordance with this Section, if the Claimant requests a review of the Plan Administrator’s decision, such review shall be made by the Plan Administrator who shall, within sixty (60) days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be modified unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be binding on the claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan Administrator at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

**ARTICLE X**

**AMENDMENT AND TERMINATION OF PLAN**

10.1 **Reservation of Rights.** The Corporation reserves the right to terminate the Plan at any time, and to modify or amend the Plan, in whole or in part, at any time and for any reason, subject to the following:

(a) **Preservation of Account Balance.** No termination, amendment, or modification of the Plan shall reduce (i) the amount of Participant Deferrals, Corporate Contributions, and Dividends allocated to the Participants’ Accounts as of the date of such termination,
amendment, or modification, and (ii) all earnings and gains on such Participant Deferrals, Corporate Contributions, and Dividends that have accrued up to the effective date of the termination, amendment, or modification.

(b) **Changes in Earnings Rate.** No amendment or modification of the Plan shall reduce the rate of earnings to be credited under the Common Stock Account until the close of the applicable Deferral Period in which such amendment or modification is made.

10.2 *Effect of Plan Termination.* If the Corporation terminates the Plan the Corporation shall instruct the Plan Administrator to not accept any additional Participation Agreements. If such a termination occurs, all Participant Deferrals and Corporate Contributions shall continue until the close of the applicable Deferral Period. Participant Account balances shall remain in the Plan, and when vested, shall be distributed to the Participant in accordance with the Participant’s Participation Agreements’ distribution instructions.

10.3 *Plan Termination.* Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all employees to make further Corporate Contributions to the Plan.

**ARTICLE XI**

**CHANGE OF CONTROL**

11.1 *Change of Control.* Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control as defined in accordance with Section 2.1(b) of the Plan, no amendment or modification of the Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the Common Stock Accounts’ method of calculating all earnings, gains, and/or losses on a Participant’s Pre-Change of Control Account Balance, or (3) to reduce or modify the Participant’s Participant Deferrals and/or Corporate Contributions to be credited to a Participant’s Plan Account for the applicable Deferral Period. For purposes of this Section 11.1, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate amount of such Participant’s Participant Deferrals and Corporate Contributions and Dividends with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account through the close of the calendar year in which such Change of Control occurs.

11.2 *Common Stock Conversion.* In the event of a Change of Control in which the common shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Stock Account to reflect on a bookkeeping basis the securities, cash and other property that would have been received in such reorganization, reclassification, consolidation, merger or sale on an equivalent amount of common shares equal to the balance in the Common Stock Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Stock Account shall reflect on a bookkeeping basis all Dividends, interest, earnings and losses attributable to such securities, cash, and other property.

11.3 *Amendment in the Event of a Change of Control.* On or after a Change of Control, the provisions of Article II, Article IV, Article V, Article VI, Article VII, Article VIII, Article IX, Article X
and Article XI may not be amended or modified as such Sections and Articles apply with regard to the Participants’ Pre-Change of Control Account Balances.

ARTICLE XII
MISCELLANEOUS PROVISIONS

12.1 No Commitment as to Employment. Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

12.2 Benefits. Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participants, former Participants, and Beneficiaries.

12.3 Absence of Liability. No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

12.4 Expenses. The expenses of administration of the Plan shall be paid by the Corporation.

12.5 Precedent. Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

12.6 Withholding. The Corporation shall withhold any tax that the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

12.7 Validity of Plan. The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

12.8 Parties Bound. The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

12.9 Headings. All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

12.10 Duty to Furnish Information. The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.
12.11 Validity. In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.12 Notice. Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

12.13 Successors. The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

ARTICLE XIII
COMPLIANCE WITH SECTION 409A OF THE CODE

13.1 Compliance With Code Section 409A. The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred on and after January 1, 2005. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in early taxation or assessment of penalties or interest of any amount under Section 409A of the Code.

IN WITNESS WHEREOF, KeyCorp has caused this KeyCorp Commissioned Deferred Compensation Plan to be amended this 29th day of December, 2008, to be effective as of December 31, 2008.

KEYCORP
By: /s/ Steven N. Bulloch
Title: Assistant Secretary

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Section 22: EX-10.35 (EX-10.35)

Exhibit 10.35

TRUST AGREEMENT
FOR CERTAIN AMOUNTS
THAT MAY BECOME PAYABLE
TO CERTAIN EXECUTIVES AND DIRECTORS
OF KEYCORP

THIS TRUST AGREEMENT, made as of the 1st day of April, 1997, and amended as of August 25, 2003, is between KeyCorp, an Ohio corporation (“Key”), and Wachovia Bank, National Association, formerly known as Wachovia Bank of North Carolina, N.A. (the “Trustee”).

Key has established a number of nonqualified retirement and deferred compensation plans to provide benefits to certain of its executives, Key has entered into a number of agreements with certain of its executives under which those executives may become entitled to payments and benefits after a change of control of Key (as defined in those agreements), and Key has established a plan pursuant to which members of the Board of Directors may defer a portion of the compensation payable to them in consideration of their services as directors and a plan pursuant to which members of the Board of Directors will receive deferred shares as part of the compensation payable to them in consideration for their services as directors. Key has identified and caused to be set forth on Exhibit A to this Trust Agreement a list of all such plans and agreements that Key intends to be subject to the terms of this Trust Agreement.

Key desires to establish a trust (the “Trust”) and to contribute to the Trust assets that shall be held therein until paid to or on behalf of a Participant, and that shall be subject, while so held, to the claims of the creditors of Key in the event Key becomes Insolvent (as defined in Section 5.1 below). It is the intention of the parties that the Trust shall constitute an unfunded arrangement for purposes of Title I of the Employee Retirement Income Security Act of 1974. (Certain capitalized terms not defined elsewhere in this Trust Agreement are defined in Article 15 below.)

In consideration of the premises, Key and the Trustee do hereby establish the Trust and agree that the Trust shall be comprised, held, and disposed of as follows:

Article 1. Establishment of Trust
1.1 Key hereby deposits with the Trustee in trust $100, which shall become the principal of the Trust to be held, administered, and disposed of by the Trustee as provided in this Trust Agreement.

1.2 The Trust hereby established may be revoked by Key at any time before the occurrence of the first to occur of (a) a Potential Change of Control (as defined in Section 15.9) and (b) a Change of Control (as defined in Section 15.3). If any Potential Change of Control occurs, the Trust hereby established may not be revoked by Key until both that particular Potential Change of Control and any other Potential Change of Control that may have also occurred have been “terminated” (as defined in Section 15.10) and the Trust then may be
revoked by Key if and only if no Change of Control has then occurred. Upon the occurrence of a Change of Control, the Trust hereby established shall become irrevocable. Key’s General Counsel shall notify the Trustee promptly upon the occurrence of any Change of Control and of any Potential Change of Control.

1.3 The Trust is intended to be a grantor trust, of which Key is the grantor, within the meaning of subpart F, part 1, subchapter J, chapter 1, subtitle A of the Internal Revenue Code, and shall be construed accordingly.

1.4 The principal of the Trust and any earnings thereon shall be held separate and apart from other funds of Key and shall be used exclusively for the uses and purposes of Participants and general creditors as herein set forth. Participants shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Covered Plans (as defined in Section 15.4 below) and this Trust Agreement shall be mere unsecured contractual rights of Participants against Key. Any assets held by the Trust will be subject to the claims of general creditors of Key under federal and state law in the event Key becomes Insolvent.

Article 2. Additional Funding

2.1 Key, in its sole discretion, may at any time, or from time to time, make or cause to be made, directly or indirectly, additional deposits of cash or other property in trust with the Trustee to augment the principal to be held, administered, and disposed of by the Trustee as provided in this Trust Agreement.

2.2 If a Potential Change of Control occurs, Key shall, not later than the day before the occurrence of any Change of Control related to that Potential Change of Control, contribute to the Trust an amount equal to the excess, if any, of the Full Funding Amount (as defined in Section 15.5) over the value of the assets in the Trust (the “Current Trust Asset Value”) immediately prior to the contribution. At the time any contribution is made pursuant to Section 2.1 or this Section 2.2, Key may specify, in a written notice to the Trustee, that Key retains the right to withdraw the amount so contributed at any time before the earlier of (a) the occurrence of a Change of Control or (b) the delivery by Key to the Trustee of a waiver of the right so retained. Absent such a notice by Key at the time of the contribution, the contribution shall be subject to withdrawal by Key only as provided in Article 3, dealing with discretionary withdrawals generally, or in Article 6, dealing with reversion of excess assets.

2.3 Immediately upon the occurrence of the first Change of Control to occur after the execution of this Trust Agreement and thereafter on each and every anniversary of that Change of Control, Key shall contribute to the Trust an amount equal to the excess, if any, of the Full Funding Amount over the Current Trust Asset Value immediately prior to the contribution.

Article 3. Discretionary Withdrawals

3.1 Key, in its sole discretion, at any time before the occurrence of the first to occur of a Potential Change of Control or a Change of Control, may withdraw assets from the Trust
provided that no such withdrawal shall reduce the Current Trust Asset Value, immediately after the withdrawal, to an amount below $100.

3.2 Except in the exercise of a right of withdrawal retained as provided in the second sentence of Section 2.2, Key shall not be entitled to make any discretionary withdrawal of assets from the Trust, after any Potential Change of Control has occurred, until both that particular Potential Change of Control and any other Potential Change of Control that may have also occurred have been terminated and Key may then make such a discretionary withdrawal if and only if no Change of Control has then occurred. No discretionary withdrawal under this Section 3.2 shall reduce the Current Trust Asset Value, immediately after the withdrawal, to an amount below $100.

3.3 After a Change of Control has occurred, Key may not make any discretionary withdrawal from the Trust. Nothing in this Article 3 shall restrict the right of Key to receive a reversion of excess assets under Article 6.

Article 4. Payments to Participants.

4.1 Not later than 120 days after the occurrence of a Potential Change of Control and again not later than 10 days following the occurrence of a Change of Control, Key shall deliver to the Trustee a schedule (the “Payment Schedule”) that lists the names and addresses of all Participants and indicates the amounts payable and to become payable to each Participant and/or provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable and that indicates the form in which such amounts are to be paid, as provided for or available under each Covered Plan, and the time of commencement for payment of such amounts. At the same time as Key delivers the Payment Schedule to the Trustee, Key shall deliver to each Participant that portion of the Payment Schedule that pertains to amounts that may become payable to that particular Participant. After the occurrence of a Change of Control, Key shall update the Payment Schedule, provide revised versions thereof to the Trustee, and provide the relevant portions thereof to each Participant from time to time and at such times so that each termination of the employment of any Participant (or the occurrence of any other fact or circumstance that alters the payments due or to become due to any Participant under any of the Covered Plans) is taken into account in a current revised Payment Schedule that has been appropriately delivered to the Trustee and to each Participant (to the extent relevant to each such Participant) not later than 10 days after its occurrence. Except as otherwise provided herein, the Trustee shall make payments to the Participants in accordance with the Payment Schedule as it may be revised from time to time. The Trustee shall make provision for the reporting and withholding of any federal, state, or local taxes that may be required to be withheld with respect to the payment of benefits pursuant to the terms of each Covered Plan and shall pay amounts withheld to the appropriate taxing authorities or determine that such amounts have been reported, withheld, and paid by Key.

4.2 Except as otherwise specifically provided herein, the entitlement of a Participant to payments from Key under a particular Covered Plan shall be determined under the terms of the particular Covered Plan at issue. It is Key’s intention that any and all amounts that may become
payable to Participants under the Covered Plans will be paid to the Participants at the times and in the amounts specified in the relevant Covered Plan.

4.3 In order to provide added assurances to the Participants that the amounts to which they may be entitled under the Covered Plans will be calculated in good faith and paid promptly at the times and in the amounts specified in the respective Covered Plans, the following procedure shall be followed:

(a) If, concurrently with or after the occurrence of a Change of Control, Key delivers to the Trustee a Payment Schedule indicating that a Participant is entitled to payments under a Covered Plan, the Trustee shall promptly thereafter deliver a copy of the relevant portion of the Payment Schedule to the Participant and shall make the payments so indicated in the Payment Schedule.

(b) If, after the occurrence of a Change of Control, a Participant (either because no Payment Schedule has been delivered to the Trustee or because the Participant believes that the amounts specified in the Payment Schedule are incorrect) delivers written notice (a “Participant Payment Notice”) to the Trustee that the Participant is entitled to payments under a Covered Plan and requesting that the Trustee make payments to the Participant pursuant to that Covered Plan, the Trustee shall promptly deliver a copy of the Participant Payment Notice to Key and thereafter:

(i) if Key has not, within ten business days of the delivery of the Participant Payment Notice to the Trustee, delivered to the Trustee a notice (a “Key Stop Payment Notice”) in which Key asserts that the Participant is not entitled to the payments set forth in the Participant Payment Notice, the Trustee shall make the payments set forth in the Participant Payment Notice, or, alternatively,

(ii) if Key has, within ten business days of the delivery of the Participant Payment Notice to the Trustee, delivered to the Trustee a Key Stop Payment Notice, the disparity between the Participant Payment Notice and the Key Stop Payment Notice shall be resolved as provided in Section 4.4 below and any payments or portions thereof that are not in dispute shall be paid by the Trustee as and when due to the Participant.

4.4 If the Trustee has received both a Participant Payment Notice and a Key Stop Payment Notice with regard to the same Covered Plan:

(a) the Trustee shall engage the Accounting Firm (as defined in Section 15.1), at Key’s expense, to determine what payments the Participant is entitled to under the particular Covered Plan, which determination shall be made by the Accounting Firm as promptly as practicable but in all events within 30 days of the engagement of the Accounting Firm by the Trustee,

(b) Key shall cooperate with the Accounting Firm and provide to it all information that is available to Key and is required by the Accounting Firm to make the determination referred to in (a) above within the time frame set forth therein, and
(c) unless and until ordered to do otherwise by an award of arbitrators following arbitration proceedings instituted pursuant to Section 4.5 below, the Trustee shall make payments to the Participant in the amount or amounts and at the time or times determined by the Accounting Firm.

4.5 In the event of any dispute between a Participant and Key with respect to whether the Participant is entitled to payments (or the amounts thereof) under a Covered Plan and/or to payment thereof from the assets of the Trust, either party (Key or the Participant) may deliver to the other a demand for binding arbitration. If either party delivers any such demand to the other, the dispute shall be determined by binding arbitration conducted in Cleveland, Ohio according to the Commercial Arbitration Rules of the American Arbitration Association. In any such arbitration the arbitrators may consider, with such weight as they may deem appropriate, any determination by the Accounting Firm that may have been made as provided in Section 4.4 above. The award of the arbitrators will be final and binding and judgment on the award may be entered in any court having jurisdiction over the subject matter and the parties.

4.6 In order to discourage Key from disputing, otherwise than in good faith, any amounts properly due to a Participant, the costs and expenses related to any arbitration proceeding referred to in Section 4.5 shall be borne as provided in this Section 4.6. Key shall bear the cost of its own attorneys and other representatives and all of the fees and expenses of the arbitrators and the arbitration proceedings. The reasonable fees and expenses of the Participant’s attorneys relating to the subject matter of the arbitration shall be paid by Key unless and to the extent the arbitrators determine (which determination shall be final and binding upon the parties) that the positions advanced by the Participant in any such arbitration have no reasonable basis (which determination need not be made simply because the arbitrators decide against the Participant on any or all substantive points). If Key fails to pay any of the costs and expenses related to any arbitration as specified in this Section 4.6, the Trustee shall pay such amounts from the assets of the Trust.

4.7 Key may make payments under any Covered Plan directly to or on behalf of a Participant as they become due under the terms of the Covered Plan. If Key makes any such payment it shall notify the Trustee of its decision to make such payments directly prior to the time amounts are payable to or on behalf of the Participant. In addition, if the principal of the Trust and any earnings thereon are not sufficient to make any payments that are due and payable under any Covered Plan in accordance with its terms, Key shall make the balance of each such payment as it falls due. The Trustee shall notify Key whenever principal and earnings are not sufficient.

4.8 When making any payment to a Participant under a Covered Plan that is overdue, the Trustee shall increase the amount of the payment to include interest on the overdue payment from the date due to the date of the distribution calculated on a daily basis, compounded as of the end of each calendar month, and using as the interest rate for each calendar month or part thereof during the period with respect to which interest is due the prime lending rate published by KeyBank National Association or its successor and in effect on the first day of that calendar month.
4.9 Whenever a payment under a Covered Plan with respect to a Participant is payable to a beneficiary of the Participant rather than to the Participant, the beneficiary shall be entitled to all of the rights of the Participant under all of the provisions of this Trust Agreement with respect to that payment.

4.10 Notwithstanding any other provision of this Trust Agreement, if at any time circumstances are such that Key would be prohibited from making any particular payment under a Covered Plan by the regulations adopted by the Federal Deposit Insurance Corporation limiting payments in the nature of golden parachutes in certain circumstances (12 CFR Parts 303 and 359), the Trustee shall refrain from making those same payments until such time as Key would not be prohibited from making those same payments by those regulations. Unless and until the Trustee is notified in writing by Key or by a federal banking agency that circumstances are such that Key would be prohibited from making any particular payment by reason of the regulations referred to in the immediately preceding sentence, the Trustee may conclusively presume that no such prohibition exists.

Article 5. Trustee Responsibility Regarding Payments to Participants when Key Is Insolvent.

5.1 The Trustee shall cease payments to Participants from the Trust if Key is Insolvent. Key shall be considered “Insolvent” for purposes of this Trust Agreement if (a) it is unable to pay its debts as they become due, or (b) it is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

5.2 At all times during the continuance of the Trust, the principal and income of the Trust shall be subject to claims of general creditors of Key under federal and state law as set forth below.

(a) The Board of Directors and the Chief Executive Officer of Key shall have the duty to inform the Trustee in writing of Key’s Insolvency. If a person claiming to be a creditor of Key alleges in writing to the Trustee that Key has become Insolvent, the Trustee shall determine whether Key is Insolvent and, pending such determination, the Trustee shall discontinue payments from the Trust to Participants.

(b) Unless the Trustee has actual knowledge of Key’s Insolvency, or has received notice from Key or a person claiming to be a creditor alleging that Key is Insolvent, the Trustee shall have no duty to inquire whether Key is Insolvent. The Trustee may in all events rely on such evidence concerning Key’s solvency as may be furnished to the Trustee and that provides the Trustee with a reasonable basis for making a determination concerning Key’s solvency.

(c) If at any time the Trustee has determined that Key is Insolvent, the Trustee shall discontinue payments to Participants and shall hold the assets of the Trust for the benefit of the general creditors of Key. Nothing in this Trust Agreement shall in any way diminish any
rights of Participants to pursue their rights as general creditors of Key with respect to benefits due under the Covered Plans or otherwise.

(d) The Trustee shall resume the making of payments to Participants in accordance with Section 4 of this Trust Agreement only after the Trustee has determined that Key is not Insolvent (or is not any longer Insolvent).

5.3 Provided that there are sufficient assets, if the Trustee discontinues payments under the Covered Plans from the Trust pursuant to Section 5.2 hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Participants under the terms of the Covered Plans for the period of such discontinuance, less the aggregate amount of any payments made to the Participants by Key in lieu of the payments provided for hereunder during any such period of discontinuance.


From time to time after the third anniversary of the first Change of Control occurring after the execution of this Trust Agreement, if and when requested by Key to do so, the Trustee shall engage the services of the Accounting Firm, at the expense of Key, to determine the Aggregate Plan Liability (as defined in Section 15.2). If the Current Trust Asset Value at the time of the calculation exceeds 150% of the dollar amount of the Aggregate Plan Liability and the Trustee is requested to do so by Key, the Trustee shall pay the amount of any such excess over 150% to Key. The Trustee shall determine, in its sole discretion, how the funds necessary to make any such payment are to be raised from Trust assets.

Article 7. Payments to Key.

Except as provided in Article 3 or in Article 6, Key shall not have any right or power to direct the Trustee to return to Key or to divert to others any of the Trust assets before all payments that may become payable to any and all Participants under the Covered Plans have been made to Participants. At such point in time as no further payments are payable or may become payable in the future to or with respect to any Participant under any Covered Plan, the remaining assets of the Trust shall be paid to Key.

Article 8. Investment Authority.

8.1 The Trustee shall invest and reinvest the trust property, including any income accumulated and added to principal, only in (a) annuity or life insurance contracts that either have been contributed to the trust property by Key or are issued by one or more insurance companies that are rated at least A++ by Best Life Insurance Reports at the time of issuance; (b) interest-bearing deposit accounts or certificates issued or offered by any one or more Federal Deposit Insurance Corporation insured financial institutions having in each case an investment grade rating from Moody’s Investor Services and Standard & Poor’s Investment Advisory Service and a capital and surplus of at least $1,000,000,000 in the aggregate (but excluding obligations of Key); (c) direct obligations of the United States of America, or obligations the payment of which is guaranteed, as to both principal and interest, by the government or an
agency of the government of the United States of America; (d) readily marketable debt securities listed on a United States national securities exchange (other than securities of Key) that are rated at least “investment grade” by one or more nationally recognized rating agencies; or (e) shares or other units of participation in any mutual fund or investment trust fund maintained by the Trustee, which are invested exclusively or predominantly in assets described in the foregoing clauses (a) through (d) of this Section 8.1. In no event may the Trustee invest in securities (including stock or rights to acquire stock) or obligations issued by Key, other than a de minimis amount held in common investment vehicles in which the Trustee invests. All rights associated with assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee, and shall in no event be exercisable by or rest with Participants. The Trustee shall not be liable to any Participant or beneficiary under any Covered Plan for any insufficiency of the trust property to discharge all benefits due the same under the Covered Plan; rather, the liability for all such benefits shall be and remain the primary and ultimate responsibility of Key and any such benefits not discharged in full by payments made by the Trustee under this Trust Agreement shall be paid by Key.

8.2 The Trustee is empowered to register securities, and to take and hold title to other property, in the name of the Trustee or in the name of a nominee without disclosing the Trust. Securities also may be held in bearer form and may be held in bulk with certificates of the same class and issuer which are assets of other fiduciary accounts. The Trustee shall be responsible for any wrongful acts of any nominee of the Trustee.

8.3 The Trustee is empowered to take all actions necessary or advisable in order to collect any life insurance, annuity, or other benefits or payments of which the Trustee is the designated beneficiary. Key may maintain in force all life insurance policies held in the Trust by paying premiums and other charges due thereon; but if any such premiums or other charges are not paid directly by Key, the Trustee shall pay such premiums and other charges on or before the due date thereof.

8.4 Subject to the Trustee’s obligation, as set forth in Section 4, to use Trust assets for payment of benefits to Participants or their beneficiaries: (a) to the extent the Trustee has cash or its equivalent readily available for the payment of premiums due or policy loans and/or dividends are available for such purpose, the Trustee shall pay premiums due with such cash or its equivalent or policy loans and/or dividends, as the Trustee may deem best; but if the Trustee does not have sufficient cash or its equivalent readily available and policy loans and dividends are not available, then the Trustee shall dispose of or otherwise use other assets held by it in the Trust to generate the necessary cash or, if no such other assets are available, the Trustee may surrender one or more of the life insurance policies in order to generate cash with which to pay premiums on one or more of the other life insurance policies. If the Trustee determines to surrender one or more of the life insurance policies as permitted by the immediately preceding sentence, the Trustee may consult with Key, both before and after a Change of Control, as to which life insurance policies should be surrendered to maximize the aggregate economic benefit to the Trust of all of the life insurance policies. The Trustee shall have no liability to Key or any other person if, as a result of an insufficiency of cash or its equivalent, policy loans and dividends, and assets that can be disposed of or otherwise used to generate cash, the Trustee is unable to pay premiums as they become due.
8.5 The Trustee shall be named sole owner and beneficiary of each life insurance policy held in the Trust and shall have full authority and power to exercise all rights of ownership relating to the policy, including the right to borrow against the policy, except that the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

8.6 The Trustee shall have the power to acquire additional life insurance coverage on Participants through application for new life insurance when directed by Key. The Trustee shall acquire any additional life insurance from the agent or agents designated by Key.

Article 9. Accounting by Trustee.

The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Key and the Trustee. All such accounts, books, and records shall be open to inspection and audit at all reasonable times by Key. Within 60 days following the close of each calendar year and within 60 days after the removal or resignation of the Trustee, the Trustee shall deliver to Key a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements, and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities, and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.


10.1 Any determination of the Current Trust Asset Value that is to be made before the occurrence of any Change of Control shall be made by Key. After the occurrence of a Change of Control, all determinations of the Current Trust Asset Value shall be reasonably made by the Trustee and may be based on the determination of one or more qualified independent appraisers, consultants, or other experts retained by the Trustee for that purpose.

10.2 Any determination of the Aggregate Plan Liability that is to be made before the occurrence of any Change of Control shall be made by Key. After the occurrence of a Change of Control, all determinations of the Aggregate Plan Liability shall be reasonably made by the Trustee and may be based on the determination of one or more qualified independent actuaries, consultants, or other experts retained by the Trustee for that purpose. All such determinations shall be based on the terms of the Covered Plans and the actuarial assumptions and methodology set forth in Exhibit B.

10.3 Key shall pay all costs incurred in determining the Current Trust Asset Value and/or the Aggregate Plan Liability from time to time. If not so paid, these costs shall be paid from the
Article 11. Responsibility of Trustee.

11.1 The Trustee shall at all times act in accordance with, and its obligations hereunder shall be at all times subject to, all applicable laws and regulations as from time to time in effect. The Trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to any person for any action taken pursuant to a direction, request, or approval that is contemplated by, and in conformity with, the terms of the Trust and is given in writing by Key prior to the occurrence of any Change of Control. If the Trustee determines that Key is Insolvent, the Trustee shall not be liable to any person on account of the Trustee’s discontinuation of payment from the Trust to Participants for so long as the Trustee deems Key to be Insolvent. Except as otherwise provided in Section 4.5 above with respect to binding arbitration of disputes between a Participant and Key, in the event of a dispute between Key and any other party, the Trustee may apply to a court of competent jurisdiction to resolve the dispute.

11.2 If the Trustee undertakes or defends any litigation arising in connection with the Trust, Key agrees to indemnify the Trustee against the Trustee’s costs, expenses, and liabilities (including, without limitation, attorneys’ fees and expenses) relating thereto and to be primarily liable for such payments. If such costs, expenses, and liabilities are not paid by Key in a reasonably timely manner, the Trustee may obtain payment from the Trust. Key shall reimburse the Trust within 30 days after receipt of a bill from the Trustee for any such costs, expenses, and liabilities paid out of the Trust.

11.3 The Trustee may consult with legal counsel (who may also be counsel for the Trustee generally) with respect to any of its duties or obligations hereunder.

11.4 The Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants, or other professionals and may rely on the advice given by such professionals, to assist it in performing any of its duties or obligations hereunder, including, without limitation, to assist it in enforcing against Key any of the obligations of Key under this Trust Agreement.

11.5 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein.

11.6 Notwithstanding any powers granted to the Trustee pursuant to this Trust Agreement or to applicable law, the Trustee shall not have any power that could give the Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.
Article 12. Compensation and Expenses of Trustee.

The Trustee shall be entitled to receive reasonable compensation for its services in accordance with its published fee schedule as in effect from time to time. The Trustee shall be entitled to receive its reasonable expenses incurred with respect to the administration of the Trust, including fees incurred by the Trustee pursuant to Sections 11.3 and 11.4 of this Trust Agreement. Such compensation and expenses shall be payable by Key. If not so paid, the fees and expenses shall be paid from the Trust. Key shall reimburse the Trust within 30 days after receipt of a bill from the Trustee for any such fees or expenses paid out of the Trust.

Article 13. Tenure and Succession of Trustee.

13.1 Key may remove any trustee from time to time serving under this Trust Agreement at any time upon giving 60 days written notice to such trustee and each trustee from time to time serving under this instrument shall have the right to resign by delivering a written notice of resignation to Key, except that: (a) Key shall not have any power to remove the Trustee at any time after a Change of Control, and (b) no such removal or resignation shall become effective until the acceptance of the trust by a successor trustee designated in accordance with Section 13.2.

13.2 If Wachovia Bank, National Association, or any successor to it designated in accordance with this Section 13.2, for any reason shall decline, cease, or otherwise fail to serve as trustee, the vacancy in the trusteeship shall be filled by such bank or trust company, wherever located, having a capital and surplus of at least $100,000,000 in the aggregate, as shall be designated by Key (if the designation is made prior to the occurrence of any Change of Control) or by the resigning Trustee (if the designation is made after the occurrence of any Change of Control). If neither Key nor the resigning Trustee designates a successor trustee in circumstances where such a designation is contemplated by this Section 13.2, any party in interest, including any Participant or Beneficiary, may apply to any court of competent jurisdiction sitting in Cuyahoga County, Ohio to have a successor trustee designated by the court.

13.3 Upon acceptance of the trust, each successor trustee shall be vested with the title to the trust property possessed by the trustee that it succeeds and shall have all the powers, discretions, and duties of such predecessor trustee. No successor trustee shall be required to furnish bond.

13.4 Each successor trustee may accept as complete and correct and may rely upon any accounting by any predecessor trustee and upon any statement or representation by any predecessor trustee as to the assets comprising or any other matter pertaining to the administration of the Trust. No successor trustee shall be liable for any act or omission of any predecessor trustee or have any duty to enforce or seek to enforce any claim of any kind against any predecessor trustee on account of any such act or omission.
Article 14. Amendment or Termination.

14.1 Except as provided in the second sentence of this Section 14.1, at any time before the occurrence of the first Change of Control to occur after the execution of this Agreement, Key, in its sole discretion, may amend this Trust Agreement (including the exhibits hereto) in any manner and may terminate this Trust Agreement. If at any particular point in time (a) one or more Potential Changes of Control have occurred, (b) one or more of those Potential Changes of Control has not yet been terminated, and (c) no Change of Control has occurred, then Key may not, at that particular point in time, terminate this Trust Agreement and Key may only amend this Trust Agreement if and to the extent permitted by Section 14.2 below.

14.2 At any particular point in time when (a) one or more Potential Changes of Control have occurred, (b) one or more of those Potential Changes of Control has not yet been terminated, and (c) no Change of Control has occurred: Key may not terminate this Trust Agreement but Key may add one or more additional plans or agreements to the class of Covered Plans and Key may amend this Trust Agreement (including the exhibits hereto), provided that (x) Key determines, in the exercise of its reasonable discretion, that the amendment is in the best interests of the Participants, taken as a group, and (y) no such amendment shall remove any plan or agreement from the class of Covered Plans unless the plan has been terminated and there are no further obligations due or to become due thereunder to any Participant.

14.3 After a Change of Control has occurred, this Trust Agreement (including the exhibits hereto) may not be amended or terminated except as provided in Section 14.5.

14.4 Unless earlier revoked pursuant to Section 1.2, the Trust shall not terminate until the date on which Participants are no longer entitled to any further payments pursuant to the terms of any of the Covered Plans. Upon termination of the Trust on or after that date, any assets remaining in the Trust shall be returned to Key.

14.5 Upon written approval of all Participants who are or may in the future be entitled to receive any payment pursuant to the terms of any of the Covered Plans, Key may terminate the Trust prior to the time all payments that are or may become due in the future under the Covered Plans have been made. All assets in the Trust at any such termination shall be returned to Key.

Article 15. Certain Definitions.

15.1 From and after the occurrence of the first Change of Control to occur after the execution of this Trust Agreement, the term “Accounting Firm” shall mean the independent auditors of Key for the fiscal year preceding the first year in which there occurred either (a) that Change of Control or (b) any Potential Change of Control that had not terminated before the occurrence of that Change of Control and such firm’s successor or successors; provided, however, if such firm is unable or unwilling to serve and perform in the capacity contemplated by this Trust Agreement, the Trustee shall select another national accounting firm of recognized standing to serve and perform in that capacity under this Trust Agreement, except that such other accounting firm shall not be the then independent auditors for Key or any of its affiliates (as defined in Rule 12b-2 promulgated under the 1934 Act).
15.2 The term “Aggregate Plan Liability” as at any time shall mean the maximum amount of payments that have not yet been paid but could become payable in the future under the Covered Plans, determined as provided in Section 10.2.

15.3 A “Change of Control” shall be deemed to occur if and when there occurs any of the circumstances set forth in any of clauses (a) through (d) of this Section 15.3. For these purposes and for purposes of Section 15.9, Key will be deemed to have become a subsidiary of another corporation if any other corporation (which term shall, for all purposes of this Section 15.3 and of Section 15.9, include, in addition to a corporation, a limited liability company, partnership, trust, or other organization) owns, directly or indirectly, 50 percent or more of the total combined outstanding voting power of all classes of stock of Key or any successor to Key:

(a) Key is merged with or into, is consolidated with, or becomes the subsidiary of another corporation and, immediately after giving effect to that transaction, either:

(i) less than 45% of the then outstanding voting securities of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key represent or were issued in exchange for voting securities of Key outstanding immediately prior to the transaction, or

(ii) individuals who were directors of Key on the day before the first public announcement of (A) the pendency of the transaction or (B) the intention of any Person to cause the transaction to occur, cease for any reason to constitute at least 50% of the directors of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key.

(b) Any Person becomes the beneficial owner of 35% or more of the outstanding voting stock of Key or files a report on Schedule 13D or Schedule 14D-1, each as adopted under the 1934 Act (or any successor schedule, form, or report), disclosing the acquisition of 35% or more of the outstanding voting stock of Key in a transaction or series of transactions.

(c) The shareholders of Key approve a plan providing for the dissolution of Key or for the sale, lease, exchange, or other disposal of (in one transaction or a series of related transactions) all or substantially all of the assets of Key and its subsidiaries, taken as a whole.

(d) Without the prior approval, solicitation, invitation, or recommendation of the Board of Directors of Key, any Person makes a public announcement of a bona fide intention (i) to engage in a transaction with Key that, if consummated, would result in a Change of Control under any of subclauses (a) through (c) above, (ii) to “solicit” (as defined in Rule 14a-1 under the 1934 Act) proxies in connection with a proposal that is not approved or recommended by the Board of Directors of Key, or (iii) to engage in an election contest relating to the election of directors of Key (pursuant to Regulation 14A, including Rule 14a-11, under the 1934 Act), and, at any time within the 24 month period immediately following the date of the announcement of that intention, individuals who, on the day before that announcement, constituted the directors of Key (the “Incumbent Directors”) cease for any reason to
constitute at least 50% thereof unless both (x) the election, or the nomination for election by Key’s shareholders, of each new director was approved by a vote of at least two-thirds of the Incumbent Directors in office at the time of the election or nomination for election of such new director, and (y) prior to the time that the Incumbent Directors no longer constitute at least 50% of the Board of Directors, the Incumbent Directors then in office, by a vote of at least 75% of their number, reasonably determine in good faith that the change in Board membership that has occurred before the date of that determination and that is anticipated to thereafter occur within the balance of the 24 month period to cause the Incumbent Directors to no longer be at least 50% of the Board of Directors was not caused by or attributable to, in whole or in any significant part, directly or indirectly, proximately or remotely, any event under items (i), (ii), or (iii) of this subclause (d).

15.4 The term “Covered Plan” means any one of the plans and agreements identified on Exhibit A, as the same may be amended from time to time in accordance with Section 14.2 above. To the extent that certain benefits under any one or more of the plans and agreements listed on Exhibit A are secured by one or more “Prior Rabbi Trusts” (as defined in Section 15.11), those benefits, to the extent they are so secured, shall not be treated as benefits under a Covered Plan for purposes of this Trust Agreement (i.e. there is no intention to provide duplicate coverage for any particular benefits) and no benefits that are secured by one or more Prior Rabbi Trusts shall be paid by the Trustee pursuant to this Trust Agreement or taken into account for any purpose under this Trust Agreement.

15.5 The term “Full Funding Amount” as of any point in time shall mean an amount equal to 125% of the Aggregate Plan Liability as of that point in time.

15.6 The term “Internal Revenue Code” shall mean the Internal Revenue Code of 1986, as amended.

15.7 The term “Person” shall mean a “person” as used in Section 13(d) and Section 14(d)(2) of the 1934 Act.

15.8 The term “Participant” shall mean an executive or director who is a participant in or party to any of the Covered Plans.

15.9 A “Potential Change of Control” shall be deemed to occur if and when there occurs any of the circumstances set forth in any of the following clauses (a) through (d):

(a) Key enters into a definitive agreement pursuant to which Key is to be merged with or into, is to be consolidated with, or is to become the subsidiary of another corporation and the definitive agreement contemplates that, immediately after giving effect to that transaction, either:

(i) less than 45% of the then outstanding voting securities of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key will represent or have been issued in exchange for voting securities of Key outstanding immediately prior to the transaction, or
(ii) individuals who were directors of Key on the day before the first public announcement of (A) the pendency of the transaction or (B) the intention of any Person to cause the transaction to occur, will cease for any reason to constitute at least 50% of the directors of the surviving or resulting corporation or (if Key becomes a subsidiary in the transaction) of the ultimate parent of Key.

(b) A tender offer or exchange offer is commenced providing for the acquisition of 35% or more of the outstanding voting stock of Key or any application, letter, or notice is delivered to or filed with any state or Federal regulatory authority indicating an intention to acquire 35% or more of the outstanding voting stock of Key.

(c) Without the prior approval, solicitation, invitation, or recommendation of the Board of Directors of Key, any Person makes a public announcement of a bona fide intention (i) to engage in a transaction that, if consummated, would constitute a Change of Control, (ii) to “solicit” (as defined in Rule 14a-1 under the 1934 Act) proxies in connection with a proposal that is not approved or recommended by the Board of Directors of Key, or (iii) to engage in an election contest relating to the election of directors of Key (pursuant to Regulation 14A, including Rule 14a-11, under the 1934 Act) which, if successful, would result in the election of one or more directors, not nominated by the Board of Directors of Key.

(d) There is delivered to the shareholders of Key proxy material soliciting approval a plan providing for the dissolution of Key or for the sale, lease, exchange, or other disposal of (in one transaction or a series of related transactions) all or substantially all of the assets of Key and its subsidiaries, taken as a whole.

15.10 A Potential Change of Control shall be deemed to have “terminated:

(a) In the case of a Potential Change of Control described in Section 15.9(a), upon the termination of the definitive agreement without the occurrence of a Change of Control.

(b) In the case of a Potential Change of Control described in Section 15.9(b), upon the termination or consummation of the tender or exchange offer, or the withdrawal, rejection, or denial of the application, letter, or notice, without the acquisition of 35% or more of the outstanding voting stock of Key.

(c) In the case of a Potential Change of Control described in Section 15.9(c), the abandonment of the intention to engage in the transaction that, if consummated, would have constituted a Change of Control, the termination of the solicitation without a shareholder vote, or the defeat by the shareholders of the proposal or the termination of the election contest without the election of any director not nominated by the Board of Directors of Key, as the case may be.

(d) In the case of a Potential Change of Control described in Section 15.9(d), the abandonment of the plan before a shareholder vote or the vote by the shareholders not to approve the plan.
15.11 The term “Prior Rabbi Trust” shall mean any one of the following trust agreements: (a) the Trust Agreement entered into between Ameritrust Corporation and Wachovia Bank and Trust Company, N.A. on November 3, 1988, (b) the KeyCorp Umbrella Trust for Executives entered into between Key and NBD Bank, N.A. as of July 1, 1990, or (c) the KeyCorp Umbrella Trust for Directors entered into between Key and NBD Bank, N.A. as of July 1, 1990.

15.12 The term “SEC” shall mean the Securities and Exchange Commission.


16. Miscellaneous

16.1 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

16.2 This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

16.3 Each Participant is an intended beneficiary under the Trust, and as an intended beneficiary shall be entitled to enforce all terms and provisions of this Trust Agreement with the same force and effect as if such person had been a party to this Trust Agreement.

IN WITNESS WHEREOF, Key and the Trustee have executed this Amended Trust Agreement as of August 25, 2003.

Wachovia Bank, National Association

By ________________________________

Beverley H. Wood
Senior Vice President

KEYCORP

By ________________________________

Thomas E. Helfrich
Executive Vice President
EXHIBIT A
COVERED PLANS

Individual by Individual Limitation on Plans Specified in Category 1 or Category 2: Plans specified in either of Category 1 or Category 2 below are to be covered by the Trust insofar, but only insofar, as the plans provide benefits to individuals who (a) had terminated their employment with Key or a predecessor on or before January 1, 1997 and are listed on Annex I to this Exhibit A, (b) were in job grade 89 (or equivalent) or above with Key or an affiliate at any time on or after January 1, 1997, or (c) were or are members of the KeyCorp Board of Directors.

Time Limitation on Benefits Payable Under Plans Specified in Category 1 or Category 2: In general, benefits payable under plans specified in either of Category 1 or Category 2 are to be covered by the Trust insofar, but only insofar, as the benefits arise out of or are related to the performance of services by an individual on or before the second anniversary of the first Change of Control to occur after the date of execution of the Trust Agreement. In addition, benefits payable with respect to any such plan that are provided pursuant to an agreement specified in either of Category 3 or Category 4 of this Exhibit A are to be covered by the Trust.

Amendments, etc.: If, before the first Change of Control to occur after the date of execution of the Trust Agreement, any of the plans and agreements specified in Categories 1 through 4 below are from time to time amended or modified, or a new plan or agreement is entered into in replacement thereof or substitution therefor, the reference shall be deemed to include the amendment or modification, or the replacement or substitute plan or agreement, as the case may be.

Category 1. Retiree Benefit Plans
• KeyCorp Excess Cash Balance Pension Plan (new plan as of 1/1/95)
• KeyCorp Excess 401(k) Savings Plan (old Society Supplemental Stock Purchase and Savings Plan from 4/15/87)
• KeyCorp Supplemental Retirement Plan (old Society Supplemental Retirement Plan from 5/14/81)
• KeyCorp Supplemental Retirement Benefit Plan (old Key plan from 1/1/81, restated 8/16/90)
• KeyCorp Executive Supplemental Pension Plan (new plan as of 1/1/95)
• Retirement Benefits to be provided pursuant to employment or other agreements with those particular individuals listed on Annex 1 or Annex 2 to this Exhibit A.

Category 2. Deferred Compensation Plan
• KeyCorp Deferred Compensation Plan (new Key plan for 1997, into which the KeyCorp Executive Deferred Compensation Plan was merged)
• KeyCorp Director Deferred Compensation Plan
• KeyCorp Automatic Deferral Plan
• KeyCorp Directors’ Deferred Share Plan
• KeyCorp Signing Bonus Plan

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Category 3. Employment Agreements (3)
- Robert T. Clutterbuck
- Henry L. Meyer III
- William B. Summers

Category 4. Change of Control Agreements (30 as of August 20, 2003)
- Patrick V. Auletta
- William Barnes
- Kevin M. Blakely
- Richard J. Buoncore
- Thomas W. Bunn
- Michael A. Butler
- George E. Emmons, Jr.
- Michael L. Evans
- Barbara Godin
- Christopher M. Gorman
- Linda A. Grandstaff
- Karen R. Haefting
- Paul N. Harris
- Robert B. Heisler, Jr.
- Thomas E. Helfrich
- Leroy G. Irving
- Robert G. Jones
- Jack L. Kopnisky
- Paul A. Larkins
- Michael J. Monroe
- Peter K. Potchen
- Robert G. Rickert
- Kevin P. Riley
- David J. Schutter
- Thomas C. Stevens
- Patrick J. Swanick
- Andrew R. Tyson
- Joseph M. Vayda
- Jeffrey B. Weeden
- Len E. Williams

Plus any other Change of Control Agreement that (a) is substantially similar to the Change of Control Agreements listed above and (b) is entered into by Key before the occurrence of the first Change of Control to occur after the execution of this Trust Agreement.
ANNEX 1
to
EXHIBIT A

Wilson M. Brown, Jr.
Donald Cruse
Richard Kesslar
Bruce C. Murray
Robert Patrick
Frank Ponchak
Perry B. Wydman
Gordon E. Heffern
ANNEX 2

to

EXHIBIT A

Robert W. Gillespie

Roger Noall

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1. The liability for benefits under each Plan will be calculated using two different assumptions as to when Participants terminate service:

   (a) As of the date of the first Change of Control occurring after the execution of this Trust Agreement.

   (b) Twenty four months after the first Change of Control occurring after the execution of this Trust Agreement, assuming future compensation continues at current levels, and future deferrals under deferred compensation plans continue through the end of the twenty four month period at levels that are consistent with the levels of deferrals elected by the participants in those plans under the last elections made before the first to occur of (i) the first Change of Control occurring after execution of this Trust Agreement and (ii) any Potential Change of Control related to that Change of Control.

The liability for accrued benefits under each Plan will be the greater of the liabilities calculated in accordance with (a) and (b) above. If the liability for benefits varies depending upon the circumstances under which a Participant terminates service (for example, whether the Participant resigns or is terminated by action of the employer), the liability shall be calculated based on the greatest potential benefit to the Participant.

2. Calculations will be based upon the most valuable optional form of payment available to the Participant.

3. The liability for benefits under deferred compensation or other defined contribution Plans shall be equal to the deferral or other account balances (vested and unvested) of Participants as of the applicable date, plus projected deferrals expected to be made within 24 months after the applicable date pursuant to prior elections. Account balances of Participants under a Plan shall be calculated based on crediting the highest rate of interest that was being credited under that Plan on the date six months before the first to occur of (i) the first Change of Control occurring after execution of this Trust Agreement and (ii) any Potential Change of Control related to that Change of Control.

4. The liability for benefits under other Plans shall be equal to the present value of accrued benefits (vested and unvested) of Participants as of the relevant dates under 1(a) or (b) above.

5. No mortality is assumed prior to the commencement of benefits. Future mortality is assumed to occur in accordance with the 1983 Group Annuity Table Unisex Rates after the commencement of benefits.
6. The present value of amounts shall be determined using a discount rate equal to the average of the Pension Benefit Guaranty Corporation immediate annuity rate for a nonmultiemployer plan for the full six months prior to the calculation date.

7. In determining the dollar cost of providing any benefit that is to be provided in stock or the value of which is dependent upon the value of KeyCorp Common Shares, the dollar cost of providing those benefits shall be determined using a value for KeyCorp Common Shares equal to 140% of the highest closing price for KeyCorp Common Shares at any time within the six month period ending on the determination date.

8. Where left undefined above, calculations will be performed in accordance with generally accepted actuarial principles.

Section 23: EX-10.36 (EX-10.36)

TRUST AGREEMENT

This Trust Agreement ("Trust Agreement") made this 3rd day of November, 1988 by and between AMERITRUST CORPORATION, a Delaware corporation ("Ameritrust") and WACHOVIA BANK AND TRUST COMPANY, N.A, a national banking association (the “Trustee”);

WITNESSETH:

WHEREAS, in addition to benefits payable under the Ameritrust Retirement Income Plan and the Ameritrust Indiana Retirement Income Plan, as the same have been or may hereafter be supplemented, amended or restated or any successor thereto (the “Retirement Plans”), and under the Ameritrust Corporation Employees’ Savings and Investment Plan, and the Ameritrust Indiana Corporation Employees’ Profit Sharing and Savings Plan, as the same has been or may hereafter be supplemented, amended or restated or any successor thereto (the “Savings Plans”), to certain employees and former employees listed on Exhibit A-1 hereto or to the beneficiaries of such employees, as the case may be, the employees and their beneficiaries are entitled to certain other benefits under (1) the Ameritrust Corporation Deferred Compensation Plan, which plan became effective on August 1, 1988, as the same has been or may hereafter be supplemented, amended or restated or any successor thereto (the “Deferred Compensation Plan”), (2) the Ameritrust Corporation Excess Benefits Plan, which plan became effective on June 17, 1988, as the same has been or may hereafter be supplemented, amended or restated or any successor thereto (the “Excess Plan”), (3) any unpaid second installment of an Award payment under the Ameritrust Corporation Long-Term Cash Incentive Plan, which plan became effective on September 1, 1988, as the same may hereafter be supplemented, amended or restated or any successor thereto (the “Long Term Plan”), and (4) the post-retirement benefits payable under the Executive Life Insurance Program (the “Life Program”) which Deferred Compensation Plan, Excess Plan, Long Term Plan and Life Program are sometimes referred to herein as the “Plans;”

WHEREAS, each of certain employees listed on Exhibit A-2 hereto has entered into an employment agreement with Ameritrust or one of its Participating Subsidiaries (as hereinafter defined) (the agreements are referred to herein singularly as an “Agreement” or collectively as the “Agreements”):

WHEREAS, the Plans and the Agreements provide for certain employment, severance, retirement income, deferred income, death, disability and survivor and/or other benefits, and Ameritrust and its Participating Subsidiaries wish specifically to assure the payment to the individuals listed on Exhibits A-1 and A-2 (the “Executives”) and their beneficiaries (the Executives and their respective beneficiaries are referred to collectively as the “Trust Beneficiaries”) of amounts due thereunder (the amounts so payable being collectively referred to herein as the “Benefits”);

WHEREAS, subject to Section 9 hereof, the amounts and timing of Benefits to which each Trust Beneficiary is presently or may become entitled are as provided in and determined under the Agreements and the Plans, and, where appropriate, the retirement Plans or the Savings Plans;
WHEREAS, Ameritrust wishes to establish a trust (the “Trust”) under which Ameritrust and each of its subsidiaries that executes a Participating Subsidiary Deposit Agreement (“Deposit Agreement”) as provided in Section 13 hereof (a “Participating Subsidiary”; and “Participating Employer” shall mean Ameritrust or any Participating Subsidiary) may transfer to the Trust assets which shall be held therein subject to the claims of the creditors of each Participating Employer to the extent set forth in Section 3 hereof until paid in full to all Trust Beneficiaries as Benefits in such manner and at such times as specified herein unless the Participating Employer with respect to a Trust Beneficiary is Insolvent (as defined herein) at the time that such Benefits become payable;

WHEREAS, each Participating Subsidiary that executes a Deposit Agreement has irrevocably appointed Ameritrust its agent and attorney for purposes of acting on its behalf with respect to this Trust; and

WHEREAS, a Participating Employer shall be considered “Insolvent” for purposes of this Trust Agreement at such time as such Participating Employer (i) is subject to a pending voluntary or involuntary proceeding as a debtor under the United States Bankruptcy Code, as heretofore or hereafter amended, or (ii) is unable to pay its debts as they mature or (iii) if a Participating Employer is a bank, whenever a receiver is appointed by the appropriate regulatory authority.

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

1. TRUST FUND: (a) Subject to the claims of creditors of Participating Employers to the extent set forth in Section 3 hereof, Ameritrust hereby deposits with the Trustee in trust $100.00, which shall become the principal of this Trust, to be held, administered and disposed of by the Trustee as herein provided.

(b) The Trust hereby established shall be revocable by Ameritrust at any time prior to the date on which occurs a “Change of Control,” as that term is defined in this Section l(b); on or after such date, this Trust shall be irrevocable. In the event that a Change of Control has occurred, Ameritrust shall, and an Executive may, so notify the Trustee promptly. The Trustee may rely on such notice or on any other actual notice, satisfactory to the Trustee, of such a Change of Control which the Trustee may receive. The Trustee shall have no obligation to make an independent determination as to the occurrence of a Change of Control.

(i) As used herein, the term “Change of Control” shall mean:

(A) the acquisition or ownership of 20% or more of the voting stock of Ameritrust by any person (as the term “person” is used in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), other than Ameritrust or its subsidiaries of a tender offer or offer to purchase, market or privately negotiated purchases or any other event or circumstance, as disclosed or required to be disclosed in a report or an amendment
to a report on Schedule 13D, Schedule 14D-1 or Form 8-X (or any successor schedule, form or report under the Exchange Act);

(B) the merger or consolidation of Ameritrust with another corporation, the sale of all or substantially all of Ameritrust’s assets to another entity, or any other fundamental change with respect to Ameritrust (which agreement, sale or change is subject in any event to shareholder approval) to the extent that, as a result of such merger or consolidation, sale, or change, either (A) less than 80% of the outstanding voting securities of the surviving or resulting corporation will be owned in the aggregate by the persons who were the shareholders of Ameritrust immediately prior to such merger or consolidation, sale, or change, or (B) Ameritrust will cease to be required, and any such surviving or resulting corporation will not be required, to file information, documents and reports under Section 13(e) of the Exchange Act; or

(C) individuals who, as of the date hereof, constitute the Board of Directors of Ameritrust (the “Board” generally and as of the date hereof the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by Ameritrust’s shareholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the Directors of Ameritrust, as such terms are used in Rule 14a-11 of Regulation 15A promulgated under the Exchange Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

(c) The principal of the Trust and any earnings thereon shall be held in trust separate and apart from other funds of each Participating Employer exclusively for the uses and purposes herein set forth. No Trust Beneficiary shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time that such assets are paid to a Trust Beneficiary as Benefits as provided herein. Each Trust Beneficiary shall have the status of a general unsecured creditor with respect to the assets of the Trust. The obligation of the Trustee to pay Benefits pursuant to the Trust Agreement constitutes merely an unfunded and unsecured promise to pay such Benefits.

(d) Ameritrust and any Participating Subsidiary may at any time or from time to time make additional deposits of cash or other property in the Trust to augment the principal to be held, administered and disposed of by the Trustee as herein provided, but no payment of all or any portion of the principal of the Trust or earnings thereon shall be made to any Participating Employer or any other person or entity on behalf of any Participating Employer except as herein expressly provided.

(e) Not later than the date on which the Trust has become irrevocable, Ameritrust shall (i) specify the amounts and timing of the Benefits to which each Trust Beneficiary may
become entitled, as provided in and subject to Section 9 hereof, in an exhibit ("Exhibit B"), and (ii) provide any corresponding revisions to Exhibits A-1 and A-2 that may be required.

(f) The Trust is intended, with respect to each Participating Employer, to be a grantor trust, within the meaning of section 671 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision thereto, and shall be construed accordingly. The Trust is not designed to qualify under section 401(a) of the Code or to be subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

2. PAYMENTS TO TRUST BENEFICIARIES: (a) Provided that a Trust Beneficiary’s Participating Employer is not Insolvent and commencing with the earlier to occur of (i) appropriate notice by Ameritrust to the Trustee, or (ii) the date on which the Trust becomes irrevocable, the Trustee shall make payments of Benefits to the Trust Beneficiaries from the assets of the Trust in accordance with the terms of the Agreements and Plans and subject to Section 9 hereof. The Trustee shall be permitted to withhold from any payment due to a Trust Beneficiary hereunder the amount required by law to be so withheld under federal, state and local withholding requirements or otherwise, and shall pay over to the appropriate government authority the amount so withheld. The Trustee may rely on instructions from Ameritrust as to any required withholding and shall be fully protected under Section 8(f) hereof in relying on such instructions.

(b) If the balance of an Executive’s separate account maintained pursuant to Section 7(b) hereof is not sufficient to provide for full payment of Benefits to which such Executive’s Trust Beneficiaries are entitled as provided herein, the Executive’s Participating Employer shall make the balance of each such payment as provided in the applicable provision of the Agreement or the Plans. No payment from the Trust assets to a Trust Beneficiary shall exceed the balance of such separate account.

3. THE TRUSTEE’S RESPONSIBILITY REGARDING PAYMENTS TO A TRUST BENEFICIARY WHEN A PARTICIPATING EMPLOYER IS INSOLVENT: (a) At all times during the continuance of this Trust, the principal and income of the Trust with respect to accounts maintained hereunder on behalf of a Participating Employer shall be subject to claims of creditors of such Participating Employer as set forth in this Section 3 (a). The Board of Directors ("Board") of Ameritrust and of each Participating Subsidiary and the Chief Executive Officer of Ameritrust and of each Participating Subsidiary ("CEO") shall have the duty to inform the Trustee if either the Board or the CEO believes that his or their respective Participating Employer is Insolvent. If the Trustee receives a notice from the Board, the CEO, or a creditor of a Participating Employer alleging that such Participating Employer is Insolvent, the Trustee will independently determine within 30 days after receipt of such notice whether the Participating Employer is Insolvent. Pending such determination or if the Trustee has actual knowledge that a Participating Employer is Insolvent, the Trustee shall (i) discontinue payments to any Trust Beneficiary from accounts maintained hereunder on behalf of such Participating Employer (the "Identified Participating Employer"), (ii) determine and allocate all Account Excesses in accordance with Sections 4 and 7(b) hereof for the accounts of Executives then employed by the Identified Participating Employer, or for whom such Identified Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit
Agreement, treating such accounts solely for this purpose as if they comprised all of the accounts of the Trust, and provided that for this purpose the Threshold Percentage shall be equal to 100%, and (iii) hold the Trust assets attributable to accounts maintained hereunder on behalf of Executives then employed by the Identified Participating Employer, or for whom such Identified Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, for the benefit of the general creditors of such Identified Participating Employer. The Trustee shall deliver any undistributed principal and income in the Trust to the extent of the balances of the accounts maintained hereunder on behalf of the Identified Participating Employer to the extent necessary to satisfy the claims of the creditors of such Identified Participating Employer as a court of competent jurisdiction may direct. Such payments of principal and income shall be borne by the Trustee by the separate accounts of the Trust Beneficiaries maintained hereunder on behalf of the Identified Participating Employer in proportion to the balances on the date of such court order of their respective accounts maintained hereunder on behalf of such Identified Participating Employer and maintained pursuant to Section 7(b) hereof. If payments to any Trust Beneficiary have been discontinued pursuant to this Section 3(a), the Trustee shall resume payments to such Trust Beneficiary in accordance with this Trust Agreement if the Trustee has determined that the Executive’s Participating Employer is not Insolvent, or is no longer Insolvent (if the Trustee initially determined such Participating Employer to be Insolvent), or pursuant to the order of a court of competent jurisdiction. The Trustee shall have no duty to inquire as to whether a Participating Employer is Insolvent and may rely on information concerning the Insolvency of a Participating Employer which has been furnished to the Trustee by any creditor of a Participating Employer or by any person (other than an employee or director of Ameritrust or a Subsidiary) acting with apparent or actual authority with respect to Ameritrust or a Subsidiary. Nothing in this Trust Agreement shall in any way diminish any rights of any Trust Beneficiary to pursue his rights as a general creditor of the Executive’s Participating Employer or any other Participating Employer with respect to Benefits or otherwise, and the rights of each Trust Beneficiary under the respective Agreement or Plans shall in no way be affected or diminished by any provision of this Trust Agreement or action taken pursuant to this Trust Agreement except that any payment actually received by any Trust Beneficiary from the Trust shall reduce dollar-per-dollar amounts otherwise due to such Trust Beneficiary pursuant to the respective Agreement or Plans.

(b) If the Trustee discontinues payments of Benefits from the Trust pursuant to Section 3(a) hereof, and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have been made to the Trust Beneficiaries in accordance with this Trust Agreement during the period of such discontinuance, less the aggregate amount of payments made to any Trust Beneficiary by the Participating Employer pursuant to the Agreement or the Plans during any such period of discontinuance, together with interest on the net amount delayed determined at a rate equal to the rate actually earned during such period with respect to the assets of the Trust corresponding to such net amount delayed; provided, however, that no such payment shall exceed the balance of the respective Trust Beneficiary’s account as provided in Section 7(b) hereof.

4. PAYMENTS TO PARTICIPATING EMPLOYERS: Except to the extent expressly contemplated by Section 1(b) and this Section 4, no Participating Employer shall have any right or power to direct the Trustee to return any of the Trust assets to such Participating
Employer before all payments of Benefits have been made to all Trust Beneficiaries of such Participating Employer as herein provided. Upon the written request of a Participating Employer made prior to the date on which the Trust becomes irrevocable, the Trustee shall return to the Participating Employer any Trust assets in accounts for Executives then employed by the Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, in excess of One Hundred Dollars ($100) as may be specified in such request by such Participating Employer. From time to time, but in no event before the third anniversary of the date on which the Trust has become irrevocable, if and when requested by Ameritrust to do so, the Trustee shall engage the services of The Wyatt Company, or such other independent actuary as may be mutually satisfactory to Ameritrust and to the Trustee, to determine the maximum actuarial present values of the future Benefits that could become payable by each Participating Employer under the Agreements and the Plans with respect to the Trust Beneficiaries. The Trustee shall determine the fair market values of the Trust assets allocated to the account of each Executive pursuant to Section 7(b) hereof. Ameritrust shall pay the fees of such independent actuary and of any appraiser engaged by the Trustee to value any property held in the Trust. The independent actuary shall make its calculations based upon the assumptions set forth in Exhibit C hereto, or such other assumptions as are recommended by such actuary and approved by Ameritrust and, if the Trust is irrevocable, by two-thirds of the Executive Participants, as hereafter defined (subject to the provisions of Sections 10(b)(i) and (b)(ii) hereof). For purposes of this Trust Agreement, (a) “Executive Participants” shall mean the individuals listed on Exhibit A-2 hereto; (b) the “Fully Funded” amount with respect to the account of an Executive maintained pursuant to Section 7(b) hereof shall be equal to the “Threshold Percentage,” as defined below, multiplied by the maximum actuarial present value of the future Benefits that could become payable under the Agreement and the Plans with respect to the Trust Beneficiaries of such Executive, (c) the “Account Excess” with respect to such account shall be equal to the excess, if any, of the fair market value of the assets held in the Trust allocated to an Executive’s account over the respective Fully Funded amount, and (d) the “Aggregate Account Excess” with respect to a Participating Employer shall be equal to the excess, if any, of the aggregate account balances of Executives then employed by the Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, over their aggregate Fully Funded amounts. Unless otherwise provided, the Threshold Percentage shall be equal to 125%. The Trustee shall allocate any Account Excess in accordance with Section 7(b) hereof. Thereafter, upon the request of Ameritrust, the Trustee shall pay to the Participating Employer its Aggregate Account Excess; provided, however, that if such payment would leave the Trustee with insufficient liquid assets to pay all premiums due and to become due on any life insurance policies held in the Trust, the Trustee shall retain sufficient liquid assets to pay such premiums.

5. INVESTMENT OF TRUST FUND: Prior to the date on which the Trust becomes irrevocable, the Trustee shall invest and reinvest the assets of the Trust as Ameritrust or its designee shall prescribe from time to time. Thereafter, or in the absence of such instructions from Ameritrust, the Trustee shall have sole power to invest the assets of the Trust; provided, however, that except as provided in Section 8(j) hereof, the Trustee shall retain any insurance policies in the Trust. The investment objective of the Trustee shall be to preserve the principal of the Trust while obtaining a reasonable total rate of return, measurement of which shall include
market appreciation or depreciation plus receipt of interest and dividends. The Trustee shall be mindful, in the course of its management of the Trust, of the liquidity demands on the Trust and any actuarial assumptions that may be communicated to it from time to time in accordance with the provisions of this Trust Agreement. The Trustee shall not be liable for any failure to maximize income on such portion of the Trust assets as may be from time to time invested or reinvested as set forth above, nor for any loss of income due to the liquidation of any investment which the Trustee, in its sole discretion, believes necessary to make payments or to reimburse expenses under the terms of this Trust Agreement. The Trustee shall have the right to invest assets of the Trust as the Trustee may deem proper and suitable in non-interest bearing deposit accounts (including any such accounts offered or maintained by the Trustee or any successor or affiliated corporation).

6. INCOME OF THE TRUST: Except as provided in Section 3 hereof, during the continuance of this Trust all net income (or loss) of the Trust shall be allocated quarterly among the Trust Beneficiaries’ separate accounts in accordance with Section 7(b) hereof. Net income (or loss) of the Trust shall be determined by taking into account (i) receipt of interest and dividends, (ii) any increase or decrease in the value of the Trust assets attributable to market appreciation or depreciation and (iii) any increase in the cash surrender value of any life insurance policy held in the Trust other than the portion of such increase attributable to the payment of the premiums due thereon.

7. ACCOUNTING BY TRUSTEE: (a) The Trustee shall maintain such books, records and accounts as may be necessary for the proper administration of the Trust assets, including such specific records as shall be agreed upon in writing by Ameritrust and the Trustee, and shall render to each Participating Employer, within 60 days following the close of each calendar year following the date of this Trust until the termination of this Trust or the removal or resignation of the Trustee (and within 60 days after the date of such termination, removal or resignation), an accounting with respect to the Trust assets as of the end of the then most recent calendar year (and as of the date of such termination, removal or resignation as the case may be). The Trustee shall furnish to each Participating Employer on a monthly basis and in a timely manner such information regarding the Trust as each Participating Employer shall require for purposes of preparing its statements of financial condition. The Trustee shall at all times maintain a separate bookkeeping account for each Participating Employer and for each Executive as prescribed by Section 7(b) hereof. Upon the written request of an Executive or Ameritrust, the Trustee shall deliver to such Executive or Ameritrust, as the case may be, a written report setting forth the amount held in the Trust for such Executive (or each Executive if such request is made by Ameritrust) and a record of the deposits made with respect thereto by each Participating Employer. Unless Ameritrust or any Executive shall have filed with the Trustee written exceptions or objections to any such statement and account within one hundred eighty (180) days after receipt thereof, Ameritrust or the Executive shall be deemed to have approved such statement and account, and in such case the Trustee shall be forever released and discharged with respect to all matters and things reported in such statement and account as though it had been settled by a decree of a court of competent jurisdiction in an action or proceeding to which each Participating Employer and the Executive were parties.

(b) The Trustee shall maintain a separate account (i) for each Participating
Employer (a “Participating Employer Account”) and (ii) within such Participating Employer Account, a separate account for each Executive who performs services for such Participating Employer and from whom such Executive is entitled to Benefits (an “Executive’s account”). Each asset of the Trust shall be allocated to the account of a Participating Employer. Executive accounts within a Participating Employer Account shall reflect undivided portions of each asset in such Account. The Trustee shall credit or debit each Executive’s account as appropriate to reflect such Executive’s allocable portion of the Trust assets allocated to each Participating Employer Account, as such Trust assets may be adjusted from time to time pursuant to the terms of this Trust Agreement. Except as otherwise provided in this Section 7(b), the Trustee shall allocate the income (or loss) of the Trust with respect to each Participating Employer Account, and within such Account, to the separate Executive accounts maintained thereunder in proportion to the balances of the separate accounts of the Executives. All deposits of principal pursuant to Sections 1(a) and 1(d) shall be allocated and reallocated as directed by the Participating Employer making such deposit until such time as the Trust has become irrevocable; thereafter, deposits of principal may be allocated, but not reallocated, by a Participating Employer. The net proceeds of any life insurance policies held in the Trust in excess of the cash surrender values thereof shall be treated and allocated as income for purposes of this Section 7(b). Any increase in the cash surrender value of any such policies attributable solely to the payment by a Participating Employer of premiums due thereon pursuant to Section 8(j) hereof shall be treated as a deposit of principal that may be allocated by such Participating Employer for purposes of this Section 7(b).

For purposes of this Trust Agreement

(a) “Accumulated Benefit” for a Trust Beneficiary shall mean the Benefits to which such Trust Beneficiary may become entitled as of each March 31 with respect to service by an Executive to such date;

(b) “Projected Benefit” for a Trust Beneficiary shall mean the Benefits to which such Trust Beneficiary may become entitled projected as of the date three years after the date for determination of the Accumulated Benefit with respect to projected service by an Executive to such date, which Projected Benefit shall include the Accumulated Benefit;

(c) the “Projected Benefit Account Excess” with respect to an Executive account maintained pursuant to this Section 7(b) shall be equal to the excess, if any, of the fair market value of the assets held in the Trust allocated to such Executive’s account over the respective Projected Benefit; and

(d) the “Aggregate Projected Benefit Account Excess” with respect to a Participating Employer shall be equal to the excess, if any, of the aggregate account balances of Executives then employed by the Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, over their aggregate Projected Benefits.
If any deposit of principal is not allocated by the Participating Employer such amount shall be allocated by the Trustee as if it were a Projected Benefit Account Excess with respect to Executives then employed by such Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, in accordance with this Section 7(b). The Trustee shall determine annually the amount of all Projected Benefit Account Excesses. The Trustee shall allocate the Aggregate Projected Benefit Account Excess of a Participating Employer to any accounts of Executives then employed by such Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, in proportion to this Section 7(b). The Trustee shall determine annually the amount of all Projected Benefit Account Excesses. The Trustee shall allocate the Aggregate Projected Benefit Account Excess of a Participating Employer to any accounts of Executives then employed by such Participating Employer, or for whom such Participating Employer has obligations and liabilities or has assumed obligations and liabilities pursuant to a Deposit Agreement, in proportion to this Section 7(b).

8. RESPONSIBILITY OF TRUSTEE: (a) The duties and responsibilities of the Trustee shall be limited to those expressly set forth in this Trust, and no implied covenants or obligations shall be read into this Trust against Trustee.

(b) If all or any part of the Trust assets are at any time attached, garnished, or levied upon by any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by a court affecting such property or any part thereof, then and in any of such events the Trustee is authorized, in its sole discretion, to rely upon and comply with any such order, judgment or decree, and it shall not be liable to any Participating Employer or any Executive by reason of such compliance even though such order, judgment or decree subsequently may be reversed, modified, annulled, set aside or vacated.

(c) The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that the Trustee shall incur no liability to anyone for any action taken pursuant to a direction, request, or approval given by any Participating Employer, or any Executive, contemplated by and complying with the terms of this Trust Agreement. The Trustee shall discharge its responsibility for the investment, management and control of the Trust assets solely in the interests of the Executives and for the exclusive purpose of assuring that, to the extent of available Trust assets and in accordance with the terms of this Trust Agreement, all payments of Benefits are made when due to the Executives.
(d) The Trustee may consult with legal counsel (who may be counsel for any Participating Employer) to be selected by it, and the Trustee shall not be liable for any action taken or suffered by it in accordance with the advice of such counsel.

(e) The Trustee shall be reimbursed jointly and severally by Ameritrust and each Participant Subsidiary for its reasonable expenses incurred in connection with the performance of its duties hereunder (including, but not limited to the fees and expenses of counsel incurred pursuant to Section 8(d) or 8(f) hereof) and shall be paid reasonable fees for the performance of such duties in the manner provided by Section 8(f) hereof.

(f) Ameritrust and each Participating Subsidiary agrees jointly and severally to indemnify and hold harmless the Trustee from and against any and all damages, losses, claims or expenses as incurred (including expenses of investigation and fees and disbursements of counsel to the Trustee and any taxes imposed on the Trust assets or income of the Trust) arising out of or in connection with the performance by the Trustee of its duties hereunder, other than such damages, losses, claims or expenses arising out of the Trustee’s gross negligence or willful misconduct. The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Trust Agreement unless it be first indemnified by Ameritrust or a Participating Subsidiary against its prospective costs, expenses and liabilities (including without limitation attorneys’ fees and expenses) relating thereto, and Ameritrust and each Participating Subsidiary hereby jointly and severally to indemnify the Trustee and be primarily liable for such costs, expenses, and liabilities. Any amount payable to the Trustee under Section 8(e) hereof or this Section 8(f) shall be paid by Ameritrust or a Participating Subsidiary promptly upon demand therefor by the Trustee or, in the event that Ameritrust or a Participating Subsidiary fails to make such payment, from the Trust assets, pro rata with respect to account balances. In the event that payment is made hereunder to the Trustee from the Trust assets, the Trustee shall promptly notify Ameritrust in writing of the amount of such payment. Ameritrust agrees that, upon receipt of such notice, it will, jointly and severally, deliver or cause to be delivered to the Trustee to be held in the Trust an amount in cash equal to any payments made from the Trust assets to the Trustee pursuant to Section 8(e) hereof or this Section 8(f). The failure of Ameritrust to transfer any such amount shall not in any way impair the Trustee’s right to indemnification, reimbursement and payment pursuant to Section 8(e) hereof or this Section 8(f).

(g) The Trustee may vote any stock or other securities and exercise any right appurtenant to any stock, other securities or other property held hereunder, either in person or by general or limited proxy, power of attorney or other instrument.

(h) The Trustee may hold securities in bearer form and may register securities and other property held in the trust fund in its own name or in the name of a nominee, combine certificates representing securities with certificates of the same issue held by the Trustee in other fiduciary capacities, and deposit, or arrange for deposit of property with any depository; provided that the books and records of the Trustee shall at all times show that all such securities are part of the trust fund.
(i) The Trustee may hire agents, accountants, actuaries, and financial consultants, who may be agent, accountant, actuary, or financial consultant, as the case may be, for Ameritrust or with respect to any Plan.

(j) The Trustee is empowered to take all actions necessary or advisable in order to collect any life insurance, annuity, or other benefits or payments of which the Trustee is the designated beneficiary. The Trustee shall maintain in force all life insurance policies held in the Trust by requesting that the Participating Employers pay directly all premiums and other charges due thereon in a timely manner, and by paying all such premiums and charges that are not so paid by the Participating Employers. To the extent the Trustee has cash or its equivalent readily available for such purpose or policy loans and/or dividends are available, the Trustee shall pay premiums due with such cash or its equivalent or policy loans and/or dividends, as the Trustee may deem best. If the Trustee does not have sufficient cash or its equivalent readily available and policy loans and dividends are not available, then the Trustee shall first liquidate other assets held by it in the Trust to generate the necessary cash for the payment of such premiums and charges and for the payment of Benefits, and then shall surrender and liquidate policies in an Executive’s account as necessary to pay Benefits to the Trust Beneficiaries with respect to such account.

(ii) The Trustee shall be named sole owner and beneficiary of each life insurance policy held in the Trust and shall have full authority and power to exercise all rights of ownership relating to the policy, except that the Trustee shall have no power, other than in accordance with Sections 1(b), 4, and 11 hereof, to name a beneficiary of the policy other than the Trust, to assign the policy, to loan to any person the proceeds of any borrowing against such policy or, except as provided in the immediately preceding sentence, to surrender any policy or allow any policy to lapse at any time when there are other assets in the Trust that can be disposed of or otherwise used to generate any cash necessary to maintain the policy or for the payment of Benefits, and except to the extent necessary to give effect to the provisions of any split-dollar life insurance arrangement. The Trustee shall have the power, with the consent of Ameritrust, to exchange that portion, if any, of the life insurance coverage on any Executive that is in excess of the amount of such coverage necessary to provide sufficient proceeds to pay the corresponding amount of Benefits, for additional life insurance coverage on other Executives. The Trustee shall also have the power to acquire additional life insurance coverage on Executives through application for new life insurance.

(k) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein.

(l) Notwithstanding any other provision of this Trust Agreement, in the event of the termination of the Trust, or the resignation or discharge of the Trustee, the Trustee shall have the right to a settlement of its accounts, which accounting may be made, at the option of the
Trustee, either (i) by a judicial settlement in a court of competent jurisdiction, or (ii) by agreement of settlement, release and indemnity from the Participating Employers to the Trustee.

9. AMENDMENTS, ETC. TO EXHIBITS, AGREEMENT AND PLANS; COOPERATION OF PARTICIPATING EMPLOYERS: (a) Prior to the date on which the Trust becomes irrevocable, the provisions of this Section 9(a) shall apply.

(i) Ameritrust shall furnish the Trustee with any amendments, restatements or other changes in the Agreements and the Plans, and Ameritrust shall prescribe or amend, as the case may be, Exhibit B hereto to reflect any such amendment, restatement, or other change, or any changes in the compensation of the Executives, or otherwise. Exhibit B shall prescribe, among other things, the amounts and timing (i) of Benefits to which each Trust Beneficiary may become entitled as of each March 31 for service to such date (the “Accumulated Benefit”) and (ii) Benefits to which each Trust Beneficiary may become entitled projected as of the date three years after the date in (i) (the “Projected Benefit”). The Projected Benefit shall be inclusive of the Accumulated Benefit.

(ii) At such time as may in the judgment of Ameritrust be appropriate, Ameritrust shall furnish to the Trustee any amendment to Exhibits A-1 or A-2 and any corresponding amendment to Exhibit B required as a result of such amendment to Exhibits A-1 or A-2.

(b) On or after the date on which the Trust becomes irrevocable, the provisions of this Section 9(b) shall apply.

(i) Not later than forty-five (45) calendar days after the end of each calendar year and at such other time as may in the judgment of Ameritrust be appropriate in view of a change in circumstances, Ameritrust and each Executive (or his personal representative (including his guardian, executor or administrator) (hereafter, his “Successor”) shall agree upon and furnish any amendment to Exhibit B hereto as shall be required to reflect:

(A) any required change in the amounts of Benefits (including Accumulated Benefits and Projected Benefits) as a result of any change in such Executive’s compensation during the prior calendar year, or

(B) any amendment, restatement or other change in or to the Plans which agreements to amendments to such Exhibit B shall be furnished to the Trustee by Ameritrust or the Executives (or their Successors) and thereafter be deemed to be a part of, and to amend to the extent thereof, this Trust Agreement; provided, however, that in the event of the failure of Ameritrust and the Executive (or Successor) to reach such agreement, the provisions of Section 9(b)(ii) hereof shall control.
(ii) Ameritrust has previously furnished the Trustee complete and correct copies of the Agreements and the Plans, and Ameritrust shall, and any Trust Beneficiary may, promptly furnish the Trustee true and correct copies of any amendment, restatement or successor to any of the Agreements or the Plans. Ameritrust shall, and any Trust Beneficiary may, also furnish the Trustee, upon the Trustee’s request, such evidence of changes in compensation of the Executives as the Trustee shall deem necessary for its determination under this Section 9(b)(ii). Upon written notification to the Trustee by Ameritrust or any Executive (or Successor) of the failure of Ameritrust or any Executive (or Successor) to agree as provided in Section 9(b)(i), the Trustee shall, to the extent necessary in the sole judgment of the Trustee,

(A) recompute the amount payable hereunder as set forth in Exhibit B hereto to any Trust Beneficiary; and

(B) notify Ameritrust and the Executive (or Successor) in writing of its computations. Thereafter, this Trust Agreement and all Exhibits thereto shall be amended to the extent of such Trustee determinations without further action; provided, however, that the failure of Ameritrust to furnish any such amendment, restatement, successor or compensation information shall in no way diminish the rights of any Trust Beneficiary hereunder or thereunder.

(iii) Any amendment to Exhibit A-1 must be

(A) agreed to by two-thirds of the Executive Participants, subject to the provisions of Sections 10(b)(i) and (b)(ii) hereof, and

(B) in the case of an amendment that adds a new Executive as a Trust Beneficiary, accompanied by the deposit into the Trust by a Participating Employer on or before the effective date on which the new Executive would become a Trust Beneficiary, an amount certified by The Wyatt Company, or such other actuary acceptable to Ameritrust and two-thirds of the Executive Participants (as determined prior to the effective date of the amendment and subject to Sections 10(b)(i) and (b)(ii) hereof) as sufficient to pay such new Executive’s Benefits hereunder (with such sufficiency determined on the same actuarial basis as that used to determine sufficiency with respect to the Benefits as in effect hereunder immediately prior to the addition of such new Executive).

(C) Notwithstanding the foregoing provisions of this Section 9, any amendment, restatement, successor or other change in an Agreement or a Plan that would materially increase the responsibilities or liabilities of the Trustee or materially change its duties shall also require the consent of the Trustee, which consent shall not be unreasonably withheld.

10. REPLACEMENT OF THE TRUSTEE: (a) The Trustee shall continue to serve until its successor accepts the Trust and receives delivery of the Trust assets. The Trustee may
resign and be discharged from its duties hereunder after providing not less than ninety (90) days’ notice in writing to Ameritrust and the Executive Participants. Prior to the date on which the Trust becomes irrevocable, the Trustee may be removed at any time upon notice in writing by Ameritrust. On or after such date, removal shall also require the agreement of two thirds of the Executive Participants. Prior to the date on which the Trust becomes irrevocable, a replacement or successor trustee shall be appointed by Ameritrust. On or after such date, such appointment shall also require the agreement of two thirds of the Executive Participants. No such removal or resignation shall be effective until the acceptance of the Trust by a successor trustee designated in accordance with this Section 10. If the Trustee should resign, and within forty-five (45) days of the notice of such resignation Ameritrust and, if required, two thirds of the Executive Participants, shall not have notified the Trustee of an agreement as to a replacement trustee, the Trustee shall apply to a court of competent jurisdiction for the appointment of a successor trustee, which shall be such bank or trust company (A) that the court in its discretion considers an appropriate trustee for the Trust, having due regard for the objectives, magnitude and expected duration of the Trust; (B) (x) whose trust assets under investment would place it among the 100 largest trust companies in the United States, or (y) which is a national banking association or established under the laws of one of the states of the United States, and which has equity in excess of $100 million; and (C) that is independent and not subject to the control of either Ameritrust or the Executives. The court in its discretion may transfer jurisdiction of the Trust to the jurisdiction in which the successor trustee has its principal place of business. The preceding determinations shall be made as of the time of appointment of the successor trustee. Upon the acceptance of the trust by a successor trustee, the Trustee shall release all of the moneys and other property in the Trust to its successor, who shall thereafter for all purposes of this Agreement be considered to be the “Trustee.” In the event of its removal or resignation, the Trustee shall duly file with Ameritrust and, after the Trust becomes irrevocable, the Executives, a written statement or statements of accounts and proceedings as provided in Section 7(a) hereof for the period since the last previous annual accounting of the Trust, and if written objection to such account is not filed as provided in Section 7(a) hereof, the Trustee shall to the maximum extent permitted by applicable law be forever released and discharged from all liability and accountability with respect to the propriety of its acts and transactions shown in such account.

(b) For purposes of the removal or appointment of a Trustee under this Section 10, (i) if any Executive Participant shall be deceased or adjudged incompetent, such Executive Participant’s Successor (or if no Successor, his Trust Beneficiaries) shall participate in such Executive Participant’s stead, and (ii) no Successor or Trust Beneficiary shall participate if all payments of Benefits have been made with respect to such Executive Participant (including his Trust Beneficiaries).

11. AMENDMENT OR TERMINATION: (a) This Trust Agreement may be amended at any time and to any extent by a written instrument executed by the Trustee, Ameritrust and, after the Trust has become irrevocable, two thirds of the Executive Participants; provided, however, that no amendment shall have the effect of (i) making the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof; or (ii) altering Section 8(j) (ii) or 11(b) hereof. Notwithstanding the previous sentence, (x) amendments contemplated by Section 9 hereof shall be made as therein provided, and (y) the approval by Ameritrust or by two thirds of the Executive Participants shall not be required for any amendment necessary in
order to obtain a favorable private letter ruling from the Internal Revenue Service regarding the effect of the Trust on the taxation of the Participating Employers or the Trust Beneficiaries.

(b) After the Trust has become irrevocable, the Trust shall not terminate until the date on which the Trust no longer contains any assets, or, if earlier, the date on which each Trust Beneficiary is entitled to no further payments hereunder.

(i) Notwithstanding any other provision of this Trust Agreement, if the payments under an Agreement or Plan with respect to an Executive subject of litigation, or arbitration, and if the balance of such Executive’s separate account maintained pursuant to Section 7(b) is greater than zero, the Trust shall not terminate and the funds held in the Trust with respect to such Executive shall continue to be held by the Trustee until the final resolution of such litigation or arbitration. The Trustee may assume that no Agreement or Plan is the subject of such litigation or arbitration unless the Trustee receives written notice from any Executive or Ameritrust with respect to such litigation or arbitration. The Trustee may rely upon written notice from an Executive as to the final resolution of such litigation or arbitration. Following such final resolution, the Trust shall terminate with respect to each Executive described in this Section 11(b)(i) upon the earlier of either of the following events: (x) the exhaustion of the Trust assets held by the Trustee with respect to such Executive; or (y) the final payment of all amounts payable to the Executive pursuant to the Plans, as certified to the Trustee by such Executive.

(c) Upon termination of the Trust as provided in Section 11(b) hereof, any assets remaining in the Trust, less all payments, expenses, taxes and other charges under this Trust Agreement as of such date of termination, shall be returned to Ameritrust or as it directs.

12. SPECIAL DISTRIBUTION: (a) It is intended that (i) the creation of, transfer of assets to, and irrevocability of, the Trust will not cause any of the Agreements or the Plans to be other than “unfunded” for purposes of Title I of ERISA; (ii) transfers of assets to the Trust or the Trust becoming irrevocable will not be transfers of property for purposes of section 83 of the Code, or any successor provision thereto, nor will such transfers or irrevocability cause a currently taxable benefit to be realized by a Trust Beneficiary pursuant to the “economic benefit” doctrine; and (iii) pursuant to section 451 of the Code, or any successor provision thereto, amounts will be includable as compensation in the gross income of a Trust Beneficiary in the taxable year or years in which such amounts are actually distributable or made available to such Trust Beneficiary by the Trustee.

(b) Notwithstanding anything to the contrary contained in this Agreement, if, based upon a change in the federal tax or revenue laws, a published ruling or similar announcement issued by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury, a decision by a court of competent jurisdiction involving a Trust Beneficiary, or a closing agreement made under section 7121 of the Code that is approved by the Internal Revenue Service and involves a Trust Beneficiary, the Trustee determines that amounts are includible as compensation in the gross income of a Trust Beneficiary in a taxable year that is prior to the
taxable year or years in which such amounts would, but for this Section 12, otherwise actually be distributed or made available to such Trust Beneficiary by the Trustee, then (i) the assets held in trust shall be allocated in accordance with Section 7(b) hereof, and (ii) subject to the last sentence of Section 2(b) hereof, the Trustee shall promptly make a distribution to each affected Trust Beneficiary which, after taking into account the federal, state and local income tax consequences of the special distribution itself, is equal to the sum of any federal, state and local income taxes, interest due thereon, and penalties assessed with respect thereto which are attributable to amounts that are so includible in the income of such Trust Beneficiary.

13. PARTICIPATING SUBSIDIARY DEPOSIT AGREEMENT: (a) Upon execution of a Deposit Agreement in the form of Exhibit D hereto, a Subsidiary may at any time or from time to time make deposits of cash or other property in the Trust pursuant to Section 1(d) hereof. Such Deposit Agreement shall provide, among other things, for the designation of Ameritrust as agent and attorney for the Participating Subsidiary for all purposes under this Trust Agreement, including consenting to any amendments hereto, consenting to any Trustee accounts and consenting to anything requiring the approval or consent of a Participating Employer hereunder.

(b) Ameritrust is the sponsoring grantor for the Trust Agreement. It reserves to itself, and each Subsidiary by execution of a Deposit Agreement delegates to Ameritrust, the power to amend or terminate the Trust Agreement in accordance with its terms.

14. GENERAL PROVISIONS: (a) Ameritrust and each Participating Subsidiary shall, at any time and from time to time, upon the reasonable request of the Trustee, execute and deliver such further instruments and do such further act as may be necessary or proper to effectuate the purposes of this Trust.

(b) Each Exhibit referred to in this Trust Agreement shall become a part hereof and is expressly incorporated herein by reference.

(c) This Trust Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all prior agreements, arrangements and understandings relating thereto. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives.

(d) This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, other than and without reference to any provisions of such laws regarding choice of laws or conflict of laws.

(e) In the event that any provision of this Trust Agreement or the application thereof to any person or circumstances shall be determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Trust Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Trust Agreement shall be valid and enforced to the maximum extent permitted by law.
(f) The headings contained in this Trust Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Trust Agreement.

(g) No right or interest under this Trust Agreement of a Trust Beneficiary (or any person claiming through or under any of them) other than the surviving spouse of any Executive shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Trust Beneficiary. If any Trust Beneficiary (other than the surviving spouse of any deceased Executive) shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his Benefits hereunder or any part thereof, or if by reason of his bankruptcy or other event happening at any time such Benefits would devolve upon anyone else or would not be enjoyed by him, then the Trustee, in its discretion, may terminate his interest in any such Benefit to the extent the Trustee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written “termination declaration” with the Trust’s records and making reasonable efforts to deliver a copy to the Trust Beneficiary (the “Terminated Beneficiary”) whose interest is adversely affected.

As long as the Terminated Beneficiary is alive, any benefits affected by the termination shall be retained by the Trustee and, in the Trustee’s sole and absolute judgment, may be paid to or expended for the benefit of the Terminated Beneficiary, his spouse, his children or any other person or persons in fact dependent upon him in such a manner as the Trustee shall deem proper. Upon the death of the Terminated Beneficiary, all benefits withheld from him and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plans that would apply if he died prior to the time that all Benefits to which he was entitled were paid to him; provided, however, that if such provisions provide for distribution to the Terminated Beneficiary’s estate or to his creditors and if the Terminated Beneficiary shall have descendants, including adopted children, then living, distribution shall be made to the Terminated Beneficiary’s then living descendants, including adopted children, PER STIRPES.

(h) Any dispute between the Executives and Ameritrust or the Trustee as to the interpretation or application of the provisions of this Trust and amounts payable hereunder may, at the election of any party to such dispute (or, if more than one Executive is such a party, at the election of two-thirds of such Executives), be determined by binding arbitration within the greater Cleveland metropolitan area in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court of competent jurisdiction. All fees and expenses of such arbitration shall be paid by the Trustee and considered an expense of the Trust under Section 8(f) hereof.

(i) Each Executive (and, where applicable, each Successor) is an intended beneficiary under this Trust, and as an intended beneficiary shall be entitled to enforce all terms and provisions hereof with the same force and effect as if such person had been a party hereto.
(j) Each action taken by Ameritrust hereunder shall, unless otherwise designated in such action by Ameritrust or unless the context or this Trust Agreement requires otherwise, be deemed to be an action of Ameritrust on behalf of each Participating Subsidiary pursuant to the authority granted to Ameritrust by such Participating Subsidiary in the Deposit Agreement.

15. NOTICES; IDENTIFICATION OF CERTAIN TRUST BENEFICIARIES: (a) All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly given when received:

If to the Trustee, to:
Wachovia Bank and Trust Company, N.A.
301 North Main Street
Winston-Salem, N.C. 27150
Attention: Trust Department

If to Ameritrust, to:
Ameritrust Corporation
900 Euclid Avenue
Cleveland, Ohio 44115
Attention: Secretary

If to the Trust Beneficiaries, to the addresses listed on Exhibits A-1 and A-2 hereto

provided, however, that if any party or any Trust Beneficiary or his, her or its successors shall have designated a different address by written notice to the other parties, then to the last address so designated.

(b) Ameritrust shall provide the Trustee with the names of the beneficiary or beneficiaries designated by deceased Executives under the Plans (and who are, therefore, Trust Beneficiaries hereunder).

IN WITNESS WHEREOF, each of Ameritrust and the Trustee has caused counterparts of this Trust Agreement to be executed on its behalf on November 3, 1988.

/s/ Charles Haskins
ASSISTANT SECRETARY

Exhibit 10.37

Section 24: EX-10.37 (EX-10.37)
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<td>PAGE 3 — UMBRELLA TRUST™ FOR EXECUTIVES</td>
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This Trust Agreement is made and entered into by and between KeyCorp, a New York corporation (the “Company”), and NBD Bank, N.A., a Michigan banking corporation (the “Trustee”).

The Company hereby establishes with the Trustee a trust to hold all monies and other assets, together with the income thereon, as shall be paid or transferred to it hereunder in accordance with the terms and conditions of this Trust Agreement. The Trustee hereby accepts the trust established under this Trust Agreement and agrees to hold, IN TRUST, all monies and other assets transferred to it hereunder for the uses and purposes and upon the terms and conditions set forth herein, and the Trustee further agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

PREAMBLE

The Company has adopted the following plans (the “Plan”) which shall be subject to this trust:

Employment Contracts
Severance Plans
Supplemental Retirement Benefits Plan
Supplemental Survivor Benefit Plan
Executive Deferred Compensation Plan

If only one Plan is subject to this trust at any time, references in this Trust Agreement to the Plans shall refer to such Plan.

The Plans are administered by an administrative committee (the “Committee”) appointed by the Company. If the Plans are administered by more than one Committee at any time, reference in this Trust Agreement to the Committee which relate to a particular Plan shall refer to the Committee which administers that Plan and, if the reference does not relate to a particular Plan, shall refer to all of such Committees. All references in this Trust Agreement to the Committee shall refer to the administrative committee(s) which administers the Plan(s), unless the Company appoints a separate administrative committee to administer this Trust Agreement.
If the Company appoints a separate administrative committee to administer this Trust Agreement, references in this Trust Agreement to the Committee shall refer to such administrative committee which is appointed to administer this Trust Agreement, unless the context clearly indicates otherwise.

The Plan participants who are covered by this Trust Agreement ("Participants") shall be all persons who are Plan participants prior to a Special Circumstance, unless the Company specifically designates only specified individuals or groups of Plan participants as Participants covered by this Trust Agreement. After a person becomes a Participant covered by this Trust Agreement, such person will continue to be a Participant at all times thereafter (including after retirement or other termination of service) until all Plan benefits payable to such Participant have been paid, the Participant ceases to be entitled to any Plan benefits, or the Participant’s death, whichever occurs first. The term “Participants” shall not include any beneficiaries of Participants.

At any time prior to a Special Circumstances, the Company may, by written notice to the Trustee, cause additional plans to become Plans subject to this Trust Agreement or cause additional Plan participants to become Participants covered by this Trust Agreement. Upon and after a Special Circumstance, the Company shall not add any additional plans or Plan participants to this Trust Agreement.

The Company shall provide the Trustee with certified copies of the following items: (i) the Plan documents; (ii) all Plan amendments promptly upon their adoption; and (iii) lists and specimen signatures of the members of the Committee(s) which administer the Plan(s) and this Trust Agreement and any other Company representatives authorized to take action in regard to the administration of the Plan(s) and this trust, including any changes in the members of such Committee(s) and of such other representatives promptly following any such change. The Company shall also provide the Trustee at least annually with a list of all Participants in each Plan who are covered by this Trust Agreement.

The purpose of this trust is to give Participants greater security by placing assets in trust for use only to pay Plan benefits to Participants or, if the Company becomes insolvent, to pay creditors. The Company shall continue to be liable to Participants to make all payments required under the terms of the Plans to the extent such payments are not made from this trust. Distributions made from this trust to Participants or their beneficiaries shall, to the extent of such
distributions, satisfy the Company’s obligations to pay benefits to Participants and their beneficiaries under the Plans.

The Company and the Trustee agree that the trust hereby created has been established to pay obligations of the Company pursuant to the Plans and is subject to the rights of general creditors of the Company, and accordingly is a grantor trust under the provisions of Sections 671 through 677 of the Internal Revenue Code of 1986, as amended (the “Code”). The Company hereby agrees to report all items of income, deductions and credits of the trust on its own income tax returns; and the Company shall have no right to any distributions from the trust or any claim against the trust for funds necessary to pay any income taxes which the Company is required to pay on account of reporting the income of the trust on its income tax returns. No contribution to or income of the trust is intended to be taxable to Participants until benefits are distributed to them.

The Plans are intended to be “unfunded” and maintained “primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees” for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and as such are intended not to be covered by Parts 2 through 4 of Subtitle B of Title I of ERISA (relating to participation and vesting, funding and fiduciary responsibility). The existence of this trust is not intended to alter this characterization of the Plans.

ARTICLE I

EFFECTIVE DATE; DURATION

1.01 Effective Date and Trust Year

This trust shall become effective when the Trust Agreement has been executed by the Company and the Trustee and the Company has made a contribution to the trust. For tax purposes the trust year shall be the calendar year. For financial reporting purposes the trust year shall coincide with the Company’s fiscal year. The Company shall report any change in its fiscal year to the Trustee.

1.02 Duration

1.02-1 This trust shall continue in effect until all assets of the trust fund are exhausted through distribution of benefits to Participants, payment to creditors in the event of insolvency, payment of fees and expenses of the Trustee, and return of remaining funds to the Company pursuant to 1.02-2. Notwithstanding the foregoing, this trust shall terminate on the

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day before twenty-one years after the death of the last survivor of all present or future Participants who are now living and those persons now living who are designated as beneficiaries of any such Participants in accordance with the terms of any of the Plans.

1.02-2 Except as otherwise provided in 1.02 and 1.03, the trust shall be irrevocable until all benefits payable under the Plans to Participants who are covered by this Trust Agreement are paid. The Trustee shall then return to the Company any assets remaining in the trust.

1.02-3 If the existence of this trust or any Subtrust is held to be ERISA Funding or Tax Funding by a federal court and appeals from that holding are no longer timely or have been exhausted, this trust or such Subtrust shall terminate. The Board of Directors of the Company (the “Board”) may also terminate this trust or any Subtrust if it determines, that either (i) judicial authority or the opinion of the U.S. Department of Labor, Treasury Department or Internal Revenue Services (as expressed in proposed or final regulations, advisory opinions or rulings, or similar administrative announcements) creates a significant risk that the trust or any Subtrust will be held to be ERISA Funding or Tax funding or (ii) ERISA or the Code requires the trust or any Subtrust to be amended in a way that creates a significant risk that the trust or such Subtrust will be held to be ERISA Funding or Tax Funding, and failure to so amend the trust or such Subtrust could subject the Company to material penalties. Upon any such termination, the assets of each terminated Subtrust remaining after payment of the Trustee’s fees and expenses shall be distributed as follows:

(a) Such assets shall be transferred to a new trust established by the Company which is not deemed to be ERISA Funding or Tax Funding, but which is similar in all other respects to this trust, if the Company determines that it is possible to establish such a trust.

(b) If the Company determines that it is not possible to establish the trust in (a) above, then the assets shall be distributed to the Company if the Written Consent of Participants, as defined in 1.02-5, is obtained for such distribution.

(c) If the Company determines that it is not possible to establish the trust in (a) above and the Written Consent of Participants is not obtained to distribute the assets to the Company, then the assets of the terminated Subtrust

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shall be allocated in proportion to (i) the vested accrued benefits and (ii) then, if any assets remain, the unvested (if any) accrued benefits of Participants under the applicable Plan and shall be distributed to such Participants in lump sums. Any assets remaining shall be distributed to other Subtrusts or the Company in accordance with 2.04.

Notwithstanding the foregoing, the Trustee shall distribute Plan benefits to a Participant to the extent that a federal court or IRS has held that the interest of the Participant in this trust causes such Plan benefits to be includible for federal income tax purposes in the gross income of the Participant prior to actual payment of such Plan benefits to the Participant and appeals from that holding are no longer timely or have been exhausted. The Trustee may also distribute Plan benefits to a Participant, upon direction of the Committee, if the Trustee reasonably believes that there is a significant risk that the Participant’s interest in the trust fund will be held to be ERISA Funding or Tax Funding with respect to such Participant or that such Participant will be determined not to be a “management or highly compensated employee” for purposes of ERISA. The provisions of this paragraph shall also apply to any beneficiary of a Participant.

1.02-4 This trust is “Tax Funding” if it causes the interest of a Participant in this trust to be includible for federal income tax purposes in the gross income of the Participant prior to actual payment of Plan benefits to the Participant.

This trust is “ERISA Funding” if it prevents any of the Plans from meeting the “unfunded” criterion of the exceptions to application of the provisions of Parts 2 through 4 of Subtitle B of Title I of ERISA for plans that are unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

1.02-5 “Written Consent of Participants” means, for the purposes of this Trust Agreement, consent in writing by Participants who (i) are a majority in number and (ii) have more than fifty percent (50%) in value of the accrued benefits, of the Participants in each Subtrust under this Trust Agreement on the date of such consent.

1.03 Irrevocability

1.03-1 Subject to 1.02, this trust shall become irrevocable upon the issuance by the Internal Revenue Service of a private letter ruling establishing that its existence and
ownership of assets do not cause the trust to be deemed to be Tax Funding. If such a ruling is denied or the Company is informed that a ruling will not be forthcoming, the Company may revoke the trust and take possession of all assets held by the Trustee for the trust. This trust shall also become irrevocable if such a ruling is not requested by the Company within ninety (90) days after the date of establishing this trust.

1.03-2 Notwithstanding the provisions of 1.03-1, if a Special Circumstance occurs, the Company may declare the trust to be irrevocable.

1.04 Special Circumstance

1.04-1 Upon the occurrence of a Special Circumstance described in 1.04-2, the trust assets shall be held for Participants who had accrued benefits under the Plans before the Special Circumstance occurred, including benefits accrued for such Participants after the Special Circumstance.

1.04-2 A “Special Circumstance” shall mean a Change in Control (as defined in 1.04-3) or a Default (as defined in 1.04-6).

1.04-3 A “Change in Control” shall mean a Change in Control of a nature that would be required to be reported (assuming such event has not been “previously reported”) in response to Item 1(a) of the current report on Form 8-X, as in effect on the date hereof, pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or any successor thereto; provided that, without limitation, such a Change in Control shall be deemed to have occurred at such time as:

(a) Any person is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of twenty five percent (25%) or more of the combined voting power of the Company’s Voting Securities;

(b) Individuals who constitute the Board of the Company on the date hereof (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of the Company or the Board of any corporation with which the Company merges, provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least three quarters (3/4) of the directors comprising the Incumbent Board (either by a specific vote or by
approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be, for purposes of this clause (b), considered as though such person were a member of the Incumbent Board;

(c) If any person or entity acquires an interest which is determined by the Federal Reserve Board to constitute a controlling interest in the Company;

(d) The sale by the Company of more than fifty percent (50%) of the book value of its assets to a single purchaser or to a group of affiliated purchasers; or

(e) The merger or consolidation of the Company in a transaction in which the shareholders of the Company receive less than fifty percent (50%) of the outstanding voting shares of the continuing corporation. Notwithstanding anything in the foregoing to the contrary, no Change in Control shall be deemed to have occurred by virtue of any transaction which results in a Participant, or group of Participants, acquiring, directly or indirectly, twenty five percent (25%) or more of the combined voting power of the Company’s Voting Securities.

1.04-4 For purposes of this Trust Agreement, a Change in Control shall be deemed to have occurred when the Trustee makes a determination to that effect on its own initiative or upon receipt by the Trustee of written notice to that effect from the Company. The Chief Executive Officer of the Company or the Board shall furnish written notice to the Trustee when a Change in Control occurs under 1.04-3.

1.04-5 “Voting Securities” shall mean any securities of the Company which vote generally in the election of directors.

1.04-6 A “Default” shall mean a failure by the Company to contribute, within thirty (30) days of receipt of written notice from the Trustee, any of the following amounts:

(a) The full amount of any insufficiency in assets of any Subtrust that is required to pay any premiums or loan interest payments on insurance contracts which are held in the Subtrust;

(b) The full amount of any insufficiency in assets of any Subtrust that is required to pay any Plan benefit that is payable upon a direction from the
Committee pursuant to 3.02-3 or upon resolution of a disputed claim pursuant to 3.03-2; or

(c) Any contribution which is then required under 2.01.

If, after the occurrence of a Default, the Company at any time cures such Default by contributing to the trust all amounts which are then required under subparagraphs (a), (b) and (c) above, it shall then cease to be deemed that a Default has occurred or that a Special Circumstance has occurred by reason of such Default.

ARTICLE II

TRUST FUND AND FUNDING POLICY

2.01 Contributions

2.01-1 The Company shall contribute to the trust such amounts as are required to purchase or hold insurance contracts in the trust and to pay premiums and loan interest payments thereon, all as described in 2.02-1. The Company shall also contribute to the trust such amounts as are necessary to enable the Trustee to make all Plan benefit payments to Participants when due, unless the Company makes such payments directly, whenever the Trustee advises the Company that the assets of the trust or Subtrust, other than insurance contracts or amounts needed to pay future premiums or loan interest payments on insurance contracts, are insufficient to make such payments. In its discretion, the Company may contribute to the trust such additional amounts or assets as the Committee may reasonably decide are necessary to provide security for all Plan benefits payable to Participants covered by this trust.

2.01-2 Whenever the Company makes a contribution to the trust, the Company shall designate the Plan(s) and Subtrust(s) to which such contribution (or designated portions thereof) shall be allocated. The Company may also make contributions to a special reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceedings. The Company shall designate a separate Subtrust to receive such contributions, which shall be distinct from the other Subtrust(s) established for the Plan(s).

A trust funding deposit for payment of future insurance premiums (“Trust Funding Deposit”) shall be established in each Subtrust which holds insurance contracts. The Company shall designate the portion of each contribution which shall be allocated to the Trust Funding Deposit for a particular Subtrust. The Trust Funding Deposit for a Subtrust shall normally be used only to pay premiums on insurance contracts which are held in that Subtrust.

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However, if necessary, the Trust Funding Deposit may be used to pay Plan benefits which are payable to Participants from the Subtrust in the sole discretion of the Trustee.

2.01-3 The Company shall, immediately upon the occurrence of a Special Circumstance (as defined in 1.04-2) or a Potential Change in Control (as defined in 2.01-7), and at least annually following a Special Circumstance, contribute to the trust the sum of the following:

(a) The present value of the remaining premiums and the interest on any policy loans on insurance contracts held in the trust to the extent the Trust Funding Deposit is determined to be inadequate to pay such remaining premiums and policy loan interest.

(b) The amount by which the present value of all benefits (vested and unvested) payable under the Plans on a pre-tax basis to Participants covered by this trust exceeds the value of all trust assets. Each Participant’s benefit under any Plan for purposes of calculating present value shall be the highest benefit the Participant would have accrued under the Plan within the twenty four (24) months following such event, assuming that the Participant’s service continues for twenty four (24) months at the same rate of compensation, that the Participant continues to make future deferrals under deferred compensation plans in accordance with his prior elections, and that the Participant is terminated at a time when he is entitled to receive any benefit enhancement provided by the Plan upon a Change in Control. Any benefit enhancement or right with respect to the Plans which is provided under employment or severance agreements of Participants shall be taken into account in making the foregoing calculation.

(c) The present value of a reasonable estimate provided by the Trustee of its fees and expenses due over the remaining duration of the trust. Unless the Trustee estimates a greater amount, such amount shall be presumed to be equal to two percent (2%) of the present value of all accrued benefits (vested and unvested) payable under the Plans on a pre-tax basis to Participants covered by this trust.

(d) The present value of a reasonable estimate provided by the Trustee of the anticipated fees and expenses for the purpose of commencing or defending
lawsuits or legal or administrative proceedings over the remaining duration of the trust. Unless the Trustee estimates a greater amount, such amount shall be presumed to be equal to two percent (2%) of the present value of all accrued benefits (vested and unvested) payable under the Plans on a pre-tax basis to Participants covered by this trust.

2.01-4 The calculations required under 2.01-3 shall be based on the terms of the Plans and the actuarial assumptions and methodology set forth in Appendix A attached hereto. Before a Special Circumstance, Appendix A may be revised by the Committee from time to time. After a Special Circumstance, Appendix A may be revised only with the Written Consent of Participants.

2.01-5 Whenever the Company makes a contribution to the trust pursuant to 2.01-3, it shall furnish the Trustee with a written statement setting forth the computation of all required amounts contributed under subparagraphs (a), (b), (c) and (d) of 2.01-3.

Whenever a Special Circumstance occurs or the Company makes a contribution pursuant to 2.01-3, the Company shall deliver to the Trustee, contemporaneously with or immediately prior to such event, a schedule (the “Payment Schedule”) indicating the amounts payable under each Plan in respect of each Participant, or providing a formula or instructions acceptable to the Trustee for determining the amounts so payable, the form in which such amounts are to be paid (as provided for or available under the Plans) and the time of commencement for payment of such amounts. The Payment Schedule shall include any other necessary instructions with respect to Plan benefits (including legal expenses) payable under the Plans and any conditions with respect to any Participant’s entitlement to, and the Company’s obligation to provide, such benefits, and such instructions may be revised from time to time to the extent so provided under the Plans or this Trust Agreement.

A modified Payment Schedule shall be delivered by the Company to the Trustee at each time that (i) additional amounts are required to be paid by the Company to the Trustee pursuant to 2.01-3, (ii) Excess Assets are returned to the Company pursuant to 2.04, and (iii) upon the occurrence of any event requiring a modification of the Payment Schedule. The Company shall also furnish a Payment Schedule or modified Payment Schedule for any or all Plan(s) upon request by the Trustee at any other time. Whenever the Company is required to deliver to the Trustee a Payment Schedule or a modified Payment Schedule, the Company shall...
also deliver at the same time to each Participant the respective portion of the Payment Schedule or modified Payment Schedule that sets forth the amount payable to that Participant.

2.01-6 Any contribution to the trust which is made by the Company under 2.01-3 on account of a Potential Change in Control shall be returned to the Company following one year after delivery of such contribution to the Trustee unless a Change in Control shall have occurred during such one-year period, if the Company requests such return within sixty (60) days after such one-year period. If no such request is made within this 60-day period, the contribution shall become a permanent part of the trust fund. The one-year period shall recommence in the event of and upon the date of any subsequent Potential Change in Control.

2.01-7 A “Potential Change in Control” shall be deemed to occur if:

(a) Any person, as defined in Section 13(d)(3) of the Act, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company delivers to the Company a statement containing the information required by Schedule 13-D under the Act, or any amendment to any such statement, that shows that such person has acquired, directly or indirectly, the beneficial ownership of (i) more than twenty four and nine tenths percent (24.9%) of any class of equity security of the Company entitled to vote as single class in the election or removal from office of directors, or (ii) more than twenty four and nine tenths percent (24.9%) of the voting power of any group of classes of equity securities of the Company entitled to vote as a single class in the election or removal from office of directors;

(b) The Company becomes aware that preliminary or definitive copies of a proxy statement and information statement or other information have been filed with the Securities and Exchange Commission pursuant to Rule 14a-6, Rule 14a-11, Rule 14c-5, or Rule 14f-1 under the Act relating to a Potential Change in Control of the Company;

(c) Any person delivers to the Company pursuant to Rule 14d-3 under the Act a Tender Offer Statement relating to Voting Securities of the Company;

(d) Any person (other than the Company) publicly announces an intention to take actions which if consummated would constitute a Change in Control;

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(e) The Company enters into an agreement or arrangement, the consummation of which would result in the occurrence of a Change in Control;

(f) The Board approves a proposal, or the Company enters into an agreement, which if consummated would constitute a Change in Control; or

(g) The Board adopts a resolution to the effect that, for purposes of this Trust Agreement, a Potential Change in Control has occurred.

Notwithstanding the foregoing, a Potential Change in Control shall not be deemed to occur as a result of any event described in (a) through (f) above, if directors who were a majority of the members of the Board prior to such event determine that the event shall not constitute a Potential Change in Control and furnish written notice to the Trustee of such determination.

2.01 For purposes of this trust, a Potential Change in Control shall be deemed to have occurred when the Trustee makes a determination to that effect on its own initiative or upon receipt by the Trustee of written notice to that effect from the Company. The Chief Executive Officer of the Company or the Board shall furnish written notice to the Trustee when a Potential Change in Control occurs under 2.01.

2.02 Investments and Valuation

2.02-1 The trust fund shall be invested primarily in insurance contracts ("Contracts"). Such Contracts may be purchased by the Company and transferred to the Trustee as in-kind contributions or may be purchased by the Trustee with the proceeds of cash contributions (or may be purchased upon direction by the Committee pursuant to 2.02-2 or an Investment Manager pursuant to 2.02-4). The Company’s contributions to the trust shall include sufficient cash to make projected premium payments on such Contracts and payments of interest due on loans secured by the cash value of such Contracts, unless the Company makes these payments directly. The Trustee shall have the power to exercise all rights, privileges, options and elections granted by or permitted under any Contract or under the rules of the insurance.
company issuing the Contract ("Insurer"), including the right to obtain policy loans against the cash value of the Contract. Prior to a Special Circumstance, the exercise by the Trustee of any incidents of ownership under any Contract shall be subject to the direction of the Committee. The Committee may from time to time direct the Trustee in writing as to the designation of the beneficiary of a Participant under a Contract for any part of the death benefits payable to such beneficiary thereunder, and the Trustee shall file such designation with the Insurer.

Notwithstanding anything contained herein to the contrary, neither the Company nor the Trustee shall be liable for the refusal of any Insurer to issue or change any Contract or Contracts or to take any other action requested by the Trustee; nor for the form, genuineness, validity, sufficiency or effect of any Contract or Contracts held in the trust; nor for the act of any person or persons that may render any such Contract or Contracts null and void; nor for failure of any Insurer to pay the proceeds of any such Contract or Contracts as and when the same shall become due and payable; nor for any delay in payment resulting from any provision contained in any such Contract or Contracts; nor for the fact that for any reason whatsoever (other than its own negligence or willful misconduct) any Contracts shall lapse or otherwise become uncollectible.

2.02 Prior to a Special Circumstance, the Trustee shall invest the trust fund in accordance with written directions by the Committee, including directions for exercising rights, privileges, options and elections pertaining to Contracts and for borrowing from Contracts or other borrowing by the Trustee. The Trustee shall act only as an administrative agent in carrying out directed investment transactions and shall not be responsible for the investment decision. If a directed investment transaction violates any duty to diversify, to maintain liquidity or to meet any other investment standard under this trust or applicable law, the entire responsibility shall rest upon the Company. The Trustee shall be fully protected in acting upon or complying with any investment objectives, guidelines, restrictions or directions provided in accordance with this paragraph.

After a Special Circumstance the Committee shall no longer be entitled to direct the Trustee with respect to the investment of the trust fund, unless the Written Consent of Participants is obtained for the Committee to continue to have this right pursuant to 2.02-2. If such Written Consent of Participants is not obtained, the trust fund shall be invested by the Trustee pursuant to 2.02-3 or by an Investment Manager pursuant to 2.02-4. The Trustee or
Investment Manager shall have the right to invest the Trust Fund primarily in insurance contracts pursuant to 2.02-1.

Notwithstanding the foregoing, no investments shall be made at any time in any securities, instruments, accounts or real property of the Company, and the Trustee may not loan trust fund assets to the Company, or permit the Company to pledge trust fund assets as collateral for loans to the Company.

The Committee may not direct the Trustee to make any investments, and the Company may not make any contributions to the trust fund, which are not permissible investments under 2.02-2 and 2.02-3.

2.02-3 If the Trustee does not receive instructions from the Committee for the investment of part or all of the trust fund for a period of at least sixty (60) days, the Trustee shall invest and reinvest the assets of the trust fund as the Trustee, in its sole discretion, may deem appropriate, in accordance with applicable law. Permissible investments shall be limited to the following:

(a) Insurance or annuity contracts;

(b) Preferred or common stocks, bonds, notes, debentures, commercial paper, certificates of deposit, money market funds, obligations of governmental bodies, or other securities;

(c) Interest-bearing savings or deposit accounts with any federally-insured bank or savings and loan association (including the Trustee or an affiliate of the Trustee); or

(d) Shares or certificates of participation issued by investment companies, investment trusts, mutual funds, or common or pooled investment funds (including any common or pooled investment fund now or hereafter maintained by the Trustee or an affiliate of the Trustee).

2.02-4 The Company may appoint one or more investment managers (“Investment Manager”) subject to the following provisions:

(a) The Company may appoint one or more Investment Managers to manage (including the power to acquire and dispose of) a specified portion of the assets of the trust (hereinafter referred to as that Investment Manager’s “Segregated Fund”). Any Investment Manager so appointed must be either (A)
an investment adviser registered as such under the Investment Advisers Act of 1940, (B) a bank, as defined in that Act, or (C) an insurance company qualified to perform services in the management, acquisition or disposition of the assets of trusts under the laws of more than one state; and any Investment Manager so appointed must acknowledge in writing to the Company and to the Trustee that it is a fiduciary with respect to the Plans. The Trustee, until notified in writing to the contrary, shall be fully protected in relying upon any written notice of the appointment of an Investment Manager furnished to it by the Company. In the event of any vacancy in the office of Investment Manager, the Trustee shall be deemed to be the Investment Manager of that Investment Manager’s Segregated Fund until an Investment Manager thereof shall have been duly appointed; and in such event, until an Investment Manager shall have been so appointed and qualified, references herein to the Trustee’s acting in respect of that Segregated Fund pursuant to direction from the Investment Manager shall be deemed to authorize the Trustee to act in its own discretion in managing and controlling the assets of that Segregated Fund, and subparagraphs (b) and (c) below shall have no effect with respect thereto and shall be disregarded.

(b) Each Investment Manager appointed pursuant to subparagraph (a) above shall have exclusive authority and discretion to manage and control the assets of its Segregated Fund and may invest and reinvest the assets of the Segregated Fund in any investments in which the Trustee is authorized to invest under 2.02-3, subject to the terms and limitations of any written instruments pertaining to its appointment as Investment Manager. Copies of any such written instruments shall be furnished to the Trustee. In addition, each Investment Manager from time to time and at any time may delegate to the Trustee (or in the event of any vacancy in the office of Investment Manager, the Trustee may exercise in respect of that Investment Manager’s Segregated Fund) discretionary authority to invest and reinvest otherwise uninvested cash held in its Segregated Fund temporarily in bonds, notes or other evidences of indebtedness issued or fully guaranteed by the United States of America or any agency or instrumentality.
thereof, or in other obligations of a short-term nature, including prime commercial paper obligations or part interests therein.

(c) Unless the Trustee knowingly participates in, or knowingly undertakes to conceal, an act or omission of an Investment Manager, knowing such act or omission to be a breach of the fiduciary responsibility of the Investment Manager with respect to the Plans, the Trustee shall not be liable for any act or omission of any Investment Manager and shall not be under any obligation to invest or otherwise manage the assets of the Plans that are subject to the management of any Investment Manager. Without limiting the generality of the foregoing, the Trustee shall not be liable by reason of its taking or refraining from taking at the direction of an Investment Manager any action in respect of that Investment Manager’s Segregated Fund. The Trustee shall be under no duty to question or to make inquiries as to any direction or order or failure to give direction or order by any Investment Manager; and the Trustee shall be under no duty to make any review of investments acquired for the trust at the direction or order of any Investment Manager and shall be under no duty at any time to make any recommendation with respect to disposing of or continuing to retain any such investment.

2.02-5 The values of all assets in the trust fund shall be reasonably determined by the Trustee and may be based on the determination of qualified independent parties or Experts (as described in 2.06-2). At any time before or after a Special Circumstance, the Trustee shall have the right to secure confirmation of value by a qualified independent party or Expert for all property of the trust fund, as well as any property to be substituted for other property of the trust fund pursuant to 2.05. Before a Special Circumstance the Company may designate one or more independent parties, who are acceptable to the Trustee, to determine the fair market value of any notes, securities, real property or other assets.

Any insurance or annuity contracts held in the trust fund shall be valued at their cash surrender value, except for purposes of substituting other property for such Contracts pursuant to 2.05-2. All securities shall be valued net of costs to sell, or register for sale, such securities. All real property shall be valued net of costs to sell such real property. All other assets of the trust fund shall be valued at their fair market value.
The Company shall pay all costs incurred in valuing the assets of the trust fund, including any assets to be substituted for other assets of the trust fund pursuant to 2.05. If not so paid, these costs shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such costs paid out of the trust fund.

2.03 Subtrusts

2.03-1 The Trustee shall establish a separate subtrust ("Subtrust") for each Plan to which it shall credit contributions it receives which are earmarked for that Plan and Subtrust. The Trustee shall also establish a separate Subtrust to which it shall credit contributions it receives which are earmarked to the special reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceeding. Each Subtrust shall reflect an undivided interest in assets of the trust fund and shall not require any segregation of particular assets, except that an insurance contract covering benefits of a particular Plan shall be held in the Subtrust for the Plan. All contributions shall be designated by the Company for a particular Subtrust. However, any contribution received by the Trustee which is not earmarked for a particular Subtrust shall be allocated among the Subtrusts as the Trustee may determine in its sole discretion.

The Committee may direct the Trustee to maintain a separate sub-account within each Subtrust for a Plan for each Participant who discovered by the Subtrust. Each sub-account in a Subtrust shall reflect an individual interest in assets of the Subtrust and, as much as possible, shall operate in the same manner as if it were a separate Subtrust.

2.03-2 The Trustee shall allocate investment earnings and losses and expenses of the trust fund among the Subtrusts in proportion to their balances, except that changes in the value of an insurance contract (including premiums and interest on loans on an insurance contract) shall be allocated to the Subtrust for which it is held. Payments to creditors during Insolvency Administration under 5.02 shall be charged against the Subtrusts in proportion to their balances, except that payment of Plan benefits to a Participant as a general creditor shall be charged against the Subtrust for that Plan.

2.03-3 Assets allocated to a Subtrust for one plan may not be utilized to provide benefits under any other Plans until all benefits under such Plan have been paid in full, except that Excess Assets of a Subtrust may be transferred to other Subtrusts pursuant to 2.04-5.
2.04 Recapture of Excess Assets

2.04-1 In the event the trust shall hold Excess Assets, the Committee, at its option, may direct the Trustee to return part or all of such Excess Assets to the Company.

2.04-2 “Excess Assets” are assets of the trust exceeding one hundred twenty five percent (125%) of the amounts described in subparagraphs (a), (b), (c) and (d) of 2.01-3.

2.04-3 The calculation required by 2.04-2 shall be based on the terms of the plans and the actuarial assumptions and methodology set forth in Appendix A. Before a Special Circumstance, the calculation shall be made by the Company or a qualified actuary or consultant selected by the Committee. After a Special Circumstances, the calculation shall be made by a qualified actuary or consultant selected by the Trustee, provided the Committee may select a qualified actuary or consultant with the Written Consent of Participants.

2.04-4 Excess Assets shall be returned to the Company in the following order of priority, unless the Trustee determines otherwise to protect the participants:

(a) Cash and cash equivalents;

(b) All taxable investments of the trust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Committee may request;

(c) All non-taxable investments of the trust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Committee may request; and

(d) Contracts with Insurers, proceeding in order of Contracts on insureds from the youngest to the oldest ages based on the insured’s attained age on the date of return of Excess Assets.

Notwithstanding the foregoing, Excess Assets may be returned in any other order of priority directed by the Committee with the Written Consent of Participants.

2.04-5 If any Subtrust holds Excess Assets, the Committee may direct the Trustee to transfer such Excess Assets to other Subtrusts, either ratably in proportion to the unfunded liabilities to Participants for Plan benefits of all other Subtrusts or first to the other Subtrust(s) with the largest percentage of such unfunded liabilities. After a Special Circumstance the Trustee may also transfer Excess Assets of a Subtrust to other Subtrusts upon its own initiative in such amounts as it may determine in its sole discretion.

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Excess Assets of a Subtrust for a Plan shall be determined in the same manner as Excess Assets of the trust are determined pursuant to 2.04-2 and 2.04-3. In making this determination each Subtrust for a Plan shall bear its allocable share of the amounts described in subparagraphs (a) and (b) of 2.01-3 which relate to that Plan. The Trustee, in its sole discretion, shall determine whether there are Excess Assets in the separate Subtrust which constitutes the reserve for payment of future fees and expenses of the Trustee and future trust fees and expenses for legal and administrative proceedings. Excess Assets for this Subtrust shall be any amounts which the Trustee reasonably determines will not be needed in the future for payment of such fees and expenses.

2.05 Substitution of Other Property

2.05-1 The Company shall have the power to reacquire part or all of the assets or collateral held in the trust found at any time, by simultaneously substitution for it other readily marketable property of equivalent value, net of any costs of disposition; provided that, if the trust holds Excess Assets, the property which is substituted shall not be required to be of equivalent value, but only of sufficient value so that the trust will retain Excess Assets of not less than $10,000 after such substitution. The property which is substituted must be among the types of investments authorized under 2.02 and may not be less liquid or marketable or less well secured than the property for which it is substituted, as determined by the Trustee. such power is exercisable in a nonfiduciary capacity and may be exercised without the approval or consent of Participants or any other person.

2.05-2 Except for insurance contracts, the value of any assets reacquired under 2.05-1 shall be determined as provided in 2.02-5. The value of any insurance contract reacquired under 2.05-1 shall be the present value of future projected cash flow or benefits payable under the Contract, but not less than the cash surrender value. The projection shall include death benefits based on reasonable mortality assumptions, including known facts specifically relating to the health of the insured and the terms of the Contract to be reacquired. Values shall be reasonably determined by the Trustee and may be based on the determination of qualified independent parties and Experts, as described in 2.02-5 and 2.06-2. The Trustee shall have the right to secure confirmation of value by a qualified independent party or Expert for all property to be substituted for other property.
2.05.3 The Company shall pay all costs incurred in valuing the assets of the trust fund, including any assets to be substituted for other assets of the trust fund pursuant to 2.05. If not so paid, these costs shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such costs paid out of the trust fund.

2.06 Administrative Powers of Trustee

2.06-1 Subject in all respects to applicable provisions of this Trust Agreement and the Plans, including limitations on investment of the trust fund, the Trustee shall have the rights, powers and privileges of an absolute owner when dealing with property of the trust, including (without limiting the generality of the foregoing) the powers listed below:

(a) To sell, convey, transfer, exchange, partition, lease, and otherwise dispose of any of the assets of the trust at any time held by the Trustee under this Trust Agreement;

(b) To exercise any option, conversion privilege or subscription right given the Trustee as the owner of any security held in the trust; to vote any corporate stock either in person or by proxy, with or without power of substitution; to consent to or oppose any reorganization, consolidation, readjustment of financial structure, sale, lease or other disposition of the assets of any corporation or other organization, the securities of which may be an asset of the trust; and to take any action in connection therewith and receive and retain any securities resulting therefrom;

(c) To deposit any security with any protective or reorganization committee, and to delegate to such committee such power and authority with respect thereto as the Trustee may deem proper, and to agree to pay out of the trust such portion of the expenses and compensation of such committee as the Trustee, in its discretion, shall deem appropriate;

(d) To cause any property of the trust to be issued, held or registered in the name of the Trustee as trustee, or in the name of one or more of its nominees, or one or more nominees of any system for the central handling of securities, or in such form that title will pass by delivery, provided that the
records of the Trustee shall in all events indicate the true ownership of such property, or to deposit any securities held in the trust with a securities depository;

(e) To renew or extend the time of payment of any obligation due or to become due;

(f) To commence or defend lawsuits or legal or administrative proceedings; to compromise, arbitrate or settle claims, debts or damages in favor of or against the trust; to deliver or accept, in either total or partial satisfaction of any indebtedness or other obligation, any property; to continue to hold for such period of time as the Trustee may deem appropriate any property so received; and to pay all costs and reasonable attorneys’ fees in connection therewith out of the assets of the trust;

(g) To foreclose any obligation by judicial proceeding or otherwise;

(h) Subject to 2.02, to borrow money from any person in such amounts, upon such terms and for such purposes as the Trustee, in its discretion, may deem appropriate; and in connection therewith, to execute promissory notes, mortgages or other obligations and to pledge or mortgage any trust assets as security; and to lend money on a secured or unsecured basis to any person other than a party in interest;

(i) To manage any real property in the trust in the same manner as if the Trustee were the absolute owner thereof, including the power to lease the same for such terms or terms within or beyond the existence of the trust and upon such conditions as the Trustee may deem proper; and to grant options to purchase or acquire options to purchase any real property;

(j) To appoint one or more persons or entities as ancillary trustee or sub-trustee for the purpose of investing in and holding title to real or personal property or any interest therein located outside the State of Michigan; provided that any such ancillary trustee or sub-trustee shall act with such power, authority, discretion, duties, and functions of the Trustee as shall be specified in the instrument establishing such ancillary trust or sub-trust, including (without limitation) the power to receive, hold and manage property, real or personal, or
undivided interest therein; and the Trustee may pay the reasonable expenses and compensation of such ancillary trustees or sub-trustees out of the trust;

(k) To hold such part of the assets of the trust uninvested for such limited periods of time as may be necessary for purposes of orderly trust administration or pending required directions, without liability for payment of interest;

(l) To determine how all receipts and disbursements shall be credited, charged or apportioned as between income and principal, and the decision of the Trustee shall be final and not subject to question by any Participant or beneficiary of the trust;

(m) Generally to do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the orderly administration or protection of the trust fund.

2.06 The Trustee may engage one or more qualified independent attorneys, accountants, actuaries, appraisers, consultants or other experts (an “Expert”) for any purpose, including the determination of Excess Assets pursuant to 2.04 or disputed claims pursuant to 3.03. The determination of an Expert shall be final and binding on the Company, the Trustee, and all of the participants unless, within thirty (30) days after receiving a determination deemed by an Participant to be adverse, any Participant initiates suit in a court of competent jurisdiction seeking appropriate relief. The Trustee shall have no duty to oversee or independently evaluate the determination of the Expert. The Trustee shall be authorized to pay the fees and expenses of any Expert out of the assets of the trust fund.

2.06-3 The Company shall from time to time pay taxes (references in this Trust Agreement to the payment of taxes shall include interest and applicable penalties) of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of the trust fund, the income or any property forming a part thereof, or any security transaction pertaining thereto. To the extent that any taxes levied or assessed upon the trust fund are not paid by the Company or contested by the Company pursuant to the last sentence of this paragraph, the Trustee shall pay such taxes out of the trust fund, and the Company shall upon demand by the Trustee deposit into the trust fund an amount equal to the amount paid from the trust fund to satisfy such tax liability. If requested by the Company, the Trustee shall, at the
Company’s expense, contest the validity of such taxes in any manner deemed appropriate by the Company or its counsel, but only if it has received an indemnity bond or other security satisfactory to it to pay any expenses of such contest. Alternatively, the Company may itself contest the validity of such taxes, but any such contest shall not affect the Company’s obligation to reimburse the trust fund for taxes paid from the trust fund.

2.06-4 Notwithstanding any provisions in the Plans or this Trust Agreement to the contrary, the Company and Trustee may withhold any benefits payable to a beneficiary as a result of the death of the Participant or any other beneficiary until such time as (a) the Company or Trustee is able to determine whether a generation-skipping transfer tax, as defined in Chapter 13 of the Code, or any substitute provision therefor, is or may become payable by the Company or Trustee as a result of benefit payments to the beneficiary; and (b) the Company or Trustee has determined the amount of generation-skipping transfer tax that is or may become due, including interest thereon. If any such tax is or may become payable, the Company or Trustee feels are reasonably necessary to pay any generation-skipping transfer tax and interest thereon which is or may become due.

Any excess amounts so withheld from a beneficiary, which are not used to pay generation-skipping transfer tax and interest thereon, shall be payable to the beneficiary as soon as there is a final determination of the applicable generation-skipping transfer tax and interest thereon. Whenever any amounts which were withheld are paid to any beneficiary, interest shall be payable by the Company or Trustee to such beneficiary for the period of time between the date when such amounts would otherwise have been paid to the beneficiary and the date when such amounts are actually paid to the beneficiary after the aforementioned generation-skipping transfer tax determinations are made and the amount of benefits payable to the beneficiary is finally determined. Interest shall be payable at the same rate as provided under 5.03-2.

ARTICLE III
ADMINISTRATION

3.01 Committee; Company Representatives

3.01-1 The Committee is the plan administrator for the Plans and has general responsibility to interpret the Plans and determine the rights of Participants and beneficiaries.

3.01-2 The Trustee shall be given the names and specimen signatures of the members of the Committee and any other Company representatives authorized to take action in
regard to the administration of the Plans and this trust. The Trustee shall accept and rely upon the names and signatures until notified of any change. Instructions to the Trustee shall be signed for the Committee by the Chairman or such other person as the Committee may designate and for the Company by any officer or such other representative as the Company may designate.

3.02 Payment of Benefits

3.02-1 Benefit payments shall normally be made directly by the Company. If such payments are not made when due, after sixty (60) days written notice to the Company to permit the Company to cure any such Default, unless such notice is waived by the Company, the Trustee shall pay benefits to Participants and beneficiaries on behalf of the Company in satisfaction of its obligations under the Plans. Benefit payments from a Subtrust shall be made in full until the assets of the Subtrust are exhausted. Payments due on the date the Subtrust is exhausted shall be covered pro rata. The Company’s obligation shall not be limited to the trust fund, and a Participant or beneficiary shall have a claim against the Company for any payment not made by the Trustee.

3.02-2 A Participant’s entitlement to benefits under the Plans shall be determined by the Committee. Any benefit enhancement or right with respect to the Plans which is provided under employment or severance agreements of Participants shall be taken into account in making the foregoing determination. Any claim for such benefits shall be considered and reviewed under the claims procedures established for the Plans.

3.02-3 The Trustee shall make payments in accordance with written directions from the Committee or consultant designated by the Committee, except as provided in 3.03. The Trustee may request such directions from the Committee or consultant designated by the Committee. If the Committee or consultant designated by the Committee fails to furnish written directions to the Trustee, within sixty (60) days after receiving a written request for directions from the Trustee, the Trustee may make payments in accordance with written directions from Participants or may determine the amounts due under the terms of the Plans in reliance upon the most recent Payment Schedule furnished to it by the Company.

The Trustee shall make any required income tax withholding and shall pay amounts withheld to taxing authorities on the Company’s behalf or determine that such amounts have been paid by the Company.

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3.02 The Trustee shall use the assets of the trust or any Subtrust to make benefit payments or other payments in the following order of priority, unless the Trustee determines otherwise to protect the Participants:

(a) Cash contributions from the Company which are specifically designated to enable the Trustee to make such benefit payments or other payments when due;

(b) Cash and cash equivalents of the trust or Subtrust;

(c) All taxable investments of the trust or Subtrust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Trustee may determine;

(d) All non-taxable investments of the trust or Subtrust (other than cash and cash equivalents and Contracts with Insurers), in such order as the Trustee may determine; and

(e) Contracts with Insurers held in the trust or Subtrust, in such order and manner (for example, making tax-free withdrawals prior to any taxable withdrawals from Contracts) as the Trustee may determine. Unless the Trustee determines otherwise to protect the Participants, the Trustee shall make tax-free withdrawals prior to any taxable withdrawals from Contracts; shall make withdrawals from Contracts to the premium vanish point before surrendering any Contracts; and shall surrender Contracts, only if necessary, proceeding in order of Contracts o insureds from the youngest to the oldest ages based on the insured’s age on the date of surrender of the Contract.

Notwithstanding the foregoing, the Trustee may use the assets of the trust or any Subtrust in any other order of priority directed by the Committee with the Written Consent of Participants affected thereby.

3.03 Disputed Claims

3.03-1 A Participant covered by this Trust whose claim has been denied by the Committee, or who has received no response to the claim within sixty (60) days after submission, may submit the claim to the Trustee. The Trustee shall give written notice of the claim to the Committee. If the Trustee receives no written response from the Committee within thirty (30) days after the date the Committee is given written notice of the claim, the Trustee shall pay the Participant the amount claimed, unless it determines that a lesser amount is due under the terms of the Plans. If a written response is received within such thirty (30) days, the Trustee...
shall consider the claim, including the Committee’s response. If a written response is received within such thirty (30) days, the Trustee shall consider the claim, including the Committee’s response. If the merits of the claim depend on compensation, service or other data in the possession of the Company and it is not provided, the Trustee may rely upon information provided by the Participant. Any benefit enhancement or right with respect to the Plans which is provided under employment or severance agreements of Participants shall be taken into account in making the foregoing determination.

3.03-2 The Trustee shall give written notice to the Participant and the Committee of its decision on the claim. If the decision is to grant the claim, the Trustee shall make payment to the Participant. The Trustee may decline to decide a claim and may file suit to have the matter resolved by a court of competent jurisdiction. All of the Trustee’s expenses in the court proceeding, including attorneys fees, shall be allowed as administrative expenses of the trust.

Either the Participant or the Company may challenge the Trustee’s decision by filing suit in a court of competent jurisdiction. If no such suit is filed within sixty (60) days after delivery of written notice of the Trustee’s decision, the decision shall become final and binding on all parties.

Notwithstanding the two preceding paragraphs, after the Trustee decides a claim or declines to decide a claim, any dispute between a Participant and the Company or the Trustee as to the interpretation or application of the provisions of this Trust Agreement and amounts payable hereunder may, at the election of any party to such dispute (or, if more than one Participant is such a party, at the election of two-thirds of such Participants) be determined by binding arbitration in New York in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator’s award in any court of competent jurisdiction. All fees and expenses of such arbitration shall be paid by the Trustee and considered an expense of the trust under 3.06.

If the Participant is not satisfied with the decision of the Arbitrator, the Participant may appeal the Arbitrator’s decision by filing suit in a court of competent jurisdiction. If no such suit is filed within sixty (60) days after delivery of written notice of the Arbitrator’s decision, the decision shall become final and binding on all. If the Participant
appeals the Arbitrator’s decision and the decision is ultimately upheld, the Participant shall reimburse the Trustee for all expenses incurred in defending the Arbitrator’s decision.

3.03-3 If the Committee opposes a claim presented under 3.03-1 and the Trustee ultimately pays the claim from trust assets, the Trustee shall reimburse the Participant’s expenses in pursuing the claim, including attorneys fees at the trial and appellate level. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any such Participant’s expenses which are reimbursed by the Trustee.

3.04 Records

3.04-1 The Trustee shall keep complete records on the trust fund open to inspection by the Company, Committee and Participants at all reasonable times. In addition to accountings required below, the Trustee shall furnish to the Company, Committee and Participants any information reasonably requested about the trust fund.

3.05 Accountings

3.05-1 The Trustee shall furnish the Company with a complete statement of accounts annually within sixty (60) days after the end of the trust year showing assets and liabilities and income and expense for the year of the trust and each Subtrust. The Trustee shall also furnish the Company with accounting statements at such other times as the Company may reasonably request. The form and content of the statement of accounts shall be sufficient for the Company to include in computing its taxable income and credits the income, deductions and credits against tax that are attributable to the trust fund. The Trustee shall also allow, upon the Company’s request, access to the statements of accounts by the Company’s independent public accountant.

3.05-2 The Company may object to an accounting within one hundred eighty (180) days after it is furnished and require that it be settled by audit by a qualified, independent certified public accountant. The auditor shall be chosen by the Trustee from a list of at least five such accountants furnished by the Company at the time the audit is requested. Either the Company or the Trustee may require that the account be settled by a court of competent jurisdiction, in lieu of or in conjunction with the audit. All expenses of any audit or court proceedings, including reasonable attorneys’ fees, shall be allowed as administrative expenses of the trust.
3.05-3 If the Company does not object to an accounting within the time provided, the account shall be settled for the period covered by it.

3.05-4 When an account is settled, it shall be final and binding on all parties, including all Participants and persons claiming through them.

3.06 Expenses and Fees

3.06-1 The Trustee shall be reimbursed for all reasonable expenses and shall be paid a reasonable fee fixed by agreement with the Company from time to time. No increase in the fee shall be effective before sixty (60) days after the Trustee gives Written notice to the Company of the increase. The Trustee shall notify the Company periodically of expenses and fees.

3.06-2 The Company shall pay trustee and other administrative and valuation fees and expenses. If not so paid, these fees and expenses shall be paid from the trust fund. The Company shall reimburse the trust fund within thirty (30) days after receipt of a bill from the Trustee for any fees and expenses paid out of the trust fund.

ARTICLE IV
LIABILITY

4.01 Indemnity

4.01-1 Subject to such limitations as may be imposed by applicable law, the Company shall indemnify and hold harmless the Trustee from any claim, loss, liability or expense arising from any action or inaction in administration of this trust based on direction or information from either the Company, Committee, any Investment Manager or any Expert, or any action taken with respect to Written Consent of Participants as defined in 1.02-5, except in the case of willful misconduct or bad faith.

4.02 Bonding

4.02-1 The Trustee need not give any bond or other security for performance of its duties under this trust.

ARTICLE V
INSOLVENCY

5.01 Determination of Insolvency

5.01-1 The Company is Insolvent for purposes of this trust if:

(a) The Company is unable to pay its debts as they come due; or

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The Company is the subject of a pending proceeding as a debtor under the federal Bankruptcy Code (or any successor federal statute).

5.01-2 The Company shall promptly give written notice to the Trustee upon becoming Insolvent. The Chief Executive Officer of the Company and the Board shall be obligated to give such notice. If the Trustee receives such notice or receives from any other person claiming to be a creditor of the Company a written allegation that the Company is Insolvent, the Trustee shall independently determine whether such insolvency exists. The expenses of such determination shall be allowed as administrative expenses of the trust.

5.01-3 Upon receipt of the notice or allegation described in 5.01-2, the Trustee shall discontinue making payments from the trust fund to Participants and beneficiaries under the Plans and shall commence Insolvency Administration under 5.02.

5.01-4 The Trustee shall have no obligation to investigate the financial condition of the Company prior to receiving a notice or allegation of insolvency under 5.01-2.

5.02 Insolvency Administration

5.02-1 During Insolvency Administration, the Trustee shall hold the trust fund for the benefit of the creditors of the Company and make payments only in accordance with 5.02-2. The Participants and beneficiaries shall have no greater rights than general creditors of the Company. The Trustee shall continue the investment of the trust fund in accordance with 2.02.

5.02-2 The Trustee shall make payments out of the trust fund in one or more of the following ways:

(a) To creditors in accordance with instructions from a court, or a person appointed by a court, having jurisdiction over the Company’s condition of insolvency;

(b) To Participants and beneficiaries in accordance with such instructions; or

(c) In payment of its own fees or expenses.

5.02-3 The Trustee shall have a priority claim against the trust fund with respect to its own fees and expenses.

5.03 Termination of Insolvency Administration

5.03-1 Insolvency Administration shall terminate when the Trustee determines that the Company:
(a) Is not Insolvent, in response to a notice or allegation of insolvency under 5.01-2;
(b) Has ceased to be Insolvent; or
(c) Has been determined by a court of competent jurisdiction not to be Insolvent or to have ceased to be Insolvent.

5.03 Upon termination of Insolvency Administration under 5.03-1, the trust fund shall continue to be held for the benefit of the Participants and beneficiaries under the Plans. Benefit payments due during the period of Insolvency Administration shall be made as soon as practicable, together with interest from the due dates at the following rates:

(a) For the Executive Deferred Compensation Plan, the rate credited on the Participant’s account under the Plan.
(b) For the Supplemental Executive Benefit Plan, a rate equal to the interest rate fixed by the Pension Benefit Guaranty Corporation for valuing immediate annuities in the preceding month.
(c) For the Severance Plans, a rate equal to the interest rate fixed by the Pension Benefit Guaranty Corporation for valuing immediate annuities in the preceding month.

5.04 Creditors’ Claims During Solvency

5.04-1 During periods of Solvency the Trustee shall hold the trust fund exclusively to pay Plan benefits and fees and expenses of the trust until all Plan benefits have been paid. Creditors of the Company shall not be paid during Solvency from the trust fund, which may not be seized by or subjected to the claims of such creditors in any way.

5.04-2 A period of Solvency is any period not covered by 5.02.

ARTICLE VI
SUCCESSOR TRUSTEES

6.01 Resignation and Removal

6.01-1 The Trustee may resign at any time by notice to the Company, which shall be effective in sixty (60) days unless the Company and the Trustee agree otherwise.

6.01-2 The Trustee may be removed by the Company on sixty (60) days’ written notice or shorter notice accepted by the Trustee. After a Special Circumstance the Trustee may be removed only with the Written Consent of Participants.
6.01-3 When resignation or removal is effective, the Trustee shall begin transfer of assets to the successor Trustee immediately. The transfer shall be completed within sixty (60) days, unless the Company extends the time limit.

6.01-4 If the Trustee resigns or is removed, the Company shall appoint a successor by the effective date of resignation or removal under 6.01-1 or 6.01-2. After a Special Circumstance a successor Trustee may be appointed only with the Written Consent of Participants. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the trust.

6.02 Appointment of Successor

6.02-1 The Company may appoint any national or state bank or trust company that is unrelated to the Company as a successor to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, which shall have all of the rights and powers of the former Trustee, including ownership rights in the trust assets. The former Trustee shall execute any instruments necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer. After a Special Circumstance a successor Trustee may be appointed only with the Written Consent of Participants.

6.02-2 The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing trust assets, subject to Article II. The successor Trustee shall not be responsible for, and the Company shall indemnify and hold harmless the successor Trustee from any claim or liability because of, any action or inaction of any prior Trustee or any other past event, any existing condition or any existing assets.

6.03 Accountings; Continuity

6.03-1 A Trustee who resigns or is removed shall submit a final accounting to the Company as soon as practicable. The accounting shall be received and settled as provided in 3.05 for regular accountings.

6.03-2 No resignation or removal of the Trustee or change in identity of the Trustee for any reason shall cause a termination of the Plans or this trust.
ARTICLE VII
GENERAL PROVISIONS

7.01 Interests Not Assignable

7.01.1 The interest of a Participant in the trust fund may not be assigned, pledged or otherwise encumbered, seized by legal process, transferred or subjected to the claims of the Participant’s creditors in any way.

7.01.2 The Company may not create a security interest in the trust fund in favor of any of its creditors. The Trustee shall not make payments from the trust fund of any amounts to creditors of the Company other than Participants, except as provided in 5.02.

7.01.3 The Participants shall have no interest in the assets of the trust fund beyond the right to receive payment of Plan benefits and reimbursement of expenses from such assets subject to the instructions during Insolvency referred to in 5.02. During Insolvency Administration the Participants’ rights to trust assets shall not be superior to those of any other general creditors of the Company.

7.02 Amendment

7.02.1 The Company and the Trustee may amend this Trust Agreement at any time by a written instrument executed by both parties. Except as provided below, any such amendment after a Special Circumstance or more than two years after the date hereof may be made only with the Written Consent of Participants. Notwithstanding the foregoing, any such amendment may be made by written agreement of the Company and the Trustee without the Written Consent of Participants if such amendment will not have a material adverse effect on the rights of any Participant hereunder or, prior to a Special Circumstance, is necessary to comply with any laws, regulations or other legal requirements.

7.03 Applicable Law

7.03.1 This trust shall be governed, construed and administered according to the laws of Michigan, except as preempted by ERISA.

7.04 Agreement Binding on All Parties

7.04.1 This Trust Agreement shall be binding upon the heirs, personal representatives, successors and assigns of any and all present and future parties.

7.05 Notices and Directions

7.05.1 Any notice or direction under this Trust Agreement shall be in writing and shall be effective when actually delivered or, if mailed, when deposited postpaid as first-class
mail. Mail to a party shall be directed to the address stated below or to such other address as either party may specify by notice to the other party. Notices to the Committee shall be sent to the address of the Company. Notices to Participants who have submitted claims under 3.03 shall be mailed to the address shown in the claim submission. Until notice is given to the contrary, notices to the Company and the Trustee shall be addressed as follows:

Company: KeyCorp
One KeyCorp Plaza
P.O. Box 88
Albany, New York 12201-0088
Attention: Lee Irving

Trustee: NBD Bank, N.A.
611 Woodward Avenue
Detroit, Michigan 48226
Attention: Ken Oswald

7.06 No Implied Duties

7.06-1 The duties of the Trustee shall be those stated in this trust, and no other duties shall be implied.

7.07 Gender, Singular and Plural

7.07-1 All pronouns and any variations thereof shall be deemed to refer to the masculine or feminine, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

ARTICLE VIII

INSURER

8.01 Insurer Not a Party

8.01-1 The Insurer shall not be deemed to be a party to this Trust Agreement, and its obligations shall be measured and determined solely by the terms of its Contracts and other agreements executed by it.

8.02 Authority of Trustee

8.02-1 The Insurer shall accept the signature of the Trustee on any documents or papers executed in connection with such Contracts. The signature of the Trustee shall be conclusive proof to the Insurer that the person on whose life an application is being made is
eligible to have such Contract issued on his life and is eligible for a Contract of the type and amount requested.

8.03 Contract Ownership

8.03-1 The Insurer shall deal with the Trustee as the sole and absolute owner of the trust’s interests in such Contracts and shall have no obligation to inquire whether any action or failure to act on the part of the Trustee is in accordance with or authorized by the terms of the Plans or this Trust Agreement.

8.04 Limitation of Liability

8.04-1 The Insurer shall be fully discharged from any and all liability for any action taken or any amount paid in accordance with the direction of the Trustee and shall have no obligation to see to the proper application of the amounts so paid. The Insurer shall have no liability for the operation of this Trust Agreement or the Plans, whether or not in accordance with their terms and provisions.

8.05 Change of Trustee

8.05-1 The Insurer shall be fully discharged from any and all liability for dealing with a party or parties indicated on its records to be the Trustee until such time as it shall receive at its home office written notice of the appointment and qualification of a successor Trustee.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Trust Agreement to be executed by their respective duly authorized officers on the dates set forth below.

COMPANY:

By

Its

Executed: ______________, 199__

TRUSTEE:

By

Its

Executed: ______________, 199__
APPENDIX A
Assumptions and Methodology for
Calculations Required Under 2.01 and 2.04

1. The liability for benefits under each Plan will be calculated using two different assumptions as to when Participants terminate service:
   (a) As of the applicable date under 2.01-3 or 2.04.
   (b) Twenty four (24) months after the applicable date, assuming future compensation continues at current levels, and future deferrals under deferred compensation plans continue pursuant to prior elections.

The liability for accrued benefits under each Plan will be the greater of the liabilities calculated in accordance with (a) and (b) above.

2. Calculations will be based upon the most valuable optional form of payment available to the Participant.

3. The liability for benefits under deferred compensation or other defined contribution Plans shall be equal to the deferral or other account balances (vested and unvested) of Participants as of the applicable date, plus projected deferrals expected to be made within twenty four (24) months after the applicable date pursuant to prior elections. Account balances of Participants under a Plan shall be calculated based on crediting the highest rate of interest which may become payable to Participants under the Plan.

4. The liability for benefits under other Plans shall be equal to the present value of accrued benefits (vested and unvested) of Participants as of the relevant dates under 1(a) and (b) above.

5. No mortality is assumed prior to the commencement of benefits, except for purposes of calculating any additional accrued liability under 5 above. Future mortality is assumed to occur in accordance with the 1983 Group Annuity Table Male Rates after the commencement of benefits.

6. The present value of amounts shall be determined using a discount rate equal to the then current Pension Benefit Guaranty Corporation immediate annuity rate for a nonmultiemployer plan.

7. Where left undefined above, calculations will be performed in accordance with generally accepted actuarial principles.

Section 25: EX-10.38 (EX-10.38)

KEYCORP
SUPPLEMENTAL RETIREMENT BENEFIT PLAN
RESTATED AUGUST 16, 1990

PREAMBLE

The purpose of this Supplemental Retirement Benefit Plan is to provide certain employees with supplemental retirement benefits. It is intended that this Plan will aid in attracting and retaining employees of exceptional ability by providing them with this benefit. This Plan is effective as of January 1, 1981.

ARTICLE I
DEFINITIONS

For the purposes herein, the following terms shall have the meaning indicated:

1.1 BOARD. “Board” shall mean the Board of Directors of KeyCorp as from time to time constituted.

1.2 CREDITED SERVICE. “Credited Service” shall mean the same period of time as constitutes Credited Service for that Participant under the Pension Plan except that:
   (a) It shall not be subject to a thirty-five (35) year maximum, and
   (b) It shall continue to accrue during periods of total and permanent disability to the extent provided by Article VI hereof.

1.3 EFFECTIVE DATE. “Effective Date” shall mean January 1, 1981.

1.4 EMPLOYEE. “Employee” shall mean any person regularly employed by the Employer, including officers, but not including directors unless a director is also an officer or employee of the Employer, nor attorneys or other persons doing independent professional work who are retained by
1.5 EMPLOYER. “Employer” shall mean KeyCorp and all of its wholly owned subsidiaries, each with respect to its own Employees.

1.6 FINAL AVERAGE SALARY. “Final Average Salary” shall mean the average of the annual Salary of a Participant for the highest three (3) calendar years out of the last five (5) calendar years preceding the Participant’s termination of employment; if the Participant has less
than three (3) years of employment, the average shall be for all of the Participant’s years of employment. If the Participant is not compensated for all or a part of a year in such period because of an absence, the number of complete months in which the Participant received no compensation during such year shall be disregarded in determining Final Average Salary.

1.7 INCENTIVE COMPENSATION. “Incentive Compensation” shall mean amounts payable to a Participant under the KeyCorp Executive Incentive Compensation Plan.

1.8 PARTICIPANT. “Participant” shall mean an Employee entitled to participate in this Plan in accordance with Article II hereof.

1.9 PENSION PLAN. “Pension Plan” shall mean the KeyCorp Pension Plan as amended from time to time.

1.10 PLAN. “Plan” shall mean the KeyCorp Supplemental Retirement Benefit Plan for Key Executives as contained herein or as amended from time to time.

1.11 PLAN YEAR. “Plan Year” shall mean the calendar year.

1.12 SALARY. “Salary” shall mean the base salary and Incentive Compensation of an Employee exclusive of bonuses, overtime pay and other extra compensation. For this purpose, the basic salary of an Employee shall include:

(a) Amounts that are the subject of a deferred compensation agreement between the Employee and the Employer;

(b) Amounts that are the subject of a Salary Reduction Agreement within the meaning of the Keycorp Profit Sharing Plus Plan; and

(c) Amounts that are the subject of a salary reduction arrangement between the Employee and the Employer in accordance with Internal Revenue Code Section 125.

1.13 SERVICE. “Service” shall mean the same period of time as constitutes Service for that Participant under the Pension Plan.

ARTICLE II
PARTICIPATION

2.1 GENERAL RULE.

(a) PARTICIPATION PRIOR TO JANUARY 1, 1988. Each Employee who was a Participant as of December 31, 1987 shall continue to be a Participant provided that he continues to meet the requirement for eligibility.
2.2 REEMPLOYMENT OF PARTICIPANT. A Participant who has terminated his employment and subsequently is reemployed shall become a Participant immediately upon his reemployment provided that the Board again designates him for participation in the Plan.

2.3 PROSPECTIVE CHANGES IN PARTICIPATION REQUIREMENTS. The Employer, in its sole discretion, reserves the right to alter the requirements for participation in Section 2.1 at any time and from time to time; provided, however, that any such change shall not cause any Employee who became a Plan Participant hereunder prior to the effective date of such change to become ineligible hereunder by virtue of such change.

2.4 VESTING. A Participant shall be one hundred percent (100%) vested in benefits under this Plan upon completion of five (5) years of Credited Service.

ARTICLE III
RETIREMENT CONDITIONS

3.1 NORMAL RETIREMENT. Except as may be provided in an applicable Appendix to the Plan, the Normal Retirement Date of a Participant shall be the earliest of:

(a) The first day of the month coinciding with or next following the date he attains the age of sixty-five (65); or

(b) The first day of the month coinciding with or next following the date that the Participant both attains the age of sixty-two (62) and completes fifteen (15) years of Credited Service.

3.2 DELAYED RETIREMENT DATE. Participant may continue in the employment of the Employer beyond his Normal Retirement Date, but, to the extent permitted by applicable law, he may continue in the employment of the Employer beyond his seventieth (70th) birthday only if agreed to by the Employer. To the extent permitted by applicable law, a Participant continuing in employment beyond his seventieth (70th) birthday shall retire from the employment of the Employer on the first day of the month coinciding with or next following the end of the last approved period of employment.

3.3 EARLY RETIREMENT DATE. A Participant may retire from employment of the Employer prior to his Normal Retirement Date, on the first day of any month coinciding with or following the date on which he has either attained the age of sixty (60), or both attained the age of fifty (50) and completed at least fifteen (15) years of Credited Service.
ARTICLE IV
RETIREMENT ALLOWANCES

4.1 NORMAL RETIREMENT ALLOWANCE. A Participant shall, upon retirement at his Normal Retirement Date, receive a monthly retirement allowance which shall commence on such retirement date and shall be payable in the form and over such duration as elected by the Participant. The amount of each such retirement allowance shall be equal to (a) plus (b) minus (c) as follows:

(a) One-twelfth (1/12) of seventy-five percent (75%) of his Final Average Salary reduced by TWO (2) PERCENTAGE POINTS FOR THE NUMBER OF YEARS BY WHICH THE PARTICIPANT’S TOTAL YEARS OF CREDITED SERVICE AT HIS NORMAL RETIREMENT DATE IS LESS THAN TWENTY-FIVE (25) years (rounded down to the nearest whole year), multiplied by a fraction, the numerator of which is the Participant’s years of Credited Service earned prior to January 1, 1988, and the denominator of which is the Participant’s total years of Credited Service at his Normal Retirement Date.

(b) One-twelfth (1/12) of sixty-five percent (65%) of his Final Average Salary reduced by two and six-tenths (2.6) percentage points for the number of years by which the Participant’s total years of Credited Service at his Normal Retirement Date is less than twenty-five (25) years (rounded down to nearest whole year), multiplied by a fraction, the numerator of which is the Participant’s years of Credited Service earned after December 31, 1987, and the denominator of which is the Participant’s total Years of Credited Service at his Normal Retirement Date.

(c) The sum of:
   (i) His monthly retirement benefit under the Pension Plan determined at his Normal Retirement Date; and
   (ii) His monthly Primary Social Security Benefit as defined in the Pension Plan.

4.2 DELAYED RETIREMENT ALLOWANCE. Upon retirement after his Normal Retirement Date, a Participant shall receive a monthly allowance which shall commence on the first day of the month coincident with or next following the date of such retirement and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be computed in the same manner as the Normal Retirement Allowance except that Final Average Salary and Credited Service will be determined as of the Delayed Retirement Date.
4.3 EARLY RETIREMENT ALLOWANCE. Upon retirement at his Early Retirement Date, a Participant shall receive a monthly retirement allowance, which shall commence on the first day of any month coinciding with or preceding his Normal Retirement Date and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be equal to the product of items (a), (b) and (c) below:

(a) A monthly retirement allowance determined in the same manner as for retirement at his Normal Retirement Date except that:
   (i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his Normal Retirement Date; and
   (ii) Final Average Salary shall be determined as of the date of his actual retirement.

(b) The ratio that the Participant’s Credited Service to the date of his actual retirement bears to the Credited Service that he would have had if he had continued in employment until his Normal Retirement Date. For this purpose, the Normal Retirement Date of a Participant shall be the earliest date on which the Participant could have retired under Section 3.1.

(c) Actuarial reduction factors which take into account the commencement of benefits prior to a Participant’s Normal Retirement Date. Such actuarial reduction factors shall be the same factors as are then applicable under the Pension Plan with respect to the commencement of benefits before a Participant’s Normal Retirement Date under the Pension Plan.

4.4 VESTED TERMINATION ALLOWANCE. A vested Participant, who terminates before his Early Retirement Date, shall receive a monthly retirement allowance, which shall commence on the first day of the month coinciding with or next following his sixty-fifth (65th) birthday and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be equal to the product of items (a) and (b) below:

(a) A monthly retirement allowance determined in the same manner as for retirement at his Normal Retirement Date except that:
   (i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his sixty-fifth (65th) birthday; and
   (ii) Final Average Salary shall be determined as of the date of his actual termination.

(b) The ratio that the Participant’s Credited Service to his sixty-fifth (65th) birthday bears to the Credited Service that he would have had if he had continued in active employment until his Normal Retirement Date. For this purpose, the Normal Retirement Date of a Participant shall be the earliest date on which the Participant could have retired under Section 3.1.
4.5 OPTIONAL METHODS OF RETIREMENT PAYMENTS. The benefits hereunder shall be paid in accordance with the optional method of retirement payment that has been elected by the Participant at the time of initial Plan participation. The Participant may elect one of the following payment forms:

(a) Joint and fifty percent (50%) survivor benefit.
(b) Joint and one hundred percent (100%) survivor benefit.
(c) Ten (10) year certain and life.
(d) Fifteen (15) year certain and life.
(e) Single life annuity.

The same actuarial reduction factors and method of calculating actuarial equivalence under the KeyCorp Pension Plan (1989 Restatement) shall be applicable under this Plan. Any such optional method of retirement payment shall be the actuarial equivalent of the actual dollar amount of lifetime retirement allowance otherwise payable from this Plan after adjustment for the benefit payable from the KeyCorp Pension Plan (1989 Restatement) and the Primary Social Security Benefit.

4.6 SPECIAL RULES WITH REGARD TO CALCULATION OF RETIREMENT ALLOWANCES. The following special rules shall be applicable with regard to the calculation of retirement allowances under the Plan:

(a) A Participant’s monthly retirement benefit under the Pension Plan shall mean the benefit to which the Participant is or, upon proper application, would be, entitled under the Pension Plan. For this purpose, the benefit to which the Participant would be entitled under the Pension Plan is the benefit which he could receive if he elected to commence payments at the earliest time available under the Pension Plan, notwithstanding when he actually elects to have benefits commence.

(b) The Participant’s Primary Social Security Benefit shall mean the Primary Social Security Benefit payable, if proper application were made, when the Participant retires under this Plan.

If a Participant is not eligible for such Primary Social Security Benefit upon his retirement under this Plan, and upon proper application would not be so entitled, then no Primary Social Security Benefit shall be taken into account under Section 4.1 until the earliest date at which he is eligible to receive such benefits if proper application were made. In such an event, the Primary Social Security Benefit to which such Participant is or, upon proper application,
would be entitled at such earliest date shall be taken into account under Section 4.1 in calculating his benefits under this Plan from and after such date. Once such Primary Social Security Benefits are taken into account under Section 4.1, any subsequent change in the Participant’s Primary Social Security Benefits (whether such change is the result of applying a cost-of-living increase, or recomputing the benefit based upon more recent compensation or otherwise) shall be disregarded.

(c) If a Participant is not a participant in the Pension Plan, his benefit will be determined without reference to the amount of his benefit under the Pension Plan specified in Section 4.1; provided, however, that if such Participant is a participant in a defined benefit pension plan qualified under Internal Revenue Code Section 401(a), maintained by the Employer or any subsidiary thereof, other than the Pension Plan, then the benefit payable to such Participant under such other plan, determined in accordance with subsection (a) above, shall be applied in lieu of the amount of his benefit under the Pension Plan specified in Section 4.1.

(d) If a Participant is entitled to receive a benefit from the Pension Plan and also from another defined benefit pension plan qualified under Internal Revenue Code Section 401(a), maintained by the Employer or any subsidiary thereof, then the amount payable from such other plan, determined in accordance with subsection (a) above, shall be added to the amount of his benefit under the Pension Plan taken into account in accordance with Section 4.1.

(e) Specific exceptions to the provisions of the Plan related to the calculation of Retirement Allowances shall be governed by the Appendices which are incorporated as part of this Plan.

ARTICLE V
DEATH BENEFITS

5.1 DEATH PRIOR TO RETIREMENT.

(a) If a Participant dies in active employment and prior to becoming eligible for either an Early Retirement Allowance or a Normal Retirement Allowance hereunder, no death benefit shall be payable from this Plan.

(b) If a Participant dies in active employment but after becoming eligible for either an Early Retirement Allowance or a Normal Retirement Allowance, and is survived by his spouse, a monthly retirement allowance shall be paid to his surviving spouse commencing on the first day of the month coincident with or next following his date of death and continuing on the first day of each month thereafter during his spouse’s lifetime. Each such monthly retirement allowance
5.2 DEATH AFTER COMMENCEMENT OF RETIREMENT ALLOWANCE. Except as provided in Section 4.5, all rights to any benefits under the Plan will cease upon the death of any Participant for whom retirement allowances have commenced.

ARTICLE VI

DISABILITY BENEFITS

6.1 TOTAL AND PERMANENT DISABILITY DEFINED. Total and permanent disability shall mean such disability as, after the expiration of the waiting period provided by law, will entitle the Participant to receive disability benefit payments in accordance with Title II of the United States Social Security Act.

6.2 TERMINATION PRIOR TO TEN (10) YEARS OF CREDITED SERVICE. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed less than ten (10) years of Credited Service at such time shall not thereby be entitled to any benefits from the Plan.

6.3 TERMINATION AFTER TEN (10) YEARS OF CREDITED SERVICE. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed ten (10) or more years of Credited Service shall be subject to whichever of the following subsections shall be applicable:

(a) If he shall (after the applicable statutory waiting period) be continuously disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), then he shall receive a monthly retirement allowance from this Plan commencing upon the first day of the month coincident with or next following the attainment of his sixty-fifth (65th) birthday and payable on the first day of each

shall equal seventy-five percent (75%) of the monthly retirement allowance to which the Participant would have been entitled had he retired on his date of death.

For the purpose of calculating this death benefit only, the following special rules apply with respect to the calculation of the Primary Social Security Benefit which the Participant would have been entitled to receive:

(i) If both the Participant had attained his sixty-second (62nd) birthday and his spouse had attained her sixtieth (60th) birthday on the Participant’s date of death, then the Primary Social Security Benefit to which the Participant would have been entitled had he retired on his date of death instead of dying and then commenced receiving Social Security benefits will be applied.

(ii) In all other cases, the Primary Social Security Benefit shall be deemed to be zero.

5.2 DEATH AFTER COMMENCEMENT OF RETIREMENT ALLOWANCE. Except as provided in Section 4.5, all rights to any benefits under the Plan will cease upon the death of any Participant for whom retirement allowances have commenced.
6.4 RECOVERY FROM DISABILITY PRIOR TO NORMAL RETIREMENT DATE. If a Participant who became totally and permanently disabled thereafter recovers from such disability prior to attaining age sixty-five (65) (as evidenced solely by the fact that he is no longer eligible for Social Security disability benefits), then his benefits from this Plan shall be determined as follows:

(i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his sixty-fifth (65th) birthday, and

(ii) Final Average Salary shall be determined as of the date of his actual termination of employment due to disability.

(b) If he shall (after the applicable statutory waiting period) not be continually disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), he shall not be entitled to a disability benefit from this Plan, but shall be subject to the provisions of Section 6.4 hereof.

ARTICLE VII

ADMINISTRATION

7.1 CONTRIBUTIONS BY PARTICIPANTS. No contributions by Participants shall be required or permitted under this Plan.

7.2 CONTRIBUTIONS BY EMPLOYER.

(a) This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of management or highly compensated employees.
7.3 DESIGNATION AND DUTIES OF ADMINISTRATOR. The Board shall designate the administrator of this Plan who shall administer this Plan and who shall serve until the Board designates another administrator. All decisions of such administrator with respect to the administration of this Plan shall be final and binding upon the Employer, the Participants and all other parties hereto.

7.4 AMENDMENT. The Board shall have the right at any time, and from time to time, to amend, in whole or in part, any or all of the provisions of this Plan. However, no such amendment shall reduce or eliminate any benefit to which the Participant would then be entitled to receive (based upon his age, Credited Service, Service and Final Average Salary as of the date of such amendment) as of the date of such amendment.

7.5 PLAN TERMINATION. The Board shall have the right at any time to terminate this Plan. However, no such termination shall reduce or eliminate any benefit to which the Participant would then be entitled to receive (based upon his age, Credited Service, Service and Final Average Salary as of the date of such termination) as of the date of such termination.

ARTICLE VIII
CLAIMS PROCEDURES

8.1 CLAIM. The Committee shall establish rules and procedures to be followed by Participants and Beneficiaries in (a) filing claims for benefits, and (b) for furnishing and verifying proofs necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article. Such rules and procedures shall require that claims and proofs be made in writing and directed to the Committee.

8.2 REVIEW OF CLAIM. The Committee shall review all claims for benefits. Upon receipt by the Committee of such a claim, it shall determine all facts which are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within ninety (90) days of receipt of such claim. If prior to the expiration of the initial ninety (90) day period, the Committee determines additional time is needed to come to a determination on the claim, the Committee shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of one hundred eighty (180) days from the date the application was received.

8.3 NOTICE OF DENIAL OF CLAIM. In the event that any Participant, Beneficiary or other claimant claims to be entitled to a benefit under the Plan, and the Committee determines
that such claim should be denied in whole or in part, the Committee shall, in writing, notify such claimant that the claim has been denied, in whole or in part, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall refer to the specific sections of the Plan relied on, shall describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and where appropriate, shall include an explanation of how the claimant can obtain reconsideration of such denial.

8.4 RECONSIDERATION OF DENIED CLAIM.

(a) Within sixty (60) days after receipt of the notice of the denial of a claim, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Committee, a reconsideration by the Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such sixty (60) day period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Committee is correct. If such claimant or duly authorized representative requests a reconsideration within such sixty (60) day period, the claimant or duly authorized representative shall have thirty (30) days after filing a request for reconsideration to submit additional written material in support of the claim, review pertinent documents, and submit issues and comments in writing.

(b) After such reconsideration request, the Committee shall determine within sixty (60) days of receipt of the claimant’s request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. The written notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. In the event of special circumstances determined by the Committee, the time for the Committee to make a decision may be extended by an additional sixty (60) days upon written notice to the claimant prior to the commencement of the extension. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or duly authorized representative notifies the Committee within ninety (90) days after the mailing or delivery to the claimant by the Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Committee and actually institutes such legal proceedings within one hundred eighty (180) days after such mailing or delivery.

8.5 EMPLOYER TO SUPPLY INFORMATION. To enable the Committee to perform its functions, the Employer shall supply full and timely information to the Committee of all matters relating to the retirement, death or other cause for termination of service of all Participants, and such other pertinent facts as the Committee may require.
ARTICLE IX
MISCELLANEOUS

9.1 HEADINGS AND SUBHEADINGS. The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored any construction of the provisions hereof.

9.2 GENDER AND NUMBER. Whenever any words are used herein in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and whenever any words are used herein in the singular form they shall be construed as though they were also used in plural form in all cases where they would so apply.

9.3 CONSTRUCTION OF PLAN. This Plan shall be construed according to the laws of the State of New York and all provisions hereof shall be administered according to the laws of such State.

9.4 EMPLOYEE’S RIGHTS. Neither the establishment of this Plan, nor any modification thereof, nor the payment of any benefits, shall be construed as giving to an Employee or other person, any legal or equitable right against the Employer, or any officer or Employee thereof, except as herein provided. Under no circumstances shall the terms of employment of an Employee be modified or in any way affected hereby.

9.5 VESTED INTEREST. No Plan Participant or other Employee shall have a vested interest with respect to this Plan except as specifically provided herein.

9.6 RECEIPT OR RELEASE. Any payment to an Employee, contingent annuitant, beneficiary, or to their legal representatives, in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Employer, who may require such Employee, contingent annuitant, beneficiary or legal representative, as a condition precedent to such payment, to execute a receipt and release therefor in such form as shall be determined by the Employer.

9.7 SPENDTHRIFT CLAUSE. Except insofar as may be contrary to any applicable law, no payment of any benefit under the Plan shall be assignable and no such payment or contribution shall be subject to the claims of any creditor.

9.8 FACILITY OF PAYMENTS. If any Employee, contingent annuitant or beneficiary is a minor or is, in the judgment of the administrator, otherwise legally incapable of personally receiving and giving a valid receipt for any payment due him under the Plan, the administrator may, unless and until claim shall have been made by a duly appointed guardian or legal representative of such person, make such payment or any part thereof to such person’s spouse, child, parent, brother or sister, or other person deemed by the administrator to have incurred expense for or assumed responsibility for the expenses of such person. Any payment so made shall be in complete discharge of any liability under the Plan for such payment.
9.9 DELEGATION OF AUTHORITY BY THE EMPLOYER. Whenever the Employer, under the terms of this Agreement, is permitted or required to do or perform any act or matter or thing, it shall be done and performed by any officer thereunto duly authorized by its Board of Directors.

IN WITNESS WHEREOF, KEYCORP has caused its corporate seal to be affixed hereto and these presents to be executed by its duly authorized corporate officers, this 16th day of August, 1990, to be effective as of September 1, 1990.

(Seal) KEYCORP

ATTEST

/s/ Robert W. Bouchard
Secretary

By /s/ Victor J. Riley, Jr.
Chairman, President and
Chief Executive Officer
APPENDIX A

Special Provisions Applicable to Employees of Howe & Rusling, Inc.

1. PARTICIPATION (PLAN REFERENCE: SECTION 2.1).

   The following Employees of Howe & Rusling, Inc. shall become Participants as of the date on which Howe & Rusling, Inc. became a wholly owned subsidiary of Key Advisory Services, Inc.:

   Thomas G. Rusling
   Jack L. Anderson
   Robert B. Wolf

2. SERVICE AND CREDITED SERVICE (PLAN REFERENCE: SECTION 1).

   For the purpose of determining the benefit payable to any Participant listed in Section 1 above, the Service and Credited Service of such a Participant shall be determined as if the Employer of each such Participant had been an Employer under the Pension Plan throughout the period that the Participant was in the employ of such Employer.
Special Provisions Applicable to Listed Employees.

1. PARTICIPATION (PLAN REFERENCE: SECTION 2.01).

   The following Employees shall be Participants in the Plan, notwithstanding the provisions of Section 2.01.
   
   Kevin I. Sullivan (IN PAY STATUS)
   Carl N. Wenger

2. CREDITED SERVICE (PLAN REFERENCE: SECTION I).

   The Credited Service of a Participant whose name is listed in Section 1 above, who satisfies the requirements of Section 2.01, and who retires in accordance with the terms of Article III, shall be equal to the sum of (1) the Credited Service of such Participant under the Pension Plan plus (2) the period of years and months set forth opposite his name in this Section 2.

   Name | Additional Credited Service
   ------------------------|-----------------------------
   Kevin I. Sullivan         | 8 years, 6 months
   Carl N. Wenger            | 9 years, 11 months

3. CALCULATION OF RETIREMENT ALLOWANCES (PLAN REFERENCE: SECTION 4.02).

   (a) For the purpose of determining the benefit payable hereunder to any Participant listed in Section 1 above but does not satisfy the requirements of Section 2 above, shall be equal to the difference between (1) the benefit that would be payable to such Participant under the Pension Plan if there were added to his Credited Service under the Pension Plan the period of years and months set forth opposite his name in Section 2 above and (2) the benefit payable to such Participant under the Pension Plan.

   (b) The benefits payable hereunder to a Participant whose name is listed in Section 1 above shall be reduced by the amount of any supplemental benefit payable to such Participant by any previous employer of such Participant that is intended to take into account the period of years and months set forth in Section 1 above opposite the name of such Participant.
APPENDIX C

Special Provisions Applicable to Employees of Key Pacific Bancorporation and Its Subsidiaries.

1. PARTICIPATION (PLAN REFERENCE: SECTION 2.1).

The following Employees of Key Pacific Bancorporation, or its Subsidiaries, shall become Participants, or shall remain Participants, as the case may be, as of January 1, 1987:

   James J. Atkinson
   Stephen K. Foster

2. SERVICE AND CREDITED SERVICE (PLAN REFERENCE: SECTION I).

For the purpose of determining the benefit payable to any Participant listed in Section 1 above, the Service and Credited Service of such a Participant shall be determined as if the Employer of each such Participant had been an Employer under the Pension Plan throughout the period that the Participant was in the employ of such Employer.
APPENDIX D

Special Provisions Applicable to Employees of National Commercial Bank and Trust Company.

1. NORMAL RETIREMENT (PLAN REFERENCE: SECTION 3.1).

   The Normal Retirement Date of Participants who were members of the Retirement System of the National Commercial Bank and Trust Company on January 1, 1951, shall be the first day of the month coinciding with or next following the date that the Participant attains the age of sixty (60).
KEYCORP
Certificate of the Resolution
Adopted by the
Board of Directors

1. The Board of Directors of KeyCorp ("Board") has adopted the KeyCorp Supplemental Retirement Benefit Plan for Key Executives ("Plan") and the Board has the right to amend the Plan.

2. The Pension and Profit Sharing Committee, after due consideration, recommends two amendments of the Plan.

Upon motion made and duly seconded, it was

RESOLVED that the Board of Directors of KeyCorp approve amendments recommended by the Pension and Profit Sharing Committee to the KeyCorp Supplemental Retirement Benefit Plan for Key Executives, each to be effective as of July 1, 1990.

1. Amend the first clause of section 1.6, FINAL AVERAGE SALARY, to provide that Final Average Salary of a Participant during any three years of the five consecutive years preceding the Participant’s termination of employment which results in the highest such average.

2. A participant shall be one-hundred percent (100%) vested in benefits under this Plan upon completion of five (5) years of credited service.

I, ROBERT W. BOUCHARD, Secretary of KeyCorp, do hereby certify that the foregoing is a correct and complete copy of the resolution of the Board of Directors of KeyCorp duly adopted by a majority vote of all the members thereof at a meeting held on August 16, 1990, and that said resolution has not been rescinded and is still in full force and effect.

WITNESS, my hand this 27th day of August, 1990.

/s/ Robert W. Bouchard
Robert W. Bouchard
Secretary, KeyCorp

(Seal)
AMENDMENT TO THE KEYCORP SUPPLEMENTAL RETIREMENT BENEFIT PLAN

WHEREAS, KeyCorp has established the KeyCorp Supplemental Retirement Benefit Plan (the “Plan”), and
WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation Committee to permit amendments to the Plan, and
WHEREAS, the Compensation Committee of the Board of Directors of KeyCorp has authorized the execution of this Amendment,
NOW, THEREFORE, pursuant to such action of the Compensation Committee, the Plan is hereby amended as follows:

1. Article I shall be amended to add the following two (2) new definitions immediately prior to Section 1.1:
   1.0(a) “AVERAGE INTEREST CREDIT” shall mean the average of the Interest Credits (as defined in the Pension Plan) for the three (3) consecutive calendar years ending with the year of termination.
   1.0(b) “AVERAGE TREASURY RATE” shall mean the average of the Treasury Rates (as defined in the Pension Plan) for the three (3) consecutive calendar years ending with the year of termination.

2. Section 1.2 shall be amended to delete the term Pension Plan in its entirety and to substitute therefore the “KeyCorp Pension Plan (1989 Restatement).”

3. Section 1.7 is amended to delete in its entirety and to substitute therefore the following:
   “INCENTIVE COMPENSATION AWARD” shall mean an Incentive Compensation Award granted to a Plan Participant under the KeyCorp Short-Term Incentive Compensation Plan and/or KeyCorp Management Incentive Compensation Plan. For purposes of this Section 1.7 hereof, an Incentive Compensation Award shall be deemed to be for the year in which the Incentive Compensation Award is earned (without regard to the actual time of payment), provided, however, that in no event shall more than one Incentive Compensation Award be included in determining a Participant’s Salary for any applicable year.

4. Section 1.9 shall be amended to add the words “Cash Balance” immediately following the term KeyCorp and before the term Pension Plan, provided, however, that for purposes of determining a Participant’s monthly Primary Social Security Benefit the term “Pension Plan” shall reference the KeyCorp Pension Plan (1986 Restatement) and further, for purposes of determining the actuarial reduction factors
and method of calculating actuarial equivalence the term “Pension Plan” shall reference the KeyCorp Pension Plan (1989 Restatement).

5. Section 1.12 shall be amended to include the word “Award” immediately following the term “Incentive Compensation” appearing in the second line of Section 1.12.

6. Section 2.1 shall be amended to include the following new sentence at the end of such Section:

Effective December 31, 1994, all new participation to the Plan shall cease, and only those individuals designated by the Employer as a Participant prior to December 31, 1994 shall continue to participate in the Plan.

7. Section 4.2 shall be amended to delete it in its entirety and to substitute therefore the following:

Upon retirement after his Normal Retirement Date, a Participant shall receive a monthly allowance which shall commence on the first day of the month coincident with or next following the date of such retirement and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be computed in the same manner as the Normal Retirement Allowance except that Final Average Salary will be determined as of the Delayed Retirement Date. A Participant shall not accrue additional Credited Service beyond his Normal Retirement Date, unless the Participant has less than twenty-five (25) years of Credited Service; in which case such Participant shall continue to accrue Credited Service (up to a total of twenty-five (25) years), for purposes or reducing or eliminating the short service reductions of Section 4.1(a) and (b). Credited Service accrued after a Participant’s Normal Retirement Date shall not be used in the multiplier fractions of Section 4.1(a) and (b).

8. Section 4.3 shall be amended to add the following new paragraph at the end of such Section:

Notwithstanding the foregoing, in calculating a Participant’s Early Retirement Allowance under the terms of this Section 4.3, the Participant’s monthly retirement allowance at his or her Normal Retirement Date for purposes of this Section 4.3 hereof shall be the Participant’s monthly retirement allowance under the Pension Plan as of the Participant’s Normal Retirement Date. In calculating this Normal Retirement Date benefit, if the Participant is not eligible for, or chooses not to elect his or her monthly retirement allowance under the provisions of Section 6.5(b) of the Pension Plan, such Participant’s Pension Plan benefit as of his or her termination date shall be increased for purposes of this Plan with an imputed Average Interest Credit to reflect the Participant’s benefit at his or her Normal Retirement Date and shall be converted to the form of a Single Life Annuity option using the Average Treasury Rate and the GATT Mortality Table.
9. Section 4.5 is amended to delete it in its entirety and to substitute the following:

4.5 (a) IMMEDIATE PAYMENT UPON NORMAL RETIREMENT DATE OF PARTICIPANT. Subject to the provisions of Section 4.4 hereof, a Participant meeting the age and service eligibility requirements entitling a Participant to a Normal Retirement Allowance, shall receive an immediate distribution of his or her Normal Retirement Allowance upon the Participant’s retirement or termination of employment in the form of a single life annuity, unless the Participant elects in writing a minimum of thirty days prior to his or her retirement or termination date to receive payment of his or her Normal Retirement Allowance under a different form of payment. The forms of payment from which a Participant may elect shall be identical to those forms of payment specified in the Pension Plan, provided, however, that the lump sum payment option available under the Pension Plan shall not be available under this Plan. Such method of payment, once elected by the Participant, shall be irrevocable.

The same actuarial reduction factors and method of calculating actuarial equivalence under the former KeyCorp Pension Plan (1989 Restatement) shall be applicable under this Plan. Any such optional method of retirement payment shall be the actuarial equivalent of the actual dollar amount of lifetime retirement allowance otherwise payable from this Plan after adjustment for the benefit payable from the Pension Plan and the Primary Social Security Benefit.

(b) DEFERRED BENEFIT PAYMENT. A Participant who retires or terminates his or her employment with an Employer after meeting the age and service requirements for an Early Retirement Allowance, may elect to defer receipt of his or her Plan benefit until a date specified by the Participant, provided, (1) the Participant notifies the Employer in writing of his or her deferral election a minimum of one year prior to the Participant’s retirement or termination of employment, (2) the Participant specifies the future date on which such Plan benefit is to be distributed and (3) the Participant commences distribution of his or her Plan benefit no later than the first day of the month immediately following the Participant’s sixty-fifth (65th) birthday. The election to defer, once made by the Participant, shall be irrevocable.

Notwithstanding the foregoing, in the case of an “enforceable emergency”, upon written application by the Participant to the Employer, the Employer in its sole discretion, may accelerate the distribution of the Participant’s Plan benefit. For purposes of this Section 4.5, the term “unforeseeable emergency” shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the Participant if such premature distribution were not permitted.

10. The amendments set forth in Paragraphs 1, 3, 4, 5, 6, 7, 8, and 9 hereof shall be effective as of the first day of January 1995.
11. The amendments set forth in Paragraph 2 hereof shall be effective as of the first day of January 1994.

12. Except as specifically amended, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this Amendment to the Plan to be executed by its duly authorized officer to be effective as of the first day of January 1995.

KEYCORP

By: /s/ Steven Bulloch
Title: Assistant Secretary
WHEREAS, KeyCorp has established the KeyCorp Supplemental Retirement Benefit Plan (“Plan”), and
WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation Committee to approve amendments to the Plan, and
WHEREAS, the Compensation Committee of the Board of Directors of KeyCorp has authorized the execution of this Second Amendment.
NOW THEREFORE, pursuant to such action of the Compensation Committee, the Plan is amended as follows:

1. Section 5.1(a) is amended to delete it in its entirety and to substitute therefore the following:

   “(a) If a Participant dies in active employment after completion of five or more years of Credited Service and is survived by a surviving spouse, a monthly retirement allowance shall be paid to the Participant’s spouse commencing on the first day of the month coincident with or next following the Participant’s date of death. Each such monthly retirement allowance shall equal 50 percent of the monthly retirement allowance to which the Participant would have been entitled had the Participant retired as of the Participant’s Normal Retirement Date. Such death benefit shall be paid in the form of a single life annuity and shall be subject to distribution any time after the Participant’s earliest retirement date.

   For purposes of calculating the death benefit contained within this Section 5.1(a) only, the following shall apply:

   (i) The Participant’s Primary Social Security Benefit shall be calculated as if the Participant had retired as of his Normal Retirement Date,

   (ii) The Participant’s Pension Plan benefit shall be calculated under the provisions of Article IV of the Pension Plan as if the Participant had died on his Normal Retirement Date, with such Pension Plan benefit being increased for purposes of this Section 5.1(a) with an imputed Average Interest Credit to reflect the Participant’s Normal Retirement Date monthly retirement benefit converted to a single life annuity option using the Average Treasury Rate and Gatt Mortality Tables.

   (iii) The monthly retirement allowance paid to the Participant’s spouse upon the Participant’s death shall be reduced if paid prior to the Participant’s
2. Section 6.2 shall be amended to delete it in its entirety and to substitute therefore the following:

“6.2 TERMINATION PRIOR TO FIVE (5) YEARS OF CREDIT SERVICE. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed less than five (5) years of Credited Service at such time shall not be entitled to any benefits from the Plan.”

3. The first paragraph of Section 6.3 shall be amended to delete it in its entirety and to substitute therefore the following:

“6.3 TERMINATION AFTER FIVE (5) YEARS OF CREDITED SERVICE. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed five (5) or more years of Credited Service shall be subject to whichever of the following subsections shall be applicable:

(a) If he shall (after the applicable statutory waiting period) be continuously disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), then he shall receive a monthly retirement allowance from this Plan commencing upon the first day of the month coincident with or next following the attainment of his sixty-fifth (65th) birthday and payable on the first day of each month thereafter for his remaining lifetime. Such monthly retirement allowance shall be determined in the same manner as for retirement at his Normal Retirement Date, except that:

(i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his sixty-fifth (65th) birthday, and

(ii) Final Average Salary shall be determined as of the date of his actual termination of employment due to disability.

(b) If he shall (after the applicable statutory waiting period) not be continually disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), he shall not be entitled to a disability benefit from this Plan, but shall be subject to the provisions of Section 6.4 hereof.”

IN WITNESS WHEREOF, KEYCORP has caused this Amendment to the Plan to be executed by its duly authorized officer as of this first day of August, 1996.

KEYCORP

By: /s/ Steven Bulloch
Title: Assistant Secretary

(Back To Top)

Section 26: EX-10.41 (EX-10.41)

Exhibit 10.41

THIRD AMENDMENT TO THE KEYCORP SUPPLEMENTAL RETIREMENT BENEFIT PLAN

WHEREAS, KeyCorp has established the KeyCorp Supplemental Retirement Benefit Plan (the “Plan”), and

WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation and Organization Committee to permit amendments to the Plan, and

WHEREAS, the Compensation and Organization Committee of the Board of Directors of KeyCorp has authorized the execution of this Third Amendment,

NOW, THEREFORE, pursuant to such action of the Compensation and Organization Committee, the Plan is hereby amended as follows:

1. Section 1.7 is amended to delete in its entirety and to substitute therefore the following:

“Incentive Compensation Award” shall mean an incentive compensation award granted to a Plan Participant under the KeyCorp Annual Incentive Plan and/or such other Employer-sponsored line of business incentive compensation plans that KeyCorp in its sole discretion determines to be included herein for purposes of determining a Participant’s Incentive Compensation Award under the Plan. For purposes of this Section 1.7 hereof, an Incentive Compensation Award shall be deemed to be for the year in which the Incentive Compensation Award is earned (without regard to the actual time of payment), provided, however, that in no event shall more than one Incentive Compensation Award be included in determining a Participant’s Salary for any applicable year.

2. The amendment set forth in Paragraph 1 hereof, shall be effective as of the first day of January, 1999.
3. Except as specifically amended herein, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this Third Amendment to the Plan to be executed by its duly authorized officer as of the first day of July, 1999

KEYCORP

By: ________________________________

Title: ________________________________

Section 27: EX-10.43 (EX-10.43)
PREAMBLE

The purpose of this Supplemental Retirement Benefit Plan for Key Executives is to provide certain employees with supplemental retirement benefits. It is intended that this Plan will aid in attracting and retaining employees of exceptional ability by providing them with this benefit. This Plan is effective on July 1, 1990.

ARTICLE I

DEFINITIONS

For the purposes herein, the following terms shall have the meaning indicated:

1.1 Board. “Board” shall mean the Board of Directors of KeyCorp as from time to time constituted.

1.2 Credited Service. “Credited Service” shall mean the same period of time as constitutes Credited Service for that Participant under the Pension Plan except that:
   (a) It shall not be subject to a thirty-five (35) year maximum, and
   (b) It shall continue to accrue during periods of total and permanent disability to the extent provided by Article VI hereof.

1.3 Effective Date. “Effective Date” shall mean July 1, 1990.

1.4 Employee. “Employee” shall mean any person regularly employed by the Employer, including officers, but not including directors unless a director is also an
officer or employee of the Employer, nor attorneys or other persons doing independent professional work who are retained by the Employer.

1.5 Employer. “Employer” shall mean KeyCorp and all of its wholly-owned subsidiaries, each with respect to its own Employees.

1.6 Final Average Salary. “Final Average Salary” shall mean the average of the annual Salary of a Participant for the highest three (3) calendar years out of the last five (5) calendar years preceding the Participant’s termination of employment; if the Participant has less than three (3) years of employment, the average shall be for all of the Participant’s years of employment. If the Participant is not compensated for all or a part of a year in such period because of an absence, the number of complete months in which the Participant received no compensation during such year shall be disregarded in determining Final Average Salary.

1.7 Incentive Compensation. “Incentive Compensation” shall mean amounts payable to a participant under the KeyCorp Executive Incentive Compensation Plan.

1.8 Participant. “Participant” shall mean an employee entitled to participate in this Plan in accordance with Article II hereof.

1.9 Pension Plan. “Pension Plan” shall mean the KeyCorp Pension Plan as amended from time to time.

1.10 Plan. “Plan” shall mean the KeyCorp Supplemental Retirement Benefit Plan for Key Executives as contained herein or as amended from time to time.

1.11 Plan Year. “Plan Year” shall mean the calendar year.

Page 2 — SUPPLEMENTAL RETIREMENT BENEFIT PLAN FOR KEY EXECUTIVES
1.12 **Salary.** “Salary” shall mean the base salary and Incentive Compensation of an Employee exclusive of bonuses, overtime pay and other extra compensation. For this purpose, the basic salary of an Employee shall include:

(a) Amounts that are the subject of a deferred compensation agreement between the Employee and the Employer;

(b) Amounts that are the subject of a Salary Reduction Agreement within the meaning of the KeyCorp Profit Sharing Plus Plan; and

(c) Amounts that are the subject of a salary reduction arrangement between the Employee and the Employer in accordance with the Internal Revenue Code Section 125.

1.13 **Service.** “Service” shall mean the same period of time as constitutes Service for that Participant under the Pension Plan.
ARTICLE II

PARTICIPATION

2.1 General Rules. Participation shall be limited to Participants of the KeyCorp Supplemental Retirement Benefit Plan for Key Executives who are designated as Participants of this Plan by the Board. A Participant in this Plan shall not also be a Participant in the KeyCorp Supplemental Retirement Benefit Plan.

2.2 Reemployment of Participant. A Participant who has terminated his employment and subsequently is reemployed shall become a Participant immediately upon his reemployment provided that the Board again designates him for participation in the Plan.

2.3 Prospective Changes in Participation Requirements. The Employer, in its sole discretion, reserves the right to alter the requirements for participation in Section 2.1 at any time and from time to time; provided, however, that any such change shall not cause any Employee who became a Plan Participant hereunder prior to the effective date of such change to become ineligible hereunder by virtue of such change.

2.4 Vesting. A Participant shall be one-hundred percent (100%) vested in benefits under this Plan upon completion of five (5) years of Credited Service.
ARTICLE III

RETIREMENT CONDITIONS

3.1 Normal Retirement. Except as may be provided in an applicable Appendix to the Plan, the Normal Retirement Date of a Participant shall be the earliest of:

(a) The first day of the month coinciding with or next following the date he attains the age of sixty-five (65); or

(b) The first day of the month coinciding with or next following the date that the Participant both attains the age of sixty-two (62) and completes fifteen (15) years of Credited Service.

3.2 Delayed Retirement Date. A Participant may continue in the employment of the Employer beyond his Normal Retirement Date, but, to the extent permitted by applicable law, he may continue in the employment of the Employer beyond his seventieth (70th) birthday only if agreed to by the Employer. To the extent permitted by applicable law, a Participant continuing in employment beyond his seventieth (70th) birthday shall retire from the employment of the Employer on the first day of the month coinciding with or next following the end of the last approved period of employment.

3.3 Early Retirement Date. A Participant may retire from employment of the Employer prior to his Normal Retirement Date, on the first day of any month coinciding with or following the date on which he has either attained the age of sixty (60), or both attained the age of fifty (50) and completed at least fifteen (15) years of Credited Service.
ARTICLE IV

RETIREMENT ALLOWANCES

4.1 Normal Retirement Allowance. A Participant shall, upon retirement at his Normal Retirement Date, receive a monthly retirement allowance which shall commence on such retirement date and shall be payable in the form and over such duration as elected by the Participant. The amount of each such retirement allowance shall be equal to (a) plus (b) minus (c) as follows:

(a) One-twelfth (1/12th) of seventy-five percent (75%) of his Final Average Salary reduced by two (2) percentage points for the number of years by which the Participant’s total years of Credited Service at his Normal Retirement Date is less than twenty-five (25) years (rounded down to the nearest whole year), multiplied by a fraction, the numerator of which is the Participant’s years of Credited Service earned prior to January 1, 1988, and the denominator of which is the Participant’s total years of Credited Service at his Normal Retirement Date.

(b) One-twelfth (1/12th) of sixty-five percent (65%) of his Final Average Salary reduced by 2.6 percentage points for the number of years by which the Participant’s total years of Credited Service at his Normal Retirement Date is less than twenty-five (25) years (rounded down to nearest whole year), multiplied by a fraction, the numerator of which is the Participant’s years of Credited Service earned after December 31, 1987, and the denominator of which is the Participant’s total Years of Credited Service at his Normal Retirement Date.

(c) The sum of:

(i) His monthly retirement benefit under the Pension Plan determined at his Normal Retirement Date; and
(ii) His monthly Primary Social Security Benefit as defined in the Pension Plan.

4.2 Delayed Retirement Allowance. Upon retirement after his Normal Retirement Date, a Participant shall receive a monthly allowance which shall commence on the first day of the month coincident with or next following the date of such retirement and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be computed in the same manner as the Normal Retirement Allowance except that Final Average Salary and Credited Service will be determined as of the Delayed Retirement date.

4.3 Early Retirement Allowance. Upon retirement at his Early Retirement Date, a Participant shall receive a monthly retirement allowance, which shall commence on the first day of any month coinciding with or preceding his Normal Retirement Date and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be equal to the product of items (a), (b) and (c) below:

(a) A monthly retirement allowance determined in the same manner as for retirement at his Normal Retirement Date except that:

   (i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his Normal Retirement Date; and

   (ii) Final Average Salary shall be determined as of the date of his actual retirement.
(b) The ratio that the Participant’s Credited Service to the date of his actual retirement bears to the Credited Service that he would have had if he had continued in employment until his Normal Retirement Date. For this purpose, the Normal Retirement Date of a Participant shall be the earliest date on which the Participant could have retired under Section 3.1.

(c) Actuarial reduction factors which take into account the commencement of benefits prior to a Participant’s Normal Retirement Date. Such actuarial reduction factors shall be the same factors as are then applicable under the Pension Plan with respect to the commencement of benefits before a Participant’s Normal Retirement Date under the Pension Plan.

4.4 Vested Termination Allowance. A vested Participant, who terminates before his Early Retirement Date, shall receive a monthly retirement allowance, which shall commence on the first day of the month coinciding with or next following his sixty-fifth (65th) birthday and shall be payable in the form and over such duration as elected by the Participant pursuant to Section 4.5. The amount of each such monthly retirement allowance shall be equal to the product of items (a) and (b) below:

(a) A monthly retirement allowance determined in the same manner as for retirement at his Normal Retirement Date except that:

(i) Credited Service shall be determined as if the Participant had in fact continued in active employment until his sixty-fifth (65th) birthday; and

(ii) Final Average Salary shall be determined as of the date of his actual retirement.
(b) The ratio that the Participant’s Credited Service to the date of his actual retirement bears to the Credited Service that he would have had if he had continued in employment until his sixty-fifth (65th) birthday.

4.5 Optional Methods of Retirement Payments. The benefits hereunder shall be paid in accordance with the optional method of retirement payment that has been elected by the Participant at the time of initial Plan participation. The Participant may elect one of the following payment forms:

(a) Joint and fifty percent (50%) survivor benefit.
(b) Joint and one hundred percent (100%) survivor benefit.
(c) Ten (10) year certain and life.
(d) Fifteen (15) year certain and life.
(e) Single life annuity.

The same actuarial reduction factors and method of calculating actuarial equivalence under the Pension Plan shall be applicable under this Plan. Any such optional method of retirement payment shall be the actuarial equivalent of the actual dollar amount of lifetime retirement allowance otherwise payable from this Plan after adjustment for the benefit payable from the Pension Plan and the Primary Social Security Benefit.

4.6 Special Rules With Regard to Calculation of Retirement Allowances. The following special rules shall be applicable with regard to the calculation of retirement allowances under the Plan:

(a) A Participant’s monthly retirement benefit under the Pension Plan shall mean the benefit to which the Participant is or, upon proper application, would be, entitled under the Pension Plan. For this purpose, the benefit to which...
the Participant would be entitled under the Pension Plan is the benefit which he could receive if he elected to commence payments at the earliest
time available under the Pension Plan, notwithstanding when he actually elects to have benefits commence.

(b) The Participant’s Primary Social Security Benefit shall mean the Primary Social Security Benefit payable, if proper application were made,
when the Participant retires under this Plan.

If a Participant is not eligible for such Primary Social Security Benefit upon his retirement under this Plan, and upon proper application would
not be so entitled, then no Primary Social Security Benefit shall be taken into account under Section 4.1 until the earliest date at which he is
eligible to receive such benefits if proper application were made. In such an event, the Primary Social Security Benefit to which such Participant
is or, upon proper application, would be entitled at such earliest date shall be taken into account under Section 4.1 in calculating his benefits
under this Plan from and after such date. Once such Primary Social Security Benefits are taken into account under Section 4.1, any subsequent
change in the Participant’s Primary Social Security Benefits (whether such change is the result of applying a cost-of-living increase, or
recomputing the benefit based upon more recent compensation or otherwise) shall be disregarded.

(c) If a Participant is not a participant in the Pension Plan, his benefit will be determined without reference to the amount of his benefit under
the Pension Plan specified in Section 4.1; provided, however, that if such Participant
is a participant in a defined benefit pension plan qualified under Internal Revenue Code Section 401(a), maintained by the Employer or any subsidiary thereof, other than the Pension Plan, then the benefit payable to such Participant under such other plan, determined in accordance with subsection (a) above, shall be applied in lieu of the amount of his benefit under the Pension Plan specified in Section 4.1.

(d) If a Participant is entitled to receive a benefit from the Pension Plan and also from another defined benefit pension plan qualified under Internal Revenue Code Section 401(a), maintained by the Employer or any subsidiary thereof, then the amount payable from such other plan, determined in accordance with subsection (a) above, shall be added to the amount of his benefit under the Pension Plan taken into account in accordance with Section 4.1.

(e) Specific exceptions to the provisions of the Plan related to the calculation of Retirement Allowances shall be governed by the Appendices which are incorporated as part of this Plan.

ARTICLE V

DEATH BENEFITS

5.1 Death Prior to Retirement.

(a) If a Participant dies in active employment and prior to becoming eligible for either an Early Retirement Allowance or a Normal Retirement Allowance hereunder, no death benefit shall be payable from this Plan.
(b) If a Participant dies in active employment but after becoming eligible for either an Early Retirement Allowance or a Normal Retirement Allowance, and is survived by his spouse, a monthly retirement allowance shall be paid to his surviving spouse commencing on the first day of the month coincident with or next following his date of death and continuing on the first day of each month thereafter during his spouse’s lifetime. Each such monthly retirement allowance shall equal seventy-five percent (75%) of the monthly retirement allowance to which the Participant would have been entitled had he retired on this date of death.

For the purpose of calculating this death benefit only, the following special rules apply with respect to the calculation of the Primary Social Security Benefit which the Participant would have been entitled to receive:

(i) If both the Participant had attained his sixty-second (62nd) birthday and his spouse had attained her sixtieth (60th) birthday on the Participant’s date of death, then the Primary Social Security Benefit to which the Participant would have been entitled had he retired on his date of death instead of dying and then commenced receiving Social Security benefits will be applied.

(ii) In all other cases, the Primary Social Security Benefit shall be deemed to be zero.

5.2 Death After Commencement of Retirement Allowance. Except as provided in Section 4.5, all rights to any benefits under the Plan will cease upon the death of any Participant for whom retirement allowances have commenced.
ARTICLE VI

DISABILITY BENEFITS

6.1 Total and Permanent Disability Defined. Total and permanent disability shall mean such disability as, after the expiration of the waiting period provided by law, will entitle the Participant to receive disability benefit payments in accordance with Title II of the United States Social Security Act.

6.2 Termination Prior to Ten Years of Credited Service. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed less than ten (10) years of Credited Service at such time shall not thereby be entitled to any benefits from the Plan.

6.3 Termination After Ten Years of Credited Service. A Participant who terminates his employment with the Employer because of total and permanent disability and who has completed ten (10) or more years of Credited Service shall be subject to whichever of the following subsections shall be applicable:

   (a) If he shall (after the applicable statutory waiting period) be continuously disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), then he shall receive a monthly retirement allowance from this Plan commencing upon the first day of the month coincident with or next following the attainment of his sixty-fifth (65th) birthday and payable on the first day of each month thereafter for his remaining lifetime. Such monthly retirement allowance shall be determined in the same manner as for retirement at his Normal Retirement Date, except that:

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Credited Service shall be determined as if the Participant had in fact continued in active employment until his sixty-fifth (65th) birthday, and

(ii) Final Average Salary shall be determined as of the date of his actual termination of employment due to disability.

(b) If he shall (after the applicable statutory waiting period) not be continually disabled and entitled to Social Security disability benefits until his attainment of age sixty-five (65), he shall not be entitled to a disability benefit from this Plan, but shall be subject to the provisions of Section 6.4 hereof.

6.4 Recovery From Disability Prior to Normal Retirement Date. If a Participant who became totally and permanently disabled thereafter recovers from such disability prior to attaining age sixty-five (65) (as evidenced solely by the fact that he is no longer eligible for Social Security disability benefits), then his benefits from this Plan shall be determined as follows:

(a) If he returns to employment with the Employer upon such recovery, then he shall not be entitled to any disability benefits in accordance with this Article VI. For the purpose of determining his entitlement to, and amount of, benefits under any other provision of this Plan, however, his period of Credited Service and Service shall include the period during which he was totally and permanently disabled.

(b) If he fails to return to employment with the Employer upon such recovery, then he shall not be entitled to any disability benefits in accordance with this Article VI. This shall not, however, deprive him of the benefits if any, to
which he is otherwise entitled under this Plan based upon his age, Credited Service, Service and Final Average Salary, as of his termination of employment due to disability.

ARTICLE VII
ADMINISTRATION

7.1 Contributions by Participants. No contributions by Participants shall be required or permitted under this Plan.

7.2 Contributions by Employer.

   (a) This Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation.

   (b) The Employer shall be responsible for the payment of all benefits provided under the Plan. At its discretion, the Employer may establish one or more trusts, with such trusts as the Employer may approve for the purpose of providing for the payment of such benefits. Such trust or trusts may be irrevocable, but the assets thereof shall be subject to the claims of the Employer’s creditors. To the extent any benefits provided under the Plan are actually paid from any such trust, the Employer shall have no further obligation with respect thereto, but to the extent not so paid, such benefits shall remain the obligations of, and shall be paid by, the Employer. Employer’s obligation under the Plan shall be that of an unfunded and unsecured promise of Employer to pay money in the future.

7.3 Designation and Duties of Administrator. The Board shall designate the administrator of this Plan who shall administer this Plan and who shall serve until the
Board designates another administrator. All decisions of such administrator with respect to the administration of this Plan shall be final and binding upon the Employer, the Participants and all other parties hereto.

7.4 **Amendment.** The Board shall have the right at any time, and from time to time, to amend, in whole or in part, any or all of the provisions of this Plan. However, no such amendment shall reduce or eliminate any benefit to which the Participant would then be entitled to receive (based upon his age, Credited Service, Service and Final Average Salary as of the date of such amendment) as of the date of such amendment.

7.5 **Plan Termination.** The Board shall have the right at any time to terminate this Plan. However, no such termination shall reduce or eliminate any benefit to which the Participant would then be entitled to receive (based upon his age, Credited Service, Service and Final Average Salary as of the date of such termination) as of the date of such termination.
ARTICLE VIII

CLAIMS PROCEDURES

8.1 Claim. The Committee shall establish rules and procedures to be followed by Participants and Beneficiaries in (a) filing claims for benefits, and (b) for furnishing and verifying proofs necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article. Such rules and procedures shall require that claims and proofs be made in writing and directed to the Committee.

8.2 Review of Claim. The Committee shall review all claims for benefits. Upon receipt by the Committee of such a claim, it shall determine all facts which are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within ninety (90) days of receipt of such claim. If prior to the expiration of the initial ninety (90) day period, the Committee determines additional time is needed to come to a determination on the claim, the Committee shall provide written notices to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of one hundred eighty (180) days from the date the application was received.

8.3 Notice of Denial of Claim. In the event that any Participant, Beneficiary or other claimant claims to be entitled to a benefit under the Plan, and the Committee determines that such claim should be denied in whole or in part, the Committee shall, in writing, notify such claimant that the claim has been denied, in whole or in part, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall refer to the specific
sections of the Plan relied on, shall describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary, and where appropriate, shall include an explanation of how the claimant can obtain reconsideration of such denial.

8.4 Reconsideration of Denied Claim.

(a) Within sixty (60) days after receipt of the notice of the denial of a claim, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Committee, a reconsideration by the Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such sixty (60) days period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Committee is correct. If such claimant or duly authorized representative requests a reconsideration within such sixty (60) day period, the claimant or duly authorized representative shall have thirty (30) days after filing a request for reconsideration to submit additional written material in support of the claim, review pertinent documents, and submit issues and comments in writing.

(b) After such reconsideration request, the Committee shall determine within sixty (60) days of receipt of the claimant’s request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. The written notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent
Plan provisions on which the decision is based. In the event of special circumstances determined by the Committee, the time for the Committee to make a decision may be extended by additional sixty (60) days upon written notice to the claimant prior to the commencement of the extension. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or duly authorized representative notifies the Committee within ninety (90) days after the mailing or delivery to the claimant by the Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Committee and actually institutes such legal proceedings within one hundred eighty (180) days after such mailing or delivery.

8.5 Employer to Supply Information. To enable the Committee to perform its functions, the Employer shall supply full and timely information to the Committee of all matters relating to the retirement, death or other cause for termination of service of all Participants, and such other pertinent facts as the Committee may require.

ARTICLE IX
MISCELLANEOUS

9.1 Headings and Subheadings. The headings and subheadings in the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

9.2 Gender and Number. Whenever any words are used herein in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and whenever any words are
used herein in the singular form they shall be construed as though they were also used in plural form in all cases where they would so apply.

9.3 **Construction of Plan.** This Plan shall be construed according to the laws of the State of New York and all provisions hereof shall be administered according to the laws of such State.

9.4 **Employee’s Rights.** Neither the establishment of this Plan, nor any modification thereof, nor the payment of any benefits, shall be construed as giving to an Employee or other person, any legal or equitable right against the Employer, or any officer or Employee thereof, except as herein provided. Under no circumstances shall the terms of employment of an Employee be modified or in any way affected hereby.

9.5 **Vested Interest.** No Plan Participant or other Employee shall have a vested interest with respect to this Plan except as specifically provided herein.

9.6 **Receipt or Release.** Any payment to an Employee, contingent annuitant, beneficiary, or to their legal representatives, in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Employer, who may require such Employee, contingent annuitant, beneficiary or legal representative, as a condition precedent to such payment, to execute a receipt and release therefor in such form as shall be determined by the Employer.

9.7 **Spendthrift Clause.** Except insofar as may be contrary to any applicable law, no payment of any benefit under the Plan shall be assignable and no such payment or contribution shall be subject to the claims of any creditor.

9.8 **Facility of Payments.** If any Employee, contingent annuitant or beneficiary is a minor or is, in the judgment of the administrator, otherwise legally incapable of

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personally receiving and giving a valid receipt for any payment due him under the Plan, the administrator may, unless and until claim shall have been made by a duly appointed guardian or legal representative of such person, make such payment or any part thereof to such person’s spouse, child, parent, brother or sister, or other person deemed by the administrator to have incurred expense for or assumed responsibility for the expense of such person. Any payment so made shall be in complete discharge of any liability under the Plan for such payment.

9.9 Delegation of Authority by the Employer. Whenever the Employer, under the terms of this Agreement, is permitted or required to do or perform any act or matter or thing, it shall be done and performed by any officer thereunto duly authorized by its Board of Directors.

IN WITNESS WHEREOF, KEYCORP has caused its corporate seal to be affixed hereto and these presents to be executed by its duly authorized corporate officers, this ___ day of ____________, 199_, to be effective as of July 1, 1990.

(Seal) KEYCORP

ATTEST

__________________________________________
Secretary

IN WITNESS WHEREOF, KEYCORP has caused its corporate seal to be affixed hereto and these presents to be executed by its duly authorized corporate officers, this ___ day of ____________, 1990, to be effective as of July 1, 1990.
APPENDIX A

Special Provisions Applicable to Employees of Key Pacific Bancorporation and its Subsidiaries.


For the purpose of determining the benefit payable to any Participant listed below, the Service and Credit Service of such a Participant shall be determined as if the Employer of each such Participant had been an Employer under the Pension Plan throughout the period that the Participant was in the employ of such Employer.

Thaddeus R. Winnowski
William H. Stevens
APPENDIX B

Special Provisions Applicable to Employees of National Commercial Bank and Trust Company.

1. Normal Retirement (Plan Reference: Section 3.01).

The Normal Retirement Date of Participants who were members of the Retirement System of the national Commercial Bank and Trust Company on January 1, 1951, shall be the first day of the month coinciding with or next following the date that the Participant attains the age of sixty (60).
APPENDIX C


1. Credited Service (Plan Reference: Section 1.02).

   For purposes of determining Mr. Horjo’s Credited Service under the Plan, Mr. Horjo will be deemed to have commenced employment on July 1, 1976.
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WHEREAS, KeyCorp has established the KeyCorp Supplemental Retirement Benefit Plan For Key Executives (the “Plan”), and
WHEREAS, the Board of Directors of KeyCorp has authorized its Compensation and Organization Committee to permit amendments to the Plan, and
WHEREAS, the Compensation and Organization Committee of the Board of Directors of KeyCorp has authorized the execution of this Third Amendment,
NOW, THEREFORE, pursuant to such action of the Compensation and Organization Committee, the Plan is hereby amended as follows:

1. Section 1.7 is amended to delete in its entirety and to substitute therefore the following:

“INCENTIVE COMPENSATION AWARD” shall mean an incentive compensation award granted to a Plan Participant under the KeyCorp Annual Incentive Plan and/or such other Employer-sponsored line of business incentive compensation plans that KeyCorp in its sole discretion determines to be included herein for purposes of determining a Participant’s Incentive Compensation Award under the Plan. For purposes of this Section 1.7 hereof, an Incentive Compensation Award shall be deemed to be for the year in which the Incentive Compensation Award is earned (without regard to the actual time of payment), provided, however, that in no event shall more than one Incentive Compensation Award be included in determining a Participant’s Salary for any applicable year.

2. The amendment set forth in Paragraph 1 hereof, shall be effective as of the first day of January, 1999.

3. Except as specifically amended herein, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, KeyCorp has caused this Third Amendment to the Plan to be executed by its duly authorized officer as of the first day of July, 1999.

KEYCORP
Section 29: EX-10.54 (EX-10.54)

Exhibit 10.54

FORM OF FIRST AMENDMENT TO THE CHANGE OF CONTROL AGREEMENT BY AND BETWEEN KEYCORP AND [Key Employee]

WHEREAS, [Key Employee] and KeyCorp entered into a Change of Control Agreement dated January 1, 2008 (“[Key Employee] Agreement”), which provides that KeyCorp shall provide [Key Employee] with a severance payment and certain other employee benefits in the event of (i) a Change of Control (as that term is defined in the [Key Employee] Agreement), and (ii) [Key Employee]’s termination of employment from KeyCorp in conjunction with such Change of Control (as more fully outlined in the [Key Employee] Agreement), and

WHEREAS, on November 14, 2008, the United States Department of Treasury (“Treasury”) purchased $2.5 billion of Senior Preferred Stock and warrants to purchase common stock under the Troubled Assets Relief Program (the “TARP”) Capital Purchase Program of the Emergency Economic Stabilization Act of 2008 (“EESA”), which specifically prohibits KeyCorp from providing any “golden parachutes” to its “senior executive officers” during the “CPP Covered Period” (as those terms are defined in accordance with the requirements of EESA and its applicable regulations), and from entering into any golden parachute arrangements with any of its senior executive officers during the TARP Period (as that term is defined under TARP), and

WHEREAS, KeyCorp is obligated at all times to remain compliant with the EESA’s prohibition of providing a golden parachute to its senior executive officer(s) during the CPP Covered Period and from entering into any new arrangements that provide a golden parachute to its senior executive officer(s) during the TARP Period, and in response to the Treasury’s requirements to ensure such continued compliance, has determined it advisable to clarify certain of its agreements to clearly reflect the agreements compliance with the requirements of the EESA.

NOW THEREFORE, and pursuant to the requirements of the EESA, the [Key Employee] Agreement is hereby amended as follows:

1. Section 7.9 of the [Key Employee] Agreement shall be deleted in its entirety and the following Section 7.9 shall be substituted therefore:


(a) If any payments otherwise payable to the Executive under this Agreement are prohibited by any statute or regulation in effect at the time the payments would otherwise be payable, including, without limitation, the compensation prohibitions specifically mandated under Section 111(b) and/or Section 111(c) of the Emergency Economic Stabilization Act of 2008 (“EESA”) as may be applicable to Key as of the time of the Executive’s Termination Date, or by any regulation issued by the Federal Deposit Insurance Corporation (the “FDIC”) that limits executive change of control payments that can be made by an FDIC insured institution or its holding company if the institution is financially troubled (any such limiting statute or regulation being a “Limiting Rule”):

(i) Unless such payment is specifically limited under the provisions of EESA, Key will use its best efforts to obtain the consent of the appropriate
governmental agency (whether the FDIC or any other agency) to the payment by Key to the Executive of the maximum amount that is permitted (up to the amounts that would be due to the Executive absent the Limiting Rule); and

(ii) The Executive will be entitled to receive a lump sum payment equal to the greater of either (i) the aggregate amount payable under this Agreement (as limited by the Limiting Rule) or (ii) the aggregate payments that would be due under applicable Key severance, separation pay, and/or salary continuation plans that may be in effect at the time of the Executive’s termination (as if the Executive were not a party to this Agreement) up to the amounts that would be due to the Executive under this Agreement or otherwise absent the Limiting Rule; provided that the timing of any payments shall be made in the manner set forth in Section 1.5 (i.e., the first day of the seventh month following the Termination Date) and provided further, that the payment may not exceed the amount specified in Section 1.1(b) or Section 1.2(b), as the case may be, and the payment will otherwise comply with all requirements under Section 409A.

(b) In the event of an extension or renewal of this Agreement pursuant to Section 6 hereof during the period of time commencing on the date that Key, if ever, becomes subject to Section 111(c) of EESA due to the U.S. Treasury’s auction purchases and ending on the last day of the “TARP authorities period” (as that term is defined in accordance with Section 111(c) of EESA), then notwithstanding any other provisions in this Agreement to the contrary, the terms of such extension or renewal shall incorporate the compensation prohibitions specifically mandated under Section 111(c) of EESA such that the payments due under such extension or renewal will be limited, in a manner similar to that described in Section 16(a)(ii) to an amount that would not violate Section 111(c) of EESA.”

2. The amendment set forth in Paragraph 1 shall be effective as of January 1, 2009.

3. Except as amended herein, the [Key Employee] Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this First Amendment to the [Key Employee] Agreement to be executed as of this ______ day of December, 2008, to be effective as of January 1, 2009.

KeyCorp

By: ___________________________ ___________________________

______________________________________________________________

Date Date

(Back To Top)

Section 30: EX-10.56 (EX-10.56)

November 25, 2008

Peter Hancock
85 Brevoort Lane
Rye, NY 10580

Dear Peter:

On behalf of KeyCorp and its affiliates (“KeyCorp or “Key”) we are delighted to extend you our offer of employment as Vice Chair, KeyCorp reporting directly to me. In this role you will also be a member of my Senior Staff, the Management Committee as well as the Company’s Executive Council. The term of this agreement shall be for the period commencing upon your employment and ending December 31, 2009, except as otherwise expressly provided herein.

Base Salary: $525,000 per annum, payable biweekly, which will be prorated for 2008 based on your start date.

Sign-On Bonus: You will receive a Sign-On Bonus in the amount of $1,250,000 less applicable withholding, which will be deposited into your KeyBank account on or before December 31, 2008.
For the sake of clarification, the Sign-On Bonus is not a relocation expense reimbursement and, except as provided in this paragraph, shall not be subject to repayment to Key.

**Definition of “Cause”:** For purposes of this offer letter, the term “Cause” shall mean any of the following occurrences:

(a) Hancock commits a felony or another crime involving moral turpitude or dishonesty as determined by a majority of Key’s Board of Directors;
(b) Hancock commits an act or series of acts in violation of Key’s Code of Ethics in the course of his employment that are materially contrary to the best interests of Key as determined by a majority of Key’s Board of Directors;

(c) Key has been ordered or directed by any federal or state regulatory agency or authority with jurisdiction to terminate or suspend Hancock’s employment, and notwithstanding the best efforts of Key to oppose the order or directive, the order or directive has become final; provided, however, that if such order or directive is not the result of any action by Hancock for which he is at fault as determined by a majority of Key’s Board of Directors any termination pursuant to such order or directive shall not be deemed Cause.

(d) Hancock continues to violate his obligation not to engage in activities which are competitive to Key for more than ten (10) days after Key’s Board of Directors, following a determination that Hancock was engaging in such activities based on a vote to this effect by a majority of the Board, advised him in writing to cease those activities; or

(e) Other than for normal vacations or disability, a majority of Key’s Board of Directors has determined that Hancock has abandoned and consistently failed to attempt to attend to his duties and responsibilities as reasonably specified from time to time by Key’s Chief Executive Officer for twenty (20) days after being advised in writing of that failure.

Annual Incentive Compensation Plan: Under the terms and conditions of the Annual Incentive Plan (“STIC Plan”), your annual incentive target award will be $1,500,000 (but you may earn more or less based on your individual performance, the overall performance of your business unit, and Key’s performance). Subject to the limitations outlined below, for 2009 you will receive a minimum incentive award of $1,500,000 under the STIC Plan. For the 2009 Plan year, the annual incentive award will be paid to you in two (2) installments, the first installment of $750,000 will be paid to you on December 11, 2009 and the second installment of the balance (not less than $750,000) will be paid to you on March 5, 2010, provided that neither of the following has occurred on or prior to the payment date for the applicable installment: (i) your voluntary termination of employment or (ii) termination of your employment by KeyCorp for Cause.

Annual Incentive Deferral: Please note that since your annual incentive award exceeds $100,000 (including the 2009 STIC award payable in two (2) installment payments), a percentage of the incentive award will be paid to you in a single cash payment and a percentage of the incentive award will be paid to you in the form of time-lapsed restricted shares. Because time-lapsed restricted shares are subject to a three-year graded vesting period (1/3 each year), there will be no tax consequences on the value of the time-lapsed restricted shares granted to you until after they have vested. Please refer to the Annual
Incentive Restricted Stock Program Overview and the KeyCorp 2004 Equity Compensation Plan, (the “Equity Plan”), for additional details.

**Deferred Savings Plan:** You are eligible to participate in, and to defer a portion of your incentive award to the Deferred Savings Plan, (the “Deferred Plan”). If you are interested in deferring a portion of your 2009 incentive compensation award to the Deferred Plan, Section 409A (see Code Section 409A) requires that you complete your deferral election at the same time that you execute this offer letter. For your convenience, I have enclosed a Summary of the Deferred Plan and the necessary Deferral Election Form. Please be certain to return this form with your executed offer letter. If you have any questions about the Deferred Plan or the deferral election form, please call Maureen McGowan-Hansen at 216-689-5126. If you do not elect to defer your incentive award at this time, you may not defer your 2009 incentive award at a later time. Additional information about the Deferred Plan is provided below.

Also please understand that if you are interested in deferring any portion of your 2009 base salary to the Deferred Plan, please note that Section 409A of the Internal Revenue Code requires that you complete your deferral election at the same time that you execute this letter. If you fail to timely return your Deferral Election Form, you may not elect to defer your 2009 base salary at a later time.

**Long-Term Incentive Compensation Program:** You are eligible to participate in the Long-Term Incentive Compensation Program (“LTIC”) beginning in 2009. Your annual 2009 LTIC award shall be no less than $1,500,000.00, which is delivered 50% as Restricted Stock [½ Time-Lapsed Restricted Stock and ½ Cash-Performance Shares (meaning phantom Performance-Based Restricted Stock payable in cash )] and 50% as Stock Options. Your 2009 Restricted Stock Award and your Stock Option Award will be granted at the regularly scheduled February 2009 meeting of the Compensation and Organization Committee.

The Restricted Stock has a 3 year cliff vest and, upon vesting, the shares will be automatically released free of all restrictions. The net shares (after taxes are paid) will be deposited into an account set up in your name at Computershare Investor Services, KeyCorp’s transfer agent.

The stock options are subject to a 3-year graded vesting requirement, with one-third vesting per year on the anniversary of the grant date. Your option grant will be fully vested in three years from the grant date, with a ten-year life. The exercise price of the options and the number of restricted shares are determined by the closing price (final price) at which KeyCorp Common Stock is traded on the grant date. All Restricted Stock and Stock Option awards are discretionary, subject to the approval of the Compensation & Organization Committee of KeyCorp’s Board of Directors (that Committee has already determined that for 2009 your awards will be as outlined above) and are presently granted in accordance with the Equity Plan, which includes a clawback requirement should you engage in any “harmful activity” (Section 17 of the Equity Plan).
Also please understand that your Restricted Stock Award is contingent upon your acceptance of the terms and conditions of the KeyCorp Award of Restricted Stock Agreement, which includes restrictions relating to non-public information, intellectual property, and non-hire and non-solicit, respectively, of Key’s employees and customers. A copy of Section 17 is enclosed.

If KeyCorp Terminates Your Employment Prior to Applicable Payment or Vesting Date. In the event that you are terminated by KeyCorp (other than for Cause) prior to March 5, 2010, you will receive as a separation benefit (i) the balance (if any) of your unpaid base salary through December 31, 2009, (ii) the payment of any unpaid amount included in the cash portion and the full vesting of all shares included in the restricted share portion, of any installment of your STIC award for 2009, (iii) full vesting in your 2009 Restricted Stock Award (or if termination precedes your receiving the award you will be paid $750,000 in cash in lieu of such award), (iv) full vesting in your 2009 Stock Option Award (or if termination precedes your receiving the award you will be paid cash in lieu of such award of $750,000), and (v) the balance (if any) of your Sign-On Bonus to the extent not previously paid. To the extent that any portion of this separation benefit is payable in cash, it will be paid to you as soon as administratively practicable after, but in any event by no later than the 30th day following, the date of your termination of employment from KeyCorp. To the extent this separation benefit consists of vesting, you will vest as of your employment termination date, in your Time Lapsed Restricted Stock and Stock Option Awards and in all restricted shares included in any installment of your 2009 STIC award. Please note that this separation benefit, as set forth in this paragraph, is in lieu of any other separation benefits to which you may be entitled (including without limitation any benefit under the KeyCorp Separation Pay Plan). In the event you are entitled to such separation benefit, you will be required to execute, prior to the payment of any such separation benefit, a Release Agreement with KeyCorp in the form attached hereto as Exhibit A.

Notwithstanding the foregoing, however, if your termination occurs in conjunction with a Change of Control of KeyCorp (as that term is defined in your Change of Control Agreement), the provisions of your Change of Control Agreement (and not this offer letter) will control the compensation and benefits to be paid to you upon your termination, including the time and form of payment of such benefits; provided, however, that in the event the Change of Control occurs during 2009, in no event will the economic benefit provided to you under the Change of Control Agreement be less than the economic benefit you would have been entitled to under this offer letter if you had been terminated without Cause during 2009 in the absence of a Change of Control.

Change of Control: You and KeyCorp will enter into a change of control agreement at the time of commencement of your employment, the features of which have been approved for new senior executive officers. A copy of the change of control agreement has been provided to you. Your change of control agreement has been modified to conform with the recently enacted requirements mandated under the Emergency Economic Stabilization Act, which specifically prohibits KeyCorp’s payment of any “golden parachute” upon a senior executive officer’s “involuntary termination” from
KeyCorp. Please note, however, that the change of control agreement may be subject to further modification to the extent required in order to comply with the Emergency Economic Stabilization Act.

**Relocation:** You are authorized to participate in Key’s Executive Homeowner Program, subject to certain limitations within that program. You will be required to sign a relocation repayment agreement with Key’s provider, Cartus, prior to your relocation being funded. For purposes hereof, Cause used in such relocation repayment agreement shall have the same meaning as Cause in this offer letter. A copy of your Executive Homeowner Program Policy Guide, revised November 24, 2008 and your relocation repayment agreement are attached hereto as Exhibit B.

**Home Visits:** From December 1, 2008 through August 31, 2009, you will be eligible to receive reimbursement under Key’s policy for home visits up to four (4) times per month. In lieu of one home visit per month, your spouse and dependent children will be provided a visit to the Cleveland area one (1) time per month. The benefit provided in this paragraph shall terminate on the earlier of August 31, 2009 or as of your relocation to the Cleveland area.

**Executive Perquisites:** You will be eligible for the following:

- As a new leader within Key, you participate in the Executive Health Program at the Cleveland Clinic. This program provides comprehensive diagnostic and preventative medical services to assess, address and optimize your health. The goal of the program is to target and reduce health risks, promote wellness, discover potential health problems and to facilitate prompt and expert treatment of any conditions detected. Additional information about the program and details on how to schedule the exam will be provided to you from the Executive Compensation & Benefits team. The amount of the benefit is subject to income tax and will be grossed-up in your taxable wages for reporting purposes.

- You are also eligible to receive customized, executive-level services from KeyCorp’s Private Banking team — which provides best-in-class banking, trust and investing capabilities. A Financial advisor will be contacting you soon to discuss your financial needs and objectives, and also to address any transition items — such as 401k rollover from your previous employer — that you may have. All fees for banking and investment related services will be in accordance with Key’s policies for senior level executives.

- You are also eligible to take advantage of tax consulting, tax preparation and estate planning up to $5,000 annually. The amount of the reimbursement is subject to income tax and will be added to your taxable wages for reporting purposes.

- Membership in one luncheon club in Cleveland. The company will pay any initiation fees, if required, and your monthly dues and any assessments. Reimbursement for these expenses will automatically be made through payroll and will be grossed-up for tax purposes.
It is intended that this offer letter comply with the applicable provisions of section 409A of the Internal Revenue Code and the regulations, rulings, notices and other guidance issued by the Internal Revenue Service thereunder (herein collectively referred to as “Section 409A”), and this offer letter shall be administered in a manner consistent with this intent. Notwithstanding any provision of this offer letter to the contrary, in the event of your termination while a “Specified Employee” within the meaning of Section 409A and if any payment or benefit hereunder is determined to constitute a “deferral of compensation” subject to Section 409A after taking into account all exceptions applicable to such payment or benefit under Section 409A, then to the extent necessary to comply with Section 409A, such payment or benefit shall not be made, provided or commenced until the first business day after (i) the expiration of six months from the date of your “separation from service” as such phrase is defined for purposes of Section 409A or (ii) if earlier, the date of your death, (such earlier date, the “Delayed Payment Date”). On the Delayed Payment Date, there shall be paid to you or, if you have died, to your estate, in a single cash lump sum, an amount equal to the aggregate amount of the payments delayed pursuant to the preceding sentence.

In addition, to the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this offer letter is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided, hereunder in any other calendar year; (ii) reimbursement of any such expense shall be made as soon as administratively practicable after your written request therefore accompanied by any required documentation has been submitted to KeyCorp, but in any event by no later than December 31 of the year following the calendar year in which such expense is incurred; and (iii) your right to receive such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

Payment Limitation: Except in the case of compensation and benefits paid or earned in respect of your services rendered in 2009 (including, without limitation, your 2009 STIC award and the 2009 Restricted Stock and Stock Option Awards) which shall be subject to terms set out above in this offer letter, throughout your employment at Key, please note that:

- Membership in one corporate country club in Cleveland. The company will pay any initiation fees, if required, and your monthly dues and any assessments. Reimbursement for these monthly expenses will automatically be made through payroll and will be grossed-up for tax purposes.
- Initiation fees in a personal country club, if you desire. Any subsequent expenses (i.e., monthly dues, assessments, personal expenses, annual fees) will be paid by you. Business related expenses for business entertainment purposes at the above clubs will be reimbursed through our expense reimbursement process.
(A) your eligibility for base salary, incentive compensation, bonuses, and other compensation and benefits set forth in this letter is conditioned upon (i) your continuing acceptable job performance and (ii) your continuing and active employment in substantially the same position for which you are currently being hired, and

(B) in the event that you are not performing in an acceptable manner or you are not in such active employment at the time such amounts become due and payable, Key shall have no obligation to pay such amounts to you;

provided, however, that the provisions of clauses (A) and (B) of this paragraph shall be applied to you on a basis no less favorable than those applied to other senior executives at KeyCorp at and above your level.

As an employee you will be eligible for the following Key benefits:

- Participation in the 401(k) and retirement plan in accordance with plan documents.
- Enrollment in Medical, Dental, Vision, Life and other insurance plans according to Key policy and coverage limits (coverage begins the first of the month following employment).
- In accordance with policy, beginning in 2009 you will be eligible for 25 days of paid time off (PTO).
- Additional benefits are outlined in the New Employee Resources Guide, which will be mailed to your home under separate cover. (Key reserves the right to revise benefits at any time to comply with regulatory changes and/or changes in Key policies).

This letter sets out the complete terms of our offer to you and shall not be construed as a contract of employment for a fixed period of time unless expressly stated to the contrary herein. Throughout your employment at Key, you are an “at-will” employee. Key reserves the right to terminate your employment at any time; likewise, you are free to terminate your employment with Key at any time. Please signify your acceptance of our offer by no later than November 25, 2008 or this offer is void. Please sign and date this letter in the spaces provided below, return it and keep a copy of this letter for your records. This letter may be executed in counterparts and by facsimile signature, and each as well as electronic transmissions thereof shall be treated as an original.

**Indemnification:** You will be eligible for indemnification by KeyCorp as reflected in its then current Code of Regulations.
Applicable Law: Applicable Law shall be that of the State of Ohio without reference to the principles of conflicts of law, except that this offer letter and your rights hereunder shall also be subject to the applicable provisions of the Emergency Economic Stabilization Act.

Anything herein to the contrary notwithstanding, the respective rights and obligations of the parties under this offer letter shall survive any expiration or termination of the term of this offer letter to the extent such rights or obligations are in existence at the time of such expiration or termination and by their express terms are to be performed thereafter.

This letter supersedes any previous oral or written communications regarding your employment with Key.

Peter, we look forward to having you join us and look forward to a mutually beneficial and rewarding relationship.

Sincerely,

Henry L. Meyer III
Chairman & Chief Executive Officer
KeyCorp

AGREED TO:

/s/ Peter Hancock
Peter Hancock
Date

Section 31: EX-10.57 (EX-10.57)
Participant may elect to have his or her Participant Deferrals credited. Participant Deferrals and Corporate Contributions invested in the Common Stock Account shall be credited based on a bookkeeping allocation of KeyCorp Common Shares (both whole and fractional rounded to the nearest one-hundredth of a share), which shall be equal to the amount of Participant Deferrals and Corporate Contributions invested in the Common Stock Account. The Common Stock Account shall also reflect on a bookkeeping basis all dividends, gains, and losses.
attributable to such Common Shares. All Corporate Contributions and all Participant Deferrals credited to the Common Stock Account shall be based on the New York Stock Exchange’s closing price for such Common Shares as of the day such Participant Deferrals are credited to the Participants’ Plan Accounts.

(f) The “Compensation” of a Participant for any Plan Year or any partial Plan Year shall mean that portion of compensation that is paid to the Participant during such period by reason of his or her employment with an Employer, as reported for federal income tax purposes, which exceeds the compensation limits reflected in Section 401(a)(17) of the Code, as may be indexed from time to time. In determining whether the Participant has exceeded the compensation limits of Section 401(a)(17) of the Code, the compensation which would have been paid to the Participant but for (1) the timing of an Employer’s payroll processing operations, (2) the Participant’s deferral of compensation under the provisions of the KeyCorp Flexible Benefits Plan and transportation reimbursement plan, and (3) the Participant’s written deferral of his or her compensation to the KeyCorp 401(k) Savings Plan shall be included, provided, however, that the following compensation shall specifically not be included:

(i) any amount attributable to the Employee’s receipt of stock appreciation rights, restricted stock awards, and the amount of any gain to the Employee upon the exercise of a stock option;

(ii) any amount attributable to the Employee’s receipt of non-cash remuneration which is included in the Employee’s income for federal income tax purposes;

(iii) any amount attributable to the Employee’s receipt of moving expenses and any relocation bonus paid to the Employee during the Plan Year;

(iv) any amount attributable to any severance paid by an Employer or the Corporation to the Employee;

(v) any amount attributable to fringe benefits (cash and non-cash), regardless of whether any or all such items are includible in such Participant’s gross income for federal tax purposes;

(vi) any amount attributable to any bonus or payment made as an inducement for the Employee to accept employment with an Employer;

(vii) any amount attributable to compensation of any type including bonus or incentive compensation payments paid on or after the Employee’s Severance From Service Date; or

(viii) any other amounts attributable to compensation deferred by the Participant.

(g) “Corporate Contributions” shall mean the amount that an Employer has agreed to contribute on a bookkeeping basis to the Participant’s Plan Account in accordance with the provisions of Article V of the Plan.
(h) “Corporation” shall mean KeyCorp, an Ohio corporation, its corporate successors, and any corporation or corporations into or with which it may be merged or consolidated.

(i) “Deferral Period” shall mean each Plan Year, provided however, that a Participant’s initial Deferral Period shall be from his or her first day of participation in the Plan through the last day of the applicable Plan Year.

(j) “Determination Date” shall mean the last day of each calendar month.

(k) “Disability” shall mean (1) a physical or mental disability which prevents a Participant from performing the duties the Participant was employed to perform for his or her Employer when such disability commenced, (2) has resulted in the Participant’s absence from work for 180 qualifying days, and (3) application has been made for the Participant’s disability coverage under the KeyCorp Long Term Disability Plan.

(l) “Early Retirement” shall mean the Participant’s retirement from employment with an Employer on or after the Participant’s attainment of age 55 and completion of a minimum of five years of Vesting Service, but prior to the Participant’s Normal Retirement Date.

(m) “Employee” shall mean a common law employee who is employed by an Employer.

(n) “Employer” shall mean the Corporation and any of its subsidiaries, unless specifically excluded as an Employer for Plan purposes by written action of an officer of the Corporation. An Employer’s participation shall be subject to all conditions and requirements made by the Corporation, and each Employer shall be deemed to have appointed the Plan Administrator as its exclusive agent under the Plan as long as it continues as an Employer.

(o) “Unforeseeable Emergency” shall mean a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, the Participant’s spouse, or the Participant’s dependent (as defined in Section 152(a) of the Code), the loss of the Participant’s property due to casualty, or such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of an “unforeseeable emergency” and the ability of the Corporation to accelerate the Participant’s distribution of Participant Deferrals and Corporate contributions shall be determined in accordance with the requirements of Section 409A of the Code and applicable regulations issued thereunder.

(p) “Incentive Compensation Award” shall mean the single annual incentive compensation award granted to a Participant under an Incentive Compensation Plan.

(q) “Incentive Compensation Deferral” shall mean a percentage amount of the Participant’s annual Incentive Compensation Award that otherwise would be payable to the Participant during the applicable Plan Year, but for the Participant’s election to defer such Incentive Compensation Award under the Plan.

(r) “Incentive Compensation Plan” shall mean a line of business or management incentive compensation plan that is sponsored by KeyCorp or an affiliate of KeyCorp that the Corporation has determined constitutes an Incentive Compensation Plan for purposes of the Plan.

-3-
“Interest Bearing Account” shall mean the investment account established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Participant Deferrals credited. Participant Deferrals invested for bookkeeping purposes in the Interest Bearing Account shall be credited with earnings as of each month equal to 120% of the applicable long term federal rate as published by the Internal Revenue Service for that month, compounded monthly, and divided by 12.

“Investment Accounts” shall collectively mean those investment accounts established under the Plan for bookkeeping purposes in which the Participant’s Participant Deferrals will be credited. Investment Accounts shall include the Plan’s (1) Interest Bearing Account, (2) Common Stock Account, and (3) Investment Funds.

“Investment Funds” shall mean those Investment Accounts established under the Plan for bookkeeping purposes in which a Participant may elect to have his or her Participant Deferrals credited and which mirror the investment funds established under the KeyCorp 401(k) Savings Plan (“Savings Plan”), as may be modified from time to time, provided, however, that the Savings Plan’s Corporation Stock Fund, for Plan purposes, shall be excluded from the definition of Investment Funds. Participant Deferrals invested for bookkeeping purposes in the Investment Funds shall be credited on a bookkeeping basis with all earnings, gains, and losses experienced by the applicable Investment Fund.

“Normal Retirement” shall mean the Participant’s retirement under the KeyCorp Cash Balance Pension Plan on or after the Participant’s Normal Retirement Date.

“Participant” shall mean an Employee who meets the eligibility requirements set forth in Section 3.1(a) and who becomes a Plan Participant pursuant to Section 3.1(b) or Section 3.1(c) of the Plan.

“Participation Agreement” shall mean the agreement submitted by the Participant to the Corporation, which contains, in pertinent part, the Participant’s deferral commitment for the applicable Deferral Period, as well as investment and distribution instructions with regard to the form of distribution for such Deferrals. The Participants’ Participation Agreement for Salary Deferrals shall be provided to the Corporation by no later than the close of the calendar year prior to the year in which the deferred salary is to be earned by the Participant. The Participants’ Participation Agreement for Incentive Compensation Deferrals shall be provided to the Corporation by no later than the close of the calendar year prior to the year in which such Incentive Compensation is to be earned by the Participant or as otherwise expressly permitted under the provisions of Section 409A of the Code.

“Participant Deferrals” shall mean the Incentive Compensation Deferrals and Salary Deferrals the Participant has elected to defer under the Plan for each applicable Deferral Period.

“Plan” shall mean the KeyCorp Deferred Savings Plan with all amendments hereafter made.

“Plan Account” shall mean those bookkeeping accounts established by the Corporation for each Plan Participant, which shall reflect all Corporate Contributions and Participant Deferrals, and if applicable, any Predecessor Plan Participant Deferrals, Predecessor Plan...
Corporate Contributions, and Rollover Contributions invested for bookkeeping purposes in the Plan’s Investment Accounts with all earnings, dividends, gains, and losses thereon. Plan Accounts shall not constitute separate Plan funds or separate Plan assets. Neither the maintenance of, nor the crediting of amounts to such Plan Accounts shall be treated (i) as the allocation of any Corporation assets to, or a segregation of any Corporation assets in any such Plan Accounts, or (ii) as otherwise creating a right in any person or Participant to receive specific assets of the Corporation. Benefits under the Plan shall be paid from the general assets of the Corporation.

(bb) “Plan Year” shall mean the calendar year.

(cc) “Retirement” shall mean the termination of a Participant’s employment under circumstances in which the Participant begins to receive Early Retirement or Normal Retirement Date benefit under the KeyCorp Cash Balance Pension Plan.

(dd) “Salary Deferrals” shall mean the amount of the Participant’s Compensation (other than Incentive Compensation) that the Participant has elected to defer to the Plan for the applicable Plan year

(ee) “Separation from Service” shall have occurred upon the Participant’s Termination, Retirement, death, Disability or Termination Under Limited Circumstances within the meaning of Section 409A(c)(2)(A)(i) of the Code.

(ff) “Termination” shall mean the voluntary or involuntary and permanent termination of a Participant’s employment from his or her Employer and any other Employer, whether by resignation or otherwise, but shall not include the Participant’s Retirement or Termination under Limited Circumstances or as a result of the Participant’s death or Disability.

(gg) “Termination Under Limited Circumstances” shall mean a Participant’s termination of employment from the Employer (i) within two years after a Change of Control under circumstances in which the Participant becomes entitled to severance benefits or salary continuation or similar benefits under a Change of Control agreement, employment agreement, or severance or separation pay plan, (ii) under circumstances in which the Participant is entitled to receive salary continuation benefits under the KeyCorp Separation Pay Plan, or (iii) as otherwise expressly approved by an officer of the Corporation.

2.2 Additional Reference. All other words and phrases used herein shall have the meaning given them in the KeyCorp Cash Balance Pension Plan, unless a different meaning is clearly required by the context.

2.3 Pronouns. The masculine pronoun wherever used herein includes the feminine in any case so requiring, and the singular may include the plural.

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ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility and Participation.

(a) Eligibility. Employees who have been assigned a benefits designator 86 or above shall be eligible to participate in the Plan (or if the position is not a graded position, then the equivalent of a benefits designator 86 or above). Notwithstanding the foregoing provisions of this Section 3.1(a), however, all participants in the KeyCorp Deferred Compensation Plan, the KeyCorp Second Deferred Compensation Plan, the KeyCorp Excess 401(k) Savings Plan, or the KeyCorp Second Excess 401(k) Savings Plan as of December 31, 2006 shall automatically become Participants in the Plan regardless of the Employees’ benefits designator.

(b) Participation. An Employee meeting the eligibility criteria of Section 3.1(a) may elect to participate in the Plan by submitting a Participation Agreement to the Corporation prior to the beginning of the applicable Deferral Period.

(c) Mid-Year Participation. When an Employee first becomes eligible to participate in the Plan during a Deferral Period, the Employee shall submit a Participation Agreement to the Corporation within thirty days (30) of the Employee’s initial Plan eligibility.

(d) Loss of Plan Eligibility. In the event that a Participant who is not in a benefits designator 86 or above (or its equivalent) voluntarily fails to make Participant Deferrals to the Plan, then in such event, the Participant’s continued Plan eligibility will end and the Participant shall not be eligible to make Participant Deferrals to the Plan.

3.2 Deferral Limitations. The following Participant Deferral limitations shall apply for each Deferral Period:

(a) Salary Deferrals. A Participant may defer no more than 50% of the Participant’s Compensation (other than Incentive Compensation Award) during the applicable Deferral Period. For Mid-Year participation, a Participant may defer no more than 50% of his or her Compensation earned following the date of the Participant’s deferral election and actual participation in the Plan.

(b) Incentive Compensation Deferrals. A Participant may defer up to 100% of the Participant’s annual Incentive Compensation Award payable to the Participant during the applicable Deferral Period. For Mid-Year participation, however, a Participant may defer only that portion of his or her Incentive Compensation Award earned for services performed following the Participant’s deferral election. In determining the amount of Incentive Compensation that may be deferred under the provisions of this Mid-Year participation requirement, the election shall apply to no more than an amount equal to the total amount of the Incentive Compensation Award multiplied by the ratio of the number of days remaining in the performance period after the Participant’s election date over the total number of days in the performance period.

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3.3 **Commitment Limited by Termination, Retirement, Disability or Death.** As of the Participant’s Termination date, Retirement date, Termination Under Limited Circumstances date, date of Disability or date of death, all Participant Deferrals under the Plan shall cease.

3.4 **Modification of Deferral Commitment.** A Participant’s deferral commitment as evidenced by his or her Participation Agreement for the applicable Deferral Period shall be irrevocable.

3.5 **Evergreen Deferral Election.** A Participant’s initial deferral commitment as evidenced by the Participant’s initial Participation Agreement will continue to be effective from Plan Year to Plan Year and for each successive Deferral Periods until otherwise modified by the Participant. The Participant’s revised Participation Agreement for Salary Deferrals shall be provided to the Corporation by no later than the close of the calendar year prior to the year in which the salary is to be earned by the Participant, and the Participant’s revised Participation Agreement for Incentive Compensation Deferrals shall be provided to the Corporation by no later than the close of the calendar year prior to the year in which such Incentive Compensation is to be earned by the Participant. Such revised Participation Agreement thereafter will continue to be effective for each successive Deferral Periods until modified by the Participant.

3.6 **A Change in Employment Status.** If the Corporation determines that a Participant’s performance is no longer at a level that deserves to be rewarded through participation in the Plan, but does not terminate the Participant’s employment with his or her Employer, the Participant’s existing Participation Agreement shall terminate at the end of the Deferral Period, and no new Participation Agreement may be made by the Participant until the Plan year following the year in which the Corporation advises the Employee that he or she may resume Plan participation.

3.7 **Rollovers.** At the Corporation’s direction, the Plan may accept on behalf of a Participant, a rollover of the Participant’s bookkeeping account balance from such other deferred compensation plans of the Employer in which the Participant also participates, provided, that such plan permits rollovers. The bookkeeping account balance so rolled shall be known as rollover contributions (“Rollover Contributions”). The Participant’s Rollover Contributions shall be credited to the Participant’s Plan Account on a bookkeeping basis in such a manner as the Corporation shall be able to separately identify such Plan Rollover Contributions and determine all net gains or losses attributable thereto. Such Plan Rollover Contributions shall, at all times, be invested in the Plan’s Common Stock Account and shall not be subject to the Participant’s investment direction or diversification. Plan Rollover Contributions shall be fully vested under the Plan and shall be subject to the distribution requirements contained within the Participant’s Rollover Election Form, provided, however, that the Participant’s Rollover Contributions will be required to be deferred under the Plan for a minimum of five (5) full years from the date of the rollover regardless of the Participant’s Termination date, Retirement date, or the distribution instructions contained in the Participant’s Rollover Election Form, and provided further, that the rollover election and the timing of the rollover election conforms with subsequent deferral election requirements mandated under Section 409A of the Code including the Participant’s irrevocable election to make a rollover contribution to the Plan a minimum of twelve full months prior to the date on which the Participant’s bookkeeping account balance from such other deferred compensation plan of the Employer vests and becomes available to be distributed to the Participant.
ARTICLE IV

PARTICIPANT DEFERRALS

4.1 Plan Account. All Participant Deferrals and Corporate Contributions shall be credited on a bookkeeping basis to a Plan Account established in the Participant’s name. Separate sub-accounts may be established to reflect the Participant’s investment elections, which shall reflect all earnings, gains or losses attributable to such investment elections.

4.2 Investment of Participant Deferrals. Subject to the provisions of Section 4.3 hereof, each Participant shall direct the manner in which his or her Participant Deferrals are to be invested for bookkeeping purposes under the Plan. All Participant Deferrals may be invested for bookkeeping purposes in any one or more of the Plan’s Investment Accounts in such amounts as the Participant shall select. Subject to the provisions of Section 4.4 hereof, Participants may modify their investment elections at such times and in such manner as permitted by the Corporation.

4.3 Compliance with Corporation’s Stock Ownership Guidelines. Notwithstanding the foregoing provisions of Section 4.2 hereof, Participants who have not met the Corporation’s Stock Ownership Guidelines shall be required to defer all Participant Deferrals into the Common Stock Account until such time as the Corporation Stock Ownership Guidelines have been met.

4.4 Investment of Participant Deferrals Invested in the Common Stock Account. The Participant’s election to have his or her Participant Deferrals invested on a bookkeeping basis in the Plan’s Common Stock Account shall be irrevocable; Participant Deferrals invested in the Common Stock Account shall not be subject to investment direction by the Participant.

4.5 Crediting of Participant Deferrals; Withholding. Participant Salary Deferrals shall be credited to the Participant’s Plan Account as of the date that such Compensation would have been payable to the Participant but for the Participant’s election to defer such Compensation to the Plan. Participant Incentive Compensation Deferrals shall be credited to the Participant’s Plan Account as of the date such Incentive Compensation would have been payable to the Participant but for the Participant’s election to defer such Incentive Compensation to the Plan. The withholding of taxes with respect to Participant Deferrals as required by state, federal or local law will be withheld from the Participant’s Compensation to the maximum extent possible.

4.6 Section 16 Officers Investment of Participant Deferrals in the Common Stock Account. Notwithstanding the provisions of Section 4.4 and Section 4.5, hereof, if the Participant is an “Officer” of the Corporation, as that term is defined in accordance with Section 16 of the Securities Act of 1934, the Participant’s Participant Deferrals shall be invested in the Plan’s Common Stock Account as follows:

(a) Incentive Compensation Deferrals. Incentive Compensation Deferrals shall be credited on a bookkeeping basis to the Common Stock Account as of the date the Incentive Compensation Deferrals would have been payable to the Participant but for the Participant’s election to defer such Incentive Compensation to the Plan.

(b) Salary Deferrals. Salary Deferrals shall be credited to the Interest Bearing Account as of the date the Participant’s Salary Deferrals would have been payable to the Participant but for the Participant’s election to defer such Salary Deferrals to the Plan. Thereafter, as of the last day of each calendar quarter (or last business day of the applicable calendar
ARTICLE V
CORPORATE CONTRIBUTIONS

5.1 Crediting of Corporation Contributions. Corporate Contributions shall be credited on a bookkeeping basis to the Participant’s Plan Account in proportion to the respective amount of the Participant’s Participant Deferrals made to the Plan during the applicable Deferral Period. Corporate Contributions shall equal up 100% of the Participant’s first 6% of Participant Deferrals credited to the Plan for the applicable pay period.

Notwithstanding the foregoing provisions of this Section 5.1, however, if the Participant is an “Officer” of the Corporation, as that term is defined in accordance with Section 16 of the Securities Act of 1934, such Corporate Contributions shall be credited to the Participant’s Plan Account as follows:

(a) Incentive Compensation Deferrals. Corporate Contributions shall be credited on a bookkeeping basis to the Participant’s Plan Account as of the date the Participant’s Incentive Compensation Deferrals are credited, on a bookkeeping basis to the Participant’s Plan Account.

(b) Salary Deferrals. Corporate Contributions shall be credited to the Participant’s Plan Account as of the last day of each calendar quarter (or last business day of the applicable calendar quarter).

5.2 Investment of Corporate Contributions. All Corporate Contributions credited to the Participant’s Plan Account shall be invested for bookkeeping purposes in the Plan’s Common Stock Account. Corporate Contributions are not subject to Participant investment directions.

5.3 Vesting in Corporate Contributions. Subject to the provisions of Section 7.4 of the Plan, a Participant shall become vested in those Corporate Contributions credited on a bookkeeping basis to the Participant’s Plan Account upon the Participant’s (1) completion of three years of vested service, (2) Disability, (3) death, or (4) Termination under Limited Circumstances. For purposes of this Section 5.3 hereof, the term “vested service” shall be calculated from the Participant’s employment commencement date through the Participant’s Termination, or Retirement date (whichever shall first occur), and shall be based on consecutive twelve-month periods during which time the Participant is employed with an Employer.

5.4 Forfeiture of Corporate Contributions. In the event of the Participant’s Termination or Retirement, all not vested Corporate Contributions and any not vested Participant Predecessor Plan corporate contributions shall be forfeited as of the Participant’s last day of employment.

5.5 Determination of Amount. The Plan Administrator shall verify the amount of Participant Deferrals, Corporate Contributions, and if applicable, Participant Predecessor Plan Participant Deferrals, Participant Predecessor Plan Corporate Contributions, and Rollover Contributions with all earnings, gains and losses, if any, to be credited to each Participant’s Plan Accounts in accordance with the provisions of the Plan. The reasonable and equitable decision of the Plan Administrator as to the
value of each Investment Account shall be conclusive and binding upon all Participants and the Beneficiary of each deceased Participant having any interest, direct or indirect in the Participant’s Plan Account. The value of an Investment Account on any day not a Determination Date shall be the value on the last preceding Determination Date. As soon as reasonably practicable after the close of the Plan Year, the Corporation shall send to each Participant an itemized accounting statement which shall reflect the Participant’s Plan Account balance.

5.6 Corporate Assets. All Participant Deferrals, Corporate Contributions, and if applicable, Participant Predecessor Plan Participant Deferrals, Participant Predecessor Plan Corporate Contributions, and Rollover Contributions with all dividends, earnings and any other gains and losses credited to a Participant’s Plan Account remain the assets and property of the Corporation, which shall be subject to distribution to the Participant only in accordance with Article VII, of the Plan. Payments made under the Plan shall be in the form of cash and common shares of the Corporation and shall be made from the general assets of the Corporation, and Participants and Beneficiaries shall have the status of general unsecured creditors of the Corporation. Nothing contained in the Plan shall create, or be construed as creating a trust of any kind or any other fiduciary relationship between the Participant, the Corporation, or any other person. It is the intention of the Corporation and the Participant that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Section 409A of the Code.

5.7 No Present Interest. Subject to any federal statute to the contrary, no right or benefit under the Plan and no right or interest in each Participant’s Plan Account shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right or benefit under the Plan, or Participant’s Plan Account shall be void. No right, interest, or benefit under the Plan or Participant’s Plan Account shall be liable for or subject to the debts, contracts, liabilities, or torts of the Participant or Beneficiary, including any domestic relations proceedings. If the Participant or Beneficiary becomes bankrupt or attempts to alienate, sell, assign, pledge, encumber, or charge any right under the Plan or Participant’s Plan Account, such attempt shall be void and unenforceable.

5.8 Effect of Plan Termination. Notwithstanding anything to the contrary contained in the Plan, the termination of the Plan shall terminate the liability of the Corporation and all Employers to make further Corporate Contributions to the Plan.

ARTICLE VI
MERGER OF PREDECESSOR PLANS

6.1 Merger of Predecessor Plans. Effective December 31, 2006, the KeyCorp Deferred Compensation Plan, the KeyCorp Second Deferred Compensation Plan, the KeyCorp Excess 401(k) Savings Plan, and the KeyCorp Second 401(k) Excess Savings Plan shall be merged into the Plan, and participants in such Predecessor Plan will automatically participate in the Plan. Hereinafter the KeyCorp Deferred Compensation Plan, the KeyCorp Second Deferred Compensation Plan, the KeyCorp Excess 401(k) Savings Plan, and the KeyCorp Second 401(k) Excess Savings Plan shall be referred to as the “Predecessor Plan”.

6.2 Opening Account Balances. All Predecessor Plan participants shall have their Predecessor Plan benefits reflected, on a bookkeeping basis, as a single Predecessor Plan Opening Account Balance (“Opening Account Balance”). Such Opening Account Balance shall separately reflect
Predecessor Plan (1) participant deferrals, (2) corporate contributions, and (3) any participant rollover balances, with all earnings, gains and losses thereon. All Predecessor Plan participant deferral elections made prior to December 31, 2006 shall be deferred to the Plan when paid, and shall be reflected as part of the Participant’s Predecessor Plan Opening Account Balance. Predecessor Plan benefits, as reflected in the Participant’s Opening Account Balance, will be subject to the distribution provisions of Section 6.4, Section 6.5 and Section 6.6 hereof, as well as the requirements of Article VII of the Plan.

6.3 **Investment of Predecessor Plan Benefits.**

(a) **Participant Deferrals Subject to Investment Direction.** Predecessor Plan participants on or prior to December 31, 2006 shall be required to make an election to direct the investment of those participant deferrals that are subject to investment diversification under the Predecessor Plan. The Participant’s election to invest his or her Predecessor Plan participant deferrals in the Plan’s Common Stock Account will constitute an irrevocable election, and such participant deferrals thereafter will not be subject to investment diversification by the participant.

(b) **Participant Deferrals, Rollover Contributions, and Corporate Contributions Not Subject to Investment Direction.** Predecessor Plan participant deferrals not subject to investment diversification, Predecessor Plan rollover contributions, and Predecessor Plan corporate contributions shall automatically be invested in the Plan’s Common Stock Account, and will not be subject to investment diversification by the participant.

6.4 **Vesting of Predecessor Plan Corporate Contributions.** All Predecessor Plan corporate contributions that have not vested as of December 31, 2006 shall continue to vest under the vesting provisions of Section 5.3 hereof, and when vested, shall become a part of the Participant’s Plan benefit. Notwithstanding the foregoing provisions of this Section 6.4, however, in the event that the Participant elected to irrevocably invest his or her participant deferrals under the KeyCorp Deferred Compensation Plan and/or the KeyCorp Second Deferred Compensation Plan into the common stock account of those plans, and in exchange for this irrevocable investment election the Participant received an additional 4% corporate contribution amount on such participant deferrals, then in such event, this additional 4% corporate contribution amount, with all earnings and gains thereon, shall be forfeited in the event of the Participant’s Termination prior to his or her (a) Normal Retirement, or (b) Disability and termination of employment.

6.5 **Distribution Election for Predecessor Plan Benefits.** Predecessor Plan participants shall make a single, irrevocable election prior to December 31, 2006 to have all Predecessor Plan benefits distributed under the following distribution payment options:

(a) a single lump sum distribution, and/or

(b) a series of monthly installment distributions over a period of 60, 120, or 180 months.

If a Predecessor Plan participant fails to make a distribution election for his or her Predecessor Plan benefits, as provided for under this Section 6.4 hereof, the participant’s Predecessor Plan benefit with all earnings, gains and losses thereon shall be distributed to the participant as an installment distribution over a period of 120 months. The distribution of Predecessor Plan benefits shall be subject to all requirements of Article VII of the Plan.

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6.6 **Constructive Receipt Limitation.** Notwithstanding the foregoing provisions of Section 6.5 hereof, Participants’ Predecessor Plan distribution elections shall remain in effect and shall control all Participant Plan distributions occurring prior to July 1, 2007.

6.7 **Predecessor Plan Benefits in a Pay Status.** All Predecessor Plan benefits in a pay status as of December 31, 2006 shall continue to be paid in accordance with the distribution elections in effect and in accordance with the terms of the Predecessor Plan.

**ARTICLE VII**

**DISTRIBUTION OF PLAN BENEFITS**

7.1 **Distribution of Plan Benefits.** Subject to the provisions of Section 7.4 and Section 7.7 hereof, a Participant shall commence the distribution of his or her vested Plan Account balance and vested Opening Account Balance at the Participant’s Termination, Retirement, or Termination under Limited Circumstances (whichever shall first occur), but in no event later than 90 days following the date of the Participant’s Termination, Retirement, Termination under Limited Circumstances, or death.

7.2 **Unforeseeable Emergency.** Upon a finding that the Participant has suffered an Unforeseeable Emergency, the Corporation shall permit the Participant to obtain an Emergency Withdrawal from his or her vested Plan Account. The amount of such Emergency Withdrawal shall be limited to the amount reasonably necessary to meet the Participant’s immediate emergency needs resulting from the Unforeseeable Emergency, as defined under Section 409A of the Code. Distributions made to a Participant pursuant to this Section 7.2 hereof shall be paid in a lump sum amount as soon as administratively practicable but in no event later than 60 days following the Participant’s Unforeseeable Emergency request.

7.3 **Distribution Options.** Subject to the provisions of Section 7.4 and Section 7.5 hereof, a Participant shall elect, as reflected in the Participant’s Participation Agreement, to receive a distribution of his or her Participant Deferrals and Corporate Contributions for the applicable Deferral Period under the following payment options:

(a) a single lump sum distribution, or

(b) a series of monthly installment distributions over a period of 60, 120, or 180 months.

Distribution of Participant Deferrals and Predecessor Plan participant deferrals from the Plan’s Investment Funds or Interest Bearing Account shall be made in cash. Distributions of Participant Deferrals, Rollover Contributions, Corporate Contributions, and Predecessor Plan participant deferrals, corporate contributions, and rollover contributions from the Company Stock Fund shall be made in KeyCorp common shares.

7.4 **Forfeiture of Plan Benefits.** Notwithstanding any other provision of the Plan to the contrary, if the Participant engages in any Harmful Activity prior to or within twelve months following the Participant’s Termination or Retirement, then by operation of this Section 7.4 hereof, and without any further notice to the Participant, (a) (i) all Corporate Contributions and Predecessor Plan corporate contributions, and (ii) all earnings, dividends, and gains allocated to the Participant’s Plan Account with regard to both Participant Deferrals and Corporate Contributions as well as Predecessor Plan participant
deferrals and corporate contributions shall become immediately forfeited (the Participant’s Participant Deferrals and Predecessor Plan participant deferrals shall be continue to be distributed to the Participant in accordance with the distribution instructions contained within the Participant’s Participation Agreements), and (b) all distributed Corporate Contributions and Predecessor Plan corporate contributions and all distributed earnings, gains and dividends on the Participant’s Participant Deferrals and Corporate Contributions and Predecessor Plan participant deferrals and corporate contributions that have been distributed to the Participant within one year of the Participant’s Termination or Retirement date shall be fully repaid by the Participant to the Corporation within 60 days following the Participant’s receipt of the Corporation’s notice of such Harmful Activity.

The foregoing restrictions shall not apply in the event that the Participant’s employment with an Employer terminates within two years after a Change of Control if any of the following have occurred: a relocation of the Participant’s principal place of employment more than 35 miles from the Participant’s principal place of employment immediately prior to the Change of Control, a reduction in the Participant’s base salary after a Change of Control, or termination of employment under circumstances in which the Participant is entitled to severance benefits or salary continuation or similar benefits under a change of control agreement, employment agreement, or severance or separation pay plan. The determination by the Corporation as to whether a Participant has engaged in a “Harmful Activity” prior to or within twelve months after the Participant’s Termination or Retirement shall be final and conclusive upon the Participant and upon all other Persons.

For purposes of this Section 7.4, a “Harmful Activity” shall have occurred if the Participant shall do any one or more of the following:

(i) Use, publish, sell, trade or otherwise disclose Non-Public Information of KeyCorp unless such prohibited activity was inadvertent, done in good faith and did not cause significant harm to KeyCorp.

(ii) After notice from KeyCorp, fail to return to KeyCorp any document, data, or thing in his or her possession or to which the Participant has access that may involve Non-Public Information of KeyCorp.

(iii) After notice from KeyCorp, fail to assign to KeyCorp all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, copyrights, trademarks, service marks, and patents in or to (or associated with) such Intellectual Property.

(iv) After notice from KeyCorp, fail to agree to do any acts and sign any document reasonably requested by KeyCorp to assign and convey all right, title, and interest in and to any confidential or non-confidential Intellectual Property which the Participant created, in whole or in part, during employment with KeyCorp, including, without limitation, the signing of patent applications and assignments thereof.

(v) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, solicit or entice for employment or hire any KeyCorp employee.

(vi) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, call upon, solicit, or do business with (other than business which does not compete with any business conducted by KeyCorp) any
KeyCorp customer the Participant called upon, solicited, interacted with, or became acquainted with, or learned of through access to information (whether or not such information is or was non-public) while the Participant was employed at KeyCorp unless such prohibited activity was inadvertent, done in good faith, and did not involve a customer whom the Participant should have reasonably known was a customer of KeyCorp.

(vii) Upon the Participant’s own behalf or upon behalf of any other person or entity that competes or plans to compete with KeyCorp, after notice from KeyCorp, continue to engage in any business activity in competition with KeyCorp in the same or a closely related activity that the Participant was engaged in for KeyCorp during the one year period prior to the termination of the Participant’s employment.

For purposes of this Section 7.4, the term:

“Intellectual Property” shall mean any invention, idea, product, method of doing business, market or business plan, process, program, software, formula, method, work of authorship, or other information, or thing relating to KeyCorp or any of its businesses.

“Non-Public Information” shall mean, but is not limited to, trade secrets, confidential processes, programs, software, formulas, methods, business information or plans, financial information, and listings of names (e.g., employees, customers, and suppliers) that are developed, owned, utilized, or maintained by an employer such as KeyCorp, and that of its customers or suppliers, and that are not generally known by the public.

“KeyCorp” shall include KeyCorp, its subsidiaries, and its affiliates.

7.5 Distribution of Account Balances. The Participant’s vested Plan Account and vested Opening Account Balance shall be valued as of the Determination Date immediately following his or her Termination, Retirement, Termination Under Limited Circumstances, or death (the “valuation date”).

(a) Lump Sum Distributions. If a Participant has elected to receive a lump sum distribution of all or any portion of his or her vested Plan Account and/or vested Opening Account Balance, such lump sum distribution shall be made as soon as administratively practicable but in no event later than 90 days following the Participant’s Termination, Retirement, Termination Under Limited Circumstances, or death.

(b) Installment Distributions. If a Participant has elected to receive an installment distribution of all or any portion of his or her vested Plan Account and/or vested Opening Account Balance, such installment distribution shall commence as soon as administratively practicable but in no event later than 90 days following the Participant’s Termination, Retirement, Termination Under Limited Circumstances, or death.

(i) The Participant’s vested unpaid Plan Account balances invested for bookkeeping purposes in the Plan’s Investment Funds and/or Interest Bearing Account shall be reflected in a distribution sub-account, which shall be credited monthly with interest based on the average of the Interest Bearing Account’s rate of return for the 36 month period immediately preceding the Participant’s Termination,
7.6 Distribution of Small Accounts. Notwithstanding the provisions of Sections 7.2, 7.3, and 7.5, hereof, if the value of a Participant’s vested Account balance(s) as of the Determination Date immediately following the Participant’s Termination, Retirement, death, or Termination Under Limited Circumstances date is under $50,000, the Participant’s Account balance(s) shall be distributed to the Participant as a single lump sum distribution no later than 90 days following the Participant’s Termination, Retirement, Termination Under Limited Circumstances, or death.

7.7 Payment Limitation for Key Employees. Notwithstanding any other provision of the Plan to the contrary, including the provisions contained within this Article VII hereof, in the event that the Participant is determined by KeyCorp to be a “specified employee” within the meaning of Section 409A of the Code, then in no event may distributions under this Article VII commence prior to the first business day of the seventh month following Participant’s Separation from Service date (or his date of death, if earlier). To the extent an amount is deferred under this Section 7.7 until the first business day of the seventh month following the Participant’s separation from service date, then in such event, the payment to which the Participant would otherwise have been entitled to during the first six months shall be accumulated and paid to the Participant on the first business day of the seventh month with all Plan earnings thereon. Distribution of the Participant’s Account shall commence on the first day of the seventh month following the Participant’s Separation from Service date, with such distribution being made in accordance with the distribution instructions provided in the Participant’s Participation Agreement(s).

7.8 Facility of Payment. If it is found that any individual to whom an amount is payable hereunder is incapable of attending to his or her financial affairs because of any mental or physical condition, including the infirmities of advanced age, such amount (unless prior claim therefore shall have been made by a duly qualified guardian or other legal representative) may, in the discretion of the Corporation, be paid to another person for the use or benefit of the individual found incapable of attending to his or her financial affairs or in satisfaction of legal obligations incurred by or on behalf of such individual. Any such payment shall be charged to the Participant’s Plan Account from which any such payment would otherwise have been paid to the individual found incapable of attending to his or her financial affairs, and shall be a complete discharge of any liability therefore under the Plan.
ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 **Beneficiary Designation.** Subject to Section 8.3 hereof, each Participant shall be requested to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant’s death prior to complete distribution of the Participant’s Plan Account. Each Beneficiary designation shall be in a written form prescribed by the Corporation and shall be effective only when filed with the Corporation during the Participant’s lifetime.

8.2 **Changing Beneficiary.** Subject to Section 8.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Corporation. The filing of a new designation shall cancel all designations previously filed.

8.3 **No Beneficiary Designation.** If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary (including all contingent Beneficiaries) designated by a deceased Participant dies before the Participant or before complete distribution of the Participant’s benefits, the Participant’s Beneficiary shall be the person in the first of the following classes in which there is a survivor:

   (a) The Participant’s spouse;
   
   (b) The Participant’s children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation the share the parent would have taken if living; and
   
   (c) The Participant’s estate.

8.4 **Distribution Upon Death.** If a Participant dies after the distribution of his or her interest under the Plan has commenced, the remaining portion of the Participant’s entire interest under the Plan, if any, shall be distributed to the Participant’s Beneficiary in a single lump sum benefit. If the Participant dies before the distribution of the Participant’s Plan Account has commenced, the Participant’s entire interest under the Plan shall be valued as of the Determination Date immediately following the Participant’s date of death, and shall be distributed to his or her Beneficiary in a lump sum payment within 90 days following the Participant’s date of death in accordance with the distributions provisions contained in Article VII.
ARTICLE IX

ADMINISTRATION

9.1 Administration. The Plan Administrator shall be responsible for the general administration of the Plan, for carrying out the provisions hereof, and for making payments hereunder. The Plan Administrator shall have the sole and absolute discretionary authority and power to carry out the provisions of the Plan, including, but not limited to, the authority and power (a) to determine all questions relating to the eligibility for and the amount of any benefit to be paid under the Plan, (b) to determine all questions pertaining to claims for benefits and procedures for claim review, (c) to resolve all other questions arising under the Plan, including any questions of construction and/or interpretation, and (d) to take such further action as the Plan Administrator deems necessary or advisable in the administration of the Plan. All findings, decisions, and determinations of any kind made by the Plan Administrator shall not be disturbed unless the Plan Administrator has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan Administrator shall be the sole judge of the standard of proof required in any claim for benefits and in any determination of eligibility for a benefit. All decisions of the Plan Administrator shall be final and binding on all parties. The Plan Administrator may employ such attorneys, investment counsel, agents, and accountants, as it may deem necessary or advisable to assist it in carrying out its duties hereunder. The actions taken and the decisions made by the Plan Administrator hereunder shall be final and binding upon all interested parties subject, however, to the provisions of Section 9.2. The Plan Year, for purposes of Plan administration, shall be the calendar year.

9.2 Claims Review Procedure. Whenever the Plan Administrator decides for whatever reason to deny, whether in whole or in part, a claim for benefits under this Plan filed by any person (herein referred to as the “Claimant”), the Plan Administrator shall transmit a written notice of its decision to the Claimant, which notice shall be written in a manner calculated to be understood by the Claimant and shall contain a statement of the specific reasons for the denial of the claim and a statement advising the Claimant that, within 60 days of the date on which he or she receives such notice, he or she may obtain review of the decision of the Plan Administrator in accordance with the procedures hereinafter set forth. Within such 60-day period, the Claimant or his or her authorized representative may request that the claim denial be reviewed by filing with the Plan’s Claims Review Committee a written request therefore, which request shall contain the following information:

(a) the date on which the request was filed with the Plan Administrator; provided, however, that the date on which the request for review was in fact filed with the Plan’s Claims Review Committee shall control in the event that the date of the actual filing is later than the date stated by the Claimant pursuant to this paragraph (a);

(b) the specific portions of the denial of his or her claim, which the Claimant requests the Plan’s Claims Review Committee to review;

(c) a statement by the Claimant setting forth the basis upon which he or she believes the Plan’s Claims Review Committee should reverse its previous denial of the claim and accept the claim as made; and

(d) any written material, which the Claimant desires the Plan’s Claims Review Committee to examine in its consideration of his or her position as stated pursuant to paragraph (b) above.

In accordance with this Section, if the Claimant requests a review of the Plan Administrator’s decision, such review shall be made by the Plan’s Claims Review Committee, who shall, within sixty (60)
days after receipt of the request form, review and render a written decision on the claim containing the specific reasons for the decision including reference to Plan provisions upon which the decision is based. All findings, decisions, and determinations of any kind made by the Plan’s Claims Review Committee shall not be modified unless the Plan’s Claims Review Committee has acted in an arbitrary and capricious manner. Subject to the requirements of law, the Plan’s Claims Review Committee shall be the sole judge of the standard of proof required in any claim for benefits, and any determination of eligibility for a benefit. All decisions of the Plan’s Claims Review Committee shall be binding on the claimant and upon all other Persons. If the Participant or Beneficiary shall not file written notice with the Plan’s Claims Review Committee at the times set forth above, such individual shall have waived all benefits under the Plan other than as already provided, if any, under the Plan.

ARTICLE X

AMENDMENT AND TERMINATION OF PLAN

10.1 Reservation of Rights. The Corporation reserves the right to amend or terminate the Plan at any time by action of the Board of Directors of the Corporation, or any duly authorized committee thereof, and to modify or amend the Plan, in whole or in part, at any time and for any reason. No amendment or termination will result in an acceleration of distributions under the Plan in violation of Section 409A of the Code.

(a) Preservation of Account Balance. No termination, amendment, or modification of the Plan shall reduce (i) the amount of Plan Rollover Contributions, Predecessor Plan benefits, Participant Deferrals and Corporate Contributions, and (ii) all earnings and gains on such Plan Rollover Contributions, Predecessor Plan benefits, Participant Deferrals, and Corporate Contributions that have accrued up to the effective date of the termination, amendment, or modification.

(b) Changes in Earnings Rate. No amendment or modification of the Plan shall reduce the rate of earnings to be credited on all Plan Rollover Contributions, Predecessor Plan benefits, Participant Deferrals, and Corporate Contributions and all earnings accrued thereon until the close of the applicable Deferral Period in which such amendment or modification is made.

10.2 Effect of Plan Termination. The Corporation may terminate the Plan by instructing the Plan Administrator to not accept any additional Participation Agreements. If such a termination occurs, the Plan shall continue to operate and be effective with regard to Participation Agreements entered into prior to the effective date of such termination.

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ARTICLE XI
CHANGE OF CONTROL

11.1 Change of Control. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control as defined in accordance with Section 2.2 of the Plan, no amendment or modification of the Plan may be made at any time on or after such Change of Control (1) to reduce or modify a Participant’s Pre-Change of Control Account Balance, (2) to reduce or modify the choice of Investment Funds or method of crediting such earnings to a Participant’s Pre-Change of Control Account Balances, (3) to reduce or modify the Common Stock Accounts’ method of calculating all earnings, gains, and/or losses on a Participant’s Pre-Change of Control Account Balance, or (4) to reduce or modify the Participant’s Participant Deferrals and/or Corporate Contributions to be credited to a Participant’s Plan Account for the applicable Deferral Period. For purposes of this Section 11.1, the term “Pre-Change of Control Account Balance” shall mean, with regard to any Plan Participant, the aggregate amount of such Participant’s Plan Rollover Contributions, Predecessor Plan benefits, Participant Deferrals, and Corporate Contributions with all earnings, gains, and losses thereon which are credited to the Participant’s Plan Account and Opening Account Balance through the close of the calendar year in which such Change of Control occurs.

11.2 Common Stock Conversion. In the event of a Change of Control in which the common shares of the Corporation are converted into or exchanged for securities, cash and/or other property as a result of any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with or into another corporation or entity, or the sale of all or substantially all of its assets to another corporation or entity, the Corporation shall cause the Common Stock Account to reflect on a bookkeeping basis the securities, cash and other property that would have been received in such reorganization, reclassification, consolidation, merger or sale on an equivalent amount of common shares equal to the balance in the Common Stock Account and, from and after such reorganization, reclassification, consolidation, merger or sale, the Common Stock Account shall reflect on a bookkeeping basis all dividends, interest, earnings and losses attributable to such securities, cash, and other property (with any cash earning interest at the rate applicable to the Interest Earning Account).

11.3 Change of Control Provisions. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control, (i) the Participant’s employment is terminated by his or her Employer and any other Employer without cause, or (ii) the Participant resigns within two years following a Change of Control as a result of the Participant’s mandatory relocation, reduction in the Participant’s base salary, reduction in the Participant’s average annual incentive compensation (unless such reduction is attributable to the overall corporate or business unit performance), or the Participant’s exclusion from stock option programs as compared to comparably situated Employees, the provisions of Section 6.4 of the Plan which limit a Participant’s ability to provide services to a financial services organization, business, or company upon the Participant’s Termination or Retirement, shall become null and void.

11.4 Amendment in the Event of a Change of Control. On or after a Change of Control, the provisions of Article II, Article III, Article IV, Article V, Article VI, Article VII, Article VIII, Article IX, Article X, and Article XI may not be amended or modified as such Sections and Articles apply with regard to the Participants’ Pre-Change of Control Account Balances.
ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 **Unfunded Plan.** This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees” within the meaning of Sections 201, 301, and 401 of ERISA, and therefore is exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

12.2 **No Commitment as to Employment.** Nothing herein contained shall be construed as a commitment or agreement upon the part of any Employee hereunder to continue his or her employment with an Employer, and nothing herein contained shall be construed as a commitment on the part of any Employer to continue the employment, rate of compensation or terms and conditions of employment of any Employee hereunder for any period. All Participants shall remain subject to discharge to the same extent as if the Plan had never been put into effect.

12.3 **Benefits.** Nothing in the Plan shall be construed to confer any right or claim upon any person, firm, or corporation other than the Participants, former Participants, and Beneficiaries.

12.4 **Absence of Liability.** No member of the Board of Directors of the Corporation or a subsidiary or committee authorized by the Board of Directors, or any officer of the Corporation or a subsidiary or officer of a subsidiary shall be liable for any act or action hereunder, whether of commission or omission, taken by any other member, or by any officer, agent, or Employee, except in circumstances involving bad faith or willful misconduct, for anything done or omitted to be done.

12.5 **Expenses.** The expenses of administration of the Plan shall be paid by the Corporation.

12.6 **Precedent.** Except as otherwise specifically agreed to by the Corporation in writing, no action taken in accordance with the Plan by the Corporation shall be construed or relied upon as a precedent for similar action under similar circumstances.

12.7 **Withholding.** The Corporation shall withhold any tax, which the Corporation in its discretion deems necessary to be withheld from any payment to any Participant, former Participant, or Beneficiary hereunder, by reason of any present or future law.

12.8 **Validity of Plan.** The validity of the Plan shall be determined and the Plan shall be construed and interpreted in accordance with the provisions of ERISA, the Code, and, to the extent applicable, the laws of the State of Ohio. The invalidity or illegality of any provision of the Plan shall not affect the validity or legality of any other part thereof.

12.9 **Parties Bound.** The Plan shall be binding upon the Employers, Participants, former Participants, and Beneficiaries hereunder, and, as the case may be, the heirs, executors, administrators, successors, and assigns of each of them.

12.10 **Headings.** All headings used in the Plan are for convenience of reference only and are not part of the substance of the Plan.

12.11 **Duty to Furnish Information.** The Corporation shall furnish to each Participant, former Participant, or Beneficiary any documents, reports, returns, statements, or other information that it reasonably deems necessary to perform its duties imposed hereunder or otherwise imposed by law.
12.12 **Trust Fund.** At its discretion, the Corporation may establish one or more trusts, with such trustees as the Corporation may approve, for the purpose of providing for the payment of benefits owed under the Plan. Although such a trust may be irrevocable, in the event of insolvency or bankruptcy of the Corporation, such assets will be subject to the claims of the Corporation’s general creditors. To the extent any benefits provided under the Plan are paid from any such trust, the Employer shall have no further obligation to pay them. If not paid from the trust, such benefits shall remain the obligation of the Employer.

12.13 **Validity.** In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.14 **Notice.** Any notice required or permitted under the Plan shall be deemed sufficiently provided if such notice is in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or on the receipt for registration or certification. Mailed notice to the Corporation shall be directed to the Corporation’s address, attention: KeyCorp Compensation and Benefits Department. Mailed notice to a Participant or Beneficiary shall be directed to the individual’s last known address in the Employer’s records.

12.15 **Successors.** The provisions of this Plan shall bind and inure to the benefit of each Employer and its successors and assigns. The term successors as used herein shall include any corporate or other business entity, which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of an Employer.

**ARTICLE XIII**

**COMPLIANCE WITH SECTION 409A CODE**

13.1 **Compliance With Section 409A.** The Plan is intended to provide for the deferral of compensation in accordance with the provisions of Section 409A of the Code and regulations and published guidance issued pursuant thereto. Accordingly, the Plan shall be construed in a manner consistent with those provisions and may at any time be amended in the manner and to the extent determined necessary or desirable by the Corporation to reflect or otherwise facilitate compliance with such provisions with respect to amounts deferred. Notwithstanding any provision of the Plan to the contrary, no otherwise permissible election, deferral, accrual, or distribution shall be made or given effect under the Plan that would result in a violation, early taxation, or assessment of penalties or interest of any amount under Section 409A of the Code.

**WITNESS WHEREOF,** KeyCorp has caused this KeyCorp Deferred Savings Plan to be executed by its duly authorized officer this 29th day of December, 2008, to be effective as of December 31, 2008.

**KEYCORP**

By: /s/ Steven N. Bulloch
Title: Assistant Secretary

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**Section 32: EX-12 (EX-12)**

**EXHIBIT 12**

**KEYCORP**

**COMPUTATION OF CONSOLIDATED RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

(dollars in millions)  
(unaudited)

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</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$(1,468)</td>
<td>$919</td>
<td>$1,055</td>
<td>$1,129</td>
<td>$954</td>
</tr>
<tr>
<td>Add: Provision for income taxes</td>
<td>334</td>
<td>280</td>
<td>450</td>
<td>436</td>
<td>405</td>
</tr>
<tr>
<td>Less: (Loss) income from discontinued operations, net of taxes</td>
<td>—</td>
<td>(22)</td>
<td>(143)</td>
<td>39</td>
<td>47</td>
</tr>
<tr>
<td>Less: (Loss) cumulative effect of accounting change, net of taxes</td>
<td>—</td>
<td>—</td>
<td>5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>(Loss) income before income taxes and cumulative effect of accounting change</td>
<td>$(1,134)</td>
<td>1.221</td>
<td>1.643</td>
<td>1.526</td>
<td>1.312</td>
</tr>
<tr>
<td>Fixed charges, excluding interest on deposits</td>
<td>781</td>
<td>1.060</td>
<td>1.023</td>
<td>790</td>
<td>497</td>
</tr>
<tr>
<td>Total earnings, excluding interest on deposits</td>
<td>(353)</td>
<td>2.281</td>
<td>2.666</td>
<td>2.316</td>
<td>1.809</td>
</tr>
</tbody>
</table>
Interest on deposits | 1,468 | 1,845 | 1,576 | 976 | 640

Total earnings for computation, including interest on deposits | $1,115 | $4,126 | $4,242 | $3,292 | $2,449

### Computation of Fixed Charges

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</thead>
<tbody>
<tr>
<td>Net rental expense</td>
<td>$112</td>
<td>$108</td>
<td>$123</td>
<td>$150</td>
<td>$126</td>
</tr>
<tr>
<td>Portion of net rental expense deemed representative of interest</td>
<td>$29</td>
<td>$30</td>
<td>$34</td>
<td>$39</td>
<td>$31</td>
</tr>
<tr>
<td>Interest on short-term borrowed funds</td>
<td>188</td>
<td>312</td>
<td>201</td>
<td>153</td>
<td>64</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>564</td>
<td>718</td>
<td>788</td>
<td>598</td>
<td>402</td>
</tr>
<tr>
<td>Total fixed charges, excluding interest on deposits</td>
<td>781</td>
<td>1,060</td>
<td>1,023</td>
<td>790</td>
<td>497</td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>1,468</td>
<td>1,845</td>
<td>1,576</td>
<td>976</td>
<td>640</td>
</tr>
<tr>
<td>Total fixed charges, including interest on deposits</td>
<td>$2,249</td>
<td>$2,905</td>
<td>$2,599</td>
<td>$1,766</td>
<td>$1,137</td>
</tr>
</tbody>
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### Combined Fixed Charges and Preferred Stock Dividends

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<tbody>
<tr>
<td>Preferred stock dividend requirement on a pre-tax basis</td>
<td>$42</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total fixed charges, excluding interest on deposits</td>
<td>781</td>
<td>1,060</td>
<td>1,023</td>
<td>790</td>
<td>497</td>
</tr>
<tr>
<td>Combined fixed charges and preferred stock dividends, excluding interest on deposits</td>
<td>823</td>
<td>1,060</td>
<td>1,023</td>
<td>790</td>
<td>497</td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>1,468</td>
<td>1,845</td>
<td>1,576</td>
<td>976</td>
<td>640</td>
</tr>
<tr>
<td>Combined fixed charges and preferred stock dividends, including interest on deposits</td>
<td>$2,291</td>
<td>$2,905</td>
<td>$2,599</td>
<td>$1,766</td>
<td>$1,137</td>
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### Ratio of Earnings to Fixed Charges

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<tbody>
<tr>
<td>Excluding deposit interest</td>
<td>(.45)x</td>
<td>2.15x</td>
<td>2.61x</td>
<td>2.93x</td>
<td>3.64</td>
</tr>
<tr>
<td>Including deposit interest</td>
<td>.50x</td>
<td>1.42x</td>
<td>1.63x</td>
<td>1.86x</td>
<td>2.15</td>
</tr>
</tbody>
</table>

### Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

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</tr>
</thead>
<tbody>
<tr>
<td>Excluding deposit interest</td>
<td>(.43)x</td>
<td>2.15x</td>
<td>2.61x</td>
<td>2.93x</td>
<td>3.64</td>
</tr>
<tr>
<td>Including deposit interest</td>
<td>.49x</td>
<td>1.42x</td>
<td>1.63x</td>
<td>1.86x</td>
<td>2.15</td>
</tr>
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### Section 33: EX-13 (EX-13)

FINANCIAL REVIEW

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MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS
KEYCORP AND SUBSIDIARIES

Introduction

This section generally reviews the financial condition and results of operations of KeyCorp and its subsidiaries for each of the past three years. 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 that appear on pages 73 through 124.

Terminology

This report contains some shortened names and industry-specific terms. We want to explain some of these terms at the outset so you can better understand the discussion that follows.

- **KeyCorp** refers solely to the parent holding company.
- **KeyBank** refers to KeyCorp’s subsidiary bank, KeyBank National Association.
- **Key** refers to the consolidated entity consisting of KeyCorp and its subsidiaries.
- In November 2006, Key sold the subprime mortgage loan portfolio held by the Champion Mortgage finance business and announced a separate agreement to sell Champion’s origination platform. As a result of these actions, Key has accounted for this business as a **discontinued operation**. We use the phrase **continuing operations** in this document to mean all of Key’s business other than Champion. Key completed the sale of Champion’s origination platform in February 2007.
- Key engages in **capital markets activities** primarily through business conducted by the National Banking group. These activities encompass a variety of products and services. Among other things, Key trades securities as a dealer, enters into derivative contracts (both to accommodate clients’ financing needs and for proprietary trading purposes), and conducts transactions in foreign currencies (both to accommodate clients’ needs and to benefit from fluctuations in exchange rates).
- For regulatory purposes, capital is divided into two classes. Federal regulations prescribe that at least one-half of a bank or bank holding company’s **total risk-based capital** must qualify as **Tier 1**. 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. You will find a more detailed explanation of total and Tier 1 capital and how they are calculated in the section entitled “Capital,” which begins on page 48.

Description of business

KeyCorp was organized in Ohio in 1958 and is headquartered in Cleveland, Ohio. As of December 31, 2008, KeyCorp was one of the nation’s largest bank-based financial services companies, with consolidated total assets of $104.531 billion. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients. As of December 31, 2008, these services were provided across the country through subsidiaries operating 986 full service retail banking branches in fourteen states, additional offices, a telephone banking call center services group and a network of 1,478 automated teller machines in sixteen states. Key had 18,095 average full-time-equivalent employees during 2008. Additional information pertaining to KeyCorp’s two major business groups, Community Banking and National Banking, appears in the “Line of Business Results” section, which begins on page 28, and in Note 4 (“Line of Business Results”), which begins on page 88.

In addition to the customary banking services of accepting deposits and making loans, KeyCorp’s bank and trust company subsidiaries offer personal and corporate trust services, personal financial services, access to mutual funds, cash management services, investment banking and capital markets products, and international banking services. Through its subsidiary bank, trust company and registered investment adviser subsidiaries, KeyCorp provides investment management services to clients that include large corporate and public retirement plans, foundations and endowments, high-net-worth individuals and multi-employer trust funds established to provide pension, vacation or other benefits to employees.

KeyCorp provides other financial services — both within and outside of its primary banking markets — through nonbank subsidiaries. These services include accident, health and credit-life insurance on loans made by KeyBank, principal investing, community development financing, securities underwriting and brokerage, and merchant services. KeyCorp also is an equity participant in a joint venture that provides merchant services to businesses.

Forward-looking statements

This report and other reports filed by Key under the Securities Exchange Act of 1934, as amended, or registration statements filed by Key under the Securities Act of 1933, as amended, contain statements that are considered “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about Key’s long-term goals, financial condition, results of operations, earnings, levels of net loan charge-offs and nonperforming assets, interest rate exposure and profitability. These statements usually can be identified by the use of forward-looking language such as “our goal,” “our objective,” “our plan,” “will likely result,” “expects,” “plans,” “anticipates,” “intends,” “projects,” “believes,” “estimates” or other similar words, expressions or conditional verbs such as “will,” “would,” “could” and “should.”

Forward-looking statements express management’s current expectations, forecasts of future events or long-term goals and, by their nature, are subject to assumptions, risks and uncertainties. Although management believes that the expectations, forecasts and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons, including the following factors:
Unprecedented volatility in the stock markets, public debt markets and other capital markets, including continued disruption in the fixed income markets, has affected and could continue to affect Key’s ability to raise capital or other funding for liquidity and business purposes, as well as revenue from client-based underwriting, investment banking and other capital markets-driven businesses.
Interest rates could change more quickly or more significantly than management expects, which may have an adverse effect on Key’s financial results.

Trade, monetary and fiscal policies of various governmental bodies may affect the economic environment in which Key operates, as well as its financial condition and results of operations.

Changes in foreign exchange rates, equity markets, the financial soundness of bond insurers, sureties and even other unrelated financial companies have the potential to affect current market values of financial instruments which, in turn, could have a material adverse effect on Key.

Asset price deterioration has had (and may continue to have) a negative effect on the valuation of many of the asset categories represented on Key’s balance sheet.

The Emergency Economic Stabilization Act of 2008 ("EESA"), the American Recovery and Reinvestment Act of 2009, the Financial Stability Plan announced on February 10, 2009, by the Secretary of the U.S. Treasury, in coordination with other financial institution regulators, and other initiatives undertaken by the U.S. government may not have the intended effect on the financial markets; the current extreme volatility and limited credit availability may persist. If these actions fail to help stabilize the financial markets and the current financial market and economic conditions continue or deteriorate more, Key’s business, financial condition, results of operations, access to credit and the trading price of Key’s common shares could all suffer a material decline.

The terms of the Capital Purchase Program ("CPP"); pursuant to which KeyCorp issued securities to the United States Department of the Treasury (the “U.S. Treasury”), may limit Key’s ability to return capital to shareholders and could be dilutive to Key’s common shares. If Key is unable to redeem such preferred shares within five years, the dividend rate will increase substantially.

Key’s ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions.

The problems in the housing markets, including issues related to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, and related conditions in the financial markets, or other issues, such as the price volatility of oil or other commodities, could cause general economic conditions to deteriorate further. In addition, these problems may inflect further damage on the local economies, or industries in which Key has significant operations or assets, and, among other things, may materially impact credit quality in existing portfolios and/or Key’s ability to generate loans in the future.

Increases in interest rates or further weakening economic conditions could constrain borrowers’ ability to repay outstanding loans or diminish the value of the collateral securing those loans. Additionally, Key’s allowance for loan losses may be insufficient if the estimates and judgments management used to establish the allowance prove to be inaccurate.

Key may face increased competitive pressure due to the recent consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies.

Key may become subject to new or heightened legal standards and regulatory requirements, practices or expectations, which may impede profitability or affect Key’s financial condition, including new regulations imposed in connection with the Troubled Asset Relief Program ("TARP") provisions of the EESA, such as the Financial Stability Plan and the CPP, being implemented and administered by the U.S. Treasury in coordination with other federal regulatory agencies, further laws enacted by the U.S. Congress in an effort to strengthen the fundamentals of the economy, or other regulations promulgated by federal regulators to mitigate the systemic risk presented by the current financial crisis such as the Federal Deposit Insurance Corporation’s ("FDIC") Temporary Liquidity Guarantee Program ("TLGP").

It could take Key longer than anticipated to implement strategic initiatives, including those designed to grow revenue or manage expenses; Key may be unable to implement certain initiatives; or the initiatives Key employs may be unsuccessful.

Increases in deposit insurance premiums imposed on KeyBank due to the FDIC’s restoration plan for the Deposit Insurance Fund announced on October 7, 2008, and continued difficulties experienced by other financial institutions may have an adverse effect on Key’s results of operations.

Acquisitions and dispositions of assets, business units or affiliates could adversely affect Key in ways that management has not anticipated.

KeyCorp and its subsidiaries are subject to voluminous and complex rules, regulations and guidelines imposed by a number of government authorities; regulatory requirements appear to be expanding in the current environment. Implementing and monitoring compliance with these requirements is a significant task, and failure to effectively do so may result in penalties or related costs that could have an adverse effect on Key’s results of operations.

Key may have difficulty attracting and/or retaining key executives and/or relationship managers at compensation levels necessary to maintain a competitive market position.

Key may experience operational or risk management failures due to technological or other factors.

Changes in accounting principles or in tax laws, rules and regulations could have an adverse effect on Key’s financial results or capital.

Key may become subject to new legal obligations or liabilities, or the unfavorable resolution of pending litigation may have an adverse effect on our financial results or capital.

Terrorist activities or military actions could disrupt the economy and the general business climate, which may have an adverse effect on...
Key’s financial results or condition and that of its borrowers.

- Key has leasing offices and clients throughout the world. Economic and political uncertainties resulting from terrorist attacks, military actions or other events that affect countries in which Key operates may have an adverse effect on those leasing clients and their ability to make timely payments.
Forward-looking statements are not historical facts but instead represent only management’s current expectations and forecasts regarding future events, many of which, by their nature, are inherently uncertain and outside of Key’s control. The factors discussed above are not intended to be a complete summary of all risks and uncertainties that may affect Key’s business, the financial services industry and financial markets. Though management strives to monitor and mitigate risk, management cannot anticipate all potential economic, operational and financial developments that may have an adverse impact on Key’s operations and financial results. Forward-looking statements speak only as of the date they are made, and Key does not undertake any obligation to revise any forward-looking statement to reflect subsequent events.

Before making an investment decision, you should carefully consider all risks and uncertainties disclosed in Key’s Securities and Exchange Commission (“SEC”) filings, including this and Key’s other reports on Forms 8-K, 10-K and 10-Q and Key’s registration statements under the Securities Act of 1933, as amended, all of which are accessible on the SEC’s website at www.sec.gov.

Long-term goals

Key’s long-term financial goals are to grow its earnings per common share and achieve a return on average equity at rates at or above the respective median of our peer group. The strategy for achieving these goals is described under the heading “Corporate strategy” below.

Corporate strategy

The strategy for achieving Key’s long-term goals includes the six primary elements summarized below. These elements reflect Key’s focus on sustaining capital strength, tightly managing risks, growing client relationship businesses with higher risk-adjusted returns and controlling costs.

♦ Focus on core businesses. We concentrate on businesses that enable Key to build client relationships. We focus on our “footprint” operations (i.e., businesses conducted primarily within the states where we have branches) that serve individuals, small businesses and middle market companies. In addition, we focus nationwide on businesses such as commercial real estate activities, investment management and equipment leasing. Management believes Key possesses resources of the scale necessary to compete nationally in the market for these services.

♦ Build relationships. We work to deepen relationships with existing clients and to build relationships with new clients, particularly those that have the potential to purchase multiple products and services or to generate repeat business. To that end, we emphasize deposit growth across all lines of business. We also put considerable effort into enhancing service quality.

♦ Enhance our business. We strive for continuous improvement in Key’s businesses. We continue to focus on increasing revenues, controlling expenses and maintaining the credit quality of Key’s loan portfolios. We will continue to leverage technology to achieve these objectives.

♦ Cultivate a workforce that demonstrates Key’s values and works together for a common purpose. We intend to achieve this by:
  — attracting, developing and retaining a talented, high-performing and inclusive workforce;
  — developing leadership at all staff and management levels;
  — creating a positive, stimulating and client-focused work environment; and
  — compensating for performance achieved in ways that are consistent with Key’s values.

♦ Enhance performance measurement. We intend to refine and to enhance our use of performance measurement mechanisms that indicate whether Key is maximizing shareholder returns and that those returns are appropriate considering the inherent levels of risk involved. We will strive to craft incentive compensation plans that reward the contributions employees make to long-term profitability, but yet comply with any applicable restrictions.

♦ Manage capital effectively. We intend to continue to manage Key’s equity capital effectively.

Economic overview

According to the National Bureau of Economic Research, the United States entered an economic recession in December 2007. Economic growth in the United States as measured by the Gross Domestic Product averaged 1.1% during the first three quarters of 2008. This fell short of the 2007 average of 2.4% and the ten-year average of 2.6%. Growth for 2008 as a whole remained subdued despite a substantial federal tax rebate granted in the first half of the year to induce spending.

The economy continued to deteriorate throughout 2008, particularly during the second half of the year. During the last six months of 2008, consumer spending declined at an average monthly rate of 0.6%, compared to an average monthly increase of 0.4% in the first half of 2008 and 0.5% for all of 2007. The U.S. consumer was affected by mounting job losses as weakness in the labor market became progressively worse. The economy lost 3.0 million jobs in 2008, with 2.2 million of those losses occurring in the last six months of the year. The average unemployment rate for 2008 rose to 5.8%, compared to the 2007 average of 4.6%. By the end of 2008, consumer relief from inflationary pressures arrived as consumer prices rose 1% from December 2007 to December 2008, down significantly from the 4.1% increase experienced during 2007. Inflationary pressures had initially intensified in 2008 before subsiding. Most of the volatility came from oil prices, which began the year at $96 per barrel, reached an all time high of $145 in July 2008 and closed the year at $45 per barrel.
Home sales and home values continued to decline throughout 2008. Existing home sales fell by 3%, while new home sales decreased by 45%. Homebuilder activity declined as housing starts hit an all-time low, falling 45% from December 2007. By December 2008, the median price of new and existing homes had fallen by 9% and 15%, respectively, from the price levels reported for the same month last year. Lower prices were partly a consequence of the elevated levels of foreclosures, which rose by 41% from a year earlier.

Spurred by the deterioration in the housing market, disruptions in the financial markets evolved into a crisis of confidence in the safety and soundness of large banks, brokerage firms and insurance companies, and created extreme liquidity pressures throughout the U.S. financial system.
Risk aversion quickly spread throughout all markets and created extraordinary volatility in the fixed income markets. This in turn reduced the market values at which loans held for sale, trading portfolios and structured investments were recorded on the balance sheets of financial institutions and pressured capital positions. As these losses mounted and liquidity pressures peaked, some financial institutions were forced into liquidation or mergers and many banks tightened lending standards, constraining the ability of businesses and consumers to obtain credit. As anxiety over liquidity and counterparty credit risk grew, banks curbed lending to each other and short-term unsecured lending rates soared.

By the end of 2008, financial markets began to stabilize after a period of heightened turmoil in September and October. A combination of traditional monetary policy and new government programs aimed at alleviating liquidity, capital and other balance sheet pressures of financial institutions seemed to bring some stability to the banking system and the financial markets. During 2008, the Federal Reserve lowered the federal funds target rate from 4.25% to near zero percent by the end of the year. While short-term unsecured lending rates spiked during times of financial market distress and peaked above 4.75%, they ended the year below 1.50%. The benchmark two-year Treasury yield began the year at its high of 3.05% and decreased to .77% at December 31, 2008; the ten-year Treasury yield, which began the year at 4.03%, closed the year at 2.21%.

The Federal Reserve, together with the U.S. Treasury and the FDIC, also took a variety of unprecedented actions in 2008. In September, the Federal Housing Finance Agency, with the support of the U.S. Treasury, placed Fannie Mae and Freddie Mac, two government-sponsored enterprises that play a critical role in the U.S. home mortgage market, in conservatorship, taking full management control. The Federal Reserve seized control of insurance giant American International Group Inc. in September, and provided traditional investment banks the authority to become bank holding companies with access to the Federal Reserve discount window. It also implemented and expanded various programs intended primarily to ease liquidity concerns of depository institutions. Key and other banks used some programs, such as the Term Auction Facility, as a source of short-term funding. Bank capital and funding were further strengthened by the CPP and the FDIC’s TLGP, both of which are described in detail below. In a further effort to relieve balance sheet pressures, the Federal Reserve established facilities, such as the Term Asset-Backed Securities Loan Facility, to purchase certain high-quality assets directly from institutions. They also began purchasing agency debt and agency mortgage-backed securities in an effort to promote liquidity in those markets. In the later part of the year, the Federal Reserve implemented additional programs to aid institutions that rely on commercial paper funding and to promote the continued operations of money market mutual funds.

EESA and the U.S. Treasury’s Capital Purchase Program. After various liquidity programs undertaken by the Federal Reserve failed to restore liquidity to the financial system, Congress and the U.S. Treasury took additional actions. Former President Bush signed the EESA into law in October 2008 in an attempt to restore liquidity and stability to the financial system through the purchase of up to $700 billion of certain financial instruments.

In accordance with the provisions of the EESA, the U.S. Treasury created its CPP and announced its intention to make $250.0 billion of capital available to U.S. financial institutions by purchasing preferred stock issued by such institutions. By February 20, 2009, the U.S. Treasury had invested $196.361 billion in financial institutions under the CPP. On November 14, 2008, KeyCorp raised $2.5 billion of capital as a participant in the U.S. Treasury’s CPP. In conjunction with this program, KeyCorp issued to the U.S. Treasury: (1) 25,000 shares of fixed-rate senior notes due December 19, 2011. KeyBank has issued $1.0 billion of floating-rate senior notes due December 15, 2011. KeyBank has issued $250 million of floating-rate senior notes due December 15, 2010, and $250 million of floating-rate senior notes due December 19, 2011. KeyBank has issued $1.0 billion of fixed-rate senior notes due June 15, 2012.

FDIC’s standard maximum deposit insurance coverage limit increase and Temporary Liquidity Guarantee Program. When the EESA was signed into law, the FDIC raised the FDIC standard maximum deposit insurance coverage limit for all deposit accounts from $100,000 to $250,000, the same amount of coverage previously provided for self-directed retirement accounts, on a temporary basis until December 31, 2009, absent further Congressional action.

On October 14, 2008, the FDIC initially announced its TLGP, which has two key components: a transaction account guarantee for funds held at FDIC-insured depository institutions in noninterest-bearing transaction accounts in excess of the current standard maximum deposit insurance amount of $250,000 (“Transaction Account Guarantee”), and a debt guarantee program for qualifying newly issued senior unsecured debt of depository institutions, their holding companies and certain other affiliates of insured depository institutions designated by the FDIC (“Debt Guarantee”). On November 21, 2008, the FDIC announced its final rule for its TLGP under 12 C.F.R. Part 370.

KeyBank has opted in to the Transaction Account Guarantee, and will pay a .10% fee to the FDIC on the amount of deposits insured above $250,000. Because KeyCorp is not an insured depository institution, it is not eligible for the Transaction Account Guarantee.

KeyBank and KeyCorp have each opted in to the Debt Guarantee and have issued an aggregate of $1.5 billion of FDIC-guaranteed debt. The Debt Guarantee provides for the FDIC to guarantee all newly issued senior unsecured debt up to prescribed limits issued by participating entities on or after October 14, 2008, through June 30, 2009. The guarantee does not extend beyond June 30, 2012. KeyCorp has issued $250 million of floating-rate senior notes due December 15, 2010, and $250 million of floating-rate senior notes due December 19, 2011. KeyBank has issued $1.0 billion of fixed-rate senior notes due June 15, 2012.

Demographics. The extent to which Key’s business has been affected by continued volatility and weakness in the housing market is directly related to the state of the economy in the regions in which its two major business groups, Community Banking and National Banking, operate.

Key’s Community Banking group serves consumers and small to mid-sized businesses by offering a variety of deposit, investment, lending and wealth management products and services. These products and services are provided through a 14-state branch network organized into four
geographic regions defined by management: Northwest, Rocky Mountains, Great Lakes and Northeast. Key’s National Banking group includes those corporate and consumer business units that operate nationally, within and beyond our 14-state branch network, as well as internationally. The specific products and services offered by the Community and National Banking groups are described in Note 4.

Figure 1 shows the geographic diversity of the Community Banking group’s average core deposits, commercial loans and home equity loans.

<table>
<thead>
<tr>
<th>Year ended December 31, 2008</th>
<th>Geographical Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average core deposits</td>
<td>$9,765</td>
<td>$42,107</td>
</tr>
<tr>
<td>Percent of total</td>
<td>23.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Average commercial loans</td>
<td>$4,322</td>
<td>$15,835</td>
</tr>
<tr>
<td>Percent of total</td>
<td>27.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Average home equity loans</td>
<td>$2,827</td>
<td>$9,846</td>
</tr>
<tr>
<td>Percent of total</td>
<td>28.7%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(a) Represents core deposit, commercial loan and home equity loan products centrally managed outside of the four Community Banking regions.

Figure 19 on page 43 shows the diversity of Key’s commercial real estate lending business based on industry type and location. The homebuilder loan portfolio within the National Banking group has been adversely affected by the downturn in the U.S. housing market. The deteriorating market conditions in the residential properties segment of Key’s commercial real estate construction portfolio, principally in Florida and southern California, have caused Key to experience a significant increase in the levels of nonperforming assets and net charge-offs since mid-2007. Management has taken aggressive steps to reduce Key’s exposure in this segment of the loan portfolio. As previously reported, during the fourth quarter of 2007, Key announced its decision to cease conducting business with nonrelationship homebuilders outside of its 14-state Community Banking footprint. During the second quarter of 2008, Key initiated a process to further reduce exposure through the sale of certain loans. As a result of these actions, Key has reduced the outstanding balances in the residential properties segment of the commercial real estate loan portfolio by $1.264 billion, or 36%, over the past twelve months. Additional information about the loan sales is included in the “Credit risk management” section, which begins on page 60.

Results for the National Banking group have also been affected adversely by increasing credit costs and volatility in the capital markets, leading to declines in the market values at which Key records certain assets (primarily commercial real estate loans and securities held for sale or trading).

During 2008, Key and others in the banking industry continued to experience commercial and industrial loan growth, due in part to increased reliance by borrowers on commercial lines of credit in response to the challenging economic environment.

**Critical accounting policies and estimates**

Key’s business is dynamic and complex. Consequently, management must exercise judgment in choosing and applying accounting policies and methodologies. These choices are critical; not only are they necessary to comply with U.S. generally accepted accounting principles ("GAAP"), they also reflect management’s view of the appropriate way to record and report Key’s overall financial performance. All accounting policies are important, and all policies described in Note 1 ("Summary of Significant Accounting Policies"), which begins on page 77, should be reviewed for a greater understanding of how Key’s financial performance is recorded and reported.

In management’s opinion, some accounting policies are more likely than others to have a significant effect on Key’s financial results and to expose those results to potentially greater volatility. These policies apply to areas of relatively greater business importance, or require management 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 change over time or prove to be inaccurate.

Management relies heavily on the use of judgment, assumptions and estimates to make a number of core decisions, including accounting for the allowance for loan losses; loan securitizations; contingent liabilities, guarantees and income taxes; derivatives and related hedging activities; and assets and liabilities that involve valuation methodologies. A brief discussion of each of these areas follows.

**Allowance for loan losses.** The loan portfolio is the largest category of assets on Key’s balance sheet. Management considers a variety of data to determine probable losses inherent in the loan portfolio and to establish an allowance that is sufficient to absorb those losses. For example, management applies historical loss rates to existing loans with similar risk characteristics and exercises judgment to assess the impact of factors such as changes in economic conditions, lending policies, underwriting standards, and the level of credit risk associated with specific industries and markets. Other considerations include expected cash flows and estimated collateral values.
If an impaired loan has an outstanding balance greater than $2.5 million, management conducts further analysis to determine the probable loss content, and assigns a specific allowance to the loan if deemed appropriate. For example, a specific allowance may be assigned — even when sources of repayment appear sufficient — if management remains uncertain that the loan will be repaid in full.

Management continually assesses the risk profile of the loan portfolio and adjusts the allowance for loan losses when appropriate. The economic and business climate in any given industry or market is difficult to gauge and can change rapidly, and the effects of those changes can vary by borrower. However, since Key’s total loan portfolio is well diversified in many respects, and the risk profile of certain segments of the loan portfolio may be improving while the risk profile of others is deteriorating, management may decide to change the level of the allowance for one segment of the portfolio without changing it for any other segment.

In addition to adjusting the allowance for loan losses to reflect market conditions, management also may adjust the allowance because of unique events that cause actual losses to vary abruptly and significantly from expected losses. For example, class action lawsuits brought against an industry segment (e.g., one that utilized asbestos in its product) can cause a precipitous deterioration in the risk profile of borrowers doing business in that segment. Conversely, the dismissal of such lawsuits can improve the risk profile. In either case, historical loss rates for that industry segment would not have provided a precise basis for determining the appropriate level of allowance.

Even minor changes in the level of estimated losses can significantly affect management’s determination of the appropriate level of allowance because those changes must be applied across a large portfolio. To illustrate, an increase in estimated losses equal to one-tenth of one percent of Key’s December 31, 2008, consumer loan portfolio would result in a $22 million increase in the level of allowance deemed appropriate. The same level of increase in estimated losses for the commercial loan portfolio would result in a $55 million increase in the allowance. Such adjustments to the allowance for loan losses can materially affect financial results. Following the above examples, a $22 million increase in the allowance would have reduced Key’s earnings by approximately $14 million, or $.03 per share, and a $55 million increase in the allowance would have reduced earnings by approximately $34 million, or $.08 per share.

As it makes decisions regarding the allowance, management benefits from a lengthy organizational history and experience with credit evaluations and related outcomes. Nonetheless, if management’s underlying assumptions later prove to be inaccurate, the allowance for loan losses would have to be adjusted, possibly having an adverse effect on Key’s results of operations.

Key’s accounting policy related to the allowance is disclosed in Note 1 under the heading “Allowance for Loan Losses” on page 79.

**Loan securitizations.** Historically, Key has securitized education loans and accounted for those transactions as sales when the criteria set forth in Statement of Financial Accounting Standards (“SFAS”) No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” were met. If management were to subsequently determine that the transactions did not meet the criteria prescribed by SFAS No. 140, the loans would have to be brought back onto the balance sheet, which could have an adverse effect on Key’s capital ratios and other unfavorable financial implications.

Management must make assumptions to determine the gains or losses resulting from securitization transactions and the subsequent carrying amount of retained interests; the most significant of these are described in Note 8 (“Loan Securitizations, Servicing and Variable Interest Entities”), which begins on page 94. Note 8 also includes information concerning the sensitivity of Key’s pre-tax earnings to immediate adverse changes in important assumptions. The use of alternative assumptions would change the amount of the initial gain or loss recognized and might result in changes in the carrying amount of retained interests, with related effects on results of operations. Key’s accounting policy related to loan securitizations is disclosed in Note 1 under the heading “Loan Securitizations” on page 79.

**Contingent liabilities, guarantees and income taxes.** Contingent liabilities arising from litigation and from guarantees in various agreements with third parties under which Key is a guarantor, and the potential effects of these items on Key’s results of operations, are summarized in Note 18 (“Commitments, Contingent Liabilities and Guarantees”), which begins on page 113. In addition, it is not always clear how the Internal Revenue Code and various state tax laws apply to transactions that Key undertakes. In the normal course of business, Key may record tax benefits and then have those benefits contested by the Internal Revenue Service (“IRS”) or state tax authorities. Key has provided tax reserves that management believes are adequate to absorb potential adjustments that such challenges may necessitate. However, if management’s judgment later proves to be inaccurate, the tax reserves may need to be adjusted, possibly having an adverse effect on Key’s results of operations and capital. For further information on Key’s accounting for income taxes, see Note 17 (“Income Taxes”), which begins on page 110.

Key records a liability for the fair value of the obligation to stand ready to perform over the term of a guarantee, but there is a risk that Key’s actual future payments in the event of a default by the guaranteed party could exceed the recorded amount. See Note 18 for a comparison of the liability recorded and the maximum potential undiscounted future payments for the various types of guarantees that Key had outstanding at December 31, 2008.

**Derivatives and related hedging activities.** Key uses interest rate swaps and caps to hedge interest rate risk for asset and liability management purposes. These derivative instruments modify the repricing characteristics of specified on-balance sheet assets and liabilities. Key’s accounting policies related to derivatives reflect the guidance in SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and other related accounting guidance. In accordance with this guidance, all derivatives are recognized as either assets or liabilities on the balance sheet at fair value. Accounting for changes in the fair value (i.e., gains or losses) of a particular derivative differs depending on whether the derivative has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship.
The application of hedge accounting requires significant judgment to interpret the relevant accounting guidance, as well as to assess hedge effectiveness, identify similar hedged item groupings, and measure changes in the fair value of the hedged items. Management believes that Key’s methods of addressing these judgmental areas and applying the accounting guidance are in accordance with GAAP and consistent with industry practices. However, interpretations of SFAS No. 133 and related guidance continue to change and evolve. In the future, these evolving interpretations could result in material changes to Key’s accounting for derivative financial instruments and related hedging activities. Although such changes may not have a material effect on Key’s financial condition, they could have a material adverse effect on Key’s results of operations in the period they occur. Additional information relating to Key’s use of derivatives is included in Note 1 under the heading “Derivatives Used for Asset and Liability Management Purposes” on page 81, and Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

Valuation methodologies. Valuation methodologies often involve a significant degree of judgment, particularly when there are no observable active markets for the items being valued. To determine the values of assets and liabilities, as well as the extent to which related assets may be impaired, management makes assumptions and estimates related to discount rates, asset returns, prepayment rates and other factors. The use of different discount rates or other valuation assumptions could produce significantly different results. The outcomes of valuations performed by management have a direct bearing on the carrying amounts of assets and liabilities, including loans held for sale, principal investments, goodwill, and pension and other postretirement benefit obligations.

A discussion of the valuation methodology applied to Key’s loans held for sale is included in Note 1 under the heading “Loans held for sale” on page 78.

Key’s principal investments include direct and indirect investments, predominantly in privately held companies. The fair values of these investments are determined by considering a number of factors, including the target company’s financial condition and results of operations, values of public companies in comparable businesses, market liquidity, and the nature and duration of resale restrictions. The fair value of principal investments was $990 million at December 31, 2008; a 10% positive or negative variance in that fair value would have increased or decreased Key’s 2008 earnings by $99 million ($62 million after tax, or $.14 per share).

The valuation and testing methodologies used in Key’s analysis of goodwill impairment are summarized in Note 1 under the heading “Goodwill and Other Intangible Assets” on page 80. The first step in testing for impairment is to determine the fair value of each reporting unit. Key’s reporting units for purposes of this testing are its major business segments, Community Banking and National Banking. Fair values of reporting units are estimated using discounted cash flow models derived from internal earnings forecasts. The primary assumptions management uses include earnings forecasts for five years, terminal values based on future growth rates, and discount rates that reflect the range of Key’s market capitalization and a control premium. Management believes that the estimates and assumptions used in the goodwill impairment analysis for its reporting units are reasonable; however, if actual results and market conditions differ from the assumptions or estimates used, the fair value of each reporting unit could change in the future.

The second step of impairment testing is necessary only if the carrying amount of either reporting unit exceeds its fair value, suggesting goodwill impairment. In such a case, Key would estimate a hypothetical purchase price for the reporting unit (representing the unit’s fair value) and then compare that hypothetical purchase price with the fair value of the unit’s net assets (excluding goodwill). Any excess of the estimated purchase price over the fair value of the reporting unit’s net assets represents the implied fair value of goodwill. An impairment loss would be recognized as a charge to earnings if the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of goodwill.

During the fourth quarter, Key’s annual testing for goodwill impairment indicated that the estimated fair value of the National Banking unit was less than its carrying amount, reflecting unprecedented weakness in the financial markets. As a result, Key recorded an after-tax noncash accounting charge of $420 million, or $.85 per share. Key’s regulatory and tangible capital ratios were not affected by this adjustment, nor would they be affected by any further goodwill impairment that may occur in the future.

Due to the ongoing uncertainty regarding market conditions, which may continue to negatively impact the performance of Key’s reporting units, management will continue to monitor the goodwill impairment indicators and evaluate the carrying amount of Key’s goodwill, if necessary. Events and circumstances that could trigger the need for interim impairment testing include:

- a significant change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- unanticipated competition;
- a loss of key personnel;
- a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or otherwise disposed of;
- the testing for recoverability under SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” of a significant asset group within a reporting unit; and
- recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of a reporting unit.

The primary assumptions used in determining Key’s pension and other postretirement benefit obligations and related expenses, including sensitivity analysis of these assumptions, are presented in Note 16 (“Employee Benefits”), which begins on page 106.

When potential asset impairment is identified through testing, observable changes in active markets or other means, management must exercise
judgment to determine the nature of the potential impairment (i.e., temporary or other-than-temporary) in order to apply the appropriate
accounting treatment. For example, unrealized losses on securities available for sale that are deemed temporary are recorded in shareholders’ equity; those deemed “other-than-temporary” are recorded in earnings. Additional information regarding temporary and other-than-temporary impairment on securities available for sale at December 31, 2008, is provided in Note 6 (“Securities”), which begins on page 91.

Effective January 1, 2008, Key adopted SFAS No. 157, “Fair Value Measurements,” which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In the absence of quoted market prices, management determines the fair value of Key’s assets and liabilities using internally developed models, which are based on management’s judgment, assumptions and estimates regarding credit quality, liquidity, interest rates and other relevant inputs. Key’s adoption of this accounting guidance and the process used to determine fair values are more fully described in Note 1 under the heading “Fair Value Measurements” on page 82 and Note 20 (“Fair Value Measurements”), which begins on page 118.

At December 31, 2008, $12.807 billion, or 12%, of Key’s total assets were measured at fair value on a recurring basis. More than 85% of these assets were classified as Level 1 or Level 2 within the fair value hierarchy. At December 31, 2008, $1.424 billion, or 2%, of Key’s total liabilities were measured at fair value on a recurring basis. Substantially all of these liabilities were classified as Level 1 or Level 2.

At December 31, 2008, $1.809 billion, or 2%, of Key’s total assets were measured at fair value on a nonrecurring basis. Less than 1% of these assets were classified as Level 1 or Level 2. At December 31, 2008, there were no liabilities measured at fair value on a nonrecurring basis.

During 2008, management did not significantly alter the manner in which it applied Key’s critical accounting policies or developed related assumptions and estimates.

Highlights of Key’s 2008 Performance

Financial performance

For 2008, Key recorded a loss from continuing operations of $1.468 billion, or $3.36 per common share. This compares to income from continuing operations of $941 million, or $2.38 per diluted common share, for 2007 and income from continuing operations — before the cumulative effect of an accounting change — of $1.193 billion, or $2.91 per diluted common share, for 2006.

Key had a net loss of $1.468 billion, or $3.36 per common share for 2008, compared to net income of $919 million, or $2.32 per diluted common share, for 2007, and $1.055 billion, or $2.57 per share, for 2006.

Figure 2 shows Key’s continuing and discontinued operating results and related performance ratios for 2008, 2007 and 2006. Key’s financial performance for each of the past six years is summarized in Figure 4 on page 26.

Figure 2. Results of Operations

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUMMARY OF OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Loss) income from continuing operations before cumulative effect of accounting change</td>
<td>$(1,468)</td>
<td>$941</td>
<td>$1,193</td>
</tr>
<tr>
<td>Loss from discontinued operations, net of taxes</td>
<td>—</td>
<td>(22)</td>
<td>(143)</td>
</tr>
<tr>
<td>Cumulative effect of accounting change, net of taxes</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(1,468)</td>
<td>$919</td>
<td>$1,055</td>
</tr>
</tbody>
</table>

| **PER COMMON SHARE — ASSUMING DILUTION** |      |      |      |
| (Loss) income from continuing operations before cumulative effect of accounting change | $(3.36) | $2.38 | $2.91 |
| Loss from discontinued operations | — | (.05) | (.35) |
| Cumulative effect of accounting change | — | — | .01 |
| Net (loss) income | $(3.36) | $2.32 | $2.57 |

**PERFORMANCE RATIOS**

From continuing operations:

| Return on average total assets | (1.41)% | 99% | 1.30% |
| Return on average common equity | 18.32 | 12.19 | 15.43 |
| Return on average total equity | 16.45 | 12.19 | 15.43 |

From consolidated operations:

| Return on average total assets | (1.41)% | 97% | 1.12% |
| Return on average common equity | 18.32 | 11.90 | 13.64 |
| Return on average total equity | 16.45 | 11.90 | 13.64 |

(a) Key sold the subprime mortgage loan portfolio held by the Champion Mortgage finance business in November 2006, and completed the sale of Champion’s origination platform in February 2007. As a result of these actions, Key has accounted for this business as a discontinued operation.

(b) Includes a net after-tax charge of $165 million, or $.40 per share, consisting of: (1) a $170 million, or $.42 per share, write-off of goodwill associated with Key’s 1997 acquisition of Champion and (2) a net after-tax credit of $5 million, or $.01 per share, from the net gain on sale of the Champion Mortgage loan portfolio and disposal transaction costs.
(c) Earnings per share may not foot due to rounding.
Three primary factors contributed to the decline in Key’s results for 2008:

- We recorded a $1.011 billion after-tax charge during the second quarter because of an adverse federal tax court ruling that impacted the accounting for certain leveraged lease financing transactions.
- The provision for loan losses increased by $1.306 billion due to the continued challenging economic environment.
- We recorded an after-tax noncash charge of $420 million during the fourth quarter after Key’s annual testing for goodwill impairment indicated that the estimated fair value of the National Banking reporting unit was less than its carrying amount, reflecting unprecedented weakness in the financial markets.

The 2008 provision for loan losses exceeded net loan charge-offs by $575 million and increased Key’s allowance for loan losses to $1.803 billion, or 2.36% of period-end loans at December 31, 2008.

Through this difficult credit cycle, management has maintained their focus on preserving Key’s relationship business model, sustaining Key’s strong capital position and carefully managing expenses to ensure Key’s readiness to respond to business opportunities when conditions improve. During the third quarter of 2008, Key continued to take decisive steps to exit low-return, nonrelationship businesses, consistent with the corporate strategy of focusing capital and resources on Key’s best relationship customers. Key is in the process of exiting retail and floor-plan lending for marine and recreational vehicle products, will limit new education loans to those backed by government guarantee and will cease lending to homebuilders within its 14-state Community Banking footprint. These are the most recent in a series of actions taken over several years that have included exiting subprime mortgage lending, automobile financing and broker-originated home equity lending. Additionally, in mid-2008, Key continued to reduce exposure to risk in the residential properties segment of the commercial real estate construction loan portfolio through the sale of certain loans. As a result of these efforts, Key’s total residential property exposure (including exposure to homebuilders) in commercial real estate, including loans held for sale, was reduced by $1.264 billion, or 36%, during 2008. Additional information pertaining to the status of these loan sales is presented in the section entitled “Credit risk management,” which begins on page 60.

During 2008, Key strengthened its financial position by raising $4.242 billion of additional capital and reducing its quarterly dividend to retain capital. The additional capital consists of $2.5 billion of capital raised during the fourth quarter as a participant in the CPP, and both preferred and common shares issued during the second and third quarters. At December 31, 2008, Key had Tier 1 and total capital ratios of 10.92% and 14.82%, respectively. Both of these ratios significantly exceed the “well-capitalized” standard for banks established by the banking regulators. Additional information pertaining to the capital raised by Key during 2008 is included in Note 14 (“Shareholders’ Equity”), which begins on page 102. During the fourth quarter, Key also issued $1.5 billion of new term debt under the FDIC’s TLGP.

Despite the challenging economic environment, Key’s Community Banking group continues to perform solidly, with loan and deposit growth across all four geographic regions. Management believes that Key’s continued focus on building a relationship-based, customer-focused business model, along with the actions discussed above, will serve Key well as the economy ultimately recovers.

Further, Key elected to reduce uncertainty surrounding a previously disclosed leveraged lease tax issue with the IRS. While management continues to believe Key’s initial tax position was correct, it would take years of effort and expense to resolve this matter through litigation. Accordingly, Key elected to participate in the IRS’ global settlement initiative, which is essentially an offer by the federal tax authorities to resolve all such disputed cases. During the fourth quarter, Key reported it had reached an agreement with the IRS on all material aspects related to the IRS global tax settlement pertaining to certain leveraged lease financing transactions. As a result, Key recorded an after-tax credit for the recovery of $120 million of previously accrued interest on disputed tax balances. Key entered into a closing agreement with the IRS on February 13, 2009, that resolves substantially all outstanding leveraged lease financing tax issues. Key expects the remaining issues to be settled with the IRS in the near future with no additional tax or interest liability to Key. Additional information pertaining to the leveraged lease financing tax issues and Key’s opt-in to the IRS’ global settlement initiative is included in Note 17 (“Income Taxes”), which begins on page 110.

Significant items that affect the comparability of Key’s financial performance over the past three years are shown in Figure 3. Events leading to the recognition of these items, as well as other factors that contributed to the changes in Key’s revenue and expense components, are reviewed in detail throughout the remainder of the Management’s Discussion and Analysis section.
MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS
KEYCORP AND SUBSIDIARIES

Figure 3. Significant Items Affecting the Comparability of Earnings

<table>
<thead>
<tr>
<th>in millions, except per share amounts</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain from redemption of Visa Inc. shares</td>
<td>$165</td>
<td>$103</td>
<td>$.23</td>
</tr>
<tr>
<td>Credit (provision) for losses on lending-related commitments</td>
<td>$26</td>
<td>$16</td>
<td>$.04</td>
</tr>
<tr>
<td>Honsador litigation reserve</td>
<td>$23</td>
<td>$14</td>
<td>$.03</td>
</tr>
<tr>
<td>Provision for loan losses in excess of net charge-offs</td>
<td>$(575)</td>
<td>$(360)</td>
<td>$(.80)</td>
</tr>
<tr>
<td>Noncash charge for goodwill impairment</td>
<td>$(465)</td>
<td>$(420)</td>
<td>$(.93)</td>
</tr>
<tr>
<td>Charges related to leveraged lease tax litigation</td>
<td>$(380)</td>
<td>$(959)</td>
<td>$(2.13)</td>
</tr>
<tr>
<td>Realized and unrealized (losses) gains on loan and securities portfolios held for sale or trading</td>
<td>$(178) a</td>
<td>$(111) a</td>
<td>$(.25)</td>
</tr>
<tr>
<td>Severance and other exit costs</td>
<td>$(65)</td>
<td>$(41)</td>
<td>$(.09)</td>
</tr>
<tr>
<td>Net (losses) gains from principal investing</td>
<td>$(62)</td>
<td>$(39)</td>
<td>$(.09)</td>
</tr>
<tr>
<td>U.S. taxes on accumulated earnings of Canadian leasing operation</td>
<td>—</td>
<td>$(68)</td>
<td>$(.15)</td>
</tr>
<tr>
<td>McDonald Investments branch network</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gains related to MasterCard Incorporated shares</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain from settlement of automobile residual value insurance litigation</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Liability to Visa</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss from repositioning of securities portfolio</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pre-tax</th>
<th>After-tax</th>
<th>Impact on EPS</th>
<th>Pre-tax</th>
<th>After-tax</th>
<th>Impact on EPS</th>
<th>Pre-tax</th>
<th>After-tax</th>
<th>Impact on EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$165</td>
<td>$103</td>
<td>$.23</td>
<td>$ (28)</td>
<td>$(17)</td>
<td>$(.04)</td>
<td>$6</td>
<td>$4</td>
<td>$.01</td>
</tr>
<tr>
<td>$23</td>
<td>$14</td>
<td>$.03</td>
<td>$(42)</td>
<td>$(26)</td>
<td>$(.07)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$(575)</td>
<td>$(360)</td>
<td>$(.80)</td>
<td>$(254)</td>
<td>$(159)</td>
<td>$(.40)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$(465)</td>
<td>$(420)</td>
<td>$(.93)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$(380)</td>
<td>$(959)</td>
<td>$(2.13)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>$(178) a</td>
<td>$(111) a</td>
<td>$(.25)</td>
<td>$(34)</td>
<td>$(21)</td>
<td>$(.05)</td>
<td>152</td>
<td>95</td>
<td>$.23</td>
</tr>
<tr>
<td>$(65)</td>
<td>$(41)</td>
<td>$(.09)</td>
<td>$(38)</td>
<td>$(24)</td>
<td>$(.06)</td>
<td>$(13)</td>
<td>$(8)</td>
<td>$(.02)</td>
</tr>
<tr>
<td>$(62)</td>
<td>$(39)</td>
<td>$(.09)</td>
<td>134</td>
<td>84</td>
<td>$.21</td>
<td>53</td>
<td>33</td>
<td>$.08</td>
</tr>
<tr>
<td>—</td>
<td>$(68)</td>
<td>$(.15)</td>
<td>—</td>
<td>—</td>
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<td>—</td>
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<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>142 b</td>
<td>89 b</td>
<td>$.22 b</td>
<td>—</td>
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<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>67</td>
<td>42</td>
<td>$.11</td>
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</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>26</td>
<td>17</td>
<td>$.04</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$(64)</td>
<td>$(40)</td>
<td>$(.10)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$(49)</td>
<td>$(31)</td>
<td>$(.08)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) Includes $54 million ($33 million after tax) of derivative-related charges recorded as a result of market disruption caused by the failure of Lehman Brothers.

(b) Represents the financial effect of the McDonald Investments branch network, including a gain of $171 million ($107 million after tax) from the February 9, 2007, sale of that network.

EPS = Earnings per common share
## Figure 4. Selected Financial Data

### YEAR ENDED DECEMBER 31,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$4,629</td>
<td>$5,644</td>
<td>$5,380</td>
<td>$4,383</td>
<td>$3,562</td>
<td>$3,721</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2,220</td>
<td>2,875</td>
<td>2,565</td>
<td>1,727</td>
<td>1,106</td>
<td>1,165</td>
</tr>
<tr>
<td>Net interest income</td>
<td>2,409 a</td>
<td>2,769</td>
<td>2,815</td>
<td>2,656</td>
<td>2,456</td>
<td>2,556</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>1,835</td>
<td>529</td>
<td>150</td>
<td>143</td>
<td>185</td>
<td>498</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>1,870</td>
<td>2,229</td>
<td>2,127</td>
<td>2,067</td>
<td>1,925</td>
<td>1,950</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>3,578</td>
<td>3,248</td>
<td>3,149</td>
<td>3,054</td>
<td>2,884</td>
<td>2,816</td>
</tr>
</tbody>
</table>

\[(\text{Loss})\text{ income from continuing operations before income taxes and cumulative effect of accounting change}\]

\[(\text{Loss})\text{ income from discontinued operations, net of taxes}\]

\[(\text{Loss})\text{ income before cumulative effect of accounting change}\]

\[\text{Net} \text{ income before cumulative effect of accounting change}\]

\[\text{Net income applicable to common shares}\]

### PER COMMON SHARE

\[(\text{Loss})\text{ income from continuing operations before cumulative effect of accounting change}\]

\[(\text{Loss})\text{ income from discontinued operations — assuming dilution}\]

\[(\text{Loss})\text{ income before cumulative effect of accounting change — assuming dilution}\]

\[(\text{Loss})\text{ income — assuming dilution}\]

\[\text{Cash dividends paid}\]

\[\text{Book value at year end}\]

\[\text{Tangible book value at year end}\]

\[\text{Market price at year end}\]

\[\text{Dividend payout ratio}\]

\[\text{Weighted-average common shares outstanding (000)}\]

\[\text{Weighted-average common shares and potential common shares outstanding (000)}\]

### AT DECEMBER 31,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$76,504</td>
<td>$70,823</td>
<td>$65,826</td>
<td>$66,478</td>
<td>$63,372</td>
<td>$59,754</td>
</tr>
<tr>
<td>Earning assets</td>
<td>94,020</td>
<td>86,557</td>
<td>80,090  b</td>
<td>80,143  b</td>
<td>78,140  b</td>
<td>72,560  b</td>
</tr>
<tr>
<td>Total assets</td>
<td>104,531</td>
<td>98,228</td>
<td>92,337  b</td>
<td>93,126  b</td>
<td>90,747  b</td>
<td>84,498  b</td>
</tr>
<tr>
<td>Deposits</td>
<td>65,260</td>
<td>63,099</td>
<td>59,116</td>
<td>58,765</td>
<td>57,842</td>
<td>50,858</td>
</tr>
</tbody>
</table>
Long-term debt | 14,995 | 11,957 | 14,533 | 13,939 | 14,846 | 15,294 | (4.4)
Common shareholders’ equity | 7,408 | 7,746 | 7,703 | 7,598 | 7,117 | 6,969 | 1.2
Total shareholders’ equity | 10,480 | 7,746 | 7,703 | 7,598 | 7,117 | 6,969 | 8.5

PERFORMANCE RATIOS
From continuing operations:
Return on average total assets | (1.41)% | .99% | 1.30% | 1.24% | 1.09% | 1.07% | N/A
Return on average common equity | (18.32) | 12.19 | 15.43 | 14.88 | 13.07 | 12.63 | N/A
Return on average total equity | (16.45) | 12.19 | 15.43 | 14.88 | 13.07 | 12.63 | N/A
Net interest margin (taxable equivalent) | 2.16 | 3.46 | 3.67 | 3.65 | 3.62 | 3.73 | N/A

From consolidated operations:
Return on average total assets | (1.41)% a | .97% | 1.12% | 1.24% | 1.10% | 1.07% | N/A
Return on average common equity | (18.32) a | 11.90 | 13.64 | 15.42 | 13.75 | 13.08 | N/A
Return on average total equity | (16.45) a | 11.90 | 13.64 | 15.42 | 13.75 | 13.08 | N/A
Net interest margin (taxable equivalent) | 2.16 a | 3.46 | 3.69 | 3.69 | 3.63 | 3.78 | N/A

CAPITAL RATIOS AT DECEMBER 31,
Equity to assets | 10.03% | 7.89% | 8.34% b | 8.16% b | 7.84% b | 8.25% b | N/A
Tangible equity to tangible assets | 8.92 | 6.58 | 7.01 b | 6.68 b | 6.35 b | 6.94 b | N/A
Tangible common equity to tangible assets | 5.95 | 6.58 | 7.01 b | 6.68 b | 6.35 b | 6.94 b | N/A
Tier I risk-based capital | 10.92 | 7.44 | 8.24 | 7.59 | 7.22 | 8.35 | N/A
Total risk-based capital | 14.82 | 11.38 | 12.43 | 11.47 | 11.47 | 12.57 | N/A
Leverage | 11.05 | 8.39 | 8.98 | 8.53 | 7.96 | 8.55 | N/A

OTHER DATA
Average full-time-equivalent employees | 18,095 | 18,934 | 20,006 | 19,485 | 19,576 | 20,064 | (2.0)%
Branches | 986 | 955 | 950 | 947 | 935 | 906 | 1.7

Key completed several acquisitions and divestitures during the six-year period shown in this table. One or more of these transactions may have had a significant effect on Key’s results, making it difficult to compare results from one year to the next. Note 3 (“Acquisitions and Divestitures”) on page 87, contains specific information about the transactions Key completed during the past three years to help in understanding how they may have impacted Key’s financial condition and results of operations.

(a) See Figure 5, which shows certain earnings data and performance ratios, excluding (credits) charges related to the tax treatment of certain leveraged lease financing transactions disallowed by the IRS, and the charge resulting from Key’s annual goodwill impairment testing completed during the fourth quarter of 2008. Figure 5 reconciles certain GAAP performance measures to the corresponding non-GAAP measures and provides a basis for period-to-period comparisons.

(b) Certain financial data for periods prior to 2007 have not been adjusted to reflect the effect of Key’s January 1, 2008, adoption of Financial Accounting Standards Board (“FASB”) Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” and Staff Position No. FIN 39-1, “Amendment of FASB Interpretation 39.”

N/M = Not Meaningful, N/A = Not Applicable
Figure 5 presents certain 2008 earnings data and performance ratios, excluding (credits) charges related to the leveraged lease tax litigation and goodwill impairment charges summarized below (non-GAAP). Figure 5 also reconciles the GAAP performance measures to the corresponding non-GAAP measures and provides a basis for period-to-period comparisons. Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied and are not audited. Non-GAAP financial measures should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP.

Figure 5. GAAP to Non-GAAP Reconciliations

<table>
<thead>
<tr>
<th></th>
<th>12-31-08</th>
<th>9-30-08</th>
<th>6-30-08</th>
<th>3-31-08</th>
<th>12-31-08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET (LOSS) INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income (GAAP)</td>
<td>(524)</td>
<td>(36)</td>
<td>(1,126)</td>
<td>218</td>
<td>(1,468)</td>
</tr>
<tr>
<td>(Credits) charges related to leveraged lease tax litigation, after tax</td>
<td>120</td>
<td>30</td>
<td>1,011</td>
<td>38</td>
<td>959</td>
</tr>
<tr>
<td>Charges related to goodwill impairment, after tax</td>
<td>420</td>
<td>4</td>
<td></td>
<td></td>
<td>424</td>
</tr>
<tr>
<td>Net (loss) income, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment (non-GAAP)</td>
<td>(224)</td>
<td>(2)</td>
<td>(115)</td>
<td>256</td>
<td>(85)</td>
</tr>
<tr>
<td>Preferred dividends and amortization of discount on Series B Preferred Stock</td>
<td>30</td>
<td>12</td>
<td></td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Net (loss) income applicable to common shares (GAAP)</td>
<td>(554)</td>
<td>(48)</td>
<td>(1,126)</td>
<td>218</td>
<td>(1,510)</td>
</tr>
<tr>
<td>Net (loss) income applicable to common shares, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment (non-GAAP)</td>
<td>(254)</td>
<td>(14)</td>
<td>(115)</td>
<td>256</td>
<td>(127)</td>
</tr>
<tr>
<td><strong>PER COMMON SHARE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income — assuming dilution (GAAP)</td>
<td>(1.13)</td>
<td>(.10)</td>
<td>(2.70)</td>
<td>.54</td>
<td>(3.36)</td>
</tr>
<tr>
<td>Net (loss) income, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment — assuming dilution (non-GAAP)</td>
<td>(.52)</td>
<td>(.03)</td>
<td>(.28)</td>
<td>.64</td>
<td>(.28)</td>
</tr>
<tr>
<td><strong>PERFORMANCE RATIOS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on average total assets: a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average total assets</td>
<td>$107,735</td>
<td>$103,156</td>
<td>$103,290</td>
<td>$103,356</td>
<td>$104,390</td>
</tr>
<tr>
<td>Return on average total assets (GAAP)</td>
<td>(1.93)%</td>
<td>(.14)%</td>
<td>(4.38)%</td>
<td>.85%</td>
<td>(1.41)%</td>
</tr>
<tr>
<td>Return on average total assets, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment (non-GAAP)</td>
<td>.83%</td>
<td>(.01)%</td>
<td>(.45)%</td>
<td>1.00%</td>
<td>(.08)%</td>
</tr>
<tr>
<td>Return on average common equity: a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average common equity</td>
<td>$ 7,971</td>
<td>$ 8,077</td>
<td>$ 8,489</td>
<td>$ 8,445</td>
<td>$ 8,244</td>
</tr>
<tr>
<td>Return on average common equity (GAAP)</td>
<td>(27.65)%</td>
<td>(2.36)%</td>
<td>(53.35)%</td>
<td>10.38%</td>
<td>(18.32)%</td>
</tr>
<tr>
<td>Return on average common equity, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment (non-GAAP)</td>
<td>(12.68)%</td>
<td>(.69)%</td>
<td>(5.45)%</td>
<td>12.19%</td>
<td>(1.54)%</td>
</tr>
<tr>
<td>Return on average total equity: a</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average total equity</td>
<td>$ 9,888</td>
<td>$ 8,734</td>
<td>$ 8,617</td>
<td>$ 8,445</td>
<td>$ 8,923</td>
</tr>
<tr>
<td>Return on average total equity (GAAP)</td>
<td>(21.08)%</td>
<td>(1.64)%</td>
<td>(52.56)%</td>
<td>10.38%</td>
<td>(16.45)%</td>
</tr>
<tr>
<td>Return on average total equity, excluding (credits) charges related to leveraged lease tax litigation and goodwill impairment (non-GAAP)</td>
<td>(9.01)%</td>
<td>(.09)%</td>
<td>(5.37)%</td>
<td>12.19%</td>
<td>(.95)%</td>
</tr>
<tr>
<td><strong>NET INTEREST INCOME AND MARGIN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income (GAAP)</td>
<td>$ 639</td>
<td>$ 699</td>
<td>$ 358</td>
<td>$ 713</td>
<td>$ 2,409</td>
</tr>
<tr>
<td>Charges related to leveraged lease tax litigation, pre-tax</td>
<td>18</td>
<td>—</td>
<td>359</td>
<td>3</td>
<td>380</td>
</tr>
<tr>
<td>Net interest income, excluding charges related to leveraged lease tax litigation (non-GAAP)</td>
<td>$ 657</td>
<td>$ 699</td>
<td>$ 717</td>
<td>$ 716</td>
<td>$ 2,789</td>
</tr>
</tbody>
</table>

Net interest income/margin (TE):
<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income (loss) (TE) (as reported)</td>
<td>$646</td>
<td>$705</td>
</tr>
<tr>
<td>Charges related to leveraged lease tax litigation, pre-tax (TE)</td>
<td>18</td>
<td>—</td>
</tr>
<tr>
<td>Net interest income, excluding charges related to leveraged lease tax litigation (TE) (adjusted basis)</td>
<td>$664</td>
<td>$705</td>
</tr>
<tr>
<td>Impact of charges related to leveraged lease tax litigation, pre-tax (TE)</td>
<td>.08</td>
<td>—</td>
</tr>
<tr>
<td>Net interest margin (TE) (as reported)</td>
<td>2.76%</td>
<td>3.13%</td>
</tr>
<tr>
<td>Impact of charges related to leveraged lease tax litigation, pre-tax (TE)</td>
<td>.08</td>
<td>—</td>
</tr>
<tr>
<td>Net interest margin, excluding charges related to leveraged lease tax litigation (TE) (adjusted basis)</td>
<td>2.84%</td>
<td>3.13%</td>
</tr>
</tbody>
</table>

(a) Income statement amount has been annualized in calculation of percentage.

TE = Taxable Equivalent, GAAP = U.S. generally accepted accounting principles
As shown in Figure 5, during the fourth quarter of 2008, Key recorded an after-tax credit of $120 million, or $.24 per common share, in connection with its opt-in to the IRS global tax settlement. As a result of an adverse federal court decision regarding Key’s tax treatment of a leveraged sale-leaseback transaction, Key recorded after-tax charges of $30 million, or $.06 per common share, during the third quarter of 2008 and $1.011 billion, or $2.43 per common share, during the second quarter of 2008. During the first quarter of 2008, Key increased its tax reserves for certain lease in, lease out transactions and recalculated its lease income in accordance with prescribed accounting standards, resulting in after-tax charges of $38 million, or $.10 per common share.

Additionally, during the fourth quarter of 2008, Key recorded an after-tax charge of $420 million, or $.85 per common share, as a result of annual goodwill impairment testing. During the third quarter of 2008, Key recorded an after-tax charge of $4 million, or $.01 per common share, as a result of goodwill impairment related to management’s decision to limit new education loans to those backed by government guarantee.

Strategic developments

Management initiated a number of specific actions during 2008 and 2007 to support Key’s corporate strategy, which is summarized on page 18.

♦ During the third quarter of 2008, Key decided to exit retail and floor-plan lending for marine and recreational vehicle products, and to limit new education loans to those backed by government guarantee. Key also determined that it will cease lending to homebuilders within its 14-state Community Banking footprint. This came after Key began to reduce its business with nonrelationship homebuilders outside that footprint in December 2007.

♦ On January 1, 2008, Key acquired U.S.B. Holding Co., Inc., the holding company for Union State Bank, a 31-branch state-chartered commercial bank headquartered in Orangeburg, New York. The acquisition doubles Key’s branch presence in the attractive Lower Hudson Valley area.

♦ On December 20, 2007, Key announced its decision to exit dealer-originated home improvement lending activities, which involve prime loans but are largely out-of-footprint. Key also announced that it will cease offering Payroll Online services since they are not of sufficient size to provide economies of scale to compete profitably.

♦ On October 1, 2007, Key acquired Tuition Management Systems, Inc., one of the nation’s largest providers of outsourced tuition planning, billing, counseling and payment services. Headquartered in Warwick, Rhode Island, Tuition Management Systems serves more than 700 colleges, universities, and elementary and secondary educational institutions. The combination of the payment plan systems and technology in place at Tuition Management Systems, and the array of payment plan products already offered by Key’s Consumer Finance line of business created one of the largest education payment plan providers in the nation.

♦ On February 9, 2007, McDonald Investments Inc., a wholly owned subsidiary of KeyCorp, sold its branch network, which included approximately 570 financial advisors and field support staff, and certain fixed assets. Key retained the corporate and institutional businesses, including Institutional Equities and Equity Research, Debt Capital Markets and Investment Banking. In addition, KeyBank continues to operate the Wealth Management, Trust and Private Banking businesses. On April 16, 2007, Key renamed the registered broker-dealer through which its corporate and institutional investment banking and securities businesses operate to KeyBanc Capital Markets Inc.

Line of Business Results

This section summarizes the financial performance and related strategic developments of Key’s two major business groups, Community Banking and National Banking. To better understand this discussion, see Note 4 (“Line of Business Results”), which begins on page 88. Note 4 describes the products and services offered by each of these business groups, provides more detailed financial information pertaining to the groups and their respective lines of business, and explains “Other Segments” and “Reconciling Items.”

Figure 6 summarizes the contribution made by each major business group to Key’s taxable-equivalent revenue and (loss) income from continuing operations for each of the past three years.
### Revenue from continuing operations (TE)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Community Banking a</td>
<td>$2,582</td>
<td>$2,718</td>
<td>$2,707</td>
<td>($136) (5.0)%</td>
</tr>
<tr>
<td>National Banking b</td>
<td>1,337</td>
<td>2,329</td>
<td>2,410</td>
<td>($992) (42.6)%</td>
</tr>
<tr>
<td>Other Segments c</td>
<td>(100)</td>
<td>114</td>
<td>29</td>
<td>(214) N/M</td>
</tr>
<tr>
<td>Total Segments</td>
<td>3,819</td>
<td>5,161</td>
<td>5,146</td>
<td>(1,342) (26.0)%</td>
</tr>
<tr>
<td>Reconciling Items d</td>
<td>6</td>
<td>(64)</td>
<td>(101)</td>
<td>70 N/M</td>
</tr>
<tr>
<td>Total</td>
<td>$3,825</td>
<td>$5,097</td>
<td>$5,045</td>
<td>($1,272) (25.0)%</td>
</tr>
</tbody>
</table>

### (Loss) Income from continuing operations

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Community Banking a</td>
<td>$345</td>
<td>$554</td>
<td>$437</td>
<td>($209) (37.7)%</td>
</tr>
<tr>
<td>National Banking b</td>
<td>(1,487)</td>
<td>318</td>
<td>690</td>
<td>(1,805) N/M</td>
</tr>
<tr>
<td>Other Segments c</td>
<td>(24)</td>
<td>84</td>
<td>42</td>
<td>(108) N/M</td>
</tr>
<tr>
<td>Total Segments</td>
<td>(1,166)</td>
<td>956</td>
<td>1,169</td>
<td>(2,122) N/M</td>
</tr>
<tr>
<td>Reconciling Items d</td>
<td>(302)</td>
<td>(15)</td>
<td>24</td>
<td>(287) N/M</td>
</tr>
<tr>
<td>Total</td>
<td>$(1,468)</td>
<td>$941</td>
<td>$1,193</td>
<td>$(2,409) N/M</td>
</tr>
</tbody>
</table>

(a) Community Banking’s results for 2007 include a $171 million ($107 million after tax) gain from the February 9, 2007, sale of the McDonald Investments branch network. See Note 3 (“Acquisitions and Divestitures”) on page 87, for more information about this transaction.

(b) National Banking’s results for 2008 include a $465 million ($420 million after tax) noncash charge for goodwill impairment during the fourth quarter. National Banking’s results for 2008 also include $54 million ($33 million after tax) of derivative-related charges during the third quarter as a result of market disruption caused by the failure of Lehman Brothers. Also, during 2008, National Banking’s taxable-equivalent net interest income and net income were reduced by $890 million and $557 million, respectively, as a result of its involvement with certain leveraged lease financing transactions that were challenged by the IRS. National Banking’s results for 2007 include a $26 million ($17 million after tax) gain from the settlement of the residual value insurance litigation during the first quarter.

(c) Other Segments’ results for 2008 include a $23 million ($14 million after tax) credit, recorded when Key reversed the remaining reserve associated with the Honsador litigation, which was settled in September 2008. Other Segments’ results for 2007 also include a $49 million ($31 million after tax) loss during the first quarter in connection with the repositioning of the securities portfolio.

(d) Reconciling Items for 2008 include $120 million of previously accrued interest recovered in connection with Key’s opt-in to the IRS global tax settlement during the fourth quarter. Reconciling Items for 2008 also include charges of $30 million to income taxes during the third quarter and $475 million during the second quarter, for the interest cost associated with the leveraged lease tax litigation. Reconciling Items for the current year also include a $165 million ($103 million after tax) gain from the partial redemption of Key’s equity interest in Visa Inc. and a $17 million charge to income taxes for the interest cost associated with the increase to Key’s tax reserves for certain lease in, lease out (“LILLO”) transactions during the first quarter. Reconciling Items for prior periods include gains of $27 million ($17 million after tax) during the third quarter of 2007, $40 million ($25 million after tax) during the second quarter of 2007 and $9 million ($6 million after tax) during the second quarter of 2006, all related to MasterCard Incorporated shares. Results for 2007 also include a $64 million ($40 million after tax) charge, representing the fair value of Key’s potential liability to Visa Inc. during the fourth quarter, and a $16 million ($10 million after tax) charge for the Honsador litigation during the second quarter.

TE = Taxable Equivalent, N/M = Not Meaningful

### Community Banking summary of operations

As shown in Figure 7, Community Banking recorded net income of $345 million for 2008, compared to $554 million for 2007 and $437 million for 2006. The decrease in 2008 was the result of increases in the provision for loan losses and noninterest expense, coupled with a decrease in noninterest income. These changes more than offset an increase in net interest income.

Taxable-equivalent net interest income rose by $68 million, or 4%, from 2007 as a result of increases in average earning assets and deposits, moderated in part by tighter interest rate spreads. Average loans and leases grew by $1.848 billion, or 7%, due largely to growth in the commercial loan portfolio, while average deposits grew by $3.627 billion, or 8%. Loans and deposits experienced organic growth of 4% and 5%, respectively, and also benefited from the January 1 acquisition of U.S.B. Holding Co. discussed in Note 3 (“Acquisitions and Divestitures”) on page 87.

Excluding the $171 million gain on the February 2007 sale of the McDonald Investments branch network discussed in Note 3, noninterest income declined by $33 million, or 4%, from 2007. Income from trust and investment services decreased by $25 million, primarily because of reduced brokerage commissions following the McDonald Investments sale, but also due to general weakness in the financial markets. Also contributing to the decrease was a $7 million gain from the sale of securities in the fourth quarter of 2007, as well as declines in various other components of noninterest income. These reductions were offset in part by increases of $18 million in service charges on deposit accounts and $15 million in bank channel investment product sales income.

The provision for loan losses rose by $148 million from 2007, reflecting a $108 million increase in net loan charge-offs. Community Banking’s
provision for loan losses exceeded net loan charge-offs by $17 million as Key continued to build reserves in a weak economy.
Noninterest expense grew by $51 million, or 3%, from 2007. Contributing to the growth were increases of $13 million in both marketing and net occupancy expense, a rise in internally allocated overhead and smaller increases in a variety of other expense components. These expenses increased in part because of initiatives undertaken with regard to branch modernization, deposit growth and the acquisition of U.S.B. Holding Co., Inc.

In 2007, the $117 million increase in net income was the result of significant growth in noninterest income, lower noninterest expense and a reduced provision for loan losses. These positive results were offset in part by a decrease in net interest income. Community Banking’s results for 2007 include a $171 million ($107 million after tax) gain from the February 2007 sale of the McDonald Investments branch network.
MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS
KEYCORP AND SUBSIDIARIES

National Banking summary of continuing operations

As shown in Figure 8, National Banking recorded a loss from continuing operations of $1.487 billion for 2008, compared to income from continuing operations of $318 million for 2007 and $690 million for 2006. This decline was the combined result of reductions in net interest income and noninterest income, and increases in the provision for loan losses and noninterest expense.

Taxable-equivalent net interest income declined by $931 million, or 65%, from 2007, due primarily to the $890 million reduction caused by recalculation of income recognized on leveraged leases contested by the IRS. Also contributing to the decrease were tighter loan and deposit spreads, and a higher level of nonperforming assets. Average loans and leases grew by $6.520 billion, or 16%, while average deposits rose by $71 million, or 1%.

Figure 8. National Banking

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summary of operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income (TE)</td>
<td>$491 a</td>
<td>$1,422</td>
<td>$1,393</td>
<td>$(931) (65.5)%</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>846 a</td>
<td>907 a</td>
<td>1,017</td>
<td>(61) (6.7)%</td>
</tr>
<tr>
<td>Total revenue (TE)</td>
<td>1,337</td>
<td>2,329</td>
<td>2,410</td>
<td>(992) (42.6)%</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>1,617</td>
<td>458</td>
<td>56</td>
<td>1,159 253.1%</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>1,818 a</td>
<td>1,359</td>
<td>1,251</td>
<td>459 33.8%</td>
</tr>
<tr>
<td>(Loss) income from continuing operations before income taxes (TE)</td>
<td>(2,098)</td>
<td>512</td>
<td>1,103</td>
<td>(2,610) N/M</td>
</tr>
<tr>
<td>Allocated income taxes and TE adjustments</td>
<td>(611)</td>
<td>194</td>
<td>413</td>
<td>(805) N/M</td>
</tr>
<tr>
<td>(Loss) income from continuing operations</td>
<td>(1,487)</td>
<td>318</td>
<td>690</td>
<td>(1,805) N/M</td>
</tr>
<tr>
<td>Loss from discontinued operations, net of taxes</td>
<td>—</td>
<td>(22)</td>
<td>(143)</td>
<td>22 100.0%</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(1,487)</td>
<td>$296</td>
<td>$547</td>
<td>$(1,783) N/M</td>
</tr>
</tbody>
</table>

Percent of consolidated income from continuing operations

|                        | N/M | 34% | 58% | N/A | N/A |
| Average balances       |     |     |     |     |     |
| Loans and leases       | $46,651 | $40,131 | $37,781 | $6,520 | 16.2% |
| Loans held for sale    | 2,313 | 4,427 | 4,148 | (2,114) (47.8)% |
| Total assets           | 56,440 | 50,591 | 47,960 | 5,849 | 11.6% |
| Deposits              | 12,228 | 12,157 | 10,912 | 71 | .6 |

Assets under management at year end

|                        | $49,231 | $63,850 | $64,927 | $(14,619) (22.9)% |

(a) National Banking’s results for 2008 include a $465 million ($420 million after tax) noncash charge for goodwill impairment during the fourth quarter. National Banking’s results for 2008 also include $54 million ($33 million after tax) of derivative-related charges recorded during the third quarter as a result of market disruption caused by the failure of Lehman Brothers. Also, during 2008, National Banking’s taxable-equivalent net interest income and net income were reduced by $890 million and $557 million, respectively, as a result of its involvement with certain leveraged lease financing transactions that were challenged by the IRS. National Banking’s results for 2007 include a $26 million ($17 million after tax) gain from the settlement of the residual value insurance litigation during the first quarter.

TE = Taxable Equivalent, N/M = Not Meaningful, N/A = Not Applicable

Noninterest income declined by $61 million, or 7%, from 2007 due to the adverse impact of the volatility in the financial markets on several capital markets-driven businesses. Results for 2008 include $109 million in net losses from loan sales and write-downs. The bulk of those losses were from commercial real estate loans held for sale ($112 million) and the write-down of education loans held for sale ($11 million), offset in part by $21 million in net gains from the sale of commercial lease financing receivables. This compares to net losses of $33 million for 2007, including losses of $70 million on commercial real estate loans held for sale and $22 million from the write-down of education loans held for sale. These losses were offset in part by $54 million in net gains from the sale of commercial lease financing receivables. Income from investment banking and capital markets activities decreased by $58 million for two primary reasons: income from dealer trading and derivatives decreased by $68 million, including $54 million of derivative-related charges recorded as a result of market disruption caused by the failure of Lehman Brothers, and income from other investments declined by $9 million, reflecting reductions in the fair values of certain real estate-related investments held by the Private Equity unit within the Real Estate Capital and Corporate Banking Services line of business. These reductions were offset in part by increases in foreign exchange income and investment banking income. The decline in noninterest income was offset in part by a $67 million increase in trust and investment services income.
The provision for loan losses rose by $1.159 billion from 2007, reflecting deteriorating market conditions in the residential properties segment of Key’s commercial real estate construction portfolio, and an additional provision recorded in connection with the transfer of $3.284 billion of education loans from held-for-sale status to the loan portfolio. National Banking’s provision for loan losses exceeded net loan charge-offs by $561 million as Key continued to build reserves in a weak economy.

Noninterest expense grew by $459 million, or 34%, from 2007. During the fourth quarter of 2008, Key’s annual testing for goodwill impairment indicated that the estimated fair value of the National Banking reporting unit was less than its carrying amount, reflecting unprecedented weakness in the financial markets. As a result, National Banking recorded a noncash accounting charge of $465 million. Additionally, personnel costs rose by $18 million from the prior year. These factors were partially offset by a $21 million credit for losses on lending-related commitments in 2008, compared to a $26 million provision in 2007.

In 2007, the $372 million decline in income from continuing operations resulted from a $110 million, or 11%, decrease in noninterest income, a $402 million increase in the provision for loan losses, and a $108 million increase in noninterest expense. The adverse effects of these changes were moderated by a $29 million, or 2%, increase in taxable-equivalent net interest income.

Management continues to pursue opportunities to improve Key’s business mix and credit risk profile, and to emphasize relationship businesses. During the third quarter of 2008, management decided to exit retail and floor-plan lending for marine and recreational vehicle products, and to limit new education loans to those backed by government guarantee. Additionally, management has determined that Key will cease lending to homebuilders.

**Other Segments**

Other Segments consists of Corporate Treasury and Key’s Principal Investing unit. These segments generated a net loss of $24 million for 2008, compared to net income of $84 million for 2007. These results reflect net losses of $62 million from principal investing in 2008, compared to net gains of $134 million for the prior year. Additionally, during the fourth quarter of 2008, Key recorded net losses of $39 million related to the volatility associated with the hedge accounting applied to debt instruments, compared to net gains of $3 million in the year-ago quarter. The majority of the net losses are attributable to the restructuring of certain cash collateral arrangements for hedges that reduced exposure to counterparty risk and lowered the cost of borrowings. The adverse effects from the above items were offset in part by the $49 million loss recorded in the first quarter of 2007 in connection with the repositioning of Key’s securities portfolio.

In 2007, Other Segments generated net income of $84 million, up from $42 million for 2006. The improvement was attributable to an $81 million increase in net gains from principal investing and a $24 million charge recorded in the fourth quarter of 2006 in connection with the redemption of certain trust preferred securities. The improvement resulting from these items was offset in part by the $49 million loss on the securities portfolio recorded in 2007 as discussed above.

**Results of Operations**

**Net interest income**

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

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

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

Key’s taxable-equivalent net interest income for 2008 was $1.955 billion, compared to $2.868 billion for the prior year. Figure 9, which spans pages 34 and 35, shows the various components of Key’s balance sheet that affect interest income and expense, and their respective yields or rates over the past six years. This table also presents a reconciliation of taxable-equivalent net interest income for each of those years to net interest income reported in accordance with GAAP.

The net interest margin, which is an indicator of the profitability of the earning assets portfolio, is calculated by dividing net interest income by average earning assets. During 2008, Key’s net interest margin declined by 130 basis points to 2.16%. (A basis point is equal to one one-hundredth of a percentage point, meaning 130 basis points equals 1.30%.)
The decline in net interest income and the reduction in the net interest margin were attributable primarily to the 2008 leveraged lease tax litigation charges discussed below. The net interest margin also declined because of increases in the cost of deposits and borrowings caused by wider spreads, a shift in the mix of deposits to higher cost categories, tighter loan spreads caused by competitive pricing, and higher levels of nonperforming assets and net loan charge-offs.

Approximately 98 basis points of the reduction in Key’s net interest margin resulted from $890 million in charges to interest income recorded during 2008 in connection with the leveraged lease tax litigation. As previously reported, most of these charges were recorded during the second quarter following an adverse federal court decision on Key’s tax treatment of a leveraged sale-leaseback transaction. In accordance with the accounting guidance provided under FASB Staff Position No. 13-2, “Accounting for a Change or Projected Change in the Timing of Cash
Key sold $2.244 billion of commercial real estate loans during 2008 and $3.791 billion ($238 million through a securitization) during 2007. Since January 1, 2007, the growth and composition of Key’s earning assets have been affected by the following actions:

" During the first quarter of 2008, Key increased its loan portfolio (primarily commercial real estate and consumer loans) through the acquisition of U.S.B. Holding Co., Inc., the holding company for Union State Bank, a 31-branch state-chartered commercial bank headquartered in Orangeburg, New York. 

" Key sold $2.244 billion of commercial real estate loans during 2008 and $3.791 billion ($238 million through a securitization) during 2007. Since some of these loans have been sold with limited recourse (i.e., there is a risk that Key will be held accountable for certain events or representations made in the sales agreements), Key established and has maintained a loss reserve in an amount that management believes is appropriate. More information about the related recourse agreement is provided in Note 18 (“Commitments, Contingent Liabilities and Guarantees”) under the heading “Recourse agreement with Federal National Mortgage Association” on page 114. In June 2008, Key transferred $384 million of commercial real estate loans ($719 million, net of $335 million in net charge-offs) from the held-to-maturity loan portfolio to held-for-sale status as part of a process undertaken to aggressively reduce Key’s exposure in the residential properties segment of the construction loan portfolio through the sale of certain loans. Additional information about the status of this process is included in the section entitled “Loans and loans held for sale” under the heading “Commercial real estate loans” on page 42.

" Key sold $121 million of education loans during 2008 and $247 million during 2007. In March 2008, Key transferred $3.284 billion of education loans from held-for-sale status to the held-to-maturity loan portfolio in recognition of the fact that the secondary markets for these loans have been adversely affected by market liquidity issues.

" Key sold $932 million of other loans (including $802 million of residential mortgage loans) during 2008 and $1.160 billion during 2007.

Average earning assets for 2008 totaled $90.805 billion, which was $7.907 billion, or 10%, higher than the 2007 level for two primary reasons: commercial loans increased by $5.091 billion, and on January 1, Key acquired U.S.B. Holding Co., Inc., which added approximately $1.5 billion to Key’s loan portfolio. The growth in commercial loans was due in part to the higher demand for credit caused by the volatile capital markets environment.

In 2007, taxable-equivalent net interest income was $2.868 billion, down $50 million, or 2%, from 2006. During 2007, Key’s net interest margin declined by 21 basis points to 3.46%. The decrease in the net interest margin was moderated by the impact of a 5% rise in the volume of noninterest-bearing funds, which added approximately 15 basis points to the net interest margin.

Average earning assets for 2008 totaled $90.805 billion, which was $7.907 billion, or 10%, higher than the 2007 level for two primary reasons: commercial loans increased by $5.091 billion, and on January 1, Key acquired U.S.B. Holding Co., Inc., which added approximately $1.5 billion to Key’s loan portfolio. The growth in commercial loans was due in part to the higher demand for credit caused by the volatile capital markets environment.

In 2007, taxable-equivalent net interest income was $2.868 billion, down $50 million, or 2%, from 2006. During 2007, Key’s net interest margin declined by 21 basis points to 3.46%. The decrease in the net interest margin was moderated by the impact of a 5% rise in the volume of noninterest-bearing funds, which added approximately 15 basis points to the net interest margin.

The 2007 decline in net interest income and the reduction in the net interest margin reflected tighter interest rate spreads on both loans and deposits caused by competitive pricing, client preferences for deposit products with more attractive interest rates, and heavier reliance on short-term wholesale borrowings to support earning asset growth during the second half of the year. Additionally, as part of the February 2007 sale of the McDonald Investments branch network, Key transferred approximately $1.3 billion of NOW and money market deposit accounts to the buyer. McDonald Investments’ Negotiable Order of Withdrawal (“NOW”) and money market deposit accounts averaged $1.450 billion for 2006.

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Figure 9. Average Balances Sheets, Net Interest Income and Yields/Rates from Continuing Operations

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th></th>
<th>Yield/Rate</th>
<th>2007</th>
<th></th>
<th>Yield/Rate</th>
<th>2006</th>
<th></th>
<th>Yield/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans a,b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial, financial and agricultural a</td>
<td>$26,372</td>
<td>$1,446</td>
<td>5.80%</td>
<td>$22,415</td>
<td>$1,622</td>
<td>7.23%</td>
<td>$21,679</td>
<td>$1,547</td>
<td>7.13%</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>10,576</td>
<td>640</td>
<td>6.05</td>
<td>8,802</td>
<td>675</td>
<td>7.67</td>
<td>8,167</td>
<td>628</td>
<td>7.68</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>8,109</td>
<td>461</td>
<td>5.68</td>
<td>8,237</td>
<td>653</td>
<td>7.93</td>
<td>7,802</td>
<td>635</td>
<td>8.14</td>
</tr>
<tr>
<td>Commercial lease financing a</td>
<td>9,642</td>
<td>(425)</td>
<td>(4.41)%</td>
<td>10,154</td>
<td>606</td>
<td>5.97</td>
<td>9,773</td>
<td>595</td>
<td>6.08</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>54,699</td>
<td>2,122</td>
<td>3.88</td>
<td>49,608</td>
<td>3,556</td>
<td>7.17</td>
<td>47,421</td>
<td>3,405</td>
<td>7.18</td>
</tr>
<tr>
<td>Real estate — residential</td>
<td>1,909</td>
<td>117</td>
<td>6.11</td>
<td>1,525</td>
<td>101</td>
<td>6.64</td>
<td>1,430</td>
<td>93</td>
<td>6.49</td>
</tr>
<tr>
<td>Home equity: Community Banking</td>
<td>9,846</td>
<td>564</td>
<td>5.73</td>
<td>9,671</td>
<td>686</td>
<td>7.09</td>
<td>10,046</td>
<td>703</td>
<td>7.00</td>
</tr>
<tr>
<td>National Banking</td>
<td>1,171</td>
<td>90</td>
<td>7.67</td>
<td>1,144</td>
<td>89</td>
<td>7.84</td>
<td>925</td>
<td>72</td>
<td>7.77</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>11,017</td>
<td>654</td>
<td>5.93</td>
<td>10,815</td>
<td>775</td>
<td>7.17</td>
<td>10,971</td>
<td>775</td>
<td>7.07</td>
</tr>
<tr>
<td>Consumer other — Community Banking</td>
<td>1,275</td>
<td>130</td>
<td>10.22</td>
<td>1,367</td>
<td>144</td>
<td>10.53</td>
<td>1,639</td>
<td>152</td>
<td>9.26</td>
</tr>
<tr>
<td>Consumer other — National Banking</td>
<td>3,386</td>
<td>226</td>
<td>6.30</td>
<td>3,390</td>
<td>214</td>
<td>6.30</td>
<td>2,896</td>
<td>178</td>
<td>6.16</td>
</tr>
<tr>
<td>Financial securities a</td>
<td>8,317</td>
<td>442</td>
<td>5.36</td>
<td>7,757</td>
<td>427</td>
<td>5.52</td>
<td>7,302</td>
<td>347</td>
<td>4.71</td>
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<tr>
<td>Held-to-maturity securities a</td>
<td>27</td>
<td>4</td>
<td>10.73</td>
<td>36</td>
<td>2</td>
<td>6.68</td>
<td>47</td>
<td>3</td>
<td>7.43</td>
</tr>
<tr>
<td>Trading account assets</td>
<td>1,279</td>
<td>56</td>
<td>4.38</td>
<td>917</td>
<td>38</td>
<td>4.10</td>
<td>857</td>
<td>30</td>
<td>3.51</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,615</td>
<td>31</td>
<td>1.96</td>
<td>846</td>
<td>37</td>
<td>4.34</td>
<td>791</td>
<td>33</td>
<td>4.15</td>
</tr>
<tr>
<td>Other investments a</td>
<td>1,563</td>
<td>51</td>
<td>3.02</td>
<td>1,524</td>
<td>52</td>
<td>3.33</td>
<td>1,362</td>
<td>62</td>
<td>5.78</td>
</tr>
<tr>
<td>Total earning assets</td>
<td>90,865</td>
<td>4,175</td>
<td>4.59</td>
<td>82,899</td>
<td>5,743</td>
<td>6.84</td>
<td>79,523</td>
<td>5,483</td>
<td>6.88</td>
</tr>
<tr>
<td>Allowance for loan losses (940)</td>
<td>(1,438)</td>
<td>54</td>
<td>4.56</td>
<td>14</td>
<td>34</td>
<td>4.56</td>
<td>222</td>
<td>3</td>
<td>4.56</td>
</tr>
<tr>
<td>Accrued income and other assets</td>
<td>15,023</td>
<td>49</td>
<td>4.14</td>
<td>2,215</td>
<td>675</td>
<td>7.93</td>
<td>1,430</td>
<td>93</td>
<td>6.49</td>
</tr>
<tr>
<td>Total assets</td>
<td>$104,390</td>
<td>$94,884</td>
<td>$91,702</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></th>
<th>2008</th>
<th></th>
<th>Yield/Rate</th>
<th>2007</th>
<th></th>
<th>Yield/Rate</th>
<th>2006</th>
<th></th>
<th>Yield/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOW and money market deposit accounts</td>
<td>$26,429</td>
<td>427</td>
<td>1.62</td>
<td>$24,070</td>
<td>762</td>
<td>3.17</td>
<td>$25,044</td>
<td>710</td>
<td>2.84</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>1,796</td>
<td>6</td>
<td>.32</td>
<td>1,591</td>
<td>3</td>
<td>.19</td>
<td>1,728</td>
<td>4</td>
<td>.23</td>
</tr>
<tr>
<td>Certificates of deposit ($100,000 or more) a</td>
<td>9,385</td>
<td>398</td>
<td>4.25</td>
<td>6,389</td>
<td>321</td>
<td>5.02</td>
<td>5,581</td>
<td>261</td>
<td>4.67</td>
</tr>
<tr>
<td>Other time deposits</td>
<td>13,308</td>
<td>556</td>
<td>4.18</td>
<td>11,787</td>
<td>550</td>
<td>4.68</td>
<td>11,592</td>
<td>481</td>
<td>4.14</td>
</tr>
<tr>
<td>Deposits in foreign office a</td>
<td>3,501</td>
<td>81</td>
<td>2.31</td>
<td>4,287</td>
<td>209</td>
<td>4.87</td>
<td>2,305</td>
<td>120</td>
<td>5.22</td>
</tr>
<tr>
<td>Total interest-bearing deposits</td>
<td>54,411</td>
<td>1,468</td>
<td>2.70</td>
<td>48,104</td>
<td>1,845</td>
<td>3.84</td>
<td>46,250</td>
<td>1,576</td>
<td>3.41</td>
</tr>
<tr>
<td>Federal funds purchased and securities sold under repurchase agreements a</td>
<td>2,847</td>
<td>57</td>
<td>2.00</td>
<td>4,330</td>
<td>208</td>
<td>4.79</td>
<td>2,215</td>
<td>107</td>
<td>4.80</td>
</tr>
<tr>
<td>Bank notes and other short-term borrowings</td>
<td>5,944</td>
<td>131</td>
<td>2.20</td>
<td>2,423</td>
<td>104</td>
<td>4.28</td>
<td>2,284</td>
<td>94</td>
<td>4.12</td>
</tr>
<tr>
<td>Long-term debt a,b</td>
<td>14,387</td>
<td>564</td>
<td>4.12</td>
<td>12,537</td>
<td>718</td>
<td>5.84</td>
<td>13,983</td>
<td>788</td>
<td>5.62</td>
</tr>
<tr>
<td>Total interest-bearing liabilities</td>
<td>77,589</td>
<td>2,220</td>
<td>2.89</td>
<td>67,394</td>
<td>2,875</td>
<td>4.28</td>
<td>64,732</td>
<td>2,565</td>
<td>3.96</td>
</tr>
<tr>
<td>Noninterest-bearing deposits</td>
<td>10,744</td>
<td>13,635</td>
<td>13,053</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expense and other liabilities</td>
<td>7,134</td>
<td>6,133</td>
<td>6,183</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>8,923</td>
<td>7,722</td>
<td>7,734</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td>$104,390</td>
<td>$94,884</td>
<td>$91,702</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th></th>
<th>Yield/Rate</th>
<th>2007</th>
<th></th>
<th>Yield/Rate</th>
<th>2006</th>
<th></th>
<th>Yield/Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST RATES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate spread (TE)</td>
<td>1.76%</td>
<td>2.56%</td>
<td>2.92%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income (TE) and net interest margin (TE)</td>
<td>1,955</td>
<td>(952)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TE adjustment a</td>
<td>47</td>
<td>99</td>
<td>103</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income, GAAP basis</td>
<td>$2,409</td>
<td>$2,769</td>
<td>$2,815</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital securities</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average balances have not been restated to reflect Key’s January 1, 2008, adoption of FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” and FASB Staff Position No. FIN 39-1, “Amendment of FASB Interpretation 39.”

(a) Interest income on tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 35%.

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

(c) During the fourth quarter of 2008, Key’s taxable-equivalent net interest income was reduced by $18 million as a result of an agreement reached with the IRS on all material aspects related to the IRS global tax settlement pertaining to certain leveraged lease financing transactions. During the second quarter of 2008, Key’s taxable-equivalent net interest income was reduced by $838 million following an adverse federal court decision on Key’s tax treatment of a leveraged sale-leaseback transaction. During the first quarter of 2008, Key increased its tax reserves for certain LILO transactions and recalculated its lease income in accordance with prescribed accounting standards. These actions reduced Key’s first quarter 2008 taxable-equivalent net interest income by $34 million. Excluding all of these reductions, the taxable-equivalent yield on Key’s commercial lease financing portfolio would have been 4.82% for 2008, and Key’s taxable-
equivalent net interest margin would have been 3.14%.

(d) During the first quarter of 2006, Key reclassified $760 million of average loans and related interest income from the commercial lease financing portfolio to the commercial, financial and agricultural portfolio to more accurately reflect the nature of these receivables. Balances presented for prior periods were not reclassified as the historical data was not available.

(e) Yield is calculated on the basis of amortized cost.

(f) Rate calculation excludes basis adjustments related to fair value hedges. See Note 19 (“Derivatives and Hedging Activities”), which begins on page 115, for an explanation of fair value hedges.

(g) Results from continuing operations exclude the dollar amount of liabilities assumed necessary to support interest-earning assets held by the discontinued Champion Mortgage finance business. The interest expense related to these liabilities, which also is excluded from continuing operations, was calculated using a matched funds transfer pricing methodology.

(h) Long-term debt includes capital securities prior to July 1, 2003. Effective July 1, 2003, the business trusts that issued the capital securities were de-consolidated in accordance with FASB Revised Interpretation No. 46. Beginning July 1, 2003, long-term debt includes the junior subordinated debentures issued to the business trusts by the parent company.

TE = Taxable Equivalent, N/M = Not Meaningful, GAAP = U.S. generally accepted accounting principles
<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Yield/Rate</th>
<th>Interest</th>
<th>Balance</th>
<th>Yield/Rate</th>
<th>Interest</th>
<th>Balance</th>
<th>Yield/Rate</th>
<th>Interest</th>
<th>Balance</th>
<th>Yield/Rate</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2005</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$19,480</td>
<td>$1,083</td>
<td>5.56%</td>
<td>$17,119</td>
<td>$762</td>
<td>4.45%</td>
<td>$16,467</td>
<td>$794</td>
<td>4.82%</td>
<td>9.9%</td>
<td>12.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,403</td>
<td>531</td>
<td>6.32%</td>
<td>7,032</td>
<td>354</td>
<td>5.03%</td>
<td>6,571</td>
<td>343</td>
<td>5.22%</td>
<td>10.0%</td>
<td>13.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,263</td>
<td>418</td>
<td>6.67%</td>
<td>4,926</td>
<td>250</td>
<td>5.08%</td>
<td>5,333</td>
<td>274</td>
<td>5.14%</td>
<td>8.7%</td>
<td>11.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,122</td>
<td>628</td>
<td>6.21%</td>
<td>8,269</td>
<td>487</td>
<td>5.90%</td>
<td>7,457</td>
<td>446</td>
<td>5.99%</td>
<td>5.3%</td>
<td>N/M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44,268</td>
<td>2,660</td>
<td>6.01%</td>
<td>37,346</td>
<td>1,853</td>
<td>4.96%</td>
<td>35,828</td>
<td>1,837</td>
<td>5.18%</td>
<td>8.8%</td>
<td>2.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,468</td>
<td>90</td>
<td>6.10%</td>
<td>1,563</td>
<td>94</td>
<td>6.01%</td>
<td>1,802</td>
<td>117</td>
<td>6.47%</td>
<td>1.2%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10,381</td>
<td>641</td>
<td>6.18%</td>
<td>10,212</td>
<td>506</td>
<td>4.96%</td>
<td>9,445</td>
<td>474</td>
<td>5.02%</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>713</td>
<td>46</td>
<td>6.52%</td>
<td>1,691</td>
<td>339</td>
<td>7.00%</td>
<td>2,591</td>
<td>182</td>
<td>7.01%</td>
<td>14(47)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11,064</td>
<td>687</td>
<td>6.20%</td>
<td>11,903</td>
<td>625</td>
<td>5.25%</td>
<td>12,036</td>
<td>656</td>
<td>5.46%</td>
<td>(1.8)</td>
<td>(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,834</td>
<td>158</td>
<td>8.60%</td>
<td>2,048</td>
<td>154</td>
<td>7.52%</td>
<td>2,135</td>
<td>157</td>
<td>7.36%</td>
<td>(9.8)</td>
<td>(3.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,512</td>
<td>152</td>
<td>6.07%</td>
<td>2,516</td>
<td>156</td>
<td>6.18%</td>
<td>2,157</td>
<td>147</td>
<td>6.81%</td>
<td>10.7%</td>
<td>9.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>389</td>
<td>27</td>
<td>6.93%</td>
<td>376</td>
<td>22</td>
<td>5.72%</td>
<td></td>
<td></td>
<td></td>
<td>N/M</td>
<td>N/M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>432</td>
<td>38</td>
<td>8.68%</td>
<td>2,474</td>
<td>233</td>
<td>9.44%</td>
<td>3,428</td>
<td>328</td>
<td>9.56%</td>
<td>(38.0)</td>
<td>(39.8)</td>
<td></td>
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</tr>
<tr>
<td>3,333</td>
<td>217</td>
<td>6.51%</td>
<td>5,366</td>
<td>411</td>
<td>7.66%</td>
<td>5,585</td>
<td>475</td>
<td>8.50%</td>
<td>3.8%</td>
<td>(2.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17,729</td>
<td>1,152</td>
<td>6.50%</td>
<td>20,880</td>
<td>1,284</td>
<td>6.15%</td>
<td>21,558</td>
<td>1,405</td>
<td>6.52%</td>
<td>(6.0)</td>
<td>(1.2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>61,997</td>
<td>3,812</td>
<td>6.15%</td>
<td>58,226</td>
<td>3,137</td>
<td>5.39%</td>
<td>57,386</td>
<td>3,262</td>
<td>5.69%</td>
<td>5.7%</td>
<td>1.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3,637</td>
<td>254</td>
<td>6.99%</td>
<td>2,509</td>
<td>114</td>
<td>4.55%</td>
<td>2,447</td>
<td>112</td>
<td>4.60%</td>
<td>(5.5)</td>
<td>5.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,118</td>
<td>327</td>
<td>4.58%</td>
<td>7,214</td>
<td>327</td>
<td>4.55%</td>
<td>7,954</td>
<td>355</td>
<td>4.54%</td>
<td>1.2%</td>
<td>4.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>5</td>
<td>7.30%</td>
<td>85</td>
<td>8</td>
<td>8.69%</td>
<td>112</td>
<td>11</td>
<td>9.03%</td>
<td>(24.8)</td>
<td>(18.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>933</td>
<td>27</td>
<td>2.90%</td>
<td>1,222</td>
<td>22</td>
<td>1.77%</td>
<td>926</td>
<td>17</td>
<td>1.80%</td>
<td>6.7%</td>
<td>26.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>927</td>
<td>25</td>
<td>2.68%</td>
<td>962</td>
<td>13</td>
<td>1.29%</td>
<td>669</td>
<td>8</td>
<td>1.24%</td>
<td>19.3%</td>
<td>31.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,379</td>
<td>54</td>
<td>3.79%</td>
<td>1,257</td>
<td>35</td>
<td>2.77%</td>
<td>1,023</td>
<td>27</td>
<td>2.62%</td>
<td>8.8%</td>
<td>13.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76,067</td>
<td>4,504</td>
<td>5.92%</td>
<td>71,475</td>
<td>3,656</td>
<td>5.11%</td>
<td>70,417</td>
<td>3,792</td>
<td>5.39%</td>
<td>5.2%</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1,103)</td>
<td>(1,726)</td>
<td></td>
<td>(1,401)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12,945</td>
<td>13,090</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$87,909</strong></td>
<td>$83,289</td>
<td></td>
<td>$81,533</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2004</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Compound Annual Rate of Change (2003-2008)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 10 shows how the changes in yields or rates and average balances from the prior year affected net interest income. The section entitled “Financial Condition,” which begins on page 41, contains more discussion about changes in earning assets and funding sources.

**Figure 10. Components of Net Interest Income Changes**

<table>
<thead>
<tr>
<th>in millions</th>
<th>2008 vs 2007</th>
<th>2007 vs 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$540</td>
<td>($1,945)</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>(136)</td>
<td>(55)</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>30</td>
<td>(15)</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>(1)</td>
<td>3</td>
</tr>
<tr>
<td>Trading account assets</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>22</td>
<td>(28)</td>
</tr>
<tr>
<td>Other investments</td>
<td>1</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total interest income (TE)</strong></td>
<td>472</td>
<td>(2,040)</td>
</tr>
</tbody>
</table>

**INTEREST EXPENSE**

| NOW and money market deposit accounts | 69 | (404) | (335) | (28) | 80 | 52 |
| Savings deposits | — | 3 | 3 | — | (1) | (1) |
| Certificates of deposit ($100,000 or more) | 133 | (56) | 77 | 40 | 20 | 60 |
| Other time deposits | 67 | (61) | 6 | 7 | 62 | 69 |
| Deposits in foreign office | (33) | (95) | (128) | 97 | (8) | 89 |
| **Total interest-bearing deposits** | 236 | (613) | (377) | 116 | 153 | 269 |
| Federal funds purchased and securities sold under repurchase agreements | (56) | (95) | (151) | 102 | (1) | 101 |
| Bank notes and other short-term borrowings | 96 | (69) | 27 | 6 | 4 | 10 |
| Long-term debt | 95 | (249) | (154) | (83) | 13 | (70) |
| **Total interest expense** | 371 | (1,026) | (655) | 141 | 169 | 310 |
| **Net interest income (TE)** | $101 | $1,014 | $913 | $86 | $136 | $(50) |

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

TE = Taxable Equivalent

**Noninterest income**

Noninterest income for 2008 was $1.870 billion, down $359 million, or 16%, from 2007. In 2007, noninterest income rose by $102 million, or 5%.

Several significant items affected noninterest income in 2008 and 2007. Key’s noninterest income for 2008 includes a $165 million gain from the partial redemption of Visa Inc. shares. Results for 2007 include a $171 million gain associated with the sale of the McDonald Investments branch network, $67 million in gains related to the sale of MasterCard Incorporated shares, a $26 million gain from the settlement of the automobile residual value insurance litigation and a $49 million loss from the repositioning of the securities portfolio.

Excluding the above items, noninterest income for 2008 decreased by $309 million, or 15%, due to three primary factors. As shown in Figure 11, Key recorded net losses of $62 million from principal investing in 2008, compared to net gains of $134 million in 2007. In addition, net losses from loan sales rose by $78 million, and income from investment banking and capital markets activities declined by $54 million. The reduction in noninterest income attributable to these factors was offset in part by increases of $48 million in income from trust and investment services, and $28 million in deposit service charges.

Results for 2007 include $16 million of brokerage commissions and fees generated by the McDonald Investments branch network. Adjusting for this revenue, trust and investment services income rose by $64 million, or 14%, in 2008.

In 2007, the sale of the McDonald Investments branch network accounted for $25 million of the increase in noninterest income, as the $171 million gain from the sale was substantially offset by a reduction in the level of trust and investment services income generated by the McDonald Investments branch network operation. Excluding the net increase attributable to the sale of the McDonald Investments branch network, Key’s noninterest income rose by $77 million, or 4%, from the 2006 level. As shown in Figure 11, the improvement reflected growth in net gains from principal investing, income from deposit service charges, and operating lease revenue. Trust and investment services income was up $57 million, excluding the impact of the McDonald Investments sale. Gains derived from the sale of MasterCard Incorporated shares and the settlement of the automobile residual value insurance litigation also contributed to the 2007 increase. These positive results were partially offset by the adverse effects of market volatility on several of Key’s capital markets-driven businesses, and the loss recorded in 2007 in connection with the
repositioning of the securities portfolio.
The following discussion explains the composition of certain elements of Key’s noninterest income and the factors that caused those elements to change.

**Trust and investment services income.** Trust and investment services are Key’s largest source of noninterest income. The primary components of revenue generated by these services are shown in Figure 12. The 2008 increase was attributable to strong growth in institutional asset management income, and higher income from brokerage commissions and fees. Excluding the results of the McDonald Investments branch network, income from brokerage commissions and fees was up $50 million from the 2007 level.

In 2007, income from trust and investment services declined because the sale of the McDonald Investments branch network resulted in reduced brokerage commissions. Excluding McDonald Investments’ results of operations, income from brokerage commissions and fees was up $10 million from the 2006 level. As shown in Figure 12, both personal and institutional asset management and custody fees also increased from the 2006 level.

**Figure 12. Trust and Investment Services Income**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust and investment services income</td>
<td>$538</td>
<td>$490</td>
<td>$553</td>
<td>$48</td>
</tr>
<tr>
<td>Service charges on deposit accounts</td>
<td>365</td>
<td>337</td>
<td>304</td>
<td>28</td>
</tr>
<tr>
<td>Operating lease income</td>
<td>270</td>
<td>272</td>
<td>229</td>
<td>(2)</td>
</tr>
<tr>
<td>Letter of credit and loan fees</td>
<td>183</td>
<td>192</td>
<td>188</td>
<td>(9)</td>
</tr>
<tr>
<td>Corporate-owned life insurance income</td>
<td>117</td>
<td>121</td>
<td>105</td>
<td>(4)</td>
</tr>
<tr>
<td>Electronic banking fees</td>
<td>103</td>
<td>99</td>
<td>105</td>
<td>4</td>
</tr>
<tr>
<td>Insurance income</td>
<td>65</td>
<td>55</td>
<td>64</td>
<td>10</td>
</tr>
<tr>
<td>Investment banking and capital markets income</td>
<td>63</td>
<td>117</td>
<td>230</td>
<td>(54)</td>
</tr>
<tr>
<td>Net securities (losses) gains</td>
<td>(2)</td>
<td>(35)</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td>Net (losses) gains from principal investing</td>
<td>(62)</td>
<td>134</td>
<td>53</td>
<td>(196)</td>
</tr>
<tr>
<td>Net (losses) gains from loan securitizations and sales</td>
<td>(95)</td>
<td>(17)</td>
<td>76</td>
<td>(78)</td>
</tr>
<tr>
<td>Gain from redemption of Visa Inc. shares</td>
<td>165</td>
<td>—</td>
<td>—</td>
<td>165</td>
</tr>
<tr>
<td>Gain from sale of McDonald Investments branch network</td>
<td>—</td>
<td>171</td>
<td>—</td>
<td>(171)</td>
</tr>
<tr>
<td>Other income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan securitization servicing fees</td>
<td>18</td>
<td>21</td>
<td>20</td>
<td>(3)</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>16</td>
<td>13</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Gains related to MasterCard Incorporated shares</td>
<td>—</td>
<td>67</td>
<td>9</td>
<td>(67)</td>
</tr>
<tr>
<td>Litigation settlement — automobile residual value insurance</td>
<td>—</td>
<td>26</td>
<td>—</td>
<td>(26)</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>126</td>
<td>166</td>
<td>173</td>
<td>(40)</td>
</tr>
<tr>
<td>Total other income</td>
<td>160</td>
<td>293</td>
<td>219</td>
<td>(133)</td>
</tr>
<tr>
<td>Total noninterest income</td>
<td>$1,870</td>
<td>$2,229</td>
<td>$2,127</td>
<td>$(359)</td>
</tr>
</tbody>
</table>

N/M = Not Meaningful

A significant portion of Key’s trust and investment services income depends on the value and mix of assets under management. At December 31, 2008, Key’s bank, trust and registered investment advisory subsidiaries had assets under management of $64.717 billion, compared to $65.442 billion at December 31, 2007. As shown in Figure 13, most of the decrease was attributable to the equity and securities lending portfolios. The value of the equity portfolio declined because of weakness in the equity markets. The decline in the securities lending portfolio was due in part to increased volatility in the fixed income markets and actions taken by management to maintain sufficient liquidity within the portfolio. When clients’ securities are lent out, the borrower must provide Key with cash collateral, which is invested during the term of the loan. The difference between the revenue generated from the investment and the cost of the collateral is shared with the lending client. This business, although profitable, generates a significantly lower rate of return (commensurate with the lower level of risk) than other types of assets under management. Key’s portfolio of hedge funds, which has grown significantly, generates a substantially higher rate of return and accounted for much of the improvement in Key’s trust and investment services income during 2008.
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS
KEYCORP AND SUBSIDIARIES

Figure 13. Assets Under Management

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$29,384</td>
<td>$42,868</td>
<td>$41,877</td>
<td>$(13,484)</td>
</tr>
<tr>
<td>Securities lending</td>
<td>12,454</td>
<td>20,228</td>
<td>21,146</td>
<td>(7,774)</td>
</tr>
<tr>
<td>Fixed income</td>
<td>9,819</td>
<td>11,357</td>
<td>11,242</td>
<td>(1,538)</td>
</tr>
<tr>
<td>Money market</td>
<td>10,520</td>
<td>9,440</td>
<td>9,402</td>
<td>1,080</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>2,540</td>
<td>1,549</td>
<td>1,032</td>
<td>991</td>
</tr>
<tr>
<td>Total</td>
<td>$64,717</td>
<td>$85,442</td>
<td>$84,699</td>
<td>$(20,725)</td>
</tr>
</tbody>
</table>

Proprietary mutual funds included in assets under management:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$7,458</td>
<td>$7,298</td>
<td>$7,579</td>
<td>$160</td>
</tr>
<tr>
<td>Fixed income</td>
<td>5,572</td>
<td>6,957</td>
<td>5,713</td>
<td>(1,385)</td>
</tr>
<tr>
<td>Total</td>
<td>$13,670</td>
<td>$14,886</td>
<td>$13,921</td>
<td>$(1,216)</td>
</tr>
</tbody>
</table>

**Service charges on deposit accounts.** The 2008 increase in service charges on deposit accounts is attributable to growth in fee income from cash management services. In 2007, an increase in overdraft fees resulting from higher transaction volume, a rate increase instituted during the second quarter and growth in the number of transaction accounts within Key’s Community Banking group all contributed to the increase in service charges on deposit accounts.

**Operating lease income.** The level of Key’s operating lease income in 2008 was essentially unchanged from the prior year. In 2007, the increase in operating lease income was attributable to higher volumes of activity in the Equipment Finance line of business. Depreciation expense related to the leased equipment is presented in Figure 15 as “operating lease expense.”

**Investment banking and capital markets income.** As shown in Figure 14, investment banking and capital markets income declined during 2008 and 2007. The declines were caused by less favorable results from investment banking activities, other investments, and dealer trading and derivatives, all of which reflect extraordinary volatility in the financial markets since the latter half of 2007. In 2008, the loss from dealer trading and derivatives was attributable to $54 million of losses on derivative contracts recorded as a result of market disruption caused by the failure of Lehman Brothers. In both 2008 and 2007, the losses recorded from other investments were due largely to reductions in the fair values of certain real estate-related investments held by the Private Equity unit within the Real Estate Capital and Corporate Banking Services line of business. Also contributing to the 2007 decline was a nonrecurring $25 million gain from the initial public offering completed by the New York Stock Exchange during the first quarter of 2006.

Figure 14. Investment Banking and Capital Markets Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment banking income</td>
<td>$85</td>
<td>$86</td>
<td>$112</td>
<td>$(1)</td>
</tr>
<tr>
<td>(Loss) income from other investments</td>
<td>(44)</td>
<td>(34)</td>
<td>43</td>
<td>(10)</td>
</tr>
<tr>
<td>Dealer trading and derivatives (loss) income</td>
<td>(39)</td>
<td>17</td>
<td>33</td>
<td>(56)</td>
</tr>
<tr>
<td>Foreign exchange income</td>
<td>61</td>
<td>48</td>
<td>42</td>
<td>13</td>
</tr>
<tr>
<td>Total investment banking and capital markets income</td>
<td>$63</td>
<td>$117</td>
<td>$230</td>
<td>$(54)</td>
</tr>
</tbody>
</table>

N/M = Not Meaningful

**Net (losses) gains from principal investing.** Principal investments consist of direct and indirect investments in predominantly privately held companies. Key’s principal investing income is susceptible to volatility since most of it is derived from mezzanine debt and equity investments in small to medium-sized businesses. These investments are carried on the balance sheet at fair value ($990 million at December 31, 2008, and $993 million at December 31, 2007). The net (losses) gains presented in Figure 11 derive from changes in fair values as well as sales of principal investments.

**Net (losses) gains from loan securitizations and sales.** Key sells or securitizes loans to achieve desired interest rate and credit risk profiles, to improve the profitability of the overall loan portfolio or to diversify funding sources. During 2008, Key recorded $95 million of net losses from loan sales and write-downs, compared to net losses of $17 million for 2007. Results for 2008 include $31 million of net losses from the third quarter 2008 sales or write-downs of loans within the residential properties segment of the construction loan portfolio, and $101 million of net losses from loan sales and write-downs recorded during the first
quarter, due primarily to volatility in the fixed income markets and the related housing correction. Approximately $84 million of these losses pertained to commercial real estate loans held for sale. The types of loans sold during 2008 and 2007 are presented in Figure 20 on page 44. In March 2008, Key transferred $3.284 billion of education loans from held-for-sale status to the loan portfolio. The secondary markets for these loans have been adversely affected by market liquidity issues, making securitizations impractical and prompting the company’s decision to move these loans to a held-to-maturity classification.

During 2007, Key recorded $17 million of net losses from loan sales and write-downs, including $70 million in net losses pertaining to commercial real estate loans held for sale, caused by volatility in the fixed income markets and the related housing correction. These losses were offset in part by $54 million in net gains from the sale of commercial lease financing receivables. This compares to net gains of $76 million for 2006, including $37 million in net gains related to commercial real estate loans, and a $25 million gain from the primary securitization and sale of education loans.

Noninterest expense

Noninterest expense for 2008 was $3.578 billion, up $330 million, or 10%, from 2007. In 2007, noninterest expense rose by $99 million, or 3%.

As shown in Figure 15, the 2008 increase in noninterest expense was the result of changes in many expense items. The most significant changes were as follows:

- Personnel expense decreased by $16 million from 2007. As discussed on page 40, this decline was due in part to the February 2007 sale of the McDonald Investments branch network.

- Nonpersonnel expense rose by $346 million. In 2008, nonpersonnel expense was adversely affected by a $465 million noncash charge resulting from Key’s annual testing for goodwill impairment, while results for 2007 include a $64 million charge for the estimated fair value of Key’s potential liability to Visa Inc. This liability, which is discussed in greater detail below, was satisfied in 2008. The sale of the McDonald Investments branch network reduced Key’s nonpersonnel expense by approximately $22 million in 2008.

- Excluding the two charges to nonpersonnel expense discussed above, noninterest expense decreased by $71 million, or 2%, due largely to a $26 million credit for losses on lending-related commitments, compared to a $28 million provision in 2007, and a $14 million reduction in computer processing costs. Additionally, in 2008, Key recorded a $23 million credit (included in “miscellaneous expense”) representing the reversal of the remaining portion of a $42 million reserve recorded in 2007 in connection with the previously reported Honsador litigation settled in September 2008. These favorable results were offset in part by a $25 million increase in professional fees and a $15 million increase in net occupancy expense.

**Figure 15. Noninterest Expense**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$1,605</td>
<td>$1,621</td>
<td>$1,692</td>
<td>$(16)</td>
</tr>
<tr>
<td>Net occupancy</td>
<td>261</td>
<td>246</td>
<td>250</td>
<td>15</td>
</tr>
<tr>
<td>Operating lease expense</td>
<td>224</td>
<td>224</td>
<td>184</td>
<td>—</td>
</tr>
<tr>
<td>Computer processing</td>
<td>187</td>
<td>201</td>
<td>212</td>
<td>(14)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>142</td>
<td>117</td>
<td>134</td>
<td>25</td>
</tr>
<tr>
<td>Equipment</td>
<td>92</td>
<td>96</td>
<td>102</td>
<td>(4)</td>
</tr>
<tr>
<td>Marketing</td>
<td>87</td>
<td>76</td>
<td>97</td>
<td>11</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>469</td>
<td>5</td>
<td>—</td>
<td>464</td>
</tr>
<tr>
<td>Other expense:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>46</td>
<td>47</td>
<td>50</td>
<td>(1)</td>
</tr>
<tr>
<td>Franchise and business taxes</td>
<td>30</td>
<td>32</td>
<td>22</td>
<td>(2)</td>
</tr>
</tbody>
</table>
| Telecommunications                          | 30 | 28 | 28 | 2 | 7.1%

(Credit) provision for losses on lending-related commitments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Credit) provision for losses on lending-related commitments</td>
<td>(26)</td>
<td>28</td>
<td>(6)</td>
<td>(54)</td>
</tr>
<tr>
<td>Liability to Visa</td>
<td>—</td>
<td>64</td>
<td>—</td>
<td>(64)</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>431</td>
<td>463</td>
<td>384</td>
<td>(32)</td>
</tr>
<tr>
<td>Total other expense</td>
<td>511</td>
<td>662</td>
<td>478</td>
<td>(151)</td>
</tr>
<tr>
<td>Total noninterest expense</td>
<td>$3,578</td>
<td>$3,248</td>
<td>$3,149</td>
<td>$330</td>
</tr>
<tr>
<td>Average full-time equivalent employees a</td>
<td>18,095</td>
<td>18,934</td>
<td>20,006</td>
<td>(839)</td>
</tr>
</tbody>
</table>

(a) The number of average full-time equivalent employees has not been adjusted for discontinued operations.

N/M = Not Meaningful

In 2007, personnel expense decreased by $71 million. As discussed on page 40, this decline was due primarily to the sale of the McDonald Investments branch network. As shown in Figure 15, total nonpersonnel expense rose by $170 million, including the $42 million reserve established in connection with the Honsador litigation and the $64 million charge for the estimated fair value of Key’s potential liability to Visa. (In accordance with Visa Bylaws, each Visa member is obligated to indemnify Visa for a broad range of costs, damages, liabilities and other expenses that Visa may incur.) Also contributing to the increase in nonpersonnel expense was a $28 million provision for losses on lending-related commitments.
compared to a $6 million credit for 2006, and a
MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS
KEYCORP AND SUBSIDIARIES

$40 million increase in costs associated with operating leases. The sale of the McDonald Investments branch network accounted for $38 million of the 2007 reduction in Key’s nonpersonnel expense.

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

**Personnel.** As shown in Figure 16, personnel expense, the largest category of Key’s noninterest expense, decreased by $16 million, or 1%, in 2008, following a $71 million, or 4%, decrease in 2007. The 2008 decrease was largely attributable to lower costs associated with salaries and employee benefits stemming from a 4% reduction in the number of average full-time equivalent employees, and a decrease in stock-based compensation. The McDonald Investments branch network accounted for $3 million of Key’s personnel expense for 2008, compared to $20 million for 2007. The reductions discussed above were offset in part by higher accruals for incentive compensation and an increase in severance expense, due to management’s decisions to exit certain businesses. The 2007 decrease, which was attributable to the sale of the McDonald Investments branch network, was moderated by normal salary adjustments and an increase in severance expense. The McDonald Investments branch network accounted for $20 million of Key’s personnel expense in 2007, compared to $103 million for 2006.

**Figure 16. Personnel Expense**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$960</td>
<td>$976</td>
<td>$940</td>
<td>($16) (1.6)%</td>
</tr>
<tr>
<td>Incentive compensation</td>
<td>286</td>
<td>264</td>
<td>388</td>
<td>22 8.3%</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>258</td>
<td>287</td>
<td>287</td>
<td>(29) (10.1)%</td>
</tr>
<tr>
<td>Stock-based compensation a</td>
<td>50</td>
<td>60</td>
<td>64</td>
<td>(10) (16.7)%</td>
</tr>
<tr>
<td>Severance</td>
<td>51</td>
<td>34</td>
<td>13</td>
<td>17 50.0%</td>
</tr>
<tr>
<td><strong>Total personnel expense</strong></td>
<td>$1,605</td>
<td>$1,621</td>
<td>$1,692</td>
<td>($16) (1.0)%</td>
</tr>
</tbody>
</table>

(a) Excludes directors’ stock-based compensation of ($8) million in 2008, $2 million in 2007 and $.1 million in 2006 reported as “miscellaneous expense” in Figure 15.

The average number of full-time-equivalent employees was 18,095 for 2008, compared to 18,934 for 2007 and 20,006 for 2006. The average number of employees has not been adjusted for discontinued operations.

**Net occupancy.** The 2008 increase in net occupancy expense was caused by additional costs associated with branch modernization and reserves established in connection with dormant properties.

**Operating lease expense.** The level of Key’s operating lease expense for 2008 was unchanged from 2007. The 2007 increase reflects a higher volume of activity in the Equipment Finance line of business. Income related to the rental of leased equipment is presented in Figure 11 as “operating lease income.”

**Computer processing.** The decreases in computer processing costs for both 2008 and 2007 were largely attributable to the use of outside services.

**Professional fees.** The increase in professional fees for 2008 was due in part to increased collection efforts on loans, and the outsourcing of certain services. In 2007, professional fees declined after Key completed a multi-year initiative to strengthen compliance controls.

**Marketing expense.** Marketing expense fluctuated over the past three years because Key incurred additional costs during 2008 and 2006 to promote deposit products.

**Miscellaneous expense.** In 2008, the decrease in “miscellaneous expense” includes a $34 million reduction in mortgage escrow expense, as well as the $23 million credit for the reversal of the remaining Honsador litigation reserve. In 2007, the $79 million increase was due primarily to the $42 million charge to establish the initial litigation reserve and a $16 million increase in mortgage escrow expense.

**Income taxes**

Key’s provision for income taxes from continuing operations was $334 million for 2008, compared to $280 million for 2007 and $450 million for 2006.

Key’s tax provision for 2008 includes additional net charges of $586 million recorded in connection with the leveraged lease tax litigation. These net charges have two components: the interest cost associated with the contested tax liabilities, and an increase to the provision resulting from recalculating lease income recognized from inception for all of the leveraged leases contested by the IRS. On February 13, 2009, Key and the IRS entered into a closing agreement that resolves substantially all outstanding leveraged lease financing tax issues. Key expects the remaining issues to be settled with the IRS in the near future with no additional tax or interest liability to Key. Additional information pertaining to the contested lease financing transactions, the related charges and the settlement is included in Note 17 (“Income Taxes”), which begins on page 110.

Excluding the lease financing charges discussed above, Key’s effective tax rate was 33.5% for 2008, compared to 22.9% for 2007 and 27.4% for 2006. The higher effective tax rate in 2008 reflects the combined effects of the loss recorded for the year and the permanent tax differences described below. There were two primary reasons for the lower effective tax rate for 2007: Key was entitled to a higher level of credits derived from
investments in low-income housing projects and the amount of tax-exempt income from corporate-owned life insurance increased. The effective tax rate also changed from 2007 to 2008 because of changes in the tax circumstances pertaining to certain foreign leasing operations described in Note 17.

On an adjusted basis, the effective tax rates for the past three years differ from Key’s combined federal and state statutory tax rate of 37.5%.
primarily because Key generates income from investments in tax-advantaged assets such as corporate-owned life insurance, earns credits associated with investments in low-income housing projects, and records tax deductions associated with dividends paid to Key’s common shares held in the 401(k) savings plan.

Financial Condition

Loans and loans held for sale

Figure 17 shows the composition of Key’s loan portfolio at December 31 for each of the past five years.

| December 31, | 2008 Amount | 2008 % of Total | 2007 Amount | 2007 % of Total | 2006 Amount | 2006 % of Total |
| dollars in millions | | | | | | |
| COMMERCIAL | | | | | | |
| Commercial, financial and agricultural | $27,260 | 35.7% | $24,797 | 35.0% | $21,412 | 32.5% |
| Commercial real estate: | | | | | | |
| Construction | 10,819 | 14.1% | 9,630 | 13.6% | 8,426 | 12.8% |
| Commercial mortgage | 7,717 | 10.1% | 8,102 | 11.4% | 8,209 | 12.5% |
| Total commercial real estate loans | 18,536 | 24.2% | 17,732 | 25.0% | 16,635 | 25.3% |
| Commercial lease financing | 9,039 | 11.8% | 10,176 | 14.4% | 10,259 | 15.6% |
| Total commercial loans | 54,835 | 71.7% | 52,705 | 74.4% | 48,306 | 73.4% |
| CONSUMER | | | | | | |
| Real estate — residential mortgage | 1,908 | 2.5% | 1,594 | 2.3% | 1,442 | 2.2% |
| Home equity: | | | | | | |
| Community Banking | 10,124 | 13.2% | 9,655 | 13.6% | 9,805 | 14.9% |
| National Banking | 1,051 | 1.4% | 1,262 | 1.8% | 1,021 | 1.6% |
| Total home equity loans | 11,175 | 14.6% | 10,917 | 15.4% | 10,826 | 16.5% |
| Consumer other — Community Banking | 1,233 | 1.6% | 1,298 | 1.8% | 1,536 | 2.2% |
| Consumer other — National Banking: | | | | | | |
| Marine | 3,401 | 4.4% | 3,637 | 5.1% | 3,077 | 4.7% |
| Education | 3,669 | 4.8% | 331 | .5% | 345 | .5% |
| Other | 283 | .4% | 341 | .5% | 294 | .5% |
| Total consumer other — National Banking | 7,353 | 9.6% | 4,309 | 6.1% | 3,716 | 5.7% |
| Total consumer loans | 21,669 | 28.3% | 18,118 | 25.6% | 17,520 | 26.6% |
| Total | $76,504 | 100.0% | $70,823 | 100.0% | $65,826 | 100.0% |

| 2005 | 2004 |
| Amount | % of Total | Amount | % of Total |
| COMMERCIAL | | | |
| Commercial, financial and agricultural | $ 20,579 | 31.0% | $ 18,730 | 29.6% |
| Commercial real estate: | | | | | | |
| Construction | 8,360 | 12.6% | 8,131 | 12.8% |
| Commercial mortgage | 7,109 | 10.7% | 5,508 | 8.7% |
| Total commercial real estate loans | 15,469 | 23.3% | 13,639 | 21.5% |
| Commercial lease financing | 10,352 | 15.5% | 10,155 | 16.0% |
| Total commercial loans | 46,400 | 69.8% | 42,524 | 67.1% |
| CONSUMER | | | | | | |
| Real estate — residential mortgage | 1,458 | 2.2% | 1,473 | 2.3% |
| Home equity: | | | | | | |
| Community Banking | 10,237 | 15.4% | 10,554 | 16.7% |
| National Banking | 3,251 | 4.9% | 3,508 | 5.5% |
| Total home equity loans | 13,488 | 20.3% | 14,062 | 22.2% |
| Consumer other — Community Banking | 1,794 | 2.7% | 1,983 | 3.1% |
| Consumer other — National Banking: | | | | | | |
| Marine | 2,715 | 4.1% | 2,624 | 4.2% |
| Education | 366 | .5% | 391 | .6% |
| Other | 257 | .4% | 315 | .5% |
| Total consumer other — National Banking | 3,338 | 5.0% | 3,330 | 5.3% |
| Total consumer loans | 20,078 | 30.2% | 20,848 | 32.9% |
(a) See Figure 18 for a more detailed breakdown of Key’s commercial real estate loan portfolio at December 31, 2008.
Commercial loan portfolio

Commercial loans outstanding increased by $2.130 billion, or 4%, from the year ago quarter, due largely to a higher volume of originations in the commercial mortgage portfolio, and the commercial, financial and agricultural portfolio. This growth reflected increased reliance by borrowers on commercial lines of credit in response to the challenging economic environment, as well as the January 1, 2008, acquisition of U.S.B. Holding Co., Inc., which added approximately $900 million to Key’s commercial loan portfolio. The overall growth in the commercial loan portfolio was geographically broad-based and spread among a number of industry sectors.

Commercial real estate loans. Commercial real estate loans for both owner- and nonowner-occupied properties constitute one of the largest segments of Key’s commercial loan portfolio. At December 31, 2008, Key’s commercial real estate portfolio included mortgage loans of $10.819 billion and construction loans of $7.717 billion, respectively. The average mortgage loan originated during 2008 was $2 million, and the largest mortgage loan at December 31, 2008, had a balance of $123 million. At December 31, 2008, the average construction loan commitment was $5 million. The largest construction loan commitment was $65 million, all of which was outstanding.

Key’s commercial real estate lending business is conducted through two primary sources: a 14-state banking franchise, and Real Estate Capital and Corporate Banking Services, a national line of business that cultivates relationships both within and beyond the branch system. This line of business deals exclusively with nonowner-occupied properties (generally properties for which at least 50% of the debt service is provided by rental income from nonaffiliated third parties) and accounted for approximately 62% of Key’s average commercial real estate loans during 2008. Key’s commercial real estate business generally focuses on larger real estate developers and, as shown in Figure 18, is diversified by both industry type and geographic location of the underlying collateral.

Figure 18. Commercial Real Estate Loans

<table>
<thead>
<tr>
<th>Geographic Region</th>
<th>Northeast</th>
<th>Southeast</th>
<th>Southwest</th>
<th>Midwest</th>
<th>Central</th>
<th>West</th>
<th>Total Amount</th>
<th>Percent of Total</th>
<th>Commercial Mortgage</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonowner-occupied:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail properties</td>
<td>$213</td>
<td>$841</td>
<td>$226</td>
<td>$741</td>
<td>$385</td>
<td>$473</td>
<td>$2,879</td>
<td>13.5%</td>
<td>$1,264</td>
<td>$1,615</td>
</tr>
<tr>
<td>Multifamily properties</td>
<td>$262</td>
<td>$650</td>
<td>$440</td>
<td>$318</td>
<td>$473</td>
<td>$429</td>
<td>$2,572</td>
<td>13.9%</td>
<td>$1,079</td>
<td>$1,483</td>
</tr>
<tr>
<td>Residential properties</td>
<td>$406</td>
<td>$623</td>
<td>$77</td>
<td>$111</td>
<td>$253</td>
<td>$684</td>
<td>$2,154</td>
<td>11.6%</td>
<td>$128</td>
<td>$2,026</td>
</tr>
<tr>
<td>Office buildings</td>
<td>$321</td>
<td>$168</td>
<td>$85</td>
<td>$188</td>
<td>$218</td>
<td>$432</td>
<td>$1,412</td>
<td>7.6%</td>
<td>$597</td>
<td>$815</td>
</tr>
<tr>
<td>Health facilities</td>
<td>$244</td>
<td>$148</td>
<td>$36</td>
<td>$234</td>
<td>$140</td>
<td>$282</td>
<td>$1,084</td>
<td>5.9%</td>
<td>$802</td>
<td>$282</td>
</tr>
<tr>
<td>Land and development</td>
<td>$137</td>
<td>$189</td>
<td>$224</td>
<td>$49</td>
<td>$154</td>
<td>$178</td>
<td>$931</td>
<td>5.0%</td>
<td>$349</td>
<td>$582</td>
</tr>
<tr>
<td>Warehouses</td>
<td>$144</td>
<td>$204</td>
<td>$24</td>
<td>$89</td>
<td>$67</td>
<td>$204</td>
<td>$732</td>
<td>4.0%</td>
<td>$371</td>
<td>$361</td>
</tr>
<tr>
<td>Hotels/Motels</td>
<td>$53</td>
<td>$106</td>
<td>—</td>
<td>$22</td>
<td>$25</td>
<td>$62</td>
<td>$268</td>
<td>1.5%</td>
<td>$191</td>
<td>$77</td>
</tr>
<tr>
<td>Manufacturing facilities</td>
<td>$19</td>
<td>—</td>
<td>$16</td>
<td>$40</td>
<td>—</td>
<td>$21</td>
<td>$96</td>
<td>.5%</td>
<td>$62</td>
<td>$34</td>
</tr>
<tr>
<td>Other</td>
<td>$231</td>
<td>$151</td>
<td>$4</td>
<td>$187</td>
<td>$192</td>
<td>$114</td>
<td>$879</td>
<td>4.7%</td>
<td>$782</td>
<td>$97</td>
</tr>
<tr>
<td>Total</td>
<td>$2,030</td>
<td>$3,080</td>
<td>$1,132</td>
<td>$1,979</td>
<td>$1,907</td>
<td>$2,879</td>
<td>$13,007</td>
<td>70.2%</td>
<td>$5,625</td>
<td>$7,382</td>
</tr>
<tr>
<td>Nonperforming loans</td>
<td>$1,132</td>
<td>$199</td>
<td>$98</td>
<td>$1,541</td>
<td>$493</td>
<td>$2,066</td>
<td>$5,529</td>
<td>29.8%</td>
<td>$5,194</td>
<td>$335</td>
</tr>
<tr>
<td>Total</td>
<td>$3,162</td>
<td>$3,279</td>
<td>$1,230</td>
<td>$3,520</td>
<td>$2,400</td>
<td>$4,945</td>
<td>$18,536</td>
<td>100.0%</td>
<td>$10,819</td>
<td>$7,717</td>
</tr>
<tr>
<td>Nonowner-occupied:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonperforming loans</td>
<td>$45</td>
<td>$206</td>
<td>$14</td>
<td>$27</td>
<td>$12</td>
<td>$179</td>
<td>$483</td>
<td>N/M</td>
<td>$54</td>
<td>$429</td>
</tr>
<tr>
<td>Accruing loans past due 90 days or more</td>
<td>$28</td>
<td>$29</td>
<td>$3</td>
<td>—</td>
<td>$37</td>
<td>$89</td>
<td>$186</td>
<td>N/M</td>
<td>$29</td>
<td>$157</td>
</tr>
<tr>
<td>Accruing loans past due 30 through 89 days</td>
<td>$51</td>
<td>$114</td>
<td>$102</td>
<td>$6</td>
<td>$13</td>
<td>$128</td>
<td>$414</td>
<td>N/M</td>
<td>$70</td>
<td>$341</td>
</tr>
</tbody>
</table>

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

N/M = Not Meaningful
During 2008, nonperforming loans related to Key’s nonowner-occupied properties rose by $59 million, due primarily to deteriorating market conditions in the residential properties segment of Key’s commercial real estate construction portfolio. The majority of the increase in this segment came from loans outstanding in Florida and southern California. As previously reported, Key has undertaken a process to reduce its exposure in the residential properties segment of its construction loan portfolio through the sale of certain loans. In conjunction with these efforts, Key transferred $384 million of commercial real estate loans ($719 million, net of $335 million in net charge-offs) from the held-to-maturity loan portfolio to held-for-sale status in June 2008. Key’s ability to sell these loans has been hindered by continued disruption in the financial markets which has precluded the ability of certain potential buyers to obtain the necessary funding. The balance of this portfolio has been reduced to $88 million at December 31, 2008, primarily as a result of cash proceeds from loan sales, transfers to OREO, and both realized and unrealized losses. Key will continue to pursue the sale or foreclosure of the remaining loans, all of which are on nonperforming status.

During the last half of 2008, Key ceased lending to homebuilders within its 14-state Community Banking footprint.

**Commercial lease financing.** Management believes Key has both the scale and array of products to compete in the specialty of equipment lease financing. Key conducts these financing arrangements through the Equipment Finance line of business. Commercial lease financing receivables represented 16% of commercial loans at December 31, 2008, compared to 19% at December 31, 2007.

**Consumer loan portfolio**

Consumer loans outstanding increased by $3.551 billion, or 20%, from one year ago. As stated previously, in March 2008, Key transferred $3.284 billion of education loans from held-for-sale status to the loan portfolio. The secondary markets for these loans have been adversely affected by market liquidity issues, prompting the company’s decision to move them to a held-to-maturity classification. Adjusting for this transfer, consumer loans were up $267 million, or 1%, from the year-ago quarter, due primarily to the January 1, 2008, acquisition of U.S.B. Holding Co., Inc.

The home equity portfolio is by far the largest segment of Key’s consumer loan portfolio. A significant amount of this portfolio (91% at December 31, 2008) is derived primarily from the Regional Banking line of business within the Community Banking group; the remainder originated from the Consumer Finance line of business within the National Banking group and has been in a runoff mode since the fourth quarter of 2007.

Figure 19 summarizes Key’s home equity loan portfolio by source as of December 31 for each of the last five years, as well as certain asset quality statistics and yields on the portfolio as a whole.

**Figure 19. Home Equity Loans**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Banking</td>
<td>$10,124</td>
<td>$9,655</td>
<td>$9,805</td>
<td>$10,237</td>
<td>$10,554</td>
</tr>
<tr>
<td>National Banking *</td>
<td>1,051</td>
<td>1,262</td>
<td>1,021</td>
<td>3,251</td>
<td>3,508</td>
</tr>
<tr>
<td>Total</td>
<td>$11,175</td>
<td>$10,917</td>
<td>$10,826</td>
<td>$13,488</td>
<td>$14,062</td>
</tr>
</tbody>
</table>

| Nonperforming loans at year end | $91 | $66 | $50 | $79 | $80 |
| Net loan charge-offs for the year | 86 | 33 | 23 | 21 | 57 |
| Yield for the year * | 5.93% | 7.17% | 7.07% | 6.20% | 5.25% |

(a) On August 1, 2006, Key transferred $2.474 billion of subprime mortgage loans from the loan portfolio to loans held for sale, and approximately $55 million of subprime mortgage loans from nonperforming loans to nonperforming loans held for sale, in connection with its intention to pursue the sale of the Champion Mortgage finance business.

(b) From continuing operations.

Management expects the level of Key’s consumer loan portfolio to decrease in the future as a result of actions taken to exit low-return, indirect businesses. In December 2007, Key decided to exit dealer-originated home improvement lending activities, which are largely out-of-footprint. During the last half of 2008, Key exited retail and floor-plan lending for marine and recreational vehicle products, and began to limit new education loans to those backed by government guarantee.

**Loans held for sale**

As shown in Note 7 (“Loans and Loans Held for Sale”) on page 93, Key’s loans held for sale were $1.027 billion at December 31, 2008, compared to $4.736 billion at December 31, 2007. The decrease was attributable to the transfer of $3.284 billion of education loans from held-for-sale status to the loan portfolio, and sales of commercial real estate loans.

At December 31, 2008, Key’s loans held for sale included $273 million of commercial mortgage loans. In the absence of quoted market prices, management uses valuation models to measure the fair value of these loans and adjusts the amount recorded on the balance sheet if fair value falls below recorded cost. The models are based on assumptions related to prepayment speeds, default rates, funding cost and discount rates. In light of the volatility in the financial markets, management has reviewed Key’s assumptions and determined they reflect current market conditions. As a result, no significant adjustments to the assumptions were required during 2008.
During 2008, Key recorded net unrealized losses of $52 million and net realized losses of $85 million on its loans held for sale portfolio. Key records these transactions in “net (losses) gains from loan securitizations and sales” on the income statement. Key has not been significantly impacted by market volatility in the subprime mortgage lending industry, having exited this business in the fourth quarter of 2006.

Sales and securitizations
As market conditions allow, Key continues to utilize alternative funding sources like loan sales and securitizations to support its loan origination capabilities. In addition, certain acquisitions completed over the past several years have improved Key’s ability under favorable market conditions to originate and sell new loans, and to securitize and service loans generated by others, especially in the area of commercial real estate.

During 2008, Key sold $2.244 billion of commercial real estate loans, $802 million of residential real estate loans, $121 million of commercial loans and leases, $121 million of education loans and $9 million of marine loans. Most of these sales came from the held-for-sale portfolio.

Due to unfavorable market conditions, Key did not proceed with an education loan securitization during 2008 or 2007, and does not anticipate entering into any securitizations of this type in the foreseeable future.

Among the factors that Key considers in determining which loans to sell or securitize are:

- whether particular lending businesses meet established performance standards or fit with Key’s relationship banking strategy;
- Key’s asset/liability management needs;
- whether the characteristics of a specific loan portfolio make it conducive to securitization;
- the cost of alternative funding sources;
- the level of credit risk;
- capital requirements; and
- market conditions and pricing.

Figure 20 summarizes Key’s loan sales (including securitizations) for 2008 and 2007.

<table>
<thead>
<tr>
<th>Figure 20. Loans Sold (Including Loans Held for Sale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>in millions</td>
</tr>
<tr>
<td>--------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2008</strong></td>
</tr>
<tr>
<td>Fourth quarter</td>
</tr>
<tr>
<td>Third quarter</td>
</tr>
<tr>
<td>Second quarter</td>
</tr>
<tr>
<td>First quarter</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td><strong>2007</strong></td>
</tr>
<tr>
<td>Fourth quarter</td>
</tr>
<tr>
<td>Third quarter</td>
</tr>
<tr>
<td>Second quarter</td>
</tr>
<tr>
<td>First quarter</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Figure 21 shows loans that are either administered or serviced by Key, but not recorded on the balance sheet. The table includes loans that have been both securitized and sold, or simply sold outright.

<table>
<thead>
<tr>
<th>Figure 21. Loans Administered or Serviced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial real estate loans a</td>
</tr>
<tr>
<td>Education loans</td>
</tr>
<tr>
<td>Home equity loans b</td>
</tr>
<tr>
<td>Commercial lease financing</td>
</tr>
<tr>
<td>Commercial loans</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(a) Key acquired the servicing for commercial mortgage loan portfolios with an aggregate principal balance of $1.038 billion during 2008, $45.472 billion during 2007 and $16.396 billion for 2006. During 2005, the acquisitions of Malone Mortgage Company and the commercial mortgage-backed securities servicing business of ORIX Capital Markets, LLC added more than $27.694 billion to Key’s commercial mortgage...
servicing portfolio.

(b) In November 2006, Key sold the $2.474 billion subprime mortgage loan portfolio held by the Champion Mortgage finance business but continued to provide servicing through various dates in March 2007.
In the event of default by a borrower, Key is subject to recourse with respect to approximately $700 million of the $128.444 billion of loans administered or serviced at December 31, 2008. Additional information about this recourse arrangement is included in Note 18 (“Commitments, Contingent Liabilities and Guarantees”) under the heading “Recourse agreement with Federal National Mortgage Association” on page 114.

Key derives income from several sources when retaining the right to administer or service loans that are securitized or sold. Key earns noninterest income (recorded as “other income”) from fees for servicing or administering loans. This fee income is reduced by the amortization of related servicing assets. In addition, Key earns interest income from securitized assets retained and from investing funds generated by escrow deposits collected in connection with the servicing of commercial real estate loans.

Figure 22 shows the remaining final maturities of certain commercial and real estate loans, and the sensitivity of those loans to changes in interest rates. At December 31, 2008, approximately 37% of these outstanding loans were scheduled to mature within one year.

### Figure 22. Remaining Final Maturities and Sensitivity of Certain Loans to Changes in Interest Rates

<table>
<thead>
<tr>
<th>December 31, 2008</th>
<th>Within 1 Year</th>
<th>1-5 Years</th>
<th>Over 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$10,875</td>
<td>$14,377</td>
<td>$2,008</td>
<td>$27,260</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>3,999</td>
<td>3,317</td>
<td>401</td>
<td>7,717</td>
</tr>
<tr>
<td>Real estate — residential and commercial mortgage</td>
<td>2,952</td>
<td>5,254</td>
<td>4,521</td>
<td>12,727</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17,826</strong></td>
<td><strong>$22,948</strong></td>
<td><strong>$6,930</strong></td>
<td><strong>$47,704</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loans with floating or adjustable interest rates *</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loans with predetermined interest rates b</strong></td>
<td>$3,645</td>
<td>2,510</td>
<td>6,155</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$22,948</strong></td>
<td><strong>$6,930</strong></td>
<td><strong>$29,878</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

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

### Securities

At December 31, 2008, the securities portfolio totaled $8.462 billion; $25 million of that amount was held-to-maturity securities and the remainder was securities available for sale. In comparison, the total portfolio at December 31, 2007, was $7.888 billion, including $28 million of held-to-maturity securities and $7.860 billion of securities available for sale.

**Securities available for sale.** The majority of Key’s securities available-for-sale portfolio consists of collateralized mortgage obligations (“CMOs”). A CMO is a debt security that is secured by a pool of mortgages or mortgage-backed securities. Key’s CMOs generate interest income and serve as collateral to support certain pledging agreements. At December 31, 2008, Key had $8.090 billion invested in CMOs and other mortgage-backed securities in the available-for-sale portfolio, compared to $7.570 billion at December 31, 2007.

Management periodically evaluates Key’s securities available-for-sale portfolio in light of established asset/liability management objectives, changing market conditions that could affect the profitability of the portfolio, and the level of interest rate risk to which Key is exposed. These evaluations may cause management to take steps to improve Key’s overall balance sheet positioning.

In March 2007, management completed a comprehensive evaluation of the securities available-for-sale portfolio and elected to reposition the portfolio to enhance future financial performance, particularly in the event of a decline in interest rates. As a result, Key sold $2.394 billion of shorter-maturity CMOs and reinvested the proceeds in mortgage-backed securities with higher yields and longer expected average maturities.

The repositioning also reduced Key’s exposure to prepayment risk if interest rates decline by replacing the CMOs sold with CMOs that have underlying mortgage loans with shorter maturities and lower coupon rates. At that time, Key maintained a relatively neutral exposure to near-term changes in interest rates. Neither funding nor capital levels were affected materially by this portfolio repositioning.

As a result of the sale of CMOs, Key recorded a net realized loss of $49 million ($31 million after tax, or $.08 per diluted common share) during the first quarter of 2007. This net loss was previously recorded in “net unrealized losses on securities available for sale” in the accumulated other comprehensive income component of shareholders’ equity.

In addition to changing market conditions, the size and composition of Key’s securities available-for-sale portfolio could vary with Key’s needs for liquidity and the extent to which Key is required (or elects) to hold these assets as collateral to secure public funds and trust deposits. Although Key generally uses debt securities for this purpose, other assets, such as securities purchased under resale agreements, are used occasionally when they provide more favorable yields or risk profiles.

As shown in Figure 23, all of Key’s mortgage-backed securities are issued by government-sponsored enterprises or the Government National Mortgage Association and are traded in highly liquid secondary markets. Management employs an outside bond pricing service to determine the fair value at which they should be recorded on the balance sheet. In performing the valuations, the pricing service relies on models that consider 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.
Management reviews valuations derived from the models to ensure they are consistent with the values placed on similar securities traded in the secondary markets.

Figure 23. Mortgage-Backed Securities by Issuer

During 2008, net gains from Key’s mortgage-backed securities totaled $199 million. These net gains include net unrealized gains of $195 million, caused by the decline in benchmark Treasury yields, offset in part by the widening of interest rate spreads on these securities. The net unrealized gains were recorded in the “accumulated other comprehensive income” component of shareholders’ equity, while the net realized gains were recorded in “net securities (losses) gains” on the income statement.

Figure 24 shows the composition, yields and remaining maturities of Key’s securities available for sale. For more information about securities, including gross unrealized gains and losses by type of security and securities pledged, see Note 6 (“Securities”), which begins on page 91.

Figure 24. Securities Available for Sale

(a) Maturity is based upon expected average lives rather than contractual terms.
(b) Includes primarily marketable equity securities.
(c) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 35%.
(d) Excludes $51 million of securities at December 31, 2008, that have no stated yield.
**Held-to-maturity securities.** Commercial paper and securities issued by states and political subdivisions constitute most of Key’s held-to-maturity securities. Figure 25 shows the composition, yields and remaining maturities of these securities.

**Figure 25. Held-to-Maturity Securities**

<table>
<thead>
<tr>
<th></th>
<th>States and Political Subdivisions</th>
<th>Other Securities</th>
<th>Total</th>
<th>Weighted Average Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DECEMBER 31, 2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining maturity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year or less</td>
<td>$1</td>
<td>$5</td>
<td>$6</td>
<td>3.54%</td>
</tr>
<tr>
<td>After one through five years</td>
<td>3</td>
<td>16</td>
<td>19</td>
<td>4.82%</td>
</tr>
<tr>
<td>Amortized cost</td>
<td>$4</td>
<td>$21</td>
<td>$25</td>
<td>4.34%</td>
</tr>
<tr>
<td>Fair value</td>
<td>4</td>
<td>21</td>
<td>25</td>
<td>—</td>
</tr>
<tr>
<td>Weighted-average yield</td>
<td>8.56%</td>
<td>2.95% b</td>
<td>4.34% b</td>
<td>—</td>
</tr>
<tr>
<td>Weighted-average maturity</td>
<td>1.9 years</td>
<td>2.1 years</td>
<td>2.1 years</td>
<td>—</td>
</tr>
<tr>
<td><strong>DECEMBER 31, 2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td>$9</td>
<td>$19</td>
<td>$28</td>
<td>6.84%</td>
</tr>
<tr>
<td>Fair value</td>
<td>9</td>
<td>19</td>
<td>28</td>
<td>—</td>
</tr>
<tr>
<td><strong>DECEMBER 31, 2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortized cost</td>
<td>$20</td>
<td>$21</td>
<td>$41</td>
<td>7.05%</td>
</tr>
<tr>
<td>Fair value</td>
<td>21</td>
<td>21</td>
<td>42</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) Weighted-average yields are calculated based on amortized cost. Such yields have been adjusted to a taxable-equivalent basis using the statutory federal income tax rate of 35%.

(b) Excludes $8 million of securities at December 31, 2008, that have no stated yield.

**Other investments**

Most of Key’s other investments are not traded on a ready market. Management determines the fair value at which these investments should be recorded based on the nature of the specific investment and all available relevant information. Among other things, management’s review may encompass such factors as the issuer’s past financial performance and future potential, the values of public companies in comparable businesses, the risks associated with the particular business or investment type, current market conditions, the nature and duration of resale restrictions, the issuer’s payment history and management’s knowledge of the industry. During 2008, net losses from Key’s principal investing activities totaled $62 million, which included $44 million of net unrealized losses. These net losses are recorded as “net (losses) gains from principal investing” on the income statement. Additional information pertaining to Key’s other investments is presented in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Other Investments” on page 78.

**Deposits and other sources of funds**

Domestic deposits are Key’s primary source of funding. During 2008, these deposits averaged $61.654 billion, and represented 68% of the funds Key used to support loans and other earning assets, compared to $57.452 billion and 69% during 2007, and $56.998 billion and 72% during 2006. The composition of Key’s deposits is shown in Figure 9, which spans pages 34 and 35.

The increase in average domestic deposits during 2008 was due primarily to growth in NOW and money market deposits accounts, certificates of deposit of $100,000 or more, and other time deposits, offset in part by a decline in noninterest-bearing deposits. The change in the composition of domestic deposits was attributable to several factors:

- The January 1, 2008, acquisition of U.S.B. Holding Co., Inc. added approximately $1.804 billion to Key’s average domestic deposits for 2008. Adjusting for the acquisition of U.S.B. Holding Co., Inc., average domestic deposits were up approximately $2.398 billion, or 4%, from 2007.
- The increase in NOW and money market deposits accounts and the decrease in noninterest-bearing deposits reflect actions taken by Key in November 2007 to reduce its deposit reserve requirement by converting approximately $3.431 billion of noninterest-bearing deposits to NOW and money market deposit accounts.
- Competition for deposits in the markets in which Key operates remains strong, and consumer preferences shifted more to certificates of deposit as a result of the declining interest rate environment.

Purchased funds, consisting of deposits in the foreign office and short-term borrowings, averaged $12.292 billion during 2008, compared to $11.040 billion during 2007 and $6.804 billion during 2006. The increase from 2007 to 2008 reflected a $3.521 billion increase in the level of bank notes and other short-term borrowings, offset in part by decreases in federal funds purchased and securities sold under agreements to repurchase, and foreign office deposits. During 2008 and 2007, Key used purchased funds more heavily to accommodate borrowers’ increased reliance on commercial lines of credit in the volatile capital markets environment in which the availability of long-term funding has been restricted. In 2007, these funds were also used to compensate for $1.262 billion of core deposits transferred to the buyer of the McDonald Investments branch network, to satisfy a temporary need for additional short-term funding to facilitate the repositioning of the securities portfolio, and to pay down long-term debt.

Substantially all of KeyBank’s domestic deposits are insured up to applicable limits by the FDIC. Accordingly, KeyBank is subject to deposit
insurance premium assessments by the FDIC. Under current law, the FDIC is required to maintain the Deposit Insurance Fund ("DIF")
reserve ratio within the range of 1.15% to 1.50% of estimated insured deposits. Current law also requires the FDIC to implement a restoration plan when it determines that the DIF reserve ratio has fallen, or will fall within six months, below 1.15% of estimated insured deposits. As of June 30, 2008, the DIF reserve ratio was 1.01%. On October 7, 2008, the FDIC announced a restoration plan under which all depository institutions, regardless of risk, will pay a $0.07 additional annualized deposit insurance assessment for each $100 of assessable domestic deposits for the first quarter of 2009. On February 27, 2009, the FDIC Board of Directors approved an emergency special assessment of 20 basis points on all insured depository institutions on June 30, 2009, to be collected on September 30, 2009. The interim rule would also allow the FDIC Board to impose an emergency special assessment of 10 basis points if necessary to maintain public confidence. Effective April 1, 2009, under a new risk-based assessment system, which is to be implemented as part of the FDIC’s restoration plan, annualized deposit insurance assessments for all depository institutions will range from $0.07 to $0.775 for each $100 of assessable domestic deposits based on the institution’s risk category. In addition to the assessment under the restoration plan, an annualized fee of 10 basis points will be assessed on noninterest-bearing transaction account balances in excess of $250,000 in conjunction with the Transaction Account Guarantee part of the FDIC’s TLGP discussed in the “Capital” section under the heading “FDIC Temporary Liquidity Guarantee Program” on page 51. As a result, management anticipates that Key’s total premium assessment on deposits may increase by a substantial amount in 2009. At December 31, 2008, the unused one-time premium assessment credit available to Key under the deposit insurance reform legislation enacted in 2006 was approximately $3.9 million. Key expects to use this remaining credit during the first quarter of 2009.

Key has a program under which deposit balances (above a defined threshold) in certain NOW accounts and noninterest-bearing checking accounts are transferred to money market deposit accounts, thereby reducing the level of deposit reserves that Key must maintain with the Federal Reserve. Based on certain prescribed limitations, funds are periodically transferred back to the checking accounts to cover checks presented for payment or withdrawals. As a result of this program, average deposit balances for 2008 include demand deposits of $8.301 billion that are classified as money market deposit accounts. In Figure 9, these demand deposits continue to be reported as noninterest-bearing checking accounts.

At December 31, 2008, Key had $13.109 billion in time deposits of $100,000 or more. Figure 26 shows the maturity distribution of these deposits.

**Figure 26. Maturity Distribution of Time Deposits of $100,000 or More**

<table>
<thead>
<tr>
<th>Remaining maturity:</th>
<th>Domestic Offices</th>
<th>Foreign Office</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three months or less</td>
<td>1,377</td>
<td>1,118</td>
<td>2,495</td>
</tr>
<tr>
<td>After three through six months</td>
<td>1,042</td>
<td>—</td>
<td>1,042</td>
</tr>
<tr>
<td>After six through twelve months</td>
<td>3,219</td>
<td>—</td>
<td>3,219</td>
</tr>
<tr>
<td>After twelve months</td>
<td>6,353</td>
<td>—</td>
<td>6,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,991</strong></td>
<td><strong>1,118</strong></td>
<td><strong>13,109</strong></td>
</tr>
</tbody>
</table>

**Capital**

**Shareholders’ equity**

Total shareholders’ equity at December 31, 2008, was $10.480 billion, up $2.734 billion from December 31, 2007.

During 2008, Key took several actions to further strengthen its capital position in light of charges recorded following the adverse federal court decision in the AWG leasing litigation discussed in Note 17 (“Income Taxes”), which begins on page 110, and the current uncertainty facing the U.S. and global economy. KeyCorp issued $658 million, or 6.6 million shares, of noncumulative perpetual convertible preferred stock, Series A, with a liquidation value of $100 per share, and $1.083 billion, or 92.2 million shares, of additional common shares. Further, Key’s Board of Directors reduced the dividend on Key’s common shares twice during 2008. The dividend was initially reduced from an annualized dividend of $1.50 to $0.75 per share, commencing with the dividend payable in the third quarter of 2008. The dividend was further reduced to an annualized dividend of $0.25 per share, commencing with the dividend payable in the fourth quarter. Additionally, during 2008, KeyCorp issued $2.414 billion, or 25,000 shares, of Series B Preferred Stock to the U.S. Treasury in conjunction with Key’s participation in the CPP. KeyCorp also granted a warrant to purchase 35.2 million common shares to the U.S. Treasury at a fair value of $87 million in conjunction with this program. The warrant gives the U.S. Treasury the option to purchase KeyCorp common shares at an exercise price of $10.64 per share.

For further information on the CPP, see the sections entitled “Emergency Economic Stabilization Act of 2008” on page 51 and “Liquidity risk management,” which begins on page 56. See Note 14 (“Shareholders’ Equity”), which begins on page 102, for further information on the Series B Preferred Stock and common stock warrant issued pursuant to the CPP.

The requirement under SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,” to measure plan assets and liabilities as of the end of the fiscal year became effective for Key for the year ended December 31, 2008. In years prior to 2008, Key used a September 30 measurement date. As a result of this accounting change, Key recorded an after-tax charge of $7 million to the retained earnings component of shareholders’ equity in the fourth quarter of 2008.

Effective January 1, 2007, Key adopted FASB Staff Position No. 13-2, “Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction,” which provides additional guidance on the application of SFAS No. 13, “Accounting for Leases.” This guidance affects when earnings from leveraged lease financing transactions will be recognized, and requires a lessor to recalculate its recognition of lease income when there are changes or projected changes in the timing of cash flows. As a result of adopting this guidance, Key recorded a cumulative after-tax charge of $52 million to retained earnings during the first quarter of 2007. Future earnings are expected to increase over the remaining term of the affected leases by a similar amount. See Note 17.
under the heading “Lease Financing Transactions” on page 111 for a discussion of the impact of Staff Position No. 13-2 on Key as it relates to Key’s involvement in certain lease financing transactions challenged by the IRS.

Effective December 31, 2006, Key adopted SFAS No. 158, with the exception of the measurement date provisions mentioned above. This guidance requires an employer to recognize an asset or liability for the overfunded or underfunded status, respectively, of its defined benefit plans. As a result of adopting this guidance, Key recorded an after-tax charge of $154 million to the accumulated other comprehensive income component of shareholders’ equity during the fourth quarter of 2006. Additional information about this accounting guidance is included in Note 16 (“Employee Benefits”), which begins on page 106.

Other factors contributing to the change in shareholders’ equity over the past three years are shown in the Consolidated Statements of Changes in Shareholders’ Equity presented on page 75.

Common shares outstanding

KeyCorp’s common shares are traded on the New York Stock Exchange under the symbol KEY. At December 31, 2008:

- Book value per common share was $14.97, based on 495.0 million shares outstanding, compared to $19.92, based on 388.8 million shares outstanding, at December 31, 2007. Tangible book value per common share was $12.41 at December 31, 2008, compared to $16.39 at December 31, 2007.

- The closing market price of a KeyCorp common share was $8.52. This price would produce a dividend yield of 2.93%, compared to 6.23% at December 31, 2007.

- There were 39,904 holders of record of KeyCorp common shares.

Figure 43 on page 68 shows the market price ranges of KeyCorp’s common shares, per common share earnings and dividends paid by quarter for each of the last two years.

Figure 27 compares the price performance of KeyCorp’s common shares (based on an initial investment of $100 on December 31, 2003, and assuming reinvestment of dividends) with that of the Standard & Poor’s 500 Index and a group of other banks that constitute KeyCorp’s peer group. The peer group consists of the banks that make up the Standard & Poor’s 500 Regional Bank Index and the banks that make up the Standard & Poor’s 500 Diversified Bank Index. KeyCorp is included in the Standard & Poor’s 500 Index and the peer group.

Figure 27. Common Share Price Performance (2003-2008) *

- Share price performance is not necessarily indicative of future price performance.
Key repurchases its common shares periodically in the open market or through privately negotiated transactions under a repurchase program authorized by the Board of Directors. The program does not have an expiration date, and Key has outstanding Board authority to repurchase 14.0 million shares. Key did not repurchase any common shares during 2008. Further, in accordance with the provisions of the CPP discussed on page 19, Key will not be permitted to repurchase additional common shares without the approval of the U.S. Treasury as long as the Series B Preferred Stock issued by Key under the program remains outstanding.

At December 31, 2008, Key had 89.1 million treasury shares. Management expects to reissue those shares as needed in connection with stock-based compensation awards and for other corporate purposes. On January 1, 2008, Key reissued 9.9 million of its common shares in connection with the acquisition of U.S.B. Holding Co., Inc. Additionally, during 2008, Key reissued 4.1 million shares under employee benefit plans.

Capital availability and management

As a result of recent market disruptions, the availability of capital (principally to financial services companies) has become significantly restricted. While some companies, such as Key, have been successful in raising additional capital, the cost of that capital has been substantially higher than the prevailing market rates prior to the volatility. Management cannot predict when or if the markets will return to more favorable conditions.

As previously discussed, during 2008, Key raised additional capital of $4.242 billion through the issuance of noncumulative perpetual convertible preferred stock (“Series A Preferred Stock”), Series B Preferred Stock, common shares and a warrant to purchase common shares. These actions and those taken to reduce the dividend on Key’s common shares were taken to further strengthen Key’s capital position and to position Key to respond to future business opportunities when conditions improve.

During 2008, Key senior management formed a Capital Allocation Committee, which consists of senior finance, risk management and business executives. This committee determines how capital is to be strategically allocated among Key’s businesses to maximize returns and strengthen core relationship businesses. The committee will continue to emphasize Key’s relationship strategy and provide capital to the areas that consistently demonstrate the ability to grow and show positive returns above the cost of capital. Key’s 2008 decisions to exit retail and floor-plan lending for marine and recreational vehicle products, to discontinue lending to homebuilders and to limit new education loans to those backed by government guarantee were made in accordance with this strategy.

Capital adequacy

Capital adequacy is an important indicator of financial stability and performance. Key’s ratio of total shareholders’ equity to total assets was 10.03% at December 31, 2008, compared to 7.89% at December 31, 2007. Key’s ratio of tangible equity to tangible assets was 8.92% at December 31, 2008, compared to 6.58% at December 31, 2007.

Banking industry regulators prescribe minimum capital ratios for bank holding companies and their banking subsidiaries. See Note 14 for an explanation of the implications of failing to meet these specific capital requirements.

Risk-based capital guidelines require a minimum level of capital as a percent of “risk-weighted assets.” Risk-weighted assets consist of total assets plus certain off-balance sheet items, subject to adjustment for predefined credit risk factors. Currently, banks and bank holding companies must maintain, at a minimum, Tier 1 capital as a percent of risk-weighted assets of 4.00%, and total capital as a percent of risk-weighted assets of 8.00%. As of December 31, 2008, Key’s Tier 1 capital ratio was 10.92%, and its total capital ratio was 14.82%.

Another indicator of capital adequacy, the leverage ratio, is defined as Tier 1 capital as a percentage of average quarterly tangible assets. Leverage ratio requirements vary with the condition of the financial institution. Bank holding companies that either have the highest supervisory rating or have implemented the Federal Reserve’s risk-adjusted measure for market risk — as KeyCorp has — must maintain a minimum leverage ratio of 3.00%. All other bank holding companies must maintain a minimum ratio of 4.00%. As of December 31, 2008, Key had a leverage ratio of 11.05%.

Federal bank regulators group FDIC-insured depository institutions into five categories, ranging from “critically undercapitalized” to “well capitalized.” Key’s affiliate bank, KeyBank, qualified as “well capitalized” at December 31, 2008, since it exceeded the prescribed thresholds of...
10.00% for total capital, 6.00% for Tier 1 capital and 5.00% for the leverage ratio. If these provisions applied to bank holding companies, Key would qualify as “well capitalized” at December 31, 2008. The FDIC-defined capital categories serve a limited supervisory function. Investors should not treat them as a representation of the overall financial condition or prospects of KeyCorp or KeyBank.

Figure 29 presents the details of Key’s regulatory capital position at December 31, 2008 and 2007.

Figure 29. Capital Components and Risk-Weighted Assets

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TIER 1 CAPITAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity a</td>
<td>$10,404</td>
<td>$7,687</td>
</tr>
<tr>
<td>Qualifying capital securities</td>
<td>2,582</td>
<td>1,857</td>
</tr>
<tr>
<td>Less: Goodwill</td>
<td>1,138</td>
<td>1,252</td>
</tr>
<tr>
<td>Other assets b</td>
<td>203</td>
<td>197</td>
</tr>
<tr>
<td>Total Tier 1 capital</td>
<td>11,645</td>
<td>8,095</td>
</tr>
</tbody>
</table>

**TIER 2 CAPITAL**

| Allowance for losses on loans and liability for losses on lending-related commitments c | 1,352 | 1,280 |
| Net unrealized gains on equity securities available for sale | — | 2 |
| Qualifying long-term debt | 2,819 | 3,003 |
| Total Tier 2 capital | 4,171 | 4,285 |
| **Total risk-based capital** | **$15,816** | **$12,380** |

**RISK-WEIGHTED ASSETS**

| Risk-weighted assets on balance sheet | $84,922 | $83,758 |
| Risk-weighted off-balance sheet exposure | 22,979 | 25,676 |
| Less: Goodwill | 1,138 | 1,252 |
| Other assets b | 1,162 | 962 |
| Plus: Market risk-equivalent assets | 1,589 | 1,525 |
| Gross risk-weighted assets | 107,190 | 108,745 |
| Less: Excess allowance for loan losses c | 505 | — |
| **Net risk-weighted assets** | **$106,685** | **$108,745** |

**AVERAGE QUARTERLY TOTAL ASSETS**

| $107,639 | $98,728 |

**CAPITAL RATIOS**

| Tier 1 risk-based capital ratio | 10.92% | 7.44% |
| Total risk-based capital ratio | 14.82 | 11.38 |
| Leverage ratio d | 11.05 | 8.39 |

(a) Shareholders’ equity does not include net unrealized gains or losses on securities available for sale (except for net unrealized losses on marketable equity securities), net gains or losses on cash flow hedges, and amounts resulting from the adoption or subsequent application of the provisions of SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.”

(b) Other assets deducted from Tier 1 capital and risk-weighted assets consist of intangible assets (excluding goodwill) recorded after February 19, 1992, and deductible portions of nonfinancial equity investments.

(c) The allowance for loan losses included in Tier 2 capital is limited by regulation to 1.25% of the sum of gross risk-weighted assets plus low level exposures and residual interests calculated under the direct reduction method, as defined by the Federal Reserve.

(d) This ratio is Tier 1 capital divided by average quarterly total assets as defined by the Federal Reserve less: (i) goodwill, (ii) the nonqualifying intangible assets described in footnote (b), and (iii) deductible portions of nonfinancial equity investments; plus assets derecognized as an offset to accumulated other comprehensive income resulting from the adoption and application of SFAS No. 158.


On October 3, 2008, former President Bush signed into law the EESA. The TARP provisions of the EESA provide broad authority to the Secretary of the U.S. Treasury to restore liquidity and stability to the United States financial system, including the authority to purchase up to $700.0 billion of “troubled assets” — mortgages, mortgage-backed securities and certain other financial instruments.

While the key feature of TARP provides the Treasury Secretary the authority to purchase and guarantee types of troubled assets, other programs have emerged out of the authority and resources authorized by the EESA, as follows.

The TARP Capital Purchase Program. On October 14, 2008, the U.S. Treasury announced the CPP, which permits the U.S. Treasury to purchase up to $250.0 billion of perpetual preferred stock issued by U.S. banks, savings associations, bank holding companies, and savings and loan holding companies. Specifically, the U.S. Treasury can provide qualifying financial institutions with capital by purchasing their perpetual preferred stock in amounts between 1% and the lesser of 3% of the institution’s risk-weighted assets or $25.0 billion, subject to certain terms and conditions set forth in the Securities Purchase Agreement — Standard Terms, which is available at the U.S. Treasury website.
Qualifying institutions could elect to participate in the CPP until November 14, 2008. As of February 20, 2009, the U.S. Treasury had invested $196.361 billion in financial institutions under the CPP.

In November 2008, after receiving approval to participate in the CPP, KeyCorp issued $2.414 billion of cumulative preferred stock, which was purchased by the U.S. Treasury. KeyCorp also granted a warrant to purchase 35.2 million common shares to the U.S. Treasury at a fair value of $87 million in conjunction with this program. For additional information related to the capital raised by Key under the CPP, see Note 14.

Pursuant to an interim final rule issued by the Board of Governors of the Federal Reserve System on October 16, 2008, bank holding companies that issue preferred stock to the U.S. Treasury under the CPP are permitted to include such capital instruments in Tier 1 capital for purposes of the Board’s risk-based and leverage capital rules, and guidelines for bank holding companies.

**FDIC’s standard maximum deposit insurance coverage limit increase.**

The EESA provides for a temporary increase in the FDIC standard maximum deposit insurance coverage limit for all deposit accounts from $100,000 to $250,000. This temporary increase expires on December 31, 2009. The EESA does not permit the FDIC to take this temporary increase in limits into account when setting deposit insurance premium assessments.

**FDIC Temporary Liquidity Guarantee Program**

On October 14, 2008, the FDIC announced its TLGP to strengthen confidence and encourage liquidity in the banking system. The TLGP has two components: a “Debt Guarantee” and a “Transaction Account Guarantee.”
Under the Transaction Account Guarantee, the FDIC will temporarily guarantee funds held at FDIC-insured depository institutions in qualifying “noninterest-bearing transaction accounts” in excess of the current standard maximum deposit insurance coverage limit of $250,000. For these purposes, a qualifying noninterest-bearing transaction is one that is maintained at an FDIC-insured depository institution, does not pay or accrue interest and does not reserve the right to require advance notice of an intended withdrawal. Such accounts typically include, but are not limited to, payroll accounts. If funds are swept from a qualifying noninterest-bearing transaction account to a noninterest-bearing savings deposit account, the FDIC will treat the swept funds as being in a noninterest-bearing transaction account and guaranteed under the TLGP. The Transaction Account Guarantee is effective until January 1, 2010, for institutions that do not opt out. KeyBank has opted in to the Transaction Account Guarantee, but KeyCorp is not eligible to participate because it is not an insured depository institution.

Both KeyBank and KeyCorp are assessed annualized guarantee fees of 1% by the FDIC against debt issued under the program with maturities exceeding one year. KeyBank is also being assessed an annualized nonrefundable .375% fee for the ability to issue long-term non-guaranteed debt; such fees have been credited against KeyBank’s fees under the Debt Guarantee. KeyBank will pay a .10% fee to the FDIC on the amount of deposits guaranteed above $250,000 under the Transaction Account Guarantee. To the extent these initial assessments are insufficient to cover the expenses or losses arising under the TLGP, the FDIC is required to impose an emergency special assessment on all FDIC-insured depository institutions as prescribed by the Federal Deposit Insurance Act.

### Off-balance Sheet Arrangements and Aggregate Contractual Obligations

#### Off-balance sheet arrangements

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

**Variable interest entities.** A variable interest entity (“VIE”) is a partnership, limited liability company, trust or other legal entity that meets any one of the following criteria:

- The entity does not have sufficient equity to conduct its activities without additional subordinated financial support from another party.
- The entity’s investors lack the authority to make decisions about the activities of the entity through voting rights or similar rights, and do not have the obligation to absorb the entity’s expected losses or the right to receive the entity’s expected residual returns.
- The voting rights of some investors are not proportional to their economic interest in the entity, and substantially all of the entity’s activities involve or are conducted on behalf of investors with disproportionately few voting rights.

Revised Interpretation No. 46, “Consolidation of Variable Interest Entities,” requires VIEs to be consolidated by the party that is exposed to the majority of the VIE’s expected losses and/or residual returns (i.e., the primary beneficiary). This interpretation is summarized in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Basis of Presentation” on page 77, and Note 8 (“Loan Securitizations, Servicing and Variable Interest Entities”), which begins on page 94.

Key holds a significant interest in several VIEs for which it is not the primary beneficiary. In accordance with Revised Interpretation No. 46, these entities are not consolidated. Key defines a “significant interest” in a VIE as a subordinated interest that exposes Key to a significant portion, but not the majority, of the VIE’s expected losses or entities Key to a significant portion of the VIE’s expected residual returns. Key’s involvement with these VIEs is described in Note 8 under the heading “Unconsolidated VIEs” on page 96.

**Loan securitizations.** Historically, Key has originated, securitized and sold education loans. A securitization involves the sale of a pool of loan receivables to investors through either a public or private issuance (generally by a qualifying special purpose entity (“SPE”)) of asset-backed securities. Generally, the assets are transferred to a trust that sells interests in the form of certificates of ownership. In accordance with Revised Interpretation No. 46, qualifying SPEs, including securitization trusts established by Key under SFAS No. 140, are exempt from consolidation.

In some cases, Key retains a residual interest in self-originated, securitized loans that may take the form of an interest-only strip, residual asset, servicing asset or security. Key reports servicing assets in “accrued income and other assets” on the balance sheet. All other retained interests are accounted for as debt securities and classified as securities available for sale. By retaining an interest in securitized loans, Key bears risk that the loans will be prepaid (which would reduce expected interest income) or not paid at all. In the event that cash flows generated
by the securitized loans become inadequate to service the obligations of the trusts, the investors in the asset-backed securities would have no further recourse against Key. Additional information pertaining to Key’s retained interests in loan securitizations is summarized in Note 1 under the heading “Loan Securitizations” on page 79, Note 6 (“Securities”), which begins on page 91, and Note 8 under the heading “Retained Interests in Loan Securitizations” on page 94.

**Commitments to extend credit or funding.** Loan commitments provide for financing on predetermined terms as long as the client continues to meet specified criteria. These commitments generally carry variable rates of interest and have fixed expiration dates or other termination clauses. In many cases, a client must pay a fee to obtain a loan commitment from Key. Since a commitment may expire without resulting in a loan, the total amount of outstanding commitments may exceed Key’s eventual cash outlay significantly. Further information about Key’s loan commitments at December 31, 2008, is presented in Note 18 (“Commitments, Contingent Liabilities and Guarantees”) under the heading “Commitments to Extend Credit or Funding” on page 113. Figure 30 includes the remaining contractual amount of each class of commitment to extend credit or funding. For loan commitments and commercial letters of credit, this amount represents Key’s maximum possible accounting loss if the borrower were to draw upon the full amount of the commitment and then default on payment for the total amount of the then outstanding loan.

**Other off-balance sheet arrangements.** Other off-balance sheet arrangements include financial instruments that do not meet the definition of a guarantee as specified in Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” and other relationships, such as liquidity support provided to asset-backed commercial paper conduits, indemnification agreements and intercompany guarantees. Information about such arrangements is provided in Note 18 under the heading “Other Off-Balance Sheet Risk” on page 115.

### Contractual obligations

Figure 30 summarizes Key’s significant contractual obligations, and lending-related and other off-balance sheet commitments at December 31, 2008, by the specific time periods in which related payments are due or commitments expire.

#### Figure 30. Contractual Obligations and Other Off-Balance Sheet Commitments

<table>
<thead>
<tr>
<th>December 31, 2008 in millions</th>
<th>Within 1 Year</th>
<th>After 1 Through 3 Years</th>
<th>After 3 Through 5 Years</th>
<th>After 5 Years</th>
<th>Total</th>
</tr>
</thead>
</table>
| Contractual obligations: 
  Deposits with no stated maturity | $37,388 | — | — | — | $37,388 |
| Time deposits of $100,000 or more | $6,756 | $4,582 | $1,391 | $380 | 13,109 |
| Other time deposits | 6,146 | 6,117 | 1,937 | 563 | 14,763 |
| Federal funds purchased and securities sold under repurchase agreements | 1,557 | — | — | — | 1,557 |
| Bank notes and other short-term borrowings | 8,477 | — | — | — | 8,477 |
| Long-term debt | 3,105 | 5,180 | 800 | 5,910 | 14,995 |
| Noncancelable operating leases | 114 | 298 | 83 | 374 | 869 |
| Liability for unrecognized tax benefits | 1,611 | 21 | — | — | 1,632 |
| Purchase obligations: 
  Banking and financial data services | 72 | 41 | 10 | — | 123 |
| Telecommunications | 21 | 11 | 4 | — | 36 |
| Professional services | 18 | 8 | — | — | 26 |
| Technology equipment and software | 40 | 30 | 3 | — | 73 |
| Other | 12 | 11 | 2 | 1 | 26 |
| Total purchase obligations | 163 | 101 | 19 | 1 | 284 |
| Total | $65,317 | $16,299 | $4,230 | $7,228 | $93,074 |

Lending-related and other off-balance sheet commitments:

<table>
<thead>
<tr>
<th></th>
<th>Within 1 Year</th>
<th>After 1 Through 3 Years</th>
<th>After 3 Through 5 Years</th>
<th>After 5 Years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, including real estate</td>
<td>$13,025</td>
<td>$8,987</td>
<td>$3,816</td>
<td>$678</td>
<td>$26,506</td>
</tr>
<tr>
<td>Home equity</td>
<td>41</td>
<td>264</td>
<td>464</td>
<td>7,659</td>
<td>8,428</td>
</tr>
<tr>
<td>When-issued and to-be-announced securities commitments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>219</td>
<td>219</td>
</tr>
<tr>
<td>Commercial letters of credit</td>
<td>124</td>
<td>47</td>
<td>2</td>
<td>—</td>
<td>173</td>
</tr>
<tr>
<td>Principal investing commitments</td>
<td>11</td>
<td>19</td>
<td>16</td>
<td>230</td>
<td>276</td>
</tr>
<tr>
<td>Liabilities of certain limited partnerships and other commitments</td>
<td>1</td>
<td>5</td>
<td>1</td>
<td>63</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>$13,202</td>
<td>$9,322</td>
<td>$4,299</td>
<td>$8,849</td>
<td>$35,672</td>
</tr>
</tbody>
</table>

(a) Deposits and borrowings exclude interest.
Guarantees
Key is a guarantor in various agreements with third parties. As guarantor, Key may be contingently liable to make payments to the guaranteed party based on changes in a specified interest rate, foreign exchange rate or other variable (including the occurrence or nonoccurrence of a specified event). These variables, known as underlyings, may be related to an asset or liability, or another entity’s failure to perform under a contract. Additional information regarding these types of arrangements is presented in Note 18 under the heading “Guarantees” on page 114.

Risk Management
Overview
Like other financial services companies, Key engages in business activities with inherent risks. The ability to properly and effectively identify, measure, monitor and report such risks is essential to maintaining safety and soundness and maximizing profitability. Management believes that the most significant risks facing Key are market risk, liquidity risk, credit risk and operational risk, and that these risks must be managed across the entire enterprise. Key continues to enhance its Enterprise Risk Management practices and program, and uses a risk-adjusted capital framework to manage these risks. This framework is approved and managed by the Risk Capital Committee, which consists of senior finance, risk management and business executives. Each type of risk is defined and discussed in greater detail in the remainder of this section.

Key’s Board of Directors has established and follows a corporate governance program that serves as the foundation for managing and mitigating risk. In accordance with this program, the Board focuses on the interests of shareholders, encourages strong internal controls, demands management accountability, mandates that employees adhere to Key’s code of ethics and administers an annual self-assessment process. The Audit and Risk Management committees help the Board meet these risk oversight responsibilities.

“ The Audit Committee reviews and monitors the integrity of Key’s financial statements, compliance with legal and regulatory requirements, the independent auditors’ qualifications and independence, the performance of Key’s internal audit function and independent auditors, operational risk, and information security and fraud risk.

“ The Risk Management Committee assists the Board in its review and oversight of risk management policies, strategies and activities that fall outside the purview of the Audit Committee, including the management of credit risk, market risk, interest rate risk, liquidity risk and funding risk. This committee also assists in the review and oversight of policies, strategies and activities related to capital management, capital expenditures, and various other financing and investing activities.

The Audit and Risk Management committees meet jointly, as appropriate, to discuss matters that relate to each committee’s responsibilities. Key’s Board and its committees meet bi-monthly. However, more frequent contact is not uncommon. In addition to regularly scheduled meetings, the Audit Committee convenes to discuss the content of Key’s financial disclosures and quarterly earnings releases. Committee chairpersons routinely meet with management during interim months to plan agendas for upcoming meetings and to discuss events that have transpired since the preceding meeting. Also, during interim months, all members of the Board receive a formal report designed to keep them abreast of significant developments.

Market risk management
The values of some financial instruments vary not only with changes in market interest rates but also with changes in foreign exchange rates. Financial instruments also are susceptible to factors influencing valuations in the equity securities markets and other market-driven rates or prices. For example, the value of a fixed-rate bond will decline if market interest rates increase. Similarly, the value of the U.S. dollar regularly fluctuates in relation to other currencies. When the value of an instrument is tied to such external factors, the holder faces “market risk.” Most of Key’s market risk is derived from interest rate fluctuations.

Interest rate risk management
Interest rate risk, which is inherent in the banking industry, is measured by the potential for fluctuations in net interest income and the economic value of equity. 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. To minimize the volatility of net interest income and the economic value of equity, Key manages exposure to interest rate risk in accordance with guidelines established by the Asset/Liability Management Committee (“ALCO”). This committee, which consists of senior finance and business executives, meets monthly and periodically reports Key’s interest rate risk positions to the Risk Management Committee of the Board of Directors.

Interest rate risk positions can be influenced by a number of factors other than changes in market interest rates, including economic conditions, the competitive environment within Key’s markets, consumer preferences for specific loan and deposit products, and the level of interest rate exposure arising from basis risk, gap risk, yield curve risk and option risk.

“ Key faces “basis risk” when floating-rate assets and floating-rate liabilities reprice at the same time, but in response to different market factors or indices. Under those circumstances, even if equal amounts of assets and liabilities are repricing, interest expense and interest income may not change by the same amount.

“ Gap risk” occurs if interest-bearing liabilities and the interest-earning assets they fund (for example, deposits used to fund loans) do not mature or reprice at the same time.

“ Yield curve risk” exists when short-term and long-term interest rates change by different amounts. For example, when U.S. Treasury and other term rates decline, the rates on automobile loans also will decline, but the cost of money market deposits and short-term borrowings may remain elevated.
A financial instrument presents “option risk” when one party to the instrument can take advantage of changes in interest rates without penalty. For example, when interest rates decline, borrowers may choose to prepay fixed-rate loans by refinancing at a lower rate. Such a prepayment gives Key a return on its investment (the principal plus some interest), but unless there is a prepayment penalty, that return may not be as high as the return that would have been generated had payments been received over the original term of the loan. Deposits that can be withdrawn on demand also present option risk.
**Net interest income simulation analysis.** The primary tool management uses to measure Key’s interest rate risk is simulation analysis. For purposes of this analysis, management estimates Key’s net interest income based on the composition of its on- and off-balance sheet positions and the current interest rate environment. The simulation assumes that changes in Key’s on- and off-balance sheet positions will reflect recent product trends, goals established by the Capital Allocation Committee and consensus economic forecasts.

Typically, the amount of net interest income at risk is measured by simulating the change in net interest income that would occur if the federal funds target rate were to gradually increase or decrease by 200 basis points over the next twelve months, and term rates were to move in a similar fashion, but not as dramatically. Short-term interest rates were relatively low at December 31, 2008, so management modified the standard rate scenario of a gradual decrease of 200 basis points over twelve months to a gradual decrease of 25 basis points over one month with no change over the following eleven months. After calculating the amount of net interest income at risk, management compares that amount with the base case of an unchanged interest rate environment. The analysis also considers sensitivity to changes in a number of other variables, including other market interest rates and deposit mix. In addition, management assesses the potential effect of different shapes in the yield curve, including a sustained flat yield curve and an inverted slope yield curve. (The yield curve depicts the relationship between the yield on a particular type of security and its term to maturity.) Management also performs stress tests to measure the effect on net interest income of an immediate change in market interest rates, as well as changes in assumptions related to the pricing of deposits without contractual maturities, prepayments on loans and securities, and loan and deposit growth.

Simulation analysis produces only a sophisticated estimate of interest rate exposure based on assumptions and judgments related to balance sheet growth, customer behavior, new products, new business volume, product pricing, the behavior of market interest rates and anticipated hedging activities. Management tailors the assumptions to the specific interest rate environment and yield curve shape being modeled, and validates those assumptions on a regular basis. Key’s simulations are performed with the assumption that interest rate risk positions will be actively managed through the use of on- and off-balance sheet financial instruments to achieve the desired risk profile. Actual results may differ from those derived in simulation analysis due to the timing, magnitude and frequency of interest rate changes, actual hedging strategies employed, changes in balance sheet composition, and repercussions from unanticipated or unknown events.

Figure 31 presents the results of the simulation analysis at December 31, 2008 and 2007. At December 31, 2008, Key’s simulated exposure to a change in short-term rates was asset-sensitive. ALCO policy guidelines for risk management call for corrective measures if simulation modeling demonstrates that a gradual increase or decrease in short-term rates over the next twelve months would adversely affect net interest income over the same period by more than 2%. As shown in Figure 32, Key is operating within these guidelines.

**Figure 31. Simulated Change in Net Interest Income**

<table>
<thead>
<tr>
<th>DECEMBER 31, 2008</th>
<th>Basis point change assumption</th>
<th>–25</th>
<th>+200</th>
</tr>
</thead>
<tbody>
<tr>
<td>(short-term rates)</td>
<td>ALCO policy guidelines</td>
<td>–2.00%</td>
<td>–2.00%</td>
</tr>
<tr>
<td>INTEREST RATE RISK ASSESSMENT</td>
<td>–.96%</td>
<td>+3.34%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DECEMBER 31, 2007</th>
<th>Basis point change assumption</th>
<th>–200</th>
<th>+200</th>
</tr>
</thead>
<tbody>
<tr>
<td>(short-term rates)</td>
<td>ALCO policy guidelines</td>
<td>–2.00%</td>
<td>–2.00%</td>
</tr>
<tr>
<td>INTEREST RATE RISK ASSESSMENT</td>
<td>+2.71%</td>
<td>–.88%</td>
<td></td>
</tr>
</tbody>
</table>

From January 2008 through December 2008, the Federal Reserve reduced the federal funds target rate from 4.25% to near zero. During the first half of 2008, Key’s interest rate risk exposure was modestly liability-sensitive. During the second half of the year, Key’s exposure to rising interest rates shifted to asset-sensitive as Key raised new capital and client preferences resulted in significant growth in fixed-rate certificates of deposit. Key’s current interest rate risk position could fluctuate to higher or lower levels of risk depending on the actual volume, mix and maturity of loan and deposit flows, the relationship between certain money market interest rates, the ability to administer the pricing of certain deposit accounts as projected in the simulation model, and hedging opportunities. The extent of any additional hedging activities will depend on management’s assessment of actual and anticipated changes to loans and deposits, as well as liquidity and credit conditions in the interbank lending market. Key proactively evaluates the need to revise its interest rate risk profile as changes occur to the configuration of the balance sheet and the outlook for the economy.

Management also conducts simulations that measure the effect of changes in market interest rates in the second year of a two-year horizon. These simulations are conducted in a manner similar to those based on a twelve-month horizon. To capture longer-term exposures, management simulates changes to the economic value of equity as discussed in the following section.

**Economic value of equity modeling.** Economic value of equity (“EVE”) complements net interest income simulation analysis since it estimates risk exposure beyond twelve- and twenty-four month horizons. EVE measures the extent to which the economic values of assets, liabilities and off-balance sheet instruments may change in response to changes in interest rates. EVE is calculated by subjecting the balance sheet to an immediate 200 basis point increase or decrease in interest rates, and measuring the resulting change in the values of assets and liabilities. Under the current level of market interest rates, the calculation of EVE under an immediate 200 basis point decrease in interest rates results in certain interest rates declining to zero percent, and a less than 200 basis point decrease in certain yield curve term points. This analysis is highly dependent upon assumptions applied to assets and liabilities with noncontractual maturities. Those assumptions are based on historical behaviors, as well as management’s expectations. Management takes
corrective measures if this analysis indicates that Key’s EVE will decrease by more than 15% in response to an immediate 200 basis point increase or decrease in interest rates. Key is operating within these guidelines.

**Management of interest rate exposure.** Management uses the results of its various simulation analyses to formulate strategies to achieve the desired risk profile within the parameters of Key’s capital and liquidity guidelines. Specifically, management actively manages interest rate risk positions by purchasing securities, issuing term debt with floating or fixed interest rates, and using derivatives — predominantly in the form of interest rate swaps, which modify the interest rate characteristics of certain assets and liabilities.

Figure 32 shows all swap positions Key holds for asset/liability management (“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 changes frequently as management changes the balance sheet positions to be hedged, and with changes to broader asset/liability management objectives. For more information about how Key uses interest rate swaps to manage its balance sheet, see Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

<table>
<thead>
<tr>
<th>dollars in millions</th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Notional Amount</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Receive fixed/pay variable — conventional A/LM</td>
<td>$11,728</td>
<td>$408</td>
</tr>
<tr>
<td>Receive fixed/pay variable — conventional debt</td>
<td>5,906</td>
<td>847</td>
</tr>
<tr>
<td>Receive fixed/pay variable — forward starting</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Pay fixed/receive variable — conventional debt</td>
<td>751</td>
<td>(84)</td>
</tr>
<tr>
<td>Foreign currency — conventional debt</td>
<td>2,585</td>
<td>(324)</td>
</tr>
<tr>
<td>Total portfolio swaps</td>
<td>$20,970</td>
<td>$847</td>
</tr>
</tbody>
</table>

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

**Trading portfolio risk management**

Key’s trading portfolio is described in Note 19. Management uses a value at risk (“VAR”) simulation 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 Key’s trading portfolio. Using two years of historical information, the model estimates the maximum potential one-day loss with a 95% confidence level. Statistically, this means that losses will exceed VAR, on average, five out of 100 trading days, or three to four times each quarter.

Key manages exposure to market risk in accordance with VAR limits for trading activity that have been approved by the Risk Capital Committee. At December 31, 2008, the aggregate one-day trading limit set by the committee was $6.9 million. Key is operating within these constraints. During 2008, Key’s aggregate daily average, minimum and maximum VAR amounts were $2.8 million, $1.7 million and $4.4 million, respectively. During 2007, Key’s aggregate daily average, minimum and maximum VAR amounts were $1.2 million, $7 million and $2.1 million, respectively.

In addition to comparing VAR exposure against limits on a daily basis, management monitors loss limits, uses sensitivity measures and conducts stress tests. Management reports Key’s market risk exposure to Key’s Risk Capital Committee and the Risk Management Committee of the Board of Directors.

**Liquidity risk management**

Key defines “liquidity” as the ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions 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. In addition, Key occasionally guarantees a subsidiary’s obligations in transactions with third parties. Management closely monitors the extension of such guarantees to ensure that Key retains ample liquidity to satisfy these obligations.

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

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Under ordinary circumstances, management monitors Key’s funding sources and measures its capacity to obtain funds in a variety of situations in an effort to maintain an appropriate mix of available and affordable funding. Management has established guidelines or target ranges for various types of wholesale borrowings, such as money market funding and term debt, at various maturities. In addition, management assesses whether Key will need to rely on wholesale borrowings in the future and develops strategies to address those needs.

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

Key uses several tools to actively manage and maintain liquidity on an ongoing basis:

“Key maintains a portfolio of securities that generates monthly principal and interest cash flows and payments at maturity.

“ As market conditions allow, Key can access the whole loan sale and securitization markets for a variety of loan types. Since the securitization market was inactive throughout most of 2008, Key did not securitize any assets during the year.

“ KeyBank’s 986 branches generate a sizable volume of core deposits. Management monitors deposit flows and uses alternative pricing structures to attract deposits, as appropriate. For more information about deposits, see the section entitled “Deposits and other sources of funds,” which begins on page 47.

“ Several KeyCorp subsidiaries have access to funding through credit facilities established with other financial institutions.

“ Key’s medium-term note programs may offer access to the term debt markets. For a description of these programs, see Note 11 (“Short-Term Borrowings”) on page 99.

Key generates cash flows from operations, and from investing and financing activities. Over the past three years, prepayments and maturities of securities available for sale have been the primary sources of cash from investing activities. Additionally, sales from the securities available-for-sale portfolio provided significant cash inflow during 2007 and 2008. In 2007, these sales were largely attributable to the repositioning of the securities portfolio. Investing activities, such as the purchase of new securities, have required the greatest use of cash over the past three years. Also, in 2008, Key invested more heavily in short-term and long-term investments, reflecting actions taken by the Federal Reserve to begin paying interest on depository institutions’ reserve balances effective October 1, 2008.

Key relies on financing activities, such as increasing short-term or long-term borrowings, to provide the cash flow needed to support operating and investing activities if that need is not satisfied by deposit growth. Conversely, excess cash generated by operating, investing and deposit-gathering activities may be used to repay outstanding debt. During 2008, cash generated from the issuance of common shares and preferred stock, and the net issuance of long-term debt was used to fund the growth in portfolio loans. A portion was also deposited in interest-bearing accounts with the Federal Reserve. During 2007, Key used short-term borrowings to pay down long-term debt, while the net increase in deposits funded the growth in portfolio loans and loans held for sale. In 2006, cash generated by the sale of discontinued operations was used to pay down short-term borrowings.

The Consolidated Statements of Cash Flows on page 76 summarize Key’s sources and uses of cash by type of activity for each of the past three years.

Key’s liquidity could be adversely affected by both direct and indirect circumstances. Examples of a direct event would be a downgrade in Key’s public credit rating by a rating agency due to factors such as deterioration in asset quality, a large charge to earnings, a decline in profitability or in other financial measures, or a significant merger or acquisition. Examples of indirect events unrelated to Key that could have an effect on Key’s access to liquidity would be terrorism or war, natural disasters, political events, or the default or bankruptcy of a major corporation, mutual fund or hedge fund. Similarly, market speculation, or rumors about Key or the banking industry in general may adversely affect the cost and availability of normal funding sources.

In the normal course of business, in order to better manage liquidity risk, management performs stress tests to determine the effect that a potential downgrade in Key’s debt ratings or other market disruptions could have on liquidity over various time periods. These debt ratings, which are presented in Figure 33 on page 59, have a direct impact on Key’s cost of funds and ability to raise funds under normal, as well as adverse, conditions. The results of the stress tests indicate that, following the occurrence of most potential adverse events, Key could continue to meet its financial obligations and to fund its operations for at least one year without reliance on extraordinary government intervention. The stress test scenarios include testing to determine the periodic effects of major interruptions to Key’s access to funding markets and the adverse effect on Key’s ability to fund its normal operations. To compensate for the effect of these assumed liquidity pressures, management considers alternative sources of liquidity over different time periods to project how funding needs would be managed. Key actively manages several alternatives for enhancing liquidity, including generating client deposits, securitizing or selling loans, extending the level or maturity of wholesale borrowings, purchasing deposits from other banks and developing relationships with fixed income investors in a variety of markets. Management also measures Key’s capacity to borrow using various debt instruments and funding markets.

Most credit markets in which Key participates and relies upon as sources of funding have been significantly disrupted and highly volatile since July 2007. Since that time, as a means of maintaining adequate liquidity, Key, like many other financial institutions, has relied more heavily on the liquidity and stability present in the short-term secured credit markets since access to unsecured term debt has been restricted. Short-term secured funding has been available and cost effective. However, if further market disruption were to also reduce the cost effectiveness and availability of these funds for a prolonged period of time, management may need to secure funding alternatives.
Key maintains a liquidity contingency plan that outlines the process for addressing a liquidity crisis. The plan provides for an evaluation of funding sources under various market conditions. It also assigns specific roles and responsibilities for effectively managing liquidity through a problem period. Key has access to various sources of money market funding (such as federal funds purchased, securities sold under repurchase agreements, and Eurodollars), and also has secured borrowing facilities established at the Federal Home Loan Bank of Cincinnati, the U.S. Treasury and the Federal Reserve Bank of Cleveland to facilitate short-term liquidity requirements. Key’s unused secured borrowing capacity as of January 1, 2009, was $16.690 billion at the Federal Reserve and $4.292 billion at the Federal Home Loan Bank.

Figure 30 on page 53 summarizes Key’s significant contractual cash obligations at December 31, 2008, by specific time periods in which related payments are due or commitments expire.

**Liquidity for KeyCorp (the “parent company” or “parent”)**

The parent company has sufficient liquidity when it can service its debt; support customary corporate operations and activities (including acquisitions) at a reasonable cost, in a timely manner and without adverse consequences; and pay dividends to shareholders.

Management’s primary tool for assessing parent company liquidity is the net short-term cash position, which measures the ability to fund debt maturing in twelve months or less with existing liquid assets. Another key measure of parent company liquidity is the “liquidity gap,” which represents the difference between projected liquid assets and anticipated financial obligations over specified time horizons. Key generally relies upon the issuance of term debt to manage the liquidity gap within targeted ranges assigned to various time periods.

The parent company has met its liquidity requirements principally through receiving regular dividends from KeyBank. Federal banking law limits the amount of capital distributions that a bank can make to its holding company without prior regulatory approval. A national bank’s dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the two previous calendar years and for the current year, up to the date of dividend declaration. During 2008, KeyBank did not pay any dividends to the parent, and nonbank subsidiaries paid the parent a total of $.1 million in dividends. As of the close of business on December 31, 2008, KeyBank would not have been permitted to pay dividends to the parent without prior regulatory approval since the bank had a net loss of $1.161 billion for 2008. During 2008, the parent made capital infusions of $1.6 billion to KeyBank in the form of cash.

The parent company generally maintains excess funds in interest-bearing deposits in an amount sufficient to meet projected debt maturities over the next twelve months. At December 31, 2008, the parent company held $4.756 billion in short-term investments, which management projected to be sufficient to meet debt repayment obligations over a period of approximately sixty months.

During 2008, Key took several additional actions to enhance liquidity and to strengthen its capital position:

1. The parent company issued $658 million of Series A Preferred Stock and $1.083 billion of additional common stock. This capital was raised in light of the charges recorded following the adverse federal court decision in the AWG leasing litigation discussed in Note 17 (“Income Taxes”), which begins on page 110, and the current uncertainty facing the U.S. and global economy.

2. KeyCorp issued $2.414 billion, or 25,000 shares, of Series B Preferred Stock with a liquidation preference of $100,000 per share, which was purchased by the U.S. Treasury in conjunction with Key’s participation in the CPP. KeyCorp also granted a warrant to purchase 35.2 million common shares to the U.S. Treasury at a fair value of $87 million in conjunction with this program. The warrant gives the U.S. Treasury the option to purchase KeyCorp common shares at an exercise price of $10.64 per share. Additional information related to the CPP is included in the section entitled “Capital” under the heading “Emergency Economic Stabilization Act of 2008” on page 51.

3. The KeyCorp Capital X trust issued $740 million of capital securities, which also increased Key’s Tier I capital.

4. KeyCorp and KeyBank also issued an aggregate of $1.5 billion of FDIC-guaranteed notes under the TLGP. KeyCorp issued $250 million of floating-rate senior notes due December 15, 2010, and $250 million of floating-rate senior notes due December 19, 2011. KeyBank issued $1.0 billion of fixed-rate senior notes due June 15, 2012. More specific information regarding this program and Key’s participation is included in the Capital section under the heading “FDIC Temporary Liquidity Guarantee Program” on page 51.

5. KeyCorp issued $750 million of fixed-rate senior notes due May 14, 2013.
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Additional sources of liquidity

Management has several programs that enable the parent company and KeyBank to raise funding in the public and private markets when the capital markets are functioning normally. The proceeds from most of these programs can be used for general corporate purposes, including acquisitions. Each of the programs is replaced or renewed as needed. There are no restrictive financial covenants in any of these programs. For a description of these programs, see Note 11. In addition, certain KeyCorp subsidiaries maintain credit facilities with the parent company and third parties, which provide alternative sources of funding in light of current market conditions. KeyCorp is the guarantor of some of the third-party facilities.

Key’s debt ratings are shown in Figure 33. Management believes that these debt ratings, under normal conditions in the capital markets, will enable the parent company or KeyBank to effect future offerings of securities that would be marketable to investors at a competitive cost. Current conditions in the capital markets are not normal, and for regional banking institutions such as Key, access to the capital markets for unsecured term debt continues to be severely restricted, with investors requiring historically wide spreads over “benchmark” U.S. Treasury obligations.

Figure 33. Debt Ratings

<table>
<thead>
<tr>
<th>December 31, 2008</th>
<th>Short-Term Borrowings</th>
<th>Senior Long-Term Debt</th>
<th>Subordinated Long-Term Debt</th>
<th>Capital Securities</th>
<th>Enhanced Trust Preferred Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KeyCorp (the parent company)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A-2</td>
<td>A–</td>
<td>BBB+</td>
<td>**</td>
<td>BBB</td>
</tr>
<tr>
<td>Moody’s</td>
<td>P-1</td>
<td>A2</td>
<td>A3</td>
<td>A3</td>
<td>A3</td>
</tr>
<tr>
<td>Fitch</td>
<td>F1</td>
<td>A</td>
<td>A–</td>
<td>A–</td>
<td>A–</td>
</tr>
<tr>
<td>DBRS</td>
<td>R-1 (low)</td>
<td>A</td>
<td>A (low)</td>
<td>N/A</td>
<td>A (low)</td>
</tr>
<tr>
<td><strong>KEYBANK</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A-1</td>
<td>A</td>
<td>A–</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Moody’s</td>
<td>P-1</td>
<td>A1</td>
<td>A2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Fitch</td>
<td>F1</td>
<td>A</td>
<td>A–</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>DBRS</td>
<td>R-1 (middle)</td>
<td>A (high)</td>
<td>A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Key Nova Scotia Funding Company (“KNSF”)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DBRS *</td>
<td>R-1 (middle)</td>
<td>A (high)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Reflects the guarantee by KeyBank of KNSF’s issuance of Canadian commercial paper.


N/A = Not Applicable

FDIC Temporary Liquidity Guarantee Program

On October 14, 2008, the FDIC announced its TLGP to strengthen confidence and encourage liquidity in the banking system. The TLGP has two components: (1) a “Debt Guarantee,” whereby newly issued senior unsecured debt of insured depository institutions, their U.S. holding companies and certain other affiliates of insured depository institutions designated by the FDIC are guaranteed by the FDIC on or after October 14, 2008, through June 30, 2009, and (2) a “Transaction Account Guarantee,” whereby the FDIC will temporarily guarantee funds held at FDIC-insured depository institutions in qualifying noninterest-bearing transaction accounts in excess of the current standard maximum deposit insurance coverage limit of $250,000.

More specific information regarding this program and Key’s participation is included in the Capital section under the heading “FDIC Temporary Liquidity Guarantee Program” on page 51.

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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 service institutions, Key makes loans, extends credit, purchases securities and enters into financial derivative contracts, all of which have inherent credit risk.

Credit policy, approval and evaluation. Key manages credit risk exposure through a multifaceted program. Independent committees approve both retail and commercial credit policies. These policies are communicated throughout the organization to foster a consistent approach to granting credit.

Credit Risk Management, which is responsible for credit approval, is independent of Key’s lines of business and consists of senior officers who have extensive experience in structuring and approving loans. Only Credit Risk Management officers are authorized to grant significant exceptions to credit policies. It is not unusual to make exceptions to established policies when mitigating circumstances dictate, but most major lending units have been assigned specific thresholds to keep exceptions at a manageable level.

Key has a well-established process known as the quarterly Underwriting Standards Review ("USR") for monitoring compliance with credit policies. The quarterly USR report provides data on commercial loans of a significant size at the time of their approval. Each quarter, the data is analyzed to determine if lines of business have adhered to established credit policies. Further, the USR report identifies grading trends of new business, exceptions to internally established benchmarks for returns on equity, transactions with higher risk and other pertinent lending information. This process enables management to take timely action to modify lending practices when necessary.

Loan grades are assigned at the time of origination, verified by Credit Risk Management and periodically reevaluated thereafter. Most extensions of credit at Key are subject to loan grading or scoring. This risk rating methodology blends management’s judgment and 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 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 management’s view of industry risk within the context of the general economic outlook. Types of exposure, transaction structure and collateral, including credit risk mitigants, affect the expected recovery assessment.

Credit Risk Management uses risk models to evaluate consumer loans. These models ("scorecards") forecast the probability of serious delinquency and default for an applicant. The scorecards are embedded in Key’s application processing system, which allows for real-time scoring and automated decisions for many of Key’s products. Key periodically validates the loan grading and scoring processes.

Key maintains an active concentration management program to encourage diversification in the credit portfolios. For individual obligors, Key employs a sliding scale of exposure (“hold limits”), which is dictated by the strength of the borrower. KeyBank’s legal lending limit is well in excess of $1.0 billion for any individual borrower. However, internal hold limits generally restrict the largest exposures to less than half that amount. As of December 31, 2008, Key had nine client relationships with loan commitments of more than $200 million. The average amount outstanding on these commitments at December 31, 2008, was $89 million. In general, Key’s philosophy is to maintain a diverse portfolio with regard to credit exposures.

Key manages industry concentrations using several methods. On smaller portfolios, limits may be set according to a percentage of Key’s overall loan portfolio. On larger or higher risk portfolios, Key may establish a specific dollar commitment level or a maximum level of economic capital.

In addition to these localized precautions, Key actively manages the overall loan portfolio in a manner consistent with asset quality objectives. One process entails the use of credit derivatives — primarily credit default swaps — to mitigate Key’s credit risk. Credit default swaps enable Key to transfer a portion of the credit risk associated with a particular extension of credit to a third party. At December 31, 2008, Key used credit default swaps with a notional amount of $1.250 billion to manage the credit risk associated with specific commercial lending obligations. Key also sells credit derivatives — primarily index credit default swaps — to diversify and manage portfolio concentration and correlation risks. At December 31, 2008, the notional amount of credit default swaps sold by Key for the purpose of diversifying Key’s credit exposure was $326 million. Occasionally, Key will provide credit protection to other lenders through the sale of credit default swaps. The transactions with other lenders may generate fee income and can diversify the overall exposure to credit loss.

Credit default swaps are recorded on the balance sheet at fair value. Related gains or losses, as well as the premium paid or received for credit protection, are included in the trading income component of noninterest income. These swaps did not have a significant effect on Key’s operating results for 2008.
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Key also manages the loan portfolio using loan securitizations, portfolio swaps, and bulk purchases and sales. The overarching goal is to continually manage the loan portfolio within a desirable range of asset quality.

Selected asset quality statistics for Key for each of the past five years are presented in Figure 34. The factors that drive these statistics are discussed in the remainder of this section.

Figure 34. Selected Asset Quality Statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loan charge-offs</td>
<td>$ 1,260</td>
<td>$ 275</td>
<td>$ 170</td>
<td>$ 315</td>
<td>$ 431</td>
</tr>
<tr>
<td>Net loan charge-offs to average</td>
<td>1.67%</td>
<td>.41%</td>
<td>.26%</td>
<td>.51%</td>
<td>.74%</td>
</tr>
<tr>
<td>loans from continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonperforming loans at period end</td>
<td>$ 1,225</td>
<td>$ 687</td>
<td>$ 215</td>
<td>$ 277</td>
<td>$ 308</td>
</tr>
<tr>
<td>Nonperforming loans to period-end portfolio loans</td>
<td>1.60%</td>
<td>.97%</td>
<td>.33%</td>
<td>.42%</td>
<td>.49%</td>
</tr>
<tr>
<td>Nonperforming assets at period end</td>
<td>$ 1,464</td>
<td>$ 764</td>
<td>$ 273</td>
<td>$ 307</td>
<td>$ 379</td>
</tr>
<tr>
<td>OREO and other nonperforming assets</td>
<td>1.91%</td>
<td>1.08%</td>
<td>.41%</td>
<td>.46%</td>
<td>.60%</td>
</tr>
<tr>
<td>Allowance for loan losses</td>
<td>$ 1,803</td>
<td>$ 1,200</td>
<td>$ 944</td>
<td>$ 966</td>
<td>$ 1,138</td>
</tr>
<tr>
<td>Allowance for loan losses to period-end loans</td>
<td>2.36%</td>
<td>1.69%</td>
<td>1.43%</td>
<td>1.45%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Allowance for loan losses to nonperforming loans</td>
<td>147.18</td>
<td>174.67</td>
<td>439.07</td>
<td>348.74</td>
<td>369.48</td>
</tr>
</tbody>
</table>

**Watch and criticized assets.** Watch assets are troubled commercial loans with the potential to deteriorate in quality due to the client’s current financial condition and possible inability to perform in accordance with the terms of the underlying contract. Criticized assets are troubled loans and other assets that show additional signs of weakness that may lead, or have led, to an interruption in scheduled repayments from primary sources, potentially requiring Key to rely on repayment from secondary sources, such as collateral liquidation.

At December 31, 2008, the levels of watch assets and criticized assets were higher than they were a year earlier. Both watch and criticized levels increased in most of the commercial lines of business. The most significant increase occurred in the Real Estate Capital and Corporate Banking Services line of business, due principally to deteriorating market conditions in the residential properties segment of Key’s commercial real estate construction portfolio.

**Allowance for loan losses.** The allowance for loan losses at December 31, 2008, was $1.803 billion, or 2.36% of loans, and included the impact of $32 million of allowance added in the January 1, 2008, acquisition of U.S.B. Holding Co., Inc. and an additional provision for loan losses recorded in connection with the March 2008 transfer of $3.284 billion of education loans from held-for-sale status to the loan portfolio. This compares to an allowance of $1.200 billion, or 1.69%, at December 31, 2007. The allowance includes $178 million that was specifically allocated for impaired loans of $876 million at December 31, 2008, compared to $126 million that was allocated for impaired loans of $426 million one year ago. For more information about impaired loans, see Note 9 (“Nonperforming Assets and Past Due Loans”) on page 97. At December 31, 2008, the allowance for loan losses was 147.18% of nonperforming loans, compared to 174.67% at December 31, 2007.

Management estimates the appropriate level of the allowance for loan losses 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 Losses” on page 79. Briefly, management applies historical loss rates to existing loans with similar risk characteristics and exercises judgment to assess the impact of factors such as changes in economic conditions, changes in credit policies or underwriting standards, and changes in the level of credit risk associated with specific industries and markets. If an impaired loan has an outstanding balance greater than $2.5 million, management conducts further analysis to determine the probable loss content, and assigns a specific allowance to the loan if deemed appropriate. A specific allowance also may be assigned — even when sources of repayment appear sufficient — if management remains uncertain about whether the loan will be repaid in full. The allowance for loan losses at December 31, 2008, represents management’s best estimate of the losses inherent in the loan portfolio at that date.

As shown in Figure 35, Key’s allowance for loan losses increased by $603 million, or 50%, during 2008. This increase was attributable primarily to deteriorating conditions in the commercial real estate portfolio, and in the commercial and financial portfolio within the Real Estate Capital and Corporate Banking Services line of business. The U.S.B. Holding Co., Inc. acquisition, deterioration in the marine lending portfolio (which experienced a higher level of net charge-offs as repossessions continue to rise) and the March 2008 transfer of education loans from held-for-sale status to the loan portfolio also contributed to the increase. During 2008, Key experienced further deterioration in the credit quality of those education loans that are not guaranteed by the federal government. Management determined that Key will limit new education loans to those backed by government guarantee, but continue to honor existing loan commitments.
### Figure 35. Allocation of The Allowance For Loan Losses

<table>
<thead>
<tr>
<th>December 31, dollars in millions</th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
<th>2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percent of Allowance to Total Allowance</td>
<td>Percent of Loan Type to Total Loans</td>
<td>Amount</td>
<td>Percent of Allowance to Total Allowance</td>
<td>Percent of Loan Type to Total Loans</td>
</tr>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$572</td>
<td>31.7%</td>
<td>35.6%</td>
<td>$392</td>
<td>32.6%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>228</td>
<td>12.6%</td>
<td>14.2%</td>
<td>206</td>
<td>17.2%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>346</td>
<td>19.2%</td>
<td>10.1%</td>
<td>326</td>
<td>27.2%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>148</td>
<td>8.3%</td>
<td>11.8%</td>
<td>125</td>
<td>10.4%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>1,294</td>
<td>71.8%</td>
<td>71.7%</td>
<td>1,049</td>
<td>87.4%</td>
<td>74.4%</td>
</tr>
<tr>
<td>Real estate — residential mortgage</td>
<td>7</td>
<td>.4%</td>
<td>2.5%</td>
<td>7</td>
<td>.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Home equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Banking</td>
<td>61</td>
<td>3.4%</td>
<td>13.2%</td>
<td>53</td>
<td>4.4%</td>
<td>13.6%</td>
</tr>
<tr>
<td>National Banking</td>
<td>69</td>
<td>3.8%</td>
<td>1.4%</td>
<td>19</td>
<td>1.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>130</td>
<td>7.2%</td>
<td>14.6%</td>
<td>72</td>
<td>6.0%</td>
<td>15.4%</td>
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<tr>
<td>Consumer other — National Banking:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>132</td>
<td>7.3%</td>
<td>4.4%</td>
<td>28</td>
<td>2.3%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Education</td>
<td>174</td>
<td>9.7%</td>
<td>4.8%</td>
<td>5</td>
<td>.4%</td>
<td>.5%</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>.8%</td>
<td>.4%</td>
<td>8</td>
<td>.7%</td>
<td>.5%</td>
</tr>
<tr>
<td>Total consumer other — National Banking</td>
<td>321</td>
<td>17.8%</td>
<td>9.6%</td>
<td>41</td>
<td>3.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Total consumer loans</td>
<td>509</td>
<td>28.2%</td>
<td>28.3%</td>
<td>151</td>
<td>12.6%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$1,803</td>
<td>100.0%</td>
<td>100.0%</td>
<td>$1,200</td>
<td>100.0%</td>
<td>100.0%</td>
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</table>

### Additional Table

<table>
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<tr>
<th>2005</th>
<th></th>
<th>2004</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>Percent of Allowance to Total Allowance</td>
<td>Percent of Loan Type to Total Loans</td>
<td>Amount</td>
</tr>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$338</td>
<td>35.0%</td>
<td>31.0%</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>168</td>
<td>17.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>94</td>
<td>9.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>183</td>
<td>19.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>783</td>
<td>81.1%</td>
<td>69.8%</td>
</tr>
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<td>Real estate — residential mortgage</td>
<td>13</td>
<td>1.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Home equity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Banking</td>
<td>83</td>
<td>8.6%</td>
<td>15.4%</td>
</tr>
<tr>
<td>National Banking</td>
<td>12</td>
<td>1.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>95</td>
<td>9.8%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Consumer other — National Banking:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Marine</td>
<td>33</td>
<td>3.4</td>
<td>4.1</td>
</tr>
<tr>
<td>Education a</td>
<td>7</td>
<td>.7</td>
<td>.5</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>.5</td>
<td>.4</td>
</tr>
<tr>
<td><strong>Total consumer other</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— National Banking</td>
<td>44</td>
<td>4.6</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total consumer loans</strong></td>
<td>183</td>
<td>18.9</td>
<td>30.2</td>
</tr>
<tr>
<td>Total</td>
<td>$ 966</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(a) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.
Key’s provision for loan losses from continuing operations was $1.835 billion for 2008, compared to $529 million for 2007. The increase in the provision was attributable to higher levels of net loan charge-offs in all of Key’s major loan portfolios, with the most significant rise experienced in the commercial real estate portfolio. As previously reported, Key has undertaken a process to reduce its exposure in the residential properties segment of its construction loan portfolio through the sale of certain loans. In conjunction with these efforts, Key transferred $384 million of commercial real estate loans ($719 million, net of $335 million in net charge-offs) from the held-to-maturity loan portfolio to held-for-sale status in June. Key’s ability to sell these loans has been hindered by continued disruption in the financial markets that has precluded the ability of certain potential buyers to obtain the necessary funding. As shown in Figure 36, the balance of this portfolio has been reduced to $88 million at December 31, 2008, primarily as a result of cash proceeds from loan sales, transfers to other real estate owned (“OREO”), and both realized and unrealized losses. Key will continue to pursue the sale or foreclosure of the remaining loans, all of which are on nonperforming status.

Figure 36. Loans Held for Sale — Residential Properties Segment of Construction Loan Portfolio

<table>
<thead>
<tr>
<th>in millions</th>
<th>$ 340</th>
<th>(145)</th>
<th>(49)</th>
<th>(45)</th>
<th>(13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash proceeds from loan sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans transferred to OREO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized losses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2008</strong></td>
<td><strong>$ 88</strong></td>
<td><strong>67</strong></td>
<td><strong>2004</strong></td>
<td><strong>183</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

**Net loan charge-offs.** Net loan charge-offs for 2008 were $1.260 billion, or 1.67% of average loans from continuing operations. These results compare to net charge-offs of $275 million, or .41%, for 2007 and $170 million, or .26%, for 2006. Figure 37 shows the trend in Key’s net loan charge-offs by loan type, while the composition of Key’s loan charge-offs and recoveries by type of loan is presented in Figure 38.

As shown in Figure 37, the level of net charge-offs in each of the loan categories presented exceeded the level reported for 2007. Net charge-offs in the commercial loan portfolio rose by $732 million, with the largest increase coming from the residential properties segment of the real estate construction portfolio. The higher level of net charge-offs in this portfolio reflects the actions taken by Key to sell certain loans. Key also experienced significant increases in net charge-offs related to other commercial real estate loans, lease financing receivables, automobile and marine floor-plan lending, and the media portfolio within the Institutional Banking segment. The largest increase in net charge-offs in the consumer portfolio derived from education loans, reflecting the weakening economic environment and the March 2008 transfer of $3.284 billion of education loans from loans held for sale to the loan portfolio. The net charge-offs in the commercial real estate portfolio reflect continued weakness in the housing market, while those in the other portfolios are attributable to weakness in the economic environment. As shown in Figure 40 on page 66, Key’s exit loan portfolio accounted for $269 million, or 44%, of Key’s total net loan charge-offs for the second half of 2008.

Figure 37. Net Loan Charge-Offs

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$ 278</td>
<td>$ 91</td>
<td>$ 58</td>
<td>$ 59</td>
<td>$ 104</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>82</td>
<td>10</td>
<td>19</td>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>492</td>
<td>53</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>63</td>
<td>29</td>
<td>13</td>
<td>148</td>
<td>38</td>
</tr>
<tr>
<td><strong>Total commercial loans</strong></td>
<td>915</td>
<td>183</td>
<td>93</td>
<td>225</td>
<td>170</td>
</tr>
<tr>
<td>Home equity — Community Banking</td>
<td>40</td>
<td>18</td>
<td>15</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Home equity — National Banking</td>
<td>46</td>
<td>15</td>
<td>8</td>
<td>8</td>
<td>39</td>
</tr>
<tr>
<td>Marine</td>
<td>67</td>
<td>21</td>
<td>12</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Education</td>
<td>129</td>
<td>4</td>
<td>4</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>63</td>
<td>34</td>
<td>38</td>
<td>44</td>
<td>178</td>
</tr>
<tr>
<td><strong>Total consumer loans</strong></td>
<td>345</td>
<td>92</td>
<td>77</td>
<td>90</td>
<td>261</td>
</tr>
<tr>
<td><strong>Total net loan charge-offs</strong></td>
<td>$ 1,260</td>
<td>$ 275</td>
<td>$ 170</td>
<td>$ 315</td>
<td>$ 431</td>
</tr>
<tr>
<td><strong>Net loan charge-offs to average loans from continuing operations</strong></td>
<td>1.67%</td>
<td>.41%</td>
<td>.26%</td>
<td>.51%</td>
<td>.74%</td>
</tr>
</tbody>
</table>

(a) During the second quarter of 2008, Key transferred $384 million of commercial real estate loans ($719 million of primarily construction loans, net of $335 million in net charge-offs) from the loan portfolio to held-for-sale status.

(b) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.
Figure 38. Summary of Loan Loss Experience

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average loans outstanding from continuing operations</td>
<td>$75,619</td>
<td>$67,357</td>
<td>$64,996</td>
<td>$61,997</td>
<td>$58,226</td>
</tr>
<tr>
<td>Allowance for loan losses at beginning of period</td>
<td>$1,200</td>
<td>$944</td>
<td>$966</td>
<td>$1,138</td>
<td>$1,406</td>
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<tr>
<td>Loans charged off:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial, financial and agricultural</td>
<td>332</td>
<td>128</td>
<td>92</td>
<td>80</td>
<td>145</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>83</td>
<td>16</td>
<td>24</td>
<td>19</td>
<td>35</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>494</td>
<td>54</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total commercial real estate loans</td>
<td>577</td>
<td>70</td>
<td>28</td>
<td>24</td>
<td>40</td>
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<tr>
<td>Commercial lease financing</td>
<td>83</td>
<td>51</td>
<td>40</td>
<td>183</td>
<td>52</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>992</td>
<td>249</td>
<td>160</td>
<td>287</td>
<td>237</td>
</tr>
<tr>
<td>Real estate — residential mortgage</td>
<td>15</td>
<td>6</td>
<td>7</td>
<td>7</td>
<td>17</td>
</tr>
<tr>
<td>Home equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Banking</td>
<td>43</td>
<td>21</td>
<td>19</td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td>National Banking</td>
<td>47</td>
<td>16</td>
<td>11</td>
<td>10</td>
<td>42</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>90</td>
<td>37</td>
<td>30</td>
<td>26</td>
<td>63</td>
</tr>
<tr>
<td>Consumer other — Community Banking</td>
<td>44</td>
<td>31</td>
<td>33</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>Consumer other — National Banking:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>85</td>
<td>33</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Education</td>
<td>131</td>
<td>5</td>
<td>6</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>14</td>
<td>9</td>
<td>9</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Total consumer other — National Banking</td>
<td>230</td>
<td>47</td>
<td>38</td>
<td>51</td>
<td>224</td>
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<tr>
<td>Total consumer loans</td>
<td>379</td>
<td>121</td>
<td>108</td>
<td>122</td>
<td>346</td>
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<tr>
<td>Total loans</td>
<td>1,371</td>
<td>370</td>
<td>268</td>
<td>409</td>
<td>583</td>
</tr>
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<td>Recoveries:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial, financial and agricultural</td>
<td>54</td>
<td>37</td>
<td>34</td>
<td>21</td>
<td>41</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>8</td>
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<tr>
<td>Real estate — construction</td>
<td>2</td>
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<td>Total commercial real estate loans</td>
<td>3</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>20</td>
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<td>27</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>Total commercial loans</td>
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<td>67</td>
<td>62</td>
<td>67</td>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Home equity:</td>
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<td></td>
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<td>Community Banking</td>
<td>3</td>
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<td>4</td>
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<td>3</td>
</tr>
<tr>
<td>National Banking</td>
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<td>1</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total home equity loans</td>
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<td>4</td>
<td>7</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Consumer other — Community Banking</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>9</td>
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<td>Consumer other — National Banking:</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>18</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
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<td>3</td>
<td>3</td>
<td>5</td>
<td>56</td>
</tr>
<tr>
<td>Total consumer other — National Banking</td>
<td>23</td>
<td>16</td>
<td>16</td>
<td>18</td>
<td>69</td>
</tr>
<tr>
<td>Total consumer loans</td>
<td>34</td>
<td>29</td>
<td>31</td>
<td>32</td>
<td>85</td>
</tr>
<tr>
<td>Total loans</td>
<td>111</td>
<td>95</td>
<td>98</td>
<td>94</td>
<td>152</td>
</tr>
<tr>
<td>Net loans charged off</td>
<td>(1,260)</td>
<td>(275)</td>
<td>(170)</td>
<td>(315)</td>
<td>(431)</td>
</tr>
<tr>
<td>Provision for loan losses from continuing operations</td>
<td>1,835</td>
<td>529</td>
<td>150</td>
<td>143</td>
<td>185</td>
</tr>
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<td>Credit for loan losses from discontinued operations</td>
<td>—</td>
<td>—</td>
<td>(3)</td>
<td>—</td>
<td>—</td>
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<td>Reclassification of allowance for credit losses on lending-related commitments</td>
<td>—</td>
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<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Allowance related to loans acquired, net</td>
<td>32</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>48</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(4)</td>
<td>2</td>
<td>1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Allowance for loan losses at end of year</td>
<td>$1,803</td>
<td>$1,200</td>
<td>$944</td>
<td>$966</td>
<td>$1,138</td>
</tr>
<tr>
<td>Net loan charge-offs to average loans from continuing operations</td>
<td>1.67%</td>
<td>.41%</td>
<td>.26%</td>
<td>.51%</td>
<td>.74%</td>
</tr>
<tr>
<td>Allowance for loan losses to year-end loans</td>
<td>2.36%</td>
<td>1.69%</td>
<td>1.43%</td>
<td>1.45%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Allowance for loan losses to nonperforming loans</td>
<td>147.18%</td>
<td>174.67%</td>
<td>439.07%</td>
<td>348.74%</td>
<td>369.48%</td>
</tr>
</tbody>
</table>
(a) During the second quarter of 2008, Key transferred $384 million of commercial real estate loans ($719 million of primarily construction loans, net of $335 million in net charge-offs) from the loan portfolio to held-for-sale status.

(b) See Figure 18 and the accompanying discussion on page 42 for more information related to Key’s commercial real estate portfolio.

(c) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.

(d) Included in “accrued expenses and other liabilities” on the consolidated balance sheet.
Nonperforming assets. Figure 39 shows the composition of Key’s nonperforming assets. These assets totaled $1.464 billion at December 31, 2008, and represented 1.91% of portfolio loans, OREO and other nonperforming assets, compared to $764 million, or 1.08%, at December 31, 2007, and $273 million, or .41%, at December 31, 2006. See Note 1 under the headings “Impaired and Other Nonaccrual Loans” and “Allowance for Loan Losses” on pages 78 and 79, respectively, for a summary of Key’s nonaccrual and charge-off policies.

Figure 39. Summary of Nonperforming Assets and Past Due Loans

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$415</td>
<td>$84</td>
<td>$38</td>
<td>$63</td>
<td>$42</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>128</td>
<td>41</td>
<td>48</td>
<td>38</td>
<td>25</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>436</td>
<td>415</td>
<td>10</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Total commercial real estate loans a</td>
<td>564 b</td>
<td>456</td>
<td>58</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>81</td>
<td>28</td>
<td>22</td>
<td>39</td>
<td>84</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>1,060</td>
<td>568</td>
<td>118</td>
<td>142</td>
<td>171</td>
</tr>
<tr>
<td>Real estate — residential mortgage</td>
<td>39</td>
<td>28</td>
<td>34</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>Home equity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Banking</td>
<td>76</td>
<td>54</td>
<td>42</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>National Banking</td>
<td>15</td>
<td>12</td>
<td>8</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>91</td>
<td>66</td>
<td>50</td>
<td>79</td>
<td>80</td>
</tr>
<tr>
<td>Consumer other — Community Banking</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Consumer other — National Banking:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>26</td>
<td>20</td>
<td>10</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Education</td>
<td>4</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total consumer other — National Banking</td>
<td>32</td>
<td>23</td>
<td>11</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Total consumer loans</td>
<td>165</td>
<td>119</td>
<td>97</td>
<td>135</td>
<td>137</td>
</tr>
<tr>
<td>Total nonperforming loans</td>
<td>1,225</td>
<td>687</td>
<td>215</td>
<td>277</td>
<td>308</td>
</tr>
<tr>
<td>Nonperforming loans held for sale</td>
<td>90 b</td>
<td>25</td>
<td>3</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>OREO</td>
<td>110</td>
<td>21</td>
<td>57</td>
<td>25</td>
<td>53</td>
</tr>
<tr>
<td>Allowance for OREO losses</td>
<td>(3)</td>
<td>(2)</td>
<td>(3)</td>
<td>(2)</td>
<td>(4)</td>
</tr>
<tr>
<td>OREO, net of allowance</td>
<td>107</td>
<td>19</td>
<td>54</td>
<td>23</td>
<td>49</td>
</tr>
<tr>
<td>Other nonperforming assets c</td>
<td>42</td>
<td>33</td>
<td>1</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Total nonperforming assets</td>
<td>$1,464</td>
<td>$764</td>
<td>$273</td>
<td>$307</td>
<td>$379</td>
</tr>
<tr>
<td>Accruing loans past due 90 days or more</td>
<td>$433</td>
<td>$231</td>
<td>$120</td>
<td>$90</td>
<td>$122</td>
</tr>
<tr>
<td>Accruing loans past due 30 through 89 days</td>
<td>1,314</td>
<td>843</td>
<td>644</td>
<td>491</td>
<td>491</td>
</tr>
<tr>
<td>Nonperforming loans to year-end portfolio loans</td>
<td>1.60%</td>
<td>.97%</td>
<td>.33%</td>
<td>.42%</td>
<td>.49%</td>
</tr>
<tr>
<td>Nonperforming assets to year-end portfolio loans plus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OREO and other nonperforming assets</td>
<td>1.91</td>
<td>1.08</td>
<td>.41</td>
<td>.46</td>
<td>.60</td>
</tr>
</tbody>
</table>

(a) See Figure 18 and the accompanying discussion on page 42 for more information related to Key’s commercial real estate portfolio.

(b) During the second quarter of 2008, Key transferred $384 million of commercial real estate loans ($719 million of primarily construction loans, net of $335 million in net charge-offs) from the loan portfolio to held-for-sale status.

(c) Primarily investments held by the Private Equity unit within Key’s Real Estate Capital and Corporate Banking Services line of business.

As shown in Figure 39, the growth in nonperforming assets during 2008 was due primarily to higher levels of nonperforming loans in the commercial and commercial real estate portfolios. The increase in the commercial portfolio reflects the impact of general weakness in the economic environment and was principally attributable to loans to businesses tied to residential construction, and to automobile and marine floor-plan lending. The increase in the commercial real estate portfolio was caused largely by deteriorating market conditions in the residential properties segment of Key’s commercial real estate construction portfolio. As shown in Figure 40, Key’s exit loan portfolio, which includes residential homebuilder loans and residential loans held for sale, accounted for $481 million, or 33%, of Key’s total nonperforming assets at December 31, 2008.

At December 31, 2008, Key’s 20 largest nonperforming loans totaled $488 million, representing 40% of total loans on nonperforming status. The level of Key’s delinquent loans rose during 2008, reflecting the deterioration in the housing market.
Management anticipates that Key’s nonperforming loans will continue to increase in 2009 and that net loan charge-offs will remain elevated. As a result, the allowance for loan losses may be increased in future periods until credit trends level off.

The composition of Key’s exit loan portfolio at December 31, 2008, the net charge-offs recorded on this portfolio for the second half of 2008, and the nonperforming status of these loans at December 31 are shown in Figure 40. This portfolio, which has decreased by $911 million since June 30, 2008, accounted for 44% of Key’s net loan charge-offs for the second half of 2008 and 33% of nonperforming assets outstanding at the end of the year. At December 31, 2008, the exit loan portfolio represented 12% of Key’s total loans and loans held for sale.

Figure 41 shows credit exposure by industry classification in the largest sector of Key’s loan portfolio, “commercial, financial and agricultural loans.” The types of activity that caused the change in Key’s nonperforming loans during 2008 are summarized in Figure 42.

### Figure 40. Exit Loan Portfolio

<table>
<thead>
<tr>
<th>in millions</th>
<th>Balance Outstanding at December 31, 2008</th>
<th>Net Loan Charge-offs from July 1, 2008 to December 31, 2008</th>
<th>Balance on Nonperforming Status at December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential properties — homebuilder</td>
<td>$883</td>
<td>$105</td>
<td>$254</td>
</tr>
<tr>
<td>Residential properties — held for sale</td>
<td>88</td>
<td>—</td>
<td>88</td>
</tr>
<tr>
<td>Total residential properties</td>
<td>971</td>
<td>105</td>
<td>342</td>
</tr>
<tr>
<td>Marine and RV floor plan</td>
<td>945</td>
<td>14</td>
<td>91</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>1,916</td>
<td>119</td>
<td>433</td>
</tr>
<tr>
<td>Private education</td>
<td>2,871</td>
<td>73</td>
<td>—</td>
</tr>
<tr>
<td>Home equity — National Banking</td>
<td>1,051</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Marine</td>
<td>3,401</td>
<td>41</td>
<td>26</td>
</tr>
<tr>
<td>RV and other consumer</td>
<td>283</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Total consumer loans</td>
<td>7,606</td>
<td>150</td>
<td>48</td>
</tr>
<tr>
<td>Total loans in exit portfolios</td>
<td>$9,522</td>
<td>$269</td>
<td>$481</td>
</tr>
</tbody>
</table>

(a) Declines in the fair values of loans held for sale are recognized as charges to “net (losses) gains from loan securitizations and sales.” As shown in Figure 36 on page 63, Key recorded realized and unrealized losses of $45 million on loans held for sale in the exit portfolio during the second half of 2008.

Management anticipates that Key’s nonperforming loans will continue to increase in 2009 and that net loan charge-offs will remain elevated. As a result, the allowance for loan losses may be increased in future periods until credit trends level off.

The composition of Key’s exit loan portfolio at December 31, 2008, the net charge-offs recorded on this portfolio for the second half of 2008, and the nonperforming status of these loans at December 31 are shown in Figure 40. This portfolio, which has decreased by $911 million since June 30, 2008, accounted for 44% of Key’s net loan charge-offs for the second half of 2008 and 33% of nonperforming assets outstanding at the end of the year. At December 31, 2008, the exit loan portfolio represented 12% of Key’s total loans and loans held for sale.

Figure 41 shows credit exposure by industry classification in the largest sector of Key’s loan portfolio, “commercial, financial and agricultural loans.” The types of activity that caused the change in Key’s nonperforming loans during 2008 are summarized in Figure 42.

### Figure 41. Commercial, Financial and Agricultural Loans

<table>
<thead>
<tr>
<th>Industry classification</th>
<th>Total Commitments a</th>
<th>Loans Outstanding</th>
<th>Nonperforming Loans Amount</th>
<th>% of Loans Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>$12,323</td>
<td>$4,778</td>
<td>$21</td>
<td>.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9,690</td>
<td>4,067</td>
<td>54</td>
<td>1.3%</td>
</tr>
<tr>
<td>Public utilities</td>
<td>4,987</td>
<td>1,564</td>
<td>1</td>
<td>.1%</td>
</tr>
<tr>
<td>Financial services</td>
<td>4,251</td>
<td>1,861</td>
<td>10</td>
<td>.5%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>3,869</td>
<td>1,771</td>
<td>10</td>
<td>.6%</td>
</tr>
<tr>
<td>Dealer floor plan</td>
<td>3,392</td>
<td>2,418</td>
<td>132</td>
<td>5.5%</td>
</tr>
<tr>
<td>Property management</td>
<td>3,029</td>
<td>1,827</td>
<td>45</td>
<td>2.5%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>2,789</td>
<td>1,197</td>
<td>9</td>
<td>.8%</td>
</tr>
<tr>
<td>Building contractors</td>
<td>2,100</td>
<td>875</td>
<td>69</td>
<td>7.9%</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,908</td>
<td>346</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transportation</td>
<td>1,894</td>
<td>1,387</td>
<td>53</td>
<td>3.8%</td>
</tr>
<tr>
<td>Mining</td>
<td>1,264</td>
<td>677</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Public administration</td>
<td>964</td>
<td>360</td>
<td>1</td>
<td>.3%</td>
</tr>
<tr>
<td>Agriculture/forestry/fishing</td>
<td>867</td>
<td>524</td>
<td>3</td>
<td>.6%</td>
</tr>
<tr>
<td>Communications</td>
<td>743</td>
<td>287</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Individuals</td>
<td>16</td>
<td>9</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>3,195</td>
<td>3,312</td>
<td>7</td>
<td>.2%</td>
</tr>
<tr>
<td>Total</td>
<td>$57,681</td>
<td>$27,260</td>
<td>$415</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

(a) Total commitments include unfunded loan commitments, unfunded letters of credit (net of amounts conveyed to others) and loans outstanding.
Operational risk management

Key, like all businesses, is subject to operational risk, which is the risk of loss resulting from human error, inadequate or failed internal processes and systems, and external events. Operational risk also encompasses compliance (legal) risk, which is the risk of loss from violations of, or noncompliance with, laws, rules, regulations, prescribed practices or ethical standards. Resulting losses could take the form of explicit charges, increased operational costs, harm to Key’s reputation or forgone opportunities. Key seeks to mitigate operational risk through a system of internal controls.

Management continuously strives to strengthen Key’s system of internal controls to ensure compliance with laws, rules and regulations, and to improve the oversight of Key’s operational risk. For example, a loss-event database tracks the amounts and sources of operational losses. This tracking mechanism helps to identify weaknesses and to highlight the need to take corrective action. Management also relies upon sophisticated software programs designed to assist in monitoring Key’s control processes. This technology has enhanced the reporting of the effectiveness of Key’s controls to senior management and the Board of Directors.

Primary responsibility for managing and monitoring internal control mechanisms lies with the managers of Key’s various lines of business. Key’s Risk Review function periodically assesses the overall effectiveness of Key’s system of internal controls. Risk Review reports the results of reviews on internal controls and systems to senior management and the Audit Committee, and independently supports the Audit Committee’s oversight of these controls. A senior management committee, known as the Operational Risk Committee, oversees Key’s level of operational risk, and directs and supports Key’s operational infrastructure and related activities.

Fourth Quarter Results

Key’s financial performance for each of the past eight quarters is summarized in Figure 43. Highlights of Key’s fourth quarter results are summarized below.

Earnings. Key had a fourth quarter loss from continuing operations of $524 million, or $1.13 per diluted common share, compared to income from continuing operations of $22 million, or $.06 per diluted common share, for the fourth quarter of 2007.

Income from continuing operations declined because of decreases in net interest income and noninterest income, a significantly higher provision for loan losses and an increase in noninterest expense.

On an annualized basis, Key’s return on average total assets from continuing operations for the fourth quarter of 2008 was (1.93)%, compared to .09% for the fourth quarter of 2007. The annualized return on average common equity from continuing operations was (27.65)% for the fourth quarter of 2008, compared to 1.11% for the year-ago quarter.

Net interest income. Key’s taxable-equivalent net interest income was $639 million for the fourth quarter of 2008, compared to $710 million for the year-ago quarter. Average earning assets grew by $7.214 billion, or 8%, due primarily to growth in commercial loans and the January 1 acquisition of U.S.B. Holding Co., Inc., which added approximately $1.5 billion to Key’s loan portfolio. Additionally, Key experienced an increase in short-term investments, reflecting actions taken by the Federal Reserve to begin paying interest on depository institutions’ reserve balances effective October 1, 2008. The net interest margin declined to 2.76% from 3.48% for the fourth quarter of 2007. Approximately 21 basis points of the reduction was attributable to the decrease in net interest income caused by recalculations of income recognized on leveraged leases contested by the IRS. In the year ago quarter, net interest income benefited from an $18 million lease accounting adjustment that contributed approximately 9 basis points to the net interest margin. The net interest margin also declined because of tighter loan spreads caused by elevated funding costs, the increase in lower-yielding short-term investments and a higher level of nonperforming assets.

Noninterest income. Key’s noninterest income was $399 million for the fourth quarter of 2008, compared to $488 million for the year-ago quarter. The decrease reflects two primary factors. Key recorded net losses of $33 million from principal investing in the fourth quarter of 2008, compared to net gains of $6 million for the same period last year. In addition, Key recorded net losses of $39 million related to the volatility associated with the hedge accounting applied to debt instruments, compared to net gains of $3 million in the year-ago quarter.
### FOR THE PERIOD

<table>
<thead>
<tr>
<th></th>
<th>2008 Quarters</th>
<th>2007 Quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fourth</td>
<td>Third</td>
</tr>
<tr>
<td>Interest income</td>
<td>$1,163</td>
<td>$1,232</td>
</tr>
<tr>
<td>Interest expense</td>
<td>524</td>
<td>533</td>
</tr>
<tr>
<td>Net interest income</td>
<td>639 a</td>
<td>699 a</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>594</td>
<td>407</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>399</td>
<td>388</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>1,303</td>
<td>762</td>
</tr>
<tr>
<td>(Loss) income from continuing operations before income taxes</td>
<td>(859)</td>
<td>(82)</td>
</tr>
<tr>
<td>(Loss) income from operations</td>
<td>(524)</td>
<td>(36) (1,126)</td>
</tr>
<tr>
<td>Income (loss) from discontinued operations, net of taxes</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(524) a</td>
<td>(36) a</td>
</tr>
<tr>
<td>Net (loss) income applicable to common shares</td>
<td>(554) (48) (1,126)</td>
<td>218</td>
</tr>
</tbody>
</table>

### PER COMMON SHARE

<table>
<thead>
<tr>
<th></th>
<th>2008 Quarters</th>
<th>2007 Quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fourth</td>
<td>Third</td>
</tr>
<tr>
<td>(Loss) income from continuing operations</td>
<td>$(1.13)</td>
<td>$(0.10)</td>
</tr>
<tr>
<td>Income (loss) from discontinued operations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(1.13)</td>
<td>(0.10)</td>
</tr>
<tr>
<td>(Loss) income from continuing operations — assuming dilution</td>
<td>(1.13)</td>
<td>(0.10)</td>
</tr>
<tr>
<td>Income (loss) from discontinued operations — assuming dilution</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income — assuming dilution</td>
<td>(1.13) a</td>
<td>(0.10) a</td>
</tr>
</tbody>
</table>

### Market Price:

- **High**: 15.20
- **Low**: 4.99
- **Close**: 8.52

### Weighted-average common shares outstanding (000):
- 2008: 492,311
- 2007: 491,179

### Weighted-average common shares and potential common shares outstanding (000):
- 2008: 492,311
- 2007: 491,179

### AT PERIOD END

<table>
<thead>
<tr>
<th></th>
<th>2008 Quarters</th>
<th>2007 Quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$76,504</td>
<td>$76,705</td>
</tr>
<tr>
<td>Earning assets</td>
<td>94,020</td>
<td>90,257</td>
</tr>
<tr>
<td>Total assets</td>
<td>104,531</td>
<td>101,290</td>
</tr>
<tr>
<td>Deposits</td>
<td>65,260</td>
<td>64,678</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>14,995</td>
<td>15,597</td>
</tr>
<tr>
<td>Common shareholders’ equity</td>
<td>7,408</td>
<td>7,993</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>10,480</td>
<td>8,651</td>
</tr>
</tbody>
</table>

### PERFORMANCE RATIOS

#### From continuing operations:

- Return on average total assets: (1.93) %
- Return on average common equity: (27.65) %
- Return on average total equity: (21.08) %

#### From consolidated operations:

- Return on average total assets: (1.93) %
- Return on average common equity: (27.65) %
- Return on average total equity: (21.08) %
Net interest margin (taxable equivalent)  2.76 a  3.13 a  (0.44) a  3.14 a  3.48  3.40  3.46  3.51
CAPITAL RATIOS AT PERIOD END
Equity to assets  10.03%  8.54%  8.57%  8.47%  7.89%  8.13%  8.28%  8.37%
Tangible equity to tangible assets  8.92  6.95  6.98  6.85  6.58  6.87  6.97  7.04
Tangible common equity to tangible assets  5.95  6.29  6.98  6.85  6.58  6.87  6.97  7.04
Tier 1 risk-based capital  10.92  8.55  8.53  8.33  7.44  7.94  8.14  8.15
Total risk-based capital  14.82  12.40  12.41  12.34  11.38  11.76  12.15  12.20
Leverage  11.05  9.28  9.34  9.15  8.39  8.96  9.11  9.17
TRUST AND BROKERAGE ASSETS
Assets under management  $ 64,717  $ 76,676  $ 80,998  $ 80,453  $ 85,442  $ 88,100  $ 85,592  $ 82,388
Nonmanaged and brokerage assets  22,728  27,187  29,905  30,532  33,918  33,273  33,485  32,838
OTHER DATA
Average full-time-equivalent employees  17,697  18,098  18,164  18,426  18,500  18,567  18,888  19,801
Branches  986  986  985  985  955  954  954  950

Note 3 (“Acquisitions and Divestitures”) on page 87, contains specific information about the acquisitions and divestitures that Key completed during the past three years to help in understanding how those transactions may have impacted Key’s financial condition and results of operations.

(a) See Figure 5 on page 27, which shows certain earnings data and performance ratios, excluding (credits) charges related to the tax treatment of certain leveraged lease financing transactions disallowed by the IRS, and the charge resulting from Key’s annual goodwill impairment testing completed during the fourth quarter of 2008. Figure 5 reconciles certain GAAP performance measures to the corresponding non-GAAP measures and provides a basis for period-to-period comparisons.
The majority of the net losses are attributable to the restructuring of certain cash collateral arrangements for hedges that reduced exposure to counterparty risk and lowered the cost of borrowings. Also, net losses attributable to investments made by the Private Equity unit within Key’s Real Estate Capital and Corporate Banking Services line of business rose by $9 million, and letter of credit and loan fees decreased by $16 million as a result of weakness in the economy. The reduction in noninterest income attributable to these factors was partially offset by a $7 million increase in income from trust and investment services, and net gains of $3 million from loan sales and write-downs, compared to net losses of $6 million for the fourth quarter of 2007.

Noninterest expense. Key’s noninterest expense was $1.303 billion for the fourth quarter of 2008, compared to $896 million for the same period last year.

Personnel expense rose by $12 million, due primarily to higher incentive compensation accruals and an increase in stock-based compensation, offset in part by decreases in both salaries and costs associated with employee benefits. Included in noninterest expense for the fourth quarter of 2008 is $31 million of severance and other exit costs, including $8 million recorded in connection with Key’s previously reported decision to limit new education loans to those backed by government guarantee.

Nonpersonnel expense rose by $395 million. In the fourth quarter of 2008, nonpersonnel expense was adversely affected by a $465 million noncash charge resulting from Key’s annual testing for goodwill impairment, while results for the year-ago quarter include a $64 million charge for the estimated fair value of Key’s potential liability to Visa, which was satisfied in 2008. Excluding the above charges, nonpersonnel expense decreased by $6 million, or less than 1%, due primarily to a $5 million credit for losses on lending-related commitments, compared to a $25 million provision in the fourth quarter of 2007. This favorable result was offset in part by a $13 million increase in professional fees and a $9 million increase in marketing expense.

Provision for loan losses. Key’s provision for loan losses from continuing operations was $594 million for the fourth quarter of 2008, compared to $363 million for the fourth quarter of 2007. During the fourth quarter of 2008, the provision exceeded net loan charge-offs by $252 million as Key continued to build reserves in a weak economy. Key experienced an increase in commercial loan net charge-offs related to automobile and marine floor-plan lending, and the media portfolio within the Institutional Banking segment. Key’s consumer segments, with the exception of education lending, also experienced increases in net charge-offs. The exit loan portfolio accounted for $139 million, or 41%, of Key’s total net loan charge-offs for the fourth quarter of 2008.

Income taxes. For the fourth quarter of 2008, Key recorded a tax benefit of $335 million, primarily as a result of a pre-tax loss from continuing operations. In addition, Key reached an agreement with the IRS on all material aspects related to the IRS global tax settlement pertaining to certain leveraged lease financing transactions. As a result, Key recorded a $120 million reduction to income taxes for the recovery of previously accrued interest on disputed tax balances. On February 13, 2009, Key and the IRS entered into a closing agreement that resolves substantially all outstanding leveraged lease financing tax issues. Key expects the remaining issues to be settled with the IRS in the near future with no additional tax or interest liability to Key. The positive impact of the recovered interest was partially offset by $68 million of additional U.S. taxes recorded on accumulated earnings of the Canadian leasing operation. During the fourth quarter of 2008, management decided that, due to changes in the Canadian leasing operations, Key will no longer permanently reinvest the earnings of the Canadian leasing subsidiaries overseas. For the fourth quarter of 2007, Key recorded a tax benefit of $83 million as a result of a pre-tax loss from continuing operations. For a discussion of the factors that affect the difference between Key’s effective tax rate and the combined statutory tax rate, and the agreement entered into with the IRS, see the section entitled “Income taxes,” which begins on page 40.

Certifications

KeyCorp has filed, as exhibits to its Annual Report on Form 10-K for the year ended December 31, 2008, the certifications of its Chief Executive Officer and Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

On May 29, 2008, KeyCorp submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.
Management’s Annual Report on Internal Control Over Financial Reporting

Key’s management is responsible for the preparation, content and integrity of the financial statements and other statistical data and analyses compiled for this annual report. The financial statements and related notes have been prepared in conformity with U.S. generally accepted accounting principles and reflect management’s best estimates and judgments. Management believes the financial statements and notes present fairly Key’s financial position, results of operations and cash flows in all material respects.

Management is responsible for establishing and maintaining a system of internal control that is designed to protect Key’s assets and the integrity of its financial reporting. This corporate-wide system of controls includes self-monitoring mechanisms and written policies and procedures, prescribes proper delegation of authority and division of responsibility, and facilitates the selection and training of qualified personnel.

All employees are required to comply with Key’s code of ethics. Management conducts an annual certification process to ensure that Key’s employees meet this obligation. Although any system of internal control can be compromised by human error or intentional circumvention of required procedures, management believes Key’s system provides reasonable assurance that financial transactions are recorded and reported properly, providing an adequate basis for reliable financial statements.

The Board of Directors discharges its responsibility for Key’s financial statements through its Audit Committee. This committee, which draws its members exclusively from the outside directors, also hires the independent registered public accounting firm.

Management’s Assessment of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Key. Management has assessed the effectiveness of Key’s internal control and procedures over financial reporting using criteria described in “Internal Control — Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management believes Key maintained an effective system of internal control over financial reporting as of December 31, 2008. Key’s independent registered public accounting firm has issued an attestation report, dated February 25, 2009, on Key’s internal control over financial reporting, which is included in this annual report.

Henry L. Meyer III
Chairman and Chief Executive Officer

Jeffrey B. Weeden
Senior Executive Vice President and Chief Financial Officer
KEYCORP AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting

Shareholders and Board of Directors
KeyCorp

We have audited KeyCorp’s internal control over financial reporting as of December 31, 2008, based on criteria established in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). KeyCorp’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, KeyCorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of KeyCorp as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2008 and our report dated February 25, 2009 expressed an unqualified opinion thereon.
Cleveland, Ohio
February 25, 2009

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
KeyCorp

We have audited the accompanying consolidated balance sheets of KeyCorp and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of KeyCorp’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of KeyCorp and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), KeyCorp’s internal control over financial reporting as of December 31, 2008, based on criteria established in “Internal Control — Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2009, expressed an unqualified opinion thereon.

Ernst & Young LLP

Cleveland, Ohio
February 25, 2009

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KEYCORP AND SUBSIDIARIES
Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in millions, except share data</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and due from banks</td>
<td>$ 1,257</td>
<td>$ 1,814</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>5,221</td>
<td>316</td>
</tr>
<tr>
<td>Trading account assets</td>
<td>1,280</td>
<td>1,056</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>8,437</td>
<td>7,860</td>
</tr>
<tr>
<td>Held-to-maturity securities (fair value: $25 and $28)</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,526</td>
<td>1,358</td>
</tr>
<tr>
<td>Loans, net of unearned income of $2,345 and $2,202</td>
<td>76,504</td>
<td>70,823</td>
</tr>
<tr>
<td>Less: Allowance for loan losses</td>
<td>1,803</td>
<td>1,200</td>
</tr>
<tr>
<td>Net loans</td>
<td>74,701</td>
<td>69,623</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>1,027</td>
<td>4,736</td>
</tr>
<tr>
<td>Premises and equipment</td>
<td>840</td>
<td>681</td>
</tr>
<tr>
<td>Operating lease assets</td>
<td>990</td>
<td>1,128</td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,138</td>
<td>1,252</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>128</td>
<td>123</td>
</tr>
<tr>
<td>Corporate-owned life insurance</td>
<td>2,970</td>
<td>2,872</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>1,896</td>
<td>879</td>
</tr>
<tr>
<td>Accrued income and other assets</td>
<td>3,095</td>
<td>4,122</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$104,531</strong></td>
<td><strong>$98,228</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits in domestic offices:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOW and money market deposit accounts</td>
<td>$ 24,191</td>
<td>$ 27,635</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>1,712</td>
<td>1,513</td>
</tr>
<tr>
<td>Certificates of deposit ($100,000 or more)</td>
<td>11,991</td>
<td>6,982</td>
</tr>
<tr>
<td>Other time deposits</td>
<td>14,763</td>
<td>11,615</td>
</tr>
<tr>
<td>Total interest-bearing</td>
<td>52,657</td>
<td>47,745</td>
</tr>
<tr>
<td>Noninterest-bearing</td>
<td>11,485</td>
<td>11,028</td>
</tr>
<tr>
<td>Deposits in foreign office — interest-bearing</td>
<td>1,118</td>
<td>4,326</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td><strong>65,260</strong></td>
<td><strong>63,099</strong></td>
</tr>
<tr>
<td>Federal funds purchased and securities sold under repurchase agreements</td>
<td>1,557</td>
<td>3,927</td>
</tr>
<tr>
<td>Bank notes and other short-term borrowings</td>
<td>8,477</td>
<td>5,861</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>1,038</td>
<td>252</td>
</tr>
<tr>
<td>Accrued expense and other liabilities</td>
<td>2,724</td>
<td>5,386</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>14,995</td>
<td>11,957</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>94,051</strong></td>
<td><strong>90,482</strong></td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $1 par value, authorized 25,000,000 shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.750% Noncumulative Perpetual Convertible Preferred Stock, Series A, $100 liquidation preference; authorized 7,475,000 shares; issued 6,575,000 shares</td>
<td>658</td>
<td>—</td>
</tr>
<tr>
<td>Fixed-Rate Cumulative Perpetual Preferred Stock, Series B, $100,000 liquidation preference; authorized and issued 25,000 shares</td>
<td>2,414</td>
<td>—</td>
</tr>
<tr>
<td>Common shares, $1 par value; authorized 1,400,000,000 shares; issued 584,061,120 and 491,888,780 shares</td>
<td>584</td>
<td>492</td>
</tr>
<tr>
<td>Common stock warrant</td>
<td>87</td>
<td>—</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>2,553</td>
<td>1,623</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>6,727</td>
<td>8,522</td>
</tr>
<tr>
<td>Treasury stock, at cost (89,058,634, and 103,095,907 shares)</td>
<td>(2,608)</td>
<td>(3,021)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>65</td>
<td>130</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>10,480</strong></td>
<td><strong>7,746</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td><strong>$104,531</strong></td>
<td><strong>$98,228</strong></td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
## Year ended December 31,
dollars in millions, except per share amounts

### INTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$3,902</td>
<td>$4,751</td>
<td>$4,561</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>146</td>
<td>337</td>
<td>325</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>440</td>
<td>427</td>
<td>347</td>
</tr>
<tr>
<td>Held-to-maturity securities</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Trading account assets</td>
<td>56</td>
<td>38</td>
<td>30</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>31</td>
<td>37</td>
<td>33</td>
</tr>
<tr>
<td>Other investments</td>
<td>51</td>
<td>52</td>
<td>82</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td><strong>4,629</strong></td>
<td><strong>5,644</strong></td>
<td><strong>5,380</strong></td>
</tr>
</tbody>
</table>

### INTEREST EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>1,468</td>
<td>1,845</td>
<td>1,576</td>
</tr>
<tr>
<td>Federal funds purchased and securities sold under repurchase agreements</td>
<td>57</td>
<td>208</td>
<td>107</td>
</tr>
<tr>
<td>Bank notes and other short-term borrowings</td>
<td>131</td>
<td>104</td>
<td>94</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>564</td>
<td>718</td>
<td>788</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td><strong>2,220</strong></td>
<td><strong>2,875</strong></td>
<td><strong>2,565</strong></td>
</tr>
</tbody>
</table>

### NET INTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for loan losses</td>
<td>1,835</td>
<td>529</td>
<td>150</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>574</td>
<td>2,240</td>
<td>2,665</td>
</tr>
</tbody>
</table>

### NONINTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust and investment services income</td>
<td>538</td>
<td>490</td>
<td>553</td>
</tr>
<tr>
<td>Service charges on deposit accounts</td>
<td>365</td>
<td>337</td>
<td>304</td>
</tr>
<tr>
<td>Operating lease income</td>
<td>270</td>
<td>272</td>
<td>229</td>
</tr>
<tr>
<td>Letter of credit and loan fees</td>
<td>183</td>
<td>192</td>
<td>188</td>
</tr>
<tr>
<td>Corporate-owned life insurance income</td>
<td>117</td>
<td>121</td>
<td>105</td>
</tr>
<tr>
<td>Electronic banking fees</td>
<td>103</td>
<td>99</td>
<td>105</td>
</tr>
<tr>
<td>Insurance income</td>
<td>65</td>
<td>55</td>
<td>64</td>
</tr>
<tr>
<td>Investment banking and capital markets income</td>
<td>63</td>
<td>117</td>
<td>230</td>
</tr>
<tr>
<td>Net securities (losses) gains</td>
<td>(2)</td>
<td>(35)</td>
<td>1</td>
</tr>
<tr>
<td>Net (losses) gains from principal investing</td>
<td>(62)</td>
<td>134</td>
<td>53</td>
</tr>
<tr>
<td>Net (losses) gains from loan securitizations and sales</td>
<td>(95)</td>
<td>(17)</td>
<td>76</td>
</tr>
<tr>
<td>Gain from redemption of Visa Inc. shares</td>
<td>165</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain from sale of McDonald Investments branch network</td>
<td>—</td>
<td>171</td>
<td>—</td>
</tr>
<tr>
<td>Other income</td>
<td>160</td>
<td>293</td>
<td>219</td>
</tr>
<tr>
<td><strong>Total noninterest income</strong></td>
<td><strong>1,870</strong></td>
<td><strong>2,229</strong></td>
<td><strong>2,127</strong></td>
</tr>
</tbody>
</table>

### NONINTEREST EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,605</td>
<td>1,621</td>
<td>1,692</td>
</tr>
<tr>
<td>Net occupancy</td>
<td>261</td>
<td>246</td>
<td>250</td>
</tr>
<tr>
<td>Operating lease expense</td>
<td>224</td>
<td>224</td>
<td>184</td>
</tr>
<tr>
<td>Computer processing</td>
<td>187</td>
<td>201</td>
<td>212</td>
</tr>
<tr>
<td>Professional fees</td>
<td>142</td>
<td>117</td>
<td>134</td>
</tr>
<tr>
<td>Equipment</td>
<td>92</td>
<td>96</td>
<td>102</td>
</tr>
<tr>
<td>Marketing</td>
<td>87</td>
<td>76</td>
<td>97</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>469</td>
<td>5</td>
<td>—</td>
</tr>
<tr>
<td>Other expense</td>
<td>511</td>
<td>662</td>
<td>478</td>
</tr>
<tr>
<td><strong>Total noninterest expense</strong></td>
<td><strong>3,578</strong></td>
<td><strong>3,248</strong></td>
<td><strong>3,149</strong></td>
</tr>
</tbody>
</table>

### (LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes</td>
<td>334</td>
<td>280</td>
<td>450</td>
</tr>
</tbody>
</table>

### (LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss from discontinued operations, net of taxes of ($13) and $16, respectively (see Note 3)</td>
<td>—</td>
<td>(22)</td>
<td>(143)</td>
</tr>
</tbody>
</table>

### (LOSS) INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative effect of accounting change, net of taxes (see Note 1)</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
</tbody>
</table>

### NET (LOSS) INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET (LOSS) INCOME</strong></td>
<td><strong>($1,468)</strong></td>
<td><strong>$919</strong></td>
<td><strong>$1,055</strong></td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------</td>
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<tr>
<td>Net (loss) income applicable to common shares</td>
<td>$(1,510)</td>
<td>$ 919</td>
<td>$ 1,055</td>
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<tr>
<td><strong>Per common share:</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(Loss) income from continuing operations before cumulative effect of accounting change</td>
<td>$ (3.36)</td>
<td>$ 2.40</td>
<td>$ 2.95</td>
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<tr>
<td>(Loss) income before cumulative effect of accounting change</td>
<td>(3.36)</td>
<td>2.35</td>
<td>2.60</td>
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<td>Net (loss) income</td>
<td>(3.36)</td>
<td>2.35</td>
<td>2.61</td>
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<tr>
<td><strong>Per common share — assuming dilution:</strong></td>
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<td></td>
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<tr>
<td>(Loss) income from continuing operations before cumulative effect of accounting change</td>
<td>$ (3.36)</td>
<td>$ 2.38</td>
<td>$ 2.91</td>
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<tr>
<td>(Loss) income before cumulative effect of accounting change</td>
<td>(3.36)</td>
<td>2.32</td>
<td>2.56</td>
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<tr>
<td>Net (loss) income</td>
<td>(3.36)</td>
<td>2.32</td>
<td>2.57</td>
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<tr>
<td>Cash dividends declared per common share</td>
<td>.625</td>
<td>1.835</td>
<td>1.38</td>
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<tr>
<td>Weighted-average common shares outstanding (000)</td>
<td>450,039</td>
<td>392,013</td>
<td>404,490</td>
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<tr>
<td>Weighted-average common shares and potential common shares outstanding (000)</td>
<td>450,039</td>
<td>395,823</td>
<td>410,222</td>
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</table>

See Notes to Consolidated Financial Statements.
KEYCORP AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders’ Equity

dollars in millions, except per share amounts

<table>
<thead>
<tr>
<th>Preferred Stock Outstanding (000)</th>
<th>Common Shares Outstanding (000)</th>
<th>Preferred Stock</th>
<th>Common Shares</th>
<th>Common Stock Warrant</th>
<th>Capital Surplus</th>
<th>Retained Earnings</th>
<th>Treasury Stock, at Cost</th>
<th>Accumulated Other Comprehensive Income (Loss)</th>
<th>Comprehensive Income (Loss)</th>
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<tr>
<td>BALANCE AT DECEMBER 31, 2005</td>
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<td></td>
<td></td>
<td>$ 1,055</td>
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<td>Other comprehensive income:</td>
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<tr>
<td>Net unrealized gains on securities available for sale, net of income taxes of $20 a</td>
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<td>Net unrealized gains on derivative financial instruments, net of income taxes of $6</td>
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<td>Foreign currency translation adjustments</td>
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<td>Minimum pension liability adjustment, net of income taxes</td>
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<tr>
<td>Total comprehensive income</td>
<td></td>
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<td>$ 1,131</td>
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<td>Adjustment to initially apply SFAS No. 158, net of income taxes of ($92)</td>
<td>(154)</td>
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<td>Deferred compensation</td>
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<td>Cash dividends declared on common shares ($1.38 per share)</td>
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<td>Issuance of common shares for stock options and other employee benefit plans</td>
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<td>264</td>
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<td>Repurchase of common shares</td>
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<td>BALANCE AT DECEMBER 31, 2006</td>
<td>399,153</td>
<td>$ 492</td>
<td>$ 1,602</td>
<td>$ 8,377</td>
<td>$ (2,584)</td>
<td>$ (184)</td>
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<td>Cumulative effect of adopting FSP 13-2, net of income taxes of ($2)</td>
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<td>Cumulative effect of adopting FIN 48, net of income taxes of ($1)</td>
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<td>BALANCE AT JANUARY 1, 2007</td>
<td>8,324</td>
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<td>Net income</td>
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<td>Other comprehensive income:</td>
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<td>Net unrealized gains on securities available for sale, net of income taxes of $30 a</td>
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<td>Net unrealized gains on derivative financial instruments, net of income taxes of $63</td>
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<td>Net pension and postretirement benefit costs, net of income taxes</td>
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<td>109</td>
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<td>(3)</td>
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<tr>
<td>Cash dividends declared on common shares ($1.835 per share)</td>
<td>(718)</td>
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<td>Common shares reissued for stock options and other employee benefit plans</td>
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<td>5</td>
<td>158</td>
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<td>Common shares repurchased</td>
<td>(16,000)</td>
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<td>BALANCE AT DECEMBER 31, 2007</td>
<td>388,793</td>
<td>$ 492</td>
<td>$ 1,623</td>
<td>$ 8,522</td>
<td>$(3,021)</td>
<td>$ 130</td>
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<td>$ (1,468)</td>
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<td>Net loss</td>
<td>(1,468)</td>
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<td>Other comprehensive income (loss):</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Net unrealized gains on securities available for sale, net of income taxes of $64 a</td>
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<td>106</td>
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<td></td>
<td></td>
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</tbody>
</table>
Net unrealized gains on derivative financial instruments, net of income taxes of $94 135 135

Net unrealized losses on common investments held in employee welfare benefits trust, net of income taxes 4 4

Foreign currency translation adjustments (68) (68)

Net pension and postretirement benefit costs, net of income taxes (234) (234)

Total comprehensive loss $ (1,533)

Effect of adopting the measurement date provisions of SFAS No. 158, net of income taxes (7)

Deferred compensation 8 (3)

Cash dividends declared on common shares ($0.625 per share) (273)

Cash dividends on Series A Preferred Stock ($3.8105 per share) (25)

Cash dividends on Series B Preferred Stock (5% per annum) (15)

Amortization of discount on Series B Preferred Stock (2)

Series A Preferred Stock issued 6,575 $ 658 (20)

Series B Preferred Stock issued 25 2,414 (2)

Common shares issued 92,172 92 967

Common stock warrant $ 87

Common shares reissued:

Acquisition of U.S.B. Holding Co., Inc. 9,895 58 290

Stock options and other employee benefit plans 4,142 (83) 123

BALANCE AT DECEMBER 31, 2008 6,600 495,002 $ 3,072 $ 584 $ 87 $2,553 $ 6,727 $(2,608) $ 65

(a) Net of reclassification adjustments. Reclassification adjustments represent net unrealized gains (losses) as of December 31 of the prior year on securities available for sale that were sold during the current year. The reclassification adjustments were ($3) million ($2) million after tax) in 2008, ($51) million ($32) million after tax) in 2007 and ($10) million ($6) million after tax) in 2006.

See Notes to Consolidated Financial Statements.

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KEYCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Year ended December 31,
in millions

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
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<tbody>
<tr>
<td>OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(1,468)</td>
<td>$ 919</td>
<td>$ 1,055</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>1,835</td>
<td>529</td>
<td>147</td>
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<tr>
<td>Depreciation and amortization expense</td>
<td>431</td>
<td>425</td>
<td>397</td>
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<tr>
<td>Goodwill impairment</td>
<td>469</td>
<td>5</td>
<td>170</td>
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<tr>
<td>Honsador litigation reserve</td>
<td>(23)</td>
<td>42</td>
<td>—</td>
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<td>Net securities losses (gains)</td>
<td>2</td>
<td>35</td>
<td>(1)</td>
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<tr>
<td>Liability to Visa</td>
<td>(64)</td>
<td>64</td>
<td>—</td>
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<tr>
<td>Gain from redemption of Visa Inc. shares</td>
<td>(165)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Gain from sale of McDonald Investments branch network</td>
<td>—</td>
<td>(171)</td>
<td>—</td>
</tr>
<tr>
<td>Gain related to MasterCard Incorporated shares</td>
<td>—</td>
<td>(67)</td>
<td>(9)</td>
</tr>
<tr>
<td>Gain from settlement of automobile residual value insurance litigation</td>
<td>—</td>
<td>(26)</td>
<td>—</td>
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<tr>
<td>Net losses (gains) from principal investing</td>
<td>62</td>
<td>(134)</td>
<td>(53)</td>
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<tr>
<td>Net losses (gains) from loan securitizations and sales</td>
<td>95</td>
<td>17</td>
<td>(76)</td>
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<td>Loss (gain) from sale of discontinued operations</td>
<td>—</td>
<td>3</td>
<td>(22)</td>
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<tr>
<td>Proceeds from settlement of automobile residual value insurance litigation</td>
<td>—</td>
<td>279</td>
<td>—</td>
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<tr>
<td>Deferred income taxes</td>
<td>(1,721)</td>
<td>(74)</td>
<td>27</td>
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<tr>
<td>Net decrease (increase) in loans held for sale from continuing operations</td>
<td>473</td>
<td>(1,099)</td>
<td>(280)</td>
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<td>Net increase in trading account assets</td>
<td>(224)</td>
<td>(144)</td>
<td>(62)</td>
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<tr>
<td>Other operating activities, net</td>
<td>78</td>
<td>(798)</td>
<td>(288)</td>
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<td><strong>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>$(220)</td>
<td>$(195)</td>
<td>1,005</td>
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<td>INVESTING ACTIVITIES</td>
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<tr>
<td>Proceeds from sale of discontinued operations</td>
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<td>—</td>
<td>2,520</td>
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<tr>
<td>Proceeds from redemption of Visa Inc. shares</td>
<td>165</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Proceeds from sale of McDonald Investments branch network, net of retention payments</td>
<td>—</td>
<td>199</td>
<td>—</td>
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<tr>
<td>Proceeds from sale of MasterCard Incorporated shares</td>
<td>—</td>
<td>67</td>
<td>—</td>
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<tr>
<td>Cash used in acquisitions, net of cash acquired</td>
<td>(157)</td>
<td>(80)</td>
<td>(34)</td>
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<td>Net (increase) decrease in short-term investments</td>
<td>(4,632)</td>
<td>(305)</td>
<td>247</td>
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<tr>
<td>Purchases of securities available for sale</td>
<td>(1,663)</td>
<td>(4,696)</td>
<td>(4,640)</td>
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<td>Proceeds from sales of securities available for sale</td>
<td>1,001</td>
<td>2,111</td>
<td>201</td>
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<td>Proceeds from prepayments and maturities of securities available for sale</td>
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<td>2,564</td>
<td>3,933</td>
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<td>Purchases of held-to-maturity securities</td>
<td>(6)</td>
<td>(7)</td>
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<td>Proceeds from prepayments and maturities of held-to-maturity securities</td>
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<td>14</td>
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<td>Purchases of other investments</td>
<td>(456)</td>
<td>(662)</td>
<td>(542)</td>
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<td>Proceeds from sales of other investments</td>
<td>161</td>
<td>358</td>
<td>234</td>
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<tr>
<td>Proceeds from prepayments and maturities of other investments</td>
<td>211</td>
<td>191</td>
<td>293</td>
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<tr>
<td>Net increase in loans, excluding acquisitions, sales and transfers</td>
<td>(2,665)</td>
<td>(5,865)</td>
<td>(2,384)</td>
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<td>Purchases of loans</td>
<td>(16)</td>
<td>(64)</td>
<td>(133)</td>
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<td>Proceeds from loan securitizations and sales</td>
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<td>480</td>
<td>454</td>
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<td>Purchases of premises and equipment</td>
<td>(202)</td>
<td>(196)</td>
<td>(120)</td>
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<td>Proceeds from sales of premises and equipment</td>
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<td>9</td>
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<td>Proceeds from sales of other real estate owned</td>
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<td><strong>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</strong></td>
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<td>(5,811)</td>
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<td>FINANCING ACTIVITIES</td>
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<td>Net increase in deposits</td>
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<td>(543)</td>
<td>5,545</td>
<td>(1,780)</td>
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<td>Net proceeds from issuance of long-term debt</td>
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<td>654</td>
<td>3,016</td>
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<td>Payments on long-term debt</td>
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<td>(3,583)</td>
<td>(2,638)</td>
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<td>Purchases of treasury shares</td>
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<td>(595)</td>
<td>(644)</td>
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<td>Net proceeds from issuance of common shares and preferred stock</td>
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<tr>
<td>Net proceeds from issuance of common stock warrant</td>
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<td>Net proceeds from reissuance of common shares</td>
<td>6</td>
<td>112</td>
<td>244</td>
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<tr>
<td>Tax benefits (under) over recognized compensation cost for stock-based awards</td>
<td>(2)</td>
<td>13</td>
<td>28</td>
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<tr>
<td>Cash dividends paid</td>
<td>(445)</td>
<td>(570)</td>
<td>(557)</td>
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<td><strong>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</strong></td>
<td>6,135</td>
<td>5,556</td>
<td>(1,970)</td>
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</table>

**NET DECREASE IN CASH AND DUE FROM BANKS**  
(557)  
**CASH AND DUE FROM BANKS AT BEGINNING OF YEAR**  
1,814  
**CASH AND DUE FROM BANKS AT END OF YEAR**  
$ 1,257  
$ 1,814  
$ 2,264
Additional disclosures relative to cash flows:

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<tr>
<th>Description</th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
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<tr>
<td>Interest paid</td>
<td>$ 2,172</td>
<td>$ 2,913</td>
<td>$ 2,704</td>
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<tr>
<td>Income taxes paid</td>
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<td>467</td>
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<td><strong>Noncash items:</strong></td>
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<td>Cash dividends declared, but not paid</td>
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<td>Liabilities assumed</td>
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<td>Loans transferred to portfolio from held for sale</td>
<td>$ 3,695</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loans transferred to held for sale from portfolio</td>
<td>$ 459</td>
<td>—</td>
<td>$ 2,474</td>
</tr>
<tr>
<td>Loans transferred to other real estate owned</td>
<td>$ 130</td>
<td>35</td>
<td>72</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  KEYCORP AND SUBSIDIARIES

1. Summary of Significant Accounting Policies

ORGANIZATION

KeyCorp is one of the nation’s largest bank-based financial services companies, with consolidated total assets of $104.531 billion at December 31, 2008. Through KeyBank National Association and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups. As of December 31, 2008, KeyBank National Association operated 986 full service retail banking branches in 14 states, a telephone banking call center services group and 1,478 automated teller machines in 16 states. Additional information pertaining to KeyCorp’s two business groups, Community Banking and National Banking appears in Note 4 (“Line of Business Results”), which begins on page 88.

As used in these Notes:

◆ KeyCorp refers solely to the parent holding company;
◆ KeyBank refers to KeyCorp’s subsidiary bank, KeyBank National Association; and
◆ Key refers to the consolidated entity consisting of KeyCorp and its subsidiaries.

USE OF ESTIMATES

Key’s accounting policies conform to U.S. generally accepted accounting principles (“GAAP”) and prevailing practices within the financial services industry. Management must make certain estimates and judgments when determining the amounts presented in Key’s consolidated financial statements and the related notes. If these estimates prove to be inaccurate, actual results could differ from those reported.

Basis of Presentation

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

The consolidated financial statements include any voting rights entity in which Key has a controlling financial interest. In accordance with Financial Accounting Standards Board (“FASB”) Revised Interpretation No. 46, “Consolidation of Variable Interest Entities,” a variable interest entity (“VIE”) is consolidated if Key has a variable interest in the entity and is exposed to the majority of its expected losses and/or residual returns (i.e., Key is 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 8 (“Loan Securitizations, Servicing and Variable Interest Entities”), which begins on page 94, for information on Key’s involvement with VIEs.

Management uses the equity method to account for unconsolidated investments in voting rights entities or VIEs in which Key has significant influence over 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 Key has a voting or economic interest of less than 20% generally are carried at cost. Investments held by KeyCorp’s registered broker-dealer and investment company subsidiaries (primarily principal investments) are carried at fair value.

Qualifying special purpose entities (“SPEs”), including securitization trusts, established by Key under the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” are not consolidated. Information on SFAS No. 140 is included in this note under the heading “Loan Securitizations” on page 79.

Business Combinations

Key accounts for its business combinations using the purchase method of accounting. Under this method of accounting, the acquired company’s net assets are recorded at fair value at the date of acquisition and the results of operations of the acquired company are combined with Key’s results from that date forward. Purchase premiums and discounts, including intangible assets with finite lives, are amortized over the remaining useful lives of the related assets or liabilities. The difference between the purchase price and the fair value of the net assets acquired (including intangible assets with finite lives) is recorded as goodwill. Key’s accounting policy for intangible assets is summarized in this note under the heading “Goodwill and Other Intangible Assets” on page 80.

Statements of Cash Flows

Cash and due from banks are considered “cash and cash equivalents” for financial reporting purposes.

Trading Account Assets

These are debt and equity securities, and commercial loans that Key purchases and holds but intends to sell in the near term. Trading account assets are reported at fair value. Realized and unrealized gains and losses on trading account assets are reported in “investment banking and capital markets income” on the income statement.

Securities
Securities available for sale. These are securities that Key intends to hold for an indefinite period of time but that may be sold in response to changes in interest rates, prepayment risk, liquidity needs or other factors. Securities available for sale are reported at fair value. Unrealized gains and losses (net of income taxes) deemed temporary are recorded in shareholders’ equity as a component of “accumulated other comprehensive income” on the balance sheet. Unrealized losses on specific securities deemed to be “other-than-temporary” are included in “net securities (losses) gains” on the income statement, as are actual gains and losses resulting from the sales of securities using the specific indentification method. Additional information regarding unrealized gains and losses on securities available for sale is included in Note 6 ("Securities"), which begins on page 91.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

When Key retains an interest in loans it securitizes, it bears risk that the loans will be prepaid (which would reduce expected interest income) or not paid at all. Key accounts for these retained interests as debt securities and classifies them as available for sale.

“Other securities” held in the available-for-sale portfolio are primarily marketable equity securities.

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

“Other securities” held in the held-to-maturity portfolio are foreign bonds and preferred equity securities.

**OTHER INVESTMENTS**

Principal investments — investments in equity and mezzanine instruments made by Key’s Principal Investing unit — represented 65% of other investments at December 31, 2008 and 2007. They include direct investments (investments made in a particular company), as well as indirect investments (investments made through funds that include other investors). Principal investments are predominantly made in privately held companies and are carried at fair value ($990 million at December 31, 2008, and $993 million at December 31, 2007). Changes in fair values, and actual gains and losses on sales of principal investments are reported as “net (losses) gains from principal investing” on the income statement.

In addition to principal investments, “other investments” include other equity and mezzanine instruments, such as certain real estate-related investments that are carried at fair value, as well as other types of investments that generally are carried at cost. The carrying amount of the investments carried at cost is adjusted for declines in value that are considered to be other-than-temporary. These adjustments are included in “investment banking and capital markets income” on the income statement. Neither these securities nor principal investments have stated maturities.

**LOANS**

Loans are carried at the principal amount outstanding, net of unearned income, including net deferred loan fees and costs. Key defers certain nonrefundable loan origination and commitment fees, and the direct costs of originating or acquiring loans. The net deferred amount is amortized over the estimated lives of the related loans as an adjustment to the yield.

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

Leveraged leases are carried net of nonrecourse debt. Revenue on leveraged leases is recognized on a basis that produces a constant rate of return on the outstanding investment in the lease, net of related deferred tax liabilities, during the years in which the net investment is positive.

The residual value component of a lease represents the fair value of the leased asset at the end of the lease term. Key relies on industry data, historical experience, independent appraisals and the experience of the equipment leasing asset management team to value lease residuals. Relationships with a number of equipment vendors gives the asset management team insight into the life cycle of the leased equipment, pending product upgrades and competing products.

In accordance with SFAS No. 13, “Accounting for Leases,” residual values are reviewed at least annually to determine if there has been an other-than-temporary decline in value. This review is conducted using the sources of knowledge described above. In the event of an other-than-temporary decline, the residual value is adjusted to its fair value. Impairment charges, as well as net gains or losses on sales of lease residuals, are included in “other income” on the income statement.

**LOANS HELD FOR SALE**

Key’s loans held for sale at December 31, 2008 and 2007, are disclosed in Note 7 (“Loans and Loans Held for Sale”) on page 93. These loans, which Key originated and intends to sell, are carried at the lower of aggregate cost or fair value. Fair value is determined based on available market data for similar assets, expected cash flows and credit quality of the borrower. If a loan is transferred from the loan portfolio to the held-for-sale category, any write-down in the carrying amount of the loan at the date of transfer is recorded as a charge-off. Subsequent declines in fair value are recognized as a charge to noninterest income. When a loan is placed in the held-for-sale category, Key ceases to amortize the related deferred fees and costs. The remaining unamortized fees and costs are recognized as part of the cost basis of the loan at the time it is sold.

**IMPAIRED AND OTHER NONACCRUAL LOANS**

Key generally will stop accruing interest on a loan (i.e., designate the loan “nonaccrual”) when the borrower’s payment is 90 days past due for a commercial loan or 120 days past due for a consumer loan, unless the loan is well-secured and in the process of collection. Also, loans are placed on nonaccrual status when payment is not past due but management has serious doubts about the borrower’s ability to comply with existing repayment terms. Once a loan is designated nonaccrual, the interest accrued but not collected generally is charged against the allowance for loan losses, and payments subsequently received generally are applied to principal. However, if management believes that all principal and interest on a nonaccrual loan ultimately are collectible, interest income may be recognized as received.

Nonaccrual loans, other than smaller-balance homogeneous loans (i.e., home equity loans, loans to finance automobiles, etc.), are designated “impaired.” Impaired loans and other nonaccrual loans are returned to accrual status if management determines that both principal and interest are collectible. This generally requires a sustained period of timely principal and interest payments.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents management’s estimate of probable credit losses inherent in the loan portfolio at the balance sheet date. Management establishes the amount of the allowance for loan losses by analyzing the quality of the loan portfolio at least quarterly, and more often if deemed necessary.

A commercial loan generally is charged off in full or charged down to the fair value of the underlying collateral when the borrower’s payment is 180 days past due. Key’s charge-off policy for consumer loans is similar, but takes effect when the payments are 120 days past due. Home equity and residential mortgage loans generally are charged down to the fair value of the underlying collateral when payment is 180 days past due.

Management estimates the appropriate level of Key’s allowance for loan losses by applying historical loss rates to existing loans with similar risk characteristics. The loss rates used to establish the allowance may be adjusted to reflect management’s current assessment of many factors, including:

- changes in national and local economic and business conditions;
- changes in experience, ability and depth of Key’s lending management and staff, in lending policies, or in the mix and volume of the loan portfolio;
- trends in past due, nonaccrual and other loans; and
- external forces, such as competition, legal developments and regulatory guidelines.

If an impaired loan has an outstanding balance greater than $2.5 million, management conducts further analysis to determine the probable loss content, and assigns a specific allowance to the loan if deemed appropriate. Management estimates the extent of impairment by comparing the carrying amount of the loan with the estimated present value of its future cash flows, the fair value of its underlying collateral or the loan’s observable market price. A specific allowance also may be assigned — even when sources of repayment appear sufficient — if management remains uncertain about whether the loan will be repaid in full.

LIABILITY FOR CREDIT LOSSES ON LENDING-RELATED COMMITMENTS

The liability for credit losses inherent in lending-related commitments, such as letters of credit and unfunded loan commitments, is included in “accrued expense and other liabilities” on the balance sheet and totaled $54 million at December 31, 2008, and $80 million at December 31, 2007. Management establishes the amount of this allowance by considering both historical trends and current market conditions quarterly, or more often if deemed necessary.

LOAN SECURITIZATIONS

Historically, Key has securitized education loans when market conditions are favorable. A securitization involves the sale of a pool of loan receivables to investors through either a public or private issuance (generally by a qualifying SPE) of asset-backed securities. A securitized loan is removed from the balance sheet, and a net gain or loss is recorded when the combined net sales proceeds and (if applicable) residual interests differ from the loan’s allocated carrying amount. Net gains and losses resulting from securitizations are recorded as one component of “net (losses) gains from loan securitizations and sales” on the income statement. A servicing asset also may be recorded if Key purchases or retains the right to service securitized loans and receives related fees that exceed the going market rate. Income earned under servicing or administration arrangements is recorded in “other income.”

In some cases, Key has retained one or more residual interests in securitized loans in the form of an interest-only strip, residual asset, servicing asset or security. Key’s accounting for its servicing assets is discussed below under the heading “Servicing Assets.” All other retained interests are accounted for as debt securities and classified as securities available for sale. Some of the assumptions used in determining the fair values of Key’s retained interests are disclosed in Note 8.

In accordance with Revised Interpretation No. 46, qualifying SPEs, including securitization trusts, established by Key under SFAS No. 140 are exempt from consolidation. Information on Revised Interpretation No. 46 is included in this note under the heading “Basis of Presentation” on page 77.

Key conducts a quarterly review to determine whether all retained interests are valued appropriately in the financial statements. Management reviews the historical performance of each retained interest as well as the assumptions used to project future cash flows, and revises assumptions and recalculates the present values of cash flows as appropriate.

The present value of these cash flows is referred to as the “retained interest fair value.” If the carrying amount of a retained interest classified as securities available for sale exceeds its fair value, impairment is indicated and recognized in earnings if considered to be “other-than-temporary” or is recognized as a component of “accumulated other comprehensive income” if deemed to be temporary. Conversely, if the fair value of the retained interest exceeds its carrying amount, the write-up to fair value is recorded in equity as a component of “accumulated other comprehensive income,” and the yield on the retained interest is adjusted prospectively.

SERVICING ASSETS

Effective January 1, 2007, Key adopted SFAS No. 156, “Accounting for Servicing of Financial Assets — an Amendment of FASB Statement No. 140,” which requires that newly purchased or retained servicing assets and liabilities be measured at fair value initially, if practicable. When no ready market value (such as quoted market prices or prices based on sales or purchases of similar assets) is available to determine the fair value of servicing assets, the fair value is determined by calculating the present value of future cash flows associated with servicing the loans. This
calculation is based on a number of assumptions, including the cost of servicing, the discount rate, the prepayment rate and the default rate.

SFAS No. 156 also requires the remeasurement of servicing assets and liabilities at each subsequent reporting date using one of two methods: amortization over the servicing period or measurement at fair value. Key has elected to remeasure servicing assets using the amortization method. The amortization of servicing assets is determined in proportion to, and over the period of, the estimated net servicing income and is recorded in “other income” on the income statement.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

In accordance with SFAS No. 140, the initial value of servicing assets purchased or retained prior to January 1, 2007, was determined by allocating the amount of the assets sold or securitized to the retained interests and the assets sold based on their relative fair values at the date of transfer. These servicing assets are reported at the lower of amortized cost or fair value.

Servicing assets that Key purchases or retains in a sale or securitization of loans are reported at the lower of amortized amount or fair value ($265 million at December 31, 2008, and $342 million at December 31, 2007) and included in “accrued income and other assets” on the balance sheet. Key services primarily mortgage and education loans. Servicing assets at December 31, 2008, include $242 million related to commercial mortgage loan servicing and $23 million related to education loan servicing.

Servicing assets are evaluated quarterly for possible impairment. This process involves classifying the assets based on the types of loans serviced and their associated interest rates, and determining the fair value of each class. If the evaluation indicates that the carrying amount of the servicing assets exceeds their fair value, the carrying amount is reduced through a charge to income in the amount of such excess. For the years ended December 31, 2008, 2007 and 2006, no servicing asset impairment occurred. Additional information pertaining to servicing assets is included in Note 8.

PREMISES AND EQUIPMENT

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Management determines depreciation of premises and equipment using the straight-line method over the estimated useful lives of the particular assets. Leasehold improvements are amortized using the straight-line method over the terms of the leases. Accumulated depreciation and amortization on premises and equipment totaled $1.161 billion at December 31, 2008, and $1.138 billion at December 31, 2007.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the amount by which the cost of net assets acquired in a business combination exceeds their fair value. Other intangible assets primarily are customer relationships and the net present value of future economic benefits to be derived from the purchase of core deposits. Other intangible assets are amortized on either an accelerated or straight-line basis over periods ranging from five to thirty years. Goodwill and other types of intangible assets deemed to have indefinite lives are not amortized.

Under SFAS No. 142, “Goodwill and Other Intangible Assets,” goodwill and certain intangible assets are subject to impairment testing, which must be conducted at least annually. Key performs the goodwill impairment testing in the fourth quarter of each year. Key’s reporting units for purposes of this testing are its major business segments, Community Banking and National Banking.

The first step in impairment testing is to determine the fair value of each reporting unit. If the carrying amount of a reporting unit exceeds its fair value, goodwill impairment may be indicated. In such a case, Key would estimate a hypothetical purchase price for the reporting unit (representing the unit’s fair value) and then compare that hypothetical purchase price with the fair value of the unit’s net assets (excluding goodwill). Any excess of the estimated purchase price over the fair value of the reporting unit’s net assets represents the implied fair value of goodwill. An impairment loss would be recognized as a charge to earnings if the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of goodwill.

Key’s results for 2008 were adversely affected by after-tax charges of $1.011 billion recorded during the second quarter as a result of a previously announced adverse federal court decision on the tax treatment of a leveraged sale-leaseback transaction, and a substantial increase in the provision for loan losses throughout 2008. Additionally, 2008 results were adversely affected by severe market disruptions. As a result of these factors, management tested Key’s goodwill for impairment as of June 30, 2008, and determined that no impairment existed at that date. As of September 30, 2008, a review of the goodwill impairment indicators set forth in the accounting guidance was performed. This review indicated that no further impairment testing was required as of that date.

Key’s annual goodwill impairment testing was performed as of October 1, 2008, and management determined that a goodwill impairment charge of $465 million was required for Key’s National Banking reporting unit. The first step in the impairment testing process indicated that the carrying amount of the National Banking reporting unit, which had approximately $769 million in goodwill, exceeded its fair value and therefore the second step of impairment testing set forth in SFAS No. 142 was required. The fair value of the Community Banking reporting unit as determined in the first step of impairment testing exceeded its carrying amount. Therefore, no further impairment testing of Community Banking’s goodwill of approximately $917 million was necessary.

In the second step of goodwill impairment testing for the National Banking reporting unit, Key estimated a purchase price which represented this reporting unit’s fair value and then compared that hypothetical purchase price with the fair value of its net assets (excluding goodwill). The excess of the estimated purchase price over the fair value of the National Banking reporting unit’s net assets represented the implied fair value of goodwill. The implied fair value of goodwill was less than the carrying amount of goodwill. As a result, Key recorded a goodwill impairment charge of $465 million during the fourth quarter of 2008. Also, during the fourth quarter of 2008, as the result of an earn-out target being met, Key increased its goodwill related to the Austin Capital Management, Ltd. acquisition by $7 million. The carrying amount of the National Banking reporting unit’s goodwill after this impairment charge and increase in goodwill related to this earn-out was approximately $221 million.

Management conducted an additional review of Key’s goodwill as of December 31, 2008, and determined that no further impairment had occurred. In September 2008, Key announced its decision to limit new education loans to those backed by government guarantee. As a result, $4 million of goodwill was written off during the third quarter of 2008. In March 2008, as a result of separately identifying other intangible assets related to the acquisition of Tuition Management Systems, goodwill was reduced by $4 million. In December 2007, Key announced its decision
to cease offering Payroll Online services since they were not of sufficient size to provide economies of scale to compete profitably. As a result, $5 million of goodwill was written off during the fourth quarter of 2007. In December 2006, Key announced that it sold the subprime mortgage loan portfolio held by the Champion Mortgage finance business on November 29, 2006, and also announced that it had entered into a separate agreement to sell Champion’s loan origination platform. As a result, $170 million of goodwill was written off during the fourth quarter of 2006. Key sold the Champion Mortgage loan origination platform on February 28, 2007. Additional information related to the Champion disposition is included in Note 3 (“Acquisitions and Divestitures”) under the heading “Divestitures” on page 87.

INTERNALLY DEVELOPED SOFTWARE

Key relies on both company personnel and independent contractors to plan, develop, install, customize and enhance computer systems applications that support corporate and administrative operations. Software development costs, such as those related to program coding, testing, configuration and installation, are capitalized and included in “accrued income and other assets” on the balance sheet. The resulting asset ($105 million at December 31, 2008, and $118 million at December 31, 2007) is amortized using the straight-line method over its expected useful life (not to exceed five years). Costs incurred during the planning and post-development phases of an internal software project are expensed as incurred. Software that is no longer used is written off to earnings immediately. When management decides to replace software, amortization of such software is accelerated to the expected replacement date.

DERIVATIVES USED FOR ASSET AND LIABILITY MANAGEMENT PURPOSES

Key uses interest rate swaps and caps to hedge interest rate risk. These derivative instruments modify the repricing characteristics of specified on-balance sheet assets and liabilities.

Key’s accounting policies related to derivatives reflect the accounting guidance in SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and other related accounting guidance. In accordance with this accounting guidance, all derivatives are recognized as either assets or liabilities on the balance sheet at fair value.

Accounting for changes in fair value (i.e., gains or losses) of derivatives differs depending on whether the derivative has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For derivatives that are not designated as hedging instruments, the gain or loss is recognized immediately in earnings. A derivative that is designated and qualifies as a hedging instrument must be designated a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. Key does not have any derivatives that hedge net investments in foreign operations.

“Effectiveness” measures the extent to which changes in the fair value of a derivative instrument offset changes in the fair value of the hedged item. If the relationship between the change in the fair value of the derivative instrument and the fair value of the hedged item falls within a range considered to be the industry norm, the hedge is considered “highly effective” and qualifies for hedge accounting. A hedge is “ineffective” if the offsetting difference between the fair values falls outside the acceptable range.

A fair value hedge is used to limit exposure to changes in the fair value of existing assets, liabilities and firm commitments caused by changes in interest rates or other economic factors. Key recognizes the gain or loss on these derivatives, as well as the related gain or loss on the underlying hedged item, in earnings during the period in which the fair value changes. If a hedge is perfectly effective, the change in the fair value of the hedged item will be offset, resulting in no net effect on earnings.

A cash flow hedge is used to minimize the variability of future cash flows that is caused by changes in interest rates or other economic factors. The effective portion of a gain or loss on any cash flow hedge is reported as a component of “accumulated other comprehensive income” and reclassified into earnings in the same period or periods that the hedged transaction affects earnings. Any ineffective portion of the derivative gain or loss is recognized in earnings during the current period.

DERIVATIVES USED FOR CREDIT RISK MANAGEMENT PURPOSES

Key uses credit derivatives, primarily credit default swaps, to mitigate credit risk by transferring a portion of the underlying instruments’ credit risk to a third party. These instruments also are used to manage portfolio concentration and correlation risks. Key also provides credit protection to other lenders through the sale of credit default swaps.

Credit derivatives are recorded on the balance sheet at fair value, which is based on the creditworthiness of the borrowers. Related gains or losses, as well as the premium paid or received for credit protection, are included in “investment banking and capital markets income” on the income statement. Additional information regarding Key’s use of credit derivatives is provided in Note 19 ("Derivatives and Hedging Activities") under the heading “Credit Derivatives” on page 117.

DERIVATIVES USED FOR TRADING PURPOSES

Key enters into derivative contracts to accommodate client needs and for trading purposes. Derivatives used for trading purposes typically include interest rate, credit and energy derivatives, foreign exchange forward contracts, written and purchased options (including currency options) and foreign currency derivatives. Additional information regarding Key’s derivatives used for trading purposes is provided in Note 19.

All derivatives used for trading purposes are recorded at fair value. Fair value is calculated using applicable market variables such as interest rate volatility and other relevant market inputs. Changes in fair value (including payments and receipts) are recorded in “investment banking and capital markets income” on the income statement.

OFFSETTING DERIVATIVE POSITIONS

Effective January 1, 2008, Key adopted the accounting guidance in FASB Staff Position No. FIN 39-1, “Amendment of FASB Interpretation 39,”
and, consequently, also adopted the provisions of Interpretation No. 39.
“Offsetting of Amounts Related to Certain Contracts.” As a result of adopting this guidance, Key changed its accounting policy pertaining to the recognition of derivative assets and liabilities to take into account the impact of master netting agreements that allow Key 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. Additional information regarding Key’s adoption of this accounting guidance is provided in Note 19 and under the heading “Accounting Pronouncements Adopted in 2008” on page 83 of this note.

GUARANTEES

Key’s accounting policies related to certain guarantees reflect the guidance in FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” Based on this guidance, Key recognizes liabilities, which are included in “accrued expense and other liabilities” on the balance sheet, for the fair value of its obligations under certain guarantees issued or modified on or after January 1, 2003.

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

Additional information regarding guarantees is included in Note 18 (“Commitments, Contingent Liabilities and Guarantees”) under the heading “Guarantees” on page 114.

FAIR VALUE MEASUREMENTS

Effective January 1, 2008, Key adopted SFAS No. 157, “Fair Value Measurements,” for all applicable financial and nonfinancial assets and liabilities. This accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value to any new circumstances.

As defined in SFAS No. 157, fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants. It represents an exit price at the measurement date. Market participants are buyers and sellers, who are independent, knowledgeable, and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured. Current market conditions, including imbalances between supply and demand, are considered in determining fair value.

Key values its assets and liabilities in the principal market where it sells the particular asset or transfers the liability with the greatest volume and level of activity. In the absence of a principal market, the valuation is based on the most advantageous market for the asset or liability (i.e., the market where the asset could be sold at a price that maximizes the amount to be received or the liability transferred at a price that minimizes the amount to be paid).

In measuring the fair value of an asset, Key assumes the highest and best use of the asset by a market participant to maximize the value of the asset, and does not consider the intended use of the asset.

When measuring the fair value of a liability, Key assumes that the nonperformance risk associated with the liability is the same before and after the transfer. Nonperformance risk is the risk that an obligation will not be satisfied and encompasses not only Key’s own credit risk (i.e., the risk that Key will fail to meet its obligation), but also other risks such as settlement risk (i.e., the risk that upon termination or sale, the contract will not settle). Key considers the effect of its own credit risk on the fair value for any period in which fair value is measured.

There are three acceptable techniques that can be used to measure fair value: the market approach, the income approach and the cost approach. Selection of the appropriate technique for valuing a particular asset or liability requires consideration of the exit market, the nature of the asset or liability being valued, and how a market participant would value the same asset or liability. Ultimately, determination of the appropriate valuation method requires significant judgment. Moreover, sufficient knowledge and expertise are required to apply the valuation techniques.

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability. Inputs can be observable or unobservable. Observable inputs are assumptions that are based on market data and obtained from a source independent of Key. Unobservable inputs are assumptions based on Key’s own information or assessment of assumptions used by other market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date.

All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy that gives the highest ranking to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest ranking to unobservable inputs (Level 3). Fair values for assets or liabilities classified as Level 2 are based on one or a combination of the following factors: (a) quoted prices for similar assets; (b) observable inputs for the asset or liability, such as interest rates or yield curves; or (c) inputs derived principally from or corroborated by observable market data. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Key considers an input to be significant if it drives 10% or more of the total fair value of a particular asset or liability.

Assets and liabilities are considered to be fair valued on a recurring basis if fair value is measured regularly (i.e., daily, weekly, monthly or quarterly). At a minimum, Key’s valuation occurs quarterly.

Assets and liabilities are considered to be fair valued on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the balance sheet.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

Generally, nonrecurring valuation is the result of applying other accounting pronouncements that require assets or liabilities to be assessed for impairment or recorded at the lower of cost or fair value.

The fair value of assets or liabilities transferred in or out of Level 3 is measured on the transfer date, with any additional changes in fair value subsequent to the transfer considered to be realized or unrealized gains or losses.

Additional information regarding fair value measurements and Key’s adoption of SFAS No. 157 is provided in Note 20 (“Fair Value Measurements”), which begins on page 118, and under the heading “Accounting Pronouncements Adopted in 2008” below.

REVENUE RECOGNITION

Key recognizes revenues as they are earned based on contractual terms, as transactions occur, or as services are provided and collectibility is reasonably assured. Key’s principal source of revenue is interest income. This revenue is recognized on an accrual basis primarily according to nondiscretionary formulas in written contracts such as loan agreements or securities contracts.

STOCK-BASED COMPENSATION

Effective January 1, 2006, Key adopted SFAS No. 123R, “Share-Based Payment,” which requires stock-based compensation to be measured using the fair value method of accounting and the measured cost to be recognized over the period during which the recipient is required to provide service in exchange for the award. As of the effective date, Key did not have any nonvested awards outstanding that had not previously been accounted for using the fair value method. Consequently, the adoption of SFAS No. 123R did not have a significant impact on Key’s financial condition or results of operations. However, the adoption of the new accounting standard did prompt three changes in Key’s accounting, as discussed below.

First, SFAS No. 123R changes the manner of accounting for forfeited stock-based awards. Under the new standard, companies are no longer permitted to account for forfeitures as they occur. Instead, companies must now estimate expected forfeitures when the awards are granted and record compensation expense only for those that are expected to vest. In addition, the compensation obligation for expense previously recognized in the financial statements was required to be reduced to reflect awards that were not expected to vest. The after-tax amount of this reduction is presented on the income statement as a cumulative effect of a change in accounting principle. Key’s cumulative after-tax adjustment increased first quarter 2006 earnings by $5 million, or $.01 per diluted common share.

Second, prior to the adoption of SFAS No. 123R, total compensation cost for stock-based, mandatory deferred incentive compensation awards was recognized in the plan year that the performance-related services necessary to earn the awards were rendered. Effective January 1, 2006, Key began recognizing compensation cost for these awards using the accelerated method of amortization over a period of approximately four years (the current year performance period and three-year vesting period, which starts generally in the first quarter following the performance period). The impact of this change on Key’s earnings was not material.

Third, prior to the adoption of SFAS No. 123R, Key presented all tax benefits of deductions resulting from the exercise of stock options or the issuance of shares under other stock-based compensation programs as operating cash flows in the statement of cash flows. Under SFAS No. 123R, cash flows resulting from the tax benefits of deductions in excess of the compensation cost recognized for stock-based awards must be classified as financing cash flows.

Generally, employee stock options granted by Key become exercisable at the rate of 33-1/3% per year beginning one year after their grant date, and expire no later than ten years after their grant date. Key recognizes stock-based compensation expense for stock options with graded vesting using an accelerated method of amortization.

Key uses shares repurchased under a repurchase program (treasury shares) for share issuances under all stock-based compensation programs other than the discounted stock purchase plan. Shares issued under the stock purchase plan are purchased on the open market.

Management estimates the fair value of options granted using the Black-Scholes option-pricing model as further described in Note 15 (“Stock-Based Compensation”), which begins on page 103.

MARKETING COSTS

Key expenses all marketing-related costs, including advertising costs, as incurred.

ACCOUNTING PRONOUNCEMENTS ADOPTED IN 2008

Employers’ accounting for defined benefit pension and other post-retirement plans. In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” Except for the measurement requirement, Key adopted this accounting guidance as of December 31, 2006. The requirement to measure plan assets and benefit obligations as of the end of an employer’s fiscal year is effective for years ending after December 15, 2008 (effective December 31, 2008, for Key). Adoption of this guidance did not have a material effect on Key’s financial condition or results of operations. For more information about Key’s defined benefit plans, including changes in the funding status, see Note 16 (“Employee Benefits”), which begins on page 106.

Fair value measurements. In September 2006, the FASB issued SFAS No. 157, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value to any new circumstances. SFAS No. 157 became effective for fiscal years beginning after November 15, 2007 (effective January 1, 2008, for Key). In February 2008, the FASB issued Staff Position No. FAS 157-2, which delayed the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. However, early adoption of SFAS No. 157 for nonfinancial assets and liabilities within the scope of the new guidance is permitted. Key’s January 1, 2008, adoption of SFAS No. 157 for all financial and nonfinancial assets and liabilities did not have a material effect on Key’s financial condition or results of operations. Additional information regarding fair value measurements and Key’s adoption of this accounting guidance is provided in Note 20 and under the heading “Fair Value Measurements” on page 82 of this note.

**Fair value option for financial assets and financial liabilities.** In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” This guidance provides an option to selectively report financial assets and liabilities at fair value, and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 became effective for fiscal years beginning after November 15, 2007 (effective January 1, 2008, for Key). Key has elected to not apply this fair value option to any of its existing assets or liabilities. However, Key may apply this guidance to assets or liabilities in the future as permitted under SFAS No. 159.

**Offsetting of amounts related to certain contracts.** In April 2007, the FASB issued Staff Position No. FIN 39-1, which supplements Interpretation No. 39 by allowing reporting entities to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash (a payable) arising from derivative instruments with the same counterparty. Interpretation No. 39 allowed reporting entities to offset fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement. Key did not previously adopt the provisions of Interpretation No. 39 that were permitted but not required. The accounting guidance in Staff Position No. FIN 39-1 became effective for fiscal years beginning after November 15, 2007 (effective January 1, 2008, for Key). Key has elected to adopt the accounting guidance in Staff Position No. FIN 39-1, and as a result, also adopted the provisions of Interpretation No. 39. The adoption of this accounting guidance did not have a material effect on Key’s financial condition or results of operations. Additional information regarding Key’s adoption of this accounting guidance is provided under the heading “Offsetting Derivative Positions” on page 81 of this note.

**Disclosures about credit derivatives and certain guarantees.** In September 2008, the FASB issued Staff Position No. 133-1 and FIN 45-4, “Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161.” This Staff Position amends SFAS No. 133 to require additional disclosure about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives, including freestanding derivatives and derivatives embedded in hybrid instruments. This accounting guidance also amends Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Others—an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34,” to require additional disclosure about the status of the payment/performance risk of guarantees. This Staff Position became effective for fiscal years ending after November 15, 2008 (effective December 31, 2008, for Key). Additional information about credit derivatives and certain guarantees is provided in Note 18 under the heading “Guarantees” on page 114 and Note 19 under the heading “Credit Derivatives” on page 117.

**Determining the fair value of a financial asset when the market for that asset is not active.** In October 2008, the FASB issued Staff Position No. FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active.” This accounting guidance clarifies the application of SFAS No. 157 in determining the fair value of a financial asset when the market for that financial asset is not active. This Staff Position was effective upon issuance and applies to future periods, as well as prior periods for which financial statements had not yet been issued. Therefore, it became effective for Key for the reporting period ended September 30, 2008. The adoption of this accounting guidance did not have a material effect on Key’s financial condition or results of operations. Additional information regarding fair value measurements is provided in Note 20 and under the heading “Fair Value Measurements” on page 82 of this note.

**Disclosures about transfers of financial assets and interests in variable interest entities.** In December 2008, the FASB issued Staff Position No. FAS 140-4 and FIN 46(R)-8, “Disclosures about Transfers of Financial Assets and Interests in Variable Interest Entities.” This Staff Position amends SFAS No. 140 to require additional disclosures about transfers of financial assets and amends Revised Interpretation No. 46 to require additional disclosures about an entity’s involvement with variable interest entities. It also requires additional disclosures about variable interests in qualifying SPEs. These additional disclosures are required for reporting periods ending after December 15, 2008 (effective December 31, 2008, for Key). Additional information regarding Key’s transfers of financial assets and interests in variable interest entities is provided in Note 8.

**Impairment and interest income measurement guidance of EITF 99-20.** In January 2009, the FASB issued Staff Position No. EITF 99-20-1, “Amendments to the Impairment and Interest Income Measurement Guidance of EITF Issue No. 99-20,” which amends the impairment and related interest income measurement guidance in EITF No. 99-20, “Recognition of Interest Income and Impairment on Purchased Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets.” This accounting guidance results in more consistency in the determination of whether other-than-temporary impairment has occurred for debt securities classified as available-for-sale or held-to-maturity. This Staff Position is effective for reporting periods ending after December 15, 2008 (December 31, 2008, for Key) and shall be applied prospectively. The adoption of this accounting guidance did not have a material effect on Key’s financial condition or results of operations.

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ACCOUNTING PRONOUNCEMENTS PENDING ADOPTION AT DECEMBER 31, 2008

Business combinations. In December 2007, the FASB issued SFAS No. 141(R), “Business Combinations.” The new pronouncement requires the acquiring entity in a business combination to recognize only the assets acquired and liabilities assumed in a transaction (e.g., acquisition costs must be expensed when incurred), establishes the fair value at the date of acquisition as the initial measurement for all assets acquired and liabilities assumed, and requires expanded disclosures. SFAS No. 141(R) will be effective for fiscal years beginning after December 15, 2008 (effective January 1, 2009, for Key). Early adoption is prohibited.

Noncontrolling interests. In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51.” The new pronouncement requires all entities to report noncontrolling (minority) interests in subsidiaries as a component of shareholders’ equity. SFAS No. 160 will be effective for fiscal years beginning after December 15, 2008 (effective January 1, 2009, for Key). Early adoption is prohibited. Adoption of this accounting guidance is not expected to have a material effect on Key’s financial condition or results of operations.

Accounting for transfers of financial assets and repurchase financing transactions. In February 2008, the FASB issued Staff Position No. FAS 140-3, “Accounting for Transfers of Financial Assets and Repurchase Financing Transactions.” This Staff Position provides guidance on accounting for a transfer of a financial asset and a repurchase financing, and presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing shall be evaluated separately. Staff Position No. FAS 140-3 will be effective for fiscal years beginning after November 15, 2008 (effective January 1, 2009, for Key). Early adoption is prohibited. Adoption of this accounting guidance is not expected to have a material effect on Key’s financial condition or results of operations.

Disclosures about derivative instruments and hedging activities. In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities,” which amends and expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This accounting guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 will be effective for fiscal years beginning after November 15, 2008 (effective January 1, 2009, for Key).

Determination of the useful life of intangible assets. In April 2008, the FASB issued Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets.” This accounting guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets.” This Staff Position will be effective for fiscal years beginning after December 15, 2008 (effective January 1, 2009, for Key). Early adoption is prohibited. Adoption of this accounting guidance is not expected to have a material effect on Key’s financial condition or results of operations.

Hierarchy of generally accepted accounting principles. In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles.” This guidance identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. SFAS No. 162 will be effective sixty days after the Securities and Exchange Commission approves the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” Adoption of this accounting guidance is not expected to have a material effect on Key’s financial condition or results of operations.

Accounting for convertible debt instruments. In May 2008, the FASB issued Staff Position No. APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” This guidance requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer’s nonconvertible debt borrowing rate. This Staff Position will be effective for fiscal years beginning after December 15, 2008 (effective January 1, 2009, for Key). Early adoption is prohibited. Key has not issued and does not have any convertible debt instruments outstanding that are subject to the accounting guidance in this Staff Position. Therefore, adoption of this accounting guidance is not expected to have a material effect on Key’s financial condition or results of operations.

Employers’ disclosures about postretirement benefit plan assets. In December 2008, the FASB issued Staff Position No. FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets,” which amends SFAS No. 132 (revised 2003), “Employers’ Disclosures about Pensions and Other Postretirement Benefits.” This new accounting guidance will require additional disclosures about assets held in an employer’s defined benefit pension or other postretirement plan including fair values of each major asset category and level within the fair value hierarchy as set forth in SFAS No. 157, “Fair Value Measurements.” This Staff Position will be effective for fiscal years ending after December 15, 2009 (December 31, 2009, for Key).
2. Earnings Per Common Share

Key’s basic and diluted earnings per common share are calculated as follows:

**Year ended December 31, dollars in millions, except per share amounts**

<table>
<thead>
<tr>
<th>EARNINGS</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss) income from continuing operations before cumulative effect of accounting change</td>
<td>$(1,468)</td>
<td>$941</td>
<td>$1,193</td>
</tr>
<tr>
<td>Loss from discontinued operations, net of taxes</td>
<td>—</td>
<td>$(22)</td>
<td>$(143)</td>
</tr>
<tr>
<td>(Loss) income before cumulative effect of accounting change</td>
<td>$(1,468)</td>
<td>919</td>
<td>1,050</td>
</tr>
<tr>
<td>Cumulative effect of accounting change, net of taxes</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(1,468)</td>
<td>919</td>
<td>1,055</td>
</tr>
<tr>
<td>Less: Cash dividends on Series A Preferred Stock</td>
<td>25</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends on Series B Preferred Stock</td>
<td>15</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of discount on Series B Preferred Stock</td>
<td>2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income applicable to common shares</td>
<td>$(1,510)</td>
<td>$919</td>
<td>$1,055</td>
</tr>
</tbody>
</table>

**WEIGHTED-AVERAGE COMMON SHARES**

<table>
<thead>
<tr>
<th>Effect</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average common shares outstanding (000)</td>
<td>450,039</td>
<td>392,013</td>
<td>404,490</td>
</tr>
<tr>
<td>Effect of dilutive convertible preferred stock, common stock options and other stock awards (000)</td>
<td>25,987</td>
<td>3,810</td>
<td>5,732</td>
</tr>
<tr>
<td>Weighted-average common shares and potential common shares outstanding (000)</td>
<td>476,026</td>
<td>395,823</td>
<td>410,222</td>
</tr>
</tbody>
</table>

**EARNINGS PER COMMON SHARE**

<table>
<thead>
<tr>
<th>EARNINGS</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from continuing operations before cumulative effect of accounting change</td>
<td>$(3.36)</td>
<td>$2.40</td>
<td>$2.95</td>
</tr>
<tr>
<td>Loss from discontinued operations</td>
<td>—</td>
<td>$(.06)</td>
<td>$(.35)</td>
</tr>
<tr>
<td>(Loss) income before cumulative effect of accounting change</td>
<td>$(3.36)</td>
<td>2.35</td>
<td>2.60</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(3.36)</td>
<td>2.35</td>
<td>2.61</td>
</tr>
</tbody>
</table>

| (Loss) income from continuing operations before cumulative effect of accounting change — assuming dilution | $ (3.36) | $ 2.38 | $ 2.91 |
| Loss from discontinued operations — assuming dilution | — | $(.05) | $(.35) |
| (Loss) income before cumulative effect of accounting change — assuming dilution | $(3.36) | 2.32 | 2.56 |
| Net (loss) income — assuming dilution | $(3.36) | 2.32 | 2.57 |

During the years ended December 31, 2008, 2007 and 2006, certain weighted-average options to purchase common shares were outstanding but not included in the calculation of “net income per common share — assuming dilution” during any quarter in which their exercise prices were greater than the average market price of the common shares because including the options in the calculations would have been antidilutive. The calculations for the full years shown in the following table were made by averaging the results of the four quarterly calculations for each year.

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average options excluded from the calculation of net income per common share — assuming dilution</td>
<td>29,702,427</td>
<td>10,953,063</td>
<td>384,907</td>
</tr>
<tr>
<td>Exercise prices for weighted-average options excluded</td>
<td>$10.88 to $50.00</td>
<td>$27.08 to $50.00</td>
<td>$36.22 to $50.00</td>
</tr>
</tbody>
</table>

In addition, during the years ended December 31, 2008, 2007 and 2006, weighted-average contingently issuable performance-based awards for 1,177,881, 1,616,054 and 1,700,305 common shares, respectively, were outstanding, but not included in the calculation of “net (loss) income per common share — assuming dilution.” These awards vest only if Key achieves certain cumulative three-year financial performance targets and were not included in the calculation because the time period for the measurement had not yet expired.
3. Acquisitions and Divestitures

ACQUISITIONS

U.S.B. Holding Co., Inc.

On January 1, 2008, Key acquired U.S.B. Holding Co., Inc., the holding company for Union State Bank, a 31-branch state-chartered commercial bank headquartered in Orangeburg, New York. U.S.B. Holding Co. had assets of $2.840 billion and deposits of $1.804 billion at the date of acquisition. Under the terms of the agreement, Key exchanged 9,895,000 KeyCorp common shares, with a value of $348 million, and $194 million in cash for all of the outstanding shares of U.S.B. Holding Co. In connection with the acquisition, Key recorded goodwill of approximately $350 million. The acquisition expanded Key’s presence in markets both within and contiguous to its current operations in the Hudson Valley.

Tuition Management Systems, Inc.

On October 1, 2007, Key acquired Tuition Management Systems, Inc., one of the nation’s largest providers of outsourced tuition planning, billing, counseling and payment services. Headquartered in Warwick, Rhode Island, Tuition Management Systems serves more than 700 colleges, universities, elementary and secondary educational institutions. The terms of the transaction were not material.

Austin Capital Management, Ltd.

On April 1, 2006, Key acquired Austin Capital Management, Ltd., an investment firm headquartered in Austin, Texas with approximately $900 million in assets under management at the date of acquisition. Austin specializes in selecting and managing hedge fund investments for its principally institutional customer base. The terms of the transaction were not material.

DIVESTITURES

Champion Mortgage

On February 28, 2007, Key sold the Champion Mortgage loan origination platform to an affiliate of Fortress Investment Group LLC, a global alternative investment and asset management firm, for cash proceeds of $.5 million.

On November 29, 2006, Key sold the subprime mortgage loan portfolio held by the Champion Mortgage finance business to a wholly owned subsidiary of HSBC Finance Corporation for cash proceeds of $2.520 billion. The loan portfolio totaled approximately $2.5 billion at the date of sale.

Key has applied discontinued operations accounting to the Champion Mortgage finance business. The results of this discontinued business are presented on one line as “loss from discontinued operations, net of taxes” in the Consolidated Statements of Income on page 74. The components of loss from discontinued operations are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss) income, net of taxes of ($4) and $13, respectively ④</td>
<td>$ (7)</td>
<td>$ 22</td>
</tr>
<tr>
<td>Write-off of goodwill</td>
<td>—</td>
<td>(170)</td>
</tr>
<tr>
<td>(Loss) gain on disposal, net of taxes of ($1) and $8</td>
<td>(2)</td>
<td>14</td>
</tr>
<tr>
<td>Disposal transaction costs, net of taxes of ($8) and ($5), respectively</td>
<td>(13)</td>
<td>(9)</td>
</tr>
<tr>
<td>(Loss) income from discontinued operations</td>
<td>$ (22)</td>
<td>$ (143)</td>
</tr>
</tbody>
</table>

(a) Includes after-tax charges of $.8 million for 2007 and $65 million for 2006, determined by applying a matched funds transfer pricing methodology to the liabilities assumed necessary to support Champion’s operations.

The discontinued assets and liabilities of Champion Mortgage included in the December 31, 2007, Consolidated Balance Sheet on page 73 are as follows:

<table>
<thead>
<tr>
<th>December 31, 2007</th>
<th>in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>$ 8</td>
</tr>
<tr>
<td>Accrued expense and other liabilities</td>
<td>10</td>
</tr>
</tbody>
</table>

McDonald Investments branch network

On February 9, 2007, McDonald Investments Inc., a wholly owned subsidiary of KeyCorp, sold its branch network, which included approximately 570 financial advisors and field support staff, and certain fixed assets to UBS Financial Services Inc., a subsidiary of UBS AG. Key received cash proceeds of $219 million and recorded a gain of $171 million ($107 million after tax, or $.26 per diluted common share) in connection with the sale. Key retained McDonald Investments’ corporate and institutional businesses, including Institutional Equities and Equity Research, Debt Capital Markets and Investment Banking. In addition, KeyBank continues to operate the Wealth Management, Trust and Private Banking businesses. On April 16, 2007, Key changed the name of the registered broker-dealer through which its corporate and institutional investment banking and securities businesses operate to KeyBanc Capital Markets Inc.
COMMUNITY BANKING

Regional Banking provides individuals with branch-based deposit and investment products, personal finance services, and loans, including residential mortgages, home equity and various types of installment loans. This line of business also provides small businesses with deposit, investment and credit products, and business advisory services.

Regional Banking also offers financial, estate and retirement planning, and asset management services to assist high-net-worth clients with their banking, trust, portfolio management, insurance, charitable giving and related needs.

Commercial Banking provides midsize businesses with products and services that include commercial lending, cash management, equipment leasing, investment and employee benefit programs, succession planning, access to capital markets, derivatives and foreign exchange.

NATIONAL BANKING

Real Estate Capital and Corporate Banking Services consists of two business units, Real Estate Capital and Corporate Banking Services.

Real Estate Capital is a national business that provides construction and interim lending, permanent debt placements and servicing, equity and investment banking, and other commercial banking products and services to developers, brokers and owner-investors. This unit deals primarily with nonowner-occupied properties (i.e., generally properties in which at least 50% of the debt service is provided by rental income from nonaffiliated third parties). Real Estate Capital emphasizes providing clients with finance solutions through access to the capital markets.

Corporate Banking Services provides cash management, interest rate derivatives, and foreign exchange products and services to clients served by both the Community Banking and National Banking groups. Through its Public Sector and Financial Institutions businesses, Corporate Banking Services also provides a full array of commercial banking products and services to government and not-for-profit entities, and to community banks.

### Year ended December 31, dollars in millions

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>Community Banking</th>
<th>National Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUMMARY OF OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income loss (TE)</td>
<td>$1,748</td>
<td>$1,680</td>
</tr>
<tr>
<td>Noninterest income</td>
<td>834</td>
<td>1,038</td>
</tr>
<tr>
<td>Total revenue (TE) a</td>
<td>2,582</td>
<td>2,718</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>221</td>
<td>73</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>138</td>
<td>134</td>
</tr>
<tr>
<td>Other noninterest expense</td>
<td>1,671</td>
<td>1,624</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before income taxes and cumulative effect of accounting change (TE)</td>
<td>552</td>
<td>887</td>
</tr>
<tr>
<td>Allocated income taxes and TE adjustments</td>
<td>207</td>
<td>333</td>
</tr>
<tr>
<td>Income (loss) from continuing operations before cumulative effect of accounting change</td>
<td>345</td>
<td>554</td>
</tr>
<tr>
<td>(Loss) income from discontinued operations, net of taxes</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Income (loss) before cumulative effect of accounting change</td>
<td>345</td>
<td>554</td>
</tr>
<tr>
<td>Cumulative effect of accounting change, net of taxes</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$345</td>
<td>$554</td>
</tr>
<tr>
<td>Percent of consolidated income from continuing operations</td>
<td>N/M</td>
<td>59%</td>
</tr>
<tr>
<td>Percent of total segments income from continuing operations</td>
<td>N/M</td>
<td>58%</td>
</tr>
<tr>
<td><strong>AVERAGE BALANCES b</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and leases</td>
<td>$28,652</td>
<td>$26,804</td>
</tr>
<tr>
<td>Total assets *</td>
<td>31,707</td>
<td>29,628</td>
</tr>
<tr>
<td>Deposits</td>
<td>50,294</td>
<td>46,667</td>
</tr>
<tr>
<td><strong>OTHER FINANCIAL DATA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures for additions to long-lived assets a,b</td>
<td>$489</td>
<td>$99</td>
</tr>
<tr>
<td>Net loan charge-offs</td>
<td>204</td>
<td>96</td>
</tr>
<tr>
<td>Return on average allocated equity b</td>
<td>11.26%</td>
<td>22.14%</td>
</tr>
</tbody>
</table>
Return on average allocated equity | 11.26 | 22.14 | 17.44 | (28.86) | 7.01 | 13.13
Average full-time equivalent employees | 8,787 | 8,888 | 9,671 | 3,557 | 4,005 | 4,364

(a) Substantially all revenue generated by Key’s major business groups is derived from clients with residency in the United States. Substantially all long-lived assets, including premises and equipment, capitalized software and goodwill held by Key’s major business groups are located in the United States.

(b) From continuing operations.

(c) Community Banking’s results for 2007 include a $171 million ($107 million after tax) gain from the February 9, 2007, sale of the McDonald Investments branch network. See Note 3 (“Acquisitions and Divestitures”) on page 87, for more information about this transaction.

(d) National Banking’s results for 2008 include a $465 million ($420 million after tax) noncash charge for goodwill impairment during the fourth quarter. National Banking’s results for 2008 also include $54 million ($33 million after tax) of derivative-related charges during the third quarter as a result of market disruption caused by the failure of Lehman Brothers. Also, during 2008, National Banking’s taxable-equivalent net interest income and net income were reduced by $890 million and $557 million, respectively, as a result of its involvement with certain leveraged lease financing transactions which were challenged by the Internal Revenue Service (“IRS”). National Banking’s results for 2007 include a $26 million ($17 million after tax) gain from the settlement of the residual value insurance litigation during the first quarter.

(e) Other Segments’ results for 2008 include a $23 million ($14 million after tax) credit, recorded when Key reversed the remaining reserve associated with the Honsador litigation, which was settled in September 2008. Other Segments’ results for 2007 include a $26 million ($16 million after tax) charge for the Honsador litigation during the second quarter. Results for 2007 also include a $49 million ($31 million after tax) loss during the first quarter in connection with the repositioning of the securities portfolio.

(f) Reconciling Items for 2008 include $120 million of previously accrued interest recovered in connection with Key’s opt-in to the IRS global tax settlement, during the fourth quarter. Reconciling Items for 2008 also include charges of $30 million to income taxes during the third quarter and $475 million during the second quarter for the interest cost associated with the leveraged lease tax litigation. Reconciling Items for the current year also include a $165 million ($103 million after tax) gain from the partial redemption of Key’s equity interest in Visa Inc. and a $17 million charge to income taxes for the interest cost associated with the increase to Key’s tax reserves for certain lease in, lease out (“LILO”) transactions during the first quarter. Reconciling Items for prior periods include gains of $27 million ($17 million after tax) during the third quarter of 2007, $40 million ($25 million after tax) during the second quarter of 2007 and $9 million ($6 million after tax) during the second quarter of 2006, all related to MasterCard Incorporated shares. Results for 2007 also include a $64 million ($40 million after tax) charge, representing the fair value of Key’s potential liability to Visa Inc. during the fourth quarter, and a $16 million ($10 million after tax) charge for the Honsador litigation during the second quarter.

TE = Taxable Equivalent, N/A = Not Applicable, N/M = Not Meaningful

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

Equipment Finance meets the equipment leasing needs of companies worldwide and provides equipment manufacturers, distributors and resellers with financing options for their clients. Lease financing receivables and related revenues are allocated to the business segments through noninterest expenses. 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.

Institutional and Capital Markets, through its KeyBanc Capital Markets unit, provides commercial lending, treasury management, investment banking, derivatives, foreign exchange, equity and debt underwriting and trading, and syndicated finance products and services to large corporations and middle-market companies.

Through its Victory Capital Management unit, Institutional and Capital Markets also manages or offers advice regarding investment portfolios for a national client base, including corporations, labor unions, not-for-profit organizations, governments and individuals. These portfolios may be managed in separate accounts, common funds or the Victory family of mutual funds.

Consumer Finance provides government-guaranteed education loans to students and their parents, and processes tuition payments for private schools. Through its Commercial Floor Plan Lending unit, this line of business also finances inventory for automobile dealers. In October 2008, Consumer Finance exited retail and floor-plan lending for marine and recreational vehicle products and began to limit new education loans to those backed by government guarantee. This line of business continues to service existing loans in these portfolios and to honor existing education loan commitments. These actions are consistent with Key’s strategy of de-emphasizing nonrelationship or out-of-footprint businesses.

OTHER SEGMENTS

Other Segments consist of Corporate Treasury and Key’s Principal Investing unit.

RECONCILING ITEMS

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

<table>
<thead>
<tr>
<th>Other Segments</th>
<th>Total Segments</th>
<th>Reconciling Items</th>
<th>Key</th>
</tr>
</thead>
<tbody>
<tr>
<td>(134) (95) (112)</td>
<td>$2,105 $3,007 $3,035</td>
<td>(150) (139) (117)</td>
<td>$1,955 $2,868 $2,918</td>
</tr>
<tr>
<td>34 209 141</td>
<td>1,714 2,154 2,111</td>
<td>156 75 16</td>
<td>1,870 2,229 2,127</td>
</tr>
<tr>
<td>(100) 114 29</td>
<td>3,819 5,161 5,146</td>
<td>6 (64) (101)</td>
<td>3,825 5,097 5,045</td>
</tr>
<tr>
<td>— — —</td>
<td>1,838 531 151</td>
<td>(3) (2) (1)</td>
<td>1,835 529 150</td>
</tr>
<tr>
<td>— — —</td>
<td>900 430 394</td>
<td>— — —</td>
<td>900 430 394</td>
</tr>
<tr>
<td>11 55 27</td>
<td>2,738 2,742 2,797</td>
<td>(60) 76 (42)</td>
<td>2,678 2,818 2,755</td>
</tr>
<tr>
<td>(111) 59 2</td>
<td>(1,657) 1,458 1,804</td>
<td>69 (138) (58)</td>
<td>(1,588) 1,320 1,746</td>
</tr>
<tr>
<td>(87) 25 40</td>
<td>(491) 502 635</td>
<td>371 (123) (82)</td>
<td>(120) 379 553</td>
</tr>
<tr>
<td>(24) 84 42</td>
<td>(1,166) 956 1,169</td>
<td>(302) (15) 24</td>
<td>(1,468) 941 1,193</td>
</tr>
<tr>
<td>— — —</td>
<td>— (22) (143)</td>
<td>— — —</td>
<td>(22) (143)</td>
</tr>
<tr>
<td>(24) 84 42</td>
<td>(1,166) 934 1,026</td>
<td>(302) (15) 24</td>
<td>(1,468) 919 1,050</td>
</tr>
<tr>
<td>— — —</td>
<td>— — —</td>
<td>— — 5</td>
<td>— — 5</td>
</tr>
<tr>
<td>$24 84 42</td>
<td>(1,166) 934 1,026</td>
<td>(302) (15) 29</td>
<td>(1,468) 919 1,055</td>
</tr>
<tr>
<td>N/M 9% 3% N/M</td>
<td>102% 98%</td>
<td>N/M (2)% 2% N/M</td>
<td>100% 100%</td>
</tr>
<tr>
<td>N/M N/M N/M</td>
<td>100 100</td>
<td>N/A N/A N/A</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td>$209 255 $298</td>
<td>$75,512 $67,190 $64,853</td>
<td>$107 $167 $143</td>
<td>$75,619 $67,357 $64,996</td>
</tr>
<tr>
<td>14,992 12,665 11,624</td>
<td>103,139 92,884 89,439</td>
<td>1,251 2,000 2,263</td>
<td>104,390 94,884 91,702</td>
</tr>
<tr>
<td>2,819 3,035 1,890</td>
<td>65,341 61,859 59,491</td>
<td>(186) (120) (188)</td>
<td>65,155 61,739 59,303</td>
</tr>
<tr>
<td>— — —</td>
<td>515 173 101</td>
<td>156 166 104</td>
<td>671 339 205</td>
</tr>
<tr>
<td>N/M N/M N/M</td>
<td>(13.35)% 13.24% 17.02%</td>
<td>N/M N/M N/M</td>
<td>(16.45)% 12.19% 15.43%</td>
</tr>
<tr>
<td>N/M N/M N/M</td>
<td>(13.35) 12.94 14.42</td>
<td>N/M N/M N/M</td>
<td>(16.45) 11.90 13.64</td>
</tr>
<tr>
<td>42 43 40</td>
<td>12,386 12,936 14,075</td>
<td>5,709 5,998 5,931</td>
<td>18,095 18,934 20,006</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  KEYCORP AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION (COMMUNITY BANKING LINES OF BUSINESS)

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>Regional Banking</th>
<th></th>
<th>Commercial Banking</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (TE)</td>
<td>2,191</td>
<td>2,341</td>
<td>2,321</td>
<td>391</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>155</td>
<td>76</td>
<td>79</td>
<td>66</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>1,620</td>
<td>1,562</td>
<td>1,711</td>
<td>189</td>
</tr>
<tr>
<td>Net income</td>
<td>260</td>
<td>439</td>
<td>332</td>
<td>85</td>
</tr>
<tr>
<td>Average loans and leases</td>
<td>19,749</td>
<td>18,608</td>
<td>18,888</td>
<td>8,903</td>
</tr>
<tr>
<td>Average deposits</td>
<td>46,634</td>
<td>43,201</td>
<td>43,281</td>
<td>3,660</td>
</tr>
<tr>
<td>Net loan charge-offs</td>
<td>155</td>
<td>82</td>
<td>81</td>
<td>49</td>
</tr>
<tr>
<td>Nonperforming assets at year end</td>
<td>$ 184</td>
<td>$ 119</td>
<td>$ 116</td>
<td>$ 77</td>
</tr>
<tr>
<td>Average full-time equivalent employees</td>
<td>8,443</td>
<td>8,524</td>
<td>9,300</td>
<td>344</td>
</tr>
</tbody>
</table>

TE = Taxable Equivalent

SUPPLEMENTARY INFORMATION (NATIONAL BANKING LINES OF BUSINESS)

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>Real Estate Capital and Corporate Banking Services</th>
<th>Equipment Finance</th>
<th>Institutional and Capital Markets</th>
<th>Consumer Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (TE)</td>
<td>$ 574</td>
<td>691</td>
<td>792</td>
<td>$ (400)</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>662</td>
<td>322</td>
<td>27</td>
<td>156</td>
</tr>
<tr>
<td>Noninterest expense</td>
<td>310</td>
<td>381</td>
<td>331</td>
<td>624</td>
</tr>
<tr>
<td>(Loss) income from continuing operations</td>
<td>(249)</td>
<td>(7)</td>
<td>271</td>
<td>(832)</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(249)</td>
<td>(7)</td>
<td>271</td>
<td>(832)</td>
</tr>
<tr>
<td>Average loans and leases</td>
<td>16,658</td>
<td>14,132</td>
<td>13,693</td>
<td>10,119</td>
</tr>
<tr>
<td>Average loans held for sale</td>
<td>727</td>
<td>1,309</td>
<td>856</td>
<td>40</td>
</tr>
<tr>
<td>Average deposits</td>
<td>10,271</td>
<td>9,662</td>
<td>7,845</td>
<td>17</td>
</tr>
<tr>
<td>Net loan charge-offs (recoveries)</td>
<td>594</td>
<td>57</td>
<td>12</td>
<td>135</td>
</tr>
<tr>
<td>Net loan charge-offs</td>
<td>3.57%</td>
<td>.40%</td>
<td>.09%</td>
<td>1.33%</td>
</tr>
<tr>
<td>Nonperforming assets at year end</td>
<td>$ 763</td>
<td>$ 475</td>
<td>$ 55</td>
<td>$ 158</td>
</tr>
<tr>
<td>Return on average allocated equity</td>
<td>(12.19) %</td>
<td>(.49%)</td>
<td>20.64%</td>
<td>(92.04) %</td>
</tr>
<tr>
<td>Average full-time equivalent employees</td>
<td>1,194</td>
<td>1,297</td>
<td>1,257</td>
<td>825</td>
</tr>
</tbody>
</table>

(a) From continuing operations.

TE = Taxable Equivalent

The table that spans pages 88 and 89 shows selected financial data for each major business group for the years ended December 31, 2008, 2007 and 2006. This table is accompanied by supplementary information for each of the lines of business that make up these groups. The information was derived from the internal financial reporting system that management uses to monitor and manage Key’s financial performance. GAAP guides financial accounting, but there is no authoritative guidance for “management accounting” — the way management uses its judgment and experience to make reporting decisions. Consequently, the line of business results Key reports may not be comparable with line of business results presented by other companies.

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

- Net interest income is determined by assigning a standard cost for funds used or a standard credit for funds provided based on their assumed maturity, prepayment and/or repricing characteristics. The net effect of this funds transfer pricing is charged to the lines of business based on the total loan and deposit balances of each line.

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

- Key’s consolidated provision for loan losses is allocated among the lines of business primarily based on their actual net charge-offs, adjusted periodically for loan growth and changes in risk profile. The amount of the consolidated provision is based on the methodology that management uses to estimate Key’s consolidated allowance for loan losses. This methodology is described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan Losses” on page 79.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

♦ Income taxes are allocated based on the statutory federal income tax rate of 35% (adjusted for tax-exempt interest income, income from corporate-owned life insurance, and tax credits associated with investments in low-income housing projects) and a blended state income tax rate (net of the federal income tax benefit) of 2.5%.

♦ Capital is assigned based on management’s assessment of economic risk factors (primarily credit, operating and market risk) directly attributable to each line.

Developing and applying the methodologies that management uses to allocate items among Key’s lines of business is a dynamic process. Accordingly, financial results may be revised periodically to reflect accounting enhancements, changes in the risk profile of a particular business or changes in Key’s organizational structure.

Effective January 1, 2008, Key moved the Public Sector, Bank Capital Markets and Global Treasury Management units from the Institutional and Capital Markets line of business to the Real Estate Capital and Corporate Banking Services (previously known as Real Estate Capital) line of business within the National Banking group.

5. Restrictions on Cash, Dividends and Lending Activities

Federal law requires depository institutions to maintain a prescribed amount of cash or deposit reserve balances with the Federal Reserve Bank. KeyBank maintained average reserve balances aggregating $192 million in 2008 to fulfill these requirements.

KeyCorp’s principal source of cash flow to pay dividends on its common and preferred shares, to service its debt and to finance corporate operations is capital distributions from KeyBank and other subsidiaries. Federal banking law limits the amount of capital distributions that national banks can make to their holding companies without prior regulatory approval. A national bank’s dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the two previous calendar years and for the current year up to the date of dividend declaration.

During 2008, KeyBank did not pay any dividends to KeyCorp; nonbank subsidiaries paid KeyCorp a total of $1 million in dividends. As of the close of business on December 31, 2008, KeyBank would not have been permitted to pay dividends to KeyCorp without prior regulatory approval since the bank had a net loss of $1.161 billion for 2008. For information related to the limitations on KeyCorp’s ability to pay dividends and repurchase common shares as a result of its participation in the U.S. Treasury’s Capital Purchase Program, see Note 14 (“Shareholders’ Equity”), which begins on page 102. During 2008, KeyCorp made capital infusions of $1.6 billion into KeyBank in the form of cash. At December 31, 2008, KeyCorp held $4.756 billion in short-term investments, the funds from which can be used to pay dividends, service debt and finance corporate operations.

Federal law also restricts loans and advances from bank subsidiaries to their parent companies (and to nonbank subsidiaries of their parent companies), and requires those transactions to be secured.

6. Securities

The amortized cost, unrealized gains and losses, and approximate fair value of Key’s securities available for sale and held-to-maturity securities are presented in the following table. 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.

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>SECURITIES AVAILABLE FOR SALE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury, agencies and corporations</td>
<td>$9</td>
<td>1</td>
</tr>
<tr>
<td>States and political subdivisions</td>
<td>90</td>
<td>1</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>6,380</td>
<td>148</td>
</tr>
<tr>
<td>Other mortgage-backed securities</td>
<td>1,505</td>
<td>63</td>
</tr>
<tr>
<td>Retained interests in securitizations</td>
<td>162</td>
<td>29</td>
</tr>
<tr>
<td>Other securities</td>
<td>71</td>
<td>1</td>
</tr>
<tr>
<td>Total securities available for sale</td>
<td>$8,217</td>
<td>$243</td>
</tr>
</tbody>
</table>

HELD-TO-MATURITY SECURITIES

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Gross Unrealized Gains</td>
</tr>
<tr>
<td>States and political subdivisions</td>
<td>$4</td>
<td>—</td>
</tr>
<tr>
<td>Other securities</td>
<td>21</td>
<td>—</td>
</tr>
<tr>
<td>Total held-to-maturity securities</td>
<td>$25</td>
<td>—</td>
</tr>
</tbody>
</table>

“Other securities” held in the available-for-sale portfolio are primarily marketable equity securities. “Other securities” held in the held-to-maturity portfolio are foreign bonds and preferred equity securities.
The following table summarizes Key’s securities that were in an unrealized loss position.

<table>
<thead>
<tr>
<th>Duration of Unrealized Loss Position</th>
<th>Less Than 12 Months</th>
<th>12 Months or Longer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Gross Unrealized Losses</td>
<td>Fair Value</td>
</tr>
<tr>
<td>States and political subdivisions</td>
<td>$18</td>
<td>—</td>
<td>$1</td>
</tr>
<tr>
<td>Collateralized mortgage obligations</td>
<td>$107</td>
<td>$360</td>
<td>$5</td>
</tr>
<tr>
<td>Other mortgage-backed securities</td>
<td>3</td>
<td>—</td>
<td>15</td>
</tr>
<tr>
<td>Other securities</td>
<td>40</td>
<td>$13</td>
<td>5</td>
</tr>
<tr>
<td>Total temporarily impaired securities</td>
<td>$168</td>
<td>$13</td>
<td>$381</td>
</tr>
</tbody>
</table>

DECEMBER 31, 2008

Securities available for sale:
- Collateralized mortgage obligations $656 $8 $1,042 $25 $1,698 $33
- Other mortgage-backed securities 83 1 67 2 150 3
- Other securities 37 4 — — 37 4
- Total temporarily impaired securities $776 $13 $1,109 $27 $1,885 $40

Of the $23 million of gross unrealized losses at December 31, 2008, $5 million relates to fixed-rate collateralized mortgage obligations, which Key invests in as part of an overall asset/liability management strategy. Since these instruments have fixed interest rates, their fair value is sensitive to movements in market interest rates. During 2008, interest rates generally decreased, so the fair value of these 23 instruments, which had a weighted-average maturity of 2.3 years at December 31, 2008, increased.

Other mortgage-backed securities were issued and are backed by government-sponsored enterprises or the Government National Mortgage Association, and consist of fixed-rate mortgage-backed securities, with gross unrealized losses of $1 million at December 31, 2008. As fixed-rate securities, these instruments are sensitive to movements in interest rates. During 2008, interest rates generally decreased, which caused the fair value of these 37 instruments, which had a weighted-average maturity of 5.0 years at December 31, 2008, to increase. In addition, Key decreased its holdings in this portfolio in 2008 compared to 2007.

Management regularly assesses Key’s securities portfolio to determine whether any securities are other-than-temporarily impaired. The assessments are based on the nature of the securities, underlying collateral, the financial condition of the issuer, the extent and duration of the loss and the intent and ability of Key to hold these securities either to maturity or through the expected recovery period.

Generally, the unrealized losses within each investment category occurred due to rising interest rates over the years prior to 2007. These unrealized losses are considered temporary since Key has the ability and intent to hold the securities until they mature or recover in value. Accordingly, these investments have not been reduced to their fair value through the income statement.

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

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized gains</td>
<td>$37</td>
<td>$40</td>
<td>$137</td>
</tr>
<tr>
<td>Realized losses</td>
<td>39</td>
<td>75</td>
<td>136</td>
</tr>
<tr>
<td>Net securities (losses) gains</td>
<td>$ (2)</td>
<td>$(35)</td>
<td>$(1)</td>
</tr>
</tbody>
</table>

At December 31, 2008, securities available for sale and held-to-maturity securities with an aggregate amortized cost of approximately $7.746 billion were pledged to secure public and trust deposits, securities sold under repurchase agreements, and for other purposes required or permitted by law.

The following table shows securities by remaining maturity. Collateralized mortgage obligations, other mortgage-backed securities and retained interests in securitizations — all of which are included in the securities available-for-sale portfolio — are presented based on their expected average lives. The remaining securities, including all of those in the held-to-maturity portfolio, are presented based on their remaining contractual maturity. Actual maturities may differ from
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

expected or contractual maturities since borrowers have the right to prepay obligations with or without prepayment penalties.

<table>
<thead>
<tr>
<th>December 31, 2008</th>
<th>Securities Available for Sale</th>
<th>Held-to-Maturity Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amortized Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Due in one year or less</td>
<td>$756</td>
<td>$764</td>
</tr>
<tr>
<td>Due after one through five years</td>
<td>7,138</td>
<td>7,331</td>
</tr>
<tr>
<td>Due after five through ten years</td>
<td>260</td>
<td>278</td>
</tr>
<tr>
<td>Due after ten years</td>
<td>63</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>$8,217</td>
<td>$8,437</td>
</tr>
</tbody>
</table>

7. Loans and Loans Held for Sale

Key’s loans by category are summarized as follows:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$27,260</td>
<td>$24,797</td>
</tr>
<tr>
<td>Commercial real estate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial mortgage</td>
<td>10,819</td>
<td>9,630</td>
</tr>
<tr>
<td>Construction</td>
<td>7,717</td>
<td>8,102</td>
</tr>
<tr>
<td>Total commercial real estate loans</td>
<td>18,536</td>
<td>17,732</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>9,039</td>
<td>10,176</td>
</tr>
<tr>
<td>Total commercial loans</td>
<td>54,835</td>
<td>52,705</td>
</tr>
<tr>
<td>Real estate — residential mortgage</td>
<td>1,908</td>
<td>1,594</td>
</tr>
<tr>
<td>Home equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Banking</td>
<td>10,124</td>
<td>9,655</td>
</tr>
<tr>
<td>National Banking</td>
<td>1,051</td>
<td>1,262</td>
</tr>
<tr>
<td>Total home equity loans</td>
<td>11,175</td>
<td>10,917</td>
</tr>
<tr>
<td>Consumer other — Community Banking</td>
<td>1,233</td>
<td>1,298</td>
</tr>
<tr>
<td>Consumer other — National Banking:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marine</td>
<td>3,401</td>
<td>3,637</td>
</tr>
<tr>
<td>Education</td>
<td>3,669</td>
<td>3,31</td>
</tr>
<tr>
<td>Other</td>
<td>283</td>
<td>341</td>
</tr>
<tr>
<td>Total consumer other — National Banking</td>
<td>7,353</td>
<td>4,309</td>
</tr>
<tr>
<td>Total consumer loans</td>
<td>21,669</td>
<td>18,118</td>
</tr>
<tr>
<td>Total loans</td>
<td>$76,504</td>
<td>$70,823</td>
</tr>
</tbody>
</table>

(a) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.

Key uses interest rate swaps to manage interest rate risk; these swaps modify the repricing characteristics of certain loans. For more information about such swaps, see Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

Key’s loans held for sale by category are summarized as follows:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial, financial and agricultural</td>
<td>$102</td>
<td>$250</td>
</tr>
<tr>
<td>Real estate — commercial mortgage</td>
<td>273</td>
<td>1,219</td>
</tr>
<tr>
<td>Real estate — construction</td>
<td>164</td>
<td>35</td>
</tr>
<tr>
<td>Commercial lease financing</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Real estate — residential mortgage</td>
<td>77</td>
<td>47</td>
</tr>
<tr>
<td>Home equity</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Education</td>
<td>401</td>
<td>3,176</td>
</tr>
<tr>
<td>Automobile</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Total loans held for sale</td>
<td>$1,027</td>
<td>$4,736</td>
</tr>
</tbody>
</table>

(a) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.

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

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
</table>
Minimum future lease payments to be received at December 31, 2008, are as follows: 2009 — $2.275 billion; 2010 — $1.641 billion; 2011 — $1.007 billion; 2012 — $570 million; 2013 — $286 million; and all subsequent years — $327 million.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct financing lease receivable</td>
<td>$6,286</td>
<td>$6,860</td>
</tr>
<tr>
<td>Unearned income</td>
<td>(678)</td>
<td>(746)</td>
</tr>
<tr>
<td>Unguaranteed residual value</td>
<td>529</td>
<td>546</td>
</tr>
<tr>
<td>Deferred fees and costs</td>
<td>66</td>
<td>72</td>
</tr>
<tr>
<td><strong>Net investment in direct financing leases</strong></td>
<td><strong>$6,203</strong></td>
<td><strong>$6,732</strong></td>
</tr>
</tbody>
</table>

Minimum future lease payments to be received at December 31, 2008, are as follows: 2009 — $2.275 billion; 2010 — $1.641 billion; 2011 — $1.007 billion; 2012 — $570 million; 2013 — $286 million; and all subsequent years — $327 million.
Changes in the allowance for loan losses are summarized as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$1,200</td>
<td>$944</td>
<td>$966</td>
</tr>
<tr>
<td>Charge-offs</td>
<td>(1,371)</td>
<td>(370)</td>
<td>(268)</td>
</tr>
<tr>
<td>Recoveries</td>
<td>111</td>
<td>95</td>
<td>98</td>
</tr>
<tr>
<td>Net loans charged off</td>
<td>(1,260)</td>
<td>(275)</td>
<td>(170)</td>
</tr>
<tr>
<td>Provision for loan losses from continuing operations</td>
<td>1,835</td>
<td>529</td>
<td>150</td>
</tr>
<tr>
<td>Credit for loan losses from discontinued operations</td>
<td>—</td>
<td>—</td>
<td>(3)</td>
</tr>
<tr>
<td>Allowance related to loans acquired, net</td>
<td>32</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(4)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$1,803</td>
<td>$1,200</td>
<td>$944</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$80</td>
<td>$53</td>
<td>$59</td>
</tr>
<tr>
<td>(Credit) provision for losses on lending-related commitments</td>
<td>(26)</td>
<td>28</td>
<td>(6)</td>
</tr>
<tr>
<td>Charge-offs</td>
<td>—</td>
<td>(1)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of year a</td>
<td>$54</td>
<td>$80</td>
<td>$53</td>
</tr>
</tbody>
</table>

(a) Included in “accrued expense and other liabilities” on the consolidated balance sheet.

8. Loan Securitizations, Servicing and Variable Interest Entities

RETAINED INTERESTS IN LOAN SECURITIZATIONS

A securitization involves the sale of a pool of loan receivables to investors through either a public or private issuance (generally by a qualifying SPE) of asset-backed securities. Generally, the assets are transferred to a trust that sells interests in the form of certificates of ownership. In previous years, Key sold education loans in securitizations, but during 2008 and 2007, Key did not securitize any education loans due to unfavorable market conditions.

Key generally retains an interest in securitized loans in the form of an interest-only strip, residual asset, servicing asset or security. Additional information pertaining to Key’s retained interests is disclosed in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Loan Securitizations” on page 79.

Key securitized and sold $1.116 billion of education loans (including accrued interest) in 2006, which resulted in an aggregate gain of $24 million (from gross cash proceeds of $1.140 billion). Key retained residual interests in this securitization in the form of servicing assets of $10 million and interest-only strips of $29 million.

Management uses certain assumptions and estimates to determine the fair value to be allocated to retained interests at the date of transfer and at subsequent measurement dates. Primary economic assumptions used to measure the fair value of Key’s retained interests in education loans and the sensitivity of the current fair value of residual cash flows to immediate adverse changes in those assumptions at December 31, 2008, are as follows:

<table>
<thead>
<tr>
<th>dollars in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of retained interests</td>
</tr>
<tr>
<td>Weighted-average life (years)</td>
</tr>
</tbody>
</table>

PREPAYMENT SPEED ASSUMPTIONS (ANNUAL RATE)

| Impact on fair value of 1% CPR adverse change | $ (6) |
| Impact on fair value of 2% CPR adverse change | (12) |

EXPECTED CREDIT LOSSES (STATIC RATE)

| Impact on fair value of .25% adverse change | $ (4) |
| Impact on fair value of .50% adverse change | (9) |

RESIDUAL CASH FLOWS DISCOUNT RATE (ANNUAL RATE)

| Impact on fair value of 1% adverse change | $ (7) |
| Impact on fair value of 2% adverse change | (14) |

EXPECTED STATIC DEFAULT (STATIC RATE)

3.75% – 28.00%
These sensitivities are hypothetical and should be relied upon with caution. Sensitivity analysis is based on the nature of the asset, the seasoning (i.e., age and payment history) of the portfolio and historical results. Changes in fair value based on a 1% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may cause changes in another. For example, increases in market interest rates may result in lower prepayments and increased credit losses, which might magnify or counteract the sensitivities.

(a) Forward London Interbank Offered Rate (known as “LIBOR”) plus contractual spread over LIBOR ranging from .00% to 1.15%.

CPR = Constant Prepayment Rate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

The table below shows the relationship between the education loans Key manages and those held in the loan portfolio. Managed loans include those held in portfolio and those securitized and sold, but still serviced by Key. Related delinquencies and net credit losses are also presented.

<table>
<thead>
<tr>
<th>Loans Past Due 60 Days or More</th>
<th>Net Credit Losses During the Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>$249</td>
<td>$232</td>
</tr>
<tr>
<td>$247</td>
<td>$96</td>
</tr>
</tbody>
</table>

(a) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.

MORTGAGE SERVICING ASSETS

Key originates and periodically sells commercial mortgage loans but continues to service those loans for the buyers. Key also may purchase the right to service commercial mortgage loans for other lenders. Changes in the carrying amount of mortgage servicing assets are summarized as follows:

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>$313</td>
<td>$247</td>
</tr>
<tr>
<td>Servicing retained from loan sales</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td>Purchases</td>
<td>5</td>
<td>135</td>
</tr>
<tr>
<td>Amortization</td>
<td>(94)</td>
<td>(90)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>$242</td>
<td>$313</td>
</tr>
<tr>
<td>Fair value at end of year</td>
<td>$406</td>
<td>$418</td>
</tr>
</tbody>
</table>

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. Primary economic assumptions used to measure the fair value of Key’s mortgage servicing assets at December 31, 2008 and 2007, are:

- prepayment speed generally at an annual rate of 0.00% to 25.00%;
- expected credit losses at a static rate of 2.00%; and
- residual cash flows discount rate of 8.50% to 15.00%.

Changes in these assumptions could cause the fair value of mortgage servicing assets to change in the future. The volume of loans serviced and expected credit losses are critical to the valuation of servicing assets. A 1.00% increase in the assumed default rate of commercial mortgage loans at December 31, 2008, would cause an $8 million decrease in the fair value of Key’s mortgage servicing assets.

Contractual fee income from servicing commercial mortgage loans totaled $68 million for 2008, $77 million for 2007 and $73 million for 2006. The amortization of servicing assets for each year, as shown in the preceding table, is recorded as a reduction to fee income. Both the contractual fee income and the amortization are recorded in “other income” on the income statement.

Additional information pertaining to the accounting for mortgage and other servicing assets is included in Note 1 under the heading “Servicing Assets” on page 79.

VARIABLE INTEREST ENTITIES

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

- The entity does not have sufficient equity to conduct its activities without additional subordinated financial support from another party.
- The entity’s investors lack the authority to make decisions about the activities of the entity through voting rights or similar rights, and do not have the obligation to absorb the entity’s expected losses or the right to receive the entity’s expected residual returns.
- The voting rights of some investors are not proportional to their economic interest in the entity, and substantially all of the entity’s activities involve or are conducted on behalf of investors with disproportionately few voting rights.

Key’s VIEs, including those consolidated and those in which Key holds a significant interest, are summarized below. Key defines a “significant interest” in a VIE as a subordinated interest that exposes Key to a significant portion, but not the majority, of the VIE’s expected losses or residual returns.

<table>
<thead>
<tr>
<th>Consolidated VIEs</th>
<th>Unconsolidated VIEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>Maximum Exposure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>in millions</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Education loans managed</td>
<td>$8,337</td>
</tr>
<tr>
<td>Less: Loans securitized</td>
<td>$4,267</td>
</tr>
<tr>
<td>Loans held for sale or securitization a</td>
<td>$401</td>
</tr>
<tr>
<td>Loans held in portfolio</td>
<td>$3,669</td>
</tr>
</tbody>
</table>
| (a) On March 31, 2008, Key transferred $3.284 billion of education loans from loans held for sale to the loan portfolio.

Disclaimer: This text is a pure text representation and does not include any visual elements such as tables, graphs, or images.
Key’s involvement with VIEs is described below.

**Consolidated VIEs**

**LIHTC guaranteed funds.** Key Affordable Housing Corporation (“KAHC”) formed limited partnerships (“funds”) that invested in LIHTC operating partnerships. Interests in these funds were offered in syndication to qualified investors who paid a fee to KAHC for a guaranteed return. Key also earned syndication fees from these funds and continues to earn asset management fees. The funds’ assets primarily are investments in LIHTC operating partnerships, which totaled $227,959 million.

<table>
<thead>
<tr>
<th>in millions</th>
<th>Assets</th>
<th>Assets</th>
<th>Liabilities</th>
<th>to Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income housing tax credit (“LIHTC”) funds</td>
<td>$237</td>
<td>$158</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>LIHTC investments</td>
<td>N/A</td>
<td>707</td>
<td>—</td>
<td>$344</td>
</tr>
</tbody>
</table>

N/A = Not Applicable
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

million at December 31, 2008. These investments are recorded in “accrued income and other assets” on the balance sheet and serve as collateral for the funds’ limited obligations. Key has not formed new funds or added LIHTC partnerships since October 2003. However, Key continues to act as asset manager and provides occasional funding for existing funds under a guarantee obligation. As a result of this guarantee obligation, management has determined that Key is the primary beneficiary of these funds. Key recorded expenses of $17 million related to this guarantee obligation during 2008. Additional information on return guarantee agreements with LIHTC investors is summarized in Note 18 (“Commitments, Contingent Liabilities and Guarantees”) under the heading “Guarantees” on page 114.

The partnership agreement for each guaranteed fund requires the fund to be dissolved by a certain date. In accordance with SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,” the third-party interests associated with these funds are considered mandatorily redeemable instruments and are recorded in “accrued expense and other liabilities” on the balance sheet. The FASB has indefinitely deferred the measurement and recognition provisions of SFAS No. 150 for mandatorily redeemable third-party interests associated with finite-lived subsidiaries, such as Key’s LIHTC guaranteed funds. Key adjusts the financial statements each period for the third-party investors’ share of the funds’ profits and losses. At December 31, 2008, the settlement value of these third-party interests was estimated to be between $188 million and $198 million, while the recorded value, including reserves, totaled $238 million.

Unconsolidated VIEs

LIHTC nonguaranteed funds. Although Key holds significant interests in certain nonguaranteed funds that Key formed and funded, management has determined that Key is not the primary beneficiary of those funds because Key does not absorb the majority of the expected losses of the funds. At December 31, 2008, assets of these unconsolidated nonguaranteed funds totaled $158 million. Key’s maximum exposure to loss in connection with these funds is minimal, and Key does not have any liability recorded related to the funds. Management elected to cease forming these funds in October 2003.

LIHTC investments. Through the Community Banking line of business, Key has made investments directly in LIHTC operating partnerships formed by third parties. As a limited partner in these operating partnerships, Key is allocated tax credits and deductions associated with the underlying properties. Management has determined that Key is not the primary beneficiary of these investments because the general partners are more closely associated with the business activities of these partnerships. At December 31, 2008, assets of these unconsolidated LIHTC operating partnerships totaled approximately $707 million. Key’s maximum exposure to loss in connection with these partnerships is the unamortized investment balance of $272 million at December 31, 2008, plus $72 million of tax credits claimed but subject to recapture. Key does not have any liability recorded related to these investments because Key believes the likelihood of any loss in connection with these partnerships is remote. In 2008, Key did not obtain significant direct investments (either individually or in the aggregate) in LIHTC operating partnerships. Key has additional investments in unconsolidated LIHTC operating partnerships that are held by the consolidated LIHTC guaranteed funds. Total assets of these operating partnerships were approximately $1.527 billion at December 31, 2008. The tax credits and deductions associated with these properties are allocated to the funds’ investors based on their ownership percentages. Management has determined that Key is not the primary beneficiary of these partnerships because the general partners are more closely associated with the business activities of these partnerships. Information regarding Key’s exposure to loss in connection with these guaranteed funds is included in Note 18 under the heading “Return guarantee agreement with LIHTC investors” on page 114.

Commercial and residential real estate investments and principal investments. Key’s Principal Investing unit and the Real Estate Capital and Corporate Banking Services line of business make equity and mezzanine investments, some of which are in VIEs. These investments are held by nonregistered investment companies subject to the provisions of the American Institute of Certified Public Accountants (“AICPA”) Audit and Accounting Guide, “Audits of Investment Companies.” Key is not currently applying the accounting or disclosure provisions of Revised Interpretation No. 46 to these investments, which remain unconsolidated; the FASB deferred the effective date of Revised Interpretation No. 46 for such nonregistered investment companies until the AICPA clarifies the scope of the Audit Guide.
9. Nonperforming Assets and Past Due Loans


Key’s nonperforming assets and past due loans were as follows:

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impaired loans</td>
<td>$985</td>
<td>$519</td>
</tr>
<tr>
<td>Other nonaccrual loans</td>
<td>240</td>
<td>168</td>
</tr>
<tr>
<td><strong>Total nonperforming loans</strong></td>
<td><strong>1,225</strong></td>
<td><strong>687</strong></td>
</tr>
</tbody>
</table>

Nonperforming loans held for sale

90

25

Other real estate owned (“OREO”)

110

21

Allowance for OREO losses

(3)

(2)

OREO, net of allowance

107

19

Other nonperforming assets

42

33

**Total nonperforming assets**

$1,464

$764

Impaired loans with a specifically allocated allowance

$876

$426

Specifically allocated allowance for impaired loans

178

126

Accruing loans past due 90 days or more

433

231

Accruing loans past due 30 through 89 days

1,314

843

(a) Primarily investments held by the Private Equity unit within Key’s Real Estate Capital and Corporate Banking Services line of business.

At December 31, 2008, Key did not have any significant commitments to lend additional funds to borrowers with loans on nonperforming status.

Management evaluates the collectibility of Key’s loans by applying historical loss experience rates to loans with similar risk characteristics. These loss rates are adjusted to reflect emerging credit trends and other factors to determine the appropriate level of allowance for loan losses to be allocated to each loan type. As described in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Allowance for Loan Losses” on page 79, management conducts further analysis to determine the probable loss content of impaired loans with larger balances. Management does not perform a loan-specific impairment valuation for smaller-balance, homogeneous, nonaccrual loans (shown in the preceding table as “Other nonaccrual loans”) such as residential mortgages, home equity loans and various types of installment loans.

The following table shows the amount by which loans and loans held for sale classified as nonperforming at December 31 reduced Key’s expected interest income.

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income receivable under original terms</td>
<td>$52</td>
<td>$57</td>
<td>$20</td>
</tr>
<tr>
<td>Less: Interest income recorded during the year</td>
<td>36</td>
<td>42</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net reduction to interest income</strong></td>
<td><strong>$16</strong></td>
<td><strong>$15</strong></td>
<td><strong>$12</strong></td>
</tr>
</tbody>
</table>

10. Goodwill and Other Intangible Assets

Key’s total intangible asset amortization expense was $31 million for 2008, $23 million for 2007 and $21 million for 2006. Estimated amortization expense for intangible assets for each of the next five years is as follows: 2009 — $25 million; 2010 — $20 million; 2011 — $13 million; 2012 — $12 million; and 2013 — $12 million.

The following table shows the gross carrying amount and the accumulated amortization of intangible assets that are subject to amortization.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets subject to amortization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core deposit intangibles</td>
<td>$65</td>
<td>$32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>173</td>
<td>78</td>
<td>170</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$238</strong></td>
<td><strong>$110</strong></td>
<td><strong>$202</strong></td>
<td><strong>$79</strong></td>
</tr>
</tbody>
</table>

In 2008, Key recorded core deposit intangibles with a fair value of $33 million in conjunction with the purchase of U.S.B. Holding Co., Inc. These core deposit intangibles are being amortized using the economic depletion method over a period of ten years. During 2007, Key acquired other intangible assets with a fair value of $25 million in conjunction with the purchase of Tuition Management Systems, Inc. These intangible assets are being amortized using the straight-line method over a period of seven years. Additional information pertaining to these acquisitions is included in Note 3 (“Acquisitions and Divestitures”) on page 87.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  KEYCORP AND SUBSIDIARIES

Changes in the carrying amount of goodwill by reporting unit are presented in the following table. Goodwill of $217 million has been reclassified as of December 31, 2006, from Community Banking to National Banking to more appropriately reflect how management reviews and tracks goodwill.

<table>
<thead>
<tr>
<th>in millions</th>
<th>Community Banking</th>
<th>National Banking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2006</strong></td>
<td>$ 565</td>
<td>$ 637</td>
<td>$ 1,202</td>
</tr>
<tr>
<td>Acquisition of Tuition Management Systems</td>
<td>—</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Cessation of Payroll Online services</td>
<td>—</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2007</strong></td>
<td>$ 565</td>
<td>$ 687</td>
<td>$ 1,252</td>
</tr>
<tr>
<td>Acquisition of U.S.B. Holding Co., Inc.</td>
<td>352</td>
<td>—</td>
<td>352</td>
</tr>
<tr>
<td>Impairment of goodwill resulting from annual impairment testing</td>
<td>—</td>
<td>(465)</td>
<td>(465)</td>
</tr>
<tr>
<td>Impairment of goodwill related to cessation of private education lending program</td>
<td>—</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Adjustment to Austin Capital Management goodwill</td>
<td>—</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Acquisition of Tuition Management Systems goodwill</td>
<td>—</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2008</strong></td>
<td>$ 917</td>
<td>$ 221</td>
<td>$ 1,138</td>
</tr>
</tbody>
</table>

As of December 31, 2008, the amount of goodwill expected to be deductible for tax purposes in future periods was $206 million.

Key’s annual goodwill impairment testing was performed as of October 1, 2008. The testing indicated that the estimated fair value of the National Banking unit was less than its carrying amount, reflecting unprecedented weakness in the financial markets. As a result, management recorded a $465 million impairment charge. In September 2008, Key announced its decision to limit new student loans to those backed by government guarantee. As a result, $4 million of goodwill was written off during the third quarter of 2008.

In December 2007, Key announced its decision to cease offering Payroll Online services since they were not of sufficient size to provide economies of scale to compete profitably. As a result, $5 million of goodwill was written off during the fourth quarter of 2007.

In December 2006, Key announced that it sold the subprime mortgage loan portfolio held by the Champion Mortgage finance business on November 29, 2006, and also announced that it had entered into a separate agreement to sell Champion’s loan origination platform. As a result, $170 million of goodwill was written off during the fourth quarter of 2006. Key sold the Champion Mortgage loan origination platform on February 28, 2007.
11. Short-Term Borrowings

Selected financial information pertaining to the components of Key’s short-term borrowings is as follows:

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FEDERAL FUNDS PURCHASED</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at year end</td>
<td>$ 137</td>
<td>$ 2,355</td>
<td>$ 1,899</td>
</tr>
<tr>
<td>Average during the year</td>
<td>1,312</td>
<td>2,742</td>
<td>1,142</td>
</tr>
<tr>
<td>Maximum month-end balance</td>
<td>3,272</td>
<td>4,246</td>
<td>3,147</td>
</tr>
<tr>
<td>Weighted-average rate during the year</td>
<td>2.44%</td>
<td>5.11%</td>
<td>5.43%</td>
</tr>
<tr>
<td>Weighted-average rate at December 31</td>
<td>.74</td>
<td>4.30</td>
<td>5.45</td>
</tr>
<tr>
<td><strong>SECURITIES SOLD UNDER REPURCHASE AGREEMENTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at year end</td>
<td>$ 1,420</td>
<td>$ 1,572</td>
<td>$ 1,744</td>
</tr>
<tr>
<td>Average during the year</td>
<td>1,535</td>
<td>1,588</td>
<td>1,073</td>
</tr>
<tr>
<td>Maximum month-end balance</td>
<td>1,876</td>
<td>1,701</td>
<td>1,932</td>
</tr>
<tr>
<td>Weighted-average rate during the year</td>
<td>1.63%</td>
<td>4.28%</td>
<td>4.19%</td>
</tr>
<tr>
<td>Weighted-average rate at December 31</td>
<td>.83</td>
<td>3.67</td>
<td>4.86</td>
</tr>
<tr>
<td><strong>SHORT-TERM BANK NOTES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at year end</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Average during the year</td>
<td>—</td>
<td>—</td>
<td>$ 48</td>
</tr>
<tr>
<td>Maximum month-end balance</td>
<td>—</td>
<td>—</td>
<td>101</td>
</tr>
<tr>
<td>Weighted-average rate during the year</td>
<td>—</td>
<td>—</td>
<td>4.26%</td>
</tr>
<tr>
<td>Weighted-average rate at December 31</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>OTHER SHORT-TERM BORROWINGS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at year end</td>
<td>$ 8,477</td>
<td>$ 5,861</td>
<td>$ 1,192</td>
</tr>
<tr>
<td>Average during the year</td>
<td>5,944</td>
<td>2,423</td>
<td>2,236</td>
</tr>
<tr>
<td>Maximum month-end balance</td>
<td>9,747</td>
<td>5,861</td>
<td>2,594</td>
</tr>
<tr>
<td>Weighted-average rate during the year</td>
<td>2.15%</td>
<td>4.13%</td>
<td>3.89%</td>
</tr>
<tr>
<td>Weighted-average rate at December 31</td>
<td>.97</td>
<td>4.10</td>
<td>3.32</td>
</tr>
</tbody>
</table>

Rates presented in the above table exclude the effects of interest rate swaps and caps, which modify the repricing characteristics of certain short-term borrowings. For more information about such financial instruments, see Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

(a) From continuing operations.

Key has several programs through KeyCorp and KeyBank that support short-term financing needs. In addition, certain KeyCorp subsidiaries maintain credit facilities with third parties, which provide alternative sources of funding in light of current market conditions. KeyCorp is the guarantor of some of the third-party facilities.

**Bank note program.** KeyBank’s note program provides for the issuance of up to $20.0 billion of notes. These notes may have original maturities from thirty days up to thirty years. During 2008, KeyBank issued $1.555 billion of notes under this program, including $1.0 billion of FDIC-guaranteed notes issued under the Temporary Liquidity Guarantee Program (“TLGP”). At December 31, 2008, $16.545 billion was available for future issuance.

**Euro medium-term note program.** Under Key’s Euro medium-term note program, KeyCorp and KeyBank may, subject to the completion of certain filings, issue both long- and short-term debt of up to $10.0 billion in the aggregate ($9.0 billion by KeyBank and $1.0 billion by KeyCorp). The notes are offered exclusively to non-U.S. investors and can be denominated in U.S. dollars or foreign currencies. Key issued $26 million of notes under this program during 2008. At December 31, 2008, $7.350 billion was available for future issuance.

**KeyCorp shelf registration, including medium-term note program.** In June 2008, KeyCorp filed an updated shelf registration statement with the Securities and Exchange Commission under rules that allow companies to register various types of debt and equity securities without limitations on the aggregate amounts available for issuance. During the same month, KeyCorp filed an updated prospectus supplement, renewing a medium-term note program that permits Key to issue notes with original maturities of nine months or more. KeyCorp issued $1.250 billion of medium-term notes during 2008, including $500 million of FDIC-guaranteed notes under the TLGP. At December 31, 2008, KeyCorp’s Board had authorized the issuance of up to $1.760 billion of additional debt securities, and up to $1.260 billion of preferred stock or capital securities under a pre-existing registration statement.

**Commercial paper.** KeyCorp has a commercial paper program that provides funding availability of up to $500 million. At December 31, 2008, there were no borrowings outstanding under this program.

KeyBank has a separate commercial paper program at a Canadian subsidiary that provides funding availability of up to C$1.0 billion in Canadian currency. The borrowings under this program can be denominated in Canadian or U.S. dollars. At December 31, 2008, there were no borrowings outstanding in either Canadian or U.S. currency.

**Other short-term credit facilities.** Key has access to various sources of money market funding (such as federal funds purchased, securities sold under repurchase agreements and Eurodollars), and also has secured borrowing facilities established at the Federal Home Loan Bank of Cincinnati, the U.S. Treasury Department and the Federal Reserve Bank of Cleveland to facilitate short-term liquidity requirements. Key’s unused secured borrowing capacity as of December 31, 2008, was $16.690 billion at the Federal Reserve Bank and $4.292 billion at the Federal Home Loan Bank.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

12. Long-Term Debt

The following table presents the components of Key’s long-term debt, net of unamortized discounts and adjustments related to hedging with derivative financial instruments.

<table>
<thead>
<tr>
<th>December 31, dollars in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior medium-term notes due through 2013 a</td>
<td>$2,270</td>
<td>$1,251</td>
</tr>
<tr>
<td>Senior Euro medium-term notes due through 2011 b</td>
<td>459</td>
<td>481</td>
</tr>
<tr>
<td>4.623% Subordinated notes due 2028 c</td>
<td>201</td>
<td>201</td>
</tr>
<tr>
<td>6.875% Subordinated notes due 2029 c</td>
<td>231</td>
<td>177</td>
</tr>
<tr>
<td>7.750% Subordinated notes due 2029 c</td>
<td>271</td>
<td>210</td>
</tr>
<tr>
<td>5.875% Subordinated notes due 2033 c</td>
<td>195</td>
<td>189</td>
</tr>
<tr>
<td>6.125% Subordinated notes due 2033 c</td>
<td>82</td>
<td>80</td>
</tr>
<tr>
<td>5.700% Subordinated notes due 2035 c</td>
<td>295</td>
<td>266</td>
</tr>
<tr>
<td>7.000% Subordinated notes due 2066 c</td>
<td>360</td>
<td>267</td>
</tr>
<tr>
<td>6.750% Subordinated notes due 2066 c</td>
<td>562</td>
<td>506</td>
</tr>
<tr>
<td>8.000% Subordinated notes due 2068 c</td>
<td>836</td>
<td>—</td>
</tr>
<tr>
<td>9.580% Subordinated notes due 2027 c</td>
<td>21</td>
<td>—</td>
</tr>
<tr>
<td>7.000% Subordinated notes due 2031 c</td>
<td>20</td>
<td>—</td>
</tr>
<tr>
<td>7.619% Subordinated notes due 2034 c</td>
<td>10</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total parent company</strong></td>
<td><strong>5,813</strong></td>
<td><strong>3,628</strong></td>
</tr>
</tbody>
</table>

| Senior medium-term notes due through 2039 d | 2,671 | 1,388 |
| Senior Euro medium-term notes due through 2013 e | 2,362 | 2,653 |
| 7.413% Subordinated remarketable notes due 2027 f | 311 | 308 |
| 7.375% Subordinated notes due 2008 f | — | 70 |
| 7.50% Subordinated notes due 2008 f | — | 164 |
| 7.00% Subordinated notes due 2011 f | 554 | 530 |
| 7.30% Subordinated notes due 2011 f | 117 | 113 |
| 5.70% Subordinated notes due 2012 f | 332 | 310 |
| 5.80% Subordinated notes due 2014 f | 861 | 783 |
| 4.95% Subordinated notes due 2015 f | 253 | 249 |
| 5.45% Subordinated notes due 2016 f | 578 | 514 |
| 5.70% Subordinated notes due 2017 f | 242 | 209 |
| 4.625% Subordinated notes due 2018 f | 101 | 91 |
| 6.95% Subordinated notes due 2028 f | 248 | 301 |
| Lease financing debt due through 2015 g | 365 | 515 |
| Federal Home Loan Bank advances due through 2036 h | 132 | 131 |
| Mortgage financing debt due through 2011 i | 55 | — |
| **Total subsidiaries** | **9,182** | **8,329** |
| **Total long-term debt** | **$14,995** | **$11,957** |

Key uses interest rate swaps and caps, which modify the repricing characteristics of certain long-term debt, to manage interest rate risk. For more information about such financial instruments, see Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

(a) The senior medium-term notes had weighted-average interest rates of 3.41% at December 31, 2008, and 5.01% at December 31, 2007. These notes had a combination of fixed and floating interest rates, and may not be redeemed prior to their maturity dates.

(b) Senior Euro medium-term notes had weighted-average interest rates of 2.35% at December 31, 2008, and 4.89% at December 31, 2007. These notes had a floating interest rate based on the three-month LIBOR and may not be redeemed prior to their maturity dates.

(c) These notes had weighted-average interest rates of 6.93% at December 31, 2008, and 6.56% at December 31, 2007. All of the notes have fixed interest rates except for the 4.623% note, which has a floating interest rate equal to three-month LIBOR plus 74 basis points; the 7.000% note, which has a floating interest rate equal to three-month LIBOR plus 358 basis points; and the 7.619% note, which has a floating interest rate equal to three-month LIBOR plus 280 basis points. Each of these floating rate notes reprices quarterly. See Note 13 (“Capital Securities Issued by Unconsolidated Subsidiaries”) on page 101 for a description of these notes.

(d) Senior medium-term notes of KeyBank had weighted-average interest rates of 3.95% at December 31, 2008, and 5.05% at December 31, 2007. These notes had a combination of fixed and floating interest rates and may not be redeemed prior to their maturity dates.

(e) Senior Euro medium-term notes had weighted-average interest rates of 2.55% at December 31, 2008, and 4.79% at December 31, 2007. These notes, which are obligations of KeyBank, had a combination of fixed and floating interest rates based on LIBOR and may not be redeemed prior to their maturity dates.

(f) These notes are all obligations of KeyBank. Only the subordinated remarketable notes due 2027 may be redeemed prior to their maturity dates.

(g) Lease financing debt had weighted-average interest rates of 4.66% at December 31, 2008, and 5.06% at December 31, 2007. This category of debt consists primarily of nonrecourse debt collateralized by leased equipment under operating, direct financing and sales-type leases.
(h) Long-term advances from the Federal Home Loan Bank had weighted-average interest rates of 5.18% at December 31, 2008, and 5.40% at December 31, 2007. These advances, which had a combination of fixed and floating interest rates, were secured by real estate loans and securities totaling $179 million at December 31, 2008, and $164 million at December 31, 2007.

(i) Mortgage financing debt had a weighted-average interest rate of 4.84% at December 31, 2008. This category of debt is collateralized by real estate properties.

At December 31, 2008, scheduled principal payments on long-term debt were as follows:

<table>
<thead>
<tr>
<th>in millions</th>
<th>Parent</th>
<th>Subsidiaries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1,252</td>
<td>$1,853</td>
<td>$3,105</td>
</tr>
<tr>
<td>2010</td>
<td>668</td>
<td>571</td>
<td>1,239</td>
</tr>
<tr>
<td>2011</td>
<td>40</td>
<td>1,473</td>
<td>1,513</td>
</tr>
<tr>
<td>2012</td>
<td>—</td>
<td>2,428</td>
<td>2,428</td>
</tr>
<tr>
<td>2013</td>
<td>769</td>
<td>31</td>
<td>800</td>
</tr>
<tr>
<td>All subsequent years</td>
<td>3,084</td>
<td>2,826</td>
<td>5,910</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

13. Capital Securities Issued by Unconsolidated Subsidiaries

KeyCorp owns the outstanding common stock of business trusts that issued corporation-obligated mandatorily redeemable preferred capital securities. The trusts used the proceeds from the issuance of their capital 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 capital securities.

The capital securities provide an attractive source of funds: they constitute Tier 1 capital for regulatory reporting purposes, but have the same tax advantages as debt for federal income tax purposes. During the first quarter of 2005, the Federal Reserve Board adopted a rule that allows bank holding companies to continue to treat capital securities as Tier 1 capital, but imposed stricter quantitative limits that take effect April 1, 2009. Management believes the new rule will not have any material effect on Key’s financial condition.

KeyCorp unconditionally guarantees the following payments or distributions on behalf of the trusts:

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

During the first quarter of 2008, the KeyCorp Capital X trust issued $740 million of securities. Also included in the table below are the capital securities held by the Union State Capital I, Union State Statutory II and Union State Statutory IV business trusts. The outstanding common stock of these trusts was owned by U.S.B. Holding Co., Inc., which Key acquired on January 1, 2008.

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

<table>
<thead>
<tr>
<th>dollars in millions</th>
<th>Capital Securities, Net of Discount</th>
<th>Common Stock</th>
<th>Principal Amount of Debentures, Net of Discount</th>
<th>Interest Rate of Capital Securities and Debentures</th>
<th>Maturity of Capital Securities and Debentures</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECEMBER 31, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KeyCorp Capital I</td>
<td>$ 197</td>
<td>$ 8</td>
<td>$ 201</td>
<td>4.623%</td>
<td>2028</td>
</tr>
<tr>
<td>KeyCorp Capital II</td>
<td>235</td>
<td>8</td>
<td>231</td>
<td>6.875</td>
<td>2029</td>
</tr>
<tr>
<td>KeyCorp Capital III</td>
<td>295</td>
<td>8</td>
<td>271</td>
<td>7.750</td>
<td>2029</td>
</tr>
<tr>
<td>KeyCorp Capital V</td>
<td>175</td>
<td>5</td>
<td>195</td>
<td>5.875</td>
<td>2033</td>
</tr>
<tr>
<td>KeyCorp Capital VI</td>
<td>75</td>
<td>2</td>
<td>82</td>
<td>6.125</td>
<td>2033</td>
</tr>
<tr>
<td>KeyCorp Capital VII</td>
<td>327</td>
<td>8</td>
<td>295</td>
<td>5.700</td>
<td>2035</td>
</tr>
<tr>
<td>KeyCorp Capital VIII</td>
<td>288</td>
<td>—</td>
<td>360</td>
<td>7.000</td>
<td>2066</td>
</tr>
<tr>
<td>KeyCorp Capital IX</td>
<td>563</td>
<td>—</td>
<td>562</td>
<td>6.750</td>
<td>2066</td>
</tr>
<tr>
<td>KeyCorp Capital X</td>
<td>837</td>
<td>—</td>
<td>836</td>
<td>8.000</td>
<td>2068</td>
</tr>
<tr>
<td>Union State Capital I</td>
<td>20</td>
<td>1</td>
<td>21</td>
<td>9.580</td>
<td>2027</td>
</tr>
<tr>
<td>Union State Statutory II</td>
<td>20</td>
<td>—</td>
<td>20</td>
<td>7.000</td>
<td>2031</td>
</tr>
<tr>
<td>Union State Statutory IV</td>
<td>10</td>
<td>—</td>
<td>10</td>
<td>7.619</td>
<td>2034</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,042</td>
<td>$ 40</td>
<td>$ 3,084</td>
<td>6.931%</td>
<td></td>
</tr>
</tbody>
</table>

| DECEMBER 31, 2007   |                                     |              |                                               |                                                  |                                                 |
| KeyCorp Capital I   | $ 1,848                             | $ 39         | $ 1,896                                       | 6.599%                                           |                                                 |

(a) The capital securities must be redeemed when the related debentures mature, or earlier if provided in the governing indenture. Each issue of capital securities carries an interest rate identical to that of the related debenture. Included in certain capital securities at December 31, 2008 and 2007, are basis adjustments of $459 million and $55 million, respectively, related to fair value hedges. See Note 19 (“Derivatives and Hedging Activities”), which begins on page 115, for an explanation of fair value hedges.

(b) KeyCorp has the right to redeem its debentures: (i) in whole or in part, on or after July 1, 2008 (for debentures owned by Capital I); March 18, 1999 (for debentures owned by Capital II); July 16, 1999 (for debentures owned by Capital III); July 31, 2006 (for debentures owned by Union State Statutory II); February 1, 2007 (for debentures owned by Union State Capital I); July 21, 2008 (for debentures owned by Capital V); December 15, 2008 (for debentures owned by Capital VI); April 7, 2009 (for debentures owned by Union State Statutory IV); June 15, 2010 (for debentures owned by Capital VII); June 15, 2011 (for debentures owned by Capital VIII); December 15, 2011 (for debentures owned by Capital IX); and March 15, 2013 (for debentures owned by Capital X); and (ii) in whole at any time within 90 days after and during the continuation of a “tax event,” an “investment company event” or a “capital treatment event” (as defined in the applicable indenture). If the debentures purchased by Union State Statutory IV, Capital I, Capital V, Capital VI, Capital VII, Capital VIII, Capital IX or Capital X are redeemed before they mature, the redemption price will be the principal amount, plus any accrued but unpaid interest. If the debentures purchased by Union State Capital I are redeemed before they mature, the redemption price will be 104.31% of the principal amount, plus any accrued but unpaid interest. If the debentures purchased by Union State Statutory II are redeemed before they mature, the redemption price will be 104.5% of the principal amount, plus any accrued but unpaid interest. If the debentures purchased by Capital II or Capital III are redeemed before they mature, the redemption price will be the greater of: (a) the principal amount, plus any accrued but unpaid interest or (b) 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 (25 basis points for Capital III), plus any accrued but unpaid interest. When debentures are redeemed in response to tax or capital treatment events, the redemption price generally is slightly more favorable to KeyCorp. Included in the principal amount of debentures at December 31, 2008 and 2007, are adjustments relating to hedging with financial instruments totaling $461 million and $64 million, respectively.

(c) The interest rates for Capital II, Capital III, Capital V, Capital VI, Capital VII, Capital VIII, Capital IX, Capital X and Union State Capital I are...
fixed. Capital I has a floating interest rate equal to three-month LIBOR plus 74 basis points that reprices quarterly. Union State Statutory II has a floating interest rate equal to three-month LIBOR plus 358 basis points that reprices quarterly. Union State Statutory IV has a floating interest rate equal to three-month LIBOR plus 280 basis points that reprices quarterly. The rates shown as the totals at December 31, 2008 and 2007, are weighted-average rates.
PREFERRED STOCK

Series A. During 2008, KeyCorp issued $658 million, or 6,575,000 shares, of noncumulative perpetual convertible preferred stock, Series A (“Series A Preferred Stock”), with a liquidation preference of $100 per share. This was one of several actions Key took to further strengthen its capital position in light of charges recorded in connection with the leasing litigation described in Note 17 (“Income Taxes”), which begins on page 110, and to position Key to respond to future business opportunities as they emerge. The Series A Preferred Stock: (1) is nonvoting, other than class voting rights on matters that could adversely affect the shares; (2) pays a noncumulative dividend at the rate of 7.75% per annum at the discretion of Key’s Board of Directors; and (3) is not redeemable at any time. The Series A Preferred Stock ranks senior to KeyCorp common shares and is on parity with the Series B Preferred Stock discussed below in the event of liquidation or dissolution of Key. Each share of Series A Preferred Stock is convertible at any time into 7.0922 KeyCorp common shares (equivalent to an initial conversion price of approximately $14.10 per common share), plus cash in lieu of fractional shares. The conversion rate may change upon the occurrence of a consummation of a merger, a change of control (a “make-whole” acquisition), a reorganization event or to prevent dilution. On or after June 15, 2013, if the closing price of KeyCorp common shares exceeds 130% of the conversion price for 20 trading days during any consecutive 30 trading day period, KeyCorp may automatically convert some or all of the outstanding Series A Preferred Stock into KeyCorp common shares at the then prevailing conversion rate.

Series B. During the fourth quarter of 2008, KeyCorp received approval to participate in the U.S. Treasury’s Capital Purchase Program. Accordingly, on November 14, 2008, KeyCorp raised $2.5 billion of capital, including the issuance of $2.414 billion, or 25,000 shares, of fixed-rate cumulative perpetual preferred stock, Series B (“Series B Preferred Stock”), with a liquidation preference of $100,000 per share, which was purchased by the U.S. Treasury.

The Series B Preferred Stock: (1) is nonvoting, other than class voting rights on matters that could adversely affect the shares; (2) pays a cumulative mandatory dividend at the rate of 5% per annum for the first five years, resetting to 9% per annum thereafter; and (3) is callable at par plus accrued and unpaid dividends at any time. The Series B Preferred Stock ranks senior to KeyCorp common shares and is on parity with the Series A Preferred Stock in the event of liquidation or dissolution of Key.

The terms of the transaction with the U.S. Treasury include limitations on KeyCorp’s ability to pay dividends and repurchase common shares. For three years after the issuance or until the U.S. Treasury no longer holds any Series B Preferred Stock, KeyCorp will not be able to increase its dividends above the level paid in the third quarter of 2008, nor will KeyCorp be permitted to repurchase any of its common shares or preferred stock without the approval of the U.S. Treasury, subject to the availability of certain limited exceptions (e.g., for purchases in connection with benefit plans).

Pursuant to an interim final rule issued by the Board of Governors of the Federal Reserve System on October 16, 2008, bank holding companies that issue new preferred stock to the U.S. Treasury under the Capital Purchase Program are permitted to include such capital instruments in Tier 1 capital for purposes of the Board’s risk-based and leverage capital rules and guidelines for bank holding companies.

Further information on the Capital Purchase Program is included in the sections entitled “Capital” under the heading “Emergency Economic Stabilization Act of 2008” on page 51, and “Liquidity risk management,” which begins on page 56.

COMMON STOCK WARRANT

On November 14, 2008, in conjunction with KeyCorp’s participation in the Capital Purchase Program discussed above, KeyCorp granted a warrant to purchase 35,244,361 common shares to the U.S. Treasury at a fair value of $87 million. The warrant gives the U.S. Treasury the option to purchase KeyCorp common shares at an exercise price of $10.64 per share. The warrant has a term of ten years, is immediately exercisable, in whole or in part, and is transferable. The U.S. Treasury has agreed not to exercise voting power with respect to any common shares Key issues upon exercise of the warrant.

CAPITAL ADEQUACY

KeyCorp and KeyBank must meet specific capital requirements imposed by federal banking regulators. Sanctions for failure to meet applicable capital requirements may include regulatory enforcement actions that restrict dividend payments, require the adoption of remedial measures to increase capital, terminate Federal Deposit Insurance Corporation (“FDIC”) deposit insurance, and mandate the appointment of a conservator or receiver in severe cases. In addition, failure to maintain a well-capitalized status affects how regulatory applications for certain activities, including acquisitions, continuation and expansion of existing activities, and commencement of new activities are evaluated, and could make our clients and potential investors less confident. As of December 31, 2008, KeyCorp and KeyBank met all regulatory capital requirements.

Federal bank regulators apply certain capital ratios to assign FDIC-insured depository institutions to one of five categories: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” At December 31, 2008 and 2007, the most recent regulatory notification classified KeyBank as “well capitalized.” Management believes there has not been any change in condition or event since the most recent notification that would cause KeyBank’s capital classification to change.

Bank holding companies are not assigned to any of the five capital categories applicable to insured depository institutions. However, if those categories applied to bank holding companies, management believes Key would satisfy the criteria for a “well capitalized” institution at December 31, 2008 and 2007. The FDIC-defined capital categories serve a limited regulatory function and may not accurately represent the overall financial condition or prospects of KeyCorp or its affiliates.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

The following table presents Key’s and KeyBank’s actual capital amounts and ratios, minimum capital amounts and ratios prescribed by regulatory guidelines, and capital amounts and ratios required to qualify as “well capitalized” under the Federal Deposit Insurance Act.

<table>
<thead>
<tr>
<th></th>
<th>Actual Amount</th>
<th>Ratio</th>
<th>To Meet Minimum Capital Adequacy Requirements</th>
<th>To Qualify as Well Capitalized Under Federal Deposit Insurance Act</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Amount</td>
<td>Ratio</td>
</tr>
<tr>
<td><strong>December 31, 2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CAPITAL TO NET RISK-WEIGHTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 15,816</td>
<td>14.82%</td>
<td>$ 8,535</td>
<td>8.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>12,124</td>
<td>11.85%</td>
<td>8,177</td>
<td>8.00%</td>
</tr>
<tr>
<td>TIER 1 CAPITAL TO NET RISK-WEIGHTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 11,645</td>
<td>10.92%</td>
<td>$ 4,267</td>
<td>4.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>8,012</td>
<td>7.83%</td>
<td>4,088</td>
<td>4.00%</td>
</tr>
<tr>
<td>TIER 1 CAPITAL TO AVERAGE QUARTERLY TANGIBLE ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 11,645</td>
<td>11.05%</td>
<td>$ 3,160</td>
<td>3.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>8,012</td>
<td>7.81%</td>
<td>4,101</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>December 31, 2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL CAPITAL TO NET RISK-WEIGHTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 12,380</td>
<td>11.38%</td>
<td>$ 8,700</td>
<td>8.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>11,423</td>
<td>10.68%</td>
<td>8,551</td>
<td>8.00%</td>
</tr>
<tr>
<td>TIER 1 CAPITAL TO NET RISK-WEIGHTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 8,095</td>
<td>7.44%</td>
<td>$ 4,350</td>
<td>4.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>7,140</td>
<td>6.67%</td>
<td>4,275</td>
<td>4.00%</td>
</tr>
<tr>
<td>TIER 1 CAPITAL TO AVERAGE QUARTERLY TANGIBLE ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key</td>
<td>$ 8,095</td>
<td>8.39%</td>
<td>$ 2,895</td>
<td>3.00%</td>
</tr>
<tr>
<td>KeyBank</td>
<td>7,140</td>
<td>7.60%</td>
<td>3,753</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

N/A = Not Applicable

15. Stock-Based Compensation

Key maintains several stock-based compensation plans, which are described below. Total compensation expense for these plans was $49 million for 2008, $62 million for 2007 and $64 million for 2006. The total income tax benefit recognized in the income statement for these plans was $19 million for 2008, $23 million for 2007 and $24 million for 2006. Stock-based compensation expense related to awards granted to employees is recorded in “personnel expense” on the income statement; compensation expense related to awards granted to directors is recorded in “other expense.”

Key’s compensation plans allow KeyCorp to grant stock options, restricted stock, performance shares, discounted stock purchases, and the right to make certain deferred compensation-related awards to eligible employees and directors. At December 31, 2008, KeyCorp had 56,249,973 common shares available for future grant under its compensation plans. In accordance with a resolution adopted by the Compensation and Organization Committee of Key’s Board of Directors, KeyCorp may not grant options to purchase common shares, restricted stock or other shares under any long-term compensation plan in an aggregate amount that exceeds 6% of KeyCorp’s outstanding common shares in any rolling three-year period.

STOCK OPTION PLANS

Stock options granted to employees generally become exercisable at the rate of 33-1/3% per year beginning one year from their grant date; options expire no later than ten years from their grant date. The exercise price is the average of the high and low price of Key’s common shares on the date of grant, and cannot be less than the fair market value of Key’s common shares on the grant date.

Management determines the fair value of options granted using the Black-Scholes option-pricing model. This model was originally developed to determine the fair value of exchange-traded equity options, which (unlike employee stock options) have no vesting period or transferability restrictions. Because of these differences, the Black-Scholes model is not a perfect indicator of the value of an employee stock option, but it is commonly used for this purpose. The model assumes that the estimated fair value of an option is amortized as compensation expense over the option’s vesting period.

The Black-Scholes model requires several assumptions, which management developed and updates based on historical trends and current market observations. Management’s determination of the fair
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  KEYCORP AND SUBSIDIARIES

The value of options is only as accurate as the underlying assumptions. The assumptions pertaining to options issued during 2008, 2007 and 2006 are shown in the following table.

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average option life</td>
<td>5.9 years</td>
<td>7.0 years</td>
<td>6.0 years</td>
</tr>
<tr>
<td>Future dividend yield</td>
<td>5.80%</td>
<td>4.04%</td>
<td>3.79%</td>
</tr>
<tr>
<td>Historical share price volatility</td>
<td>.284</td>
<td>.231</td>
<td>.199</td>
</tr>
<tr>
<td>Weighted-average risk-free interest rate</td>
<td>3.6%</td>
<td>4.9%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Key’s annual stock option grant to executives and certain other employees generally occurs in July, upon approval by the Compensation and Organization Committee.

The following table summarizes activity, pricing and other information for Key’s stock options for the year ended December 31, 2008:

<table>
<thead>
<tr>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price Per Option</th>
<th>Weighted-Average Remaining Life (Years)</th>
<th>Aggregate Intrinsic Value a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding at December 31, 2007</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31,139,643</td>
<td>$31.11</td>
<td>5.9 years</td>
<td>$67,058</td>
</tr>
<tr>
<td><strong>Granted</strong></td>
<td>5,134,303</td>
<td>11.29</td>
<td>21,698</td>
</tr>
<tr>
<td><strong>Acquired</strong></td>
<td>451,137</td>
<td>21.97</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Exercised</strong></td>
<td>(300,012)</td>
<td>18.48</td>
<td>0</td>
</tr>
<tr>
<td><strong>Lapsed or canceled</strong></td>
<td>(3,608,677)</td>
<td>31.45</td>
<td>114,200</td>
</tr>
<tr>
<td><strong>Outstanding at December 31, 2008</strong></td>
<td>32,816,394</td>
<td>27.96</td>
<td>79,438</td>
</tr>
<tr>
<td><strong>Expected to vest</strong></td>
<td>31,625,885</td>
<td>28.10</td>
<td>79,438</td>
</tr>
<tr>
<td><strong>Exercisable at December 31, 2008</strong></td>
<td>23,772,853</td>
<td>30.13</td>
<td>73,108</td>
</tr>
</tbody>
</table>

(a) The intrinsic value of a stock option is the amount by which the fair value of the underlying stock exceeds the exercise price of the option. At December 31, 2008, the fair value of the underlying stock was less than the weighted-average exercise price per option.

The weighted-average grant-date fair value of options was $1.78 for options granted during 2008, $7.13 for options granted during 2007 and $6.34 for options granted during 2006. The total intrinsic value of exercised options was $2 million for 2008, $44 million for 2007 and $91 million for 2006. As of December 31, 2008, unrecognized compensation cost related to nonvested options expected to vest under the plans totaled $11 million. Management expects to recognize this cost over a weighted-average period of 1.7 years.

Cash received from options exercised was $6 million for 2008, $112 million for 2007 and $244 million for 2006. The actual tax benefit realized for the tax deductions from options exercised totaled $.3 million for 2008, $13 million for 2007 and $28 million for 2006.

LONG-TERM INCENTIVE COMPENSATION PROGRAM

Key’s Long-Term Incentive Compensation Program rewards senior executives critical to Key’s long-term financial success. The Program covers three-year performance cycles, with a new cycle beginning each year. Awards primarily are in the form of time-lapsed restricted stock, performance-based restricted stock, and performance shares payable in stock. However, performance awards are presented to certain executive officers in the form of cash.

The time-lapsed restricted stock generally vests after the end of the three-year cycle for which it was granted. Performance-based restricted stock and performance shares will not vest unless Key attains defined performance levels. During 2008 and 2007, Key paid cash awards in connection with vested performance shares of $1 million and $3 million, respectively. There were no vested performance shares that resulted in cash payments in 2006.

The following table summarizes activity and pricing information for the nonvested shares in the Program for the year ended December 31, 2008:

<table>
<thead>
<tr>
<th>Vesting Contingent on Service Conditions</th>
<th>Vesting Contingent on Performance and Service Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Nonvested Shares</td>
<td>Weighted-Average Grant-Date Fair Value</td>
</tr>
<tr>
<td>Outstanding at December 31, 2007</td>
<td>568,803</td>
</tr>
<tr>
<td>Granted</td>
<td>449,184</td>
</tr>
<tr>
<td>Vested</td>
<td>(157,939)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(62,485)</td>
</tr>
<tr>
<td>Outstanding at December 31, 2008</td>
<td>797,563</td>
</tr>
</tbody>
</table>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  KEYCORP AND SUBSIDIARIES

Prior to 2007, the compensation cost of time-lapsed restricted stock awards granted under the Program was calculated using the average of the high and low trading price of Key’s common shares on the grant date. Effective January 1, 2007, the cost of these awards is calculated using the closing trading price of Key’s common shares on the grant date. The change did not have a material effect on Key’s financial condition or results of operations.

Unlike time-lapsed and performance-based restricted stock, performance shares payable in stock and those payable in cash for over 100% of targeted performance do not pay dividends during the vesting period. Consequently, the fair value of performance shares payable in stock and those payable in cash is calculated by reducing the share price at the date of grant by the present value of estimated future dividends forgone during the vesting period, discounted at an appropriate risk-free interest rate.

The weighted-average grant-date fair value of awards granted under the Program was $22.81 during 2008, $38.06 during 2007 and $33.95 during 2006. As of December 31, 2008, unrecognized compensation cost related to nonvested shares expected to vest under the Program totaled $10 million. Management expects to recognize this cost over a weighted-average period of 1.8 years. The total fair value of shares vested was $9 million during 2008, $21 million during 2007 and $.1 million during 2006.

OTHER RESTRICTED STOCK AWARDS

Key also may grant, upon approval by the Compensation and Organization Committee, other time-lapsed restricted stock awards under various programs to certain executives and employees in recognition of outstanding performance. The majority of the nonvested shares at December 31, 2008, shown in the table below related to July 2008 grants of time-lapsed restricted stock to qualifying executives and certain other employees identified as high performers. These awards generally vest after three years of service.

The following table summarizes activity and pricing information for the nonvested shares under these awards for the year ended December 31, 2008:

<table>
<thead>
<tr>
<th>Number of Nonvested Shares</th>
<th>Weighted-Average Grant-Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2007</td>
<td>$36.25</td>
</tr>
<tr>
<td>Granted</td>
<td>889,936</td>
</tr>
<tr>
<td>Vested</td>
<td>2,849,162</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(100,737)</td>
</tr>
<tr>
<td>Outstanding at December 31, 2008</td>
<td>$18.36</td>
</tr>
<tr>
<td></td>
<td>3,504,399</td>
</tr>
</tbody>
</table>

The weighted-average grant-date fair value of awards granted was $13.62 during 2008, $36.81 during 2007 and $33.22 during 2006. As of December 31, 2008, unrecognized compensation cost related to nonvested restricted stock expected to vest under these special awards totaled $36 million. Management expects to recognize this cost over a weighted-average period of 2.2 years. The total fair value of restricted stock vested was $2 million during 2008 and 2007, and $4 million during 2006.

DEFERRED COMPENSATION PLANS

Key’s deferred compensation arrangements include voluntary and mandatory deferral programs for Key common shares awarded to certain employees and directors. Mandatory deferred incentive awards, together with a 15% employer matching contribution, vest at the rate of 33-1/3% per year beginning one year after the deferral date. Deferrals under the voluntary programs are immediately vested, except for any employer match, which generally will vest after three years of service. The voluntary deferral programs provide an employer match ranging from 6% to 15% of the deferral.

Several of Key’s deferred compensation arrangements allow participants to redirect deferrals from Key common shares into other investments that provide for distributions payable in cash. Key accounts for these participant-directed deferred compensation arrangements as stock-based liabilities and remeasures the related compensation cost based on the most recent fair value of Key’s common shares. Key did not pay any stock-based liabilities during 2008. Key paid stock-based liabilities of $.1 million during 2007 and $1.8 million during 2006. The compensation cost of all other nonparticipant-directed deferrals is measured based on the average of the high and low trading price of Key’s common shares on the deferral date.

The following table summarizes activity and pricing information for the nonvested shares in Key’s deferred compensation plans for the year ended December 31, 2008:

<table>
<thead>
<tr>
<th>Number of Nonvested Shares</th>
<th>Weighted-Average Grant-Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2007</td>
<td>$35.78</td>
</tr>
<tr>
<td>Granted</td>
<td>1,097,709</td>
</tr>
<tr>
<td>Dividend equivalents</td>
<td>410,343</td>
</tr>
<tr>
<td>Vested</td>
<td>219,132</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(828,299)</td>
</tr>
<tr>
<td>Outstanding at December 31, 2008</td>
<td>$28.74</td>
</tr>
<tr>
<td></td>
<td>883,908</td>
</tr>
</tbody>
</table>
The weighted-average grant-date fair value of awards granted was $12.01 during 2008, $36.13 during 2007 and $36.41 during 2006. As of December 31, 2008, unrecognized compensation cost related to nonvested shares expected to vest under Key’s deferred compensation plans totaled $7 million. Management expects to recognize this cost over a weighted-average period of 1.7 years. The total fair value of shares vested was $15 million during 2008, $25 million during 2007 and $24 million during 2006. Dividend equivalents presented in the preceding table represent the value of dividends accumulated during the vesting period.

**DISCOUNTED STOCK PURCHASE PLAN**

Key’s Discounted Stock Purchase Plan provides employees the opportunity to purchase Key’s common shares at a 10% discount through payroll deductions or cash payments. Purchases are limited to $10,000 in any month and $50,000 in any calendar year and are immediately vested. To accommodate employee purchases, Key acquires shares on the open market on or around the fifteenth day of the month following the

Information pertaining to Key’s method of accounting for stock-based compensation is included in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Stock-Based Compensation” on page 83.

16. Employee Benefits

On December 31, 2006, Key adopted SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans,” which requires an employer to recognize an asset for the overfunded, or liability for the underfunded, status of its defined benefit plans. The overfunded or underfunded status is to be measured solely as the difference between the fair value of plan assets and the projected benefit obligation. In addition, any change in a plan’s funded status must be recognized in comprehensive income in the year in which it occurs.

As a result of adopting SFAS No. 158, Key recorded an after-tax charge of $154 million to the accumulated other comprehensive income component of shareholders’ equity for the year ended December 31, 2006. This charge represents the net unrecognized actuarial losses and unrecognized prior service costs remaining from the initial adoption of SFAS No. 87, “Employers’ Accounting for Pensions.” These items were previously netted against the plans’ funded status, but now are recognized as net pension cost. In addition, actuarial gains and losses that are not recognized as net pension cost in the period in which they arise have been recognized as a component of comprehensive income.

Most requirements of SFAS No. 158 were effective for Key for the year ended December 31, 2006. However, the requirement to measure plan assets and liabilities as of the end of the fiscal year became effective for Key for the year ended December 31, 2008. In years prior to 2008, Key used a September 30 measurement date. As a result of this accounting change, Key recorded an after-tax charge of $7 million to the retained earnings component of shareholders’ equity in the fourth quarter of 2008.

Pension Plans

The components of pre-tax accumulated other comprehensive loss not yet recognized as net pension cost are shown below:

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrecognized losses</td>
<td>497</td>
<td>117</td>
</tr>
<tr>
<td>Net unrecognized prior service cost</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Total unrecognized accumulated other comprehensive loss</td>
<td>503</td>
<td>125</td>
</tr>
</tbody>
</table>

During 2009, Key expects to recognize $42 million of pre-tax accumulated other comprehensive loss as net pension cost. The charge will consist of net unrecognized losses of $41 million and net unrecognized prior service cost of $1 million.

The components of net pension cost and the amount recognized in other comprehensive income for all funded and unfunded plans are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost of benefits earned</td>
<td>52</td>
<td>51</td>
<td>48</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>64</td>
<td>58</td>
<td>55</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>93</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Amortization of prior service cost (benefit)</td>
<td>1</td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>Amortization of losses</td>
<td>13</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>—</td>
<td>(3)</td>
<td>—</td>
</tr>
<tr>
<td>Net pension cost</td>
<td>37</td>
<td>46</td>
<td>45</td>
</tr>
</tbody>
</table>

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

- Minimum pension liability adjustment | — | — | 8 |
- Net loss (gain)                      | 397 | (106) | — |
- Prior service (benefit) cost         | (1) | 6 | — |
- Amortization of losses               | (13) | (28) | — |


The information related to Key’s pension plans presented in the following tables is based on current actuarial reports using December 31, 2008, and September 30, 2007, measurement dates.

The following table summarizes changes in the projected benefit obligation (“PBO”) related to Key’s pension plans:

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBO at beginning of year</td>
<td>1,115</td>
<td>1,112</td>
</tr>
<tr>
<td>Service cost</td>
<td>65</td>
<td>51</td>
</tr>
<tr>
<td>Item</td>
<td>This Year</td>
<td>Prior Year</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------</td>
<td>------------</td>
</tr>
<tr>
<td>Interest cost</td>
<td>79</td>
<td>58</td>
</tr>
<tr>
<td>Plan amendments</td>
<td>—</td>
<td>6</td>
</tr>
<tr>
<td>Actuarial (gains) losses</td>
<td>(66)</td>
<td>6</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(127)</td>
<td>(115)</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>—</td>
<td>(3)</td>
</tr>
<tr>
<td>PBO at end of year</td>
<td>$1,066</td>
<td>$1,115</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

The following table summarizes changes in the fair value of pension plan assets (“FVA”).

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>FVA at beginning of year</td>
<td>$1,220</td>
<td>$1,119</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(347)</td>
<td>201</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(127)</td>
<td>(115)</td>
</tr>
<tr>
<td>FVA at end of year</td>
<td>$761</td>
<td>$1,220</td>
</tr>
</tbody>
</table>

The following table summarizes the funded status of the pension plans, reconciled to the amounts recognized in the consolidated balance sheets at December 31, 2008 and 2007.

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status a</td>
<td>$ (305)</td>
<td>$ 105</td>
</tr>
<tr>
<td>Benefits paid subsequent to measurement date</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Net prepaid pension cost recognized</td>
<td>$ (305)</td>
<td>$ 108</td>
</tr>
</tbody>
</table>

Net prepaid pension cost recognized consists of:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid benefit cost</td>
<td>—</td>
<td>$ 269</td>
</tr>
<tr>
<td>Accrued benefit liability</td>
<td>$ (305)</td>
<td>(161)</td>
</tr>
<tr>
<td>Net prepaid pension cost recognized</td>
<td>$ (305)</td>
<td>$ 108</td>
</tr>
</tbody>
</table>

(a) The (shortage) excess of the fair value of plan assets (under) over the projected benefit obligation.

At December 31, 2008, Key’s primary qualified cash balance pension plan was sufficiently funded under the requirements of the Employee Retirement Income Security Act of 1974. Consequently, Key is not required to make a minimum contribution to that plan in 2009. Key also does not expect to make any significant discretionary contributions during 2009.

Benefits from all funded and unfunded pension plans at December 31, 2008, are expected to be paid as follows: 2009 — $122 million; 2010 — $111 million; 2011 — $111 million; 2012 — $113 million; 2013 — $110 million; and $543 million in the aggregate from 2014 through 2018.

The accumulated benefit obligation (“ABO”) for all of Key’s pension plans was $1.064 billion and $1.113 billion at December 31, 2008, and 2007, respectively. Information for those pension plans that had an ABO in excess of plan assets is as follows:

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation</td>
<td>$1,066</td>
<td>$164</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>1,064</td>
<td>163</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>761</td>
<td>—</td>
</tr>
</tbody>
</table>

Key’s primary qualified Cash Balance Pension Plan is excluded from the preceding table at December 31, 2007, because that plan was overfunded (i.e., the fair value of plan assets exceeded the projected benefit obligation) by $266 million at that time.

Prior to December 31, 2006, SFAS No. 87, “Employers’ Accounting for Pensions,” required employers to recognize an additional minimum liability (“AML”) equal to any excess of the unfunded ABO over the liability already recognized as unfunded accrued pension cost. Key’s AML, which excluded the overfunded Cash Balance Pension Plan mentioned above, was $55 million at December 31, 2005. To comply with changes prescribed by SFAS No. 158, this balance and the amount of any subsequent change in the AML were reversed during 2006. The after-tax change in AML included in “accumulated other comprehensive income” for 2006 is shown in the Consolidated Statements of Changes in Shareholders’ Equity on page 75.

To determine the actuarial present value of benefit obligations, management assumed the following weighted-average rates:

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.75%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Compensation increase rate</td>
<td>4.00</td>
<td>4.56</td>
</tr>
</tbody>
</table>

To determine net pension cost, management assumed the following weighted-average rates:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.00%</td>
<td>5.50%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Compensation increase rate</td>
<td>4.64</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>8.75</td>
<td>8.75</td>
<td>8.75</td>
</tr>
</tbody>
</table>

Management estimates that Key’s net pension cost will be $86 million for 2009, compared to $37 million for 2008 and $46 million for 2007. The increase is due primarily to an anticipated rise in the amortization of losses, stemming largely from asset losses in 2008 in conjunction with steep declines in the capital markets, particularly the equity markets, coupled with a 50 basis point decrease in the assumed expected return on assets.
The decrease in 2008 cost was attributable to a reduction in the amortization of losses and the favorable effect of asset and liability gains calculated at the 2007 year-end measurement date used to determine net pension cost for 2008.

Management determines the expected return on plan assets using a calculated market-related value of plan assets that smoothes what might otherwise be significant year-to-year volatility in net pension cost. Asset gains and losses are not recognized in the year they occur. Rather, they are combined with any other cumulative unrecognized asset- and obligation-related gains and losses, and are reflected evenly in the market-related value during the five years after they occur so long as the market-related value does not vary more than 10% from the plan’s FVA. Asset gains and losses reflected in the market-related value are amortized gradually and systematically over future years, subject to certain constraints and recognition rules.

Management estimates that a 25 basis point decrease in the expected return on plan assets would increase Key’s net pension cost for 2009 by approximately $2 million. Conversely, management estimates that a 25 basis point increase in the expected return on plan assets would decrease Key’s net pension cost for 2009 by the same amount. In addition, pension cost is affected by an assumed discount rate and an assumed compensation increase rate. Management estimates that a 25 basis
point change in either or both of these assumed rates would change net pension cost for 2009 by less than $2 million.

Management determines the assumed discount rate based on the rate of return on a hypothetical portfolio of high quality corporate bonds with interest rates and maturities that provide the necessary cash flows to pay benefits when due. The expected return on plan assets is determined by considering a number of factors, the most significant of which are:

- Management’s expectations for returns on plan assets over the long term, weighted for the investment mix of the assets. These expectations consider, among other factors, historical capital market returns of equity and fixed income securities and forecasted returns that are modeled under various economic scenarios.
- Historical returns on Key’s plan assets. Management’s expected return on plan assets for 2008 was 8.75%, unchanged from the rate assumed for 2007 and 2006. However, as part of an annual reassessment of current and expected future capital market returns, management deemed a rate of 8.25% to be more appropriate in estimating 2009 pension cost. This change will increase 2009 net pension cost by approximately $4 million.

The investment objectives of the pension funds are developed to reflect the characteristics of the plans, such as the plans’ pension formulas and cash lump sum distribution features, and the liability profiles created by the plans’ participants. An executive oversight committee reviews the plans’ investment performance at least quarterly, and compares performance against appropriate market indices. The following table shows the asset allocation ranges prescribed by the pension funds’ investment policies, as well as the actual weighted-average asset allocations for Key’s pension funds.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Investment Range at December 31, 2008</th>
<th>Percentage of Plan Assets at December 31, 2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>55% – 80%</td>
<td>56%</td>
<td>67%</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>15% – 25%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Convertible securities</td>
<td>0% – 10%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Cash equivalents and other assets</td>
<td>0% – 10%</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Although the pension funds’ investment policies conditionally permit the use of derivative contracts, no such contracts have been entered into, and management does not expect to employ such contracts in the future.

Other Postretirement Benefit Plans

Key sponsors a contributory postretirement healthcare plan that covers substantially all active and retired employees hired before 2001 who meet certain eligibility criteria. Retirees’ contributions are adjusted annually to reflect certain cost-sharing provisions and benefit limitations. Key also sponsors life insurance plans covering certain grandfathered employees.

These plans are principally noncontributory. Separate Voluntary Employee Beneficiary Association (“VEBA”) trusts are used to fund the healthcare plan and one of the life insurance plans.

The components of pre-tax accumulated other comprehensive loss not yet recognized as net postretirement benefit cost are shown below:

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition obligation</td>
<td>—</td>
<td>$ 20</td>
</tr>
<tr>
<td>Net unrecognized losses (gains)</td>
<td>$ 1</td>
<td>(28)</td>
</tr>
<tr>
<td>Net unrecognized prior service (benefit) cost</td>
<td>(14)</td>
<td>1</td>
</tr>
<tr>
<td>Total unrecognized accumulated other comprehensive gain</td>
<td>$ (13)</td>
<td>$ (7)</td>
</tr>
</tbody>
</table>

During 2009, Key expects to recognize $1 million of pre-tax accumulated other comprehensive gain resulting from prior service benefits as a reduction of other postretirement benefit cost.

The components of net postretirement benefit cost and the amount recognized in other comprehensive income for all funded and unfunded plans are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost of benefits earned</td>
<td>$ 1</td>
<td>$ 8</td>
<td>$ 6</td>
</tr>
<tr>
<td>Interest cost on accumulated postretirement benefit obligation</td>
<td>4</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(5)</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Amortization of unrecognized:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transition obligation</td>
<td>—</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Prior service benefit</td>
<td>(1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cumulative net (gains) losses</td>
<td>(2)</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Net postretirement benefit cost</td>
<td>$ (3)</td>
<td>$ 15</td>
<td>$ 16</td>
</tr>
</tbody>
</table>
Key determines the expected return on plan assets using the plans’ FVA.

The information related to Key’s postretirement benefit plans presented in the following tables is based on current actuarial reports using December 31, 2008, and September 30, 2007, measurement dates.

<table>
<thead>
<tr>
<th>Other changes in plan assets and benefit obligations recognized in other comprehensive income:</th>
<th>$ 29</th>
<th>$ (43)</th>
<th>—</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss (gain)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service benefit</td>
<td>(34)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of losses</td>
<td>2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of unrecognized transition obligation</td>
<td>(1)</td>
<td>(4)</td>
<td>—</td>
</tr>
<tr>
<td>Total recognized in comprehensive income</td>
<td>(3)</td>
<td>(47)</td>
<td>—</td>
</tr>
<tr>
<td>Total recognized in net postretirement benefit cost and comprehensive income</td>
<td>(6)</td>
<td>(32)</td>
<td>16</td>
</tr>
</tbody>
</table>
The following table summarizes changes in the accumulated postretirement benefit obligation (“APBO”).

### Year ended December 31, in millions

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>APBO at beginning of year</td>
<td>$108</td>
<td>$139</td>
</tr>
<tr>
<td>Service cost</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Interest cost</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Actuarial gains</td>
<td>(5)</td>
<td>(35)</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(19)</td>
<td>(20)</td>
</tr>
<tr>
<td>Plan amendment</td>
<td>(34)</td>
<td>—</td>
</tr>
<tr>
<td><strong>APBO at end of year</strong></td>
<td><strong>$69</strong></td>
<td><strong>$108</strong></td>
</tr>
</tbody>
</table>

The following table summarizes changes in the fair value of postretirement plan assets.

### Year ended December 31, in millions

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>FVA at beginning of year</td>
<td>$90</td>
<td>$82</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(21)</td>
<td>(20)</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(28)</td>
<td>12</td>
</tr>
<tr>
<td><strong>FVA at end of year</strong></td>
<td><strong>$45</strong></td>
<td><strong>$90</strong></td>
</tr>
</tbody>
</table>

The following table summarizes the funded status of the postretirement plans, reconciled to the amounts recognized in the consolidated balance sheets at December 31, 2008 and 2007.

### December 31, in millions

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded status *</td>
<td>$(21)</td>
<td>$(18)</td>
</tr>
<tr>
<td>Contributions/benefits paid subsequent to measurement date</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Accrued postretirement benefit cost recognized</td>
<td>$(21)</td>
<td>$(17)</td>
</tr>
</tbody>
</table>

(a) The excess of the accumulated postretirement benefit obligation over the fair value of plan assets.

There are no regulatory provisions that require contributions to the VEBA trusts that fund some of Key’s benefit plans. Consequently, there is no minimum funding requirement. Key is permitted to make discretionary contributions to the VEBA trusts, subject to certain IRS restrictions and limitations. Management anticipates that Key’s discretionary contributions in 2009, if any, will be minimal.

Benefits from all funded and unfunded other postretirement plans at December 31, 2008, are expected to be paid as follows: 2009 — $6 million; 2010 — $6 million; 2011 — $6 million; 2012 — $6 million; 2013 — $6 million; and $28 million in the aggregate from 2014 through 2018.

To determine the APBO, management assumed weighted-average discount rates of 5.75% at December 31, 2008, and 6.00% at December 31, 2007.

To determine net postretirement benefit cost, management assumed the following weighted-average rates:

### Year ended December 31, 2008

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.00%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>5.66%</td>
<td>5.66%</td>
</tr>
</tbody>
</table>

The realized net investment income for the postretirement healthcare plan VEBA trust is subject to federal income taxes, which are reflected in the weighted-average expected return on plan assets shown above. Management assumptions regarding healthcare cost trend rates are as follows:

### December 31

<table>
<thead>
<tr>
<th>Healthcare cost trend rate assumed for the next year:</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under age 65</td>
<td>8.50%</td>
<td>9.50%</td>
</tr>
<tr>
<td>Age 65 and over</td>
<td>9.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Rate to which the cost trend rate is assumed to decline</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Year that the rate reaches the ultimate trend rate</td>
<td>2018</td>
<td>2017</td>
</tr>
</tbody>
</table>

Increasing or decreasing the assumed healthcare cost trend rate by one percentage point each future year would not have a material impact on net postretirement benefit cost or obligations since the postretirement plans have cost-sharing provisions and benefit limitations.

Management estimates that net postretirement benefit cost for 2009 will amount to $1 million, compared to a credit of $3 million for 2008 and an expense of $15 million for 2007. The increase in 2009 cost is primarily due to the previously mentioned asset losses in 2008 along with steep declines in the capital markets, particularly equity markets, together with an 18 basis point decrease in the 2009 assumed weighted-average expected return on plan assets. The 2008 credit was attributable to a change that took effect January 1, 2008, under which inactive employees receiving benefits under Key’s Long-Term Disability Plan will no longer be eligible for health care and life insurance benefits.
Management estimates the expected returns on plan assets for VEBA trusts much the same way it estimates returns on Key’s pension funds. The primary investment objectives of the VEBA trusts also are similar. The following table shows the asset allocation ranges prescribed by the trusts’ investment policies, as well as the actual weighted-average asset allocations.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Investment Range</th>
<th>Percentage of Plan Assets at December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2008</td>
</tr>
<tr>
<td>Equity securities</td>
<td>70% – 90%</td>
<td><strong>80%</strong></td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>0 – 10</td>
<td>—</td>
</tr>
<tr>
<td>Convertible securities</td>
<td>0 – 10</td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Cash equivalents and other assets</td>
<td>10 – 30</td>
<td><strong>14</strong></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

Although the VEBA trusts’ investment policies conditionally permit the use of derivative contracts, no such contracts have been entered into, and management does not expect to employ such contracts in the future.

The “Medicare Prescription Drug, Improvement and Modernization Act of 2003,” which became effective in 2006, introduced a prescription drug benefit under Medicare, and provides a federal subsidy to sponsors of retiree healthcare benefit plans that offer “actuarially equivalent” prescription drug coverage to retirees. Applying the relevant regulatory formula, management has determined that the prescription drug coverage related to Key’s retiree healthcare benefit plan is no longer expected to be actuarially equivalent to the Medicare benefit for the vast majority of retirees. Subsidies for the years ended December 31, 2008, 2007 and 2006, did not have a material effect on Key’s APBO and net postretirement benefit cost.

Employee 401(K) Savings Plan

A substantial majority of Key’s employees are covered under a savings plan that is qualified under Section 401(k) of the Internal Revenue Code. Key’s plan permits employees to contribute from 1% to 25% of eligible compensation, with up to 6% being eligible for matching contributions in the form of Key common shares. The plan also permits Key to distribute a discretionary profit-sharing component. Until December 29, 2006, Key maintained nonqualified excess 401(k) savings plans that provided certain employees with benefits that they otherwise would not have been eligible to receive under the qualified plan because of contribution limits imposed by the IRS. Those balances have now been merged into a new deferred savings plan that went into effect January 1, 2007. Total expense associated with the above plans was $51 million in 2008, $52 million in 2007 and $59 million in 2006.

17. Income Taxes

Income taxes included in the consolidated statements of income are summarized below. Key files a consolidated federal income tax return.

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently payable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$1,878</td>
<td>$336</td>
<td>$402</td>
</tr>
<tr>
<td>State</td>
<td>177</td>
<td>18</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>2,055</td>
<td>354</td>
<td>423</td>
</tr>
<tr>
<td>Deferred:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(1,525)</td>
<td>(68)</td>
<td>13</td>
</tr>
<tr>
<td>State</td>
<td>(196)</td>
<td>(6)</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>(1,721)</td>
<td>(74)</td>
<td>27</td>
</tr>
<tr>
<td>Total income tax expense</td>
<td>$334</td>
<td>$280</td>
<td>$450</td>
</tr>
</tbody>
</table>

(a) Income tax (benefit) expense on securities transactions totaled ($0.8) million in 2008, ($13) million in 2007 and $.4 million in 2006. Income tax expense in the above table excludes equity-and gross receipts-based taxes, which are assessed in lieu of an income tax in certain states in which Key operates. These taxes, which are recorded in “noninterest expense” on the income statement, totaled $21 million in 2008, $23 million in 2007 and $13 million in 2006.

Significant components of Key’s deferred tax assets and liabilities, included in “accrued income and other assets” and “accrued expense and other liabilities,” respectively, on the balance sheet, are as follows:

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for loan losses</td>
<td>$782</td>
<td>$538</td>
</tr>
<tr>
<td>Other</td>
<td>346</td>
<td>454</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>1,128</td>
<td>992</td>
</tr>
<tr>
<td>Leasing income reported using the operating method for tax purposes</td>
<td>1,277</td>
<td>2,847</td>
</tr>
<tr>
<td>Net unrealized securities gains</td>
<td>234</td>
<td>81</td>
</tr>
<tr>
<td>Other</td>
<td>139</td>
<td>99</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>1,650</td>
<td>3,027</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>$522</td>
<td>$2,035</td>
</tr>
</tbody>
</table>

At December 31, 2008, Key had state net operating loss carryforwards of $26 million after considering the estimated impact of amending prior years’ state tax returns to reflect the settlement with the IRS described under the heading “Lease Financing Transactions” on page 111. These carryforwards are subject to limitations imposed by tax laws and, if not utilized, will gradually expire from 2011 through 2025.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

The following table shows how Key’s total income tax expense and the resulting effective tax rate were derived.

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Rate</td>
<td>Amount</td>
</tr>
<tr>
<td>(Loss) income before income taxes times 35% statutory federal tax rate</td>
<td>$(397)</td>
<td>35.0%</td>
<td>$427</td>
</tr>
<tr>
<td>State income tax, net of federal tax benefit</td>
<td>(12)</td>
<td>1.1%</td>
<td>12</td>
</tr>
<tr>
<td>Amortization of nondeductible intangibles</td>
<td>121</td>
<td>(10.7)%</td>
<td>—</td>
</tr>
<tr>
<td>Tax-exempt interest income</td>
<td>(16)</td>
<td>1.4%</td>
<td>(14)</td>
</tr>
<tr>
<td>Corporate-owned life insurance income</td>
<td>(43)</td>
<td>3.8%</td>
<td>(44)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(102)</td>
<td>9.0%</td>
<td>(83)</td>
</tr>
<tr>
<td>Reduced tax rate on lease income</td>
<td>290</td>
<td>(25.5)%</td>
<td>(34)</td>
</tr>
<tr>
<td>Reduction of deferred tax asset</td>
<td>—</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Increase in tax reserves</td>
<td>414</td>
<td>(36.5)%</td>
<td>9</td>
</tr>
<tr>
<td>Other</td>
<td>79</td>
<td>(7.0)%</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td><strong>$334</strong></td>
<td><strong>29.4%</strong></td>
<td><strong>$280</strong></td>
</tr>
</tbody>
</table>

Prior to 2008, Key applied a lower tax rate to a portion of the equipment leasing portfolio that was managed by a foreign subsidiary in a lower tax jurisdiction. Since Key intended to permanently reinvest the earnings of this foreign subsidiary overseas, Key did not record domestic deferred income taxes of $308 million at December 31, 2007, and $269 million at December 31, 2006, in accordance with SFAS No. 109, “Accounting for Income Taxes.” Following the adverse court decision in the AWG Leasing Litigation and the related accounting implications, and as part of its settlement with the IRS, Key agreed to forgo any tax benefits related to this subsidiary and reversed all previously recorded tax benefits as part of a $536 million after-tax charge recorded in the second quarter of 2008. Additional information pertaining to the court decision and the IRS settlement is included under the heading “Lease Financing Transactions” below.

Prior to 2008, Key intended to permanently reinvest the earnings of its Canadian leasing subsidiaries overseas. Accordingly, Key did not record domestic deferred income taxes on the earnings of these subsidiaries in accordance with SFAS No. 109. However, during the fourth quarter of 2008, management decided that, due to changes in the Canadian leasing operations, Key will no longer permanently reinvest the earnings of the Canadian leasing subsidiaries overseas. As a result, Key recorded $68 million of domestic deferred income taxes that quarter.

### Lease Financing Transactions

Between 1996 and 2004, Key’s equipment finance business unit (“KEF”) entered into a number of lease financing transactions with both foreign and domestic customers (primarily municipal authorities) that are commonly referred to as LILO and sale-in, sale-out (“SILO”) transactions. In subsequent years, the IRS challenged Key’s tax treatment of these transactions and disallowed all deductions associated with them. Key appealed the examination results to the Appeals Division of the IRS.

In addition, in connection with one SILO transaction entered into by AWG Leasing Trust (“AWG Leasing”), in which Key is a partner, the IRS disallowed all deductions related to the transaction for all tax years and assessed penalties. In March 2007, Key challenged those actions in a lawsuit in the United States District Court for the Northern District of Ohio (captioned AWG Leasing Trust, KSP Investments, Inc., as Tax Matters Partner v. United States of America, and referred to herein as the “AWG Leasing Litigation”). On May 28, 2008, the court rendered a decision that was adverse to Key. Two months later, Key filed a notice of appeal to the United States Court of Appeals for the Sixth Circuit.

On August 6, 2008, the IRS announced an initiative to settle all transactions that the IRS had characterized as LILO/SILO transactions (the “LILO/SILO Settlement Initiative”). As preconditions to its participation, Key was required to accept the terms of the LILO/SILO Settlement Initiative and to dismiss its appeal of the AWG Leasing Litigation. While management continues to believe that the tax treatment applied to Key’s LILO/SILO transactions complied with all tax laws, regulations, and judicial authorities in effect at the time, it would take years of effort and expense to resolve this matter through litigation. Accordingly, Key elected to participate in the LILO/SILO Settlement Initiative and has complied with the preconditions. Key was accepted into the LILO/SILO Settlement Initiative by the IRS on October 6, 2008.

At December 31, 2008, Key and the IRS had reached an agreement on all material aspects related to the tax settlement for Key’s LILO/SILO transactions, but the IRS had not completed its administrative review of the related tax information submitted by Key. On February 13, 2009, Key and the IRS entered into a closing agreement that resolves substantially all outstanding LILO/SILO tax issues between Key and the IRS. In October 2008, Key deposited $1.775 billion with the IRS to cover the anticipated amount of taxes and associated interest cost due to the IRS for all tax years in connection with the LILO/SILO Settlement Initiative, bringing the total amount deposited for such purposes to $2.047 billion. Key expects the remaining LILO/SILO tax issues to be settled with the IRS in the near future with no additional tax or interest liability to Key.

During 2009, Key will amend its state tax returns to reflect the impact of the settlement on prior years’ state tax liabilities. While the settlement with the IRS provides a waiver of federal tax penalties, management anticipates that certain statutory penalties under state tax laws will be imposed on Key. While Key intends to vigorously defend its position against the imposition of any such penalties, management believes that current accounting guidance requires Key to estimate and accrue the penalties.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

Each quarter, management reviews the amount of unrecognized tax benefits recorded on Key’s LILO/SILO transactions in accordance with FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes.” Any adjustment to the amount of unrecognized tax benefits to reflect the amount of interest cost associated with the contested leases described above is recorded to the income tax provision. Adjustments to unrecognized tax benefits also require management to recalculate Key’s lease income under FASB Staff Position No. 13-2, “Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction.” Management’s assessments of Key’s tax position on the LILO/SILO transactions resulted in a change to the amount of unrecognized tax benefits during the first, second and fourth quarters of 2008, as described below.

During the first quarter of 2008, Key increased the amount of unrecognized tax benefits associated with its LILO/SILO transactions by $46 million. As a result, first quarter 2008 after-tax earnings were reduced by $38 million, including a $3 million reduction to lease income, an $18 million increase to the provision for income taxes and a $17 million charge to the tax provision for the associated interest charges.

During the second quarter of 2008, management concluded that the court decision in the AWG Leasing Litigation, under applicable accounting guidance, had implications for the timing of the recognition of tax benefits on Key’s entire portfolio of LILO/SILO transactions. As a result, management further increased the amount of unrecognized tax benefits associated with all of the leases under challenge by the IRS by $2.146 billion (exclusive of an existing tax deposit of $200 million). These actions reduced Key’s second quarter after-tax earnings by $1.011 billion, including a $359 million reduction to lease income, a $177 million increase to the provision for income taxes and a $475 million charge to the tax provision for the associated interest charges.

During the fourth quarter, management updated its assessment of the amount of unrecognized tax benefits associated with the LILO/SILO transactions and the related impact on interest, leasing income and potential state tax penalties pursuant to the terms of the LILO/SILO Settlement Initiative. As shown in the following table, the liability for unrecognized tax benefits decreased by $583 million under the LILO/SILO Settlement Initiative. The estimated impact of that reduced liability on interest resulted in a $151 million reduction to the provision for income taxes, which was partially offset by a $31 million increase for potential state tax penalties. The recalculation of lease financing income under FASB Staff Position No. 13-2 that resulted from Key’s participation in the LILO/SILO Settlement Initiative did not materially affect Key’s results of operations.

### Liability for Unrecognized Tax Benefits

The change in Key’s liability for unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th>Year ended December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE AT BEGINNING OF YEAR</td>
<td>$ 21</td>
<td>$ 27</td>
</tr>
<tr>
<td>Increase for tax positions of prior years attributable to LILO/SILO transactions</td>
<td>2,192</td>
<td>—</td>
</tr>
<tr>
<td>Increase for other tax positions of prior years</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Decrease under the LILO/SILO Settlement Initiative</td>
<td>(583)</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to other settlements with taxing authorities</td>
<td>—</td>
<td>(6)</td>
</tr>
<tr>
<td>BALANCE AT END OF YEAR</td>
<td>$ 1,632</td>
<td>$ 21</td>
</tr>
</tbody>
</table>

The amount of unrecognized tax benefits that, if recognized, would impact Key’s effective tax rate was $23 million at December 31, 2008, and $21 million at December 31, 2007. Management does not currently anticipate that the amount of unrecognized tax benefits will significantly change in the next twelve months, except as a result of the settlement under the LILO/SILO Settlement Initiative.

During the fourth quarter of 2008, Key recorded a $227 million ($142 million after-tax) recovery of interest and a $31 million charge for state tax penalties to the provision for income taxes. The LILO/SILO Settlement Initiative accounted for a $241 million credit ($151 million after-tax) and the $31 million charge. As permitted under FASB Interpretation No. 48, it is Key’s policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense. Key recognized interest of $602 million in 2008, $5 million in 2007 and $12 million in 2006, as well as penalties of $31 million in 2008. The portion attributable to the total unrecognized tax benefits associated with Key’s LILO/SILO transactions was $598 million in 2008, $2 million in 2007 and $11 million in 2006. Key’s liability for accrued interest payable was $622 million at December 31, 2008, and $21 million at December 31, 2007. Key’s liability for accrued state penalties was $31 million at December 31, 2008.

Key files federal income tax returns, as well as returns in various state and foreign jurisdictions. Currently, the IRS is auditing Key’s income tax returns for the 2004 through 2006 tax years. Key is not subject to income tax examinations by other tax authorities for years prior to 2001, except in California and New York. Income tax returns filed in those jurisdictions are subject to examination beginning with the years 1995 (California) and 2000 (New York). As previously discussed, the LILO/SILO Settlement Initiative will impact Key’s state tax liabilities for prior years.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES

18. Commitments, Contingent Liabilities and Guarantees

Obligations Under Noncancelable Leases

Key is obligated under various noncancelable operating leases for land, buildings and other property consisting principally of data processing equipment. Rental expense under all operating leases totaled $121 million in 2008, $122 million in 2007 and $136 million in 2006. Minimum future rental payments under noncancelable operating leases at December 31, 2008, are as follows: 2009 — $114 million; 2010 — $112 million; 2011 — $98 million; 2012 — $88 million; 2013 — $83 million; all subsequent years — $374 million.

Commitments to Extend Credit or Funding

Loan commitments provide for financing on predetermined terms as long as the client continues to meet specified criteria. These agreements generally carry variable rates of interest and have fixed expiration dates or termination clauses. Key typically charges a fee for its loan commitments. Since a commitment may expire without resulting in a loan, the total amount of outstanding commitments may significantly exceed Key’s eventual cash outlay.

Loan commitments involve credit risk not reflected on Key’s balance sheet. Key mitigates exposure to credit risk with internal controls that guide how applications for credit are reviewed and approved, how credit limits are established and, when necessary, how demands for collateral are made. In particular, management evaluates the creditworthiness of each prospective borrower on a case-by-case basis and, when appropriate, adjusts the allowance for probable credit losses inherent in all commitments. Additional information pertaining to this allowance is included in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Liability for Credit Losses on Lending-Related Commitments” on page 79.

The following table shows the remaining contractual amount of each class of commitments related to extensions of credit or the funding of principal investments as of the date indicated. For loan commitments and commercial letters of credit, this amount represents Key’s maximum possible accounting loss if the borrower were to draw upon the full amount of the commitment and subsequently default on payment for the total amount of the then outstanding loan.

<table>
<thead>
<tr>
<th>December 31, in millions</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan commitments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial and other</td>
<td>$22,578</td>
<td>$24,521</td>
</tr>
<tr>
<td>Home equity</td>
<td>8,428</td>
<td>8,221</td>
</tr>
<tr>
<td>Commercial real estate and construction</td>
<td>3,928</td>
<td>6,623</td>
</tr>
<tr>
<td>Total loan commitments</td>
<td>34,934</td>
<td>39,365</td>
</tr>
<tr>
<td>When-issued and to be announced securities commitments</td>
<td>219</td>
<td>665</td>
</tr>
<tr>
<td>Commercial letters of credit</td>
<td>173</td>
<td>217</td>
</tr>
<tr>
<td>Principal investing commitments</td>
<td>276</td>
<td>279</td>
</tr>
<tr>
<td>Liabilities of certain limited partnerships and other commitments</td>
<td>70</td>
<td>84</td>
</tr>
<tr>
<td>Total loan and other commitments</td>
<td>$35,672</td>
<td>$40,610</td>
</tr>
</tbody>
</table>

Legal Proceedings

Tax disputes. On February 13, 2009, Key entered into a closing agreement that resolves substantially all outstanding leveraged lease financing tax issues between Key and the IRS. Key has deposited $2.047 billion (including $1.775 billion deposited with the IRS in October 2008) to cover the anticipated amount of taxes and associated interest cost due to the IRS for all tax years as a result of the settlement. Key expects the remaining issues to be settled with the IRS in the near future with no additional liability to Key. Further information on these matters is included in Note 17 (“Income Taxes”), which begins on page 110.

Taylor litigation. On August 11, 2008, a purported class action case was filed against KeyCorp, its directors and certain employees (collectively, the “Key parties”), captioned Taylor v. KeyCorp et al., in the United States District Court for the Northern District of Ohio. On September 16, 2008, a second and related case was filed in the same district court, captioned Wildes v. KeyCorp et al. The plaintiffs in these cases seek to represent a class of all participants in Key’s 401(k) Savings Plan and allege that the Key parties breached fiduciary duties owed to them under the Employee Retirement Income Security Act (“ERISA”). On November 25, 2008, the Court consolidated the Taylor and Wildes lawsuits into a single action. Plaintiffs have since filed their consolidated complaint, which continues to name certain employees as defendants but no longer names any outside directors. Key strongly disagrees with the allegations contained in the complaints and the consolidated complaint and intends to vigorously defend against them.

Madoff alleged fraud. In December 2008, Austin Capital Management, Ltd. (“Austin”), an investment firm owned by Key, which selects and manages hedge fund investments for its principally institutional customer base, determined that its funds had suffered investment losses of up to approximately $186 million resulting from the alleged fraud perpetrated by Bernard L. Madoff and entities which he controls. The investment losses borne by Austin’s clients stem from investments that Austin made in other investment or “hedge” funds which, in turn, invested in certain Madoff-advised funds. On February 12, 2009, a purported class action was filed against Austin captioned Pension Fund For Hospital and Healthcare Employees — Philadelphia and Vicinity v. Austin Capital Management Ltd. et al., in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs seek to represent a class of fiduciaries of employee benefit plans that invested in Austin funds that incurred losses as a result of Madoff’s alleged fraud, and restitution for breach of fiduciary duty under ERISA. In the event Key were to incur any
liability for this matter, Key believes such liability would be covered under the terms and conditions of its insurance policy, subject to a $25 million self-insurance deductible and usual policy exceptions. Key also anticipates that Austin’s revenue and earnings may be reduced due to investor redemptions.

**Honsador litigation.** Key has previously disclosed information pertaining to a litigation matter involving its Key Principal Partners, LLC affiliate (“KPP”), in which KPP was sued in Hawaii state court in connection with its investment in a Hawaiian business. On May 23, 2007, in the case of **Honsador Holdings LLC v. KPP**, the jury returned a verdict in favor of the plaintiffs, and the court entered a final judgment in favor of the plaintiffs in the amount of $38.25 million. During the quarter ended June 30, 2007, Key established a reserve for the verdict, legal costs and other expenses associated with this lawsuit, and as of June 30, 2008,
that reserve totaled approximately $47 million. Key had filed a notice of appeal with the Intermediate Court of Appeals for the State of Hawaii, but in September 2008, Key entered into a settlement agreement with the plaintiffs and withdrew its appeal in exchange for a complete settlement and release of the case by the plaintiffs. A notice of dismissal was entered into the court record on October 2, 2008. As a result of the settlement, Key reversed the remaining reserve in September 2008 as a reduction to expense.

Other litigation. In the ordinary course of business, Key is subject to other legal actions that involve claims for substantial monetary relief. Based on information presently known to management, management does not believe there is any legal action to which KeyCorp or any of its subsidiaries is a party or involving any of their properties, that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on Key’s financial condition.

Guarantees

Key is a guarantor in various agreements with third parties. The following table shows the types of guarantees that Key had outstanding at December 31, 2008. Information pertaining to the basis for determining the liabilities recorded in connection with these guarantees is included in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Guarantees” on page 82.

<table>
<thead>
<tr>
<th>December 31, 2008 in millions</th>
<th>Maximum Potential Undiscounted Future Payments</th>
<th>Liability Recorded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial guarantees:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standby letters of credit</td>
<td>$13,906</td>
<td>$104</td>
</tr>
<tr>
<td>Recourse agreement with FNMA</td>
<td>700</td>
<td>6</td>
</tr>
<tr>
<td>Return guarantee agreement with LIHTC investors</td>
<td>198</td>
<td>49</td>
</tr>
<tr>
<td>Written interest rate caps a</td>
<td>185</td>
<td>34</td>
</tr>
<tr>
<td>Default guarantees</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>$15,022</td>
<td>$194</td>
</tr>
</tbody>
</table>

(a) As of December 31, 2008, the weighted-average interest rate on written interest rate caps was 1.9%, and the weighted-average strike rate was 5.1%. Maximum potential undiscounted future payments were calculated assuming a 10% interest rate.

Management determines the payment/performance risk associated with each type of guarantee described below based on the probability that Key could be required to make the maximum potential undiscounted future payments shown in the preceding table. Management uses a scale of low (0-30% probability of payment), moderate (31-70% probability of payment) or high (71-100% probability of payment) to assess the payment/performance risk, and has determined that the payment/performance risk associated with each type of guarantee outstanding at December 31, 2008, is low.

Standby letters of credit. Many of Key’s lines of business issue standby letters of credit to address clients’ financing needs. These instruments obligate Key to pay a specified third party when a client fails to repay an outstanding loan or debt instrument, or fails to perform some contractual nonfinancial obligation. Any amounts drawn under standby letters of credit are treated as loans; they bear interest (generally at variable rates) and pose the same credit risk to Key as a loan. At December 31, 2008, Key’s standby letters of credit had a remaining weighted-average life of approximately 2.1 years, with remaining actual lives ranging from less than one year to as many as ten years.

Recourse agreement with Federal National Mortgage Association. KeyBank participates as a lender in the Federal National Mortgage Association (“FNMA”) Delegated Underwriting and Servicing program. As a condition to FNMA’s delegation of responsibility for originating, underwriting and servicing mortgages, KeyBank has agreed to assume a limited portion of the risk of loss during the remaining term on each commercial mortgage loan KeyBank sells to FNMA. Accordingly, KeyBank maintains a reserve for such potential losses in an amount estimated by management to approximate the fair value of KeyBank’s liability. At December 31, 2008, the outstanding commercial mortgage loans in this program had a weighted-average remaining term of 7.0 years, and the unpaid principal balance outstanding of loans sold by KeyBank as a participant in this program was approximately $2.207 billion. As shown in the preceding table, the maximum potential amount of undiscounted future payments that KeyBank could be required to make under this program is equal to approximately one-third of the principal balance of loans outstanding at December 31, 2008. If KeyBank is required to make a payment, it would have an interest in the collateral underlying the related commercial mortgage loan.

Return guarantee agreement with LIHTC investors. KAHC, a subsidiary of KeyBank, offered limited partnership interests to qualified investors. Partnerships formed by KAHC invested in low-income residential rental properties that qualify for federal low income housing tax credits under Section 42 of the Internal Revenue Code. In certain partnerships, investors paid a fee to KAHC for a guaranteed return that is based on the financial performance of the property and the property’s confirmed LIHTC status throughout a fifteen-year compliance period. If KAHC defaults on its obligation to provide the guaranteed return, Key is obligated to make any necessary payments to investors. These guarantees have expiration dates that extend through 2019, but there have been no new partnerships under this program since October 2003. Additional information regarding these partnerships is included in Note 8 (“Loan Securitizations, Servicing and Variable Interest Entities”), which begins on page 94.

No recourse or collateral is available to offset Key’s guarantee obligation other than the underlying income stream from the properties. Any guaranteed returns that are not met through distribution of tax credits and deductions associated with the specific properties from the partnerships remain Key’s obligation.

As shown in the preceding table, KAHC maintained a reserve in the amount of $49 million at December 31, 2008, which management believes will be sufficient to cover estimated future obligations under the guarantees. The maximum exposure to loss reflected in the table represents undiscounted future payments due to investors for the return on and of their investments.

Written interest rate caps. In the ordinary course of business, Key “writes” interest rate caps for commercial loan clients that have variable rate
loans with Key and wish to limit their exposure to interest rate increases. At December 31, 2008, outstanding caps had a weighted-average life of approximately 1.7 years.
Key is obligated to pay the client if the applicable benchmark interest rate exceeds a specified level (known as the “strike rate”). These instruments are accounted for as derivatives. Key typically mitigates its potential future payments by entering into offsetting positions with third parties.

**Default guarantees.** Some lines of business participate in guarantees that obligate Key to perform if the debtor fails to satisfy all of its payment obligations to third parties. Key generally undertakes these guarantees in instances where the risk profile of the debtor should provide an investment return or to support its underlying investment. The terms of these default guarantees range from less than one year to as many as fourteen years, while some default guarantees do not have a contractual end date. Although no collateral is held, Key would receive a pro rata share should the third party collect some or all of the amounts due from the debtor.

**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 Interpretation No. 45 and from other relationships.

**Liquidity facilities that support asset-backed commercial paper conduits.** Key provides liquidity facilities to several unconsolidated third-party commercial paper conduits. These facilities obligate Key to provide funding if there is a credit market disruption or there are other factors that would preclude the issuance of commercial paper by the conduits. The liquidity facilities, all of which expire by November 10, 2010, obligate Key to provide aggregate funding of up to $945 million, with individual facilities ranging from $10 million to $125 million. The aggregate amount available to be drawn is based on the amount of current commitments to borrowers and totaled $810 million at December 31, 2008. Management periodically evaluates Key’s commitments to provide liquidity.

**Indemnifications provided in the ordinary course of business.** Key provides certain indemnifications, primarily through representations and warranties in contracts that are entered into in the ordinary course of business in connection with loan sales and other ongoing activities, as well as in connection with purchases and sales of businesses. Key maintains reserves, when appropriate, with respect to liability that reasonably could arise in connection with these indemnities.

**Intercompany guarantees.** KeyCorp and certain Key affiliates are parties to various guarantees that facilitate the ongoing business activities of other Key affiliates. These business activities encompass debt issuance, certain lease and insurance obligations, the purchase or issuance of investments and securities, and certain leasing transactions involving clients.

### 19. Derivatives and Hedging Activities

Key, mainly through its subsidiary bank, KeyBank, is party to various derivative instruments that are used for asset and liability management, credit risk management and trading purposes. Derivative instruments are contracts between two or more parties that have a notional amount and underlying variable, require no net investment and allow for the net settlement of positions. The notional amount serves as the basis for the payment provision of the contract and takes the form of units, such as shares or dollars. The underlying variable represents a specified interest rate, index or other component. The interaction between the notional amount and the underlying variable determines the number of units to be exchanged between the parties and influences the market value of the derivative contract.

The primary derivatives that Key uses are interest rate swaps, caps, floors and futures, foreign exchange contracts, energy derivatives, credit derivatives and equity derivatives. Generally, these instruments help Key manage exposure to market risk, mitigate the credit risk inherent in the loan portfolio, and meet client financing and hedging needs. Market risk represents the possibility that economic value or net interest income will be adversely affected by fluctuations in external factors, such as interest rates, foreign exchange rates, market-driven rates and prices or other economic factors. Credit risk is defined as the risk of loss arising from an obligor’s inability or failure to meet contractual payment or performance terms.

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

At December 31, 2008, Key had $476 million of derivative assets and $31 million of derivative liabilities that relate to contracts entered into for hedging purposes. As of the same date, Key had trading derivative assets of $1.420 billion and trading derivative liabilities of $1.007 billion.

**Counterparty Credit Risk**

Like other financial instruments, derivatives contain an element of “credit risk”—the possibility that Key will incur a loss because a counterparty, which may be a bank, a broker-dealer or a client, fails to meet its contractual obligations. This risk is measured as the expected positive replacement value of contracts. During the third quarter of 2008, Key recorded a $54 million pre-tax loss as a result of the failure of Lehman Brothers and the inability of one of Lehman’s subsidiaries to meet its contractual obligations.

Key uses several means to mitigate and manage exposure to credit risk on derivative contracts. Key generally enters into bilateral collateral and master netting agreements using standard forms published by the International Swaps and Derivatives Association (“ISDA”). These agreements provide for the net settlement of all contracts with a single counterparty in the event of default. Additionally, management monitors credit risk exposure to the counterparty on each contract to determine appropriate limits on Key’s total credit exposure across all product types.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS KEYCORP AND SUBSIDIARIES


At December 31, 2008, the largest gross exposure to an individual counterparty was $443 million, which was secured with $159 million in collateral. Additionally, Key had a derivative liability of $573 million with this counterparty whereby Key pledged $232 million in collateral. After taking into account the effects of a master netting agreement and collateral, Key had a net exposure of ($57) million.

The following table summarizes the fair value of Key’s derivative assets by type. These assets represent Key’s exposure to potential loss after taking into account the effects of master netting agreements and other means used to mitigate risk.

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate</td>
<td>$2,333</td>
<td>$850</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>279</td>
<td>492</td>
</tr>
<tr>
<td>Energy</td>
<td>214</td>
<td>52</td>
</tr>
<tr>
<td>Credit</td>
<td>42</td>
<td>13</td>
</tr>
<tr>
<td>Equity</td>
<td>2</td>
<td>34</td>
</tr>
<tr>
<td>Derivative assets before cash collateral</td>
<td>2,870</td>
<td>1,441</td>
</tr>
<tr>
<td>Less: Related cash collateral</td>
<td>974</td>
<td>562</td>
</tr>
<tr>
<td>Total derivative assets</td>
<td>$1,896</td>
<td>$879</td>
</tr>
</tbody>
</table>

Key enters into derivative transactions with two primary groups: broker-dealers and banks, and clients. Since these groups have different economic characteristics, Key manages counterparty credit exposure and credit risk in a different manner for each group.

Key enters into transactions with broker-dealers and banks for purposes of asset/liability management, risk management and proprietary trading purposes. These types of transactions generally are high dollar volume. As discussed on the previous page, Key generally enters into bilateral collateral and master netting agreements with these counterparties. At December 31, 2008, Key had gross exposure of $2.312 billion to broker-dealers and banks. However, after taking into account the effects of master netting agreements and cash collateral held, Key had net exposure of ($112) million. Key’s net exposure to broker-dealers and banks at December 31, 2008, was reduced to ($76) million by $188 million of additional collateral held in the form of securities.

Additionally, Key enters into transactions with clients to accommodate their business needs. These types of transactions generally are low volume. Key generally enters into master netting agreements with these counterparties as discussed on the previous page. In addition, Key mitigates its overall portfolio exposure and market risk by entering into offsetting positions with other banks. Due to the size and magnitude of the individual contracts with clients, collateral is generally not exchanged on these derivative transactions. In order to address the risk of default associated with the uncollateralized contracts, Key has established a reserve (included in “derivative assets”) in the amount of $35 million at December 31, 2008, which management believes will be sufficient to cover potential future losses on amounts due from client counterparties in the event of default. At December 31, 2008, Key had gross exposure of $1.994 billion to these counterparties. However, after taking into account the effects of master netting agreements, cash collateral and the related reserve, Key had net exposure of $1.784 million on its derivatives with clients.

Asset and Liability Management

**Fair value hedging strategies.** Key uses interest rate swap contracts to modify its exposure to interest rate risk. For example, Key uses contracts known as “receive fixed/pay variable” swaps to convert specific fixed-rate deposits and long-term debt into variable-rate obligations. As a result, Key receives fixed-rate interest payments in exchange for making variable-rate payments over the lives of the contracts without exchanging the underlying notional amounts.

The effective portion of a change in the fair value of a hedging instrument designated as a fair value hedge is recorded in earnings at the same time as a change in fair value of the hedged item, resulting in no effect on net income. The ineffective portion of a change in the fair value of such a hedging instrument is recorded in earnings with no corresponding offset. Key recognized a net loss of $34 million in 2008, and net gains of $2 million in both 2007 and 2006, related to the ineffective portion of its fair value hedging instruments. In most cases, the hedging relationship remained highly effective and continued to qualify for hedge accounting treatment. During the fourth quarter of 2008, Key recognized net gains of $39 million related to the volatility associated with the hedge accounting applied to debt instruments. The majority of the net losses are attributable to the restructuring of certain cash collateral arrangements for hedges that reduced exposure to counterparty risk and lowered the cost of borrowings. The ineffective portion recognized is included in “other income” on the income statement. Key did not exclude any portions of hedging instruments from the assessment of hedge effectiveness in any of the above years.

**Cash flow hedging strategies.** Key enters into interest rate swap contracts that effectively convert certain floating-rate assets or liabilities into fixed-rate instruments to manage the potential adverse impact of interest rate movements. For example, Key enters into “receive fixed/pay variable” swaps that effectively convert floating-rate loans into fixed-rate loans to reduce the potential adverse impact from interest rate decreases on future interest income. These contracts allow Key to receive fixed-rate interest payments in exchange for making a variable rate payment over the lives of the contracts without exchanging the underlying notional amounts. Similarly, Key has converted certain floating-rate debt into fixed-rate debt by entering into interest rate swap contracts.
Key also uses “pay fixed/receive variable” interest rate swaps to manage the interest rate risk associated with anticipated sales or securitizations of certain commercial real estate loans. These swaps protect against a possible short-term decline in the value of the loans that could result from changes in interest rates between the time they are originated and the time they are securitized or sold. Key’s general policy is to sell or securitize these loans within one year of origination.

During 2008, 2007 and 2006, the net amount recognized by Key in connection with the ineffective portion of its cash flow hedging instruments was not significant and is included in “other income” on the income statement. Key did not exclude any portions of hedging instruments from the assessment of hedge effectiveness in any of these years.

The change in “accumulated other comprehensive income” resulting from cash flow hedges is as follows:

<table>
<thead>
<tr>
<th>in millions</th>
<th>December 31, 2007</th>
<th>December 31, 2008</th>
<th>Reclassification of Gains to Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated other comprehensive income resulting from cash flow hedges</td>
<td>$</td>
<td>103</td>
<td>$</td>
</tr>
</tbody>
</table>

Key reclassifies gains and losses from “accumulated other comprehensive income” to earnings when a hedged item causes Key to pay variable-rate interest on debt, receive variable-rate interest on commercial loans, or sell or securitize commercial real estate loans. If interest rates, yield curves and notional amounts remain at December 31, 2008 levels, management would expect to reclassify an estimated $158 million of net losses on derivative instruments from “accumulated other comprehensive income” to earnings during the next twelve months. The maximum length of time over which forecasted transactions are hedged is twenty years.

Credit Risk Management

Key uses credit derivatives — primarily credit default swaps — to mitigate credit risk by transferring a portion of the credit risk associated with the underlying instrument to a third party. These derivatives are also used to manage portfolio concentration and correlation risks. Key also provides credit protection to other lenders through the sale of credit default swaps. These transactions may generate income, diversify credit risk and reduce overall portfolio volatility.

Credit derivatives are recorded on the balance sheet at fair value. Related gains or losses, as well as the premium paid or received for credit protection, are included in “investment banking and capital markets income” on the income statement. Key does not apply hedge accounting to credit derivatives.

Trading Portfolio

Key’s trading portfolio consists of the following instruments:

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

The fair values of these trading portfolio instruments are included in “derivative assets” or “derivative liabilities” on the balance sheet. Key does not apply hedge accounting to any of these contracts. Adjustments to the fair values are included in “investment banking and capital markets income” on the income statement.

Credit Derivatives

Key is both buyer and seller of credit protection through the credit derivative market. Key purchases credit derivatives to manage the credit risk associated with specific commercial lending obligations. Key also sells credit derivatives, mainly index credit default swaps, to diversify the concentration risk within its loan portfolio. In addition, Key has entered into derivatives for proprietary trading purposes. The following table summarizes the fair value of Key’s credit derivatives purchased and sold by type as of December 31, 2008. The fair value of credit derivatives presented below does not take into account the effects of bilateral collateral or master netting agreements.

<table>
<thead>
<tr>
<th>December 31, 2008 in millions</th>
<th>Purchased</th>
<th>Sold</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single name credit default swaps</td>
<td>$ 155</td>
<td>$ (104)</td>
<td>$ 51</td>
</tr>
<tr>
<td>Traded indexes</td>
<td>34</td>
<td>(47)</td>
<td>(13)</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>(8)</td>
<td>(8)</td>
</tr>
<tr>
<td>Total credit derivatives</td>
<td>$ 189</td>
<td>$ (159)</td>
<td>$ 30</td>
</tr>
</tbody>
</table>

Single name credit default swaps are bilateral contracts between a buyer and seller, whereby the seller sells protection against the credit risk of a reference entity. The protected credit risk is related to adverse credit events, such as bankruptcy, failure to make payments, and acceleration or
restructuring of obligations specified in the credit derivative contract using standard documentation terms governed by the ISDA. The credit
default swap contract will reference a specific debt obligation of the reference entity. As the seller of a single name credit derivative, Key would be
required to pay the purchaser the difference between par value and the market price of the debt obligation (cash settlement) or receive the
specified referenced asset in exchange for payment of the par value (physical settlement) if the underlying reference entity experiences a certain,
predefined credit event. For a single name credit derivative, the notional amount represents the maximum amount
that a seller could be required to pay under the credit derivative. In the event that physical settlement occurs and Key receives its portion of the related debt obligation, Key will join other creditors in the liquidation process, which may result in the recovery of a portion of the amount paid under the credit default swap contract. Key also may purchase offsetting credit derivatives for the same reference entity from third parties that will permit Key to recover the amount it pays should a credit event occur.

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

The following table provides information on the types of credit derivatives sold by Key and held on the balance sheet at December 31, 2008. This table includes derivatives sold to diversify Key’s credit exposure and for proprietary trading purposes. The payment/performance risk assessment is based on the default probabilities for the underlying reference entities’ debt obligations using the credit ratings matrix provided by Moody’s, specifically Moody’s “Idealized” Cumulative Default Rates, except as noted below. The payment/performance risk shown below represents a weighted-average of the default probabilities for all reference entities in the respective portfolios. These default probabilities are directly correlated to the probability of Key having to make a payment under the credit derivative contracts.

<table>
<thead>
<tr>
<th>December 31, 2008</th>
<th>Notional Amount</th>
<th>Average Term (Years)</th>
<th>Payment/Performance Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single name credit default swaps</td>
<td>$1,476</td>
<td>2.44</td>
<td>4.75%</td>
</tr>
<tr>
<td>Traded indexes</td>
<td>1,759</td>
<td>1.51</td>
<td>4.67</td>
</tr>
<tr>
<td>Other</td>
<td>59</td>
<td>1.50</td>
<td>Low</td>
</tr>
<tr>
<td>Total credit derivatives sold</td>
<td>$3,294</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) The other credit derivatives are not referenced to an entity’s debt obligation. Management determined the payment/performance risk based on the probability that Key could be required to pay the maximum amount under the credit derivative. Key has determined that the payment/performance risk associated with the other credit derivatives is low (i.e., less than or equal to 30% probability of payment).

20. Fair Value Measurements

Effective January 1, 2008, Key adopted SFAS No. 157, “Fair Value Measurements,” for all applicable financial and nonfinancial assets and liabilities. This accounting guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 applies only when other guidance requires or permits assets or liabilities to be measured at fair value; it does not expand the use of fair value to any new circumstances. Additional information pertaining to Key’s accounting policy for fair value measurements is summarized in Note 1 (“Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” on page 82.

Fair Value Determination

As defined in SFAS No. 157, fair value is the price to sell an asset or transfer a liability in an orderly transaction between market participants in Key’s principal market. Key has established and documented its process for determining the fair values of its assets and liabilities, where applicable. Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of Key’s assets and liabilities using valuation models or third-party pricing services. Both of these approaches rely on market-based parameters when available, such as interest rate yield curves, option volatilities and credit spreads, or unobservable inputs. Unobservable inputs may be based on management’s judgment, assumptions and estimates related to credit quality, liquidity, interest rates and other relevant inputs.

Valuation adjustments, such as those pertaining to counterparty and Key’s own credit quality and liquidity, may be necessary to ensure that assets and liabilities are recorded at fair value. Credit valuation adjustments are made when market pricing is not indicative of the counterparty’s credit quality. Most classes of derivative contracts are valued using internally developed models based on market-standard derivative pricing conventions, which rely primarily on observable market inputs, such as interest rate yield curves and volatilities. Market convention implies a credit rating of double-A equivalent in the pricing of derivative contracts, which assumes all counterparties have the same creditworthiness. In determining the fair value of derivatives, management considers the impact of master netting and cash collateral exchange agreements and, when appropriate, establishes a default reserve to reflect the credit quality of the counterparty.

Liquidity valuation adjustments are made when management is unable to observe recent market transactions for identical or similar instruments. Management adjusts the fair value to reflect the uncertainty in the pricing and trading of the instrument. Liquidity valuation adjustments are based on the following factors:

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

Key has various controls in place to ensure that fair value measurements are accurate and appropriate. These controls include:

- an independent review and approval of valuation models;
- a detailed review of profit and loss conducted on a regular basis; and
validation of valuation model components against benchmark data and similar products, where possible.
Any changes to valuation methodologies are reviewed by management to ensure they are appropriate and justified. Valuation methodologies are refined as more market-based data becomes available.

Fair Value Hierarchy

SFAS No. 157 establishes a three-level valuation hierarchy for determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy, from highest ranking to lowest, are as follows:

- **Level 1.** Quoted prices in active markets for identical assets or liabilities.
- **Level 2.** Either: (i) quoted market prices for similar assets or liabilities; (ii) observable inputs, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data.
- **Level 3.** Unobservable inputs.

The level in the fair value hierarchy ascribed to a fair value measurement in its entirety is based on the lowest level input that is significant to the overall fair value measurement.

Qualitative Disclosures of Valuation Techniques

**Loans.** Loans recorded as trading account assets are valued based on market spreads for identical or similar assets. Generally, these loans are classified as Level 2 since the fair value recorded is based on observable market data. Key corroborates these inputs periodically through a pricing service, which obtains data about actual transactions in the marketplace for identical or similar assets. However, at December 31, 2008, market data was not readily available for these loans, so Key valued the loans using an internal model. Accordingly, these loans were classified as Level 3 at December 31, 2008.

**Securities (trading and available for sale).** Where quoted prices are available in an active market, securities are classified as Level 1. Level 1 instruments include highly liquid government bonds, securities issued by the U.S. Treasury and exchange-traded equity securities. If quoted prices are not available, management determines fair value using pricing models, quoted prices of similar securities or discounted cash flows. These instruments include assets such as municipal bonds and certain agency collateralized mortgage obligations, and are classified as Level 2. Where there is limited activity in the market for a particular instrument, management must make assumptions to determine fair value. Such instruments include certain mortgage-backed securities, certain commercial paper and restricted stock. These are classified as Level 3.

**Private equity and mezzanine investments.** Valuations of private equity and mezzanine investments, held primarily within Key’s Real Estate Capital and Corporate Banking Services line of business, are based primarily on management’s judgment because of the lack of readily determinable fair values, inherent illiquidity and the long-term nature of these assets. These investments are initially valued based upon the transaction price. The carrying amount is then adjusted based upon the estimated future cash flows associated with the investments. Factors used in determining future cash flows include, but are not limited to, the cost of build-out, future selling prices, current market outlook and operating performance of the particular investment. Private equity and mezzanine investments are classified as Level 3.

**Principal investments.** Principal investments made by KPP include direct investments (investments made in a particular company), as well as indirect investments (investments made through funds that include other investors). These investments include both equity securities and those made in privately held companies. When quoted prices are available in an active market, which is the case for most equity securities, they are used in the valuation process and the related investments are classified as Level 1 assets. However, in most cases, quoted market prices are not available and management must rely upon other sources, such as statements from the investment manager, price/earnings ratios and multiples of earnings before interest, tax, depreciation and amortization to perform the asset valuations. These investments have been classified as Level 3 assets since management’s assumptions impact the overall determination of fair value.

**Derivatives.** Exchange-traded derivatives are valued using quoted prices and, therefore, are classified as Level 1. However, only a few types of derivatives are exchange-traded, so the majority of Key’s derivative positions are valued using internally developed models based on market convention that uses observable market inputs. These derivative contracts are classified as Level 2 and include interest rate swaps, options and credit default swaps. Market convention implies a credit rating of double-A equivalent in the pricing of derivative contracts, which assumes all counterparties have the same creditworthiness. In order to reflect the actual exposure on Key’s derivative contracts related to both counterparty and Key’s own creditworthiness, management records a fair value adjustment in the form of a reserve. The credit component is valued on a counterparty-by-counterparty basis, and considers master netting agreements and collateral.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Assets and liabilities are considered to be fair valued on a recurring basis if fair value is measured regularly (i.e., daily, weekly, monthly or quarterly).
The following table shows Key’s assets and liabilities measured at fair value on a recurring basis.

<table>
<thead>
<tr>
<th>December 31, 2008</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Netting Adjustments *</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS MEASURED ON A RECURRING BASIS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>—</td>
<td>$165</td>
<td>—</td>
<td>—</td>
<td>$165</td>
</tr>
<tr>
<td>Trading account assets</td>
<td>$57</td>
<td>367</td>
<td>$856</td>
<td>—</td>
<td>1,280</td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>44</td>
<td>8,201</td>
<td>—</td>
<td>—</td>
<td>8,245</td>
</tr>
<tr>
<td>Other investments</td>
<td>—</td>
<td>6</td>
<td>1,134</td>
<td>—</td>
<td>1,140</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>614</td>
<td>4,841</td>
<td>25</td>
<td>— (3,584)</td>
<td>1,896</td>
</tr>
<tr>
<td>Accrued income and other assets</td>
<td>7</td>
<td>74</td>
<td>—</td>
<td>—</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total assets on a recurring basis at fair value</strong></td>
<td>$722</td>
<td>$13,654</td>
<td>$2,015</td>
<td>— (3,584)</td>
<td>$12,807</td>
</tr>
</tbody>
</table>

| **LIABILITIES MEASURED ON A RECURRING BASIS** |         |         |         |                       |       |
| Federal funds purchased and securities sold under repurchase agreements | —      | $199    | —       | —                     | $199  |
| Bank notes and other short-term borrowings | $32    | 151     | —       | —                     | 183   |
| Derivative liabilities | 572    | 3,651   | $10     | — (3,195)            | 1,038 |
| Accrued expense and other liabilities | 4      | —       | —       | —                     | 4     |
| **Total liabilities on a recurring basis at fair value** | $608   | $4,001  | $10     | — (3,195)            | $1,424 |

(a) Netting adjustments represent the amounts recorded to convert Key’s derivative assets and liabilities from a gross basis to a net basis in conjunction with Key’s January 1, 2008, adoption of FASB Interpretation No. 39, “Offsetting of Amounts Related to Certain Contracts,” and FASB Staff Position FIN No. 39-1, “Amendment of FASB Interpretation 39.” The net basis takes into account the impact of master netting agreements that allow Key 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.

**Changes in Level 3 Fair Value Measurements**

The following table shows the change in the fair values of Key’s Level 3 financial instruments for the twelve months ended December 31, 2008. An instrument is classified as Level 3 if unobservable inputs are significant relative to the overall fair value measurement of the instrument. In addition to unobservable inputs, Level 3 instruments also may have inputs that are observable within the market. Management mitigates the credit risk, interest rate risk and risk of loss related to many of these Level 3 instruments through the use of securities and derivative positions classified as Level 1 or Level 2. Level 1 or Level 2 instruments are not included in the following table. Therefore, the gains or losses shown do not include the impact of Key’s risk management activities.

<table>
<thead>
<tr>
<th>in millions</th>
<th>Trading Account Assets</th>
<th>Securities Available for Sale</th>
<th>Other Investments</th>
<th>Derivative Instruments *</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2007</strong></td>
<td>$338</td>
<td>$4</td>
<td>$1,161</td>
<td>$6</td>
</tr>
<tr>
<td>(Losses) gains:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in earnings</td>
<td>(43) b</td>
<td>3 c</td>
<td>(51) d</td>
<td>(5) b</td>
</tr>
<tr>
<td>Included in other comprehensive income (loss)</td>
<td>—</td>
<td>(2)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchases, sales, issuances and settlements</td>
<td>509</td>
<td>(5)</td>
<td>37</td>
<td>(1)</td>
</tr>
<tr>
<td>Net transfers in (out) of Level 3</td>
<td>52</td>
<td>—</td>
<td>(13)</td>
<td>15</td>
</tr>
<tr>
<td><strong>BALANCE AT DECEMBER 31, 2008</strong></td>
<td>$856</td>
<td>—</td>
<td>$1,134</td>
<td>$15</td>
</tr>
<tr>
<td>Unrealized (losses) gains included in earnings</td>
<td>(33) b</td>
<td>—</td>
<td>(23) d</td>
<td>(6) b</td>
</tr>
</tbody>
</table>

(a) Amount represents Level 3 derivative assets less Level 3 derivative liabilities.
(b) Realized and unrealized gains and losses on trading account assets and derivative instruments are reported in “investment banking and capital markets income” on the income statement.
(c) Unrealized gains and losses on securities available for sale are reported in “net securities (losses) gains” on the income statement.
(d) Other investments consist of principal investments, and private equity and mezzanine investments. Realized and unrealized gains and losses on principal investments are reported in “net (losses) gains from principal investments” on the income statement. Realized and unrealized gains and losses on private equity and mezzanine investments are reported in “investment banking and capital markets income” on the income statement.
Assets Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities are considered to be fair valued on a nonrecurring basis if the fair value measurement of the instrument does not necessarily result in a change in the amount recorded on the balance sheet.

Generally, nonrecurring valuation is the result of applying other accounting pronouncements that require assets or liabilities to be assessed for impairment, or recorded at the lower of cost or fair value. The following table presents Key’s assets measured at fair value on a nonrecurring basis at December 31, 2008.

<table>
<thead>
<tr>
<th>Date</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities available for sale</td>
<td>—</td>
<td>—</td>
<td>$26</td>
<td>$26</td>
</tr>
<tr>
<td>Loans</td>
<td>—</td>
<td>—</td>
<td>285</td>
<td>285</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>—</td>
<td>—</td>
<td>282</td>
<td>282</td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>—</td>
<td>1,138</td>
<td>1,138</td>
</tr>
<tr>
<td>Accrued income and other assets</td>
<td>—</td>
<td>$4</td>
<td>74</td>
<td>78</td>
</tr>
<tr>
<td>Total assets on a nonrecurring basis at fair value</td>
<td>—</td>
<td>$4</td>
<td>$1,805</td>
<td>$1,809</td>
</tr>
</tbody>
</table>

Through a quarterly analysis of Key’s commercial and construction loan portfolios held for sale, management determined that certain adjustments were necessary to record the portfolios at the lower of cost or fair value in accordance with GAAP. After adjustments, these loans totaled $282 million at December 31, 2008. Because the valuation of these loans is performed using an internal model that relies on market data from sales of similar assets, including credit spreads, interest rate curves and risk profiles, as well as management’s own assumptions about the exit market for the loans, Key has classified these loans as Level 3. Key’s loans held for sale, which are measured at fair value on a nonrecurring basis, include the remaining $88 million of commercial real estate loans transferred from the loan portfolio to held-for-sale status in June 2008. The fair value of these loans was measured using letters of intent, where available, or third-party appraisals. Additionally, during the fourth quarter of 2008, Key transferred $285 million of commercial loans from held for sale to the loan portfolio at their current fair value.

Other real estate owned and other repossessed properties are valued based on appraisals and third-party price opinions, less estimated selling costs. Assets that are acquired through, or in lieu of, loan foreclosures are recorded as held for sale initially at the lower of the loan balance or fair value upon the date of foreclosure. Subsequent to foreclosure, valuations are updated periodically, and the assets may be marked down further, reflecting a new cost basis. These adjusted assets, which totaled $70 million at December 31, 2008, are considered to be nonrecurring items in the fair value hierarchy.

Current market conditions, including lower prepayments, interest rates and expected recovery rates have impacted Key’s modeling assumptions pertaining to education lending-related servicing rights and residual interests, and consequently resulted in write-downs of these instruments. These instruments are included in “accrued income and other assets” and “securities available for sale,” respectively, in the preceding table.
The carrying amount and fair value of Key’s financial instruments are shown below in accordance with the requirements of SFAS No. 107, “Disclosures About Fair Value of Financial Instruments.”

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term investments a</td>
<td>$6,478</td>
<td>$6,478</td>
<td>$2,330</td>
<td>$2,330</td>
</tr>
<tr>
<td>Trading account assets b</td>
<td>1,280</td>
<td>1,280</td>
<td>1,056</td>
<td>1,056</td>
</tr>
<tr>
<td>Securities available for sale b</td>
<td>8,217</td>
<td>8,437</td>
<td>7,810</td>
<td>7,860</td>
</tr>
<tr>
<td>Held-to-maturity securities c</td>
<td>25</td>
<td>25</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Other investments d</td>
<td>1,526</td>
<td>1,526</td>
<td>1,538</td>
<td>1,538</td>
</tr>
<tr>
<td>Loans, net of allowance e</td>
<td>74,701</td>
<td>65,860</td>
<td>69,623</td>
<td>71,013</td>
</tr>
<tr>
<td>Loans held for sale e</td>
<td>1,027</td>
<td>1,027</td>
<td>4,736</td>
<td>4,736</td>
</tr>
<tr>
<td>Servicing assets f</td>
<td>265</td>
<td>452</td>
<td>342</td>
<td>474</td>
</tr>
<tr>
<td>Derivative assets g</td>
<td>1,896</td>
<td>1,896</td>
<td>879</td>
<td>879</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits with no stated maturity a</td>
<td>$37,388</td>
<td>$37,388</td>
<td>$40,176</td>
<td>$40,176</td>
</tr>
<tr>
<td>Time deposits f</td>
<td>27,872</td>
<td>28,528</td>
<td>22,923</td>
<td>23,472</td>
</tr>
<tr>
<td>Short-term borrowings a</td>
<td>10,034</td>
<td>10,034</td>
<td>9,788</td>
<td>9,788</td>
</tr>
<tr>
<td>Long-term debt f</td>
<td>14,995</td>
<td>12,859</td>
<td>11,957</td>
<td>10,671</td>
</tr>
<tr>
<td>Derivative liabilities g</td>
<td>1,038</td>
<td>1,038</td>
<td>252</td>
<td>252</td>
</tr>
</tbody>
</table>

Valuation Methods and Assumptions

(a) Fair value equals or approximates carrying amount.
(b) Fair values of trading securities and securities available for sale are determined based on quoted prices when available in an active market. If quoted prices are not available, management determines fair value using pricing models, quoted prices of similar securities or discounted cash flows. Where there is limited activity in the market for a particular instrument, management must make assumptions to determine fair value.
(c) Fair values of held-to-maturity securities are determined through the use of 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. The valuations derived from the models are reviewed by management for reasonableness to ensure they are consistent with the values placed on similar securities traded in the secondary markets.
(d) Fair values of most instruments categorized as other investments are determined by considering the issuer’s recent financial performance and future potential, the values of companies in comparable businesses, the risks associated with the particular business or investment type, current market conditions, the nature and duration of resale restrictions, the issuer’s payment history, management’s knowledge of the industry and other relevant factors.
(e) The fair value of loans includes lease financing receivables at their aggregate carrying amount, which is equivalent to their fair value.
(f) Fair values of servicing assets, time deposits and long-term debt are based on discounted cash flows utilizing relevant market inputs.
(g) Information pertaining to Key’s method of measuring the fair values of derivative assets and liabilities is included in Note 1 (“Summary of Significant Accounting Policies”), under the heading “Fair Value Measurements” on page 82, and in Note 19 (“Derivatives and Hedging Activities”), which begins on page 115.

Residential real estate mortgage loans with carrying amounts of $1.908 billion at December 31, 2008, and $1.594 billion at December 31, 2007, are included in the amount shown for “Loans, net of allowance.”

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

Management uses valuation methods based on exit market prices in accordance with SFAS No. 157. In certain instances, management determines fair value based on assumptions pertaining to the factors a market participant would consider in valuing the asset. If management were to use different assumptions, the fair values shown in the table could change significantly. Also, because SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements, the fair value amounts shown in the table above do not, by themselves, represent the underlying value of Key as a whole.
## CONDENSED BALANCE SHEETS

**December 31, in millions**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing deposits</td>
<td>$4,756</td>
<td>$771</td>
</tr>
<tr>
<td>Loans and advances to nonbank subsidiaries</td>
<td>1,934</td>
<td>1,973</td>
</tr>
<tr>
<td>Investment in subsidiaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>8,654</td>
<td>7,413</td>
</tr>
<tr>
<td>Nonbank subsidiaries</td>
<td>691</td>
<td>921</td>
</tr>
<tr>
<td></td>
<td>9,345</td>
<td>8,334</td>
</tr>
<tr>
<td>Accrued income and other assets</td>
<td>1,043</td>
<td>1,064</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$17,078</td>
<td>$12,142</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expense and other liabilities</td>
<td>$786</td>
<td>$656</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>—</td>
<td>112</td>
</tr>
<tr>
<td>Long-term debt due to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>3,084</td>
<td>1,896</td>
</tr>
<tr>
<td>Unaffiliated companies</td>
<td>2,728</td>
<td>1,732</td>
</tr>
<tr>
<td></td>
<td>5,812</td>
<td>3,628</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>6,598</td>
<td>4,396</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>10,480</td>
<td>7,746</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>$17,078</td>
<td>$12,142</td>
</tr>
</tbody>
</table>

(a) See page 75 for KeyCorp’s Consolidated Statements of Changes in Shareholders’ Equity.

## CONDENSED STATEMENTS OF INCOME

**Year ended December 31, in millions**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from subsidiaries:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>—</td>
<td>$500</td>
<td>$1,165</td>
</tr>
<tr>
<td>Nonbank subsidiaries</td>
<td>—</td>
<td>488</td>
<td>11</td>
</tr>
<tr>
<td>Interest income from subsidiaries</td>
<td>$112</td>
<td>162</td>
<td>163</td>
</tr>
<tr>
<td>Other income</td>
<td>17</td>
<td>15</td>
<td>(4)</td>
</tr>
<tr>
<td></td>
<td>129</td>
<td>1,165</td>
<td>1,335</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt with subsidiary trusts</td>
<td>120</td>
<td>114</td>
<td>103</td>
</tr>
<tr>
<td>Interest on other borrowed funds</td>
<td>81</td>
<td>129</td>
<td>149</td>
</tr>
<tr>
<td>Personnel and other expense</td>
<td>302</td>
<td>86</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td>503</td>
<td>329</td>
<td>381</td>
</tr>
<tr>
<td>Income before income tax benefit and equity in net (loss) income less dividends from subsidiaries</td>
<td>(374)</td>
<td>836</td>
<td>954</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>84</td>
<td>59</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td>(290)</td>
<td>895</td>
<td>1,068</td>
</tr>
<tr>
<td>Cumulative effect of accounting change, net of taxes (see Note 1)</td>
<td>—</td>
<td>—</td>
<td>5</td>
</tr>
<tr>
<td>Equity in net (loss) income less dividends from subsidiaries a</td>
<td>(1,178)</td>
<td>24</td>
<td>(18)</td>
</tr>
<tr>
<td><strong>NET (LOSS) INCOME</strong></td>
<td>$ (1,468)</td>
<td>$919</td>
<td>$1,055</td>
</tr>
</tbody>
</table>

(a) Includes results of discontinued operations described in Note 3 (“Acquisitions and Divestitures”), on page 87.

### CONDENSED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>in millions</td>
<td>$1,468</td>
<td>919</td>
<td>1,055</td>
</tr>
</tbody>
</table>

#### OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$ (1,468)</td>
<td>919</td>
<td>1,055</td>
</tr>
</tbody>
</table>

#### INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (increase) decrease in interest-bearing deposits</td>
<td>(3,985)</td>
<td>1,698</td>
<td>(535)</td>
</tr>
<tr>
<td>Purchases of securities available for sale</td>
<td>(23)</td>
<td>(15)</td>
<td>(11)</td>
</tr>
<tr>
<td>Cash used in acquisitions</td>
<td>(194)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net decrease (increase) in loans and advances to subsidiaries</td>
<td>65</td>
<td>(219)</td>
<td>80</td>
</tr>
</tbody>
</table>

#### FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (decrease) increase in short-term borrowings</td>
<td>1,990</td>
<td>29</td>
<td>(3)</td>
</tr>
<tr>
<td>Net proceeds from issuance of long-term debt</td>
<td>—</td>
<td>—</td>
<td>1,500</td>
</tr>
<tr>
<td>Payments on long-term debt</td>
<td>(250)</td>
<td>(1,040)</td>
<td>(1,368)</td>
</tr>
<tr>
<td>Purchases of treasury shares</td>
<td>—</td>
<td>(595)</td>
<td>(644)</td>
</tr>
<tr>
<td>Net proceeds from the issuance of common shares and preferred stock</td>
<td>4,101</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net proceeds from the issuance of common stock warrant</td>
<td>87</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net proceeds from the reissuance of common shares</td>
<td>6</td>
<td>112</td>
<td>244</td>
</tr>
<tr>
<td>Tax benefits (under) over recognized compensation cost for stock-based awards</td>
<td>(2)</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(445)</td>
<td>(570)</td>
<td>(557)</td>
</tr>
</tbody>
</table>

### EXHIBIT 21

**KEYCORP**

**SUBSIDIARIES OF THE REGISTRANT AT DECEMBER 31, 2008**

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Jurisdiction of Incorporation or Organization</th>
<th>Parent Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>KeyBank National Association</td>
<td>United States</td>
<td>KeyCorp</td>
</tr>
</tbody>
</table>

*a Subsidiaries of KeyCorp other than KeyBank National Association are not listed above since, in the aggregate, they would not constitute a significant subsidiary. KeyBank National Association is 100% owned by KeyCorp.*

Section 34: EX-21 (EX-21)
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of KeyCorp and subsidiaries (“Key”) of our reports dated February 25, 2009, with respect to the consolidated financial statements of Key, and the effectiveness of internal control over financial reporting of Key, included in the 2008 Annual Report to Shareholders of Key.

We consent to the incorporation by reference in the following Registration Statements of Key:

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. 333-88934
Form S-3 No. 333-121553 (Amendment No. 1)
Form S-3 No. 333-124023 (Amendment No. 1)
Form S-3 No. 333-134937 (Post-Effective Amendment No. 3)
Form S-3 No. 333-151608
Form S-4 No. 33-31569
Form S-4 No. 33-44657
Form S-4 No. 33-51717
Form S-4 No. 33-55573
Form S-4 No. 33-57329
Form S-4 No. 33-61539
Form S-4 No. 333-61025
Form S-4 No. 333-146456 (Amendment No. 1)
Form S-8 No. 2-97452
Form S-8 No. 33-21643
Form S-8 No. 333-49609
Form S-8 No. 333-49633
Form S-8 No. 333-65391
Form S-8 No. 333-70669
Form S-8 No. 333-70703
Form S-8 No. 333-70775
Form S-8 No. 333-72189
Form S-8 No. 333-92881
Form S-8 No. 333-45320
Form S-8 No. 333-45322
Form S-8 No. 333-99493
Form S-8 No. 333-99495 (Post Effective Amendment No. 1 to Form S-4)
Form S-8 No. 33-31569 (Post-Effective Amendment No. 1 to Form S-4)
Form S-8 No. 33-44657 (Post-Effective Amendment No. 1 to Form S-4)
Form S-8 No. 33-51717 (Post-Effective Amendment No. 1 to Form S-4)
Form S-8 No. 333-66057 (Post-Effective Amendment No. 1 to Form S-4 No. 333-61025)
Form S-8 No. 333-107074
Form S-8 No. 333-107075
Form S-8 No. 333-107076
Form S-8 No. 333-109273
Form S-8 No. 333-112225
Form S-8 No. 333-116120

of our reports dated February 25, 2009, with respect to the consolidated financial statements of Key, and the effectiveness of internal control over financial reporting of Key, included in the 2008 Annual Report to Shareholders of Key, which is incorporated by reference in the Annual Report (Form 10-K) of Key for the year ended December 31, 2008.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 25, 2009

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KEYCORP

POWER OF ATTORNEY

The undersigned, an officer or director, or both an officer and director, of KeyCorp, an Ohio corporation, which anticipates filing with the United States Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the “Annual Report”), hereby constitutes and appoints Paul N. Harris, Daniel R. Stolzer, and Molly Z. Brown and each of them, as attorney for the undersigned, with full power of substitution and resubstitution, for and in the name, place, and stead of the undersigned, to sign and file the Annual Report and exhibits thereto, and any and all amendments thereto, with full power and authority to do and perform any and all acts and things requisite and necessary to be done, hereby ratifying and approving the acts of such attorney or any such substitute or substitutes.

This Power of Attorney may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned has hereto set his or her hand as of February 27, 2009.

/s/ Henry L. Meyer III
Henry L. Meyer III
Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)

/s/ Jeffrey B. Weeden
Jeffrey B. Weeden
Senior Executive Vice President and Chief Financial Officer

/s/ Robert L. Morris
Robert L. Morris
Executive Vice President and Chief Accounting Officer (Principal Accounting Officer)

/s/ Ralph Alvarez
Ralph Alvarez, Director

/s/ William G. Bares
William G. Bares, Director

/s/ Edward P. Campbell
Edward P. Campbell, Director

/s/ Carol A. Cartwright
Dr. Carol A. Cartwright, Director

/s/ Alexander M. Cutler
Alexander M. Cutler, Director

/s/ H. James Dallas
H. James Dallas, Director

/s/ Lauralee E. Martin
Lauralee E. Martin, Director

/s/ Eduardo R. Menascé
Eduardo R. Menascé, Director

/s/ Bill R. Sanford
Bill R. Sanford, Director

/s/ Thomas C. Stevens
Thomas C. Stevens, Director

/s/ Peter G. Ten Eyck, II
Peter G. Ten Eyck, II, Director

Section 37: EX-31.1 (EX-31.1)

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

I, Henry L. Meyer III, certify that:

1. I have reviewed this annual report on Form 10-K of KeyCorp;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 27, 2009

/s/ Henry L. Meyer III
Henry L. Meyer III
Chairman, President and Chief Executive Officer

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Section 38: EX-31.2 (EX-31.2)

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

I, Jeffrey B. Weeden, certify that:

1. I have reviewed this annual report on Form 10-K of KeyCorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

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Section 39: EX-32.1 (EX-32.1)

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 Annual Report on Form 10-K for the year ended December 31, 2008 (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: February 27, 2009

/\  Henry L. Meyer III
Henry L. Meyer III
Chairman, President and Chief Executive 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.

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Section 40: EX-32.2 (EX-32.2)

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 Annual Report on Form 10-K for the year ended December 31, 2008 (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: February 27, 2009

/s/ Jeffrey B. Weeden
Jeffrey B. Weeden
Senior Executive Vice President and
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.

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