KEYCORP /NEW/
Form DEF 14A
March 29, 2013
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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 ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

## KeyCorp

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement)**

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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

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(4) Proposed maximum aggregate value of transaction:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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127 PUBLIC SQUARE

CLEVELAND, OHIO 44114

March 29, 2013

Dear Shareholder,

We are pleased to invite you to attend KeyCorp s 2013 Annual Meeting of Shareholders on Thursday, May 16, 2013. The meeting will be held at One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio 44114, beginning at 8:30 a.m., local time.

The notice and proxy statement contain important information about proxy voting and the business to be conducted at the meeting. We encourage you to read it carefully before voting. We hope you will attend the meeting, but even if you plan to attend, we encourage you to vote your shares by telephone, over the internet, or by returning your completed proxy card to us.

Every shareholder vote is important and we want to ensure your shares are represented at the meeting. Please vote your shares as promptly as possible.

Thank you for your support of KeyCorp. We look forward to seeing you at the annual meeting.

Sincerely,
Beth E. Mooney
Chairman of the Board

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127 PUBLIC SQUARE

CLEVELAND, OHIO 44114

# Notice of Annual Meeting of Shareholders of KeyCorp

| | |
|---|---|
| **Date and Time:** | Thursday, May 16, 2013 at 8:30 a.m., local time |
| **Place:** | One Cleveland Center<br>1375 East Ninth Street<br>Cleveland, Ohio 44114 |
| **Items of Business:** | At the meeting, the shareholders will vote on the following matters:<br>1. Election of the 12 directors named in the proxy statement to serve for one-year terms expiring in 2014,<br>2. Ratification of 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, 2013,<br>3. Advisory approval of KeyCorp s executive compensation,<br>4. Approval of KeyCorp s 2013 Equity Compensation Plan, and<br>5. The transaction of such other business as may properly come before the meeting or any postponement or adjournment thereof. |
| **Record Date:** | Shareholders of record of KeyCorp Common Shares at the close of business on March 19, 2013 have the right to receive notice of and to vote at the Annual Meeting and any postponement or adjournment thereof. |
| **Delivery of Proxy Materials:** | We will mail the Notice of Internet Availability of Proxy Materials to our shareholders on or about April 4, 2013. On or about the same day, we will begin mailing paper copies of our proxy materials to shareholders who have requested them. |
| **Internet Availability of Proxy Materials:** | ***Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 16, 2013***: Our 2013 proxy statement, proxy card, 2012 Annual Review and 2012 Annual Report on Form 10-K are available at *www.envisionreports.com/key.* |
| **Voting:** | It is important that your shares are represented and voted at the meeting. You may vote your shares by telephone, the internet, or by mailing your signed proxy card in the enclosed return envelope if the proxy statement was mailed to you. If you decide to attend the meeting, you may withdraw any previously voted proxy and vote personally on any matter properly brought before the meeting. |

By Order of the Board of Directors

Paul N. Harris
Secretary

March 29, 2013

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# Proxy Statement Summary

This summary contains highlights of information contained elsewhere in our proxy statement. This summary does not contain all information that you should consider, and you should read the entire proxy statement carefully for complete information before you vote.

## 2013 Annual Meeting Information

| | |
|---|---|
| **Date and Time:** | Thursday, May 16, 2013 at 8:30 a.m., local time |
| **Place:** | One Cleveland Center,<br>1375 East Ninth Street,<br>Cleveland, Ohio 44114 |

## Proposals for the 2013 Annual Meeting

| Proposal | Page | Board Recommendation |
|---|---|---|
| 1. Election of Directors<br><br>You are being asked to elect 12 directors. Two of our current directors, Messrs. Sanford and Stevens, will retire from our Board when their respective terms end at the Annual Meeting. Each of our other current directors is standing for election to hold office until the next annual meeting of shareholders or until his or her successor is duly elected or qualified. Effective with Messrs. Sanford s and Stevens retirements, our Board will have 12 members. | **3** | **FOR** all nominees |
| 2. Auditor Ratification<br><br>We are asking shareholders to ratify our Audit Committee s appointment of our current independent auditor, Ernst & Young LLP, as our independent auditor for fiscal year 2013. One or more representatives of Ernst & Young will be present at the meeting, will be given the opportunity to present a statement, and will be available to respond to appropriate questions from shareholders. | **58** | **FOR** |
| 3. Say-on-Pay<br><br>We are asking shareholders to give advisory approval of compensation for KeyCorp s Named Executive Officers (as defined in the Compensation Discussion and Analysis section beginning on page 27 of this proxy statement). This advisory vote is held on an annual basis. | **59** | **FOR** |
| 4. 2013 Equity Compensation Plan<br><br>We are asking for your approval of KeyCorp s 2013 Equity Compensation Plan for KeyCorp s employees and non-employee directors. A copy of the 2013 Equity Compensation Plan is attached to this proxy statement as Appendix A. | **60** | **FOR** |

## 2012 Performance Highlights

KeyCorp achieved strong business results for the fiscal year ended December 31, 2012, including net income from continuing operations attributable to Key Common Shareholders of $827 million, or $0.88 per Common Share. This strong financial performance was driven by our success on a broad range of initiatives that are intended to position us for future growth:

On July 13, 2012, we completed our acquisition of 37 retail banking branches in Western New York, adding approximately $2 billion in assets and deposits to our balance sheet.

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On August 1, 2012, we acquired approximately $718 million of Key-branded credit card assets from Elan Financial Services as part of our strategy to diversify our revenue stream.

We continued our work toward our goal of achieving an expense run-rate reduction of $150 to $200 million by the end of 2013. We achieved $60 million in annualized expense savings in 2012, exceeding the original goal set for the year.

Additionally, in accordance with the capital plan that we submitted in January 2012 to the Federal Reserve, our Board of Directors announced a Common Share repurchase program in the amount of $344 million in March 2012, and approved an increase in our quarterly cash dividend and declared a quarterly cash dividend of $0.05 per Common Share, or $0.20 per Common Share on an annualized basis, in May 2012. In connection with our January 2013 capital plan submission which was not objected to by the Federal Reserve, our Board of Directors announced a Common Share repurchase program in the amount of $426 million, and will consider increasing our quarterly cash dividend to $0.055 per Common Share, at the Board s May 2013 meeting.

# Executive Compensation

We emphasize performance-based compensation, with approximately 85% and 77% of target total direct compensation being tied to performance for our Chief Executive Officer and other Named Executive Officers (as defined on page 27 of this proxy statement), respectively. Our Named Executive Officers compensation opportunities are dependent upon achieving a balanced mix of financial and strategic goals directly aligned with our approved risk tolerances.

**Chief Executive Officer s Pay Mix**

**Other Named Executive Officers Pay Mix**

In 2012, we revised our compensation program to require the deferral of a fixed percentage of our Named Executive Officers total incentive award over a multi-year period subject to risk-based vesting at least 60% for our Chief Executive Officer and at least 50% for our other Named Executive Officers.

With respect to the financial metrics that were used as targets for our 2012 short-term incentive plan, we achieved a return on average assets from continuing operations in 2012 of 1.05%, completing our second consecutive year of a return on average assets above 1% and within our strategic target range. We increased 2012 pre-provision net revenue by $38 million or 2.9% over 2011, demonstrating improved noninterest income resulting from the early termination of leveraged leases, net gains from loan sales, and the redemption of trust preferred securities. For 2012, KeyCorp had earnings per share

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of $0.88, well within the upper end of the target range set for this metric by the Compensation and Organization Committee in early 2012. Certain of these financial metrics are defined in more detail on page 41 of this proxy statement.

Based on our performance in 2012, our short-term incentive plan was funded at 110% of target. Ms. Mooney and Messrs. Weeden and Stevens participate in our short-term incentive plan and achieved 110% of their short-term targets. Mr. Gorman and Mr. Koehler, due to their roles as the President of the Corporate Bank and the President of the Community Bank, respectively, participate in a modified short-term incentive structure that reflects the KeyCorp performance scorecard (75% of short-term incentive) and the performance of each officer s respective line of business (25% of short-term incentive). Mr. Gorman and Mr. Koehler achieved a blended rate of 130% and 103% of their short-term targets, respectively.

The following table sets forth both the annual and long-term incentive compensation awards of our Named Executive Officers, including the percentage of the incentive award that was subject to mandatory deferral:

| Name | 2012 Short-Term Incentive ($)[1] | 2013 LTI Award ($)[2] | Total Incentive Award ($) | % of Total Incentive Award Deferred |
|---|---|---|---|---|
| **Beth E. Mooney** | 2,035,000 | 4,000,000 | 6,035,000 | 66% |
| **Jeffrey B. Weeden** | 650,000 | 1,400,000 | 2,050,000 | 68% |
| **Thomas C. Stevens** | 594,000 | [3] | 594,000 | % |
| **Christopher M. Gorman** | 1,500,000 | 1,900,000 | 3,400,000 | 56% |
| **William R. Koehler** | 775,000 | 1,300,000 | 2,075,000 | 63% |

(1) Represents short-term incentive earned in 2012 and awarded in early 2013.

(2) Reflects 2013 LTI Award (as that term is defined on page 29 of this proxy statement) consisting of long-term incentives granted in early 2013 based on a combination of 2012 performance and expected future contributions.

(3) Due to Mr. Stevens previously announced retirement, effective June 30, 2013, he did not receive a 2013 LTI Award.

For further discussion, see our Compensation Discussion and Analysis begins on page 27 of this proxy statement and our Summary Compensation Table on page 42 of this proxy statement.

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# Director Nominees

| Name | Age | Director Since | Independent | Committee Memberships |
|---|---|---|---|---|
| **Edward P. Campbell** | 63 | 1999 | Yes[1] | Compensation and Organization (Chair)<br>Nominating and Corporate Governance |
| **Joseph A. Carrabba** | 60 | 2009 | Yes | Compensation and Organization<br>Nominating and Corporate Governance<br>Executive |
| **Charles P. Cooley** | 57 | 2011 | Yes[2] | Audit<br>Executive |
| **Alexander M. Cutler** | 61 | 2000 | Yes[3] | Compensation and Organization<br>Nominating and Corporate Governance (Chair)<br>Executive |
| **H. James Dallas** | 54 | 2005 | Yes | Risk (Chair)<br>Nominating and Corporate Governance |
| **Elizabeth R. Gile** | 57 | 2010 | Yes[1] | Risk |
| **Ruth Ann M. Gillis** | 58 | 2009 | Yes[2] | Audit (Chair)<br>Nominating and Corporate Governance |
| **William G. Gisel, Jr.** | 60 | 2011 | Yes | Risk |
| **Richard J. Hipple** | 60 | 2012 | Yes | Risk |
| **Kristen L. Manos** | 53 | 2009 | Yes | Audit<br>Executive |
| **Beth E. Mooney** | 57 | 2010 | No | Executive (Chair) |
| **Barbara R. Snyder** | 57 | 2010 | Yes | Compensation and Organization<br>Executive |

(1) Qualifies as an audit committee financial expert, but does not serve on the Audit Committee.

(2) Qualifies as an audit committee financial expert.

(3) Serves as KeyCorp s Lead Director.

# Corporate Governance

We are committed to meeting high standards of ethical behavior, corporate governance, and business conduct. Some highlights of our corporate governance practices include:

**Director Elections**

Annual elections for all directors
Majority voting in uncontested elections (Page 3)
Director skills and qualifications (Page 3)

**Board Independence**

Other than Ms. Mooney, all director nominees are independent under the New York Stock Exchange s and KeyCorp s standards of independence (Page 16)
Standing Board committees consist solely of independent directors (Page 14)
Lead Director Alexander M. Cutler (Page 14)

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**Standing Board Committees**

Audit Committee 14 meetings in 2012 (Page 10)
Compensation and Organization Committee 10 meetings in 2012 (Page 11)
Nominating and Corporate Governance Committee 6 meetings in 2012 (Page 12)
Risk Committee 7 meetings in 2012 (Page 14)

**Board Practices and Policies**

The independent directors met in executive session at every regularly scheduled 2012 Board meeting
98.2% average attendance by directors at Board and committee meetings
Governance policies are disclosed on Key s website at *www.key.com/ir*

¡ Director retirement policy
¡ Director and senior executive officer stock ownership guidelines

Clawback policy (Page 29)
Expanded Lead Director Role (Page 14)
Active Shareholder Engagement Program (Pages 14 and 32)
Board Oversight of Risk (Page 15)
Communications with the Board (Page 18)
Insider Trading Policy prohibits the hedging or pledging of Common Shares by directors or the management committee (Page 31)
No Tax Gross-Ups on Perquisites or on a Change of Control (Page 30)

# Voting Information

| | |
|---|---|
| **Who May Vote:** | Shareholders of record as of the close of business on March 19, 2013. |
| **Voting by Internet:** | Registered holders can go to *www.envisionreports.com/key* and follow the instructions. If you hold your shares in street name, please follow the instructions found on your voting instruction form. |
| **Voting by Telephone:** | Follow the instructions in the Notice of Internet Availability of Proxy Materials or on the proxy card. |
| **Voting by Mail:** | Complete, sign, and date the proxy card and return it in the envelope provided if the proxy statement was mailed to you. |

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127 PUBLIC SQUARE

CLEVELAND, OHIO 44114

# Proxy Statement

This proxy statement is first being mailed to our shareholders on or about April 4, 2013 in connection with the solicitation on behalf of KeyCorp s Board of Directors of shareholder proxies to be voted at the 2013 Annual Meeting of Shareholders to be held on May 16, 2013 (the Annual Meeting ), and at all postponements and adjournments thereof. All holders of record of KeyCorp Common Shares at the close of business on March 19, 2013 are entitled to vote. On that date, there were 923,117,024 KeyCorp Common Shares outstanding and entitled to vote at the meeting.

KeyCorp employs the cost-effective and environmentally-conscious notice and access delivery method that allows us to give our shareholders access to the full set of our proxy materials over the internet. As a result, beginning on or about April 4, 2013, we are sending to most of our shareholders, by mail or e-mail, a notice detailing how to access our proxy materials on the internet and to vote online. The notice is not a proxy card and cannot be used to vote your shares.

# General Information About the 2013 Annual Meeting

**Matters to Be Presented**

KeyCorp s Board of Directors (sometimes referred to herein as the Board of Directors or the Board ) does not know of any matters to be presented at the Annual Meeting other than those described in this proxy statement. However, if other matters properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting, the person or persons voting your shares according to the instructions you provided by proxy card, internet, or telephone will vote your shares in accordance with their best judgment on such matters.

**How Votes Will Be Counted**

Each KeyCorp Common Share is entitled to one vote on each matter to be considered at the Annual Meeting.

To transact business at the Annual Meeting, a majority of the outstanding KeyCorp Common Shares must be present either in person or by proxy. This is known as a quorum. If you have returned a valid proxy, your shares will be counted for the purpose of determining whether there is a quorum.

You may vote FOR or AGAINST or choose to ABSTAIN from voting for each nominee for the Board of Directors and for each of the other proposals. Generally, choosing to ABSTAIN from a vote is counted as a vote AGAINST a particular proposal. However, a vote to ABSTAIN from the election of any director (as in Proposal One of this proxy statement) will not be counted FOR or AGAINST that director. Even if you choose to ABSTAIN on any or every proposal, your proxy still will be counted towards the quorum.

A broker s ability to vote your shares on your behalf is governed by the rules of the New York Stock Exchange. Without your specific instruction, your broker or other nominee may only vote your shares on routine proposals. A broker non-vote occurs when a broker submits a proxy on your behalf but leaves certain proposals (typically, the non-routine proposals) unvoted. Broker non-votes will be counted towards the quorum at the Annual Meeting. The further effect of your broker s non-vote

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depends on whether the non-vote relates to a routine or non-routine proposal. Your broker s non-vote with respect to Proposals One, Three, and Four, which the New York Stock Exchange considers non-routine proposals, will not be counted FOR or AGAINST that proposal. Proposal Two is considered a routine matter than your broker may vote on without your instruction.

You are urged to vote your KeyCorp Common Shares promptly by telephone, the internet, or by mailing your signed proxy card in the enclosed envelopes to ensure your shares are voted at the meeting. KeyCorp Common Shares represented by properly executed proxy cards, internet instructions, or telephone instructions will be voted in accordance with any specification made. If no specification whatsoever is made on an otherwise properly executed proxy card or your internet vote makes no specification whatsoever, *except in the case of broker non-votes* the proxies will vote FOR the election of the nominees named herein as directors (Proposal One of this proxy statement), FOR the ratification of the appointment of Ernst & Young as independent auditors for the fiscal year ending December 31, 2013 (Proposal Two of this proxy statement), FOR advisory approval of KeyCorp s executive compensation (Proposal Three of this proxy statement), and FOR approval of KeyCorp s 2013 Equity Compensation Plan (Proposal Four of this proxy statement).

**Revoking Your Proxy**

You may revoke your previously submitted proxy at any time prior to its exercise at the Annual Meeting by: (i) filing a notice to revoke the proxy with the Secretary of KeyCorp, (ii) filing a subsequently dated proxy (whether by proxy card, internet, or telephone), or (iii) by attending the Annual Meeting and electing to vote your shares in person. Even if you plan to attend the Annual Meeting in person, you are encouraged to vote your shares by proxy. Your mere presence at the Annual Meeting will not automatically revoke your previously submitted vote.

**Cost of Proxy Solicitation**

KeyCorp will bear all of the expense of preparing, printing, and mailing these proxy materials. Officers and other employees of KeyCorp and its subsidiaries may solicit the return of proxies, but will not receive any additional compensation for these efforts. KeyCorp has engaged D.F. King to assist in the solicitation of proxies at an anticipated cost of $12,500 plus expenses. KeyCorp will request that brokers, banks, custodians, nominees, and other fiduciaries send proxy materials to all beneficial owners and upon request will reimburse them for their expenses. Solicitations may be made by mail, telephone, or other means.

**Attending the Annual Meeting**

<u>In Person</u>

If you attend the Annual Meeting in person, you will be asked to present photo identification, such as a state-issued driver s license. If you are a holder of record, the top half of your proxy card or your Notice of Internet Availability serves as your admission ticket. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or a letter from your bank or broker are examples of proof of ownership. If you want to vote your shares held in street name in person at the meeting, you must obtain and bring with you a legal proxy in your name from the broker, bank, or other nominee that holds your shares.

<u>Internet Access</u>

You may listen to the Annual Meeting on the Internet by visiting our website: *www.key.com/ir*. You may wish to visit the website a few minutes prior to the start of the meeting if you need to download any required software.

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# PROPOSAL ONE:

# Election of Directors

In accordance with KeyCorp s Amended and Restated Code of Regulations (the Regulations ), the Board of Directors has been fixed at 12 members, effective as of the Annual Meeting. Messrs. Sanford and Stevens will continue to serve as directors of KeyCorp until this Annual Meeting, when each will retire and their respective terms as directors will end. Under the Regulations, directors are elected to one-year terms that expire at each annual shareholder meeting. If elected, the 12 director nominees will serve one-year terms expiring at the 2014 annual shareholder meeting (or until their respective successors are elected and qualified).

The director nominees for this Annual Meeting are listed below. All nominees are current members of the Board. Should any nominee be unable to accept nomination or election, the proxies will be voted for the election of a substitute nominee recommended by the Board. Alternatively, the Board may, at its option, recommend a vote to hold a vacancy to be filled by the Board at a later date. The Board has no reason to believe that any of the individuals identified below will be unable to accept nomination or election.

KeyCorp has adopted majority voting in uncontested elections of directors and plurality voting in contested elections. In an uncontested election, a nominee must receive a greater number of votes FOR than AGAINST his or her election. If an incumbent nominee receives more AGAINST votes than FOR votes, the nominee will be elected as a holdover director and must submit an offer to resign as a director to the Board. Thereafter, the Nominating and Corporate Governance Committee of the Board will consider the holdover director s resignation and will submit its recommendation to accept or reject the resignation to the Board. The Board (excluding the holdover director) will act on the Committee s recommendation and publicly disclose its decision.

The next pages set forth each director nominee s biographical information and information concerning his or her qualifications to serve as a director of KeyCorp. The information provided is as of January 1, 2013 unless otherwise indicated. The following chart summarizes each director nominee s skills, qualifications and relevant experience.

## Director Qualifications and Experience

| Name | Financial Expert | Specialized Industry Skills | Committee Skills | Public Company Experience | M & A Experience | Risk Management | Banking or Financial Industry |
|---|---|---|---|---|---|---|---|
| **Edward P. Campbell** | Yes | Industrial (Foreign/Domestic) | All | Yes | Yes | | |
| **Joseph A. Carrabba** | | Mining/Environment | All | Yes | Yes | Yes | |
| **Charles P. Cooley** | Yes | Specialty Chemical | Audit | Yes | Yes | | Yes |
| **Alexander M. Cutler** | | Industrial (Foreign/Domestic) | All | Yes | Yes | | |
| **H. James Dallas** | | Technology | Risk/Audit | Yes | Yes | Yes | Yes |
| **Elizabeth R. Gile** | Yes | Risk Management | Risk | | | Yes | Yes |
| **Ruth Ann M. Gillis** | Yes | Utility | All | Yes | Yes | Yes | Yes |
| **William G. Gisel, Jr.** | | Food Services | Risk | | Yes | Yes | Yes |
| **Richard J. Hipple** | | Manufacturing | All | Yes | Yes | | |
| **Kristen L. Manos** | | Marketing/Manufacturing | Audit | Yes | | | |
| **Beth E. Mooney** | | Banking/Financial Services | | Yes | Yes | Yes | Yes |
| **Barbara R. Snyder** | | Education | All | | | | |

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# Nominees for Director

## EDWARD P. CAMPBELL

| | | |
|---|---|---|
| **Age:** 63 | **KeyCorp Committee(s):** | **Former Public Directorships** |
| **Director Since:** 1999 | Compensation and Organization (Chair) | **(in last five years):** |
| | Nominating and Corporate Governance | The Lubrizol Corporation (2009-2011) |
| | | Nordson Corporation (1994-2010) |
| | | OMNOVA Solutions, Inc. (1999-2009) |

Mr. Campbell previously served on the Risk Committee and the Audit Committee where he served as Chair. Mr. Campbell qualifies as an audit committee financial expert as that term is defined by the Securities and Exchange Commission.

In 2010, Mr. Campbell retired as Chairman, Chief Executive Officer and President of Nordson Corporation. Nordson is a multi-national maker of capital equipment, which as of 2012 had approximately 5,400 employees and direct operations and sales support offices in over 30 countries. Mr. Campbell joined Nordson in 1988 as Vice President of Corporate Development and rose to positions of greater responsibility. He was elected Chief Executive Officer in 1997 and Chairman of the Board and Chief Executive Officer in 2004.

Prior to joining Nordson, Mr. Campbell spent 11 years in operating and financial management positions at The Standard Oil Company/British Petroleum, with responsibility for such functions as capital markets, treasury, cash management, financial planning, pension asset management, equity and fixed income management, and investment management functions, including fixed income and foreign exchange and derivatives trading. Mr. Campbell also had experience leading the retail operations of the company.

Mr. Campbell has held leadership roles in a number of civic and community organizations.

## JOSEPH A. CARRABBA

| | | |
|---|---|---|
| **Age:** 60 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2009 | Compensation and Organization | Cliffs Natural Resources (since 2006) |
| | Nominating and Corporate Governance | Newmont Mining Corporation (since 2008) |
| | Executive | |

Since 2007, Mr. Carrabba has been the Chairman, President, and Chief Executive Officer of Cliffs Natural Resources, Inc. Cliffs is an international mining and natural resources company with 2012 revenues of $5.9 billion and approximately 7,600 employees. Mr. Carrabba joined Cliffs in 2005 as President and Chief Operating Officer and became President and Chief Executive Officer in 2006.

Mr. Carrabba joined Cliffs from Rio Tinto, a global mining company where he served for 22 years in a variety of leadership capacities at locations worldwide, including the United States, Asia, Australia, Canada, and Europe. Before relocating to Rio Tinto s Diavik Diamond Mines, Inc. in Canada s Northwest Territory where he served most recently as President, he spearheaded the development and implementation of Rio Tinto s Six Sigma initiative (an initiative using data measurements and statistics to identify factors to reduce waste, defects and costs and thereby increase bottom line benefits to customers and shareholders) at its bauxite mining operation in Australia.

Mr. Carrabba serves in leadership roles in a number of civic and community organizations.

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## CHARLES P. COOLEY

| | | |
|---|---|---|
| **Age:** 57 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2011 | Audit<br>Executive | Modine Manufacturing (since 2006) (Chair of Audit Committee) |

Mr. Cooley qualifies as an audit committee financial expert as that term is defined by the Securities and Exchange Commission.

Mr. Cooley was Chief Financial Officer of The Lubrizol Corporation from 1998 until he retired in 2011 following Berkshire Hathaway s purchase of the company. Lubrizol, with annual revenues of approximately $6.1 billion in 2011, is a specialty chemical company that produces and supplies technologies to customers in the global transportation, industrial and consumer markets. At Lubrizol, Mr. Cooley had global responsibility for all aspects of its finance function and also oversaw its corporate development and strategic planning activities.

Prior to joining Lubrizol, Mr. Cooley held positions of increasing responsibility in finance at Atlantic Richfield Company for 15 years, including treasury, capital markets, corporate development, and operating segment financial management. Mr. Cooley began his career in the National Banking Division of Manufacturers Hanover Trust Company following completion of the bank s management training program.

Mr. Cooley serves in leadership roles in a number of civic and community organizations.

## ALEXANDER M. CUTLER

| | | |
|---|---|---|
| **Age:** 61 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2000 | Compensation and Organization<br>Nominating and Corporate Governance (Chair)<br>Executive | Eaton (since 2000)<br>E.I. du Pont Nemours (since 2008) |

Mr. Cutler is KeyCorp s Lead Director.

Mr. Cutler is the Chairman, Chief Executive Officer, and President of Eaton, a global diversified power management company with approximately 103,000 employees that sells products in more than 170 countries. As chairman and chief executive officer of a Fortune 200 company, Mr. Cutler regularly reviews financial reports, risk management structure, policies and compliance activities, controls systems, information technology systems, company pension and deferred compensation plans, and foreign exchange and interest rate risks. He also has extensive experience in acquisition/divestiture negotiations and integrations. Mr. Cutler assumed his current position at Eaton in 2000 after 25 years with the company and its predecessors.

Mr. Cutler serves in leadership roles in civic and community organizations. He chairs The Business Roundtable Corporate Governance Committee and is also a member of The Business Council.

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## H. JAMES DALLAS

**Age:** 54

**Director Since:** 2005

**KeyCorp Committee(s):**

Risk (Chair)

Nominating and Corporate Governance

Mr. Dallas is Senior Vice President of Quality and Operations at Medtronic, Inc., a global medical technology company that employs approximately 45,000 people and does business in more than 120 countries. Mr. Dallas previously served as Senior Vice President and Chief Information Officer at Medtronic.

In his role as Senior Vice President of Quality and Operations, Mr. Dallas has responsibility for executing cross-business initiatives to maximize the company s global operating leveraging. Mr. Dallas also serves as a member of Medtronic s executive management team. Prior to joining Medtronic in 2006, Mr. Dallas was Vice President and Chief Information Officer at Georgia-Pacific Corporation, a maker of forest products. At Georgia Pacific, Mr. Dallas held a series of progressively more responsible information technology and operating roles. Mr. Dallas began his career as an internal auditor for C&S National Bank, a large regional bank in Atlanta, Georgia, and has experience as a cost accountant with a focus on profitability and key profit drivers. The majority of Mr. Dallas s career has been focused on bridging the gap between strategy and execution; specifically, leading large, enterprise-wide projects and acquisition integration. In addition, he has years of experience with IT security and data privacy.

Mr. Dallas serves on the boards of civic and community organizations.

## ELIZABETH R. GILE

**Age:** 57

**Director Since:** 2010

**KeyCorp Committee(s):**

Risk

**KeyBank Board of Directors**

In 2005, Ms. Gile retired from Deutsche Bank AG ( Deutsche Bank ) where she was Managing Director and the Global Head of the Loan Exposure Management Group (2003 to 2005). During her career, Ms. Gile had the opportunity to focus on many aspects of credit origination and risk management. In her role at Deutsche Bank, she created and ran a business division to manage the bank s $80 billion wholesale loan portfolio using capital market instruments and derivatives to reduce the volatility of financial results. Ms. Gile also spent the first 24 years of her career at J.P. Morgan (1977 to 2001) where she was responsible at varying points for J.P. Morgan s North American business involving high grade credit markets trading, credit portfolio management, corporate lending and credit research. Following her service at J.P. Morgan, Ms. Gile served as Vice Chair of Toronto Dominion Securities and Head of Portfolio Management for the company from 2001 to 2002.

Since her retirement, Ms. Gile served from 2007 to 2009 as Managing Director and Senior Strategic Advisor to BlueMountain Capital Management, a hedge fund management company.

Ms. Gile has been a Director of Deutsche Bank Trust Corporation and Deutsche Bank Americas since 2005 and serves in leadership roles in a number of civic and community organizations.

Ms. Gile has been designated as an audit committee financial expert as that term is defined by the Securities and Exchange Commission, although she does not serve on the Audit Committee.

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## RUTH ANN M. GILLIS

| | | |
|---|---|---|
| **Age:** 58 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2009 | Audit (Chair)<br>Nominating and Corporate Governance | Potlatch Corporation (since 2003) (chair of Compensation Committee; member of Audit and Finance Committees) |

Ms. Gillis has been designated as an audit committee financial expert as that term is defined by the Securities and Exchange Commission.

Since 2008, Ms. Gillis has been an Executive Vice President of the Exelon Corporation, serving as Chief Administrative Officer. Exelon is an electric utility company. Previously, Ms. Gillis was a Senior Vice President at Exelon from 2005 to 2008. Ms. Gillis serves as President of Exelon Business Services Company, a subsidiary of Exelon, which encompasses information technology, supply chain, legal, communications, human resources and finance, as well as other advisory, professional, technical and support services. As President of Exelon Business Services Company, Ms. Gillis is responsible for providing oversight for transactional and corporate services for the Exelon system of companies. Ms. Gillis is a member of Exelon s executive committee, pension investment committee, and the corporate risk management committee as well as a member of the Exelon Foundation Board. Ms. Gillis previously served as Chief Financial Officer of Exelon.

Ms. Gillis previous experience includes service as Unicom Corporation s Chief Financial Officer and prior thereto as Treasurer where she was responsible for overseeing Unicom Corporation s financing activities, cash management, financial risk management, and treasury functions. She began her professional career in banking and held leadership positions at First Chicago and American National Bank & Trust (now J.P. Morgan).

Ms. Gillis serves in leadership roles in a number of civic and community organizations.

## WILLIAM G. GISEL, JR.

| | | |
|---|---|---|
| **Age:** 60 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2011 | Risk | MOD-PAC CORP. (since 2002)<br>Moog Inc. (since 2012) |

Mr. Gisel serves as President and Chief Executive Officer of Rich Products Corporation, a global manufacturer and supplier of frozen foods with annual sales of approximately $3 billion. Rich Products is a leading supplier to the food service and in-store bakery segment of the food industry internationally.

Prior to becoming Chief Executive Officer in 2006, Mr. Gisel held positions of increasing responsibility with the company, including Chief Operating Officer and President of the company s Food Group and Executive Vice President for International and Strategic Planning. Mr. Gisel began his career at Rich s as General Counsel and also spent four years at Philips, Lytle, LLC.

Mr. Gisel is a member of the Board of Directors of the Grocery Manufacturers Association and holds leadership roles in a number of civic and community organizations.

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## RICHARD J. HIPPLE

| | | |
|---|---|---|
| **Age:** 60 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2012 | Risk | Materion Corporation (since 2006) |
| | | Ferro Corporation (since 2007) (Lead Director) |

Mr. Hipple is the Chairman of the Board, President and Chief Executive Officer of Materion Corporation (formerly known as Brush Engineered Materials Inc.), a manufacturer of highly engineered advanced materials and related services. Materion Corporation had sales of approximately $1.5 billion in 2011. Mr. Hipple has served as Chairman of the Board and Chief Executive Officer of Materion since 2006 and President since 2005. Mr. Hipple was Vice President of Strip Products, Performance Alloys of Materion from July 2001 to May 2002, when he became President of Performance Alloys of Materion.

Prior to joining Materion, Mr. Hipple served in the steel industry for 26 years in a number of capacities including project engineer, strategic planning, supply chain management, operations, sales and marketing, and executive management.

Mr. Hipple is a member of the boards of a number of civic and community organizations.

## KRISTEN L. MANOS

| | | |
|---|---|---|
| **Age:** 53 | **KeyCorp Committee(s):** | **Public Directorships:** |
| **Director Since:** 2009 | Audit | Select Comfort Corporation (2007-2008) |
| | Executive | |

Ms. Manos has been President of Wilsonart Americas since February 2012. Located in Temple, Texas, Wilsonart is the leading producer of high pressure decorative laminate in North America.

Ms. Manos was a partner at Sanderson Berry Co., a private investment advisory services firm located in Holland, Michigan from 2009 to February 2012, where she was involved in business strategy and marketing consulting.

Ms. Manos is a former Executive Vice President of Herman Miller, Inc. (2004 to 2009). Herman Miller researches, designs, manufactures, and distributes furnishings for use worldwide in various environments including office, healthcare, educational, and residential settings. Ms. Manos was President of Herman Miller s North American office business, where she directly participated in corporate risk evaluation, risk management and scenario planning for clients and their facilities.

Ms. Manos experience spans marketing, finance, manufacturing, and general management. She has led global product development, business development, customer service, and manufacturing teams, and has experience in mergers and acquisitions.

Ms. Manos serves on the Board and Finance Committee of International Relief and Development, a non-governmental organization that delivers approximately $500 million in development assistance annually.

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### BETH E. MOONEY

**Age:** 57 **KeyCorp Committee(s):**

**Director Since:** 2010 Executive (Chair)

Ms. Mooney has been KeyCorp s Chairman and Chief Executive Officer since May 1, 2011. She was elected President and Chief Operating Officer on November 18, 2010 and served in that role until she became Chairman and Chief Executive Officer. Ms. Mooney joined KeyCorp in 2006 as a Vice Chair and head of Key Community Bank.

Ms. Mooney has over 30 years of banking experience in retail banking, commercial lending, and real estate financing. Prior to joining KeyCorp, beginning in 2000 she served as Senior Executive Vice President at AmSouth Bancorp, a large regional bank holding company that has merged with Regions Financial Corporation, and became Chief Financial Officer at AmSouth Bancorp as well in 2004. Ms. Mooney ran AmSouth s banking operations in Tennessee and Northern Louisiana before becoming its Senior Executive Vice President and Chief Financial Officer.

Prior to joining AmSouth, Ms. Mooney completed line assignments of increasing responsibility at Bank One Corporation, Citicorp Real Estate, Inc., Hall Financial Group and Republic Bank of Texas/First Republic. At Bank One, Ms. Mooney served as Regional President in Akron and Dayton, Ohio, and then as President of Bank One Ohio, managing major markets throughout the state.

Ms. Mooney is a member of the Financial Services Roundtable and serves in leadership roles in a number of civic and community organizations.

### BARBARA R. SNYDER

**Age:** 57 **KeyCorp Committee(s):**

**Director Since:** 2010 Compensation and Organization

Executive

Ms. Snyder is President of Case Western Reserve University, a private research university located in Cleveland, Ohio, and has held this post since 2007.

Prior to becoming President of Case Western Reserve University, Ms. Snyder served as Executive Vice President and Provost of The Ohio State University ( OSU ). She previously served as Vice Provost for Academic Affairs and Human Resources at OSU. She served as a faculty member of the university s Moritz College of Law from 1998 to 2007. From 2000 to 2007 she held the Joanne W. Murphy/Classes of 1965 and 1973 Professorship at OSU. Ms. Snyder began her academic career in 1983 as an assistant professor at Case Western Reserve University s School of Law.

Ms. Snyder has taken a leadership role on the boards of several nonprofit organizations including BioEnterprise, whose focus is on healthcare and bioresearch.

**The Board of Directors unanimously recommends that shareholders vote FOR each of the Director Nominees named above.**

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# The Board of Directors and Its Committees

Our Board of Directors, elected by KeyCorp s shareholders, oversees the management of KeyCorp and its business and is committed to sound and effective corporate governance principles and practices. During the year ended December 31, 2012, there were seven meetings of KeyCorp s Board of Directors. At every regularly scheduled Board meeting, the independent members of the Board met in executive session (i.e., without Ms. Mooney, Mr. Stevens, or any other employee of KeyCorp present).

Each incumbent member of the Board attended at least 75% of the aggregate of the meetings held by the Board of Directors and committees of the Board on which that member served during 2012. On average, the members of the Board attended 98.2% of Board and Board committee meetings during 2012. KeyCorp Board members are expected to attend KeyCorp s Annual Meeting of Shareholders. All but one member of the Board attended the annual meeting held in 2012.

KeyCorp s Board of Directors currently exercises certain of its powers through four standing committees: Audit, Compensation and Organization, Nominating and Corporate Governance, and Risk. The Board has also established an Executive Committee that serves the functions described on page 14 of this proxy statement.

### Board and Committee Membership

The following table summarizes the current membership of the Board and its committees, and the number of times each met in 2012. Messrs. Sanford and Stevens will continue to serve on the Board and their respective committees until the Annual Meeting, when each will retire and their respective terms as a director will end.

| Name | Board | Audit | Compensation and Organization | Nominating and Corporate Governance | Risk | Executive |
|---|---|---|---|---|---|---|
| **Edward P. Campbell** | | | Chair | Member | | |
| **Joseph A. Carrabba** | | | Member | Member | | Member |
| **Charles P. Cooley** | | Member | | | | Member |
| **Alexander M. Cutler** | Lead | | Member | Chair | | Member |
| **H. James Dallas** | | | | Member | Chair | |
| **Elizabeth R. Gile** | | | | | Member | |
| **Ruth Ann M. Gillis** | | Chair | | Member | | |
| **William G. Gisel, Jr.** | | | | | Member | |
| **Richard J. Hipple** | | | | | Member | |
| **Kristen L. Manos** | | Member | | | | Member |
| **Beth E. Mooney** | Chair | | | | | Chair |
| **Bill R. Sanford** | | Member | | | | Member |
| **Barbara R. Snyder** | | | Member | | | Member |
| **Thomas C. Stevens** | | | | | | Member |
| **Total 2012 Meetings** | **7** | **14** | **10** | **6** | **7** | |

### Audit Committee

The Audit Committee oversees and reviews the financial information provided to KeyCorp s shareholders; appoints KeyCorp s independent auditors subject to shareholder ratification; reviews the fees and services of the independent auditors; oversees any material examinations of KeyCorp and its affiliates conducted by federal and state regulatory and supervisory authorities; serves as the audit committee for KeyCorp s subsidiary, KeyBank National Association; together with the Risk Committee oversees and reviews our allowance for loan and lease losses methodology; oversees and reviews financial reporting, compliance, legal, and information security and fraud risk matters; and supervises and directs any special projects or investigations deemed necessary. Further discussion of the Audit Committee s functions can be found on page 15 of this proxy statement under the heading Board Oversight of Risk.

**Compensation and Organization Committee**

The Compensation Committee reviews, approves, and oversees KeyCorp s corporate and executive compensation philosophy and programs, ensures the competitiveness of these programs, and advises the Board on the development and succession of key executives. The Compensation Committee approves the performance goals and objectives for the Chief Executive Officer and other members of the management committee and evaluates their performance. In approving compensation, the Committee takes into account, among other factors, the recommendation of the Chief Executive Officer and her direct reports as to the compensation of other senior executives. The Chief Executive Officer does not play any role with respect to any matter affecting her own compensation.

The Compensation Committee also oversees the development and operation of KeyCorp s incentive compensation program and philosophy, related control processes and compliance with the interagency guidance on sound incentive compensation policies and is responsible for enforcing KeyCorp s clawback policy. Additionally, the Compensation Committee evaluates risks related to KeyCorp s compensation policies and practices in light of KeyCorp s goals of maintaining safety and soundness and avoiding compensation practices that encourage excessive risk-taking.

The Compensation Committee may delegate its authority to a subcommittee of its members.

Role of Compensation Consultants

The Compensation Committee retains Compensation Advisory Partners LLC ( Compensation Advisory Partners ) to assist the Committee in its evaluation of KeyCorp s various executive compensation programs. Compensation Advisory Partners serves as an independent consultant at the direction and for the benefit of the Compensation Committee. Annually, Compensation Advisory Partners also provides the Nominating and Corporate Governance Committee with information and analysis regarding director compensation at our compensation peer group companies. It has not performed during 2012, and will not perform, any services for any other KeyCorp entity or affiliate. A representative of Compensation Advisory Partners attends all Compensation Committee meetings and frequently meets with the Compensation Committee without the presence of KeyCorp management. From time to time, Compensation Advisory Partners meets with KeyCorp management in order to gain an understanding of KeyCorp s business strategy, compensation and benefits practices, and culture, the scope of executives positions, and to obtain relevant data that is not disclosed publicly. For additional discussion of the role of Compensation Advisory Partners, please see the discussion beginning on page 39 of this proxy statement.

The Compensation Committee has discussed and evaluated the work of Compensation Advisory Partners in light of six factors identified by the rules of the Securities and Exchange Commission for determining potential conflicts of interest. After review, the Compensation Committee has concluded that no conflicts of interest are raised by the work of Compensation Advisory Partners.

A more detailed explanation of the Compensation Committee s process and procedures regarding executive compensation is presented in the Compensation Discussion and Analysis beginning on page 27 of this proxy statement. Detailed information regarding the Compensation Committee s role in overseeing and evaluating compensation-related risks begins on page 16 of this proxy statement.

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**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee serves as the nominating committee for KeyCorp and, as such, recommends to the Board nominees or candidates to stand for election as directors. The Nominating and Corporate Governance Committee oversees the annual board self-assessment process, including the individual director self-assessments, and KeyCorp s policies and practices on significant issues of corporate social responsibility. In addition, the functions of the Nominating and Corporate Governance Committee include oversight of Board corporate governance matters generally, the annual review and recommendation to the Board of a director compensation program that may include equity-based incentive compensation plans, oversight and review of KeyCorp s directors and officers liability insurance program, and the facilitation of a meeting of all the independent Board Committee Chairs to discuss the linkage between risk and compensation at KeyCorp.

The Nominating and Corporate Governance Committee uses market data to aid it in its annual review of KeyCorp s director compensation program. No executive officer of KeyCorp has any role in determining the amount of director compensation although the Nominating and Corporate Governance Committee may seek assistance from our management committee in designing equity compensation plans for directors. The Nominating and Corporate Governance Committee may delegate its authority to a subcommittee of its members.

Director Recruitment

The Nominating and Corporate Governance Committee uses the following criteria in director recruitment:

- the candidate must have a record of high integrity and other requisite personal characteristics and must be willing to make the required time commitment;
- the candidate 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), civilian or military);
- the candidate should have a high level of professional or business expertise in areas of relevance to KeyCorp (such as information technology, global commerce, marketing, finance, banking or financial industry, risk management, etc.);
- in the case of non-employee directors, the candidate should meet the independence criteria set forth in KeyCorp s Standards for Determining Independence of Directors;
- the candidate should not be serving as a director of more than (i) two other public companies if he or she is a senior executive officer of a public company, or (ii) three other public companies if he or she is not a senior executive officer of a public company; and
- the candidate must demonstrate the ability to think and act independently as well as the ability to work constructively in the overall Board process.

Additionally, the Board considers whether the candidate would improve the diversity of the Board in terms of gender, race, religion, experience, and/or geography. The current composition of the Board reflects the Nominating and Corporate Governance Committee s efforts in this area and the importance of diversity to the Board as a whole:

- five director nominees, including the Chair of the Board, are women;
- three of the six directors who have joined the Board since 2010 are women; and
- one director nominee is a minority.

The criteria used in director recruitment, other than the first, 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 Committee will consider:

- the skills and business experience needed for the Board;
- the current and anticipated composition of the Board in light of the business activities and needs of KeyCorp and the diverse communities and geographies served by KeyCorp; and
- the interplay of the candidate 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 (including diversity) as the Committee deems appropriate.

The Nominating and Corporate Governance Committee considers its search for a candidate successful if a candidate matching the needs of KeyCorp and the Board is found based on these considerations.

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 committee as a whole. Upon acceptance of the invitation by the candidate, the recommendation of the candidate by the Nominating and Corporate Governance Committee will be made to the Board for final approval.

The Nominating and Corporate Governance Committee has the 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. When identifying director candidates, the Nominating and Corporate Governance Committee has generally retained an independent search firm. The Nominating and Corporate Governance Committee is continually in the process of identifying potential director candidates and Board members are encouraged to submit any potential nominee that any individual director would like to suggest to the Chair of the Nominating and Corporate Governance Committee.

Shareholder Recommendations

A shareholder may also submit any potential nominee that the shareholder would like to suggest to the Chair of the Nominating and Corporate Governance Committee. Any shareholder recommendation for a director nominee should contain the recommended nominee s background information, including:

- the name, age, business, and residence address of such person;
- the principal occupation or employment of such person for the last five years;
- the class and number of shares of capital stock of KeyCorp that are beneficially owned by such person;
- all positions of such person as a director, officer, partner, employee, or controlling shareholder of any corporation or other business entity;
- any prior position as a director, officer, or employee of a depository institution or any company controlling a depository institution; and
- a statement that the 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 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
- 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) pursuant to which the nomination or nominations are to be made by the shareholder.

Shareholder recommendations should be provided to the Secretary of KeyCorp at KeyCorp s corporate headquarters at 127 Public Square, Cleveland, Ohio 44114. The Secretary will direct the materials to the Chair of the Nominating and Corporate Governance Committee.

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Page 73 of this proxy statement includes additional instructions for shareholders who would like to submit a director nominee for consideration for the 2014 annual meeting of shareholders.

**Risk Committee**

The Risk Committee oversees and reviews risk management matters relating to: credit risk, market 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; and our capital expenditure process. Together with the Audit Committee, the Risk Committee also oversees and reviews the allowance for loan and lease losses methodology. In addition, the Risk Committee exercises the authority of the Board of Directors in connection with the authorization, sale, and issuance by KeyCorp of debt and certain equity securities. The Risk Committee is also charged with making recommendations to the Board regarding KeyCorp s dividend and share repurchase authorizations. A further discussion of the Committee s functions is set forth on page 15 of this proxy statement under the heading Board Oversight of Risk.

**Executive Committee**

The Executive Committee exercises the authority of the Board, to the extent permitted by law, on any matter requiring Board or Board committee action between scheduled Board or Board committee meetings.

**Board Leadership Structure**

The Board believes that KeyCorp should maintain the flexibility to separate or combine the Chairman and Chief Executive Officer roles from time to time and on a case-by-case basis. Annually, the Board evaluates its leadership structure and it will continue to do so as circumstances change, including when a new Chief Executive Officer is elected. Currently, KeyCorp employs a successful leadership model under which its Chief Executive Officer also serves as Chairman of the Board. The Board has also established a position of Lead Director, and Alexander M. Cutler, who has served on the Board since 2000, is our Lead Director pursuant to the vote of the independent directors. In 2012, KeyCorp s Board was comprised of 12 independent directors and two members of management. Five of our independent directors are currently serving or have served as the chief executive officer of a publicly traded company. Each standing committee of the Board is chaired by an independent director and is composed entirely of independent directors. The Chairman and Chief Executive Officer has benefited from the extensive leadership experience of the Board.

In our 2012 proxy statement, we included a shareholder proposal that called for the Board to separate the roles of Chairman and Chief Executive Officer. Approximately 54% of shares represented at the meeting voted in favor of the proposal. In response, the Board carefully considered the shareholders vote, consulted with a number of KeyCorp s large institutional shareholders and outside advisors, and enhanced the role of the Lead Director. Among his specific responsibilities, the Lead Director now:

- chairs executive sessions of the Board and any meetings at which the Chairman is not present;
- serves as the liaison between the Chairman and the independent directors;
- approves all information sent to the Board;
- approves meeting agendas for the Board;
- approves meeting schedules to assure there is sufficient time for discussion of all agenda items;
- has the authority to call meetings of the independent directors;

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- if requested by major shareholders, ensures that he is available for consultation and direct communication;
- is in frequent contact with the Chairman with respect to major issues before KeyCorp and any significant actions contemplated by KeyCorp, which are discussed with the Lead Director at an early stage;
- advises on the retention of independent consultants to the Board;
- assists the Board and management in assuring compliance with applicable securities laws and fiduciary duties to shareholders;
- oversees initiatives to implement improvements to KeyCorp s governance policies;
- serves as a focal point for independent Committee Chairs, providing guidance and coordination; and
- together with the Chair of the Compensation Committee, facilitates the evaluation of the performance of KeyCorp s Chief Executive Officer.

The Board recognizes that different leadership models may work for other companies depending upon their circumstances, and may become appropriate for KeyCorp under different circumstances. The Board believes that KeyCorp has greatly benefited from having a single person setting the overall tone and direction for KeyCorp and having primary responsibility for managing its operations, while allowing the Board to carry out its oversight responsibilities with the full involvement of each independent director.

In the past several years, we have developed an active shareholder engagement program that facilitates communication and transparency with our shareholders. The many conversations between our Directors and our shareholders regarding their views on Board leadership and independent oversight have confirmed our view that a strong, effective Lead Director, like Mr. Cutler, provides the necessary independent leadership to compliment the combined Chairman and Chief Executive Officer role and, with formal and informal mechanisms we have in place to facilitate the work of the Board and its Committees, results in the Board effectiveness and Board efficiency that our shareholders expect.

**Board Oversight of Risk**

We believe that our leadership structure supports the Board s risk oversight function. At each Board meeting, the Chair of each Board committee reports to the full Board on risk oversight issues. The Board of Directors has delegated primary oversight responsibility for risk, generally, to the Audit Committee and the Risk Committee, and primary oversight responsibility for compensation-related risks to the Compensation Committee. These committees receive, review, and evaluate management reports on risk. Generally, each Board committee oversees the following risks:

- The Audit Committee oversees internal audit, financial reporting, compliance and legal matters; the implementation, management, and evaluation of operational and compliance risk and controls; and information security and fraud risk.

- The Risk Committee oversees KeyCorp s enterprise-wide risks, including credit risk, market risk, interest rate risk, and liquidity risk, including the actions taken to mitigate these risks, as well as reputational and strategic risks.

- The Compensation Committee oversees risk as it relates to KeyCorp s compensation policies and practices.

The Audit and Risk Committees jointly oversee and review the allowance for loan and lease losses methodology.

As part of the risk oversight process, KeyCorp has formed a senior level management committee called the Enterprise Risk Management Committee (the ERM Committee ). The ERM Committee consists of Ms. Mooney and other senior officers at KeyCorp, including Mr. Hartmann, KeyCorp s Chief Risk Officer. The ERM Committee meets weekly and is the central management committee ensuring that the corporate risk profile is managed in a manner consistent with KeyCorp s risk appetite. The ERM Committee also is responsible for implementation of KeyCorp s Enterprise Risk Management Program which encompasses KeyCorp s risk philosophy, policy framework, and governance structure for the management of risks across the entire company. The ERM Committee reports to the Risk Committee. The Board of Directors approves the Enterprise Risk Management Program and determines KeyCorp s risk appetite.

**Oversight of Compensation-Related Risks**

KeyCorp s compensation program is designed to offer competitive pay for performance, aligned with KeyCorp s short- and long-term business strategies, approved risk appetite and defined risk tolerances, and shareholders interests. Reviews of KeyCorp s compensation plans by the Compensation Committee and KeyCorp management did not identify any plan that was reasonably likely to have a material adverse impact on KeyCorp or that would incentivize excessive risk taking. The Compensation Committee also reviewed KeyCorp s compensation plans to monitor compliance with KeyCorp s risk management tolerances and safety and soundness requirements.

KeyCorp has a well-developed governance structure for its incentive compensation programs, including roles for its Board of Directors, senior management, businesses and control functions. The KeyCorp Board of Directors oversees KeyCorp s incentive compensation programs, primarily through its Compensation Committee, with additional input and guidance from its Nominating and Corporate Governance, Risk, and Audit Committees. In addition to directly approving compensation decisions for senior executives, the Compensation Committee also approves KeyCorp s overall Incentive Compensation Program and Policy so that KeyCorp s incentive compensation practices remain in alignment with KeyCorp s risk management practices. KeyCorp s Incentive Compensation Program and Policy are intended to enhance KeyCorp s risk management practices by rewarding appropriate risk-based performance.

We maintain a detailed and effective strategy for implementing and executing incentive compensation arrangements that provide balanced risk-taking incentives. KeyCorp s incentive compensation arrangements are designed, monitored, administered and tested by a multidisciplinary team drawn from various areas of KeyCorp, including Risk Management. This team is charged with ensuring that our incentive compensation arrangements align with risk management practices and support the safety and soundness of the organization. From initial plan design to individual awards, KeyCorp s program incorporates sound compensation principles and risk-balancing at every stage of the incentive compensation process, including:

- the identification of employees who have the ability to influence or control material risk;
- the utilization of risk-balancing mechanisms across all incentive plans that take into account the primary risks associated with employee roles;
- the deferral of incentive compensation to risk balance and align an employee s individual interests with KeyCorp s future success and safety and soundness;
- the development of clawback procedures to recoup certain incentive compensation paid to employees based on certain risk-based events; and
- the annual assessment of risk-balancing features, the degree to which selective plan design features affect risk-taking, the alignment of incentive metrics with business objectives, the overall competitiveness of the pay opportunity, the participation of control functions, and the effectiveness of monitoring and administration of the plan.

**Director Independence**

The Board has adopted categorical standards to assist it in assessing the independence of each of our directors. These standards conform to (and in some cases are stricter than) the independence standards set by the New York Stock Exchange. Our Standards for Determining Independence of Directors are available on our website: *www.key.com/ir.*

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Ms. Mooney and Mr. Stevens are not independent because they are employees of KeyCorp. As employees of KeyCorp, Ms. Mooney and Mr. Stevens (and members of his immediate family) received in 2012 a standard discount on trust services provided by KeyCorp affiliates totaling approximately $2,709 and $2,727, respectively. The Board of Directors has determined that all other members of the Board of Directors (i.e., Mss. Gile, Gillis, Manos, and Snyder, and Messrs. Campbell, Carrabba, Cooley, Cutler, Dallas, Gisel, Hipple, and Sanford) are independent. This determination was made after reviewing the relationship of each of these individuals to KeyCorp in light of KeyCorp s categorical standards of independence and such other factors, if any, as the Board deemed relevant.

In determining the independence of the members of the Board, the Board considered certain transactions, relationships, or arrangements described below 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:

Messrs. Campbell, Carrabba, Cooley, Cutler, Gisel, and Hipple were customers of one or more of KeyCorp s subsidiaries during 2012 and had transactions with such banks or other subsidiaries in the ordinary course of business.

In addition, during 2012, Messrs. Carrabba, Cutler, Hipple, and Sanford, and Mss. Gillis and Snyder were officers of, or had a relationship with, corporations or were members of partnerships that were customers of one or more of KeyCorp s subsidiaries and had transactions with such subsidiaries in the ordinary course of business. Similar transactions continue to be effected during 2013.

All loans included in the foregoing transactions were made on substantially the same terms, including rate and collateral terms, as those prevailing at the time for comparable transactions between KeyCorp and unrelated third-parties, and did not present heightened risks of collectability or other unfavorable features.

**Related Party Transactions**

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 following factors in making its determinations:

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 arms length dealings with an unrelated third party;

whether the transaction is required to be disclosed 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 non-employee directors.

The Vanguard Group, Inc., State Street Corporation, and BlackRock, Inc. have reported that each of them, together with their respective affiliates, is a beneficial owner more than 5% of KeyCorp s

Common Shares, as indicated under the heading Ownership of KeyCorp Common Shares beginning on page 22 of this proxy statement. During 2012, KeyCorp s broker-dealer subsidiaries engaged in the purchase and sale of fixed income and equity securities and mutual funds with The Vanguard Group, Inc., State Street Corporation, and BlackRock, Inc. and their respective affiliates. The commissions earned by KeyCorp s affiliates on these transactions were: from The Vanguard Group, Inc. and its affiliates, approximately $1.5 million; from State Street Corporation and its affiliates, approximately $300,000; and from BlackRock, Inc., approximately $1.9 million. All of these transactions were conducted at arms length and in the ordinary course of business.

**Communications with the Board**

Interested parties may submit comments and views about KeyCorp to the directors in writing to KeyCorp at its corporate headquarters at 127 Public Square, Cleveland, Ohio 44114. The correspondence should be addressed to Lead Director, KeyCorp Board of Directors, care of the Secretary of KeyCorp and marked Confidential.

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# Corporate Governance Documents

The KeyCorp Board of Directors Committee Charters, KeyCorp s Corporate Governance Guidelines, KeyCorp s Code of Ethics, KeyCorp s Standards for Determining Independence of Directors, KeyCorp s Policy for Review of Transactions between KeyCorp and its Directors, Executive Officers, and Other Related Persons, KeyCorp s Limitation on Luxury Expenditures Policy and KeyCorp s Statement of Political Activity are all posted on KeyCorp s website: *www.key.com/ir.* Copies of these documents will be delivered, free of charge, to any shareholder who contacts KeyCorp s Investor Relations Department at (216) 689-4221.

**Corporate Governance Guidelines**

The Board of Directors has adopted written Corporate Governance Guidelines that detail the Board s corporate governance duties and responsibilities. The Corporate Governance Guidelines take into consideration, and are updated from time to time to reflect, corporate governance best practices and applicable laws and regulations. The Guidelines address a number of matters applicable to directors (such as director qualification standards and independence requirements, share ownership guidelines, succession planning and management) and management (such as stock ownership guidelines for management, certain limits on executive compensation, Key s compensation philosophy, and procedures for annual evaluation of our Chief Executive Officer).

**Code of Ethics**

We are committed to the highest standards of ethical integrity. Accordingly, the Board of Directors has adopted a Code of Ethics for all of Key s employees, officers, and directors which was last amended on July 13, 2012. We will disclose any waiver or amendment to our Code of Ethics by posting such information on our website. Our Code of Ethics ensures that each employee, officer, and director understands the basic principles that govern our corporate conduct and our core values of Teamwork, Respect, Accountability, Integrity, and Leadership.

**Statement of Political Activity**

An important part of our commitment to our community includes active participation in the political and public policy process that impacts the lives of our customers, shareholders, and business. As a large financial institution, our business is highly regulated at the federal, state, and local levels. We believe it s critically important to take a constructive role in the political process that will shape the future of business, our industry, and our community.

The Nominating and Corporate Governance Committee of KeyCorp s Board of Directors meets annually with a member of KeyCorp s Government Relations team to review KeyCorp s policies and practices regarding political contributions. Policies and practices reviewed by the Nominating and Corporate Governance Committee include Key s policies regarding doing business with public entities, the Government Relations pre-approval process for ballot issue support and the KeyCorp Advocates Fund (political action committee) annual report.

A statement of our political activities, including our annual U.S. political contributions, is made available to our shareholders on our website: *www.key.com/ir.*

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# Management Committee

Our management committee is principally responsible for making policy for KeyCorp, subject to the supervision and direction of the Board of Directors. All members of the management committee are executive officers of KeyCorp and are subject to annual election at the annual organizational meeting of the directors in May.

There are no family relationships among the directors or the members of the management committee. Other than Mr. Hartmann and Ms. Brady, all members of the management committee have been executive officers of KeyCorp or one of its subsidiaries for the past five years or more.

Set forth below are the names and ages of the members of the management committee of KeyCorp as of January 1, 2013, the positions held by them at KeyCorp during the past five years, and the year they first became executive officers of KeyCorp. Because Mr. Hartmann and Ms. Brady have been employed at KeyCorp for less than five years, information is being provided concerning their previous business experiences.

**AMY G. BRADY (46)**

Ms. Brady has been Chief Information Officer since May 16, 2012. Prior to joining KeyCorp, Ms. Brady spent 25 years at Bank of America, where she most recently served as Chief Information Officer, Enterprise Technology and Operations at Bank of America, supporting technology and operations delivery for key enterprise functions. Ms. Brady has been an executive officer of KeyCorp since 2012.

**CHRISTOPHER M. GORMAN (52)**

Mr. Gorman has been the President of Key Corporate Bank since 2010. He previously served as a KeyCorp Senior Executive Vice President and head of Key National Banking during 2010. Mr. Gorman was an Executive Vice President of KeyCorp (2002 to 2010) and served as President of KeyBanc Capital Markets (2003 to 2010). He became an executive officer of KeyCorp in 2010.

**PAUL N. HARRIS (54)**

Mr. Harris has been the General Counsel and Secretary of KeyCorp since 2003 and an executive officer of KeyCorp since 2004.

**WILLIAM R. KOEHLER (48)**

Mr. Koehler has been the President of Key Community Bank since 2010. Mr. Koehler previously served as Great Lakes Regional President (during 2010); as leader of KeyCorp s Keyvolution initiative (2008 to 2010); as Michigan District President (2007 to 2008); and prior to, as Managing Director and Segment Leader of the Financial Sponsors Group and Regional Banking within KeyBanc Capital Markets. Mr. Koehler became an executive officer of KeyCorp in 2010.

**BETH E. MOONEY (57)**

Ms. Mooney has been the Chairman and Chief Executive Officer of KeyCorp since 2011 and the President of KeyCorp since 2010. She served as Chief Operating Officer during 2010. Ms. Mooney joined KeyCorp in 2006 as a Vice Chair and head of Key Community Banking and served in those positions until 2010. She has been an executive officer since joining KeyCorp.

**ROBERT L. MORRIS (60)**

Mr. Morris has been the Chief Accounting Officer of KeyCorp since 2006 and an executive officer of KeyCorp since 2006.

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**WILLIAM L. HARTMANN (59)**

Mr. Hartmann has been the Chief Risk Officer of KeyCorp since July 12, 2012. Mr. Hartmann joined KeyCorp in 2010 as its Chief Credit Officer. Prior to joining KeyCorp, Mr. Hartmann spent 29 years at Citigroup (a multinational financial services institution) where his most recent position was global head of Large Corporate Risk Management. While at Citigroup, he held numerous roles with increasing responsibility, including chief risk officer, Asia Pacific, head of Global Portfolio Management, co-head of Leveraged Finance Capital Markets and global head of Loan Sales & Trading. Mr. Hartmann has been an executive officer of KeyCorp since 2012.

**THOMAS C. STEVENS (63)**

Mr. Stevens has been the Vice Chair and Chief Administrative Officer of KeyCorp since 2003 and an executive officer of KeyCorp since 1996. Mr. Stevens will continue to serve as Vice Chair until our Annual Meeting, and will retire as Chief Administrative Officer effective June 30, 2013.

**JEFFREY B. WEEDEN (56)**

Mr. Weeden has been the Chief Financial Officer of KeyCorp since 2002 and an executive officer of KeyCorp since 2002.

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# Ownership of KeyCorp Common Shares

The following table sets forth the number of KeyCorp Common Shares that were beneficially owned by the directors of KeyCorp, the Named Executive Officers, and all directors and members of the management committee of KeyCorp as a group. Additionally, the table sets forth certain information with respect to the number of other phantom shares, if any, owned and the combined beneficial ownership of KeyCorp Common Shares and other phantom shares. The table also sets forth each person known to us to be the beneficial owner of more than 5% of our Common Shares.

Unless otherwise noted, this information is provided as of December 31, 2012.

| Name(1)(2) | Common Shares Beneficially Owned(4) (5) | Percent of Common Shares Outstanding(6) | Other Phantom Shares(5) | Total Beneficial Ownership of Common Shares and Other Phantom Shares |
|---|---|---|---|---|
| **Edward P. Campbell** | 19,732 | | 89,725 | 109,457 |
| **Joseph A. Carrabba** | 15,666 | | | 15,666 |
| **Charles P. Cooley** | 5,557 | | | 5,557 |
| **Alexander M. Cutler** | 23,166 | | 69,396 | 92,562 |
| **H. James Dallas** | 36,227 | | 26,859 | 63,086 |
| **Elizabeth R. Gile** | 14,466 | | | 14,466 |
| **Ruth Ann M. Gillis** | 15,666 | | 5,520 | 21,186 |
| **William G. Gisel, Jr.** | 7,157 | | | 7,157 |
| **Christopher M. Gorman(3)** | 630,602 | | 79,428 | 710,030 |
| **Richard J. Hipple** | 4,557 | | | 4,557 |
| **William R. Koehler** | 190,578 | | 32,797 | 223,375 |
| **Kristen L. Manos** | 34,442 | | 44,393 | 78,835 |
| **Beth E. Mooney(3)** | 1,242,393 | | 83,840 | 1,326,233 |
| **Bill R. Sanford** | 44,369 | | | 44,369 |
| **Barbara R. Snyder** | 15,166 | | 6,985 | 22,151 |
| **Thomas C. Stevens(3)** | 1,469,156 | | 85,029 | 1,554,185 |
| **Jeffrey B. Weeden(3)** | 1,418,494 | | 38,580 | 1,457,074 |
| **All directors and members of the management committee as a group (21 persons)** | 5,840,611 | | 767,536 | 6,608,147 |
| **The Vanguard Group, Inc. (7)** | 57,814,875 | 6.19% | | 57,814,875 |
| **State Street Corporation (8)** | 50,522,993 | 5.4% | | 50,522,993 |
| **BlackRock, Inc. (9)** | 46,231,758 | 4.95% | | 46,231,758 |

(1) KeyCorp s Corporate Governance Guidelines state that, by the fifth anniversary of his or her election to the Board or an office of KeyCorp: (i) each non-employee director should own KeyCorp Common Shares with a value at least equal to five times KeyCorp s non-employee director annual retainer, of which 1,000 shares should be directly owned in the form of Common Shares; (ii) the Chief Executive Officer should own KeyCorp Common Shares with a value at least equal to six times her base salary, of which at least 10,000 shares should be directly owned in the form of Common Shares; and, (iii) the members of the management committee should own KeyCorp Common Shares with a value at least equal to three times his or her base salary, of which at least 5,000 shares should be directly owned in the form of Common Shares.

(2) Pursuant to Key s Insider Trading Policy, no director or member of the management committee is permitted to pledge, and in 2012 no director or member of the management committee has pledged, KeyCorp Common Shares.

(3) The number of KeyCorp Common Shares beneficially owned by each of these persons through the KeyCorp 401(k) Savings Plan is included as of December 31, 2012.

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(4) Beneficially owned shares include options exercisable as of March 1, 2012. No directors held vested options as of March 1, 2013. The members of the management committee identified above hold vested options as follows:

| Name | Vested Options (#) |
|---|---|
| **Christopher M. Gorman** | 313,392 |
| **William R. Koehler** | 122,603 |
| **Beth E. Mooney** | 829,111 |
| **Thomas C. Stevens** | 1,120,649 |
| **Jeffrey B. Weeden** | 1,025,633 |
| **All directors and members of the management committee as a group (21 persons)** | 3,913,534 |

(5) The beneficially owned shares of our non-employee directors include some phantom shares issued under the KeyCorp Directors Deferred Share Plan that, under certain circumstances described below, may be distributed to a director as Common Shares within 60 days of December 31, 2012. The amounts of such phantom shares are as follows:

| Name | Phantom Shares (#) |
|---|---|
| **Edward P. Campbell** | 13,166 |
| **Joseph A. Carrabba** | 13,166 |
| **Charles P. Cooley** | 4,557 |
| **Alexander M. Cutler** | 13,166 |
| **H. James Dallas** | 13,166 |
| **Elizabeth R. Gile** | 13,166 |
| **Ruth Ann M. Gillis** | 13,166 |
| **William G. Gisel, Jr.** | 4,557 |
| **Richard J. Hipple** | 4,557 |
| **Kristen L. Manos** | 13,166 |
| **Bill R. Sanford** | 13,166 |
| **Barbara R. Snyder** | 13,166 |
| **All non-employee directors as a group (12 persons)** | 132,165 |

Investments in phantom shares by non-employee directors are made pursuant to the KeyCorp Second Director Deferred Compensation Plan and the Directors Deferred Share Plan (collectively, the Deferred Share Plans ). Phantom shares are granted to non-employee directors each year under the Directors Deferred Share Plan and are payable in three years, one-half in cash and one-half in Common Shares. Phantom shares payable in cash are not included in this table. If a director s directorship ends, the phantom shares become immediately payable even if the three-year period has not ended.

Investments in phantom shares made by members of the management committee pursuant to the KeyCorp Deferred Savings Plan, or granted as Restricted Stock Unit or phantom share awards under the KeyCorp 2010 Equity Compensation Plan, and phantom shares held in the Second Directors Deferred Compensation Plan, or issued to directors under the Directors Deferred Share Plan but contributed into the Second Directors Deferred Compensation Plan are included in the column Other Phantom Shares because the members of the management committee and directors holding them do not receive beneficial ownership of KeyCorp Common Shares and did not have the right to acquire beneficial ownership of KeyCorp Common Shares on or before March 1, 2013.

For each phantom share issued under the foregoing plans, one Common Share is deducted from the aggregate number of Common Shares available for issuance under that respective plan However, an actual Common Share is only issued to the holder of phantom shares upon a distribution to be paid in Common Shares from the phantom share account. Distributions to be paid in Common Shares from the phantom share account occur on a share-for-share basis. Directors and members of the management committee participating in these plans and holding phantom shares do not have any Common Share voting rights or investment power with respect to or on account of the phantom shares until a distribution in Common Shares is made from the phantom share account.

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(6) No director or member of the management committee beneficially owns more than 1% of the total of outstanding KeyCorp Common Shares plus options vested as of March 1, 2013.

(7) Based solely upon information contained in the Schedule 13G filed by The Vanguard Group, Inc. ( Vanguard ) with the Securities and Exchange Commission on February 11, 2013. Vanguard reported that it owned beneficially 57,814,875 Common Shares, held sole voting power over 1,625,899 Common Shares, held sole power to dispose or to direct the disposition of 56,252,273 Common Shares, and held shared power to dispose or to direct the disposition of 1,562,602 Common Shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 1,303,607 Common Shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 581,287 Common Shares as a result of its serving as investment manager of Australian investment offerings. The reported address of Vanguard is 100 Vanguard Blvd., Malvern, PA 19355.

(8) Based solely upon information contained in the Schedule 13G filed by State Street Corporation ( State Street ), for itself and on behalf of various subsidiaries identified therein, with the Securities and Exchange Commission on February 12, 2013. State Street reported that it owned beneficially, and had shared voting power and shared power to dispose or to direct the disposition of 50,522,993 Common Shares. Each of the following entities has been identified by State Street as a subsidiary that beneficially owns KeyCorp Common Shares: State Street Global Advisors France S.A., State Street Bank and Trust Company, SSGA Funds Management, Inc., State Street Global Advisors Limited, State Street Global Advisors Ltd., State Street Global Advisors, Australia Limited, State Street Global Advisors Japan Co., Ltd., State Street Global Advisors, Asia Limited, and SSARIS Advisors LLC. The reported address of State Street is State Street Financial Center, One Lincoln Street, Boston, MA 02111.

(9) Based solely upon information contained in the Schedule 13G filed by BlackRock, Inc. ( BlackRock ) with the Securities and Exchange Commission on January 10, 2013. BlackRock reported that it owned beneficially, held sole power to dispose or to direct the disposition of, and held sole power to vote or direct the voting power over, all of the 46,231,758 Common Shares reported in the table above. The reported address of BlackRock is 40 East 52nd Street, New York, NY 10022.

**Section 16(A) Beneficial Ownership Reporting Compliance**

KeyCorp s directors and members of the management committee are required to report their ownership and changes in ownership of KeyCorp Common Shares to the Securities and Exchange Commission. The Securities and Exchange Commission has established certain due dates for these reports. KeyCorp knows of no person who failed to timely file any required report during 2012.

**Equity Compensation Plan Information**

KeyCorp currently maintains and is authorized to issue Common Shares under the (i) KeyCorp 2010 Equity Compensation Plan (the 2010 Plan ), (ii) the KeyCorp Deferred Equity Allocation Plan (the Deferred Equity Plan ), providing a pool of Common Shares for existing and future KeyCorp deferred compensation arrangements with employees and directors, (iii) the KeyCorp Directors Deferred Share Plan, and (iv) the KeyCorp Amended and Restated Discounted Stock Purchase Plan. KeyCorp is no longer authorized to issue Common Shares under, but still has awards outstanding under, the KeyCorp 2004 Equity Compensation Plan (the 2004 Plan ) and the KeyCorp Amended and Restated 1991 Equity Compensation Plan (amended as of March 13, 2003) (the 1991 Plan ).

Shareholders approved the 2010 Plan at the 2010 annual shareholders meeting. At December 31, 2012, 12,444,457 Common Shares remained available for future issuance under the 2010 Plan.

Shareholders approved the Deferred Equity Plan and the Directors Deferred Share Plan at the 2003 annual shareholders meeting. Under the Deferred Equity Plan and the Directors Deferred Share Plan, all or a portion of the deferrals and deferred payments may be deemed invested in accounts based on KeyCorp Common Shares, which are distributed in the form of KeyCorp Common Shares. Some of the arrangements with respect to the Deferred Equity Plan include funding an employer-matching feature that rewards employees with additional Common Shares at no additional cost. The table does not include information about the Deferred Equity Plan or Directors Deferred Share Plan because options, warrants and rights awards are not available under these plans. As of December 31, 2012, 4,679,047 and 132,161 Common Shares, respectively, have been allocated to accounts of participants under the Deferred Equity

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Plan and the Directors Deferred Share Plan (including vested awards that have not yet been distributed to participants), and 5,717,784 and 153,901 Common Shares, respectively, remained available for future issuance.

The following table provides information about KeyCorp s equity compensation plans as of December 31, 2012:

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders[1] | 32,607,384 | $ 19.36 | 15,587,901[2] |
| Equity compensation plans not approved by security holders[3] | | | |
| **Total** | **32,607,384** | **$ 19.36** | **15,587,901** |

(1) The table does not include 10,941,328 unvested shares of time-lapsed and performance-based restricted stock awarded under the 2010 Plan, 2004 Plan and 1991 Plan. These unvested restricted shares were issued when awarded and consequently are included in KeyCorp s Common Shares outstanding.

(2) The Compensation Committee of the Board of Directors of KeyCorp has determined that KeyCorp may not grant options to purchase KeyCorp Common Shares, shares of restricted stock, or other share grants under its long-term compensation plans in an amount that exceeds six percent of KeyCorp s outstanding Common Shares in any rolling three-year period.

(3) The table does not include outstanding options to purchase 12,435 Common Shares assumed in connection with an acquisition from a prior year. At December 31, 2012, these assumed options had a weighted average exercise price of $25.29 per share. No additional options may be granted under the plan that governs these options.

If our shareholders approve KeyCorp s 2013 Equity Compensation Plan, as described more fully beginning on page 60 of this proxy statement, we will no longer have authorization to issue Common Shares under the 2010 Equity Plan, the Deferred Equity Plan, or the KeyCorp Directors Deferred Share Plan (collectively, the Prior Plans ). Outstanding awards granted under the Prior Plans, as well as the 1991 Plan and 2004 Plan, will remain outstanding, subject to the terms and conditions of the respective plan each award was granted under. Upon approval of KeyCorp s 2013 Equity Compensation Plan by our shareholders, we will deregister with the Securities and Exchange Commission the Common Shares that would otherwise remain reserved for issuance and available for grants under the Prior Plans.

The following equity awards were outstanding under all KeyCorp equity compensation plans as of December 31, 2012:

| Unexercised Stock Options | | |
|---|---|---|
| **Number Outstanding** | **Weighted-Average Exercise Price** | **Weighted-Average Remaining Life** |
| 32,619,819 | $19.36 | 4.7 years |

| Unvested Full-Value Awards[1] | | |
|---|---|---|
| **Number** | **Vesting** | **Type** |
| 5,145,713 | Service condition | Long-term incentive |
| 4,092,563[2] | Performance/Service condition | Long-term incentive |
| 2,716,654 | Service | Other |
| 1,195,849 | Service | Deferred compensation programs |

(1) This table presents the aggregate number of unvested restricted stock, restricted stock unit and phantom share awards (including cash-settled awards). No Common Shares have yet been issued with respect to unvested restricted stock units or phantom shares, and no Common Shares will ever be issued with respect to unvested cash-settled awards. As a result, the number of unvested full-value awards reflected in this table differs from the number of restricted stock awards set forth in footnote 1 to the table above, which excludes unvested restricted stock units, phantom shares and cash-settled awards. This table also excludes awards that have vested and been allocated to the accounts of participants (such as under our Deferred Equity Allocation Plan, Directors Deferred Share Plan or other deferred compensation plans) but which have not yet been distributed to participants. Awards that are vested and allocated, but not yet distributed, are nonetheless treated as shares outstanding for purposes of the discussion before the tables on the preceding page.

(2) Consists of performance-based restricted stock units that may only be settled in cash and, consequently, are not considered shares outstanding.

More information about these awards can be found in Footnote 18 to the Consolidated Financial Statements beginning on page 191 of our 2012 Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on February 26, 2013.

# Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our executive compensation philosophy and provides a review of the compensation decisions and awards that the Compensation Committee has made with regard to the following members of our management committee:

- Beth E. Mooney, Chairman and Chief Executive Officer;
- Jeffrey B. Weeden, Chief Financial Officer;
- Christopher M. Gorman, President, Key Corporate Bank;
- Thomas C. Stevens, Vice Chair and Chief Administrative Officer; and
- William R. Koehler, President, Key Community Bank.

As used throughout this discussion, the term Named Executive Officers refers to the five members of our management committee listed above.

**Executive Summary**

Highlights of 2012 Performance

During 2012, the economy continued to be sluggish with overall GDP and payroll growth remaining modest and in-line with 2010 and 2011 levels. A continued low-interest-rate environment, global financial instability, U.S. federal government gridlock, and regulatory changes directly impacted the way we ran and grew our business. Despite this challenging business climate, we generated growth, acquired and developed new businesses, and continued to deliver positive shareholder returns. We demonstrated disciplined capital management by investing in our franchise, increasing our quarterly cash dividend, implementing a share repurchase program and executing on growth opportunities. Our 2012 results showed continued improvement in asset quality, an improving deposit mix and overall loan growth.

With respect to the financial metrics that were used as targets for our 2012 short-term incentive plan, we achieved a return on average assets from continuing operations in 2012 of 1.05%, completing our second consecutive year of return on average assets above 1% and within our strategic target range. We increased 2012 pre-provision net revenue ( PPNR ) by $38 million or 2.9% over 2011, demonstrating improved noninterest income resulting from the early termination of leveraged leases, net gains from loan sales driven by an increase in our commercial mortgage banking business and the redemption of trust preferred securities. In addition, PPNR to risk-weighted assets was 1.83% for 2012, just slightly below the target for this measure. For 2012, Key had earnings per share of $0.88, well within the upper end of the target range set for this metric by the Compensation Committee in early 2012.

We made significant progress in the pursuit of our strategic objectives which served as an additional basis upon which we compensated our Named Executive Officers.

- We completed the acquisition of 37 retail-banking branches in Western New York, which added approximately $2 billion in assets and deposits to our balance sheet.

- We acquired $718 million in Key-branded credit card assets to further diversify our revenue streams and allow for future growth opportunities.

- We continued our work toward our goal of achieving an expense run-rate reduction of $150 to $200 million by the end of 2013. We achieved $60 million in annualized expense savings in 2012, exceeding the original goal set for the year.

During 2012, our profitability and strong revenue growth demonstrated our Named Executive Officers commitment to enhancing long-term shareholder value by executing our distinctive relationship business model and completing strategic actions that position us well for the future.

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Compensation of Our Chief Executive Officer in 2012

Based on the strong financial performance of Key in 2012 and the significant progress we made in executing our strategy, the Compensation Committee took the following actions with respect to the total direct compensation of Ms. Mooney, our Chief Executive Officer:

- Established her 2012 base salary at $950,000, reflecting her performance to date as she entered her first full year as Chief Executive Officer.

- Paid her a short-term incentive based on 2012 performance of $2,035,000. This represents a payout of 110% of her short-term incentive target and was directly tied to the level of achievement against the performance metrics set forth in the 2012 Annual Incentive Plan. This performance, which is summarized on the preceding page and described in more detail under the Short-Term Incentive section of this discussion, resulted in funding of our PPNR goal at 107%, our PPNR to risk-weighted assets goal at 98%, our return on average assets goal at 128% and our earnings per share goal at 135%. Additionally, achievement of our strategic goals resulted in an additional funding opportunity of 10%.

- Awarded her long-term incentives in 2012 with a target value of $3,350,000. This award was based on her performance during her first year as Chief Executive Officer, the level of achievement of our financial and strategic goals, her assembly of a strong management team, as well as the Committee s recognition of her leadership. In addition, the Committee established compensation levels to provide Ms. Mooney with compensation more reflective of the market.

The amount of compensation actually realized by Ms. Mooney in 2012 differs significantly from the Securities and Exchange Commission s calculation of total compensation, as set forth in the Summary Compensation Table. The Summary Compensation Table includes amounts, such as the estimated future value of equity awards, deferred compensation, changes in pension value and other amounts that Ms. Mooney may not receive until some future date, if at all. As a result, it is useful to report the amount of compensation actually realized by Ms. Mooney in 2012, which was $3,559,865.

For this purpose, we define realized compensation to include the following:

- gross base salary received in 2012 of $923,077;
- gross annual incentive earned in 2012 of $2,035,000; and
- fair market value of restricted stock awards that vested in 2012, irrespective of when granted, of $601,788.

Please see the Compensation Realized by Our Chief Executive Officer in 2012 table on page 44 of this proxy statement for more information about how we calculated Ms. Mooney s realized compensation.

Our Pay-for-Performance Compensation Philosophy

We have adopted a pay-for-performance compensation philosophy which recognizes that our success is dependent upon attracting, retaining and motivating a talented workforce. To support this objective:

- We provide for a competitive compensation program that is aligned with long-term shareholder value and conforms to regulatory requirements.

- Our compensation policies and practices focus on the link between pay and sustainable performance, both at the company and individual levels and reinforce both short- and long-term financial performance objectives.

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Because our businesses are based on risk-taking within our approved risk tolerances, our compensation policies are developed with a focus on prudent risk-taking and the balance between risk and reward.

The Compensation Committee is responsible for developing, reviewing and approving our compensation philosophy and compensation programs for our Named Executive Officers, and we discuss our compensation philosophy and our compensation programs at least annually with the full Board.

**We execute our Pay-for-Performance philosophy by:**

**Emphasizing Performance-Based Compensation**: A significant portion of each Named Executive Officer s compensation opportunity is dependent upon achieving a balanced mix of financial and strategic goals that are directly aligned with our approved risk tolerances. In 2012, approximately 85% of the target total direct compensation of our Chairman and Chief Executive Officer, and approximately 77% of the target total direct compensation of our other Named Executive Officers, was performance-based and not guaranteed, as illustrated in the charts below.

**Chief Executive Officer s Pay Mix** **Other Named Executive Officers Pay Mix**

**Requiring Deferral of Incentive Awards:** For 2012, we revised our compensation program to require the deferral of a fixed percentage of our Named Executive Officers total incentive award consisting of: (i) the short-term incentive earned by the Named Executive Officer during 2012, and (ii) the long-term incentive opportunity granted to the executive in early 2013 based on a combination of 2012 performance and expected future contributions (the 2013 LTI Award ). This change was intended to require that a significant percentage of our Named Executive Officers total incentive award (at least 60% for our Chief Executive Officer and at least 50% for our other Named Executive Officers) be deferred over a multi-year period and remain subject to annual risk balancing.

**Setting Competitive Compensation Levels:** We strive to maintain a competitive pay mix of both variable and fixed compensation that is reflective of our compensation peer group in which we compete for talent.

**Balancing Compensation Risk and Reward:** We design our compensation programs to appropriately balance risk and reward. We regularly monitor these programs to ensure that we do not create incentives that encourage imprudent risk-taking. The Compensation Committee retains the right to modify incentive plan payout formulas and awards to provide for forfeiture, reduction, offset, or clawback, to the extent it determines it necessary

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or desirable in order to comply with the intent of the plan, our risk requirements, the participant s risk requirements, and/or applicable regulations and guidance. Our clawback policy also allows us to recover incentive compensation if it was based on financial results that are subsequently restated and cancel outstanding equity awards, and recover realized gains, if an executive engages in certain harmful activity.

**What we do:**

We support our Pay-for-Performance philosophy through a number of other sound governance practices:

**Impose Robust Stock Ownership Guidelines:** Our stock ownership guidelines contain robust stock ownership requirements, ranging from six times base salary for our Chief Executive Officer, with a minimum of 10,000 shares being directly owned, to three times base salary for our other Named Executive Officers, with a minimum of 5,000 shares being directly owned. Also, each Named Executive Officer must hold the net shares purchased under a stock option and any shares delivered upon vesting of other equity awards until the executive officer satisfies our stock ownership guidelines and, in the case of shares acquired upon the exercise of stock options, for not less than one year. These stock ownership guidelines closely align the interests of our Named Executive Officers with those of our shareholders.

**Require Double Trigger :** Our change of control arrangements are subject to double trigger requirements, meaning that severance benefits are due, and equity awards vest, only if a Named Executive Officer experiences a qualifying termination of employment in connection with a change of control. These requirements are intended to prevent our Named Executive Officers from receiving windfall benefits in the event of a change of control.

**Review Tally Sheets:** The Compensation Committee annually reviews a tally sheet for each Named Executive Officer, which includes potential severance payments, the accumulated value of vested and unvested equity awards, and the retirement benefits of each Named Executive Officer, along with comparisons against the levels and types of compensation provided to executive officers maintaining similar positions in our compensation peer group. This practice enables the Compensation Committee to evaluate the total compensation package for each Named Executive Officer, as well as isolated adjustments or incremental changes to specific elements of the package.

**Review Share Utilization:** We regularly review share overhang levels and run-rates and maintain share utilization levels well within industry norms.

**Retain an Independent Consultant:** The Compensation Committee retains an independent consultant to assist in developing and reviewing our executive compensation strategy and program. The Compensation Committee, with the assistance of the independent consultant, regularly evaluates the compensation practices of our peer companies to confirm that our compensation programs are consistent with market practice.

**What we don t do:**

Our executive compensation philosophy provides for:

**No Employment Agreements:** We do not maintain employment agreements with any of our employees, including our Named Executive Officers.

**No Tax Gross-Ups:** We have eliminated all tax gross-ups in the event of a change of control and all tax gross-ups for perquisites (other than on relocation).

**No SERPs:** We froze all of our executive pension plans in 2009. None of our Named Executive Officers actively participate in a supplemental defined benefit plan.

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**No Hedging or Pledging of Company Stock:** Our Insider Trading Policy restricts our employees, officers and directors from engaging in hedging transactions involving our Common Shares and it restricts our officers and directors who are subject to reporting requirements under Section 16 of the Securities Exchange Act of 1934 from pledging our Common Shares.

**No Timing of Equity Grants:** We maintain a disciplined equity approval policy. We do not grant equity awards in anticipation of the release of material, non-public information. Similarly, we do not time the release of material, non-public information based on equity grant dates.

**No Repricing:** We do not reprice or back-date stock options.

Important 2012 Compensation Design Changes

During 2012, we participated in a review and assessment of our incentive compensation programs and procedures in connection with the adoption by our regulators, including the Federal Reserve, of the interagency guidance on sound incentive compensation policies. This guidance emphasizes, among other things, increased deferral of compensation and reduced use of stock options. As part of this process, we made the following modifications to the incentive compensation of our Named Executive Officers:

**Mandatory Deferral.** We revised our compensation program to provide a total incentive award for each Named Executive Officer consisting of: (i) the short-term incentive earned by the Named Executive Officer during 2012 and awarded in 2013, plus (ii) the 2013 LTI Award. At least 60% of the total incentive award of our Chief Executive Officer, and at least 50% of the total incentive award of our other Named Executive Officers, is required to be deferred. We determine whether our Named Executive Officers satisfy this requirement by first considering whether their long-term incentive (100% of which is delivered in the form of equity-based compensation subject to a multi-year, risk-adjusted vesting schedule) satisfies the required deferral percentage. If not, a portion of the Named Executive Officers short-term incentive is converted into and delivered as equity-based compensation subject to a multi-year, risk-adjusted vesting schedule.

**Reduced Use of Stock Options.** We are reducing our use of stock options. Beginning with our Named Executive Officers 2013 LTI Award, we have allocated 50% of the long-term incentive opportunity to cash performance shares, 40% to restricted stock units and 10% to stock options. In 2012, our Named Executive Officers long-term incentive opportunity was split equally between cash performance shares and stock options.

**Enhanced Risk Balancing.** All incentive awards, both short- and long-term, are required to be risk balanced throughout the incentive process. The Compensation Committee participates in a review of the deferred incentive awards relative to the actual risk-related outcomes of each Named Executive Officer s performance on which the award is based. Based on individual risk performance, business performance that includes significant credit, market or operational losses or negative pre-provision net revenue, we will undertake a root cause analysis to determine how much, if any, of the executive s deferred incentive should be forfeited.

**Reduced Maximum Funding Cap.** We reduced the maximum funding opportunity of our short-term incentive plan from a maximum of 200% of target to a maximum of 150% of target. We also made corresponding adjustments to the payout curve of this plan, such that achievement of 75% of target performance results in a 50% payout, and achievement of 125% of target performance results in a 150% payout. No short-term incentive payouts will be made to our Named Executive Officers for performance below 75% of target performance.

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Consideration of Our Say-on-Pay Shareholder Vote

At our 2012 Annual Meeting, our shareholders supported our executive compensation program by approving the compensation of our Named Executive Officers by a vote of approximately 96% of the KeyCorp Common Shares represented at the meeting. Since this vote, we have continued to review our executive compensation program in light of our business performance and market demands. We regularly solicit feedback from institutional investors about the structure of our compensation program. These continuing conversations with institutional investors help us better understand matters of importance to investors with regard to our Named Executive Officers compensation programs, and help us to shape our pay-for-performance strategy.

**Our 2012 Executive Compensation Program**

Core Direct Compensation

The principal components of our core direct compensation program, consisting of base salary, short-term incentive compensation and long-term incentive compensation, are described in the table below.

| Component | Characteristic | Purpose | Summary of 2012 Actions |
|---|---|---|---|
| **Base Salary** | Fixed compensation subject to annual adjustment and review if appropriate. | Attract, retain and motivate executives and to align with market practices. | Base salary increases in 2012 between $0 and $100,000 to reflect recent promotions and expanded roles. |
| **Short-Term Incentive** | Variable compensation based on achievement of corporate and/or business unit performance goals and other strategic objectives. | Motivate and reward Named Executive Officers for achieving our annual financial and strategic goals and for effectively managing risks within our approved risk tolerances. | Short-term incentive awards ranged from $594,000 to $2,035,000, based on our performance against the financial and strategic goals in our Annual Incentive Plan. |
| **Long-Term Incentives** | Variable compensation based on share price growth and achievement of performance relative to that of our peers and other corporate performance goals. | Motivate and reward Named Executive Officers for achieving our long-term financial and strategic goals and for continued management of our risk profile, while aligning their interests with those of our shareholders. | Long-term incentive awards granted in 2012 ranged from $1,000,000 to $3,350,000, which were split equally between cash performance shares, subject to 3-year performance vesting, and stock options.<br><br>Long-term incentive awards granted in 2013 ranged from $1,300,000 to $4,000,000 which were allocated 50% to cash performance shares, 40% to restricted stock units and 10% to stock options. |

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*Base Salary*

The Compensation Committee reviews and establishes base salaries on a competitive basis each year following a market assessment of the base compensation paid to comparable executives at peer companies, to the extent that a comparable position can be identified.

For 2012, the Compensation Committee made the following adjustments to our Named Executive Officers base salaries (which were effective with the pay period including April 1, 2012):

| Name | 2012 | 2011 | Increase |
|---|---|---|---|
| **Beth E. Mooney** | $ 950,000 | $ 850,000 | 12% |
| **Jeffrey B. Weeden** | $ 650,000 | $ 630,000 | 3% |
| **Thomas C. Stevens** | $ 720,000 | $ 720,000 | 0% |
| **Christopher M. Gorman** | $ 600,000 | $ 600,000 | 0% |
| **William R. Koehler** | $ 550,000 | $ 450,000 | 22% |

The adjustments for Ms. Mooney and Mr. Koehler reflect their recent promotions and expanded roles in our company. As Ms. Mooney and Mr. Koehler continue to gain experience and drive performance in their new roles, the Compensation Committee may further adjust their base salary levels to better align them with competitive market levels, as the Compensation Committee deems appropriate.

*Short-Term Incentive*

The Compensation Committee regards our short-term incentive program as an important component of our Named Executive Officers total cash compensation package.

Institutional investors with whom we have had discussions express a preference that we employ a formulaic approach to determine the amount of short-term incentive compensation payable to our Named Executive Officers. The performance scorecard for 2012 consisted of a mix of financial and strategic goals and an objective payout formula, with specific targets and weightings, as described below. The Compensation Committee also established a fixed funding percentage for each financial goal ranging from 0% to 150% of the target opportunity apportioned to each measure, with no payout for the goal if the threshold level of performance (75%) was not achieved. The Compensation Committee reviewed performance against the financial and strategic goals throughout the year and at each regularly scheduled meeting reported to the full Board the performance relative to pre-established targets.

*Performance goals for Ms. Mooney, Mr. Weeden, and Mr. Stevens:* Ms. Mooney, Mr. Weeden, and Mr. Stevens participated in the KeyCorp Annual Incentive Plan. Under the Annual Incentive Plan s funding scorecard, 90% of the 2012 short-term incentive funding opportunity was based on the extent to which we achieved four equally-weighted financial goals, with the remaining 10% of the 2012 short-term incentive funding opportunity based on the extent to which we achieved certain strategic goals, all of which are described below.

Unlike the financial goals, the Compensation Committee did not use pre-established weightings for the strategic goals; rather, funding levels for the strategic goals were based on the Compensation Committee s assessment of overall performance relative to the mix of strategic measures. The strategic goals included:

our achieving an identified $30 to $50 million in cost savings run-rate by December 31, 2012;
the successful integration of the Western New York branch acquisition; and
the achievement of specified revenue growth priorities, such as the Enterprise Commercial Payment initiative.

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When evaluating our achievement of these goals, the Compensation Committee considered the quality of earnings in light of one-time items of expense or revenue that were not contemplated at the time targets were set for 2012 and the impact these items had on our actual results.

**KeyCorp 2012 Annual Incentive Plan**

| Performance Metrics | Actual Result | Performance Required for Target Payout | Funding Rate | Weight | Final Funding |
|---|---|---|---|---|---|
| PPNR *($ in millions)* | $1,348 | $1,301 | 107% | 22.5% | 24% |
| PPNR/RWA | 1.83% | 1.85% | 98% | 22.5% | 22% |
| ROA | 1.05% | 0.92% | 128% | 22.5% | 29% |
| EPS | $0.88 | $0.75 | 135% | 22.5% | 30% |
| **Additional Performance Metrics** | | | | | |
| Execution of Cost Savings/Efficiency Priorities Roadmap | | | | | |
| Successful Integration of HSBC Branches | | Met Expectations | | 10% | 10% |
| Revenue Growth | | | | | |
| **Calculated Funding** | | | | | **115%** |
| **Compensation Committee Approved Funding** | | | | | **110%** |

Mr. Gorman and Mr. Koehler, due to their respective roles as the President of the Corporate Bank and the President of the Community Bank, maintained a modified short-term incentive structure that reflected KeyCorp s strategic and financial performance, as well as each executive s individual line of business performance criteria.

*Performance goals for Mr. Gorman*: As the President of the Corporate Bank, Mr. Gorman s performance goals were weighted (i) 75% based on the achievement of the 2012 financial and strategic goals as set forth under the KeyCorp Annual Incentive Plan as described above, and (ii) 25% based on the achievement of the following core Corporate Bank Annual Incentive Plan financial goal, subject to reduction based on our overall performance and corporate bank risk performance:

**Corporate Bank 2012 Annual Incentive Plan Performance Metrics**