KEYCORP /NEW/
Form DEF 14A
March 26, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

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

KeyCorp
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

March 26, 2008

DEAR SHAREHOLDER:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of KeyCorp which will be held at The Forum Conference Center, 1375 East Ninth Street, Cleveland, Ohio, on Thursday, May 15, 2008, at 8:30 a.m., local time.

All holders of record of KeyCorp Common Shares as of March 18, 2008 are entitled to vote at the 2008 Annual Meeting.

As described in the accompanying Notice and Proxy Statement, you will be asked to elect four directors for three-year terms expiring in 2011, to consider a proposal to amend KeyCorp s Code of Regulations, and to ratify the appointment of Ernst & Young LLP as independent auditors for 2008.

KeyCorp s Annual Report for the year ended December 31, 2007 is enclosed.

Your proxy card is enclosed. You can vote your shares by telephone, the internet, or by mailing your signed proxy card in the enclosed return envelope. Specific instructions for voting by telephone or the internet are attached to the proxy card.

Sincerely,

Henry L. Meyer III
Chairman of the Board

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE KEYCORP SHAREHOLDER MEETING TO BE HELD ON MAY 15, 2008 AND NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The 2008 Annual Meeting of Shareholders of KeyCorp will be held at The Forum Conference Center, 1375 East Ninth Street, Cleveland, Ohio, on Thursday, May 15, 2008, at 8:30 a.m., local time, for the following purposes:

1. To elect four directors to serve for three-year terms expiring in 2011;

2. To vote upon an amendment to KeyCorp s Regulations to require the annual election of all directors;

3. To ratify the appointment by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors for KeyCorp for the fiscal year ending December 31, 2008; and

4. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only holders of KeyCorp Common Shares of record as of the close of business on March 18, 2008 have the right to receive notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

By Order of the Board of Directors

Paul N. Harris
Secretary

March 26, 2008

YOUR VOTE IS IMPORTANT. YOU CAN VOTE YOUR SHARES BY TELEPHONE, THE INTERNET, OR BY MAILING YOUR SIGNED PROXY CARD IN THE RETURN ENVELOPE ENCLOSED WITH THE PROXY CARD FOR THAT PURPOSE. SPECIFIC INSTRUCTIONS FOR VOTING BY TELEPHONE OR THE INTERNET ARE ATTACHED TO THE PROXY CARD.

THE PROXY STATEMENT AND ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2007 ARE AVAILABLE AT WWW.ENVISIONREPORTS.COM/KEY.

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127 PUBLIC SQUARE
CLEVELAND, OHIO 44114

PROXY STATEMENT

This Proxy Statement is furnished commencing on or about March 26, 2008 in connection with the solicitation on behalf of the Board of Directors of KeyCorp of proxies to be voted at the 2008 Annual Meeting of Shareholders on May 15, 2008, and at all postponements and adjournments thereof. All holders of record of KeyCorp Common Shares at the close of business on March 18, 2008 are entitled to vote. On that date there were 399,924,963 KeyCorp Common Shares outstanding and entitled to vote at the meeting. Each such share is entitled to one vote on each matter to be considered at the meeting and a majority of the outstanding KeyCorp Common Shares shall constitute a quorum.

Issue One

ELECTION OF DIRECTORS

In accordance with KeyCorp s Amended and Restated Regulations, the Board of Directors of KeyCorp (also sometimes referred to herein as the Board) has been fixed as of the 2008 Annual Meeting at 12 members, divided into three classes of four members each. The terms of these classes will expire in 2009, 2010 and 2011, respectively. The nominees for directors for terms expiring in 2011 are listed below. All properly appointed proxies will be voted for these nominees unless contrary specifications are properly made, in which case the proxy will be voted or withheld in accordance with such specifications. All nominees are current members of the Board. Should any nominee become unable to accept nomination or election, the proxies will be voted for the election of such person, if any, as shall be recommended by the Board or for holding a vacancy to be filled by the Board at a later date. The Board has no reason to believe that the persons listed as nominees will be unable to serve. In the election of directors, the properly nominated candidates receiving the greatest number of votes shall be elected. Under KeyCorp s Majority Voting Policy which is set forth on page 10 of this proxy statement, if a nominee receives more withheld votes than for votes, the nominee must submit an offer to resign as a director to the KeyCorp Board of Directors. The Nominating and Corporate Governance Committee of the Board of Directors will consider the resignation and will submit its recommendation as to whether to accept or reject the resignation to the Board of Directors which will act on the recommendation and publicly disclose its decision.

Pursuant to rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), the following information lists, as to nominees for director and directors whose terms of office will continue after the 2008 Annual Meeting, the principal occupation or employment, age, the year in which each first became a director of KeyCorp, and directorships in registered investment companies or companies having securities which are registered pursuant to, or that are subject to certain provisions of, the Exchange Act. The information provided is as of January 1, 2008 unless otherwise indicated. KeyCorp was formed as a result of the merger on March 1, 1994 of

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the former KeyCorp, a New York corporation (Old Key), into Society Corporation, an Ohio corporation (Society), whereupon Society changed its name to KeyCorp. In the case of nominees or continuing directors who were directors of Old Key, the year in which such individual became a director of Old Key is also included in the following information. Except as otherwise indicated, each nominee or continuing director has had the same principal occupation or employment during the past five years.

NOMINEES FOR TERMS EXPIRING IN 2011

EDWARD P. CAMPBELL
Since January 2, 2008, Chairman, Chief Executive Officer, and President, Nordson Corporation (capital equipment). Previously, Chairman and Chief Executive Officer, Nordson Corporation. Age 58. KeyCorp director since 1999. Director, Nordson Corporation and OMNOVA Solutions Inc.

H. JAMES DALLAS
Since 2006, Senior Vice President and Chief Information Officer, Medtronic, Inc. (medical technology). Previously, Vice President and Chief Information Officer, Georgia-Pacific Corporation (forest products) (2002-2005). Age 49. KeyCorp director since 2005.

LAURALEE E. MARTIN
Since 2005, Chief Operating and Financial Officer, Jones Lang LaSalle, Inc. (real estate services). Previously, Chief Financial Officer, Jones Lang LaSalle, Inc. Age 57. KeyCorp director since 2003. Director, Jones Lang LaSalle, Inc.

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BILL R. SANFORD
Chairman, Symark LLC (technology commercialization and business development) and Executive Founder and Retired Chairman, President, and Chief Executive Officer, Steris Corporation (infection and contamination prevention systems, products and services). Age 63. KeyCorp director since 1999. Director, Greatbatch, Inc.

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2009

RALPH ALVAREZ
Since 2006, President and Chief Operating Officer, McDonald s Corporation (food industry and restaurants). Previously, President, McDonald s North America (2005-2006); President, McDonald s USA (2004); Chief Operating Officer, McDonald s USA (2003-2004). Age 52. KeyCorp director since 2005.

WILLIAM G. BARES
Since 2005, retired Chairman and Chief Executive Officer, The Lubrizol Corporation (innovative specialty chemical company). Previously, Chairman, President, and Chief Executive Officer, The Lubrizol Corporation. Age 66. KeyCorp director since 1987. Director, Applied Industrial Technologies, Inc.

DR. CAROL A. CARTWRIGHT
Since 2006, retired President, Kent State University (state university). Previously, President, Kent State University. Age 66. KeyCorp director since 1997. Director, FirstEnergy Corp. and PolyOne Corporation.

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THOMAS C. STEVENS
Vice Chairman and Chief Administrative Officer, KeyCorp. Age 58. KeyCorp director since 2001.

CONTINUING DIRECTORS WHOSE TERMS EXPIRE IN 2010

ALEXANDER M. CUTLER
Chairman and Chief Executive Officer, Eaton Corporation (global diversified industrial company). Age 56. KeyCorp director since 2000. Director, Eaton Corporation.

EDUARDO R. MENASCÉ
Since 2005, retired President of Enterprise Solutions Group of Verizon Communications, Inc. (telecommunications). Previously, President of Enterprise Solutions Group of Verizon Communications, Inc. Age 62. KeyCorp director since 2002. Director, Hillenbrand Industries, Inc., John Wiley & Sons, Inc., and Pitney Bowes Inc.

HENRY L. MEYER III
Chairman, President, and Chief Executive Officer, KeyCorp. Age 58. KeyCorp director since 1996. Director, Continental Airlines, Inc.

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PETER G. TEN EYCK, II
President, Indian Ladder Farms (commercial orchard). Age 69. KeyCorp director since 1994 (Old Key director since 1979).

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THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors. During the year ended December 31, 2007, there were six meetings of KeyCorp s Board of Directors. Each member of KeyCorp s Board attended at least 75% of the aggregate of the meetings held by KeyCorp s Board of Directors and the meetings held by the committees of the Board on which such member served during 2007.

KeyCorp Board members are expected to attend KeyCorp s Annual Meetings of Shareholders. All Board members attended the 2007 Annual Meeting.

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

Audit Committee. Ms. Martin (Chair) and Messrs. Dallas, Menascé and Ten Eyck are the current members of the Audit Committee. The functions of this Committee generally include matters such as oversight review of the financial information provided to KeyCorp s shareholders, appointment of KeyCorp s independent auditors, review of fees and services of the independent auditors, oversight review of the material examinations of KeyCorp and its affiliates conducted by federal and state regulatory and supervisory authorities, service as the audit committee of KeyCorp s banking subsidiary, oversight review of allowance for loan and lease losses methodology together with the Risk Management Committee, oversight review relating to financial reporting, compliance, legal, and information security and fraud risk matters, and supervision and direction of any special projects or investigations deemed necessary. KeyCorp s Audit Committee met thirteen times in 2007.

Compensation and Organization Committee. Dr. Cartwright and Messrs. Cutler (Chair) and Campbell (Chair elect) are the current members of KeyCorp s Compensation and Organization Committee. The functions of this Committee generally include matters such as development, review and approval of KeyCorp s compensation philosophy and related programs, determination of the compensation and terms of employment of senior management, determination of participants and awards under executive incentive compensation plans and supplemental compensation plans, approval of (or amendments to) employee and officer retirement, compensation and benefit plans, review of organization structure and staffing, review of KeyCorp s depth of management and plans for management development and succession, and review of the Compensation Discussion and Analysis for the proxy statement. KeyCorp s Compensation and Organization Committee met eight times in 2007.

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

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against incentive compensation performance goals, and reporting on trends in executive compensation, as well as any other ad hoc services relating to executive compensation requested by the Committee. A fuller explanation of the Committee process relative to executive compensation can be found in the Compensation Discussion and Analysis found on page 19 of this Proxy Statement. The Committee may delegate its authority to a subcommittee of its members.

Executive Committee. Dr. Cartwright, and Messrs. Bares, Hogan (who is retiring as a Director at the 2008 Annual Meeting), Menascé, Meyer (Chair), Stevens, and Ten Eyck are the current members of KeyCorp s Executive Committee. The functions of the Executive Committee are to exercise the authority of the Board of Directors, to the extent permitted by law, on any matter requiring Board or Board committee action between Board or Board committee meetings. The Executive Committee met once in 2007.

Nominating and Corporate Governance Committee. Messrs. Bares (Chair), Campbell, Cutler, Martin, and Sanford are members of KeyCorp s Nominating and Corporate Governance Committee. The Committee serves as the nominating committee for KeyCorp and, as such, recommends to the Board nominees or candidates to stand for election as directors. In addition, the functions of the Committee include matters such as oversight of board corporate governance matters generally, the annual review and recommendation to the Board of Directors of a director compensation program that may include equity based and incentive compensation plans, and oversight review of KeyCorp s directors and officers liability insurance program. The Nominating and Corporate Governance Committee met six times in 2007.

The Committee uses market data to aid it in its annual review of KeyCorp s director compensation program. No compensation consultant was used in 2007 in determining director compensation, although the Committee will utilize in 2008 the services of Mercer to assist the Committee in its evaluation and design of director compensation. Mercer will report directly to the Committee. No executive officer has any role in determining the amount of director compensation although the Committee may seek assistance from executive officers of KeyCorp in designing equity compensation plans. The Committee may delegate its authority to a subcommittee of its members.

The Committee uses the following criteria in director recruitment: (a) the nominee must have a record of high integrity and other requisite personal characteristics and must be willing to make the required time commitment; (b) the nominee should have a demonstrated breadth and depth of management and/or leadership experience, preferably in a senior leadership role, in a large or recognized organization (profit or nonprofit, private sector or governmental, including educational institutions, civilian or military); (c) the nominee should have a high level of professional or business expertise in areas of relevance to KeyCorp (such as technology, global commerce, marketing, finance, management, etc); (d) in the case of outside directors, the nominee should meet the independence criteria set forth in KeyCorp s Standards for Determining Independence of Directors; (e) the nominee should not be serving as a director of more than (i) two other public companies if he or she is a CEO of a public company, or (ii) three other public companies if he or she is not a CEO of a public company; (f) the nominee must demonstrate the ability to think and act independently as well as the ability to work constructively in the overall Board process; and (g) additional factors in evaluating the above skills would be a preference for nominees that improve the diversity of the Board in terms of gender, race, religion and/or geography. The above criteria other than (a) are not rigid rules that must be satisfied in each case, but are flexible guidelines to assist in evaluating and focusing the search for director candidates.

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

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

The Nominating and Corporate Governance Committee has sole authority to retain and terminate any search firm used to identify director candidates, including sole authority to approve the search firm fees and other retention terms. The Committee presently uses an independent search firm in identifying candidates. The Committee is continually in the process of identifying potential director candidates and Board members are encouraged to submit to the Chair of the Nominating and Corporate Governance Committee any potential nominee that any individual director would like to suggest.

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

Risk Management Committee. Messrs. Alvarez (Chair elect), Bares, Hogan, and Sanford (Chair) are the current members of KeyCorp s Risk Management Committee. The functions of the Risk Management Committee generally include oversight review of: risk management matters relating to credit risk, market risk, interest rate risk, and liquidity risk, asset/liability management policies and strategies, compliance with regulatory capital requirements, KeyCorp s capital structure and capital management strategies, including compliance with regulatory capital requirements, KeyCorp s portfolio of Corporate-Owned Life Insurance, technology-related plans, policies, and major capital expenditures, the capital expenditure process, and together with the Audit Committee oversight review of allowance for loan and lease losses methodology. In addition, the Committee is charged with exercising the authority of the Board of Directors in connection with the authorization, sale and issuance by KeyCorp of debt and certain equity securities and the approval of certain capital expenditures. The Committee is also charged with making recommendations to the Board of Directors with respect to KeyCorp s dividend and share repurchase authorizations. The Risk Management Committee met six times in 2007.

CORPORATE GOVERNANCE GUIDELINES

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

I. DIRECTOR RESPONSIBILITY

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

II. BOARD OF DIRECTORS SELF ASSESSMENT

The Board conducts an annual self-assessment process under the auspices of the Nominating and Corporate Governance Committee through self-assessment questionnaires to all Board members. The questionnaires are divided into two parts with the first part consisting of general Board self-assessment questions and the second part consisting of individual director self-assessment questions. The results of the general Board portion of the director self-assessment questionnaires are reviewed by the Board and changes in KeyCorp s corporate governance process are based on the results of the Board s review and analysis of the self-assessment questionnaires. Pursuant to the self-assessment process, the Board reviews, among other matters, agenda items, meeting presentations, advance distribution of agendas and materials for Board meetings, interim communications to directors, and access to and communications with senior management. The results of the individual director self-assessment portion of the questionnaire are reviewed by the members of the Nominating and Corporate Governance Committee. In evaluating the effectiveness of the incumbent directors whose terms are expiring at a particular annual shareholders meeting and who are therefore subject to re-nomination to the Board, the Committee reviews the directors effectiveness in light of the results of the incumbent directors individual self-assessment questionnaires, in light of the Board s Director Recruitment Guidelines, and in light of the existing mix of skills, core competencies and qualifications of the Board as a whole.

III. EXECUTIVE SESSIONS OF OUTSIDE DIRECTORS

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

IV. BOARD COMPOSITION

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

V. DIRECTOR INDEPENDENCE

The Board has adopted standards for determining independence of directors and determined that at least two-thirds of KeyCorp s directors and all members of the Board committees performing the audit, compensation, corporate governance, and nominating functions must meet these independence standards. The standards for determining independence are [discussed on pages 14 to 15 of this proxy statement]. In addition, members of the Audit Committee must comply with Rule 10A-3 of the Securities Exchange Act of 1934 which requires that an Audit Committee member must not be affiliated with KeyCorp nor accept directly or indirectly any fee from KeyCorp for accounting, consulting, legal, investment banking or financial advisory services.

VI. MAJORITY VOTING

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

VII. DIRECTOR LEGAL OR CONSULTING FEES

The Board has determined that in the event that a director or a firm affiliated with a director performs legal, consulting or other advisory services for KeyCorp, the amount of fees for such legal, consulting or advisory services payable to such director and such director s affiliated firm in any calendar year shall not exceed $50,000 in the aggregate unless the Audit Committee otherwise approves.

VIII. DIRECTOR RETIREMENT

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

IX. DIRECTOR RECRUITMENT

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

X. DIRECTOR COMPENSATION

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

XI. DIRECTOR STOCK OWNERSHIP GUIDELINES

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

XII. DIRECTOR ORIENTATION

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

XIII. DIRECTOR CONTINUING EDUCATION

Each director is expected to attend at least one Institutional Shareholder Services (ISS) approved director training or education session during each three-year term he or she is elected to as a director. KeyCorp will reimburse the reasonable costs and expenses of the training or education session incurred by the director (not including spousal expenses), including registration fees, travel, hotel accommodations and related meals, provided, however, if a director attends an ISS approved session which will cover another company on whose board the director also serves, KeyCorp will, if the other company is willing, appropriately share the costs and expenses with the other company. Management will circulate brochures to directors of sessions. Directors are asked to advise management when they are signing up for a session.

XIV. LIMITATION ON PUBLIC COMPANY DIRECTORSHIPS

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

XV. REPRICING OPTIONS

The Board has determined that KeyCorp will not reprice options.

XVI. ONE YEAR HOLDING OF OPTION SHARES

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

XVII. SENIOR EXECUTIVE STOCK OWNERSHIP GUIDELINES

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

XVIII. EXTENSIONS OF CREDIT COLLATERALIZED BY KEYCORP STOCK

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

XIX. FORMAL EVALUATION OF CHIEF EXECUTIVE OFFICER

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

XX. ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

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

XXI. SUCCESSION PLANNING/MANAGEMENT DEVELOPMENT

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

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

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

XXIII. CORPORATE GOVERNANCE FEEDBACK

The Board encourages management to meet periodically with significant investors to discuss KeyCorp s corporate governance practices. Management reports the results of the meetings to the Nominating and Corporate Governance Committee in order that the Board can more readily consider the views of significant investors when the Board shapes its corporate governance practices.

XXIV. COMMITTEE STRUCTURE

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

PRESIDING DIRECTOR

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

DIRECTOR INDEPENDENCE

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

1) if he or she or an immediate family member has received during any twelve-month period within the last three years more than $100,000 in direct compensation from KeyCorp (other than current or deferred director fees) *(directly compensated individual)*;

2) if, within the past three years, he or she has been employed by KeyCorp or an immediate family member has been an executive officer of KeyCorp *(former employee)*;

3) if a) he or she or an immediate family member is a current partner of a firm that is KeyCorp s internal or external auditor; b) he or she is a current employee of such a firm; c) he or she has an immediate family member who is a current employee of such a firm and who participates in the firm s audit, assurance or tax compliance practice; or d) he or she or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on KeyCorp s audit within that time *(former auditor)*;

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

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

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

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

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

Messrs. Meyer and Stevens are not independent because they are employees of KeyCorp. As an employee of KeyCorp, Mr. Meyer received a standard employee discount on trust services provided by KeyCorp of

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approximately $3,774 in 2007. The Board of Directors has determined that all other members of the Board of Directors (*i.e.,* Dr. Cartwright, Ms. Martin, and Messrs. Alvarez, Bares, Campbell, Cutler, Dallas, Hogan, Menascé, Sanford, and Ten Eyck) are independent. The determination was made by reviewing the relationship of each of these individuals to KeyCorp in light of the KeyCorp categorical standards of independence and such other factors, if any, as the Board deemed relevant. Members of the Audit, Compensation and Organization, and Nominating and Corporate Governance Committees are all independent.

In determining the independence of the aforementioned members of the Board of Directors, the Board considered certain transactions, relationships, or arrangements between those directors and KeyCorp. The Board determined that none of these transactions, relationships, or arrangements is in conflict with KeyCorp s categorical standards of independence and that no such transaction, relationship or arrangement is material or impairs any director s independence for any other reason. The transactions, relationships, and arrangements considered by the Board and determined to be immaterial were as follows: Mr. Hogan served during 2007 and continues to serve on an advisory board of KeyBank National Association and received $1,500 for such service in 2007. Dr. Cartwright and Messrs. Campbell, Cutler, Hogan, Sanford, and Ten Eyck were customers of one or more of KeyCorp s subsidiary banks or other subsidiaries during 2007 and had transactions with such banks or other subsidiaries in the ordinary course of business. In addition, Dr. Cartwright and Messrs. Bares, Campbell, Cutler, Hogan, Menascé, Sanford, and Ten Eyck are officers of, or have a relationship with, corporations or are members of partnerships that were customers of such banks or other subsidiaries during 2007 and had transactions with such banks or other subsidiaries in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risks of collectibility or present other unfavorable features. Similar transactions continue to be effected during 2008. Finally, a limited liability company in which Mr. Hogan has no interest but which is owned by Mr. Hogan s brother was until June 30, 2007 the landlord of a KeyBank National Association Branch. Rent and additional charges such as maintenance paid by KeyBank National Association in 2007 under the lease totaled approximately $36,600.

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

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Issue Two

AMENDMENT TO REGULATIONS
TO REQUIRE ANNUAL ELECTION OF ALL DIRECTORS

The Board of Directors is proposing that KeyCorp s Code of Regulations be amended to require that all Directors be elected annually.

The decision of the Board of Directors to place the proposal before the shareholders is based on the recommendation of the Nominating and Corporate Governance Committee, which consists entirely of independent directors. The Committee carefully studied this matter over several meetings and in reaching its recommendation considered a number of factors including the vote of the shareholders at the 2007 Annual Shareholders meeting in which a majority of those shares voting voted in favor of a shareholder proposal requesting the Board of Directors to consider such actions as were necessary to declassify the Board of Directors.

Under the proposed amendment, the annual election of directors would be effective as of the KeyCorp 2009 Annual Meeting of Shareholders and would be phased in over a three-year period. Directors who had been previously elected for three-year terms ending in 2010 and 2011 would continue to serve out these terms so that no director previously elected to a three-year term would have his or her term shortened. Consequently, under the proposed amendment, one class of the directors would be elected to one-year terms in 2009, two classes of the directors would be elected to one-year terms in 2010, and in 2011 all directors would be elected to one-year terms.

If the proposed amendment is adopted, references to and procedures based on the existence of a classified board will be deleted from Article II, Sections 1 and 12 of the Regulations. Section 1 of Article II will be further amended to set forth the procedure to phase in the annual election of directors and Section 11 of Article II will be modified to revise the procedure for the removal of directors as the annual election of directors is phased in.

The text of the proposed amendment is set forth in Appendix A to this proxy statement.

Vote Required. Pursuant to Article X of the Regulations, the Regulations may be amended by the affirmative vote of holders of shares entitled to exercise three-quarters of the voting power on such proposal, unless such amendment is recommended by two-thirds of the entire authorized Board of Directors, in which case the requisite vote is a majority of the voting power of KeyCorp. Because at least two-thirds of the entire authorized Board of Directors has recommended this proposed amendment, the affirmative vote of the holders of KeyCorp Common Shares entitling them to exercise a majority of the voting power of KeyCorp is required to adopt this amendment to the Regulations.

The Board of Directors of KeyCorp unanimously recommends that the shareholders vote FOR adoption of this amendment to the Regulations.

Issue Three

INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors of KeyCorp has appointed Ernst & Young LLP (Ernst & Young) as KeyCorp s independent auditors to examine the financial statements of KeyCorp and its subsidiaries for the year 2008. The Board of Directors recommends ratification of the appointment of Ernst & Young. The favorable

vote of the holders of a majority of the KeyCorp Common Shares represented in person or by proxy at the Annual Meeting will be required for such ratification.

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

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

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

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EXECUTIVE OFFICERS

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

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

Set forth below are the names and ages of the executive officers of KeyCorp as of January 1, 2008, positions held by them during the past five years and the year from which held, and, in parentheses, the year they first became executive officers of KeyCorp.

THOMAS W. BUNN (54)

2005 to present: Vice Chair, KeyCorp; 2002-2005: Senior Executive Vice President, KeyCorp. (2002)

PAUL N. HARRIS (49)

2003 to present: Executive Vice President, General Counsel, and Secretary, KeyCorp; 2000-2003: Partner, Thompson Hine LLP (law firm). (2004)

CHARLES S. HYLE (56)

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

HENRY L. MEYER III (58)

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

BETH E. MOONEY (52)

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

ROBERT L. MORRIS (55)

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

THOMAS C. STEVENS (58)

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

JEFFREY B. WEEDEN (51)

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

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COMPENSATION DISCUSSION AND ANALYSIS

Philosophy and Objectives

The overall aim of the compensation and benefits programs is to align the interests of KeyCorp executives with the interests of shareholders. The programs are designed to support this overall aim in two primary ways.

First, KeyCorp strives to attract, retain and motivate a talented team of executives that is capable of leading the company and delivering strong corporate performance to shareholders.

Second, KeyCorp s compensation and benefits programs ensure that performance goals and compensation reflect a pay-for-performance philosophy. Executives receive compensation that reflects how the company performs relative to strategic goals as well as compared to its peers. When KeyCorp performs well, compensation is higher. When KeyCorp s performance falls short of annual and long-term strategic goals or does not match that of its peers, compensation declines.

Elements of Total Compensation

For 2007, KeyCorp paid base salary, a short-term (annual) incentive award largely in cash, and a long-term incentive award, one-half of which is delivered in performance shares and one-half as stock options under the plans described below. Consistent with KeyCorp s compensation philosophy, the Compensation and Organization Committee, which KeyCorp refers to as the Compensation Committee, believes that the best way to motivate its executives to enhance shareholder return is to place a relatively large portion of their compensation at risk that is, contingent upon the achievement of pre-established performance objectives. This is the incentive compensation portion of an executive s pay. KeyCorp s incentive compensation is delivered through both short-term and long-term award opportunities in order to balance short-term earnings with the need to make investments in the long-term viability of the business. Base salary is the portion of each executive officer s total compensation that is fixed, or not at risk.

Under KeyCorp s compensation philosophy, the mix of base salary, annual incentive, and long-term incentive varies with the executive s responsibilities and authority. Specifically, the Compensation Committee believes that the compensation of executives who set the overall strategy for the business and have the greatest ability to execute that strategy should be predominantly based on performance. Consequently, for 2007, at least 80% of the target compensation of the CEO and the other named executive officers is based on performance, with over one-half of the target total compensation of the CEO, CFO and CAO based on the achievement of results measured over a three, or in the case of options, a ten-year period. The Line of Business Heads have about 45% of their target total compensation tied to the achievement of corporate long-term results.

The table below shows how total compensation was allocated among salary and incentive compensation for the CEO and the other named executive officers for 2007.

	Base Compensation	Annual Incentive Target	Long-term Incentive Target
CEO	14%	30%	56%
CFO/CAO	20%	24%	56%

Community Banking Head	20%	35%	45%
National Banking Head	12%	44%	44%

As discussed in further detail below, the Compensation Committee established these compensation levels for the named executive officers after considering market survey data and compensation practices of KeyCorp s peer group. This determination of market-driven pay is consistent with KeyCorp s compensation philosophy and is described below.

Peer Group Comparisons

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

Since 2002, the Compensation Committee has determined that the appropriate peer group for pay and performance comparisons is the large super-regional banks, as defined by the Standard and Poor s Regional Bank Index and Diversified Bank Index (formerly the S&P Bank Index). These indices are appropriate for benchmarking executive pay and company performance for three reasons:

- The indices consist of financial services firms with diversified business mixes;
- KeyCorp competes with these firms for customers and executive talent; and
- The firms in the indices (including KeyCorp) are selected by Standard and Poor s for use as published indices. Therefore, they are selected independent of KeyCorp and there is no possibility that the pay or performance information used for comparison purposes could be skewed.

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

- BB&T Corp.
- Comerica Inc.
- Commerce Bancorp
- Fifth Third Bank
- First Horizon
- Huntington Bancshares
- M&T Bank
- Marshall & Ilsley
- National City Corp.

PNC Financial

Regions Financial

SunTrust Banks

U.S. Bancorp

Wachovia Corp.

Wells Fargo

Zions Bancorp

The Compensation Committee engaged Mercer Human Resource Consulting, Inc. as its external executive compensation consultant to analyze the financial and market performance for KeyCorp and its peers annually.

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Mercer has agreed that this peer group continued to be appropriate for KeyCorp s pay and performance benchmarking for 2007.

Some KeyCorp executives lead businesses whose primary competitors are not in KeyCorp s corporate peer group because of their size or product offerings. In those cases, the Compensation Committee will consider data from direct market competitors bank and non-bank in addition to corporate peer group data. For example, KeyCorp s national banking business engages in capital markets, leasing and real estate activities, which are often beyond the scope of many of the banks in the peer group. Consequently, the Compensation Committee reviews survey data for entities engaged in those other activities to determine the target pay for KeyCorp s head of the national banking business (Mr. Bunn). Many of the entities surveyed in 2007 are divisions of larger financial institutions, such as Bank of America, Citigroup, Deutsche Bank, JP Morgan Chase and RBC Capital Markets, that are not part of KeyCorp s peer group. The Committee has determined it is appropriate to supplement the peer group data in this case because pay practices for these business units vary from pay practices in the traditional banking businesses conducted by KeyCorp s peers. The Compensation Committee needs to be aware of these different compensation practices so that KeyCorp can effectively compete for talent with direct market competitors both within and outside the peer group.

Benchmarking Pay

Each year, the Compensation Committee in consultation with Mercer determines the market-driven pay in three steps.

1. *Obtain comparable compensation information.* The Compensation Committee obtains information from peer group or industry surveys regarding base salary and short and long-term incentive compensation for the CEOs and named executive officers of the entities within the peer group. Job responsibilities of comparable positions within the peer group entities are reviewed with management to confirm that the executives perform duties comparable to those required of KeyCorp s named executive officers.

2. *Analyze comparable compensation information.* The Compensation Committee develops preliminary base salary and short and long-term incentive compensation targets based on the 50th percentile in the survey data and recommendations from the CEO for his management team.

3. *Approve compensation amounts.* The Compensation Committee, working with Mercer, reviews the preliminary compensation targets at its regularly scheduled November meeting, at which time Committee members ask questions about the job comparison analysis and any changes in job responsibilities or the data. The Compensation Committee approves compensation targets for approximately 35 management positions (including the named executive officers) at its January meeting.

Benchmarking Performance

Selecting Incentive Award Metrics

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

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row has ensured a consistent focus for KeyCorp employees. However the Compensation Committee analyzes these measures and their weightings annually to ensure they remain appropriate.

As described below, each of these metrics offers a different benefit. The Compensation Committee and management believe the metrics as a group drive improved shareholder return and foster maximum value for KeyCorp s assets.

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

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

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

Mercer has evaluated these performance metrics and has confirmed to the Compensation Committee that EPS, ROE and EPA are strong indicators of corporate financial performance, demonstrate value creation and are important to the investment community, both individually and in combination.

Setting Goals

The Compensation Committee, with Mercer s assistance, sets the annual and long-term incentive goals required to earn threshold, target and maximum incentive compensation payout levels. As described below, this process takes several Committee meetings.

During the first quarter of each year, Mercer evaluates KeyCorp s annual financial objectives in the context of the market and current and forecasted peer group performance in order to assist the Compensation Committee in setting financial targets that will drive above median performance. In addition, the Line of Business Heads are each given a contribution margin goal for their overall lines of business to drive the corporate results and determine the level of incentive compensation that will be funded based on their line of business financial results.

Thereafter, on a quarterly basis, management tracks and reports to the Compensation Committee KeyCorp s performance regarding EPS growth, ROE, EPA and total shareholder return as compared to KeyCorp s financial objectives and the median performance achieved by the companies in the peer group.

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

Similarly, the CEO creates a scorecard for each direct report that sets individual performance goals that are aligned with his or her objectives. Each scorecard consists of the same five common categories with multiple financial and non-financial objectives. The scorecard for each Line of Business Head has business unit revenue, expense and EPA objectives focused on enhancing shareholder value, as well as objectives related to credit quality, regulatory compliance and leadership. The CFO and CAO also have scorecard objectives based upon their operating plans and objectives. The Compensation Committee approves the objectives but does not establish weightings for them for several reasons. First, many cannot be quantified. Second, each of the five common categories has multiple

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objectives. No single objective is more important than the others, and awards are not mathematically calculated. The Committee determines award payouts based on its subjective evaluation of management s performance against the scorecard objectives.

Assessing Performance against Goals

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

Assessing the Pay-for-Performance Process

Annually in May, the Compensation Committee studies the public disclosures of all banks in the peer group to compare pay practices and performance levels of KeyCorp and its peers. Among other things, this evaluation can confirm whether KeyCorp s pay-for-performance objectives were achieved. For example, after reviewing the compensation paid to peer CEOs in 2007 in relation to the 2006 performance of their respective companies, Mercer reported that KeyCorp s pay and performance (EPS, ROE and total shareholder return) for 2006 were both above median and thus appropriately aligned. From this, the Compensation Committee concluded that the techniques and analyses it used to set performance goals were effective in delivering pay levels consistent with a pay-for-performance compensation philosophy. Had the goal-setting mechanisms been judged ineffective, the Compensation Committee would have begun discussing how to change the process for future performance cycles.

Total Compensation Decisions

Base Salary

The Compensation Committee annually reviews and, if appropriate, adjusts each executive officer s base salary. For 2007, no adjustments were made to the base salaries of the CEO or any of the other named executive officers; each officer s base pay was consistent with the targeted percentage of pay discussed above, and none had fallen below the peer median for their position. Mr. Meyer received a base pay increase in 2006; the base pay of Messrs. Weeden, Stevens, and Bunn was last increased in March 2005 and Ms. Mooney has not received a base pay increase since she was hired in May 2006.

Incentive Compensation

The same techniques and analyses that have been effective in calibrating pay-for-performance in past years were also used in setting 2007 Annual Incentive Plan goals and the 2007-2009 Long-Term Incentive Plan goals. In particular, the Compensation Committee considered KeyCorp s operating plan for 2007, the outlook for the industry and KeyCorp s peer group, and the median performance of peer companies during the preceding three- and five-year periods. The assigned weights for 2007 and 2007-2009 were 50% for EPS and 25% each for ROE and

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EPA. These weightings reflect the significant value KeyCorp places on growth in earnings, which is an important measure for shareholders. In the first quarter of 2007, the Compensation Committee set both 2007 annual and 2007-2009 long-term performance objectives above the median of the peer group consistent with publicly stated long-term goals.

Incentive Compensation Plans

KeyCorp s annual incentive compensation plans award the achievement of annual operating and financial performance goals linked to the strategic plan established by the Board. KeyCorp has two incentive compensation plans: the Annual Performance Plan (which KeyCorp refers to as the Performance Plan) and the Annual Incentive Plan (which KeyCorp refers to as the Incentive Plan). The Performance Plan is a separate shareholder-approved plan for the CEO and his direct reports and the Incentive Plan determines awards to KeyCorp s executive officers (including the CEO and the other named executive officers).

The key features of these two plans are summarized in the narrative to the 2007 Grants of Plan-Based Awards Table below.

Annual Performance Plan

The primary function of the Performance Plan is to set a maximum aggregate award amount for the incentive awards paid to the CEO and his direct reports. Awards to the CEO and the other four highest paid executive officers under the Performance Plan are made using the exact same standards applied and the performance percentage calculated under the Annual Incentive Plan, which is discussed below.

For 2007, the bonus pool in the Performance Plan was set at no more than 0.5% of total revenue a measure consisting of net interest income and non interest income that emphasizes the importance of revenue growth by sharing a portion of it with the individuals in the best position to affect KeyCorp s results. This compares to 0.54% of total revenue in 2006. The Committee exercised its discretion to reduce the pool and as a result aggregate awards to the CEO and his direct reports were less than the amount created using this formula.

Annual Incentive Plan

As described above, the Compensation Committee annually establishes the financial and other goals that will determine awards under the Incentive Plan. To calculate the bonus pool for the Incentive Plan, the Compensation Committee multiplies the performance percentage by the aggregate target compensation that was established at the start of the year for achieving all performance goals. For this purpose, the performance percentage reflects how successful KeyCorp was in achieving the goals established for the preceding year.

Individual payouts are based on each executive officer s target compensation and the Committee s subjective assessment of performance against individual scorecard goals and contribution to KeyCorp s financial and strategic goals, taking into account the performance and contribution of the group or business line that the officer leads. Aggregate awards under the Incentive Plan for all the executives, together with awards for the CEO and his direct reports under the Performance Plan, may not exceed the bonus pool.

In 2007 the corporate targets were to achieve an EPS of $3.05, EPA of $337 million and an ROE of 15.93%. To certify awards at year-end 2007, the Compensation Committee measured KeyCorp s actual results for EPS, EPA and ROE and determined that performance fell below threshold for all three measures, which ordinarily would preclude incentive awards for any of the covered executives.

Although the amount of performance-based compensation funded for the named executive officers is initially determined based on absolute performance compared to pre-determined performance targets, the Compensation Committee retains discretion to evaluate corporate performance compared to the peer group and to make compensation adjustments when appropriate due to performance relative to peers, market conditions, or the competitive environment. The Compensation Committee may fund a pool at a percentage of target pay taking into account factors such as the quality of earnings, the overall performance of the economy and the industry, earnings per share growth and return on equity compared to peers, and other qualitative items.

For 2007, the Compensation Committee used its discretion to fund a pool of 40% of target pay for the Annual Incentive Plan participants. The Committee established a payout for the CEO at 20% of his target annual incentive compensation and for his direct reports including the other Named Executives a pool was funded at 35% of their target pay.

The Committee determined that it was appropriate to award bonuses despite performance that was at less than threshold levels of payout for several reasons. First, KeyCorp s ROE and EPS growth were above the median of the peer group during a very significant disruption in the financial services sector which impacted Key and all of its peers. Second, the Committee recognized several important decisions and accomplishments that enabled KeyCorp to be well prepared for the financial disruption compared to their peer group. KeyCorp entered the period with a strong capital position, a conservative liquidity and funding position and had made meaningful progress in improving the deposit to loan ratio. KeyCorp had exited subprime lending in early 2007, before the collapse of the market and had an immaterial amount of structured investment vehicles, collateralized loan or debt obligations or asset-backed commercial paper exposure. Once the disruption in the credit markets occurred, management responded with decisive actions such as conducting a thorough review of the commercial residential lending portfolio, exiting non-core businesses, conducting company wide cost reductions, and strengthening the loan loss allowance.

As stated above, awards to the CEO and his direct reports under the Performance Plan are made using the same standards applied and the performance percentage calculated under the Incentive Plan subject to the Compensation Committee s discretion to reduce awards. The CEO was awarded 20% of his annual compensation target due to the fact that the Company did not meet its business objectives and experienced credit quality issues. The National Banking head was awarded 17% of his annual compensation target due to the fact that the National Bank performed at 50% of its contribution margin objective as a result of market write-downs and credit quality issues. The Community Bank performed at 91% of its contribution margin objective and therefore the head of the business was awarded 58% of her annual compensation target. The CFO and CAO were awarded 40% of their targets in recognition of their proactive, disciplined management of operational, regulatory and financial risks.

Annual Incentive Restricted Stock Program

Beginning with annual incentive awards earned for 2007 performance paid in March 2008, twenty to thirty-three percent of all annual incentive awards greater than $100,000 are payable in a combination of cash and time-lapsed restricted stock under the Annual Incentive Restricted Stock Program. This program is designed to retain employees and to increase their stock ownership while allowing them to realize their rewards. This program replaced the Automatic Deferred Compensation Plan, and the details of the program are described in the narrative to the 2007 Grants of Plan-Based Awards Table on page 35 of this proxy statement. Employees who are eligible to retire (55 years of age with 5 years of service) as of December 31, 2006 are not required to participate in the Annual Incentive Restricted Stock Program, in which case annual incentive compensation earned for 2007 performance will be paid all in cash in 2008. The CEO is eligible to retire and has opted out of the Annual Incentive Restricted Stock Program for any incentive earned for 2007 performance. Therefore, the CEO s annual award of $412,000 was paid to him in cash. The other named executive officers participate in the plan and $1,098,750 was paid in cash and $202,700 was delivered in stock for 2007 incentives paid in 2008.

Long-Term Incentive Compensation

KeyCorp s Long-Term Compensation Plan is equity based and is designed to foster a long-term perspective. Long-term means a three-year period that corresponds with KeyCorp s strategic planning time frame. The Compensation Committee believes that equity-based plans align employees long-term financial interests with those of shareholders by increasing employees share ownership.

Historically, Key s primary form of equity compensation was stock options. In the past, at least 80% of an executive officer s long-term compensation consisted of options. However, beginning in 2004, KeyCorp moved away from such heavy reliance on options for several reasons. First, KeyCorp began to expense options in 2003 after adopting FAS 123(R), making options more costly to grant. Also, in 2003 KeyCorp needed to accelerate performance improvement and improve retention tools. Therefore, in 2004, the Compensation Committee decreased stock options to 50% of long-term incentive opportunity, and introduced restricted stock, a large portion of which is performance-based; to balance short-term focus on the market price of KeyCorp s stock with concern for specific long-term goals that will facilitate progress under KeyCorp s strategic plan.

All of the equity awarded to the CEO and his direct reports in 2007 was performance-based; they did not receive service-based equity (i.e., time-lapsed restricted stock). Their performance-based restricted stock are phantom stock, meaning all of their value is driven by the performance of KeyCorp s actual stock, but when the shares vest the owner receives their value in cash. These cash payments enable an executive to receive some of the intended value of the award without selling stock so long as he or she has met KeyCorp s stock ownership guidelines, which are discussed below.

A new long-term three-year performance cycle begins each year on January 1. Thus, there are currently three long-term incentive compensation plan performance cycles (2006-2008, 2007-2009 and 2008-2010.

The technical features of the long-term plan are described in the narrative to the 2007 Grants of Plan-Based Awards table on page 35 of this proxy statement.

Stock options vest one-third per year for three years from the date of grant. Performance-based restricted stock and performance shares vest three years from their grant date in appropriate amounts depending on KeyCorp s level of achievement of the defined performance goals at the end of the vesting period. This three year vesting schedule is consistent with the three year strategic planning cycle and provides some portion of the value to recipients over the three year period. These awards help retain key executives because all shares are forfeited if the executive is not employed by KeyCorp for the entire vesting period (except in the case of death, disability or retirement).

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The 2006 and 2007 awards were based on KeyCorp s defined cumulative EPS, EPA and ROE goals for the three-year period. The weights assigned to these metrics are the same as the weights assigned under the Incentive Plan. The targets for the 2005-2007 performance cycle were as follows:

1. Cumulative EPS of $8.40;

2. Cumulative EPA of $838 million; and

3. Average ROE of 15.22%.

At the end of the 2005-2007 performance cycle, the Compensation Committee assessed KeyCorp s performance relative to each factor and, based on that performance 74% of the performance shares vested for that cycle.

The value of the total target award is based on the median total long-term incentive award opportunity for comparable positions within KeyCorp s peer group. Thus, the total value of the long-term incentive award for the CEO is based on the median long-term incentive compensation of CEOs at peer companies. For the 2007-2009 performance cycle, the Compensation Committee awarded the CEO a target grant of 50,314 performance shares payable in cash. The award had a value of $2,000,000 based on a share price of $39.75 on the award date, and will vest three years from the grant date contingent upon KeyCorp s cumulative results on the three performance factors (EPA, EPS and ROE). Mr. Meyer also was awarded a stock option with an exercise price of $36.20 (the market value of a KeyCorp common share on the award date) covering 286,000 KeyCorp common shares, which will vest one-third each year for the next three years.

The Committee has decided to include time-lapsed restricted stock as 25% of the total long-term incentive opportunity of the CEO and his direct reports for the 2008-2010 performance cycle in order to enhance the retention value of the award in this time of uncertain market conditions where it is particularly difficult to set appropriate three year goals.

Equity Compensation-Shareholder alignment and executive retention

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

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

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

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

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

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

he or she must forfeit all unexercised covered options.

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

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

Award grant date. If the grant date is in a month in which earnings are released, the grant date would be the date of the Compensation Committee meeting or three days after the earnings release, whichever is later. Otherwise, the grant date is the date of the Compensation Committee meeting. The Board determined that performance-based shares should be granted at the same time that the Compensation Committee establishes performance goals, which is in the first quarter. Therefore, the total long-term incentive award is approved, and the restricted stock and performance shares are awarded, at the February meeting of the Compensation Committee. KeyCorp s options are awarded at the July meeting to correspond with the annual strategic plan review process. If unusual circumstances such as a significant acquisition or divestiture occur, the Compensation Committee has the discretion to alter the date on which awards are granted. The Committee has never done so.

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

Executive Stock Ownership Guidelines

The Compensation Committee believes that executives are aligned with shareholders interests by owning stock, and that ownership should extend beyond shares that are granted as a part of compensation. Therefore, KeyCorp has stock ownership guidelines for senior executives, as well as some specific requirements for beneficially owned shares (i.e., shares purchased by the individual outside of Key-sponsored plans). These guidelines are as follows:

The CEO should own common shares with a value equal to at least six times his annual salary, including a minimum of 10,000 beneficially owned shares. For this purpose, the value of the CEO s stock is determined quarterly, using the closing price at the end of the quarter.

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

Newly hired or promoted executives are encouraged to meet or exceed their required ownership levels within three years of the date they become subject to the guidelines, and are required to comply within five years. For example, Ms. Mooney joined KeyCorp in May 2006. By year-end 2007 she had exceeded the 5,000 share beneficial ownership requirement (she owned 10,813 shares) but she had not yet met the requirement that she own common shares equal to four times her salary.

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

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

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The Compensation Committee regularly reviews the stock ownership of the senior management team to monitor compliance with these guidelines and discusses ownership status with the CEO. At December 31, 2007, the named executive officers owned, in the aggregate, 185% of the common shares specified by the guidelines. As of December 31, 2007, the CEO and the other named executive officers all met the guidelines with the exception of Ms. Mooney, as described above.

Retirement Plans

KeyCorp provides opportunities for all employees to save for retirement in two benefit plans: a voluntary 401(k) Savings Plan and a company-funded Cash Balance Pension Plan. KeyCorp also has an Excess Cash Balance Pension Plan for certain executives and, until recently, sponsored an Excess 401(k) Plan and a voluntary Deferred Compensation Plan that provided senior managers with the opportunity to defer income until termination or retirement. To accommodate changes in government regulations and to simplify KeyCorp s benefits, the Excess 401(k) Savings Plan and the Deferred Compensation Plan were discontinued effective December 31, 2006, and balances were merged into a new Deferred Savings Plan. In combination, the current plans continue to provide a competitive benefit that balances employer and employee contribution and risk.

Savings Plans

KeyCorp s 401(k) Savings Plan is voluntary; employees are eligible to participate as of their first paycheck. KeyCorp matches employee pre-tax contributions, dollar-for-dollar, up to 6% of pay, by contributing KeyCorp common stock to each participant s plan account. Participants can choose among fourteen funds for investing their pre-tax contributions.

For all senior managers, effective December 30, 2006, Key established a Deferred Savings Plan a non-qualified plan designed to require executives to maximize participation in the qualified retirement plans prior to deferring additional income. The plan permits all senior managers to defer up to 50% of base salary and 100% of annual incentive awards greater than the annual IRS limit ($225,000 in 2007) and earn the same 6% company match with essentially the same investment options, except on a phantom basis, as those in the 401(k) Savings Plan until termination or retirement. All deferrals are vested immediately, and all 6% matches are vested after three years of service. All historical balances from the discontinued Deferred Compensation and Excess 401(k) Plans were transferred to the Deferred Savings Plan and are maintained in the same investment options as in the previous plans.

Pension Plans

After one year of employment, all employees who are at least 21 years old and have at least 1,000 hours of service are eligible to participate in the KeyCorp Cash Balance Pension Plan. The Pension Plan provides a quarterly benefit accrual to each participant based on compensation and years of service, and vests at five years of employment.

For all senior managers, Key also maintains the Excess Cash Balance Pension Plan, which offers the non-qualified retirement benefit that highly compensated employees would have received in the Cash Balance Pension Plan if not for the limitations imposed by the IRS. The Excess Cash Balance Pension Plan benefits vest once an employee attains age 55 with five years of service.

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Finally, Key maintains the Second Supplemental Retirement Plan (SSRP), which was frozen to new participants in 1995. The SSRP provides participants with a retirement benefit that equals up to 63% of final average compensation when combined with the participant s Cash Balance Pension Plan benefit and age 65 Social Security benefit. As a long service (35 years) executive, the CEO is one of the three remaining participants in this plan (no other participant is a named executive officer). In general, pension plans that calculate a benefit based on final average pay are more generous than the current norm, particularly for very long tenured employees. However, since final average pension plans were common when KeyCorp s plan was in effect, and the participants each have a long tenure with KeyCorp and reasonably relied on the benefit, the Compensation Committee felt that it was appropriate for KeyCorp to honor its SSRP commitment. All executives hired since 1995 participate in the same plans as all other employees of similar age, tenure, and level.

Deferred Compensation

KeyCorp replaced the mandatory Automatic Deferred Compensation Plan with the Annual Incentive Restricted Stock Program as discussed above. The balances maintained in the Automatic Deferred Compensation Plan will vest according to the original schedule. The voluntary Deferred Compensation Plan was discontinued and the balances were merged into the new Deferred Savings Plan on January 1, 2007. All participants were given one opportunity to make an irrevocable distribution election for the combined historical balances from the Deferred Compensation and Excess 401(k) Plans. The CEO participated in the Excess 401(k) Plan. Messrs. Stevens, Weeden and Bunn participated in both the Deferred Compensation and Excess 401(k) plans and Ms. Mooney participated in the Deferred Compensation Plan.

Tax treatment under Code Section 162(m)

The Internal Revenue Code Section 162(m) precludes a public company from taking an income tax deduction for compensation in excess of $1 million for its CEO and some other senior executives. Certain performance-based compensation is exempted from this limitation. The Committee regularly considers the steps which might be in the company s best interests to comply with Section 162(m), while retaining discretion to award compensation which would not comply with the Section 162(m) requirements for deductibility if the Committee concludes that this is in the Company s best interests.

Executive Benefits

The Compensation Committee annually reviews the executive benefits that senior managers receive. The primary executive benefit for senior managers is reimbursement for tax preparation and financial planning services. Total expenditures for the CEO and his direct reports for these services are minimal.

The CEO is provided a home security system valued at approximately $2,500 per year. He does not use the corporate aircraft for personal reasons, nor does he provide it to others for personal use.

The Compensation Committee believes that luncheon and country clubs can serve as appropriate forums for building client relationships and for community interaction. KeyCorp pays for club memberships for select members of management based on demonstrable business requirements, which are reviewed annually.

Executive officers participate in the same health and welfare plans (medical, dental, life and long-term disability insurance), charitable gift match (up to $2,000 per employee year, or $4,000 per year if an employee is a member of the board of a qualifying non-profit organization), and discount programs on Key s products that are available to all employees of similar age and years of service.

The Compensation Committee regularly reviews KeyCorp s executive benefits and believes they are appropriate and modest when compared to those of peer companies and are necessary to attract and retain high-caliber talent, particularly given the active consolidation environment in the industry.

Severance Benefits

KeyCorp maintains a Separation Pay Plan for all employees, including the CEO s direct reports. The CEO has an Employment Agreement and, consequently, the Separation Pay Plan would not be applicable. The Separation Pay Plan will assist an employee if his or her position is eliminated or modified and no other comparable position is available at a Key location in the same geographic area. The separation pay benefit ranges from two weeks of base salary to 52 weeks of base salary, depending on years of service and job level. The separation pay benefit for senior managers is 52 weeks of base salary upon hire to reflect the longer time period required for these individuals to find comparable employment. In the event a named executive officer is terminated following a change of control, the executive will not be paid under the Separation Pay Plan, but rather under his or her change of control agreement described below.

For all employees, separation pay is paid through salary continuation installments. Employees are eligible to continue medical and dental benefits under COBRA on a pre-tax basis at the Key employee rate during the salary continuation period. (This counts as part of the 18-month COBRA period for the continuation of health coverage.) Participation in all other benefits, such as the 401(k) Savings Plan, the Cash Balance and Excess Cash Balance Pension Plans, life insurance and disability coverage, cease when the salary continuation period begins.

Change of Control

Change of control agreements are designed to help retain executive talent, minimize the possibility of financial loss to the affected company, and provide a financial bridge for executives in the event of job loss. There has been a great deal of merger and acquisition activity in the financial services industry and the Board believes it is in the best interests of shareholders if a select group of KeyCorp s executive officers are able to objectively evaluate the possible merits of a change-of-control transaction without being distracted by the potentially adverse impact on themselves. Also, the existence of a change-of-control benefit helps KeyCorp to attract senior executives.

The benefits and eligibility structure under KeyCorp s change of control arrangements have been generally consistent since 1995. However, in 2005, the Compensation Committee re-evaluated KeyCorp s agreements with the assistance of Mercer, the Committee s independent compensation consultant. After reviewing peer company practices and market trends, the Compensation Committee approved reductions in certain features of KeyCorp s change of control agreements and severance policies. These modifications established two tiers of benefits: Tier 1 for the CEO s direct reports and nine other executives, and Tier 2 for ten executives. The CEO has a separate Employment Agreement which contains Tier 1 level change of control benefits. The terms of this Employment Agreement as well as the Change of Control agreements are described in detail in the narrative to the Employment and Severance Arrangement Table below.

The Committee has considered the aggregate compensation payable to the CEO and other senior executives under a variety of scenarios, such as upon retirement or under a change-of-control situation, to ensure that the

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amount of pay is consistent with KeyCorp s compensation philosophy and that the total potential value of all change of control agreements with KeyCorp executives is not disproportionate to the company s overall market value.

KeyCorp s change-of-control agreements provide benefits if one of two things happens: the executive s employment is terminated, or the executive is constructively discharged within two years after a change of control. For these purposes, an executive is considered constructively discharged if his or her job is relocated or compensation is significantly decreased. A lump sum severance benefit of three times earnings (as defined below) is paid under the Tier 1 Agreements; Tier 2 Agreements pay a severance benefit of two times earnings. For the CEO and all named executive officers that were covered by change-of-control agreements prior to 2005, earnings are defined as base salary plus the average of annual incentive plus 50% of long-term incentive compensation. Agreements executed after 2005, such as Ms. Mooney s, exclude long-term incentive from the earnings definition.

Terminated executive officers may continue to participate in all applicable retirement plans for three years. In addition, KeyCorp will reimburse executives for the cost of continuing medical and dental benefits under COBRA for up to the 18-month COBRA period or until the executive becomes employed. All stock options vest immediately upon a change of control, and restricted stock vests if the employee is terminated within two years after a change of control. In addition, terminated employees are entitled to receive any vested benefits that they otherwise would have received under all applicable retirement and deferred compensation plans. These benefits are paid according to the plan provisions and are not increased or accelerated. The change of control agreements also provide an 18 month benefit (instead of 3 years in the Tier 1 or 2 years in the Tier 2 Agreements) if the executive terminates his or her employment during a 3 month period starting 15 months after the change-of-control.

Tier 1 agreements provide a tax gross up for all Internal Revenue Code Section 4999 taxes imposed as a result of change-of-control benefits.

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COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

2007 SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid by KeyCorp in 2007 to the CEO, CFO and each of the three highest paid executive officers of KeyCorp other than the CEO and CFO for the year ended December 31, 2007.

d principal position	Year	Salary ($) As of 12/31/2007	Bonus ($)	Stock awards ($)(1)	Option awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All other compensation ($) (see chart below)	Tot
Meyer Chairman of & CEO (4)	**2007**	1,000,000		(749,353)	1,963,139	412,000	3,418,210	313,464	6,
	2006	992,308		2,658,239	1,885,540	2,966,400	3,167,278	355,157	12,
Weeden Chief Officer(5)	**2007**	525,000		(188,105)	653,789	250,000	82,360	104,233	1,
	2006	525,000		840,514	581,341	875,000	83,525	106,210	