

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

KeyCorp

Point of Contact:	Mark Whitham	RSSD: (For Bank Holding Companies)	1068025
UST Sequence Number:	30	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	2,500,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	2,500,000,000	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	November 14, 2008	City:	Cleveland
Date Repaid <sup>1</sup> :	3/30/2011	State:	Ohio

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

**Increase lending or reduce lending less than otherwise would have occurred.**

Key avoided being part of a more severe lending contraction that would have occurred had the banking system not been strengthened by the CPP. It also gave Key the opportunity to conduct additional responsible lending, consistent with the prudent requirements of safe and sound banking.

**To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Of the \$29 billion originated in 2010, \$2.0 billion were for residential mortgages, \$835 million were home equity lines of credit, and \$286 million in other consumer loans. \$21.6 billion in C&I loans and \$4.8 billion in commercial real estate included \$714 million of small business loans.

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**X Increase securities purchased (ABS, MBS, etc.).**

Key utilized CPP capital to build a high quality, liquid investment portfolio, consisting of various types of U.S. agency-backed mortgage securities, to satisfy both internal liquidity needs and the regulatory desire for greatly enhanced contingent liquidity sources.

**X Make other investments.**

None other than as described in other responses.

**X Increase reserves for non-performing assets.**

Under applicable regulatory requirements and accounting standards, Key would have had to build its reserve and take appropriate charges against the reserve whether or not it had the benefit of the CPP capital. However, it did provide a further buffer and allowed Key to remain well-capitalized.

**X Reduce borrowings.**

Key reduced its reliance on wholesale borrowings in the capital markets by a substantial, albeit immeasurable, amount, because it occurred contemporaneously with a significant reduction in overall loan demand.

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**X Increase charge-offs.**

Key has taken significant charge-offs throughout the downturn. Although the CPP capital did not enable the charge-offs, it helped Key to remain a healthy institution, notwithstanding the charges.

**X Purchase another financial institution or purchase assets from another financial institution.**

Key did not purchase another financial institution or any assets from another financial institution during the time it held a CPP investment from the Treasury Department – November 2008 to March 2011.

**X Held as non-leveraged increase to total capital.**

Essentially, Key held CPP as non-leveraged capital. This was not necessarily management's intent when it accepted the investment, but decreased loan demand meant there was less need for Key to leverage its balance sheet.

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**What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?**

Although we do not know for certain, it is possible that KeyCorp avoided higher borrowing costs, possibly higher deposit costs and/or deposit run-off. Also, as discussed in previous responses, the CPP contributed to Key's efforts to build a high quality investment portfolio to strengthen its liquidity position and to avoid renewing or rolling over longer term maturing debt.

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**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

Key was an early participant in the CPP and was pleased to participate in the Treasury Department's efforts to avert a systemic failure of the U.S. banking system by fortifying the large, healthy institutions. As indicated in the previous responses, as a result of the CPP, Key was able to continue to lend at levels that it may not have otherwise been able to sustain, and it was able to build an investment portfolio to serve as a source of liquidity. Because the securities Key invested in were U.S. agency-backed mortgage securities, this effort allowed Key to indirectly help to support the mortgage market. In addition to building overall confidence in the banking system among depositors, other customers and the public generally, the CPP quite likely provided the impetus for Key to undertake additional capital raising transactions in the public markets. Through these efforts, Key generated \$3.0 billion of additional Tier 1 common equity, which is serving to support current lending efforts and is expected to support future enhanced lending as the demand for credit increases in the economic recovery.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

Please see the response to the previous question.