

KEYCORP /NEW/
Form DEF 14A
April 02, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

KeyCorp

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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(3) Filing Party:

(4) Date Filed:

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

April 2, 2009

DEAR SHAREHOLDER:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of KeyCorp which will be held at The Forum Conference Center, 1375 East Ninth Street, Cleveland, Ohio, on Thursday, May 21, 2009, at 8:30 a.m., local time.

All holders of record of KeyCorp Common Shares, KeyCorp Series A Preferred Stock, and KeyCorp Series B Preferred Stock as of March 24, 2009 are entitled to vote at the 2009 Annual Meeting.

As described in the accompanying Notice and Proxy Statement, holders of KeyCorp Common Shares will be asked to elect four directors for one-year terms expiring in 2010, to consider a proposal to amend KeyCorp's Articles to require majority voting in uncontested director elections, to consider a proposal to amend KeyCorp's Articles and Regulations to revise the voting rights of the Series B Preferred Stock, to ratify the appointment of Ernst & Young LLP as independent auditors for 2009, and to provide advisory approval of KeyCorp's executive compensation program. Holders of Series A Preferred Stock and Series B Preferred Stock will only be asked to vote on the revision of the voting power of the Series B Preferred Stock.

KeyCorp's Annual Report for the year ended December 31, 2008 is enclosed.

A proxy card is enclosed. Holders of KeyCorp Common Stock can vote their shares by telephone, the internet, or by mailing their signed proxy cards in the enclosed return envelopes. Specific instructions for voting by telephone or the internet are attached to the proxy cards. Holder of Series A Preferred Stock and Series B Preferred Stock may only vote by mailing their signed proxy cards.

Sincerely,

Henry L. Meyer III
Chairman of the Board

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
KEYCORP SHAREHOLDER MEETING TO BE HELD ON MAY 21, 2009 AND
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The 2009 Annual Meeting of Shareholders of KeyCorp will be held at The Forum Conference Center, 1375 East Ninth Street, Cleveland, Ohio, on Thursday, May 21, 2009, at 8:30 a.m., local time, for the following purposes:

1. To elect four directors to serve for one-year terms expiring in 2010;
2. To vote upon an amendment to KeyCorp's Articles to require majority voting in uncontested director elections;
3. To vote upon an amendment to KeyCorp's Articles and Regulations to conform the voting rights of the Series B Preferred Stock issued to the U.S. Treasury with the standard terms mandated by the U.S. Treasury under the Troubled Asset Relief Program Capital Purchase Program;
4. To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors for KeyCorp for the fiscal year ending December 31, 2009;
5. To provide advisory approval of KeyCorp's executive compensation program; and
6. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only holders of record of KeyCorp Common Shares, KeyCorp Series A Preferred Stock, and KeyCorp Series B Preferred Stock at the close of business on March 24, 2009 have the right to receive notice of and to vote at the Annual Meeting and any postponement or adjournment thereof. Holders of Series A Preferred Stock and Series B Preferred Stock are only entitled to vote on Issue Three.

By Order of the Board of Directors
Paul N. Harris
Secretary

April 2, 2009

YOUR VOTE IS IMPORTANT. HOLDERS OF KEYCORP COMMON SHARES CAN VOTE THEIR SHARES BY TELEPHONE, THE INTERNET, OR BY MAILING THEIR SIGNED PROXY CARDS IN THE RETURN ENVELOPES ENCLOSED WITH THE PROXY CARD FOR THAT PURPOSE. SPECIFIC INSTRUCTIONS FOR VOTING BY TELEPHONE OR THE INTERNET ARE ATTACHED TO THE PROXY CARD.

HOLDERS OF KEYCORP SERIES A PREFERRED STOCK AND SERIES B PREFERRED STOCK MAY ONLY VOTE BY MAILING THEIR SIGNED PROXY CARDS.

THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2008 ARE AVAILABLE AT WWW.EDOCUMENTVIEW.COM/KEY.

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

PROXY STATEMENT

This Proxy Statement is furnished commencing on or about April 2, 2009 in connection with the solicitation on behalf of the Board of Directors of KeyCorp of proxies to be voted at the 2009 Annual Meeting of Shareholders on May 21, 2009, and at all postponements and adjournments thereof. All holders of record of KeyCorp Common Shares at the close of business on March 24, 2009 are entitled to vote. On that date there were 497,296,815 KeyCorp Common Shares outstanding and entitled to vote at the meeting. Each such share is entitled to one vote on each matter to be considered at the meeting and a majority of the outstanding KeyCorp Common Shares shall constitute a quorum. All holders of Series A Non-Cumulative Perpetual Convertible Preferred Stock (Series A Preferred Stock) and Series B Fixed Rate Cumulative Perpetual Preferred Stock (Series B Preferred Stock) at the close of business on March 24, 2009 are entitled to vote on Issue Three regarding the amendment of KeyCorp's Amended and Restated Articles of Incorporation (Articles) and Amended and Restated Code of Regulations (Regulations) to revise the voting rights of the Series B Preferred Stock issued to the U.S. Department of Treasury in connection with the Troubled Asset Relief Program (TARP) Capital Purchase Program. On March 24, 2009, there were 6,575,000 shares of Series A Preferred Stock outstanding and entitled to vote and 25,000 shares of Series B Preferred Stock outstanding and entitled to vote. Each of the shares of Series A Preferred Stock and Series B Preferred Stock shall be entitled to one vote on Issue Three.

Issue One

ELECTION OF DIRECTORS

In accordance with KeyCorp's Regulations, the Board of Directors of KeyCorp (also sometimes referred to herein as the Board) has been fixed as of the 2009 Annual Meeting at 12 members divided into three classes of four members each. Under the amendment to KeyCorp's Regulations adopted by the shareholders at the 2008 Annual Meeting, the class of directors whose terms expire this year will be elected for one-year terms expiring in 2010 and they will be joining the four directors whose current terms expire in 2010. At the 2010 Annual Meeting, all the directors whose terms expire in 2010 will be elected for one-year terms to 2011, and in 2011 all KeyCorp Directors will be eligible for one-year terms. The nominees for directors for terms expiring in 2010 are listed below. All properly appointed proxies will be voted for these nominees unless contrary specifications are properly made, in which case the proxy will be voted or withheld in accordance with such specifications. Other than Ms. Manos, all nominees are current members of the Board. Should any nominee become unable to accept nomination or election, the proxies will be voted for the election of such person, if any, as shall be recommended by the Board or for holding a vacancy to be filled by the Board at a later date. The Board has no reason to believe that the persons listed as nominees will be unable to serve. In the election of directors, the properly nominated candidates receiving the

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greatest number of votes shall be elected. Under KeyCorp's Majority Voting Policy which is set forth on page 10 of this proxy statement, if a nominee receives more withheld votes than for votes, the nominee must submit an offer to resign as a director to the KeyCorp Board of Directors. The Nominating and Corporate Governance Committee of the Board of Directors will consider the resignation and will submit its recommendation as to whether to accept or reject the resignation to the Board of Directors which will act on the recommendation and publicly disclose its decision.

Pursuant to rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), the following information lists, as to nominees for director and directors whose terms of office will continue after the 2009 Annual Meeting, the principal occupation or employment, age, the year in which each first became a director of KeyCorp, and directorships in registered investment companies or companies having securities which are registered pursuant to, or that are subject to certain provisions of, the Exchange Act. The information provided is as of January 1, 2009 unless otherwise indicated. KeyCorp was formed as a result of the merger on March 1, 1994 of the former KeyCorp, a New York corporation (Old Key), into Society Corporation, an Ohio corporation (Society), whereupon Society changed its name to KeyCorp. In the case of nominees or continuing directors who were directors of Old Key, the year in which such individual became a director of Old Key is also included in the following information. Except as otherwise indicated, each nominee or continuing director has had the same principal occupation or employment during the past five years.

NOMINEES FOR TERMS EXPIRING IN 2010

WILLIAM G. BARES

Since 2005, retired Chairman and Chief Executive Officer, The Lubrizol Corporation (innovative specialty chemical company). Previously, Chairman, President, and Chief Executive Officer, The Lubrizol Corporation. Age 67. KeyCorp director since 1987. Director, Applied Industrial Technologies, Inc.

DR. CAROL A. CARTWRIGHT

Since January 6, 2009, President, Bowling Green State University (state university). Previously, Interim President, Bowling Green State University (2008-January 6, 2009); retired President, Kent State University (state university) (2006-2008); President, Kent State University (1991-2006). Age 67. KeyCorp director since 1997. Director, FirstEnergy Corp. and PolyOne Corporation.

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KRISTEN L. MANOS

Formerly Executive Vice President, Herman Miller, Inc. (design, manufacture, and sales of furniture and furniture systems) (2004-2009). Age 49.

THOMAS C. STEVENS

Vice Chairman and Chief Administrative Officer, KeyCorp. Age 59. KeyCorp director since 2001.

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2010

ALEXANDER M. CUTLER

Chairman and Chief Executive Officer, Eaton Corporation (global diversified industrial company). Age 57. KeyCorp director since 2000. Director, Eaton Corporation and E.I. du Pont de Nemours and Company.

EDUARDO R. MENASCÉ

Since 2005, retired President of Enterprise Solutions Group of Verizon Communications, Inc. (telecommunications). Previously, President of Enterprise Solutions Group of Verizon Communications, Inc. Age 63. KeyCorp director since 2002. Director, Hillenbrand, Inc., Hill-Rom Holdings, Inc., John Wiley & Sons, Inc., and Pitney Bowes Inc.

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HENRY L. MEYER III

Chairman, President, and Chief Executive Officer, KeyCorp. Age 59. KeyCorp director since 1996. Director, Continental Airlines, Inc.

PETER G. TEN EYCK, II

President, Indian Ladder Farms (commercial orchard). Age 70. KeyCorp director since 1994 (Old Key director since 1979).

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2011

EDWARD P. CAMPBELL

Since 2008, Chairman, Chief Executive Officer, and President, Nordson Corporation (capital equipment). Previously, Chairman and Chief Executive Officer, Nordson Corporation. Age 59. KeyCorp director since 1999. Director, Nordson Corporation.

H. JAMES DALLAS

Since 2008, Senior Vice President, Quality and Operations, Medtronic, Inc. (medical technology). Previously, Senior Vice President and Chief Information Officer, Medtronic, Inc. (2006-2008); Vice President and Chief Information Officer, Georgia-Pacific Corporation (forest products) (2002-2005). Age 50. KeyCorp director since 2005.

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LAURALEE E. MARTIN

Since 2005, Chief Operating and Financial Officer, Jones Lang LaSalle, Inc. (real estate services). Previously, Chief Financial Officer, Jones Lang LaSalle, Inc. Age 58. KeyCorp director since 2003. Director, HCP, Inc. and Jones Lang LaSalle, Inc.

BILL R. SANFORD

Chairman, Symark LLC (technology commercialization and business development) and Executive Founder and Retired Chairman, President, and Chief Executive Officer, Steris Corporation (infection and contamination prevention systems, products and services). Age 64. KeyCorp director since 1999. Director, Greatbatch, Inc.

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THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors. During the year ended December 31, 2008, there were ten meetings of KeyCorp's Board of Directors. Each member of KeyCorp's Board attended at least 75% of the aggregate of the meetings held by KeyCorp's Board of Directors and the meetings held by the committees of the Board on which such member served during 2008.

KeyCorp Board members are expected to attend KeyCorp's Annual Meetings of Shareholders. All Board members attended the 2008 Annual Meeting.

KeyCorp's Board of Directors currently exercises certain of its powers through its Audit, Compensation and Organization, Executive, Nominating and Corporate Governance, and Risk Management Committees. Each Committee has a Charter that can be found at www.key.com/ir.

Audit Committee. Ms. Martin (Chair) and Messrs. Dallas, Menascé and Ten Eyck are the current members of the Audit Committee. The functions of this Committee generally include matters such as oversight review of the financial information provided to KeyCorp's shareholders, appointment of KeyCorp's independent auditors, review of fees and services of the independent auditors, oversight review of the material examinations of KeyCorp and its affiliates conducted by federal and state regulatory and supervisory authorities, service as the audit committee of KeyCorp's banking subsidiary, oversight review of allowance for loan and lease losses methodology together with the Risk Management Committee, oversight review relating to financial reporting, compliance, legal, and information security and fraud risk matters, and supervision and direction of any special projects or investigations deemed necessary. KeyCorp's Audit Committee met fourteen times in 2008.

Compensation and Organization Committee. Dr. Cartwright and Messrs. Campbell (Chair) and Cutler are the current members of KeyCorp's Compensation and Organization Committee. The functions of this Committee generally include matters such as development, review and approval of KeyCorp's compensation philosophy and related programs, determination of the compensation and terms of employment of senior management, determination of participants and awards under executive incentive compensation plans and supplemental compensation plans, approval of (or amendments to) employee and officer retirement, compensation and benefit plans, review of organization structure and staffing, review of KeyCorp's depth of management and plans for management development and succession, and review of the Compensation Discussion and Analysis for the proxy statement. KeyCorp's Compensation and Organization Committee met nine times in 2008.

Relative to executive compensation, the Committee reviews and approves the goals and objectives of the Chief Executive Officer and other corporate senior executive officers and evaluates performance in light of those goals and objectives. Based on this evaluation, the Committee approves compensation and compensation changes. The Committee takes into account, among other factors, the recommendation of the Chief Executive Officer and his direct reports as to the compensation of other senior executives. The Committee has employed the services of Mercer, Inc. (Mercer) to assist the Committee in its evaluation of executive compensation. Mercer reports directly to the Committee. Mercer is not permitted to perform any services for KeyCorp other than act as the Committee's consultant without the permission of the Chair of the Committee. A representative of Mercer attends Committee meetings and frequently meets privately with the Committee at the meetings. The scope of Mercer's services to the Committee includes assisting the Committee in setting base salary, long-term and short-term incentive compensation performance targets, assisting the Committee in determining an appropriate peer group for executive compensation comparisons, assisting the Committee in determining progress against incentive compensation

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performance goals, and reporting on trends in executive compensation, as well as any other ad hoc services relating to executive compensation requested by the Committee. In 2008 Mercer's fee was \$380,250 for the services provided. A fuller explanation of the Committee process relative to executive compensation can be found in the Compensation Discussion and Analysis found on page 25 of this proxy statement. The Committee may delegate its authority to a subcommittee of its members.

Executive Committee. Dr. Cartwright, and Messrs. Bares, Dallas, Menascé, Meyer (Chair), Sanford, Stevens, and Ten Eyck are the current members of KeyCorp's Executive Committee. The functions of the Executive Committee are to exercise the authority of the Board of Directors, to the extent permitted by law, on any matter requiring Board or Board committee action between Board or Board committee meetings. The Executive Committee met one time in 2008.

Nominating and Corporate Governance Committee. Ms. Martin and Messrs. Alvarez (who is retiring as a Director at the 2009 Annual Meeting), Bares (Chair), Campbell, and Cutler are members of KeyCorp's Nominating and Corporate Governance Committee. The Committee serves as the nominating committee for KeyCorp and, as such, recommends to the Board nominees or candidates to stand for election as directors. In addition, the functions of the Committee include matters such as oversight of board corporate governance matters generally, the annual review and recommendation to the Board of Directors of a director compensation program that may include equity based and incentive compensation plans, and oversight review of KeyCorp's directors' and officers' liability insurance program. The Nominating and Corporate Governance Committee met seven times in 2008.

The Committee uses market data to aid it in its annual review of KeyCorp's director compensation program. The Committee utilized in 2008 the services of Mercer to assist the Committee in its evaluation and design of director compensation. Mercer reported directly to the Committee. No executive officer has any role in determining the amount of director compensation although the Committee may seek assistance from executive officers of KeyCorp in designing equity compensation plans. The Committee may delegate its authority to a subcommittee of its members. No change in director compensation was made in 2008.

The director annual cash retainer has not increased since 2003. Equity awards are granted to directors under the Directors' Deferred Share Plan which was adopted in 2003 and replaced the Directors' Stock Option Plan. Awards under the Directors' Deferred Share Plan have not changed since the Plan's inception. Other than adjustments to fees paid to the Chairs of the Audit and Compensation and Organization Committees, director meeting fees have not increased since 1994.

The Committee uses the following criteria in director recruitment: (a) the nominee must have a record of high integrity and other requisite personal characteristics and must be willing to make the required time commitment; (b) the nominee should have a demonstrated breadth and depth of management and/or leadership experience, preferably in a senior leadership role, in a large or recognized organization (profit or nonprofit, private sector or governmental, including educational institutions, civilian or military); (c) the nominee should have a high level of professional or business expertise in areas of relevance to KeyCorp (such as technology, global commerce, marketing, finance, management, etc); (d) in the case of outside directors, the nominee should meet the independence criteria set forth in KeyCorp's Standards for Determining Independence of Directors; (e) the nominee should not be serving as a director of more than (i) two other public companies if he or she is a CEO of a public company, or (ii) three other public companies if he or she is not a CEO of a public company; (f) the nominee must demonstrate the ability to think and act independently as well as the ability to work constructively in the overall

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Board process; and (g) additional factors in evaluating the above skills would be a preference for nominees that improve the diversity of the Board in terms of gender, race, religion and/or geography. The above criteria other than (a) are not rigid rules that must be satisfied in each case, but are flexible guidelines to assist in evaluating and focusing the search for director candidates.

In evaluating potential first-time Board nominees, the Nominating and Corporate Governance Committee will consider: (a) the current composition of the Board in light of the business activities and needs of KeyCorp and the diverse communities and geographies served by KeyCorp, and (b) the interplay of the nominee's expertise and professional/business background in relation to the expertise and professional/business background of current Board members, as well as such other factors as the Nominating and Corporate Governance Committee deems appropriate.

The invitation to join the Board as a first-time director or to stand for election as a first-time nominee for director is extended by the Chair of the Nominating and Corporate Governance Committee after discussion with and approval by the Nominating and Corporate Governance Committee. Upon acceptance of the invitation by the proposed candidate, the recommendation of the candidate by the Nominating and Corporate Governance Committee will be made to the full Board for final approval.

The Nominating and Corporate Governance Committee has sole authority to retain and terminate any search firm used to identify director candidates, including sole authority to approve the search firm fees and other retention terms. The Committee presently uses an independent search firm in identifying candidates. The independent search firm identified Ms. Manos as a potential nominee for director. Thereafter, the Committee evaluated Ms. Manos' qualifications in light of KeyCorp's director recruitment guidelines and initiated a process that resulted in her nomination as a director. The Committee is continually in the process of identifying potential director candidates and Board members are encouraged to submit to the Chair of the Nominating and Corporate Governance Committee any potential nominee that any individual director would like to suggest.

Shareholders may submit to the Chair of the Committee any potential nominee that the shareholder would like to suggest. Any shareholder recommendation for a director nominee should contain background information concerning the recommended nominee, including (a) the name, age, business, and residence address of such person; (b) the principal occupation or employment of such person for the last five years; (c) the class and number of shares of capital stock of KeyCorp that are beneficially owned by such person; (d) all positions of such person as a director, officer, partner, employee, or controlling shareholder of any corporation or other business entity; (e) any prior position as a director, officer, or employee of a depository institution or any company controlling a depository institution; and (f) a statement of whether such individual would be willing to serve if nominated or elected. Any shareholder recommendation should also include, as to the shareholder giving the written notice, (a) a representation that the shareholder is a holder of record of shares of KeyCorp entitled to vote at the meeting at which directors are to be elected and (b) a description of all arrangements or understandings between the shareholder and such recommended person and any other person or persons (naming such person or persons). Shareholder recommendations should be provided to the Secretary of KeyCorp who will forward the materials to the Chair of the Committee.

Risk Management Committee. Messrs. Alvarez (Chair), Bares, and Sanford are the current members of KeyCorp's Risk Management Committee. The functions of the Risk Management Committee generally include matters such as oversight review of risk management matters relating to credit risk, market risk, interest rate risk, and liquidity risk, asset/liability management policies and strategies, compliance with regulatory capital

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requirements, KeyCorp's capital structure and capital management strategies, including compliance with regulatory capital requirements, KeyCorp's portfolio of Corporate-Owned Life Insurance, technology-related plans, policies, and major capital expenditures, the capital expenditure process, and together with the Audit Committee oversight review of allowance for loan and lease losses methodology. In addition, the Committee is charged with exercising the authority of the Board of Directors in connection with the authorization, sale and issuance by KeyCorp of debt and certain equity securities and the approval of certain capital expenditures. The Committee is also charged with making recommendations to the Board of Directors with respect to KeyCorp's dividend and share repurchase authorizations. The Risk Management Committee met eight times in 2008.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors has established and follows a corporate governance program and has assigned the Nominating and Corporate Governance Committee responsibility for the program. Following are KeyCorp's Corporate Governance Guidelines as adopted by the Board of Directors upon recommendation of the Nominating and Corporate Governance Committee.

I. DIRECTOR RESPONSIBILITY

Members of the Board of Directors are expected to exercise their business judgment to act in what they believe to be in the best interests of KeyCorp. In discharging this responsibility, Board members are entitled to rely on the honesty and integrity of KeyCorp's senior officers and outside advisors and consultants. Board members are expected to attend the Annual Meeting of Shareholders, Board meetings and meetings of committees upon which they serve and to review materials distributed in advance of meetings.

II. BOARD OF DIRECTORS SELF ASSESSMENT

The Board conducts an annual self-assessment process under the auspices of the Nominating and Corporate Governance Committee through self-assessment questionnaires to all Board members. The questionnaires are divided into two parts with the first part consisting of general Board self-assessment questions and the second part consisting of individual director self-assessment questions. The results of the general Board portion of the director self-assessment questionnaires are reviewed by the Board and changes in KeyCorp's corporate governance process are based on the results of the Board's review and analysis of the self-assessment questionnaires. Pursuant to the self-assessment process, the Board reviews, among other matters, agenda items, meeting presentations, advance distribution of agendas and materials for Board meetings, interim communications to directors, and access to and communications with senior management. The results of the individual director self-assessment portion of the questionnaire are reviewed by the members of the Nominating and Corporate Governance Committee. The Committee annually reviews the directors' effectiveness taking into account the results of the incumbent directors' individual self-assessment questionnaires, the Board's Director Recruitment Guidelines, the existing mix of skills, core competencies and qualifications of the Board as a whole, and other factors that the Committee determines to be relevant.

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III. EXECUTIVE SESSIONS OF OUTSIDE DIRECTORS

The outside [non-management] directors routinely meet at regularly scheduled Board meetings in executive session without inside directors or executive management present. The Chair of the Nominating and Corporate Governance Committee presides over these executive sessions.

IV. BOARD COMPOSITION

Not more than three directors will be inside directors (*i.e.*, directors who are at the time also officers of KeyCorp). A retired Chief Executive Officer of KeyCorp shall no longer serve on the Board after he or she ceases to hold such office, except for a short (approximately 6 months or less) interim transition period in which such person may serve as Chairman of the Board after ceasing to be Chief Executive Officer.

V. DIRECTOR INDEPENDENCE

The Board has adopted standards for determining independence of directors and determined that at least two-thirds of KeyCorp's directors and all members of the Board committees performing the audit, compensation, corporate governance, and nominating functions must meet these independence standards. The standards for determining independence are [discussed on pages 14 to 16 of this proxy statement]. In addition, members of the Audit Committee must comply with Rule 10A-3 of the Securities Exchange Act of 1934 which requires that an Audit Committee member must not be affiliated with KeyCorp nor accept directly or indirectly any fee from KeyCorp for accounting, consulting, legal, investment banking or financial advisory services.

VI. MAJORITY VOTING¹

In an uncontested election, any nominee for director who receives a greater number of votes Withheld from his or her election than votes For such election (a Majority Withheld Vote) shall submit to the Board of Directors promptly following certification of the shareholder vote a written offer to resign as a director. The Nominating and Corporate Governance Committee shall consider the resignation offer and recommend to the Board whether to accept or reject it. The Board will act on the Nominating and Corporate Governance Committee's recommendation within 90 days following certification of the shareholder vote. As soon as practicable thereafter, the Board will disclose its decision (citing the reasons for rejecting the resignation offer, if applicable), in a press release to be disseminated in accordance with KeyCorp's Disclosure Policy. Any director who submits a written offer to resign as a director pursuant to this provision shall not participate in the Nominating and Corporate Governance Committee recommendation or Board action regarding whether to accept or reject the resignation offer. However, if each member of the Nominating and Corporate Governance Committee received a Majority Withheld Vote, then the directors who meet KeyCorp's independence standards and who did not receive a Majority Withheld Vote shall appoint a special committee comprised exclusively of independent directors to consider the resignation offers and recommend to the Board to accept or reject them. Further, if the only directors who did not receive a Majority Withheld Vote constitute three or fewer directors, all directors may participate in the Board action regarding whether to accept or reject the resignation offers.

¹ This Corporate Guideline will be revised to apply only to holdover directors if the shareholders adopt the amendment to KeyCorp's Articles to require majority voting in uncontested director elections as is proposed in Issue Two set forth on page 16 of this proxy statement.

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VII. DIRECTOR LEGAL OR CONSULTING FEES

The Board has determined that neither a director nor a firm affiliated with a director shall perform legal, consulting or other advisory services for KeyCorp, unless the Nominating and Corporate Governance Committee otherwise approves.

VIII. DIRECTOR RETIREMENT

The Board has adopted a retirement policy whereby an incumbent director is not eligible to stand for election as a director upon reaching age 70. Under the policy, a director is also requested to submit his or her resignation from the Board to the Nominating and Corporate Governance Committee in the event that the director retires from or otherwise leaves his or her principal occupation or employment. The Nominating and Corporate Governance Committee can choose to accept or reject the resignation.

IX. DIRECTOR RECRUITMENT

The Board has adopted a formal policy delineating director recruitment guidelines to be utilized by the Board in identifying and recruiting director nominees for Board membership. The policy guidelines are designed to help insure that KeyCorp is able to attract outstanding persons as director nominees to the Board.

X. DIRECTOR COMPENSATION

The Board has determined that approximately 50% (in value) of the Board's compensation should be equity compensation in order to more closely align the economic interests of directors and shareholders. In addition, each year the Board reviews the cash component of its compensation which is in the form of director fees.

XI. DIRECTOR STOCK OWNERSHIP GUIDELINES

KeyCorp has adopted stock ownership guidelines for KeyCorp's outside directors which specify that each outside director should, by the fourth anniversary of such director's initial election, own at least 7,500 KeyCorp Common Shares, of which at least 1,000 shares should be directly owned by the director and be in the form of actual shares. For purposes of these guidelines, except for the 1,000 actual share requirement, Common Shares include actual shares, deferred or phantom stock units, and restricted shares.

XII. DIRECTOR ORIENTATION

A new director orientation is conducted for all new directors. The orientation consists of meetings with the Chief Executive Officer and other members of senior management including the senior officer who acts as the liaison for the committee(s) upon which the new director will serve.

XIII. DIRECTOR CONTINUING EDUCATION

Each director is encouraged to obtain the requisite training or education to fulfill his or her director responsibilities. In particular, if a director has accepted becoming Chair Elect of a Committee, in the year prior to the director becoming the Chair of the Committee, the director is encouraged to obtain director training and/or attend an educational session of relevance to that Committee. Similarly, within a year after accepting a new Committee assignment, a director is encouraged to obtain director training and/or attend an educational session of relevance to that Committee. Each director is expected to attend at least one Institutional Shareholder Services (ISS)

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approved director training or education session every three calendar years. KeyCorp will reimburse the reasonable costs and expenses of the training or education session incurred by the director (not including spousal expenses), including registration fees, travel, hotel accommodations and related meals, provided, however, if a director attends an ISS approved session which will cover another company on whose board the director also serves, KeyCorp will, if the other company is willing, appropriately share the costs and expenses with the other company. Management will circulate brochures to directors of sessions. Directors are asked to advise management when they are signing up for a session.

XIV. LIMITATION ON PUBLIC COMPANY DIRECTORSHIPS

Unless the Nominating and Corporate Governance Committee determines otherwise, a directors should not serve as a director of more than three other public companies (for a total of four including KeyCorp), except that a director who is the chief executive officer of a public company should only serve as a director of up to two other public companies (for a total of three including KeyCorp and his or her own company).

XV. REPRICING OR BACK-DATING OPTIONS

The Board has determined that KeyCorp will not reprice or back-date options.

XVI. ONE YEAR HOLDING OF OPTION SHARES

The Compensation and Organization Committee has adopted a policy that stock options granted to the Chief Executive Officer, the Chief Administrative Officer, the Chief Financial Officer and all other Section 16 executives of KeyCorp will contain a provision requiring that all net shares obtained upon exercise of the option (less the applicable exercise price and withholding taxes) must be held for at least one year following the exercise date or, if later, until the executive's stock ownership meets KeyCorp's stock ownership guidelines. The policy applies to all options granted to such officers from and after the policy's adoption.

XVII. SENIOR EXECUTIVE STOCK OWNERSHIP GUIDELINES

KeyCorp has adopted stock ownership guidelines for KeyCorp's senior executives which specify that the Chief Executive Officer should own KeyCorp Common Shares with a value equal to at least six times salary, of which 10,000 should be in the form of actual shares, that all members of KeyCorp's Management Committee should own KeyCorp Common Shares with a value equal to at least four times their respective salary, of which 5,000 should be in the form of actual shares, and other corporate senior executives whose compensation is subject to individual review and approval by the Compensation and Organization Committee should own KeyCorp Common Shares with a value at least equal to two times their respective salary, of which 2,500 should be in the form of actual shares. Newly hired executives and executives whose stock ownership did not meet the most recent guidelines at the time of adoption have a reasonable period to achieve the specified level of ownership. For purposes of these guidelines, Common Shares include actual shares, restricted shares and phantom stock units.

XVIII. SENIOR EXECUTIVE OFFICER COMPLIANCE WITH PROVISIONS OF THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

KeyCorp's Senior Executive Officers, as defined by the Emergency Economic Stabilization Act of 2008 (EESA), shall comply with all provisions of the EESA including, without limitation, agreeing to the recovery or

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clawback of any bonus and incentive compensation paid to the Executive based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate.

XIX. REVIEW OF BENEFIT PLANS FOR COMPLIANCE WITH THE PROVISIONS OF THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008

The Compensation and Organization Committee reviews KeyCorp's incentive compensation arrangements for Senior Executive Officers with KeyCorp's Chief Risk Officer and Chief Auditor to assure these incentive compensation arrangements do not encourage KeyCorp's Senior Executive Officers to take unnecessary and excessive risks and thereby threaten the value of KeyCorp.

XX. EXTENSIONS OF CREDIT COLLATERALIZED BY KEYCORP STOCK

The Board has determined that neither KeyCorp nor its subsidiaries will extend to any director or executive officer covered by KeyCorp's stock ownership guidelines credit collateralized by KeyCorp stock.

XXI. FORMAL EVALUATION OF CHIEF EXECUTIVE OFFICER

The Compensation and Organization Committee conducts an annual evaluation of the Chief Executive Officer which includes soliciting input from the full Board. The results of the annual evaluation are discussed with the Board as a whole in executive session.

XXII. ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

Board members have complete access to KeyCorp's management. If the Board member feels that it would be appropriate, the member is asked to inform the Chief Executive Officer of his or her contact with the officer in question. Members of senior management normally attend portions of each Board meeting. The Board may, when appropriate, obtain advice and assistance from outside advisors and consultants.

XXIII. SUCCESSION PLANNING/MANAGEMENT DEVELOPMENT

The Compensation and Organization Committee, as a part of its oversight of the management and organizational structure of KeyCorp, annually reviews and approves KeyCorp's management succession plan for the CEO and other senior officers and annually reviews KeyCorp's program for management development and, in turn, reports on and reviews these matters, and their independent deliberations, with the Board in executive session.

XXIV. AUDITOR PROHIBITED FROM DOING PERSONAL TAX WORK FOR SENIOR EXECUTIVE OFFICERS

KeyCorp's independent auditors shall not serve as the personal tax advisors or preparers for KeyCorp senior executives who are members of KeyCorp's Management Committee, officers of KeyCorp in a financial reporting oversight role or their immediate families unless exempted by the rules of the Public Company Accounting Oversight Board, or executives of KeyCorp who are expatriates.

XXV. CORPORATE GOVERNANCE FEEDBACK

The Board encourages management to meet periodically with significant investors to discuss KeyCorp's corporate governance practices. Management reports the results of the meetings to the Nominating and Corporate

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Governance Committee in order that the Board can more readily consider the views of significant investors when the Board shapes its corporate governance practices.

XXVI. COMMITTEE STRUCTURE

The Board exercises certain of its powers through its Audit, Compensation and Organization, Nominating and Corporate Governance, Executive, and Risk Management Committees. Each Committee has a Charter that defines the scope of its duties and responsibilities. Each Committee reviews its Charter annually and recommends its approval to the full Board which in turn approves the Charter. The Audit, Compensation and Organization, and Nominating and Corporate Governance Committees are comprised of only independent directors. Each Board member sits on at least one Committee. The frequency, length and agendas of Committee meetings are determined by the Committee Chair in consultation with Committee members and appropriate members of senior management. The Committee Chair reports to the full Board on the matters undertaken at each Committee meeting. The Audit, Compensation and Organization, Nominating and Corporate Governance, and Risk Management Committees meet in executive session on a regular basis.

PRESIDING DIRECTOR

Under Section III of the KeyCorp Corporate Governance Guidelines, the Board of Directors has selected the Chair of the Nominating and Corporate Governance Committee to preside over the executive sessions of the outside directors of the Board. KeyCorp has established procedures to permit confidential, anonymous (if desired) submissions to the presiding director of concerns regarding KeyCorp. Interested parties may make their comments and views about KeyCorp known to the directors by directly contacting the presiding director by mailing a statement of their comments and views to KeyCorp at its corporate headquarters in Cleveland, Ohio. Such correspondence should be addressed to the Presiding Director, KeyCorp Board of Directors, care of the Secretary of KeyCorp, and marked Confidential.

DIRECTOR INDEPENDENCE

As part of its Corporate Governance Guidelines, the Board has adopted categorical standards to determine Director independence that conform to the New York Stock Exchange independence standards. The specific KeyCorp standards are set forth on KeyCorp's website: www.key.com/ir. Generally, under these standards, a director is not independent:

- (1) if he or she or an immediate family member has received during any twelve-month period within the last three years more than \$100,000 in direct compensation from KeyCorp (other than current or deferred director fees) (*directly compensated individual*);
- (2) if, within the past three years, he or she has been employed by KeyCorp or an immediate family member has been an executive officer of KeyCorp (*former employee*);
- (3) if (a) he or she or an immediate family member is a current partner of a firm that is KeyCorp's internal or external auditor; (b) he or she is a current employee of such a firm; (c) he or she has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance practice; or (d) he or she or an immediate family member was within the last three years (but is not

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longer) a partner or employee of such a firm and personally worked on KeyCorp's audit within that time (*former auditor*);

(4) if, within the past three years, he or she has been employed by a company upon whose Board an executive officer of KeyCorp concurrently serves or an immediate family member has been employed as an executive officer by a company upon whose compensation committee an executive officer of KeyCorp concurrently serves (*interlocking director*);

(5) if he or she is affiliated with a firm that is an attorney, investment advisor, or consultant to KeyCorp (*attorney, investment advisor, or consultant*);

(6) if he or she is employed by, or an immediate family member is an executive officer of, a significant customer or supplier of KeyCorp. An entity is a significant customer of KeyCorp if during any of the last three years the customer made payments for property or services to KeyCorp in an amount that exceeded the greater of \$1 million or 2% of the customer's consolidated gross revenues. Likewise, an entity is a significant supplier of KeyCorp if during any of the last three years the amount paid to the supplier by KeyCorp exceeded the greater of \$1 million or 2% of the supplier's consolidated gross revenues (*significant customer or supplier*);

(7) if he or she is an executive officer of a not-for-profit entity that has received significant contributions from KeyCorp during the last three years. An entity will be deemed to have received significant contributions from KeyCorp if KeyCorp's annual contribution to the entity exceeds the greater of \$1 million or 2% of the entity's total annual revenues (*significant charitable contribution recipient*); or

(8) if he or she has, or is affiliated with an entity that has, a loan from KeyCorp which (a) was not made in the ordinary course of business by a KeyCorp subsidiary, (b) was not made on the same terms as comparable transactions with other persons, (c) involved when made more than the normal risk of collectibility, or (d) is characterized as criticized or classified by the KeyCorp subsidiary (*non-independent borrower*).

Messrs. Meyer and Stevens are not independent because they are employees of KeyCorp. As an employee of KeyCorp, Mr. Meyer and members of his immediate family received in 2008 a standard employee discount on trust services provided by KeyCorp totalling \$11,620. The Board of Directors has determined that all other members of the Board of Directors (*i.e.*, Dr. Cartwright, Ms. Martin, and Messrs. Alvarez, Bares, Campbell, Cutler, Dallas, Menascé, Sanford, and Ten Eyck) are independent and that Charles Hogan was independent prior to his retirement on May 15, 2008. The determination was made by reviewing the relationship of each of these individuals to KeyCorp in light of the KeyCorp categorical standards of independence and such other factors, if any, as the Board deemed relevant. Members of the Audit, Compensation and Organization, and Nominating and Corporate Governance Committees are all independent.

In determining the independence of the aforementioned members of the Board of Directors, the Board considered certain transactions, relationships, or arrangements between those directors and KeyCorp. The Board determined that none of these transactions, relationships, or arrangements is in conflict with KeyCorp's categorical standards of independence and that no such transaction, relationship or arrangement is material or impairs any director's independence for any other reason. The transactions, relationships, and arrangements considered by the Board and determined to be immaterial were as follows: Dr. Cartwright and Messrs. Bares, Campbell, Cutler, Hogan, Sanford, and Ten Eyck were customers of one or more of KeyCorp's subsidiary banks or other subsidiaries during 2008 and had transactions with such banks or other subsidiaries in the ordinary course of business. In

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addition, Dr. Cartwright and Messrs. Bares, Campbell, Cutler, Hogan, Sanford, and Ten Eyck are officers of, or have a relationship with, corporations or are members of partnerships that were customers of such banks or other subsidiaries during 2008 and had transactions with such banks or other subsidiaries in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risks of collectibility or present other unfavorable features. Similar transactions continue to be effected during 2009. KeyCorp entered into two separate and unrelated transactions with Eaton Corporation or one of its subsidiaries for the purchase of equipment or services during 2008. Mr. Cutler is the Chairman and Chief Executive Officer of Eaton Corporation. The first transaction involved the purchase of electrical switchboard and distribution equipment through a competitive bidding process in which Eaton Corporation was determined to be the best and also the lowest bidder. The second transaction was for the annual renewal of an ongoing preventive maintenance contract. The two contracts totaled approximately \$3,044,000. KeyCorp entered into two separate and unrelated contracts with Jones Lang LaSalle, Inc. Ms. Martin is the Chief Operating and Financial Officer of Jones Lang LaSalle, Inc. The contracts were for the delivery of real estate brokerage services by Jones Lang LaSalle, Inc. One contract involved real estate brokerage services with respect to the lease renewal or relocation of a single KeyCorp office and the other involved the amendment of a contract originally entered into with an unrelated third party that had merged into Jones Lang LaSalle, Inc. The two contracts totaled approximately \$225,000.

KeyCorp has adopted a Policy for Review of Transactions between KeyCorp and its Directors, Executive Officers, and Other Related Persons. A copy of the Policy can be found at www.key.com/ir. The transactions subject to the Policy include any transaction, relationship, or arrangement with KeyCorp in which any director, executive officer or other related person has a direct or indirect material interest other than transactions, relationships or arrangements excepted by the Policy. These exceptions include transactions available to all KeyCorp employees generally, transactions involving compensation or indemnification of executive officers or directors authorized by the Board of Directors or one of its committees, transactions involving reimbursement for routine expenses, and transactions occurring in the ordinary course of business. The Nominating and Corporate Governance Committee is responsible for applying the Policy and uses the factors included in the Policy in making its determinations. These factors include whether the transaction is in conformity with KeyCorp's Code of Ethics and Corporate Governance Guidelines and is in KeyCorp's best interests; whether the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party; whether the transaction would be disclosable under Item 404 of Regulation S-K under the Exchange Act; and whether the transaction could call into question the independence of any of KeyCorp's outside directors.

Issue Two

**AMENDMENT TO ARTICLES
TO REQUIRE MAJORITY VOTING IN UNCONTESTED DIRECTOR ELECTIONS**

The Board of Directors is proposing that KeyCorp's Articles be amended to require majority voting in uncontested elections of directors.

In March 2007, the Board of Directors adopted a policy to assure that, in an uncontested election, a director who fails to receive a majority of shareholder votes cast would not continue to serve, except with the express consent of the Board. This Policy on Majority Voting is Section VI of KeyCorp's Corporate Governance Guidelines

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and is found on page 10 of this proxy statement and is also discussed on pages 1 and 2 of this proxy statement. At the time the Policy was adopted, Ohio law provided that, in all director elections, the nominee receiving the greatest number of votes is elected. Under this Policy, directors continue to be elected by a plurality vote, but in an uncontested election a director nominee who receives a greater number of withheld votes than for votes must promptly offer to resign from the Board of Directors. The Board of Directors then decides, based upon the recommendation of the Nominating and Corporate Governance Committee, within 90 days after the voting results are certified, whether to accept the resignation offer, and the Board's decision is promptly disclosed in a press release. If the decision is to reject the offer, the press release will indicate the reasons for that decision.

Subsequent to the adoption of the Board's Majority Voting Policy, Ohio law was amended to provide that the articles of incorporation may set forth alternative election standards, and that, if no alternate is specified in the articles, plurality voting would apply.

The proposed amendment to the Articles would insert a majority voting standard into the Articles which could not be amended without shareholder approval. If the proposed amendment is adopted, an affirmative majority of the total number of votes cast with respect to the election of a director nominee will be required for election at an uncontested election. Abstentions and broker non-votes will have no effect in determining whether the required affirmative majority vote has been obtained. For contested elections, plurality voting will be in effect.

If the proposal is approved by the shareholders, the following new provision will be added to the Articles as Article VII and existing Articles VII and VIII would be renumbered accordingly.

ARTICLE VII

Election of Directors

In order for a nominee to be elected a director of the Corporation in an uncontested election, the nominee must receive a greater number of votes cast for his or her election than against his or her election. Neither abstentions nor broker non-votes will be deemed to be votes for or against a nominee's election. In a contested election, the nominee receiving the greatest number of votes shall be elected. An election shall be considered contested if, as of the record date for the meeting, there are more nominees properly nominated and not withdrawn for election than director positions to be filled in that election.

If the shareholders approve this amendment, the Board's Majority Voting Policy will remain in effect only to the extent needed to address holdover terms for any incumbent directors who fail to be re-elected under majority voting. Under Ohio law and KeyCorp's Regulations, an incumbent director who is not re-elected may remain in office until his or her successor is chosen, continuing as a holdover director. The combination of the new provision in the Articles and the Board's Majority Voting Policy is commonly called the Intel Model.

Vote Required. Pursuant to Article VI of the Articles, the Articles may be amended by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of KeyCorp on such proposal.

The Board of Directors of KeyCorp unanimously recommends that the shareholders vote FOR adopting this amendment to the Amended and Restated Articles of Incorporation.

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Issue Three

**AMENDMENT TO ARTICLES AND REGULATIONS
CONCERNING THE VOTING RIGHTS
OF SERIES B PREFERRED STOCK**

The Board of Directors is proposing that KeyCorp's Articles and Regulations be amended as set forth in Appendix A to this proxy statement to conform the voting rights of the Series B Preferred Stock issued to the U.S. Treasury with the standard terms mandated by the U.S. Treasury under the TARP Capital Purchase Program, which was created under the Emergency Economic Stabilization Act of 2008 ("EESA").

Background

On October 14, 2008, the U.S. Treasury announced the creation of the TARP Capital Purchase Program to encourage U.S. financial institutions to raise capital in order to increase the flow of financing to businesses and consumers in the U.S. The TARP Capital Purchase Program is designed to attract broad participation by healthy financial institutions and to do so in a way that attracts private capital to those institutions with the goals of increasing confidence in U.S. financial institutions and increasing the confidence of those financial institutions to lend their capital. Pursuant to the TARP, up to \$700 billion can be utilized by the U.S. Treasury to buy mortgages and other assets, to guarantee assets, and to invest in the equity of financial institutions. Under the TARP Capital Purchase Program, the U.S. Treasury will purchase up to \$250 billion of senior preferred shares from qualifying financial institutions that meet the TARP Capital Purchase Program's eligibility requirements.

On November 14, 2008, KeyCorp and the U.S. Treasury entered into and consummated a Letter Agreement, dated November 14, 2008, and a Securities Purchase Agreement - Standard Terms (collectively, the "Purchase Agreement"), pursuant to which KeyCorp issued to the U.S. Treasury (i) 25,000 shares of Series B Preferred Stock, and (ii) a warrant to purchase 35,244,361 KeyCorp Common Shares, at an exercise price of \$10.64 per share, subject to certain anti-dilution and other adjustments, for an aggregate purchase price of \$2.5 billion. Pursuant to the Purchase Agreement, KeyCorp agreed to include in its proxy statement for the 2009 Annual Meeting of Shareholders a proposal to amend Article IV of KeyCorp's Articles in the form set forth on Appendix A hereto to conform the voting rights of the Series B Preferred Stock with the standard terms for shares of senior preferred stock issued to the U.S. Treasury under the TARP Capital Purchase Program.

What are these Amendments intended to accomplish?

The U.S. Treasury requires that shares of preferred stock purchased by it pursuant to the TARP Capital Purchase Program have certain limited class voting rights that are different from those currently provided for under the Articles or Ohio law. Therefore, pursuant to the Purchase Agreement, KeyCorp agreed with the U.S. Treasury to include in its proxy statement for the 2009 Annual Meeting of Shareholders a proposal to amend the Articles to provide for the required voting rights. Unless KeyCorp's shareholders approve these proposed amendments to the Articles, KeyCorp is required to submit the proposed amendments at each subsequent annual meeting of its shareholders until such approval is obtained.

The proposed amendments to Article IV, Part A, Section 2(a) and Article IV, Part E of the Articles would revise the express terms of the issued and outstanding shares of the Series B Preferred Stock to provide limited voting rights that conform to the standard terms required in connection with the TARP Capital Purchase Program,

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including (1) to allow shares of Series B Preferred Stock to vote as a class with any other preferred stock having similar voting rights for the election and removal of two directors of KeyCorp (the Preferred Directors) in the event KeyCorp fails to pay dividends on such shares of preferred stock purchased by the U.S. Treasury for six quarterly dividend periods, whether or not consecutive and (2) to allow shares of Series B Preferred Stock to vote as a class on certain significant corporate actions, namely the authorization of any senior stock, any amendment to the terms of the Series B Preferred Stock purchased by the U.S. Treasury, and certain share exchanges, reclassifications, mergers and consolidations.

The proposed amendment to Article II, Section 11(b) of the Regulations would expressly provide that any standard for removing directors contained in the Articles will govern if there is any conflict with the standards for removing directors set forth in the Regulations. Similarly, the proposed amendment to Article II, Section 12 of the Regulations would expressly provide that any procedures for filling vacancies on the Board of Directors contained in the Articles will govern if there is any conflict with the procedures for filling vacancies on the Board set forth in the Regulations.

What voting rights do shares of KeyCorp's Preferred Stock presently have?

The Articles confer the following voting rights on shares of Preferred Stock, including the Series B Preferred Stock:

Whenever KeyCorp fails to pay full dividends on any series of Preferred Stock for six quarterly dividend payment periods, whether or not consecutive, the holders of all outstanding series of Preferred Stock, voting as a single class without regard to series, will be entitled to vote for the election of two additional directors until full cumulative dividends for all past dividend payment periods on all series of Preferred Stock have been paid or declared and set apart for payment and non-cumulative dividends have been paid regularly for at least one full year;

The affirmative vote or consent of the holders of at least two-thirds of all of the shares of the then outstanding shares of Preferred Stock, voting as a separate class, shall be required to amend, alter or repeal the provisions of the Articles or Regulations which would be substantially prejudicial to the voting powers, rights, or preferences of the holders of such outstanding shares of Preferred Stock; *provided, however*, that neither the amendment of the Articles to authorize or to increase the authorized or outstanding number of shares of any class ranking junior to or on a parity with Preferred Stock, nor the amendment of the Regulations so as to change the number of KeyCorp's directors, will be deemed to be substantially prejudicial to the voting powers, rights, or preferences of the holders of Preferred Stock; and provided further that if any amendment, alteration, or repeal would be substantially prejudicial to the rights or preferences of one or more but not all of the then outstanding series of Preferred Stock, the affirmative vote or consent of the holders of at least two-thirds of the then outstanding shares of the series so affected shall also be required;

The affirmative vote or consent of the holders of at least two-thirds of the then outstanding shares of Preferred Stock, voting as a single class, shall be required to effect any one or more of the following: (i) the authorization of, or the increase in the authorized number of, any shares of any class ranking senior to the Preferred Stock; or (ii) the purchase or redemption for sinking fund purposes or otherwise of less than all of the then outstanding shares of the Preferred Stock except in accordance with a purchase offer made to all holders of record of such Preferred Stock, unless all dividends on all Preferred Stock then outstanding for all

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previous dividend periods shall have been declared and paid or funds sufficient for the payment of those dividends have been set apart and all accrued sinking fund obligations applicable thereto shall have been complied with.

Under Ohio law, even if shares are otherwise designated as non-voting shares, the holders of such shares are entitled to vote as a separate class on certain changes in the terms of the shares of such class, including changes in the express terms or additions to the terms in any manner substantially prejudicial to the holders of the shares of such class. Ohio law also requires that any merger or consolidation of a corporation with or into any other entity in which the corporation is not the surviving corporation shall be approved by the holders of each class of outstanding stock, if such class of stock would be changed in such merger or consolidation in a manner that would have required the approval of such class if the change were effected by an amendment to the corporation's articles of incorporation.

What voting rights would shares of Series B Preferred Stock have if the Amendments were adopted?

Voting Rights as to the Election of Preferred Directors. The standard terms required by the U.S. Treasury for Series B Preferred Stock include that whenever, at any time or times, dividends payable on the shares of Series B Preferred Stock have not been paid for an aggregate of six quarterly dividend periods or more, whether or not consecutive, the authorized number of directors of KeyCorp shall automatically be increased by two and the holders of the Series B Preferred Stock shall have the right, with holders of shares of any one or more other classes or series of KeyCorp's Preferred Stock that have like voting rights with the Series B Preferred Stock with respect to such matter, voting together as a class, to elect the Preferred Directors to fill such newly created directorships at KeyCorp. Such Preferred Directors are to be in addition to the directors elected by the holders of KeyCorp's Common Shares. Holders of Series B Preferred Stock and any voting parity Preferred Stock will not be entitled to vote on directors elected by the holders of Common Shares, and vice versa.

Additional Limited Series Voting Rights. The standard terms required by the U.S. Treasury for Series B Preferred Stock also provide that, for so long as shares of Series B Preferred Stock remain outstanding, in addition to any other vote or consent of shareholders required by law or by the Articles, the vote or consent of the holders of at least two thirds of the shares of the Series B Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

Authorization of Senior Stock. Any amendment or alteration of the Articles to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of KeyCorp ranking senior to Series B Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of KeyCorp;

Amendment of Series B Preferred Stock. Any amendment, alteration or repeal of any provision of the Articles so as to adversely affect the rights, preferences, privileges or voting powers of Series B Preferred Stock; or

Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving Series B Preferred Stock, or of a merger or consolidation of KeyCorp with another corporation or other entity, unless in each case (x) the shares of Series B Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which KeyCorp is not the

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surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of Series B Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all the above purposes, any increase in the amount of the authorized Preferred Stock, including any increase in the authorized amount of Series B Preferred Stock necessary to satisfy preemptive or similar rights granted by KeyCorp to other persons prior to the date that the U.S. Treasury and KeyCorp entered into the Purchase Agreement, or the creation and issuance, or an increase in the authorized or issued amount, whether pursuant to preemptive or similar rights or otherwise, of any other series of Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of Preferred Stock, ranking equally with and/or junior to Series B Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of KeyCorp will not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the holders of outstanding shares of the Series B Preferred Stock.

Each share of Series B Preferred Stock issued to the U.S. Treasury pursuant to the TARP Capital Purchase Program has one vote per share.

A summary of the existing terms of the Series B Preferred Stock that the U.S. Treasury purchased from KeyCorp is set forth in Form 8-K filed on November 20, 2008, which is incorporated into this proxy statement by reference. That summary is qualified in its entirety by the express terms of the Series B Preferred Stock set forth in that filing.

Could the Amendments be substantially prejudicial to the holders of the Common Shares and/or Series A Preferred Stock?

KeyCorp believes that voting rights substantially equivalent to the voting rights set forth in the U.S. Treasury's standard terms for Series B Preferred Stock would be available to the holders of such shares under existing provisions of the Articles and Ohio law, even if not set forth in the express terms of Series B Preferred Stock. The material difference between the existing voting rights relating to the Series B Preferred Stock and the voting rights of the Series B Preferred Stock if the amendments were adopted by shareholders is that holders of the Series B Preferred Stock would be entitled to vote separately as an independent voting class on those matters set forth under *Additional Limited Series Voting Rights*. KeyCorp does not believe that granting these additional voting rights to holders of Series B Preferred Stock will be substantially prejudicial to the holders of either Common Shares or Series A Preferred Stock. While KeyCorp further believes that the separate votes of the holders of shares of Series A Preferred Stock and Series B Preferred Stock on these amendments may not be required under the Articles and/or the Ohio law as it does not appear that the Amendments are substantially prejudicial to the rights of such holders, KeyCorp nonetheless is allowing the holders of Series A Preferred Stock and Series B Preferred Stock to vote separately on these amendments.

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Additionally, KeyCorp believes that the limited class voting rights set forth in the proposed amendment of the terms of the Series B Preferred Stock issued by KeyCorp pursuant to the TARP Capital Purchase Program will not have any potential anti-takeover effect on KeyCorp.

What would be the consequence of a failure to approve these Amendments?

In the event that the shareholders of KeyCorp fail to approve the amendments set forth in this Issue Three, KeyCorp would be required to submit these proposed amendments at each subsequent annual meeting of its shareholders until approval is obtained.

What is the required vote for approval by KeyCorp's shareholders of these Amendments?

The text of the proposed amendments is set forth in Appendix A to this proxy statement. Pursuant to Article VI and Article IV, Part A, Section 2(c) of the Articles, (i) the affirmative vote of the holders of the Common Shares entitling them to exercise a majority of the voting power of such shares, (ii) the affirmative vote of the holders of the Series A Preferred Stock of KeyCorp entitling them to exercise two-thirds of the voting power of such shares and (iii) the affirmative vote of the holders of the Series B Preferred Stock entitling them to exercise two-thirds of the voting power of such shares, is necessary to adopt the proposed amendments to the Articles and Regulations.

The Board of Directors unanimously recommends that the shareholders vote FOR adoption of these amendments to the Articles and the Regulations.

Issue Four

INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors of KeyCorp has appointed Ernst & Young LLP (Ernst & Young) as KeyCorp's independent auditors to examine the financial statements of KeyCorp and its subsidiaries for the year 2009. The Board of Directors recommends ratification of the appointment of Ernst & Young. The favorable vote of the holders of a majority of the KeyCorp Common Shares represented in person or by proxy at the Annual Meeting will be required for such ratification.

A representative of Ernst & Young will be present at the meeting with an opportunity to make a statement if such representative desires to do so and to respond to appropriate questions.

Although shareholder approval of this appointment is not required by law or binding on the Audit Committee, the Audit Committee believes that shareholders should be given the opportunity to express their views. If the shareholders do not ratify the appointment of Ernst & Young as KeyCorp's independent auditors, the Audit Committee will consider this vote in determining whether or not to continue the engagement of Ernst & Young.

The Board of Directors unanimously recommends that shareholders vote FOR the ratification of this appointment.

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Issue Five

APPROVAL OF KEYCORP S EXECUTIVE COMPENSATION

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA), which expanded the executive compensation requirements previously imposed by the EESA and TARP. Under these new requirements, any reporting company that has received or will receive financial assistance under TARP must permit a separate shareholder vote to approve the reporting company's executive compensation, as disclosed in the reporting company's Compensation Discussion and Analysis, related compensation tables, and other related material under the compensation disclosure rules of the SEC, in any proxy or consent or authorization for an annual or other meeting of its shareholders during the period in which any obligation arising from financial assistance provided under TARP remains outstanding.

KeyCorp's Board of Directors is providing shareholders with the opportunity to cast an advisory vote on its compensation program at the 2009 Annual Meeting. As set forth in the ARRA, this vote will not be binding on or overrule any decisions by KeyCorp's Board of Directors, will not create or imply any additional fiduciary duty on the part of the Board, and will not restrict or limit the ability of KeyCorp's shareholders to make proposals for inclusion in proxy materials related to executive compensation. However, the Compensation and Organization Committee will take into account the outcome of the vote when considering future executive compensation arrangements. The Board of Directors has determined that the best way to allow shareholders to vote on KeyCorp's executive pay programs and policies is through the following resolution:

RESOLVED, that the shareholders approve KeyCorp's executive compensation, as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement.

Vote Required. Approval of this proposal will require the affirmative vote of a majority of the KeyCorp Common Shares represented in person or by proxy at the Annual Meeting.

The Board of Directors unanimously recommends that the shareholders vote FOR this proposal.

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EXECUTIVE OFFICERS

The executive officers of KeyCorp are principally responsible for making policy for KeyCorp, subject to the supervision and direction of KeyCorp's Board of Directors. All officers are subject to annual election at the annual organizational meeting of the directors. Mr. Meyer has an employment agreement with KeyCorp.

There are no family relationships among directors, nominees, or executive officers. Other than Ms. Mooney and Messrs. Hancock and Hyle, all have been employed in officer capacities with KeyCorp or one of its subsidiaries for at least the past five years.

Set forth below are the names and ages of the executive officers of KeyCorp as of January 1, 2009, positions held by them during the past five years and the year from which held, and, in parentheses, the year they first became executive officers of KeyCorp.

PETER D. HANCOCK (50)

2008 to present: Vice Chair, KeyCorp; 2007-2008: Managing Director, Trinum Group, Inc. (asset management and strategic advisory firm); 2002-2007: President and Co-Founder, Integrated Finance Limited (asset management and strategic advisory firm). (2008)

PAUL N. HARRIS (50)

2003 to present: Executive Vice President, General Counsel, and Secretary, KeyCorp. (2004)

CHARLES S. HYLE (57)

2004 to present: Executive Vice President and Chief Risk Officer, KeyCorp; 1998-2003: Managing Director and Global Head of Portfolio Management, Barclays Capital (financial services). (2004)

HENRY L. MEYER III (59)

Chairman, President, and Chief Executive Officer, KeyCorp. (1987)

BETH E. MOONEY (53)

2006 to present: Vice Chair, KeyCorp; 2004-2006: Senior Executive Vice President and Chief Financial Officer, AmSouth Bancorp (financial services); 2000-2004: Senior Executive Vice President, AmSouth Bancorp. (2006)

ROBERT L. MORRIS (56)

2006 to present: Chief Accounting Officer, KeyCorp; 2000-2006, Controller, KeyCorp. (2006)

THOMAS C. STEVENS (59)

Vice Chair and Chief Administrative Officer, KeyCorp. (1996)

JEFFREY B. WEEDEN (52)

Senior Executive Vice President and Chief Financial Officer, KeyCorp. (2002)

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

2008 was a year of unprecedented changes in the financial services industry. In late 2007 and early 2008, uncertainty surrounded the financial markets and the U.S. economy was slowing. In 2007, KeyCorp had already reviewed its commercial residential lending portfolio, exited non-core businesses to improve its business mix, completed company-wide cost reductions, and strengthened its loan loss allowance. KeyCorp believed those actions put it in a strong position to execute its 2008 business plan. That belief led KeyCorp to set its performance goals for the 2008 and 2008-2010 performance periods above the median of analysts' expectations for the performance of KeyCorp's peer group. First quarter earnings were positive as KeyCorp was able to take advantage of revenue opportunities in the Community Bank and manage risk and expenses tightly.

KeyCorp's outlook changed in the second quarter of 2008. An unexpected adverse court ruling on the tax treatment of leverage lease transactions, as well as greater than anticipated losses in the commercial real estate portfolio, resulted in a second quarter loss of \$1.126 billion. In the third quarter, the global economy continued to deteriorate and the financial services industry experienced historic changes. KeyCorp reported a loss for its third quarter, but entered the fourth quarter well capitalized and well positioned for the future. By the end of October we saw the failure or sale of three of the five largest independent investment banks in the U.S. (Bear Stearns, Lehman Brothers and Merrill Lynch), the sale of Washington Mutual, Wachovia and National City and U.S. lawmakers approved a \$700 billion financial rescue package under the Emergency Economic Stabilization Act of 2008 (referred to as EESA). On November 14, 2008, the United States Department of The Treasury purchased \$2.5 billion of KeyCorp preferred stock and warrants to purchase KeyCorp common stock under the Troubled Asset Relief Program (referred to as TARP) and the Capital Purchase Program established under EESA.

The provisions of EESA required KeyCorp to amend some of its incentive compensation arrangements which are discussed in detail in the 2009 Discussion on page 35 of this proxy statement. These amendments include requiring a clawback of any bonus or incentive compensation paid based on statements that are later proven to be materially inaccurate and prohibiting certain golden parachute payments in the event of an involuntary termination. Also required is a review of incentive compensation arrangements by KeyCorp's Chief Risk Officers with KeyCorp's Compensation and Organization Committee (referred to as the Compensation Committee) to ensure that the arrangements do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of KeyCorp. Additional amendments may be necessary under the American Recovery and Reinvestment Act of 2009 (ARRA).

KeyCorp maintains a rigorous pay-for-performance philosophy by implementing the disciplined processes described in the following discussion and analysis. Due to the disruption in the capital markets that began in 2007 and KeyCorp's resultant performance relative to goals, there were limited annual incentives paid to KeyCorp's named executive officers for 2007 performance and there were no annual incentives paid to them for 2008 performance. In addition, no performance shares awarded for the 2006-2008 long-term performance cycle vested and no time-lapsed restricted stock had been awarded for that time period.

In 2009, the Compensation Committee remains committed to that philosophy. However, in this unprecedented environment, the traditional tools used to motivate and retain employees do not provide the incentive or retention value originally intended. The value of long-term incentives, which is based on KeyCorp's stock price, has been

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greatly diminished due to current market conditions. This discussion and analysis will therefore focus on explaining KeyCorp's compensation programs for 2008. It is to be expected, however, that there will be changes to KeyCorp's executive compensation and benefits programs for 2009 and future years. These changes will enable KeyCorp to set goals in a volatile environment, recognize individual contributions, comply with the requirements of EESA and ARRA, and retain the required skills and experience to lead KeyCorp through these challenging times.

KeyCorp Compensation Philosophy and Objectives

The overall goal of the compensation and benefits programs is to align the compensation interests of KeyCorp executives with the investment interests of KeyCorp shareholders. The programs are designed to support this goal in two ways. First, KeyCorp strives to attract, retain and motivate a talented team of executives that is capable of leading the company. Second, KeyCorp's compensation and benefits programs are designed so that performance goals and compensation reflect a pay-for-performance philosophy. Executives receive compensation that is aligned with how the company performs relative to strategic goals and as compared to its peers. When KeyCorp performs well, compensation increases. When KeyCorp's performance falls short of annual and long-term strategic goals or does not match that of its peers, compensation declines.

Elements of Total Compensation

Consistent with KeyCorp's compensation philosophy, the Compensation Committee believes that the best way to motivate its executives to enhance shareholder return is to place a relatively large portion of their compensation at risk—that is, contingent upon the achievement of pre-established performance objectives. This is the incentive compensation portion of an executive's pay. KeyCorp's incentive compensation is delivered through both annual cash and long-term equity award opportunities in order to balance short-term earnings with the need to make investments in the long-term viability of the business. Base salary is the portion of each executive officer's total compensation that is fixed, or not at risk.

Annual Incentive Compensation Plan

The performance metrics under the Annual Incentive Plan (referred to as the Incentive Plan) are used to help determine the actual payouts for annual incentive awards made to KeyCorp's CEO and his direct reports, subject to a maximum limit for each executive established under KeyCorp's shareholder-approved plan for the CEO and his direct reports. Performance metrics and goals are established under the Incentive Plan at the beginning of the year, and payouts are made if the performance goals under the shareholder-approved plan and the Incentive Plan are achieved. The key features of the annual incentive compensation program for 2008 are summarized in the narrative to the 2008 Grants of Plan-Based Awards Table on page 44 of this proxy statement.

Long-Term Incentive Compensation

The Compensation Committee believes that equity-based plans align employees' long-term financial interests with those of shareholders by increasing employees' share ownership. KeyCorp's Long-Term Incentive Compensation Plan is designed to foster a long-term perspective. Long-term has generally meant a three-year period that corresponds with KeyCorp's strategic planning time frame. A new long-term performance cycle begins each year on January 1. There are currently three long-term incentive compensation plan performance cycles in effect.

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(commencing 2007, 2008, and 2009 respectively). The key features of the long-term plan are summarized in the narrative to the 2008 Grants of Plan-Based Awards table on page 44 of this proxy statement.

Each named executive's long-term incentive opportunity, a large portion of which is performance-based, has been delivered 50% as stock options and 50% as restricted stock to balance a focus on the market price of KeyCorp's stock with concern for specific long-term goals that achieve KeyCorp's strategic plan. For 2006 and 2007, all of the equity awarded to the CEO and his direct reports was performance-based; they did not receive service-based equity (time-lapsed restricted stock). Their shares of performance-based restricted stock take the form of phantom stock, meaning that all of the equity value is driven by the performance of KeyCorp's actual stock, but when the shares vest, the owner receives the equity value in cash. These cash payments enable an executive to receive some of the intended value of the award without selling stock as long as he or she has met KeyCorp's stock ownership guidelines discussed below. The value of the total target award is based on the median total long-term incentive award opportunity for comparable positions within KeyCorp's peer group.

Executive Stock Ownership Guidelines

KeyCorp has stock ownership guidelines for senior officers, as well as some specific requirements for beneficially owned shares (in other words, shares purchased by the individual outside of KeyCorp-sponsored plans). These guidelines are as follows:

The CEO should own common shares with a value equal to at least six times his annual salary, including a minimum of 10,000 beneficially owned shares.

The CEO's five direct reports should own common shares with a value equal to at least four times their salary, including a minimum of 5,000 beneficially owned shares.

Newly hired or promoted senior officers are encouraged to meet or exceed their required ownership levels within three years of the date they become subject to the guidelines, and are required to comply within five years.

The value of the stock owned is determined quarterly, using the closing price at the end of the quarter.

Beneficially owned shares and unvested restricted shares and units, as well as phantom shares owned by the senior officers under KeyCorp's 401(k) Savings Plan and deferred compensation plans, count toward the ownership requirements. Performance shares delivered in cash and unexercised stock options do not count toward ownership requirements.

The CEO and all Section 16 officers are required to hold 100% of net shares obtained upon exercising any stock options (less the applicable exercise price and withholding taxes) for at least one year following the exercise date or, if later, until the executive meets the ownership guidelines.

Total Compensation Pay Mix

Under KeyCorp's compensation philosophy, the mix of base salary, annual incentive, and long-term incentive varies with the executive's responsibilities and authority. Specifically, the Compensation Committee believes that the compensation of executives who set the overall strategy for the business and have the greatest ability to execute that strategy should be based predominantly on performance. Consequently, for 2008, at least two-thirds of the

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target compensation of the CEO and the other named executive officers was based on performance, with over one-half of the target total compensation of the CEO, CFO and CAO based on the achievement of results measured over three years, or, in the case of options, ten years. The Line of Business Heads had about 45% of their target total compensation tied to the achievement of corporate long-term results.

The Compensation Committee established the following compensation pay mixes for the named executive officers in January 2008 after considering market survey data and compensation practices of KeyCorp's peer group:

	Base Salary	Annual Incentive Target	Long-term Incentive Target
CEO	14%	30%	56%
CFO/CAO	20%	24%	56%
Community Banking Head	20%	35%	45%
National Banking Head	12%	44%	44%

Equity Compensation-Shareholder alignment and executive retention

There are several other ways that KeyCorp's equity-based awards align the compensation interests of executive officers with the investment interests of shareholders and promote executive retention:

Conditional awards. All restricted stock and special retention options are awarded on the condition that the recipient executes an agreement that:

restricts his or her post-employment use of confidential information; and

prohibits the recipient, for one year, from soliciting KeyCorp clients or hiring KeyCorp employees.

Clawback provisions. If an employee engages in harmful activity while working for KeyCorp or within six months after ceasing to work for KeyCorp, then:

any profits he or she realized upon exercising any covered option starting one year prior to termination of employment must be paid back to KeyCorp; and

he or she must forfeit all unexercised covered options.

For these purposes, harmful activity is broadly defined to include wrongfully using or disclosing, or failing to return confidential KeyCorp information, soliciting KeyCorp clients and hiring KeyCorp employees.

Market value strike price. KeyCorp bases the exercise price of all stock options on the closing market price of its common shares on the option grant date. The Compensation Committee does not re-price options and KeyCorp has not and will not back-date options.

Award grant date. If the grant date is in a month in which earnings are released, the grant date will be the date of the Compensation Committee meeting or three days after the earnings release, whichever is later. Otherwise, the grant date is the date of the Compensation Committee meeting. The Board determined that performance-based shares should be granted at the same time that the Compensation Committee establishes performance goals, which is in the

first quarter. Therefore, the total long-term incentive award is approved, and the restricted stock and performance shares are awarded, at the February meeting of the Compensation Committee. KeyCorp's options are awarded at the July meeting to correspond with the annual strategic plan review process. If unusual circumstances

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such as a significant acquisition or divestiture occur, the Compensation Committee has the discretion to alter the date on which awards are granted. The Compensation Committee has never done so.

Non-tax-qualified. Incentive stock options are granted to senior executives up to the maximum limit prescribed by the Internal Revenue Code and any balance is awarded as non-qualified options.

Peer Group Comparisons

Each year, the Compensation Committee surveys KeyCorp's peers to analyze and assess the total compensation and benefits that these companies provide their executive officers. Although KeyCorp's total compensation package targets median pay among the peer group for median performance by comparable executives, the individual elements of KeyCorp's program (base salary, annual and long-term incentive compensation, and benefits) may vary from peer medians. The Compensation Committee may choose to diverge from median for an element of pay if the Compensation Committee determines that a particular pay element merits more weight because it motivates performance that supports KeyCorp's strategic business plan.

Since 2002, the Compensation Committee has determined that the appropriate peer group for pay and performance comparisons is the large super-regional banks, as defined by the Standard and Poor's Regional Bank Index and Diversified Bank Index (formerly the S&P Bank Index). Mercer, the Compensation Committee's external executive compensation consultant, analyzes the financial and market performance for KeyCorp and its peers annually. Mercer agreed in January 2008 that these indices continued to be appropriate for KeyCorp to benchmark executive pay and company performance for 2008 for three reasons:

The indices consist of financial services firms with diversified business mixes;

KeyCorp competes with these firms for customers and executive talent; and

The firms in the indices (including KeyCorp) are selected by Standard and Poor's for use as published indices. Therefore, they are selected independent of KeyCorp and there is no possibility that the pay or performance information used for comparison purposes could be skewed.

Standard and Poor's modifies the members in each index from time to time based on criteria such as total asset or sales size and merger and acquisition activity. The 2008 peer companies were:

BB&T Corp.

Comerica Inc.

Fifth Third Bank

First Horizon

Huntington Bancshares

M&T Bank

Marshall & Ilsley

National City Corp.

PNC Financial

Regions Financial

SunTrust Banks

U.S. Bancorp

Wachovia Corp.

Wells Fargo

Zions Bancorp

In the fourth quarter of 2008, PNC Financial acquired National City Corp. and Wells Fargo acquired Wachovia Corp.

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Commerce Bancorp was removed from the index when it was acquired by TD Bank Financial Group in March 2008.

Some KeyCorp executives lead businesses whose primary competitors are not in KeyCorp's corporate peer group because of their size or product offerings. In those cases, the Compensation Committee will consider data from direct market competitors—bank and non-bank—in addition to corporate peer group data. For example, KeyCorp's national banking business engages in capital markets, leasing and real estate activities, which are often beyond the scope of many of the banks in the peer group. Consequently, the Compensation Committee reviews survey data for entities engaged in those other activities to determine the target pay for KeyCorp's head of the national banking business. Many of the entities surveyed in 2008 are divisions of larger financial institutions that are not part of KeyCorp's peer group, such as Bank of America, Citigroup, Deutsche Bank and RBC Capital Markets. The Compensation Committee has determined it is appropriate to supplement the peer group data in these cases and evaluate these different compensation practices so that KeyCorp can effectively compete for talent with direct market competitors both within and outside the peer group.

Benchmarking Pay

Prior to and in the beginning of each year, the Compensation Committee consults with Mercer to determine the market-driven pay. To do this, it:

1. *Obtains comparable compensation information.* The Compensation Committee obtains information from peer group or industry surveys regarding base salary and short and long-term incentive compensation for the CEOs and named executive officers of the entities within the peer group. Job responsibilities of comparable positions within the peer group entities are reviewed with management to confirm that the executives perform duties comparable to those required of KeyCorp's named executive officers.
2. *Analyzes comparable compensation information.* The Compensation Committee develops preliminary base salary and short and long-term incentive compensation targets based on the 50th percentile in the survey and proxy data and recommendations from the CEO for his management team.
3. *Approves compensation opportunities.* The Compensation Committee reviews the preliminary compensation targets at its regularly scheduled November meeting, at which time Compensation Committee members review, discuss and evaluate the job comparison analysis and any changes in job responsibilities or the data. The Compensation Committee approves compensation targets for approximately 37 management positions (including the named executive officers) at its January meeting.

Evaluating Performance

Selecting Incentive Award Metrics

Selecting the appropriate performance metrics is critical to KeyCorp's pay-for-performance philosophy. Since 2004, the performance metrics used for both annual and long-term incentive compensation have been earnings per share (EPS), return on equity (ROE) and economic profit added (EPA). The Compensation Committee and

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management have determined these metrics as a group have historically correlated with improved shareholder return and fostered maximum value for KeyCorp's assets:

EPS measures profitability per share. Growth in EPS is easily compared among peers, and the metric is commonly used by the investment community as a measure of performance.

ROE measures profitability relative to capital used to generate earnings, and also is easily compared to peers.

EPA measures profit generated in excess of the risk-adjusted cost of capital. Using this metric encourages employees to manage risk by focusing on a risk-adjusted return on capital. This metric is not easily compared to peers.

Mercer evaluated these performance metrics in November 2007 and early 2008 and confirmed to the Compensation Committee that EPS, ROE and EPA continued to be strong indicators of corporate financial performance, demonstrated value creation and were important to the investment community, both individually and in combination. In 2007 and 2008, the weightings assigned to these metrics were the same for determining both annual and long-term incentive compensation awards.

Setting Goals

The Compensation Committee, with Mercer's assistance, sets the annual and long-term incentive goals required to earn threshold, target and maximum incentive compensation payout levels through a series of Compensation Committee meetings. During the first quarter of each year, Mercer evaluates KeyCorp's annual and long-term financial objectives in the context of the market and current and forecasted peer group performance in order to assist the Compensation Committee in setting financial targets that will drive above median performance. In addition, the Line of Business Heads are each given a contribution margin goal for their overall lines of business to drive the corporate results and determine the level of incentive compensation that will be funded based on their line of business financial results. Thereafter, on a quarterly basis, management tracks and reports to the Compensation Committee KeyCorp's performance regarding EPS growth, ROE, EPA and total shareholder return as compared to KeyCorp's financial objectives and the median performance achieved by the companies in the peer group.

Also in the first quarter of each year, the Compensation Committee supplements these corporate funding goals with other financial and non-financial performance objectives for the CEO that will assist the Compensation Committee in determining actual payout amounts. The CEO's scorecard consists of five categories that include financial growth and profitability objectives as well as credit quality, regulatory compliance and leadership goals.

Similarly, the CEO creates a scorecard for each direct report that sets individual performance goals that are aligned with his or her objectives. Each scorecard consists of the same five categories with multiple financial and non-financial objectives. The scorecard for each Line of Business Head has business unit revenue, expense and EPA objectives focused on enhancing shareholder value, as well as objectives related to credit quality, regulatory compliance and leadership. The CFO and CAO also have scorecard objectives based upon their operating plans and objectives. The Compensation Committee approves the objectives but does not establish weightings because many cannot be quantified and each of the five common categories has multiple objectives. No single objective is more important than the others, and awards are not mathematically calculated. The Compensation Committee determines award payouts based on its evaluation of management's performance against the scorecard objectives.

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Assessing Performance Against Goals

In the first quarter of each year, in addition to setting the goals for the upcoming year, the Compensation Committee assesses how, to what degree, and under what conditions the CEO met his preceding year's performance goals. The Compensation Committee solicits input regarding peer performance and Mercer's perspectives regarding KeyCorp's performance relative to industry performance prior to determining how the CEO should be compensated. Similarly, the Compensation Committee solicits the CEO's assessment of the performance of his direct reports and his recommendations regarding the compensation they have earned as a result of that performance. The Compensation Committee considers this assessment, peer pay and performance, and Mercer's input when reviewing and approving compensation elements for other senior executives.

Assessing the Pay-for-Performance Process

Annually in May, the Compensation Committee studies the public disclosures of all banks in the peer group to compare pay practices and performance levels of KeyCorp and its peers. Among other things, this evaluation can confirm whether KeyCorp's pay-for-performance objectives were achieved. For example, after reviewing the compensation paid to peer CEOs in 2008 in relation to the 2007 performance of their respective companies, Mercer reported that KeyCorp's total pay was at the median and performance (EPS and ROE) for 2007 were both above median, and thus that pay and performance were appropriately aligned. From this, the Compensation Committee concluded that the techniques and analyses it used to set performance goals were effective in delivering pay levels consistent with a pay-for-performance compensation philosophy. Had the goal-setting mechanisms been judged ineffective, the Compensation Committee would have begun discussing how to change the process for future performance cycles.

2008 Total Compensation Decisions and Actions

Base Salary

The Compensation Committee annually reviews and, if appropriate, adjusts each executive officer's base salary. For 2008, Mr. Meyer received a base pay adjustment of 2%. It had been two years since his last increase and the Compensation Committee determined that his base salary remained consistent with the peer median base salary for CEOs. Messrs. Weeden and Stevens, as well as Ms. Mooney, received base salary increases for 2008 to recognize their success in expense and risk management, as well as the growth in Key Community Banking. The base salaries for Messrs. Weeden and Stevens had not been increased for three years. Their 2008 base salary increases of 5% and 4%, respectively, are equivalent to annual increases of 1.6% and 1.3%, respectively over that three-year period. Ms. Mooney's 5% increase is equivalent to 2.5% annually as she had not received a base salary increase since she was hired in May 2006.

Setting Incentive Compensation Goals for 2008

The same techniques and analyses that had been effective in calibrating pay-for-performance in past years were also used at the beginning of 2008 in setting 2008 Incentive Plan and 2008-2010 Long-Term Incentive Plan goals. In particular, the Compensation Committee considered KeyCorp's operating plan for 2008, the outlook for the industry and KeyCorp's peer group, and the median performance of peer companies during the preceding three- and five-year periods to make the following decisions in the first quarter of 2008:

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Established a maximum funding limit of 1.4% of net income before taxes under the shareholder-approved plan and assigned weightings for the performance metrics for the 2008 Annual and 2008-2010 Long-Term Plans to be 50% for EPS, 35% for ROE and 15% for EPA. The Compensation Committee wanted to maintain continuity in the measures. However, the volatility in the capital markets at the beginning of 2008 and its impact on the cost of capital caused the Compensation Committee to reduce the weighting for EPA from 25% to 15%, with the reduction added to ROE.

Calibrated performance objectives and the associated incentive funding levels using peer ROE. Both 2008 annual and 2008-2010 long-term performance objectives were set above the median of the analysts expectations for the performance of the peer group. Due to the unpredictability of the economy, the Compensation Committee also broadened the performance ranges and reduced the maximum payout level from 300% to 200% of target for 2008.

Established the financial and other goals that will determine annual incentive award payouts. As a result of the performance calibration discussed above, the 2008 financial targets were set at an EPS of \$3.05, EPA of \$337 million and an ROE of 15.93%.

Established cumulative EPS, ROE and EPA performance goals for the 2008-2010 Long-Term Incentive Plan cycle.

As the year progressed, it became increasingly clear that the incentive targets established in early 2008 for the Incentive Plan were based on overly optimistic assumptions and would not be achieved. As a result, retention and motivation of key employees became a heightened concern for the Compensation Committee.

Performance Assessment against 2008 Goals

Annual Incentive Compensation

The Compensation Committee determined that no amount was funded under the shareholder-approved plan and that 2008 performance fell below threshold for EPS, EPA and ROE. Accordingly, no annual incentive compensation was paid to the CEO and his direct reports which included the named executive officers. However, the Compensation Committee used its discretion to fund a pool of 25% of target incentive pay for certain other Incentive Plan participants. The Compensation Committee recognized that many of the participants in the Incentive Plan are professionals in finance, operations, technology, compliance, risk management and human resources who had made significant contributions in 2008. A bonus pool of 25% was determined by the Compensation Committee to adequately provide an opportunity to reward and retain the highest performers while acknowledging KeyCorp's 2008 financial results.

Long-Term Incentive Plan

The targets set in the first quarter of 2006 for the 2006-2008 performance cycle were as follows:

1. Cumulative EPS of \$9.53 equivalent to a compound annual growth rate of 7.8% from year end 2005;
2. The corresponding cumulative EPA of \$1,002 million; and
3. Average ROE of 15.6%.

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KeyCorp's performance also fell short of the threshold at the end of the 2006-2008 long-term performance cycle and as a result, the Compensation Committee determined that no performance shares would vest for that cycle.

Assessing Stock Ownership

The Compensation Committee reviews the stock ownership of the senior management team to monitor compliance with the Executive Stock Ownership Guidelines (see page 27 of this proxy statement) and discusses ownership status with the CEO. As of December 31, 2008, the named executive officers (not including Mr. Hancock) owned, in the aggregate, 84% of the common shares specified by the guidelines. This percentage is down from the 164% of the common shares specified by the guidelines owned as of March 31, 2008. As of December 31, 2008, the CEO met all of the guidelines.

Ms. Mooney joined KeyCorp in May 2006. By year-end 2007, she had exceeded the 5,000 share beneficial ownership requirement. As of year-end 2008, Ms. Mooney owns common shares equal to three times her salary, which is significant progress toward her ownership requirement of four times her salary. Mr. Hancock joined KeyCorp on December 1, 2008, and as of year-end 2008, did not own any KeyCorp Common Shares.

The other named executive officers, with the exception of Mr. Hancock, each met the beneficial ownership guidelines but, due to the drop in KeyCorp's stock price, the value of the shares has fallen below the multiple of salary requirement. The Compensation Committee monitors the status of stock ownership as well as emerging best practices in order to determine if any changes in the guidelines are warranted. For 2009, the guidelines will continue to be stated as a dollar value rather than a specified number of shares.

Other 2008 Total Compensation Decisions and Actions