

KEYCORP /NEW/  
Form 424B3  
October 07, 2003

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Filed Pursuant To Rule 424(b)(3)  
Registration No. 333-73380

PROSPECTUS SUPPLEMENT  
(TO PROSPECTUS DATED NOVEMBER 28, 2001)

KeyCorp Logo

\$1,178,500,000  
KEYCORP

SENIOR MEDIUM-TERM NOTES, SERIES G  
SUBORDINATED MEDIUM-TERM NOTES, SERIES F  
DUE 9 MONTHS OR MORE FROM DATE OF ISSUE  
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We may use this prospectus supplement to offer our medium-term notes from time to time. The following terms may apply to the notes:

- Ranking as our senior or subordinated indebtedness
- Stated maturities of 9 months or more from date of issue
- Redemption and/or repayment provisions, whether mandatory, at our option, at the option of the holders or none at all
- Payments in U.S. dollars or one or more foreign currencies
- Book-entry (through The Depository Trust Company) or certificated form
- Interest payments on fixed rate notes on each June 15 and December 15
- Interest payments on floating rate notes on a monthly, quarterly, semiannual or annual basis
- Interest at fixed or floating rates, or no interest at all. We may base the floating interest rate on one or more of the following indices plus or minus a spread and/or multiplied by a spread multiplier:
  - CD rate
  - Commercial paper rate
  - EURIBOR
  - LIBOR
  - Treasury rate
  - CMT rate
  - Eleventh District Cost of Funds rate
  - Federal Funds rate
  - Prime rate
- Such other interest basis or interest rate formula as we may specify in the applicable pricing supplement

The Medium-Term Notes covered by this prospectus supplement include Medium-Term Notes available for sale under the previous prospectus supplement. We will specify the final terms for each note, which may be different from the terms described in this prospectus supplement, in the applicable pricing

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supplement.

We may sell the notes to the Agents as principals for resale at varying or fixed offering prices or through the Agents as agents using their reasonable best efforts on our behalf. If we sell all of the notes, we expect to receive proceeds of between \$1,169,165,000 and \$1,176,527,500, after paying the Agents' discounts and commissions of between \$1,472,500 and \$8,835,000 and before deducting expenses payable by us. We may also sell the notes without the assistance of the Agents (whether acting as principal or as agent).

INVESTING IN THE NOTES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

These notes are our obligations and will not be savings accounts or other obligations of our bank or nonbank subsidiaries. These notes are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund or any other governmental agency.

CITIGROUP

BANC OF AMERICA SECURITIES LLC  
CREDIT SUISSE FIRST BOSTON  
GOLDMAN, SACHS & CO.  
JPMORGAN  
MCDONALD INVESTMENTS INC.  
A KEYCORP COMPANY

BEAR, STEARNS & CO. INC.  
DEUTSCHE BANK SECURITIES  
HSBC  
LEHMAN BROTHERS  
MORGAN STANLEY

UBS INVESTMENT BANK

October 7, 2003

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any pricing supplement. We have not, and the Agents have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the Agents are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any pricing supplement is accurate as of its date only. Our business, financial condition, results of operations and prospects may have changed since that date.

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RISK FACTORS

Your investment in the notes is subject to certain risks, especially if the notes involve in some way a foreign currency. This prospectus supplement does not describe all of the risks of an investment in the notes, including, among others, risks arising because the notes are denominated in a currency other than U.S. dollars or because the return on the notes is linked to one or more interest rate or currency indices or formulas. You should consult your own financial and legal advisors about the risks entailed by an investment in the notes and the suitability of your investment in the notes in light of your particular circumstances. The notes are not an appropriate investment for investors who are unsophisticated with respect to foreign currency transactions or transactions involving the type of index or formula used to determine amounts payable. Before investing in the notes, you should consider carefully, among other factors, the matters described below.

The information set forth in this prospectus supplement is directed to prospective purchasers of the notes who are United States residents. We disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States regarding any matters that may affect the purchase or holding of, or receipt of payments of principal, premium or interest

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on, the notes. Such persons should consult their advisors with regard to these matters. Any pricing supplement relating to the notes having a specified currency other than U.S. dollars will contain a description of any material exchange controls affecting such currency and any other required information concerning such currency.

### CHANGES IN EXCHANGE RATES AND EXCHANGE CONTROLS COULD RESULT IN A SUBSTANTIAL LOSS TO YOU

If you invest in foreign currency notes and currency indexed notes, your investment will be subject to significant risks not associated with investments in debt instruments denominated in U.S. dollars or U.S. dollar-based indices.

Such risks include, but are not limited to:

- the possibility of significant market changes in rates of exchange between the U.S. dollars and your payment currency;
- the possibility of significant changes in rates of exchange between U.S. dollars and the specified currency resulting from official redenomination relating to your payment currency; and
- the possibility of the imposition or modification of foreign exchange controls by either the United States or foreign governments.

Such risks generally depend on factors over which KeyCorp has no control and which cannot be readily foreseen such as:

- economic events;
- political events; and
- the supply for, and demand for, the relevant currencies.

In recent years, rates of exchange between the U.S. dollar and certain foreign currencies have been volatile. This volatility may continue in the future. Past fluctuations in any particular exchange rate are not necessarily indicative, however, of fluctuations that may occur in the rate during the term of the note. Fluctuations in exchange rates against the U.S. dollar could result in a decrease in the U.S. dollar-equivalent value of the principal or any premium payable at maturity of your notes and, generally, in the U.S. dollar-equivalent market value of your notes. The currency risks with respect to your foreign currency notes or currency indexed notes may be further described in the applicable pricing supplement.

Foreign exchange rates can either float or be fixed by sovereign governments. Governments, however, often do not voluntarily allow their currencies to float freely in response to economic forces. Instead, governments use a variety of techniques, such as intervention by that country's central bank, or the imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments also

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may issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by the devaluation or revaluation of a currency. Thus, an important risk in purchasing foreign currency notes or currency indexed notes for U.S. dollar-based investors is that their U.S. dollar-equivalent yields could be affected by governmental actions that could change or interfere with currency valuation that was previously freely determined, fluctuations in response to other market forces and the movement of

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currencies across borders. We will make no adjustment or change in the terms of the foreign currency notes or currency indexed notes if exchange rates become fixed, or if any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes occur, or other developments, affecting the U.S. dollar or any applicable currency occur.

The exchange rate agent will make all calculations relating to your foreign currency notes or currency indexed notes. All such determinations will, in the absence of clear error, be binding on holders of the notes.

For notes with a specified currency other than U.S. dollars, we may include in the applicable pricing supplement information concerning historical exchange rates for that currency against the U.S. dollar and a brief description of any relevant exchange controls.

### THE UNAVAILABILITY OF CURRENCIES COULD RESULT IN A SUBSTANTIAL LOSS TO YOU

Except as set forth below, if payment on a note is required to be made in a specified currency other than U.S. dollars and such currency is

- unavailable due to the imposition of exchange controls or other circumstances beyond our control;
- no longer used by the government of the country issuing such currency; or
- no longer used for the settlement of transactions by public institutions of the international banking community

then all payments on such note shall be made in U.S. dollars until such currency is again available or so used. The amounts so payable on any date in such currency shall be converted into U.S. dollars on the basis of the most recently available market exchange rate for such currency or as otherwise indicated in the applicable pricing supplement. Any payment on such note made under such circumstances in U.S. dollars will not constitute an event of default under the applicable indenture.

If the specified currency of a note is officially redenominated, other than as a result of the European Monetary Union, such as by an official redenomination of any such specified currency that is a composite currency, then our payment obligations on such note will be the amount of redenominated currency that represents the amount of our obligations immediately before the redenomination. The notes will not provide for any adjustment to any amount payable under such notes as a result of:

- any change in the value of the specified currency of such notes relative to any other currency due solely to fluctuations in exchange rates; or
- any redenomination of any component currency, unless such composite currency is itself officially redenominated.

For a description of the European Monetary Union, see "European Monetary Union" in the accompanying prospectus and any disclosure on the European Monetary Union in an applicable pricing supplement.

Currently, there are limited facilities in the United States for conversion of U.S. dollars into foreign currencies, and vice versa. In addition, banks do not generally offer non-U.S. dollar-denominated checking or savings account facilities in the United States. Accordingly, payments on notes in a currency other than U.S. dollars will be made from an account at a bank located outside the United States, unless otherwise specified in the applicable pricing supplement.

JUDGMENTS IN A FOREIGN CURRENCY COULD RESULT IN A SUBSTANTIAL LOSS TO YOU

The indentures and the notes, except to the extent specified otherwise in a pricing supplement, will be governed by, and construed in accordance with, the laws of the State of New York. As a holder of notes, you may bring an action based upon an obligation payable in a currency other than U.S. dollars in courts in the United States. However, courts in the United States have not customarily rendered judgments for money damages denominated in any currency other than U.S. dollars. In addition, it is not clear whether in granting such judgment, the rate of conversion would be determined with reference to the date of default, the date judgment is rendered or any other date. The Judiciary Law of the State of New York provides, however, that an action based upon an obligation payable in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation and converted to U.S. dollars at an exchange rate prevailing on the date the judgment or decree is entered. In these cases, holders of foreign currency notes would bear the risk of exchange rate fluctuations between the time the dollar amount of this judgment is calculated and the time U.S. dollars were paid to the holders.

THE RISK OF LOSS TO YOU AS A RESULT OF LINKING PRINCIPAL OR INTEREST ON PAYMENTS ON INDEXED NOTES TO AN INDEX CAN BE SUBSTANTIAL

If you invest in indexed notes, your investment will be subject to significant risks that are not associated with an investment in a conventional fixed rate debt security. Indexation of the interest rate of a note may result in lower (or no) interest compared to a conventional fixed rate debt security issued at the same time. Indexation of the principal of and/or premium on a note may result in the payment of a lower amount of principal and/or premium (or no principal and/or premium) compared to the original purchase price of the note. The value of an index can fluctuate based on a number of interrelated factors. The risks associated with a particular indexed note generally depend on factors over which we have no control and which cannot readily be foreseen. These risks include:

- economic events;
- political events; and
- the supply of, and demand for, the assets underlying the index.

Additionally, if the formula specified to determine the amount of principal, premium and/or interest payable with respect to indexed notes contains a multiple or leverage factor, that feature may magnify the effect of any change in the index. You should not view the historical experience of an index as an indication of its future performance. The risk of loss as a result of linking principal or interest payments on indexed notes to an index can be substantial. You should consult your own financial and legal advisors as to the risks of an investment in indexed notes.

CHANGES IN CREDIT RATINGS COULD RESULT IN A SUBSTANTIAL LOSS TO YOU

The credit ratings on our Medium-Term Note Program may not reflect the potential impact of all risks related to structure and other factors on the value of the notes. In addition, real or anticipated changes in our credit ratings generally will affect the market value of the notes.

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## SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents summary consolidated financial data which has been derived from, and should be read in conjunction with, the consolidated financial statements, the notes thereto and the other financial information pertaining to KeyCorp incorporated by reference into the accompanying prospectus. This summary is qualified in its entirety by the detailed information and financial statements included in the documents incorporated by reference under "Where You Can Find More Information" in the accompanying prospectus. The data presented for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 are derived from our audited consolidated financial statements. The data presented for the six-month periods ended June 30, 2003 and 2002 have been derived from our unaudited consolidated financial statements and are not necessarily indicative of the data for the entire year. These interim financial statements include, in the opinion of management, all adjustments of a normal recurring nature and disclosures which are necessary to present fairly the data for such interim periods. The comparability of the data presented is affected by certain acquisitions and divestitures that we and our subsidiaries have completed in the time periods presented. Some previously reported results have been reclassified to conform to the current presentation.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER		
	2003	2002	2002	2001	2000
	(UNAUDITED)		(AUDITED) (DOLLARS IN MILLIONS, EXCEPT		
FOR THE PERIOD					
Interest income.....	\$ 2,043	\$ 2,194	\$ 4,366	\$ 5,627	\$ 6,277
Interest expense.....	666	857	1,617	2,802	3,547
Net interest income.....	1,377	1,337	2,749	2,825	2,730
Provision for loan losses.....	255	271	553	1,350	490
Noninterest income.....	831	891	1,769	1,725	2,194
Noninterest expense.....	1,345	1,326	2,653	2,941	2,917
Income before income taxes and cumulative effect of accounting changes.....	608	631	1,312	259	1,517
Income before cumulative effect of accounting changes.....	442	486	976	157	1,002
Net income.....	442	486	976	132	1,002
PER COMMON SHARE					
Income before cumulative effect of accounting changes.....	\$ 1.04	\$ 1.14	\$ 2.29	\$ .37	\$ 2.32
Income before cumulative effect of accounting changes - assuming dilution.....	1.03	1.13	2.27	.37	2.30
Net income.....	1.04	1.14	2.29	.31	2.32
Net income - assuming dilution.....	1.03	1.13	2.27	.31	2.30
Cash dividends paid.....	.61	.60	1.20	1.18	1.12
Book value at period end.....	16.60	15.46	16.12	14.52	15.65
Market price:					
High.....	27.42	29.40	29.40	28.15	28.50
Low.....	22.31	22.92	20.96	20.49	15.56
Close.....	25.27	27.30	25.14	24.34	28.00
Weighted average common shares (000)....	424,575	425,477	425,451	424,275	432,617
Weighted average common shares and potential common shares(000).....	427,628	430,983	430,703	429,573	435,573

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	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER		
	2003	2002	2002	2001	2000
	(UNAUDITED)		(AUDITED)		
	(DOLLARS IN MILLIONS, EXCEPT				
AT PERIOD END					
Loans.....	\$ 63,214	\$ 63,881	\$ 62,457	\$ 63,309	\$ 66,905
Earning assets.....	73,716	72,820	73,635	71,672	77,316
Total assets.....	85,479	82,778	85,202	80,938	87,270
Deposits.....	49,869	44,805	49,346	44,795	48,649
Long-term debt.....	14,434	16,895	15,605	14,554	14,161
Shareholders' equity.....	6,989	6,592	6,835	6,155	6,623
PERFORMANCE RATIOS					
Return on average total assets.....	1.06%	1.21%	1.19%	.16%	1.19%
Return on average equity.....	12.94	15.34	14.96	2.01	15.39
Net interest margin (taxable equivalent).....	3.86	3.96	3.97	3.81	3.69
CAPITAL RATIOS AT PERIOD-END					
Equity to assets.....	8.18%	7.96%	8.02%	7.60%	7.59%
Tangible equity to tangible assets.....	6.90	6.69	6.73	6.29	6.12
Tier 1 risk-based capital.....	8.02	8.23	8.09	7.43	7.72
Total risk-based capital.....	12.26	12.29	12.51	11.41	11.48
Leverage.....	8.12	8.14	8.15	7.65	7.71
ASSET QUALITY DATA					
Nonperforming loans.....	\$ 837	\$ 957	\$ 943	\$ 910	\$ 650
Nonperforming assets.....	897	995	993	947	672
Allowance for loan losses.....	1,405	1,539	1,452	1,677	1,001
Net loan charge-offs.....	302	409	780	673	414
Nonperforming loans to period-end loans.....	1.32%	1.50%	1.51%	1.44%	.97%
Nonperforming assets to period-end loans plus OREO and other nonperforming assets.....	1.42	1.56	1.59	1.49	1.00
Allowance for loan losses to nonperforming loans.....	167.86	160.82	153.98	184.29	154.00
Allowance for loan losses to period-end loans.....	2.22	2.41	2.32	2.65	1.50
Net loan charge-offs to average loans...	.97	1.29	1.23	1.02	.63

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KEYCORP

OVERVIEW

KeyCorp, organized under the laws of the State of Ohio, is headquartered in Cleveland, Ohio. It has elected to be a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended. At June 30, 2003, KeyCorp was one of the nation's largest bank-based financial services companies with total assets of approximately \$85 billion. Our subsidiaries provide a wide range of retail and commercial banking, commercial leasing,



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investment management, consumer finance and investment banking products and services to individual, corporate and institutional clients through three major business groups: Consumer Banking, Corporate and Investment Banking and Investment Management Services. As of June 30, 2003, these services were provided across much of the country through subsidiaries operating 903 full-service retail banking branches, a telephone banking call center services group, and a network of 2,159 ATMs in 17 states. Together with our subsidiaries, we had 20,006 full-time equivalent employees as of June 30, 2003.

We are a legal entity separate and distinct from our banking and other subsidiaries. Accordingly, our rights and the rights of our security holders and creditors to participate in any distribution of the assets or earnings of our banking and other subsidiaries is necessarily subject to the prior claims of the respective creditors of our banking and other subsidiaries, except to the extent that our claims in our capacity as creditor of our banking and other subsidiaries may be recognized.

Our principal executive office is located at 127 Public Square, Cleveland, Ohio 44114-1306. Our telephone number is (216) 689-6300.

### SUBSIDIARIES

Our largest banking subsidiaries are KeyBank National Association and Key Bank USA, National Association, each headquartered in Cleveland, Ohio. In addition to customary banking services, our bank and trust company subsidiaries provide specialized services, including personal and corporate trust services, personal financial services, customer access to mutual funds, cash management services, investment banking and capital markets products and international banking services. Through our subsidiary banks, trust companies and registered investment adviser subsidiaries, we provide investment management services to individual and institutional clients, including large corporate and public retirement plans, foundations and endowments, high net worth individuals and Taft-Hartley plans (i.e., multiemployer trust funds established under applicable law). In addition, investment management subsidiaries serve as investment advisers to proprietary mutual funds offered by our other affiliates.

### MAJOR LINES OF BUSINESS

The following is a description of KeyCorp's and its subsidiaries' (collectively, "Key") major lines of business:

#### Consumer Banking

RETAIL BANKING provides individuals with branch-based deposit and investment products, personal finance services and loans, including residential mortgages, home equity and various types of installment loans.

SMALL BUSINESS provides businesses that have annual sales revenues of \$10 million or less with deposit, investment and credit products and business advisory services.

CONSUMER FINANCE consists of two primary business units: Indirect Lending and National Home Equity.

INDIRECT LENDING offers automobile and marine loans to consumers through dealers and finances inventory for automobile and marine dealers. This business unit also provides education loans, insurance and interest-free payment plans for students and parents.

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NATIONAL HOME EQUITY provides both prime and nonprime mortgages and home equity loan products to individuals. These products originate outside of Key's retail branch system. This business unit also works with mortgage brokers and home improvement contractors to provide home equity and home improvement solutions.

### Corporate and Investment Banking

CORPORATE BANKING provides a full array of products and services to large corporations, middle-market companies, financial institutions and government organizations. These products and services include: financing, treasury management, investment banking, derivatives and foreign exchange, equity and debt trading, and syndicated finance.

KEYBANK REAL ESTATE CAPITAL provides construction and interim lending, permanent debt placements and servicing, and equity and investment banking services to developers, brokers and owner-investors. This line of business deals exclusively with non-owner-occupied properties (i.e., generally properties for which the owner occupies less than 60% of the premises).

KEY EQUIPMENT FINANCE meets the equipment leasing needs of companies worldwide and provides equipment manufacturers, distributors and resellers with financing options for their clients. Lease financing receivables and related revenues are assigned to other lines of business (primarily Corporate Banking) if those businesses are principally responsible for maintaining the relationship with the client.

### Investment Management Services

INVESTMENT MANAGEMENT SERVICES consists of two primary business units: Victory Capital Management and McDonald Financial Group.

VICTORY CAPITAL MANAGEMENT manages or gives advice regarding investment portfolios for a national client base, including corporations, labor unions, not-for-profit organizations, governments and individuals. These portfolios may be managed in separate accounts, common funds or the Victory family of mutual funds.

MCDONALD FINANCIAL GROUP offers financial, estate and retirement planning and asset management services to assist high-net-worth clients with their banking, brokerage, trust, portfolio management, insurance, charitable donations and related needs.

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### DESCRIPTION OF NOTES

The following summary of the particular terms of the notes supplements the description of the general terms and provisions of the debt securities that is found under the heading "Description of Debt Securities" in the accompanying prospectus. If any specific information regarding the notes in this prospectus supplement is inconsistent with the more general terms of the debt securities described in the prospectus, you should rely on the information in this prospectus supplement. Capitalized terms used and not defined in this prospectus supplement have the meanings set forth in the accompanying prospectus.

The pricing supplement for each offering of notes will contain the specific information and terms for that offering. If any information in the pricing supplement, including any changes in the method of calculating interest on any note, is inconsistent with this prospectus supplement, you should rely on the information in the pricing supplement. The pricing supplement may also add,

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update or change information contained in the prospectus and this prospectus supplement. It is important for you to consider the information contained in the prospectus, this prospectus supplement and the pricing supplement in making your investment decision.

### GENERAL

We will offer the notes on a continuous basis as senior notes or subordinated notes.

The notes are our direct, unsecured obligations. The total public offering price of the notes that we may offer is \$1,453,500,000, based upon \$1,178,500,000 aggregate principal amount of notes or the equivalent in one or more foreign currencies or composite currencies to be issued under this prospectus supplement and \$275,000,000 aggregate principal amount of notes or the equivalent in one or more foreign currencies or composite currencies available under the previous prospectus supplement. Of the total principal amount of \$1,000,000,000 of medium term notes under the previous prospectus supplement, \$700,000,000 aggregate principal amount of Senior Medium-Term Notes and \$25,000,000 aggregate principal amount of Subordinated Medium-Term Notes have been issued as of the date hereof. There is no limitation on the amount of notes that KeyCorp may issue either under this prospectus supplement or otherwise, subject to customary conditions.

Notes issued under our senior indenture will rank equally with all of our other unsecured and unsubordinated indebtedness that is not accorded a priority under applicable law. Notes issued under our subordinated indenture will be subordinated in right of payment to the prior payment in full of our Senior Indebtedness and, in certain insolvency events, our Other Senior Obligations.

The Senior Medium-Term Notes, Series G, Due 9 Months or More from Date of Issue constitute a single series for purposes of the senior indenture (separate from our other series of senior medium-term notes) and the aggregate principal amount of such series is not limited. At June 30, 2003, our total Senior Indebtedness was \$1,293,301,000 and there were no Other Senior Obligations. Since June 30, 2003, we have issued no additional Senior Indebtedness.

The Subordinated Medium-Term Notes, Series F, constitute a single series for purposes of the subordinated indenture (separate from our other series of subordinated medium-term notes) and the aggregate principal amount of such series is not limited. At June 30, 2003, our total Existing Subordinated Indebtedness was \$125,000,000, all of which represents Old KeyCorp Subordinated Indebtedness. At June 30, 2003, we also had outstanding \$475,000,000 of subordinated debt securities, consisting of \$250,000,000 of 7.5% Subordinated Notes due June 15, 2006, \$200,000,000 of 6.75% Subordinated Notes due March 15, 2006 and \$25,000,000 of 6.625% Subordinated Notes due May 24, 2017, all of which constitute subordinated debt securities under the subordinated indenture and none of which constitute Existing Subordinated Indebtedness under the subordinated indenture.

The indentures do not limit the amount of our notes or other debt obligations that may be issued thereunder.

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Each note will mature on any day nine months or more from its date of issue, subject to extension, redemption or repayment as specified in the applicable pricing supplement.

The notes (other than the amortizing notes) will not be subject to any sinking fund, unless otherwise specified in the applicable pricing supplement.

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The defeasance and covenant defeasance provisions of the Indentures described under "Description of Debt Securities -- Discharge, Covenant Defeasance and Full Defeasance" in the attached prospectus will apply to the notes.

The pricing supplement relating to each note will specify the price (expressed as a percentage of the aggregate principal amount thereof) at which such note will be issued if other than 100%, the principal amount, the interest rate or interest rate formula, ranking, maturity, currency, any redemption or repayment provisions and any other terms on which each such note will be issued that are not inconsistent with the applicable indenture.

Unless we specify otherwise in the applicable pricing supplement, we will denominate the notes in U.S. dollars and we will make all payments on the notes in U.S. dollars. For further information regarding foreign currency notes, see "Risk Factors" and "Special Provisions Relating To Foreign Currency Notes".

You must pay the purchase price of the notes in immediately available funds.

We may from time to time, without the consent of existing note holders, issue additional notes having the same terms and conditions (including maturity and interest payment terms) as notes previously issued pursuant to this prospectus supplement in all respects, except for the issue date, issue price and the first payment of interest. Additional notes issued in this manner will be fungible with the previously issued notes to the extent specified in the applicable pricing supplement. No additional notes may be issued in a particular series if an Event of Default (as defined in the respective indenture) has occurred and is continuing with respect to that series.

Unless otherwise defined in the pricing supplement, (i) "business day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that, with respect to foreign currency notes, such day is also not a day on which commercial banks are authorized or required by law, regulation or executive order to close in the principal financial center (as defined) of the country issuing the specified currency (or, if the specified currency is the euro and for EURIBOR notes, such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open); provided, further, that, with respect to notes as to which LIBOR is an applicable interest rate basis, such day is also a London business day; (ii) "London business day" means a day on which commercial banks are open for business (including dealings in the designated LIBOR currency) in London; and (iii) "principal financial center" means (1) the capital city of the country issuing the specified currency or (2) the capital city of the country to which the designated LIBOR currency relates, as applicable, except, in the case of (1) or (2) above, that with respect to United States dollars, Australian dollars, Canadian dollars, Deutsche marks, Dutch guilders, Portuguese escudos, South African rand and Swiss francs, the "principal financial center" shall be The City of New York, Sydney and (solely in the case of the specified currency) Melbourne, Toronto, Frankfurt, Amsterdam, London (solely in the case of the designated LIBOR currency), Johannesburg and Zurich, respectively.

Unless otherwise specified in the applicable pricing supplement, the authorized denominations of notes denominated in U.S. dollars will be \$1,000 or any greater amount that is an integral multiple of \$1,000. We will designate the authorized denominations of foreign currency notes in the applicable pricing supplement.

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### BOOK-ENTRY DEBT SECURITIES

Except under certain circumstances, we will issue the notes in book-entry form only. This means that we will generally not issue actual notes or certificates to you. Instead, we will issue a global security representing notes with similar terms and such global security will be held by The Depository Trust Company, ("DTC"), or its nominee. In order to own a beneficial interest in a note, you must be an institution that has an account with DTC or have an account with an institution, such as a brokerage firm, that has an account with DTC. For a more complete description of book-entry debt securities, see "Description of Debt Securities -- Book-Entry Procedures" in the prospectus.

Payments of principal of, premium if any, and interest on the notes represented by a global security will be made in same-day funds to DTC in accordance with arrangements then in effect between the applicable trustee and DTC.

### INTEREST AND INTEREST RATES

#### General

Each note will begin to accrue interest from the date it is originally issued or from the last date in respect of which interest has been paid or duly provided for, as the case may be, until the principal thereof is paid or made available for payment. In the related pricing supplement, we will designate each note as a fixed rate note, a floating rate note, an amortizing note, a renewable note, an extendible note or an indexed note and describe the method of determining the interest rate, including any spread and/or spread multiplier. For an indexed note, we will also describe in the related pricing supplement the method for calculating and paying principal and interest. For a floating rate note or indexed note, we may also specify a maximum and a minimum interest rate in the related pricing supplement.

We may issue a note as a fixed rate note or a floating rate note or as a note that combines fixed and floating rate terms.

Interest rates on the notes that we offer may differ depending upon, among other things, the aggregate principal amount of notes purchased in any single transaction. We may offer notes with similar variable terms but different interest rates, as well as notes with different variable terms, concurrently to different investors. We may, from time to time, change the interest rates or formulas and other terms of notes, but no such change will affect any note already issued or as to which an offer to purchase has been accepted.

Interest will be payable to the person in whose name the note is registered at the close of business on the applicable record date; provided that the interest payable upon maturity, redemption or repayment (whether or not the date of maturity, redemption or repayment is an interest payment date) will be payable to the person whom principal is payable.

U.S. dollar payments of interest, other than interest payable at maturity (or on the date of redemption or repayment, if a note is redeemed or repaid prior to maturity), will be made by check mailed to the address of the person entitled thereto as shown on the note register. U.S. dollar payments of principal, premium, if any, and interest upon maturity, redemption, or repayment will be made in immediately available funds against presentation and surrender of the note. Notwithstanding the foregoing, (a) DTC, as holder of book-entry notes, shall be entitled to receive payments of interest by wire transfer of immediately available funds and (b) a holder of U.S. \$1.0 million (or the equivalent) or more in aggregate principal amount of certificated notes (whether

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having identical or different terms and provisions) shall be entitled to receive payments of interest by wire transfer of immediately available funds upon written request to the paying agent not later than 15 calendar days prior to the applicable interest payment date.

### Fixed Rate Notes

In the pricing supplement for fixed rate notes, except a zero-coupon note, we will specify a fixed interest rate payable semiannually in arrears on each June 15 and December 15 (each an "interest payment date") and the regular record date for fixed rate notes will be May 31 and November 30,

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respectively, except as otherwise provided in the pricing supplement. Interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months. If the maturity date or an interest payment date for any fixed rate note is not a business day, we will pay principal, premium, if any, and interest for that note on the next business day, and no interest will accrue from and after the maturity date or interest payment date.

### Original Issue Discount Notes

We may issue original issue discount notes (including zero-coupon notes) ("discount notes"), which are notes issued at a discount from the principal amount payable at the maturity date. A discount note may not have any periodic interest payments. For discount notes, interest normally accrues during the life of the note and is paid at the maturity date or upon earlier redemption. Upon a redemption, repayment or acceleration of the maturity of a discount note, the amount payable will be determined as set forth under "-- Optional Redemption, Repayment and Repurchase". Normally this amount is less than the amount payable at the maturity date.

### Amortizing Notes

We may issue amortizing notes, which are fixed rate notes for which combined principal and interest payments are made in installments over the life of each note. Unless otherwise specified in the applicable pricing supplement, payments will be made semiannually on each June 15 and December 15. We apply payments on amortizing notes first to interest due and then to reduce the unpaid principal amount. We will include a table setting forth repayment information in the related pricing supplement for an amortizing note.

### Floating Rate Notes

Each floating rate note will have an interest rate basis or formula. We may base that formula on:

- the CD Rate;
- the CMT Rate;
- the Commercial Paper Rate;
- the Eleventh District Cost of Funds Rate;
- EURIBOR;
- the Federal Funds Rate;
- LIBOR;

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- the Prime Rate;
- the Treasury Rate; or
- another negotiated interest rate basis or formula.

In the pricing supplement, we also will indicate any spread and/or spread multiplier that would be applied to the interest rate formula to determine the interest rate. Any floating rate note may have a maximum or minimum interest rate limitation. In addition to any maximum interest rate limitation, the interest rate on the floating rate notes will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

We will appoint a calculation agent to calculate interest rates on the floating rate notes. Unless we identify a different party in the pricing supplement, KeyBank National Association, a wholly owned subsidiary of KeyCorp, will be the calculation agent for each note. In most cases, a floating rate note will have a specified "interest reset date", "interest determination date" and "calculation date" associated with it. An "interest reset date" is the date on which the interest rate on the note is subject to change. An

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"interest determination date" is the date as of which the new interest rate is determined for a particular interest reset date, based on the applicable interest rate basis or formula as of that interest determination date. The "calculation date" is the date by which the calculation agent will determine the new interest rate that became effective on a particular interest reset date based on the applicable interest rate basis or formula on the interest determination date.

### CHANGE OF INTEREST RATE

Except as otherwise provided in the pricing supplement, we may reset the interest rate on each floating rate note daily, weekly, monthly, quarterly, semiannually, annually or on some other basis that we specify (such period being the "interest reset period"). The interest reset date is the first day of each interest reset period and will be:

- for notes with interest that resets daily, each business day;
- for notes (other than Treasury Rate notes) with interest that resets weekly, Wednesday of each week;
- for Treasury Rate notes with interest that resets weekly, Tuesday of each week, except as otherwise described in the second paragraph under "-- Date Interest Rate is Determined";
- for notes with interest that resets monthly, the third Wednesday of each month;
- for notes with interest that resets quarterly, the third Wednesday of March, June, September and December of each year;
- for notes with interest that resets semiannually, the third Wednesday of each of the two months of each year which are six months apart, as specified in the applicable pricing supplement; and
- for notes with interest that resets annually, the third Wednesday of one

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month of each year as specified in the applicable pricing supplement.

The related pricing supplement will describe the initial interest rate or interest rate formula on each note. That rate is effective until the following interest reset date. Thereafter, the interest rate will be the rate determined on each interest determination date. Each time a new interest rate is determined, it becomes effective on the subsequent interest reset date. If any interest reset date is not a business day, then the interest reset date is postponed to the next succeeding business day, except, in the case of a LIBOR note or a EURIBOR note, in which case, if the next business day is in the next calendar month, the interest reset date is the immediately preceding business day.

### DATE INTEREST RATE IS DETERMINED

The interest determination date for all floating rate notes (except LIBOR notes, EURIBOR notes, Treasury Rate notes and Eleventh District Cost of Funds Rate notes) will be the second business day before the interest reset date. The interest determination date in the case of LIBOR notes will be the second London business day immediately preceding the applicable interest reset date, unless the designated LIBOR currency is British pounds sterling, in which case the interest determination date will be the applicable interest reset date.

The interest determination date for Treasury Rate notes will be the day of the week in which the interest reset date falls on which Treasury bills of the same index maturity are normally auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on Tuesday. Sometimes, the auction is held on the preceding Friday. If an auction is held on the preceding Friday, that day will be the interest determination date relating to the interest reset date occurring in the next week. If an auction date falls on any interest reset date, then the interest reset date will instead be the first business day immediately following the auction date.

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The interest determination date for an Eleventh District Cost of Funds Rate note is the last business day of the month immediately preceding the applicable interest reset date on which the Federal Home Loan Bank of San Francisco published the index.

### CALCULATION DATE

Unless we specify a different date in a pricing supplement, the calculation date, if applicable, relating to an interest determination date will be the earlier of:

- (1) the tenth calendar day after such interest determination date or, if such day is not a business day, the next succeeding business day, or
- (2) the business day immediately preceding the relevant interest payment date or the maturity date, as the case may be.

Upon the request of the beneficial holder of any floating rate note, the calculation agent will provide the interest rate then in effect and, if different, the interest rate that will become effective on the next interest reset date for the floating rate note.

### PAYMENT OF INTEREST

Except as otherwise provided in the pricing supplement, we will pay



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installments of interest on floating rate notes as follows:

- for notes (other than Eleventh District Cost of Funds Rate notes) with interest payable monthly, on the third Wednesday of each month;
- for Eleventh District Cost of Funds Rate notes, the first calendar day of each month as specified in the applicable pricing supplement;
- for notes with interest payable quarterly, on the third Wednesday of March, June, September, and December of each year;
- for notes with interest payable semiannually, on the third Wednesday of each of the two months specified in the applicable pricing supplement;
- for notes with interest payable annually, on the third Wednesday of the month specified in the applicable pricing supplement (each of the above an interest payment date); and
- at maturity, redemption or repurchase.

Each interest payment on a floating rate note will include interest accrued from, and including, the issue date or the last interest payment date, as the case may be, to, but excluding, the following interest payment date or the maturity date, as the case may be.

We will pay installments of interest on floating rate notes beginning on the first interest payment date after its issue date to holders of record on the corresponding regular record date. Unless we otherwise specify in the applicable pricing supplement, the regular record date for a floating rate note will be on the 15th day (whether or not a business day) next preceding the interest payment date. If an interest payment date (but not the maturity date) is not a business day, we will postpone payment until the next succeeding business day, provided that, in the case of LIBOR notes or EURIBOR notes, such interest payment date will be the preceding business day if the next succeeding business day is in the next calendar month. If the maturity date of any floating rate note is not a business day, principal, premium, if any, and interest for that note will be paid on the next succeeding business day, and no interest will accrue from and after the maturity date.

We will calculate accrued interest on a floating rate note by multiplying the principal amount of a note by an accrued interest factor. The accrued interest factor is the sum of the interest factors calculated for each day in the period for which accrued interest is being calculated. The interest factor for each day is computed by dividing the interest rate in effect on that day by (1) the actual number of days in the

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year, in the case of Treasury Rate notes or CMT Rate notes, or (2) 360, in the case of other floating rate notes. All percentages resulting from any calculation are rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward. For example, 9.876545% (or .09876545) will be rounded to 9.87655% (or .0987655). All currency amounts used in or resulting from such calculation will be rounded to the nearest one-hundredth of a unit (with five one-thousandths of a unit being rounded upward).

### CALCULATION OF INTEREST

CD Rate Notes

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Each CD Rate note will bear interest for each interest reset period at an interest rate equal to the CD Rate and any spread or spread multiplier specified in such note and in the applicable pricing supplement.

The "CD Rate" for any interest determination date is the rate on that date for negotiable certificates of deposit having the index maturity described in the related pricing supplement, as published in H.15(519) prior to 3:00 PM., New York City time, on the calculation date, for that interest determination date under the heading "CDs (secondary market)". The index maturity is the period to maturity of the instrument or obligation with respect to which the related interest rate basis or formulae will be calculated.

The calculation agent will observe the following procedures if the CD Rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 PM., New York City time, on the calculation date, the CD Rate will be the rate on that interest determination date for negotiable certificates of deposit of the index maturity described in the pricing supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "CDs (secondary market)".
- If that rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the calculation date, then the calculation agent will determine the CD Rate to be the average of the secondary market offered rates as of 10:00 A.M., New York City time, on that interest determination date, quoted by three leading non-bank dealers of negotiable U.S. dollar certificates of deposit in New York City for negotiable certificates of deposit in a denomination of \$5,000,000 of major United States money-center banks of the highest credit standing (in the market for negotiable certificates of deposit) with a remaining maturity closest to the index maturity described in the pricing supplement. The calculation agent will select the three dealers referred to above.
- If fewer than three dealers are quoting as mentioned above, the CD Rate will remain the CD Rate then in effect on that interest determination date.

"H.15(519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

"H.15 Daily Update" means the daily update of H.15(519), available through the Internet site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

CD Rate notes, like other notes, are not deposit obligations of a bank and are not insured by the Federal Deposit Insurance Corporation.

### Commercial Paper Rate Notes

Each Commercial Paper Rate note will bear interest for each interest reset period at an interest rate equal to the Commercial Paper Rate and any spread or spread multiplier specified in such note and the applicable pricing supplement.

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The "Commercial Paper Rate" for any interest determination date is the

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money market yield (as defined below) of the rate on that date for commercial paper having the index maturity described in the related pricing supplement, as published in H.15(519) prior to 3:00 P.M., New York City time, on the calculation date for that interest determination date under the heading "Commercial Paper -- Nonfinancial".

The calculation agent will observe the following procedures if the Commercial Paper Rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 P.M., New York City time, on the calculation date, the Commercial Paper Rate will be the money market yield of the rate on that interest determination date for commercial paper having the index maturity described in the pricing supplement, as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper -- Nonfinancial".
- If that rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the calculation date, then the calculation agent will determine the Commercial Paper Rate to be the money market yield of the average of the offered rates of three leading dealers of U.S. dollar commercial paper in New York City as of 11:00 A.M., New York City time, on that interest determination date for commercial paper having the index maturity described in the pricing supplement placed for an industrial issuer whose bond rating is "Aa", or the equivalent, from a nationally recognized securities rating organization. The calculation agent will select the three dealers referred to above.
- If fewer than three dealers selected by the calculation agent are quoting as mentioned above, the Commercial Paper Rate will remain the Commercial Paper Rate then in effect on that interest determination date.

"Money market yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money market yield} = 360 - (D \times M) \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the reset period for which interest is being calculated.

### LIBOR Notes

Each LIBOR note will bear interest for each interest reset period at an interest rate equal to LIBOR and any spread or spread multiplier specified in such note and the applicable pricing supplement.

On each interest determination date, the calculation agent will determine LIBOR as follows:

- If the pricing supplement specifies "LIBOR Telerate", LIBOR on any interest determination date will be the rate for deposits in the LIBOR currency (as defined below) having the index maturity described in the related pricing supplement on the applicable interest reset date, as such rate appears on the designated LIBOR page (as defined below) as of 11:00 A.M., London time, on that interest determination date.
- If the pricing supplement specifies "LIBOR Reuters", LIBOR on any interest determination date will be the average of the offered rates for deposits in the LIBOR currency having the index maturity described in the related pricing supplement on the applicable interest reset date, as such

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rates appear on the designated LIBOR page as of 11:00 A.M., London time, on that interest determination date, if at least two such offered rates appear on the designated LIBOR page.

- If the pricing supplement does not specify "LIBOR Telerate" or "LIBOR Reuters," the LIBOR Rate will be LIBOR Telerate. In addition, if the designated LIBOR page by its terms provides only

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for a single rate, that single rate will be used regardless of the foregoing provisions requiring more than one rate.

On any interest determination date on which fewer than the required number of applicable rates appear or no rate appears on the applicable designated LIBOR page, the calculation agent will determine LIBOR as follows:

- LIBOR will be determined on the basis of the offered rates, at approximately 11:00 A.M., London time, on the relevant LIBOR interest determination date, at which deposits in the LIBOR currency having the index maturity described in the related pricing supplement, beginning on the relevant interest reset date and in a representative amount, are offered by four major banks in the London interbank market to prime banks in that market. The calculation agent will select the four banks and request the principal London office of each of those banks to provide a quotation of its rate for deposits in the LIBOR currency. If at least two quotations are provided, LIBOR for that interest determination date will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided as mentioned above, LIBOR will be the arithmetic mean of the rates quoted by three major banks in the principal financial center selected by the calculation agent at approximately 11:00 A.M. in the principal financial center, on the interest determination date for loans to leading European banks in the LIBOR currency having the index maturity designated in the pricing supplement and in a principal amount that is representative for a single transaction in the LIBOR currency in that market at that time. The calculation agent will select the three banks referred to above.
- If fewer than three banks selected by the calculation agent are quoting as mentioned above, LIBOR will remain LIBOR then in effect on that interest determination date.

"LIBOR currency" means the currency specified in the applicable pricing supplement as to which LIBOR shall be calculated or, if no such currency is specified in the applicable pricing supplement, United States dollars.

"Designated LIBOR page" means:

- if the pricing supplement specifies "LIBOR Reuters", the display on the Reuter Monitor Money Rates Service (or any successor service) on the page specified in such pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for the LIBOR currency; or
- if the pricing supplement specifies "LIBOR Telerate" or neither "LIBOR Reuters" nor "LIBOR Telerate" is specified in the applicable pricing supplement as the method of calculating LIBOR, the display on Moneyline Telerate, Inc. (or any successor service, "Telerate") on the page specified in such pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying the London

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interbank rates of major banks for the LIBOR currency.

### Federal Funds Rate Notes

Each Federal Funds Rate note will bear interest for each interest reset period at an interest rate equal to the Federal Funds Rate and any spread or spread multiplier specified in such note and the applicable pricing supplement.

The "Federal Funds Rate" for any interest determination date is the rate on that date for Federal Funds, as published in H.15(519) prior to 3:00 P.M., New York City time, on the calculation date for that interest determination date under the heading "Federal Funds (Effective)", as such rate is displayed on Telerate on page 120 (or any other page as may replace such page on such service) ("Telerate Page 120").

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The calculation agent will follow the following procedures if the Federal Funds Rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 3:00 P.M., New York City time, on the calculation date, the Federal Funds Rate will be the rate on that interest determination date, as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)".
- If that rate does not appear on Telerate Page 120 or is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the calculation date, then the calculation agent will determine the Federal Funds Rate to be the average of the rates for the last transaction in overnight Federal Funds quoted by three leading brokers of Federal Funds transactions in New York City as of 9:00 A.M., New York City time, on that interest determination date. The calculation agent will select the three brokers referred to above.
- If fewer than three brokers selected by the calculation agent are quoting as mentioned above, the Federal Funds Rate will be the Federal Funds Rate then in effect on that interest determination date.

### Prime Rate Notes

Prime Rate notes will bear interest at a rate equal to the Prime Rate and any spread or spread multiplier specified in the Prime Rate notes and the applicable pricing supplement.

The "Prime Rate" for any interest determination date is the prime rate or base lending rate on that date, as published in H.15(519) by 3:00 P.M., New York City time, on the calculation date for that interest determination date under the heading "Bank Prime Loan" or, if not published by 3:00 P.M., New York City time, on the related calculation date, the rate on such interest determination date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Bank Prime Loan."

The calculation agent will follow the following procedures if the Prime Rate cannot be determined as described above:

- If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 PM., New York City time, on the calculation date, then the calculation agent will determine the Prime Rate to be the average of the rates of interest publicly announced by

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each bank that appears on the Reuters screen designated as "USPRIME1" as that bank's prime rate or base lending rate as in effect for that interest determination date.

- If at least one rate but fewer than four rates appear on the Reuters screen USPRIME1 on the interest determination date, then the Prime Rate will be the average of the prime rates or base lending rates quoted (on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the interest determination date by three major money center banks in the City of New York selected by the calculation agent.
- If the banks selected by the calculation agent are not quoting as mentioned above, the Prime Rate will remain the Prime Rate then in effect on the interest determination date.

"USPRIME1" means the display on the Reuter Monitor Money Rates Service (or any successor service) on the "USPRIME1" page (or any other page as may replace that page on that service), or, if no such display, the display on the Bloomberg service (or any successor service) on the page specified in the applicable pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying prime rates or lending rates of major United States banks.

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### Treasury Rate Notes

The "Treasury Rate" for any interest determination date is the rate set at the auction of direct obligations of the United States ("Treasury Bills") having the index maturity described in the related pricing supplement under the caption "INVESTMENT RATE" on the display on Telerate on page 56 (or any other page as may replace such page on such service) or page 57 (or any other page as may replace such page on such service) by 3:00 P.M., New York City time, on the calculation date for that interest determination date.

The calculation agent will follow the following procedures if the Treasury Rate cannot be determined as described above:

- If the rate is not so published by 3:00 P.M., New York City time, on the calculation date, the Treasury Rate will be the bond equivalent yield (as defined below) of the auction rate of such Treasury Bills as published in H.15 Daily Update, or such recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities Treasury Bills/ Auction High."
- If the rate is not so published by 3:00 P.M., New York City time, on the calculation date and cannot be determined as described in the immediately preceding paragraph, the Treasury Rate will be the bond equivalent yield of the auction rate of such Treasury Bills as otherwise announced by the United States Department of Treasury.
- If the results of the most recent auction of Treasury Bills having the index maturity described in the pricing supplement are not published or announced as described above by 3:00 P.M., New York City time, on the calculation date, or if no auction is held on the interest determination date, then the Treasury Rate will be the bond equivalent yield on such interest determination date of Treasury Bills having the index maturity specified in the applicable pricing supplement as published in H.15(519) under the caption "U.S. Government securities/Treasury bills/Secondary market" or, if not published by 3:00 P.M., New York City time, on the

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related calculation date, the rate on such interest determination date of such Treasury Bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government securities/Treasury bills/Secondary market."

- If such rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related calculation date, then the calculation agent will determine the Treasury Rate to be the bond equivalent yield of the average of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on the interest determination date of three leading primary U.S. government securities dealers (which may include the Agents or their affiliates) for the issue of Treasury Bills with a remaining maturity closest to the index maturity described in the related pricing supplement. The calculation agent will select the three dealers referred to above.
- If fewer than three dealers selected by the calculation agent are quoting as mentioned above, the Treasury Rate will remain the Treasury Rate then in effect on that interest determination date.

"Bond equivalent yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond equivalent yield} = 360 - (D \times M) \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the applicable interest reset period.

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### CMT Rate Notes

The "CMT Rate" for any interest determination date is the rate displayed on the designated CMT Telerate page by 3:00 P.M., New York City time, on the calculation date for that interest determination date under the caption " ... Treasury Constant Maturities ... Federal Reserve Board Release H.15 ... Mondays Approximately 3:45 P.M.," under the column for the index maturity described in the related pricing supplement for:

- (1) if the designated CMT Telerate page is 7051, the rate on such interest determination date; or
- (2) if the designated CMT Telerate page is 7052, the weekly or monthly average for the week or the month, specified in the related pricing supplement, ended immediately preceding the week or month in which the related interest determination date occurs.

The calculation agent will follow the following procedures if the CMT Rate cannot be determined as described above:

- If the rate is not displayed on the relevant page by 3:00 P.M., New York City time, on the calculation date, then the CMT Rate will be the Treasury constant maturity rate for the designated CMT maturity index (as defined below), as published in H.15(519).
- If that rate is not published in H.15(519) by 3:00 P.M., New York City time, on the calculation date, then the CMT Rate will be the Treasury constant maturity rate (or other United States Treasury rate) for the

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designated CMT maturity index for the interest determination date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate formerly displayed on the designated CMT Telerate page and published in H.15(519).

- If that information is not provided by 3:00 P.M., New York City time, on the calculation date, then the calculation agent will determine the CMT Rate to be a yield to maturity based on the average of the secondary market closing offered rates, as of approximately 3:30 P.M., New York City time, on the interest determination date reported, according to their written records, by three leading primary United States government securities dealers (each, a "reference dealer") in New York City. The calculation agent will select five reference dealers and will eliminate the highest quotation (or, in the event of overlap, one of the highest quotations) and the lowest quotation (or, in the event of overlap, one of the lowest quotations), for the most recently issued direct noncallable fixed rate obligations of the United States ("Treasury notes") with an original maturity of approximately the designated CMT maturity index and a remaining term to maturity of not less than the designated CMT maturity index minus one year.
- If the calculation agent cannot obtain three Treasury note quotations, the calculation agent will determine the CMT Rate to be a yield to maturity based on the average of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on the interest determination date of three reference dealers in New York City (selected using the same method described above) for Treasury notes with an original maturity of the number of years that is the next highest to the designated CMT maturity index and a remaining term to maturity closest to the designated CMT maturity index and in an amount of at least \$100,000,000. If two Treasury notes with an original maturity have remaining terms to maturity equally close to the designated CMT maturity index, the calculation agent will obtain quotations for the Treasury note with the shorter remaining term to maturity.
- If three or four (but not five) reference dealers are quoting as described above, then the CMT Rate will be based on the average of the offered rates obtained and neither the highest nor the lowest of those quotations will be eliminated.
- If fewer than three reference dealers selected by the calculation agent are quoting as described above, the CMT Rate will remain the CMT Rate then in effect on the interest determination date.

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"Designated CMT Telerate page" means the display on Telerate, on the page specified in the applicable pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519) or, if no such page is specified in the applicable pricing supplement, page 7052.

"Designated CMT maturity index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable pricing supplement with respect to which the CMT Rate will be calculated or, if no such maturity is specified in the applicable pricing supplement, 2 years.

Eleventh District Cost of Funds Rate Notes



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Eleventh District Cost of Funds Rate notes will bear interest at the interest rates, calculated based on the Eleventh District Cost of Funds Rate and any spread or spread multiplier specified in such notes and the applicable pricing supplement.

The "Eleventh District Cost of Funds Rate" for any interest determination date is the rate equal to the monthly weighted average cost of funds for the month preceding the interest determination date as displayed on the Telerate Page 7058 by 11:00 A.M., San Francisco time, on the calculation date for that interest determination date under the caption "11th District."

The calculation agent will use the following procedures if the Eleventh District Cost of Funds Rate cannot be determined as described above:

- If the rate is not displayed on the relevant page by 11:00 A.M., San Francisco time, on the calculation date, then the Eleventh District Cost of Funds Rate will be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District, as announced by the Federal Home Loan Bank of San Francisco, for the month immediately preceding the interest determination date.
- If no announcement was made relating to the month preceding the interest determination date, the Eleventh District Cost of Funds Rate will remain the Eleventh District Cost of Funds Rate then in effect on the interest determination date.

### EURIBOR Notes

Each EURIBOR note will bear interest for each interest reset period at an interest rate equal to EURIBOR and any spread multiplier specified in such note and the applicable pricing supplement.

The calculation agent will determine EURIBOR on each EURIBOR determination date, which is the second TARGET business day prior to the interest reset date for each interest reset period.

On a EURIBOR determination date, the calculation agent will determine EURIBOR for each interest reset period by determining the offered rates for deposits in euros for the period of the index maturity specified in the applicable pricing supplement, commencing on such interest reset date, which appears on page 248 of the Telerate service or any successor service or any page that may replace page 248 on that service which is commonly referred to as "Telerate Page 248" as of 11:00 a.m., Brussels time, on that date.

If EURIBOR cannot be determined on a EURIBOR determination date as described above, then the calculation agent will determine EURIBOR as follows:

- The calculation agent will select four major banks in the Euro-zone interbank market.
- The calculation agent will request that the principal Euro-zone offices of those four selected banks provide their offered quotations to prime banks in the Euro-zone interbank market at approximately 11:00 a.m., Brussels time, on the EURIBOR determination date. These quotations shall be for deposits in euros for the period of the specified index maturity, commencing on such interest reset date. Offered quotations must be based on a principal amount equal to at least \$1,000,000 or the

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approximate equivalent in euros that is representative of a single

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transaction in such market at such time. If two or more quotations are provided, EURIBOR for such interest reset period will be the arithmetic mean of such quotations.

- If fewer than two quotations are provided, the calculation agent will select four major banks in the Euro-zone and then determine EURIBOR for such interest reset period as the arithmetic mean of rates quoted by those four major banks in the Euro-zone to leading European banks at approximately 11:00 a.m., Brussels time, on such EURIBOR determination date. The rates quoted will be for loans in euros, for the period of the specified index maturity, commencing on the interest reset date. Rates quoted must be based on a principal amount of at least \$1,000,000 or the approximate equivalent in euros that is representative of a single transaction in such market at such time.
- If the banks so selected by the calculation agent are not quoting rates as described above, EURIBOR for such interest reset period will be the same as for the immediately preceding interest reset period. If there was no such interest reset period, EURIBOR will be the initial interest rate.

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

### INDEXED NOTES

We may issue notes for which the amount of interest or principal that you will receive will not be known on your date of purchase. We will specify the formulae for computing interest or principal payments for these types of notes, which we call "indexed notes", by reference to securities, financial or non-financial indices, currencies, commodities, interest rates, or composites or baskets of any or all of the above. Examples of indexed items that we may use include a published stock index, the common stock price of a publicly traded company, the value of the U.S. dollar versus the Japanese Yen, or the price in a particular market of a barrel of West Texas intermediate crude oil.

If you purchase an indexed note, you may receive a principal amount at maturity that is greater than or less than the note's face amount, and an interest rate that is greater than or less than the interest rate that you would have earned if you had instead purchased a conventional debt security issued by us at the same time with the same maturity. The amount of interest and principal that you will receive will depend on the structure of the indexed note and the level of the specified indexed item throughout the term of the indexed note and at maturity. Specific information pertaining to the method of determining the interest payments and the principal amount will be described in the pricing supplement, as well as additional risk factors unique to the indexed note, certain historical information for the specified indexed item and certain additional United States federal tax considerations.

### RENEWABLE NOTES

We may issue "renewable notes", which are notes that mature on an interest payment date as specified in the applicable pricing supplement (the "initial maturity date"), unless the maturity of all or any portion of the principal amount is extended as described below. On the interest payment dates in June and December each year (unless different interest payment dates are specified in the pricing supplement), which are "election dates", the maturity of the renewable notes will be extended to the interest payment date occurring 12 months after the election date, unless the holder elects to terminate the automatic extension of the maturity of the renewable notes or any portion having a principal amount of \$1,000 or any multiple of \$1,000 in excess thereof. To terminate, notice has to be delivered to the paying agent not less than nor more than the number of

days specified in the applicable pricing supplement prior to the related election date. The option may be exercised with respect to less than the entire principal amount of the renewable notes so long as the principal amount for which the option is not exercised is at least \$1,000 or any larger amount that is an integral multiple of \$1,000. The maturity of the renewable notes may not be extended beyond the final maturity date that is set forth in the applicable pricing supplement. If the holder

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elects to terminate the automatic extension of the maturity and the election is not revoked, then the portion of the renewable note for which election was made will become due and payable on the interest payment date, unless another date is set forth in the pricing supplement, falling six months after the election date prior to which the holder made such election.

An election to terminate the automatic extension of maturity may be revoked as to any portion of the renewable notes having a principal amount of \$1,000 or any multiple of \$1,000 in excess thereof by delivering a notice to the paying agent on any day following the effective date of the election to terminate the automatic extension and prior to the date 15 days before the date on which the portion would have matured.

If a note is represented by a global security, DTC or its nominee will be the holder of the note and therefore will be the only entity that can exercise a right to terminate the automatic extension of a note. In order to ensure that DTC or its nominee will exercise a right to terminate the automatic extension provisions of a particular note, the beneficial owner of the note must instruct the broker or other DTC participant through which it holds an interest in the note to notify DTC of its desire to terminate the automatic extension of the note. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other participant through which it holds an interest in a renewable note to ascertain the cut-off time by which an instruction must be given for delivery of timely notice to DTC or its nominee.

#### EXTENDIBLE NOTES

The pricing supplement relating to each note will indicate whether we have the option to extend the stated maturity of such note (an "extendible note") for an extension period. Such an extension period is one or more periods of one to five whole years, up to but not beyond the final maturity date described in the related pricing supplement.

We may exercise our option to extend the extendible note by notifying the applicable trustee (or any duly appointed paying agent) at least 50 but not more than 60 days prior to the then effective maturity date. If we elect to extend the extendible note, the trustee (or paying agent) will mail (at least 40 days prior to the maturity date) to the registered holder of the extendible note a notice ("extension notice") informing the holder of our election, the new maturity date and any updated terms. Upon the mailing of the extension notice, the maturity of such note will be extended automatically as set forth in the extension notice.

However, we may, not later than 20 days prior to the maturity date of an extendible note (or, if such date is not a business day, on the immediately succeeding business day), at our option, establish a higher interest rate, in the case of a fixed rate note, or a higher spread and/or spread multiplier, in the case of a floating rate note, for the extension period by mailing or causing the applicable trustee (or paying agent) to mail notice of such higher interest rate or higher spread and/or spread multiplier to the holder of the extendible

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note. The notice will be irrevocable.

If we elect to extend the maturity of an extendible note, the holder of the note will have the option to instead elect repayment of the note by us on the then effective maturity date. In order for an extendible note to be so repaid on the maturity date, we must receive, at least 25 days but not more than 35 days prior to the maturity date:

(1) the note with the form "Option to Elect Repayment" on the reverse of the note duly completed; or

(2) a facsimile transmission, telex or a letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder of the note, the principal amount of the note, the principal amount of the note to be repaid, the certificate number or a description of the tenor and terms of the note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the note to be repaid, together with the duly completed form entitled "Option to Elect

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Repayment" on the reverse of the note, will be received by the applicable trustee (or paying agent) not later than the fifth business day after the date of the facsimile transmission, telex or letter; provided, however, that the facsimile transmission, telex or letter will only be effective if the applicable trustee or paying agent receives the note and form duly completed by that fifth business day. A holder of an extendible note may exercise this option for less than the aggregate principal amount of the note then outstanding if the principal amount of the note remaining outstanding after repayment is an authorized denomination.

If a note is represented by a global security, DTC or its nominee will be the holder of that note and therefore will be the only entity that can exercise a right to repayment. To ensure that DTC or its nominee timely exercises a right to repayment with respect to a particular note, the beneficial owner of that note must instruct the broker or other participant through which it holds an interest in the note to notify DTC of its desire to exercise a right of repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other participant through which it holds an interest in a note to determine the cut-off time by which an instruction must be given for timely notice to be delivered to DTC or its nominee.

### OPTIONAL REDEMPTION, REPAYMENT AND REPURCHASE

We will indicate in the applicable pricing supplement for a note whether we will have the option to redeem the note before the stated maturity and the price or prices at which, and date or dates on which, redemption may occur. If we are allowed to redeem a note, we may exercise the option by notifying the applicable trustee at least 45 days prior to the redemption date. At least 30 but not more than 60 days before the redemption date, the trustee will mail notice or cause the paying agent to mail notice of redemption to the holders. If we partially redeem a note, we will issue a new note or notes for the unredeemed portion.

The pricing supplement relating to a note will also indicate whether you will have the option to elect repayment by us prior to the stated maturity and the price and the date or dates on which, repayment may occur.

For a note to be repaid at your option, the paying agent must receive at

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least 30 but not more than 45 days prior to an optional repayment date, such note with the form entitled "Option to Elect Repayment" on the reverse of the note duly completed. You may also send the paying agent a facsimile or letter from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States describing the particulars of the repayment, including a guarantee that the note and the form entitled "Option to Elect Repayment" will be received by the paying agent no later than five business days after such facsimile or letter. If you present a note for repayment, such act will be irrevocable. You may exercise the repayment option for less than the entire principal of the note, provided the remaining principal outstanding is an authorized denomination. If you elect partial repayment, your note will be cancelled, and we will issue a new note or notes for the remaining amount.

DTC or its nominee will be the holder of each global security and will be the only party that can exercise a right of repayment. If you are a beneficial owner of a global security and you want to exercise your right of repayment, you must instruct your broker or indirect participant through which you hold a note interest to notify DTC. You should consult your broker or such indirect participant to discuss the appropriate cut-off times and any other requirements for giving this instruction. The giving of any such instruction will be irrevocable.

If a note is a discount note (other than an indexed note), the amount payable in the event of redemption or repayment prior to its stated maturity will be the amortized face amount on the redemption or repayment date, as the case may be. The amortized face amount of a discount note will be equal to (i) the issue price plus (ii) that portion of the difference between the issue price and the principal amount of the note that has accrued at the yield to maturity described in the pricing supplement (computed in accordance with generally accepted U.S. bond yield computation principles) by the redemption or

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repayment date. However, in no case will the amortized face amount of a discount note exceed its principal amount.

We reserve the right at any time to purchase notes at any price in the open market or otherwise. We may hold, resell or surrender for cancellation any notes that we purchase.

### SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

#### GENERAL

Unless we indicate otherwise in the applicable pricing supplement, we will denominate the notes in U.S. dollars, we will make principal and interest payments on the notes in U.S. dollars and you must pay the purchase price of the notes in immediately available funds. If any of the notes ("foreign currency notes") are to be denominated or payable in a currency or basket of currencies other than U.S. dollars (a "specified currency"), the following provisions will apply in addition to, and to the extent inconsistent therewith will replace, the description of general terms and provisions of notes set forth in the accompanying prospectus and elsewhere in this prospectus supplement.

A pricing supplement with respect to any foreign currency note (which may include information with respect to applicable current foreign exchange controls) is a part of this prospectus and prospectus supplement. Any information we furnish you concerning exchange rates is furnished as a matter of information only and you should not regard it as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

CURRENCIES

We may offer foreign currency notes denominated and/or payable in a specified currency or specified currencies. Unless we indicate otherwise in the applicable pricing supplement, you are required to pay for foreign currency notes in the specified currency. At the present time, there are limited facilities in the United States for conversion of U.S. dollars into specified currencies and vice versa, and banks may elect not to offer non-U.S. dollar checking or savings account facilities in the United States. However, at your request on or prior to the third business day preceding the date of delivery of the foreign currency notes, or by such other day as determined by the agent who presents such offer to purchase foreign currency notes to us, such agent may be prepared to arrange for the conversion of U.S. dollars into the applicable specified currency set forth in the applicable pricing supplement to enable the purchasers to pay for the foreign currency notes. The agent or agents will make each such conversion on such terms and subject to such conditions, limitations and charges as the agent may from time to time establish in accordance with their regular foreign exchange practices. If you purchase foreign currency notes you will pay all costs of exchange.

The applicable pricing supplement will set forth information about the specified currency in which a particular foreign currency note is denominated and/or payable, including historical exchange rates and a description of the currency and any exchange controls, and, in the case of a basket of currencies, will include a description of such basket and a description of provisions for payment in the event such currency basket is no longer used for the purposes for which it was established.

PAYMENT OF PRINCIPAL AND INTEREST

We will pay the principal of and interest on foreign currency notes in the specified currency. Currently, banks do not generally offer non-U.S. dollar denominated account facilities in their offices in the United States, although they are permitted to do so. Accordingly, if you are a holder of foreign currency notes you will be paid in U.S. dollars converted from the specified currency unless you elect to be paid in the specified currency or unless the applicable pricing supplement provides otherwise.

If you hold a foreign currency note, we will base any U.S. dollar amount that you are owed on the highest bid quotation in The City of New York received by our agent specified in the applicable pricing

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supplement (the "exchange rate agent") at approximately 11:00 A.M., New York City time, on the second business day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the exchange rate agent) selected by the exchange rate agent and approved by us for the purchase by the quoting dealer of the specified currency for U.S. dollars for settlement on such payment date in the aggregate amount of the specified currency payable to all holders of foreign currency notes scheduled to receive U.S. dollar payments and at which the applicable dealer commits to execute a contract. If three such bid quotations are not available, we will make payments in the specified currency. All currency exchange costs will be borne by the holders of the foreign currency note by deductions from such payments.

Unless we indicate otherwise in the applicable pricing supplement, as a holder of foreign currency notes you may elect to receive payment of the principal of and interest on the foreign currency notes in the specified currency by transmitting a written request for such payment to the corporate

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trust office of the trustee in The City of New York on or prior to the regular record date or at least 15 calendar days prior to maturity, as the case may be. You may make this request in writing (mailed or hand delivered) or sent by facsimile transmission. As a holder of a foreign currency note, you may elect to receive payment in the specified currency for all principal and interest payments and need not file a separate election for each payment. Your election will remain in effect until revoked by written notice to the trustee, but written notice of any such revocation must be received by the trustee on or prior to the regular record date or at least 15 calendar days prior to the maturity date, as the case may be. If your foreign currency notes are held in the name of a broker or nominee, you should contact your broker or nominee to determine whether and how you may elect to receive payments in the specified currency.

If a note is represented by a global security, DTC or its nominee will be the holder of the note and will be entitled to all payments on the note. Although DTC can hold notes denominated in foreign currencies, all payments to DTC will be made in U.S. dollars. Accordingly, a beneficial owner of the related global security who elects to receive payments of principal, premium, if any, and/or interest, if any, in the specified currency must notify the participant through which it owns its interest on or prior to the applicable record date or at least 15 calendar days prior to the maturity, as the case may be, of such beneficial owner's election. The participant must notify DTC of such election on or prior to the third business day after such record date or at least 12 calendar days prior to the maturity, as the case may be, and DTC will notify the trustee of such election on or prior to the fifth business day after such record date or at least 10 calendar days prior to the maturity, as the case may be. If the participant receives complete instructions from the beneficial owner and such instructions are forwarded by the participant to DTC, and by DTC to the trustee, on or prior to such dates, then the beneficial owner will receive payments in the specified currency. See "Description of Debt Securities -- Book-Entry Debt Securities."

We will pay principal and interest on foreign currency notes to be paid in U.S. dollars in the manner specified in the accompanying prospectus and this prospectus supplement with respect to notes denominated in U.S. dollars. See "Description of Notes -- General." We will pay interest on foreign currency notes in the specified currency by check mailed on the relevant interest payment date to the persons entitled thereto to the address of such holders as they appear in the security register or, at our option by wire transfer to a bank account maintained by the holder in the country of the specified currency. The principal of foreign currency notes, together with interest accrued and unpaid thereon, due at maturity will be paid in immediately available funds upon surrender of such notes at the corporate trust office of the applicable trustee in The City of New York, or, at our option, by wire transfer to such bank account.

### PAYMENT CURRENCY

If a specified currency is not available for the payment of principal, premium or interest with respect to a foreign currency note due to the imposition of exchange controls or other circumstances beyond our control, we will be entitled to satisfy our obligations to holders of foreign currency notes by making such payment in U.S. dollars on the basis of the noon buying rate in The City of New York for cable transfers of the specified currency as certified for customs purposes (or, if not so certified as otherwise determined)

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by the Federal Reserve Bank of New York (the "market exchange rate") as computed by the exchange rate agent on the second business day prior to such payment or,

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if not then available, on the basis of the most recently available market exchange rate or as otherwise indicated in an applicable pricing supplement. Any payment made under such circumstances in U.S. dollars where the required payment is in a specified currency will not constitute a default under the indenture with respect to the notes.

All determinations referred to above made by the exchange rate agent will be at its sole discretion and will, in the absence of clear error, be conclusive for all purposes and binding on the holders of the foreign currency notes.

AS INDICATED ABOVE, IF YOU INVEST IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES, YOUR INVESTMENT WILL BE SUBJECT TO SUBSTANTIAL RISKS, THE EXTENT AND NATURE OF WHICH CHANGE CONTINUOUSLY. AS WITH ANY INVESTMENT THAT YOU MAKE IN A SECURITY, YOU SHOULD CONSULT YOUR OWN FINANCIAL AND LEGAL ADVISORS AS TO THE RISKS ENTAILED IN AN INVESTMENT IN FOREIGN CURRENCY NOTES OR CURRENCY INDEXED NOTES. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR YOU IF YOU ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY MATTERS.

### UNITED STATES TAX CONSIDERATIONS

In the opinion of Thompson Hine LLP, special tax counsel to KeyCorp, the following summary accurately describes certain material United States federal income tax statutory and regulatory provisions which may pertain to the purchase, ownership and disposition of notes as of the date hereof. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), laws, regulations, rulings and decisions now in effect (or, in the case of certain regulations, in proposed form) all of which are subject to change (either retroactively or prospectively and including changes in effective dates) or possible differing interpretations, which could result in federal income tax consequences different from those discussed below. The summary deals only with persons holding notes as capital assets and does not purport to deal with persons in special tax situations, such as:

- financial institutions,
- insurance companies,
- regulated investment companies,
- dealers in securities or currencies,
- persons holding notes as a hedge against currency risks or as a position in a "straddle" or conversion transaction for tax purposes, or
- United States holders (as defined below) whose functional currency is not the United States dollar.

The United States federal income tax consequences of purchasing, holding or disposing of amortizing notes, extendible notes, renewable notes, indexed notes, foreign currency notes (other than the single foreign currency notes (as defined below)) and floating rate notes that provide for one base rate followed by a different base rate, a base rate followed by a fixed rate, or a fixed rate followed by a base rate, will be set out in the applicable pricing supplement. The summary also does not deal with holders other than original purchasers except as provided below. Additional tax considerations or consequences may result from the particular terms established in any pricing supplement or in any note. This tax summary is limited to the present laws of the United States, and, except as otherwise provided by the United States federal securities laws, Thompson Hine LLP assumes no obligation to revise or supplement this tax summary with respect to notes issued pursuant to this prospectus supplement and the accompanying prospectus in the event the present laws referred to above change by legislative action, judicial decision, or otherwise, or the facts as they



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presently exist change to the extent any such changes occur after the date of issue. PERSONS CONSIDERING THE PURCHASE, OWNERSHIP, OR DISPOSITION OF THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

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As used herein, a "U.S. holder" of a note means a beneficial owner of a note that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or if the trust has validly made an election to be treated as a United States person under applicable Treasury Regulations.

As used herein, the term "non-U.S. holder" means a beneficial owner of a note that is not a U.S. holder.

If a partnership holds a note, the tax treatment of the partner generally will depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding notes should consult their tax advisors regarding U.S. federal tax consequences of the purchase, ownership and disposition of the notes.

"Single foreign currency note" means a note on which all payments a holder is entitled to receive are denominated in or determined by reference to the value of a single foreign currency. "Foreign currency" means a currency or currency unit, other than a hyperinflationary currency or the U.S. dollar.

### U.S. HOLDERS

#### Interest

Payments of interest on a note, including "qualified stated interest" on a "discount note" (each as defined below), generally will be taxable to a U.S. holder as ordinary interest income at the time such payments are accrued or received in accordance with the U.S. holder's method of accounting for United States federal income tax purposes.

#### Original Issue Discount

A note with a term greater than one year may be issued with original issue discount for United States federal income tax purposes (i.e., a discount note). Generally, original issue discount will arise if the stated redemption price at maturity (generally, the payments to be made under the note other than payments of qualified stated interest) of a note exceeds its issue price by more than a de minimis amount of at least 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity or if a note has certain interest payment characteristics (e.g., interest holidays, interest payable in

debt of the issuer, stepped interest rates or interest rates based upon multiple indices). The issue price of notes that are issued for cash will be the first price at which a substantial amount of the notes in the issue are sold for money (for this purpose, sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers are ignored). "Qualified stated interest" generally is stated interest that is unconditionally payable in cash or property (other than a debt instrument of the issuer) at least annually at a single fixed rate (appropriately taking into account the length of the intervals of the payments) with certain exceptions for lower rates paid during some periods. If a note is issued with original issue discount, a U.S. holder of the note will be required to include original issue discount amounts in gross income for United States federal income tax purposes on an accrual basis using the constant yield to maturity method and, as a result, a U.S. holder may be required to include these amounts in income in advance of receipt of the cash payments to which the amounts are attributable. Any amounts included in income as original issue discount with respect to a note will increase a U.S. holder's adjusted tax basis in the discount note.

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#### Computation of Original Issue Discount

The amount of original issue discount includible in income by a U.S. holder of a note having original issue discount is the sum of the daily portions of original issue discount with respect to the note for each day during the taxable year or portion of the taxable year in which the U.S. holder holds the note. Generally, the daily portion is determined by allocating to each day in any accrual period a pro rata portion of the original issue discount allocable to that accrual period. Accrual periods with respect to a note may be of any length selected by the U.S. holder and may vary in length over the term of the note as long as (1) no accrual period is longer than one year and (2) each scheduled payment of interest or principal on the note occurs either on the final or first day of an accrual period.

The amount of original issue discount allocable to an accrual period equals the excess, if any, of:

- the product of the note's adjusted issue price at the beginning of the accrual period and the note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over
- the sum of the payments of qualified stated interest on the note allocable to the accrual period.

The "adjusted issue price" of a note at the beginning of any accrual period (determined without regard to the amortization of any acquisition or bond premium, as discussed below) is (a) the sum of the issue price of the note and the accrued original issue discount for each prior accrual period less (b) any prior payments on the note that were not qualified stated interest payments.

Treasury Regulations provide special rules for notes that provide for one or more alternative payment schedules applicable upon the occurrence of a contingency or contingencies, including optional redemption. Notes which may be redeemed in whole or in part prior to their stated maturity will be treated as having a maturity date for United States federal income tax purposes on the earlier redemption date if this redemption would result in a lower yield to maturity in the case of a redemption at the issuer's option or a higher yield to maturity in the case of a redemption at the holder's option. Notice will be given in the applicable pricing supplement when we determine that a particular

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note will be deemed to have a maturity date for United States federal income tax purposes prior to its stated maturity. Investors intending to purchase notes with such features should consult their own tax advisors, since the original issue discount consequences will depend, in part, on the particular terms and features of those notes.

### De Minimis Rule

If a note is issued with de minimis original issue discount, the U.S. holder generally must include any de minimis original issue discount in income at maturity unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made. Any amount of de minimis original issue discount that has not been included in income prior to sale, exchange or retirement of a note will be treated as capital gain.

### Variable Rate Debt Instrument

Floating rate notes may be subject to rules that differ from these general rules described above. Prospective investors should consult their own tax advisors with respect to the tax consequences of any prospective purchase of floating rate notes. In general, a note will be treated as a "variable rate debt instrument" for purposes of the Treasury Regulations if the note is issued for an amount that does not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (1) 0.015 multiplied by the product of the total noncontingent principal and the number of complete years to maturity from the issue date or (2) 15% of the total noncontingent principal payments. In addition, to be a variable rate debt instrument, the note must bear stated interest (compounded or paid at least annually) at:

- one or more qualified floating rates,
- a single fixed rate and one or more qualified floating rates,

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- a single objective rate, or
- a single fixed rate and a single objective rate that is a "qualified inverse floating rate."

A qualified floating rate or objective rate must be set at a current value of that rate, that is, the value of the variable rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that day. A "qualified floating rate" generally is a rate the variations in the value of which can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the note is denominated. Generally, a multiple of a qualified floating rate will be a qualified floating rate only if it is a fixed multiple that is greater than .65, but not more than 1.35. If a note provides for two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the instrument, the qualified floating rates together constitute a single qualified floating rate. Two or more qualified floating rates will be conclusively presumed to be a single qualified floating rate if the values of all rates on the issue date are within 0.25 percentage points of each other.

A variable rate that is subject to an interest rate cap, floor, governor or similar restriction on rate adjustment may be a qualified floating rate only if such restriction is fixed throughout the term of the debt instrument, or is not reasonably expected as of the issue date to cause the yield on the debt instrument to differ significantly from its expected yield absent the

restriction. An "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information other than a rate based on information that is within the control of the issuer (or related party) or that is unique to the circumstances of the issuer (or related party), for example, dividends, profits or the value of the issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the issuer). The IRS may designate other variable rates that will be treated as objective rates. However, a variable rate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the debt instrument's term will differ significantly from the average value of that rate during the final half of its term.

A "qualified inverse floating rate" is a rate that is equal to a fixed rate minus a qualified floating rate and the variations in which can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate, disregarding certain restrictions on that rate, for example, as caps, floors or governors. Finally, the Treasury Regulations specify that a variable rate debt instrument may not provide for any principal payments that are contingent.

In general, the rules for determining the amount and accrual of original issue discount and qualified stated interest on a variable rate debt instrument convert the debt instrument into a fixed rate debt instrument and then apply the general original issue discount rules to the debt instrument. If a note bears interest that is unconditionally payable at least annually at a single qualified floating rate or an objective rate, all stated interest is qualified stated interest. In the case of a single qualified floating rate or a qualified inverse floating rate, the accrual of original issue discount is determined by assuming that the note bears interest at a fixed rate equal to the qualified floating rate or qualified inverse floating rate. In the case of an objective rate (other than a qualified inverse floating rate), the accrual of original issue discount is calculated by assuming that the note bears interest at a fixed rate that reflects the yield that is reasonably expected for the note. In both cases, the amount of qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during that period exceeds (or is less than) the interest assumed to be paid. If a note that is a variable rate debt instrument bears interest at a variable rate other than a single qualified floating rate or objective rate, the amount and accrual of original issue discount are generally determined by converting the variable rate debt instrument into a fixed rate debt instrument as generally described above, applying the general original issue discount rules, and then making appropriate adjustments for actual interest rates under the note.

#### Contingent Payment Debt Instruments

Notes that provide for a variable rate of interest but that do not qualify as variable rate debt instruments are contingent payment debt instruments. The Treasury Regulations relating to the tax

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treatment of contingent payment debt instruments adopt the "noncontingent bond method" for contingent payment debt instruments that are issued for cash or publicly traded property. Under the noncontingent bond method, the yield on the debt instrument must first be determined based on the yield at which the issuer would issue a fixed rate debt instrument with terms and conditions similar to those of the contingent payment debt instrument. A projected payment schedule is then set to fit the yield. Once a projected payment schedule is determined for a debt instrument as of the issue date, interest accrues on the debt instrument based on this schedule. The projected payment schedule includes all

noncontingent payments as well as a projected amount for each contingent payment. Appropriate adjustments are made to account for any difference between the projected amount of a contingent payment and the actual amount of the payment. The projected amounts are, in effect, treated as fixed, and interest accrual is required based on these projected amounts whether or not the amount of any payment is fixed or determinable in the taxable year. Thus, the noncontingent bond method may result in recognition of income prior to the receipt of cash. Prospective investors should consult their own tax advisors with respect to the application of the contingent payment debt instrument provisions to floating rate notes.

#### Short-Term Notes

Notes that have a fixed maturity of one year or less (i.e., short-term notes) generally will be deemed to have been issued with original issue discount (generally, the excess of the short-term note's principal amount, plus all interest payable on the note, over the note's purchase price). In general, an individual or other cash method U.S. holder is not required to accrue original issue discount on a short-term note unless the holder elects to do so. If no election is made, any gain recognized by the U.S. holder on a taxable disposition (including the maturity) of a short-term note will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election on a constant yield method (based on daily compounding) through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. holder for interest on borrowings allocable to a short-term note will be deferred until a corresponding amount of income is realized. U.S. holders who report income for United States federal income tax purposes under the accrual method, and certain other holders, including banks and dealers in securities, are required to accrue original issue discount on a short-term note (unless the holder elects to accrue "acquisition discount" in lieu of original issue discount on such note). "Acquisition discount" is the excess of the remaining stated redemption price at maturity of the short-term note over the holder's tax basis in the short-term note at the time of the acquisition. Acquisition discount will be treated as accruing ratably or at the election of the holder, under a constant yield method based on daily compounding.

#### Market Discount

If a U.S. holder purchases a note, other than a discount note, for an amount that is less than its issue price or, in the case of a discount note, for an amount that is less than its adjusted issue price as of the purchase date, i.e., revised issue price, the amount of the difference will be treated as "market discount" for United States federal income tax purposes, unless the difference is less than a specified de minimis amount. Under the market discount rules of the Code, a U.S. holder will be required to treat any partial principal payment on or any gain on the sale, exchange, retirement or other taxable disposition of a note as ordinary income to the extent that any market discount has accrued with respect to the note and was not pr