



KeyCorp  
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127 Public Square  
Cleveland, OH 44114-1306

March 4, 2009

**BY EMAIL TO SIGTARP.response@do.treas.gov**  
**AND BY FEDEX TO:**

Mr. Neil M. Barofsky, Esq.  
Special Inspector General – TARP  
Office of the Special Inspector General  
1500 Pennsylvania Ave., N.W., Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky:

Reference is made to your letter of February 6, 2009, addressed to me as Chairman of the Board and Chief Executive Officer of KeyCorp (“Key”), a bank holding company headquartered in Cleveland, Ohio, that participated in the Capital Purchase Program (“CPP”) component of the U.S. Department of the Treasury’s (“U.S. Treasury” or “Treasury Department”) Troubled Asset Relief Program (“TARP”). In November 2008, the U.S. Treasury invested \$2.5 billion in securities issued by Key consisting of Senior Preferred Shares, Series B, and a warrant to purchase Key Common Shares. We are pleased to have this opportunity to respond to your questions about our use of TARP CPP funds. For your convenience, I have set forth below each of your questions in Part I and then have followed each component of the question with Key’s response. Part II addresses the additional documentation and support you have requested.

**Part I.**

***(1) A narrative response specifically outlining:***

***In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that you have taken that you would not have been able to take absent the infusion of TARP funds.***

***(a) Your anticipated use of TARP funds:***

Key applied for a \$2.5 billion capital investment under the TARP CPP on October 21, 2008, and on November 14, 2008, the U.S. Treasury made the investment, purchasing 25,000 shares of Key’s newly issued Fixed Rate Cumulative Perpetual Preferred Stock, Series B and a warrant to purchase 35.3 million Key common shares. Key’s rationale for participating in the TARP CPP was to be supportive of this crucial effort by the Treasury Department to avert a potentially cataclysmic systemic failure of the U.S. banking system. The Secretary of

the Treasury and the Chairman of the Federal Reserve Board reportedly viewed the industry as being on the precipice of disaster, and we had, and continue to have, no reason to doubt their assessment. Accordingly, even though Key had been proactive in fortifying its own financial condition by going to the capital markets to raise \$740 million of capital through the issuance of junior subordinated debt in combination with Enhanced Trust Preferred Securities in February 2008, and \$1.741 billion of capital in June 2008 (\$1.083 billion by issuing 92.2 million shares of common stock, and \$658 million by issuing 6.6 million shares of Non-Cumulative Perpetual Convertible Preferred Stock, Series A), Key took the opportunity to further fortify its capital by participating in the TARP CPP. Key believed this to be the correct response to a government effort aimed at alleviating a system-wide fracture, and, also, that it was in the best interest of Key's shareholders for the company to gain additional liquidity and a further capital cushion against the economic uncertainties that lay ahead. We also understood that the TARP CPP was intended to unfreeze credit markets. In this regard, in accepting the investment by the U.S. Treasury we agreed to the Securities Purchase Agreement – Standard Terms, which stated in a recital that "...the company agrees to expand the flow of credit to U.S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U.S. economy." We are working to do just that.

***(b) Whether the TARP funds were segregated from other institutional funds:***

First, it is important to know what Key's overall capital position is, and what portion of it is attributable to the government's TARP investment. Key has total risk-based capital as reported to its banking regulators as of December 31, 2008, of \$15.8 billion. Capital provided by the government through the TARP CPP – \$2.5 billion – represents 16 percent of that total. Without the TARP CPP, Key would continue to meet all required regulatory measures for a *well-capitalized* institution – the highest rating category under federal banking regulations. However, with the TARP investment, as described below, we believe we are in a much better position to lend.

The capital we obtained under the TARP CPP and Key's other capital is commingled – it is held in one bucket and not segregated or subdivided in any manner. Our capital is used to *support* all of our lending activities, although it is not really the sole source of our lending. There seems to be confusion in Congress and in the public discourse and media about this point, and we believe that it is important to understand what a U.S. government capital infusion under the TARP CPP means for a recipient bank. Although banks do use capital to lend, it is more precise to say that banks use capital to *support* their lending and other operations. Capital really serves two purposes – it is a cushion against losses, and it is there to support and enable other borrowing in the form of deposit gathering and capital markets borrowing. In this regard, Key and other banks actually lend *more* than just the amount of their total capital and their TARP CPP capital investment amounts. Key has balance sheet assets in excess of \$100 billion and most of those assets are loans of one type or another. However, it is also important to understand that because TARP CPP funds are commingled with other capital, deposits and funds from other sources, it is difficult to state categorically what specific funds are actually being used for, except to say (as we have below) that they are being used for and in support of lending.

*(c) Your actual use of TARP funds to date:*

With the foregoing discussion in context, we believe that the \$2.5 billion additional capital from the government's TARP CPP has allowed Key to enhance its lending efforts in three ways: the capital investment has enabled Key to sustain existing lending levels and to avoid the lending contraction that would have occurred had the banking system not been resuscitated by the TARP CPP,<sup>1</sup> it has given Key a further cushion against possible future losses, and it has provided Key with an enhanced capital base from which to conduct further responsible lending, consistent with the prudential requirements of safe and sound banking. For the three-month period from October 1 through December 31, 2008, Key made \$10.4 billion<sup>2</sup> of new or renewed loans, and for the month of January 2009, Key made \$2.1 billion of new or renewed loans. During both periods, the loans were supported by Key's capital base, including the TARP CPP and related government efforts.<sup>3</sup> These loans were made to corporations, small and medium-size businesses and consumers during a time when Key experienced a marked decline in the level of new and existing client credit requests due to current economic conditions in which business owners, organizations, households and individuals appeared to be exercising extreme caution in expanding the amount of money they borrow.

Below is a table summarizing Key's Commercial and Industrial, Commercial Real Estate and Consumer Lending activity for the fourth quarter of 2008 and for January 2009, consistent with our reports to the U.S Treasury in the "Treasury Monthly Intermediation Snapshot," which are also included in Appendix B hereto.

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<sup>1</sup> The U.S. Department of the Treasury cited this fact as one of the presumed benefits of the CPP in its announcement on February 17, 2009, related to its release of the "First Monthly Bank Lending Survey" of the top 20 recipients of a government investment through the Capital Purchase Program. See [www.treas.gov/press/releases/tg30.htm](http://www.treas.gov/press/releases/tg30.htm).

<sup>2</sup> You will note that in several public statements, we indicated that Key made \$5.7 billion of new or renewed loans in the fourth quarter of 2008. That amount reflects new or renewed loans that have been funded. The \$10.4 billion amount includes unfunded commitments.

<sup>3</sup> Key has been a participant in several other programs instituted to provide enhanced liquidity to financial institutions during this credit crisis in which the markets have been frozen. For example, Key has issued federally guaranteed debt securities under the Federal Deposit Insurance Corporation's Temporary Liquidity Guaranty Program.

**Summary of Key's Commercial and Industrial, Commercial Real Estate and Consumer Lending Activity**

	<u>Three Months Ended</u> <u>December 31, 2008</u>	<u>One Month Ended</u> <u>January 31, 2009</u>
<b><u>Commercial and Industrial Loans</u></b>		
New Commitments	\$ 2,375,000,000	\$ 537,000,000
Renewals	\$ 3,439,000,000	\$ 835,000,000
Total C&I	<u>\$ 5,814,000,000</u>	<u>\$ 1,372,000,000</u>
<b><u>Commercial Real Estate</u></b>		
New Commitments	\$ 1,020,000,000	\$ 344,000,000
Renewals	2,575,000,000	908,000,000
Total CRE	<u>\$ 3,595,000,000</u>	<u>\$ 1,256,000,000</u>
<b><u>Consumer (Originations)</u></b>		
First Mortgage	\$ 315,000,000	\$ 129,000,000
HELOCs (new lines and increases)	467,000,000	121,000,000
Other Consumer	237,000,000	192,000,000
Total Consumer	<u>\$ 1,019,000,000</u>	<u>\$ 442,000,000</u>
<b><i>Grand Total</i></b>	<u><b>\$ 10,428,000,000</b></u>	<u><b>\$ 2,070,000,000</b></u>

Included in the table above are the following categories of our lending operations conducted principally through our subsidiary, KeyBank National Association:

**Large Corporate Lending.** This category includes large corporate and industrial loans and loan syndication lending products. At Key, our Large Corporate Lending generally consists of lending to companies and businesses with annual sales revenues in excess of \$250 million. During the periods covered by the Table above (i.e., since October 2008), demand for corporate loans has been weak across the client spectrum, although somewhat more robust for the larger companies in our client base.

**Small and Middle Market Business Lending.** Key makes loans throughout its 14-state branch-banking footprint to small and medium-size businesses for operating needs and to help them grow. These are generally companies with annual revenue of \$1 million to \$250 million. The loans may be used to buy property, plant and equipment, as well as to provide the working capital needed to fund inventory and receivables and pay employees and vendors. Key provides lines of credit, letters of credit, term loans, mortgage loans and equipment finance products to serve the business needs of these enterprises. Key delivers these credit facilities locally, through its more than 986 branch offices (as of December 31, 2008) and through relationship teams located in the communities Key serves. Clients are small farmers and medium-sized agricultural businesses, physicians' practices and hospitals, churches, schools, non-profit social services organizations, manufacturers of metal parts and many other industrial and consumer products, distributors of consumer and industrial products, restaurants, retail establishments and many other types of businesses located throughout the footprint.

**Community Development Lending.** KeyBank has been one of a handful of major U.S. banks to have achieved six consecutive *Outstanding* ratings for its varied and effective community lending and investment activities (having never received a less than *Outstanding* rating). Through programs ranging from lending and investment to financial education, Key has moved well beyond the requirements of community investment government compliance, designing its own programs and partnerships to create jobs, stimulate economic activity and provide financial education. More than two decades ago Key created its Community Development Banking unit to help low- and moderate-income communities achieve economic stability. This unit has a staff of 90 dedicated to delivering solutions to low- and moderate-income communities and households.

**Commercial Real Estate Lending.** Key makes construction and interim loans, loans served by multi-family residential properties and by other non-residential properties, including retail centers, office buildings and other income-producing properties. Loan demand in real estate lending has been extremely weak due to the severe economic slowdown. The majority of Key's activity has focused on loan modifications and extensions, given that the permanent loan market, which typically refinances construction and interim loans, continued to be very weak for all asset classes, with the exception of multifamily loans financed through government-sponsored enterprises.

**Consumer Lending.** Compared with many of the nation's largest banks, Key's role in consumer financing is small and much more specialized in certain lending categories. For instance, Key is not a significant home mortgage lender, nor does it make auto loans and auto leases through third party originators (*i.e.*, dealers), and it does not have a credit card portfolio.

By way of background, it is important to know that, well before the current financial crisis began and the economy began to noticeably deteriorate, Key's analysis indicated that in some areas of its lending portfolio, credit quality was becoming an issue, particularly in instances where loans were extended outside of its community bank's 14-state branch footprint, through its national lending businesses. Management attributed this to several factors, including, notably, that these loans were not generally made as part of an overall banking relationship. Put simply, they were often single "transactions" – as opposed to part of a broader relationship with the individual or business. Often the borrowers were not "direct" Key clients, and this lack of an overall Key relationship made it harder to assess the overall creditworthiness of the borrower and may have also left the borrower feeling less obligated to repay the loan. As a result, Key began to examine non-relationship lending categories several years ago and revised its business strategy with the aim of exiting such categories as subprime mortgage lending, auto loans and leasing, and financing arranged by outside brokers, and using the opportunity to redirect capital and funding – that is, loans – to core categories such as small and midsize businesses, and consumers, principally through our branch network. As a result of this strategy and other efforts, pre-TARP, to reduce exposure to loan losses in weak areas of Key's portfolio, Key undertook the following actions:

- In 2004, Key stopped accepting home equity loans originated by mortgage brokers not employed by Key, but continued to make home equity loans through its bank branches.

- In 2005, Key stopped making automobile loans to consumers through automobile dealerships, but continued to make auto loans through its bank branches.
- In 2006, Key sold its non-branch-based, out-of-footprint home equity origination business (including all of the mortgage sales personnel), along with its \$2.5 billion portfolio of loans, but continued to make home equity loans in-footprint through its bank branches.
- In 2007, Key stopped lending to homebuilders that were out-of-footprint, but continued to lend to in-footprint home builders until 2008, and also stopped lending out-of-footprint for home improvement, but continued to lend in-footprint.
- In 2008, Key stopped lending activities for marine (*i.e.* boat) and recreational vehicles, stopped making “private” student loans not made under federally-guaranteed programs, and stopped making further loans to the homebuilding industry.

All of these actions, which preceded our participation in the TARP Capital Purchase Program, were taken in response to declining credit quality being experienced in these portfolios and/or strategic decisions by management to redeploy capital to other lending activities – in this case to our small- and medium-size business clients. We believe these actions were taken in the best interests of our shareholders and our relationship clients and that the opportunity for redeployment of capital created by exiting businesses will ultimately allow Key to be better positioned to have a stimulative effect on lending and economic activity.

Key’s primary remaining lending to consumers is in the form of home equity loans and installment loans for general purposes. Key has also been active in the federally-guaranteed student loan programs. The traditional first home mortgages we do offer are originated principally through our branches and then sold to Countrywide Financial Corporation under an existing contractual arrangement. The mortgages are not booked on Key’s balance sheet. While demand overall has continued to be weak throughout the period, first mortgage refinancing activity has been stronger, as homeowners reacted to the favorable rate environment. Also, federally guaranteed student loan commitments saw increases due to a normal seasonal spike and quite possibly also the result of increased market share Key garnered from other firms that have exited the student loan business in recent months. (The proposed changes to funding for student lending by the Administration may have a negative impact on future origination of student loans by Key.)

***(c) Your expected use of unspent TARP funds:***

We expect to continue to use TARP funds in the same manner as described in paragraphs (a) and (b) above, to enhance our capital base which acts as a cushion against any further loan losses, and to support further, responsible lending to corporations, small and medium-size businesses and consumers.

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term or deferred forms of executive compensation.*

**Specific plans for addressing executive compensation requirements:**

As a condition of Key's participation in the TARP CPP, Key agreed to establish specified standards for its incentive compensation arrangements for its senior executive officers, as well as to modify its compensation arrangements to comply with the requirements of the CPP. In accordance with the foregoing, Key's senior executive officers entered into agreements with Key that allowed Key to revise any of its compensation, bonus, incentive, change of control, employment and all other benefit plans that Key deemed necessary in order to comply with the executive compensation requirements of the TARP. Key amended its Chief Executive Officer's employment agreement and all other senior executive officers' change of control agreements to prevent those senior executive officers from receiving a "golden parachute" and any other payment that would violate the compensation prohibitions specifically mandated under Sections 111(b) and (c) of the Emergency Economic Stabilization Act of 2008 ("EESA") during any CPP "Covered Period." Key also amended all of its incentive compensation plans (both long term and annual plans) to provide for a "claw-back" (or recovery) of any and all incentive and bonus awards made to senior executive officers if the incentive or bonus awards are found to be based upon materially inaccurate financial statements or any other materially inaccurate performance metric criteria. In addition, Key reviewed all of its benefit plans to ensure that the structure, operation and administration of those plans do not encourage senior executive officers to take unnecessary risks that could possibly threaten the value and stability of Key.

Additionally, within the first 90 days of Key's participation in the CPP, Key's Compensation and Organization Committee ("Compensation Committee") also reviewed Key's various compensation structures and incentive programs to ensure that the structures and programs did not encourage senior executive officers to take unnecessary and excessive risks that could threaten the value and stability of Key. As part of this review process, the Compensation Committee met with Key's Chief Risk Officer and its Chief Auditor to review Key's risk management policies and practices, the structure of the incentive compensation arrangements in which the senior executive officers participated, and the claw-back or repayment provisions for each incentive arrangement in the event that payment is made based upon materially inaccurate financial statements or inaccurate performance metric criteria. The Compensation Committee also confirmed that all senior executive officer agreements (both employment and change of control) did not allow for the payment of any golden parachutes and that Key maintained appropriate procedures to limit the amount of its deduction for senior executive officers compensation (remuneration) for federal tax purposes to \$500,000.

In its continuing review of Key's executive compensation structure, the Compensation Committee also established a process for its annual review of the relationship between Key's

risk management policies and practices and the senior executive officers' incentive compensation arrangements to ensure that Key's compensation arrangements do not encourage unnecessary and excessive risks that could threaten the value and stability of Key. It is the responsibility of Key's Chief Risk Officer to anticipate and manage risks by ensuring that appropriate management structures and policies are in place throughout Key. Key's Chief Auditor is responsible for ensuring that Key's policies are fully executed. In its oversight role, the Compensation Committee has determined that these two independent functions will provide Key with a thorough risk review process.

Key's Chief Risk Officer has provided the Compensation Committee with a thorough review of Key's *Enterprise Risk Management Governance and Accountability Framework*, embedding risk discipline into the design and implementation of incentive compensation arrangements covering senior executive officers, with a particular focus on both credit and liquidity risks. In conjunction with the 2009 incentive structures, Key's Chief Risk Officer is prepared to attest to the Compensation Committee that the proposed incentive metrics do not and will not encourage unnecessary and excessive risks to Key's value.

Key's Chief Auditor has also provided the Compensation Committee with a thorough review of Key's *Risk Profile Risk Ratings Assessment Matrix*. The Audit group regularly audits many of Key's various incentive plans; under the requirements of TARP, its audits will continue and expand. Key's Chief Auditor also confirmed with the Compensation Committee that he reviewed the incentive arrangements in which senior executive officers participated, and he is prepared to attest to the Compensation Committee that the arrangements do not and will not encourage any unnecessary and excessive risks to Key's value.

The Compensation Committee has also determined that it is appropriate to include credit quality measures such as net charge-offs to average loans, non-performing asset ratios, criticized /classified loans relative to capital, return on risk-weighted assets and improvement in loan to deposit ratios, as well as traditional measures such as operating income, improvement in economic profit added and earnings per share in determining incentive pool funding requirements. The Compensation Committee will review and assess performance in all of these measures as well as regulatory compliance, corporate credit ratings, leadership, and results relative to peers when determining funding for 2009 and 2009-2010 incentive plans. In addition, for 2009, Key modified its annual incentive programs to deliver all incentive compensation awards in excess of \$350,000 in the form of deferred cash that is subject to a two-year graded vesting schedule. Key also modified its long term incentive program to deliver all long term awards in the form of (i) one-third performance-based restricted shares that are subject to a 2-year cliff vesting requirement, (ii) one-third nonqualified stock options that are subject to a 3-year graded vesting schedule, and (iii) one-third as a deferred cash award that is subject to a 3-year vesting schedule (i.e., 50% vesting after 2 years of service, 50% vesting after 3 years). By requiring employees' continued service in conjunction with receiving annual and long term incentive awards, Key's compensation structure rewards performance that enhances Key's long-term health, stability, and value.

Finally, for 2008, KeyCorp's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Administrative Officer were not paid bonuses or incentive



compensation, nor did any of their performance-based incentive compensation from previous years vest.

**Part II.**

***(1) Statements to the media, shareholders, or others concerning your intended or actual use of TARP funds, as well as any internal email, budgets, or memoranda describing your anticipated use of funds.***

Please see the attached Appendix A. You may also refer to our preliminary proxy statement as filed with the Securities and Exchange Commission on February 27, 2009.

***(2) Pertinent supporting documentation***

Please see the attached Appendix B.

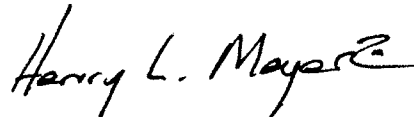
I, Henry L. Meyer III, certify on behalf of KeyCorp that I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

If you have any questions regarding this response, please do not hesitate to contact me at (b) (6)

(b) (6)

Thank you.

Very truly yours,



Henry L. Meyer III  
Chairman of the Board and  
Chief Executive Officer

cc: (b) (6)  
Deputy General Counsel  
KeyCorp

## Appendix A

### **Statements to the Media and others Regarding Use of TARP Funds**

1. “Key Insight” communication to employees entitled “Key’s Participation in US. Treasury ‘Capital Purchase Program’” that was posted on KeyCorp’s Intranet beginning February 10, 2009 through the present and related “Talking Points.”
2. “Key News” article entitled “U.S. Treasury releases new national lending survey,” as posted on KeyCorp’s Intranet on February 19, 2009.
3. Article entitled “Are Utah banks lending? Depends who you ask,” from *The Salt Lake Tribune* on February 23, 2009.
4. Article entitled “To TARP or not to TARP: TARP-recipient banks say they’re still lending,” from the *Idaho Business News* on February 9, 2009.

## **Key's Participation in U.S. Treasury 'Capital Purchase Program'**

### **What is CPP?**

In November 2008, the U.S. Treasury bought \$2.5 billion in KeyCorp stock. This investment is part of the Capital Purchase Program (CPP) through which Treasury is moving capital into healthy U.S. banks by purchasing their stock.

CPP is not a giveaway or a "bailout." The participating banks are paying the Treasury – that is, the American taxpayer – a 5 percent annual dividend. The banks must pay that dividend in every quarter the government owns their stock. To give you an idea of how much that will be, in 2009 the first group of participating banks will pay about \$8 billion to the Treasury and Key itself will pay about \$125 million.

Each bank that participates in CPP is eligible for a stock investment based on the bank's size – 1 to 3 percent of its assets. Key asked for and received about 2.5 percent.

### **Is CPP working?**

CPP is only a few months old, so we don't yet know its full effect. However, we can say now that it worked to stabilize the overall financial system. Also, we can see that the credit markets are beginning to thaw; banks are making loans with care; those few banks that have failed were taken over by healthier banks; mortgage rates are down; and there's been some stabilization in the debt and capital markets.

### **What does CPP do for Key?**

For Key, this investment makes a strong bank stronger. We raised a total of \$4.24 billion in new capital in 2008, because in addition to the CPP dollars we also raised \$1.74 billion in an oversubscribed stock offering in June. Strong capital means we can make loans and invest in our businesses.

### **Is Key lending? If so, how much?**

Yes, Key is lending to credit-worthy relationship clients. The CPP investments don't translate directly into loans, nor were they intended to do so. Stock investments increase levels of capital, which is critical to a bank's underlying financial condition. That said, during the fourth quarter of 2008, Key originated approximately \$5.7 billion in new or renewed loans to individuals and small and midsize businesses across the country.

## **Talking Points**

### **Key's Participation in the U.S. Treasury Department's Capital Purchase Program**

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- **In November 2008, the U.S. Treasury made a \$2.5 billion investment in KeyCorp stock as part of its Capital Purchase Program (CPP). The program, designed to fortify the capital of U.S. banks in unprecedented market conditions, is strengthening hundreds of banks across the country, large and small.**
  
- **The CPP initiative is only a few month's old. In fact, many banks are only now receiving their investments. Time will only tell the full impact of this program on the overall economy. However, we know now that it worked to stabilize the overall financial system. Also, we can certainly point out that the credit markets are beginning to thaw; loans are being made, albeit with care; those few banks that have failed were systematically taken over by healthier banks; mortgage rates are down; and there's been some stabilization in the debt and capital markets.**
  
- **For Key, the investment makes a strong bank stronger. A strong capital position allows us to make loans and invest in our businesses. In total, Key raised \$4.24 billion in new capital in 2008, as the company also raised \$1.74 billion in an oversubscribed offering of stock in June.**
  
- **The CPP is not a giveaway, or a "bailout" as some headlines might suggest. To the contrary, participating banks are paying a 5 percent annual dividend to the Treasury -- literally billions of dollars -- and will continue to do so every quarter during which the government owns the stock position. For the first quarter of 2008, industry estimates indicate that the initial group of participating banks has paid approximately \$8 billion in dividends for the investments, similar to the way they would pay dividends to individual shareholders.**
  
- **Another key point that is sometimes lost in news coverage: These investments don't translate directly into loans. Stock investments increase capital levels -- which are very fundamental and critically important to a bank's underlying financial condition. Key has and will continue to lend to creditworthy relationship clients. During the fourth quarter, for instance, Key originated approximately \$5.7 billion in new or renewed loans to individuals, small and midsize businesses across the country. *(Add an example of recent area small business or middle market transaction here or district loan-growth percentage.)***

FINAL: 02.04.09

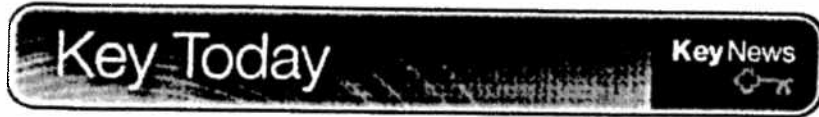
For Key's PR Media Managers

Page Two

- **Banks are in business to lend, but at the same time, prudence is necessary to avoid the same problems that are at the root of the current situation. Key's focus is on relationship clients – those we know thoroughly and often have multiple types of product relationships with us. It just makes good business sense to build relationships over time, and expand those into several areas. We call this “relationship banking.” It's the way we do business.**
- **Finally, participating banks across the country are able to participate in an equivalent way in the CPP initiative. The size of the potential stock investment is based on the size of each bank – 1-3 percent of its assets. (Key requested and received a \$2.5 billion investment, which is about 2.5 percent of Key's assets.) This means that any bank, large or small, can participate in an equivalent way. Therefore, the program can assist people and businesses in communities around the country, and most importantly, maintain the confidence in the banking system as a whole.**

# # # #

*For further information, consult your Key Regional PR Manager. They will assist in your preparation for media interviews on this topic.*



# U.S. Treasury releases new national lending survey

Yesterday, the U.S. Department of the Treasury posted new lending "snapshots" provided by 20 financial service companies which are the largest participants, by investment size, in the Capital Purchase Program (CPP). Some 400 banks in 47 states now participate in the program.

The monthly lending surveys are intended "to provide more frequent and more accessible information on banks' lending activities...." The first survey reports residential and commercial lending activity from October to December 2008. In its summary, the Treasury's press release indicates:

*"In the face of severe economic deterioration during this period -- unemployment rose from 6.5 percent to 7.2 percent and more than 1.5 million jobs were lost as real GDP decreased by 3.8 percent -- lending levels largely held steady and would have likely been lower absent capital provided to banks through CPP. The CPP directly infuses capital into viable banks, stabilizing the financial system and enabling banks to continue to play their vital roles as providers of credit to businesses and consumers...In sum, loan activity was resilient in the face of the worst economic downturn in decades."*

## Key lending data

- Key funded \$5.7 billion in new or renewed loans in the fourth quarter of 2008, despite reduced loan demand from consumers and businesses;
- The U.S. Treasury's data indicate that Key's *new* commercial and industrial loan commitments were \$2.4 billion in the last three months of 2008.
- Key's consumer-related portfolios are largely in the home equity category, student loans, and installment loans, where loan volumes were generally flat as consumer confidence appears to have impacted demand. There was a spike in mortgage refinancing applications, beginning in December 2008. Key does not have a credit card portfolio.
- Key lending in the last three months of 2008 was also impacted by strategic decisions in 2008 and 2007 to exit or curtail certain higher risk lending businesses.

## Take a look

- View a lending comparison table of the top 20 banks participating in the CPP.
- For brief background information on CPP for clients, see Key Insight, "Key's Participation in U.S. Treasury 'Capital Purchase Program.'"

U.S. Treasury releases new national lending survey

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## Are Utah banks lending? Depends who you ask

Credit crunch » Businesses say money tight; banks say it's flowing

By Paul Beebe  
The Salt Lake Tribune

Salt Lake Tribune

Posted: 02/23/2009 11:58:55 AM MST

If anyone qualifies for a business loan, it might be Frank Dsouza.

His Salt Lake City-based import, manufacturing and distribution company, Seaich Corp., is doing just fine, notwithstanding the worst recession since the 1930s.

But four banks have turned down his request for \$500,000 to expand his company further -- even as they insist they are making loans to creditworthy borrowers with good business plans.

"The banks say that they have money? I'll say give it to me. I've got a plan," Dsouza said last week.

"We've been profitable. Our business was up about 26-27 percent last year, as opposed to 2007. And I've got all the financial [evidence] to prove it to them," he said.

Dsouza, 48, is the human toll of the gummed up credit markets. He can't get a loan to expand Seaich, despite an excellent credit history with several banks in the Salt Lake valley and a sheaf of purchase orders from Wal-Mart and Sam's Club that could increase his sales almost as much in 2009.

The dearth of commercial credit is a wrenching turnabout from last year. While credit began to tighten in 2007, it didn't freeze up until mid-2008. Since then, \$350 billion authorized by Congress to inject fresh capital into banks and restart lending hasn't managed to break through the logjam.

Yet banks insist they are lending. Zions Bank, which received \$1.4 billion from the U.S. Treasury Department in October, said it provided \$4.6 billion in credit, including \$2.7 billion in new loans, during the final three months of the year.

For the year, Zions' loan volume was up 15 percent, spokesman Rob Brough said.

"We have been aggressively marketing the fact that we have money to lend, particularly to small businesses. We have been the No. 1 small-business lender in the market for 15 years and continue to provide that financing," he said.

Jill Taylor, president of KeyCorp's KeyBank operations in Utah, said money is flowing to borrowers. But it comes with higher interest rates that she said better reflect the risk KeyBank takes when it lends money, even to long-time clients.

"We are talking to business owners and we are really having frank conversations as to what that [risk] is. But we are very much lending," Taylor said.

According to KeyBank, commercial loans increased by 8 percent last year and loans to small businesses went up 14 percent. Taylor said those figures were higher than in the previous year.

"It's ludicrous to think we're not lending any more because it's the only way we make money," she said.

Nationally, there is evidence that lending may be starting a slow recovery.

On Tuesday, the Treasury Department said lending to businesses and consumers by the 20 largest banks that received government rescue funds rose in December, although lending was down slightly in the final three months of the year.

"Overall, loan origination and underwriting activities were weak from October to November 2008 but picked up from November through December, fueled by falling mortgage interest rates and the Federal Deposit Insurance Corp.'s Temporary Liquidity Guarantee Program," the department said.

Among those banks are Wells Fargo, US Bancorp and KeyCorp, which received a total of \$34.1 billion.

Ron Vallone, a Taylorsville home builder, said he detected a thaw when he sat down with a Zions loan officer last week.

"It turned out better than I expected," said Vallone, who had spoken to Zions three times and to three other banks before without a favorable outcome before the latest meeting.

"I told him that in about two months I'd be coming to him for [a debt consolidation] loan. He seemed to think that was possible, only because we've never been late [on payments to the bank]."

Vallone has built over 400 homes in his career. Last year he bought three building lots in Salt Lake County for about \$450,000,



using lines of credit at five banks. When the housing market collapsed, the value of the lots plummeted. He is trying to sell them for \$90,000 apiece, but hasn't received any calls from possible buyers.

Now, at 56, Vallone is edging toward bankruptcy. He continues to make payments on the properties, but it gets harder every month because home building has dried up and his savings are nearly exhausted. He has turned to remodeling jobs, but they are becoming scarce, too.

The meeting with Zions was a rare piece of good news. Vallone said the bank is eager to see what effect the \$787 billion stimulus package passed by Congress will have and may be willing to consolidate his loans.

"I was able to lay the groundwork to see if they were willing," Vallone said. "I was encouraged by that."

While some businesses may be heartened by the prospect of easier credit, others continue to see no relief ahead.

Kathy Romero, 53, who owns Creative Graphics in Murray, has been unable to persuade a bank to consolidate several credit card balances and lines of credit.

Her 14-year-old company is a screen print and embroidery business, whose clients include high schools and National Basketball Association teams. Sales were down 25 percent last year. To cope, she laid off three people last month. In August she moved to a smaller building, which saved \$2,100 a month.

"Since I do have a track record of paying my bills and the minimum payments are more than if I could get a consolidation loan, it seems as though someone would give me a chance. I just have been unable to find a way," Romero said.

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**Excerpt from KeyNet: February 12, 2009**

**Hickman: Key in Idaho using TARP funds for lending**

Banks that received money from the government's capital infusion program want people to know that they're lending – contrary to popular belief. Idaho District President Joel Hickman said banks' stepped-up underwriting and regulators' emphasis on strong capital levels are necessary given the down economy worldwide. Bankers can no longer count on the economy growing. "For 5 years, interest rates were too low, we had too much capital in the market, and it got overheated," he said. "People got away from traditional lending standards in mortgages and commercial real estate." Key's community banking operations increased loans by 1% from the third quarter and by 7.1% from a year earlier, KeyCorp's total loans dropped slightly from the 3rd quarter as Key shed some business lines. Hickman said in Idaho, Key's loan balances didn't retreat from the third quarter, and that deposits grew by about 8%. "Let's give this program a little more time," he said of the Treasury's Capital Purchase Program. "We are still digesting troubled loans. Banks are selling loans, and getting out of trouble areas." *Idaho Business Rev*

# IDAHO BUSINESS REVIEW

## ▪ Idaho Business *News*

### To TARP or not to TARP: TARP-recipient banks say they're still lending

Posted: Monday, February 9, 2009

Idaho banks that received capital infusions from the U.S. Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program want people to know that they're lending – contrary to widespread claims that America's banks are hoarding the proceeds to stave off becoming undercapitalized.

Several large banks that operate in Idaho and received the federal investment – including Wells Fargo, U.S. Bank and Key Bank – reported loan growth in the most recent quarter and continue to lend, Boise-based officials with those banks said.

Recently tighter lending standards, and the way banks enter the Treasury investment proceeds on their books, explain some of the misperceptions.

The Treasury buys preferred stock. Keith Harvey, Boise State University associate professor of finance and a chartered financial analyst, said this is part of a bank's Tier 1 capital – equity capital including common stock and some forms of preferred stock. Bank regulators require that Tier 1 capital exceed a certain percentage of risk-weighted assets, he said.

On their balance sheet, banks give more weight to riskier assets, so if a bank has more capital to support those assets it allows the bank to create more of those assets, he said. "You can lend more."

Increasing Tier 1 capital allows the bank to attract additional debt capital – by borrowing, for example – and to take that combination of debt and equity capital to fund more assets including more loans, Harvey said.

"For every dollar in equity capital, you can create a multiple of that number in risk-weighted assets," he said.

Tony Olbrich, Boise-based regional president of U.S. Bank's western Idaho-eastern Oregon region, said the Treasury's capital investment in the bank will not impact operations in this market directly.

U.S. Bank aims to grow loans in Idaho, he said. Loans are funded by capital and deposits, and to the extent there's now a component of funds invested in U.S. Bank through the Capital Purchase Program. A small component of the loan growth that is expected to be realized here in 2009 will be supported by those funds, he said.

Amy McDevitt, Wells Fargo spokeswoman in Boise, said the Treasury investment proceeds come into the bank's capital base.

"I can't say that dollar for dollar that's what it's being spent on," she said, referring to loans. "We're definitely using the funds for the purposes they were intended, to make more loans and to help find solutions for mortgage customers. We are open for business, lending, helping customers find solutions."

Whether banks are lending capital or hoarding it continues to be debated. Associated Press reports U.S. Treasury officials and members of Congress are encouraging banks to lend at the same time federal bank regulators are telling banks to boost their capital levels.

By many accounts, banks are protecting themselves in a down economy by imposing strict underwriting standards on credit applicants.

Banks are not lending – to just any loan applicant.

"The key to it is creditworthy customers," McDevitt said. "People are taking a better look at the borrower's ability to repay the loan."

Wells Fargo always had strict standards, but everything's getting a closer look, she said.

still saw respectable growth even after seasonal pay-downs in some sectors of our portfolio," he said.

Wells Fargo stated in a release that nationally loan commitments and mortgage originations totaling nearly three times the amount the U.S. Treasury invested in the bank were made last quarter. Idaho results are similar to companywide results, McDevitt said.

Key Bank's community banking operations increased loans by 1 percent from the third quarter and by 7.1 percent from a year earlier, Denver-based regional spokesman Jack Sparks said. Parent company KeyCorp's total loans dropped slightly from the third quarter as Key shed some business lines.

Hickman said in Idaho, Key's loan balances didn't retreat from the third quarter, and that deposits grew by about 8 percent.

"Let's give this program a little more time," he said of the Treasury's Capital Purchase Program. "We are still digesting troubled loans.

Banks are selling loans, and getting out of trouble areas." Liquidity levels remain low, which tightens funding and makes economic expansion more difficult, Hickman said. The liquidity situation shows some improvement, but there's going to still be some fear out there.

## **Appendix B**

### **Pertinent Supporting Documentation**

1. TARP Monthly Intermediation Snapshot, for the months of October, November and December 2008, as submitted on February 6, 2009.
2. TARP Monthly Intermediation Snapshot, for January 2009, as submitted on February 26, 2009.

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: KeyCorp  
 Submission date: 07/06/09  
 Person to be contacted regarding this report: Robert L. Morris

## PART I. QUANTITATIVE OVERVIEW

	2008 NOV	2008 OCT	2008 NOV	2008 DEC	521	Comments
<b>SCHEDULE A. CONSUMER LENDING (Millions \$)</b>						
<b>1. First Mortgages</b>						
a. Average Loan Balance (Daily Average Total Outstanding)	\$1,663.4	\$1,667.1	\$1,628.9	\$1,628.9	First Mortgage includes loans secured by 1-4 family residential properties including home equity loans secured by first liens.	Residential mortgage demand was comparable to third quarter levels with a spike in refinancing applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.
b. Total Originations	\$109.2	\$114.0	\$81.3	\$81.3	Total Originations include both portfolio and held-for-sale loan originations.	
(1) Refinancings	\$54.0	\$50.7	\$40.7	\$40.7		
(2) New Home Purchases	\$54.8	\$63.3	\$40.6	\$40.6		
<b>2. Home Equity</b>						
a. Average Total Loan Balance	\$1,779.2	\$1,851.8	\$1,841.3	\$1,841.3	Home Equity includes home equity lines of credit only (Home equity loans secured by first liens are included with First Mortgages above)	Application volume decreased throughout the fourth quarter as consumer confidence appears to have impacted demand.
b. Originations (New Lines/Line Increases)	\$165.0	\$151.4	\$100.0	\$100.0		
c. Total Used and Unused Commitments	\$16,394.5	\$16,358.8	\$16,411.4	\$16,411.4		
<b>3. US Card - Managed</b>						
a. Average Total Loan Balance - Managed	\$5.7	\$5.6	\$5.7	\$5.7	US Card - Managed includes Credit Card loans.	Key does not originate new credit card receivables for its own portfolio. The existing portfolio was acquired through a bank acquisition.
b. New Account Originations (Initial Line Amt)	\$0.0	\$0.0	\$0.0	\$0.0		
c. Total Used and Unused Commitments	\$48.2	\$48.4	\$48.5	\$48.5		
<b>4. Other Consumer</b>						
a. Average Total Loan Balance	\$4,895.3	\$4,354.0	\$4,313.8	\$4,313.8	Other Consumer includes all other non-revolving consumer loans.	Key discontinued several higher risk, non-relationship loan programs in 2008 including indirect Marine, RV and non-guaranteed student loans. The volatility of originations during the fourth quarter is typically heavily impacted by guaranteed student loan funding schedules.
b. Originations	\$73.9	\$54.0	\$110.0	\$110.0		

SCHEDULE B: COMMERCIAL LENDING (Millions \$)		OCT	NOV	DEC	YTD	Comments
<b>1. C&amp;I</b>						
a. Average Total Loan and Lease Balance	\$37,480.7	\$37,099.8	\$38,106.0			Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable.
b. Renewal of Existing Accounts	\$966.1	\$653.2	\$1,679.4			
c. New Commitments	\$744.9	\$436.2	\$983.8			
<b>2. Commercial Real Estate</b>						
a. Average Total Loan and Lease Balance	\$19,333.7	\$19,358.1	\$19,279.4			CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Moves, Freddie Mac, and FHA agencies.
b. Renewal of Existing Accounts	\$729.8	\$588.9	\$1,203.3			
c. New Commitments	\$317.3	\$273.2	\$229.9			
<b>SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>						
<b>1. MBS/ABS Not Purchased/Collected</b>						
a. Mortgage Backed Securities	\$284.5	-\$119.5	\$146.8			Purchases of GSE-guaranteed MBS and CMO security types are targeted to replace maturing or prepaying volumes.
b. Asset Backed Securities	\$0.0	\$0.0	\$0.0			
<b>2. Structured Lending (Repo, FR, Margin, Reverse)</b>						
a. Average Total Matched Book (Repo/Reverse Repo)	N/A	N/A	N/A			
b. Average Total Debt Balances	N/A	N/A	N/A			
<b>3. Underwriting</b>						
a. Total Equity Underwriting	\$3.4	\$3.6	\$0.0			Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program.
b. Total Debt Underwriting	\$176.1	\$362.3	\$813.1			

Notes:  
1. Not includable if matched book activity does not exceed \$50 billion.  
2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **October, November, December 2008**

Submission date: **2/06/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **PART II. QUALITATIVE OVERVIEW**

*Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.*

Cleveland-based KeyCorp is one of the nation's largest bank-based financial services companies with assets of approximately \$105 billion at December 31, 2008. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. Community Banking includes the consumer and business banking organizations associated with the company's 14-state branch network. The branch network is organized into four geographic regions: Northwest, Rocky Mountains, Great Lakes and Northeast. National Banking includes those corporate and consumer business units that operate from offices within and outside Key's 14-state branch network. Its reach extends across the U.S. and to 26 countries.

### **General**

Overall, loan balances trended lower at year-end 2008. The fourth quarter of 2008 was characterized by the continued general weakening of credit demand across all client segments. Key tightened some additional credit standards during the fourth quarter, subsequent to the tightening of credit standards during the third quarter.

Key's lending strategies focus on serving the needs of existing and new relationship clients while being mindful of risk-reward and strategic capital allocation.

### **Consumer**

Overall loan demand for consumer credit (excluding residential first mortgage and credit card) was weaker as is typically the case for Consumer in the fourth quarter compared to the third quarter, since the fourth quarter generally marks a seasonal low point for the year. Based on the number of applications received by Key, the demand for consumer credit during the fourth quarter of 2008 was moderately weaker than that experienced during the fourth quarter of 2007.

During the fourth quarter there was modest tightening of Key's consumer credit standards, especially pricing-related changes as performance-based pricing necessitated increases in practically all products. This tightening of credit also reflects the elevated cost of funds that Key and others in the banking industry continued to experience as the availability of long-term funding remained restricted.

Residential mortgage demand was comparable to third quarter levels with a spike in refinance applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.



# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **October, November, December 2008**

Submission date: **2/06/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **C & I**

Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable. Also contributing to the decrease in Key's average C & I loans during the fourth quarter were client paydowns made on previous draws as a result of improved liquidity conditions in the commercial paper markets. Loan demand declined with all borrowers including those with desirable risk profiles.

Key had previously taken action to limit and/or manage its exposure to higher risk industries. During the fourth quarter, an even more cautious approach was taken to lending to these industries. These changes were prompted by the unfavorable economic outlook, worsening of industry-specific problems, decreased liquidity in the secondary market, and business decisions regarding the strategic use of capital.

Considerable focus was placed on pricing for risk during the third quarter. Continuing into the fourth quarter, credit line costs increased and premiums were charged on riskier deals. The use of interest rate floors in commercial credit agreements also became much more prevalent during the fourth quarter given trends in overnight and 30-day LIBOR, and the increased cost associated with term liquidity, including customer deposits.

## **Commercial Real Estate**

CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities.

During the fourth quarter, Key continued to tighten CRE credit standards and price for risk. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Companies, have been weak. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.

## **Underwriting**

Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Overall, only 32 transactions came to market during the quarter, with Key being involved in two, versus the 177 transactions per quarter pace seen between 2000 and 2008.

Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program. The modest rally in credit spreads opened the

## TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **October, November, December 2008**      Submission date: **2/06/09**

Person to be contacted regarding this report: **Robert L. Morris**

window for large, well-known, issuers of investment grade bonds, however poor economic data and expectations for weak fourth quarter earnings left some potential issuers of debt, including high yield, unable to attract investors.

# TREASURY MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: KeyCorp  
 Submission date: 02/26/2009  
 Person to be contacted about this report: Robert L. Morris

## PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions \$)	2009		2008		Key	Comments
	JAN	DEC	NOV	DEC		
1. First Mortgages	\$3,494	\$3,630	\$3,463	\$3,494	First Mortgage includes loans secured by 1-4 family residential properties including home equity loans secured by first liens.	Refinance applications continue to be strong as consumers react to the favorable rate environment. January fundings reflect the shift to refinancings with 78% of the originations consisting of refinancings versus 48% in December.
2. Total Originations	\$119	\$92	\$114	\$92	Total Originations include both portfolio and held-for-sale loan originations.	
(1) Refinancings	\$81	\$44	\$81	\$44		
(2) New Home Purchases	\$38	\$48	\$33	\$48		
3. Home Equity						
a. Average Total Loan Balance	\$8,092	\$7,941	\$7,857	\$7,941	Home Equity includes home equity lines of credit only (Home equity loans secured by first liens are included with First Mortgages above).	Consumer application volume was up slightly in January over December, but down 22% compared to the year-ago period as consumers continue to be cautious in taking on additional debt.
b. Originations (New Lines-Line Increases)	\$121	\$151	\$151	\$151		
c. Total Used and Unused Commitments	\$18,300	\$16,411	\$18,350	\$16,411		
4. US Card - Managed						
a. Average Total Loan Balance - Managed	\$6	\$6	\$6	\$6	US Card - Managed includes Credit Card loans.	Key does not originate new credit card receivables for its own portfolio. The existing portfolio was acquired through a bank acquisition.
b. New Account Originations (Initial Line Amt)	\$0	\$0	\$0	\$0		
c. Total Used and Unused Commitments	\$47	\$49	\$48	\$49		
5. Other Consumer						
a. Average Total Loan Balance	\$4,100	\$6,313	\$4,100	\$6,313	Other Consumer includes all other non-revolving consumer loans.	The primary driver of loan growth was federal student loans which were up 135% over December and 34% over the year-ago period as Key has picked up market share from organizations that have exited the market during this seasonal peak. Although KeyBank announced its exit from the private student loan market in September 2008, prior commitments for private student loans accounted for approximately \$55 million of the January funding.
b. Originations	\$192	\$110	\$44	\$110		

SCHEDULE B: COMMERCIAL LENDING (Millions \$)		NOV	DEC	JAN	KEY	COMMENTS
<b>1. C &amp; I</b>						
a. Average Total Loan and Lease Balance	\$17,100	\$36,506	\$38,053	\$38,053	C & I includes lease financing receivables, commercial and industrial loans, agricultural loans, loans to depository institutions and other nonconsumer loans.	Borrower C & I credit inquiries were extremely weak in January across all segments. Small business demand continues to be weaker than demand from large firms, but both areas are experiencing low new business volume levels of less than 50% of January 2008 levels.
b. Renewal of Existing Accounts	\$853	\$1,679	\$833	\$833	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	\$636	\$994	\$537	\$537	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>2. Commercial Real Estate</b>						
a. Average Total Loan and Lease Balance	\$18,309	\$19,224	\$18,963	\$18,963	Commercial Real Estate includes construction and land loans, loans secured by multi-family residential properties and by other nonresidential properties.	Commercial Real Estate ("CRE") loan demand continued to be weak during January. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and CRE market outlook, contributed to a considerable reduction in lending activities.
b. Renewal of Existing Accounts	\$589	\$1,263	\$908	\$908	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	In January, Key's primary lending activities in CRE continued to be extending and modifying existing credits given the lack of liquidity and refinancing options in the commercial real estate market. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.
c. New Commitments	\$273	\$229	\$344	\$344	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>						
<b>1. MBS/VARS AND PAPERED VOLUMES</b>						
a. Mortgage Backed Securities	\$170	\$146	\$113	\$113	January MBS includes \$0 MM in purchases and \$113.0 MM in paydowns, calls and maturities.	Investment purchases of GSE guaranteed MBS and CMO security types are targeted to replace maturing or prepaying volumes. The reinvestments of January maturities were completed in February when market dynamics were more favorable.
b. Asset Backed Securities	\$0	\$0	\$0	\$0		
<b>2. Secured Lending (Repo, P2, Margin Lending)</b>						
a. Average Total Matched Book (Repo/Reverse Repo)	N/A	N/A	N/A	N/A		
b. Average Total Debt Balances	N/A	N/A	N/A	N/A		
<b>3. Underwriting</b>						
a. Total Equity Underwriting	\$4	\$0	\$38	\$38		Equity underwriting continues to be slow due to extreme market volatility and pressure on valuations. Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program.
b. Total Debt Underwriting	\$382	\$519	\$311	\$311		

Notes:  
1. Not applicable if matched book activity does not exceed \$50 million.  
2. Applicable only to institutions offering prime brokerage or other margin lending services to clients.

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **January 2009**

Submission date: **2/26/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **PART II. QUALITATIVE OVERVIEW**

*Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.*

Cleveland-based KeyCorp is one of the nation's largest bank-based financial services companies with assets of approximately \$105 billion at December 31, 2008. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. Community Banking includes the consumer and business banking organizations associated with the company's 14-state branch network. The branch network is organized into four geographic regions: Northwest, Rocky Mountains, Great Lakes and Northeast. National Banking includes those corporate and consumer business units that operate from offices within and outside Key's 14-state branch network. Its reach extends across the U.S. and to 26 countries.

### **General**

January 2009 was characterized by weak credit demand in the commercial client segment. Consumer loan growth was experienced in two segments: residential mortgages and student lending.

Key's lending strategies continue to focus on serving the needs of existing and new relationship clients while being mindful of risk-reward and strategic capital allocation.

### **Consumer**

Consumer loan demand continues to be constrained. January growth was driven by the refinancing of residential mortgages to lower rates to improve families' cash flow. The growth in student lending is seasonal, reflecting families' needs to fund the upcoming semester to keep students in school. Although KeyBank announced its exit from the private student loan market in September 2008, prior commitments for private student loans accounted for approximately \$55 million of the January funding. We expect the residential mortgage and federally guaranteed student loan segments to continue to show year over year growth, while consumers continue to limit discretionary borrowing in the coming months.

No changes in lending standards occurred during the month. Pricing changes continue to reflect industry funding costs as well as current asset quality trends.

### **C & I**

Borrower credit inquiries, excluding renewals, declined in January following already weak December levels. Present inquiries represent less than half of the new business demand from a year earlier. Demand was weak across all sectors, but especially from very small business borrowers requesting less than \$100,000, which may be a reflection of a seasonal trend.

## TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **January 2009**

Submission date: **2/26/09**

Person to be contacted regarding this report: **Robert L. Morris**

As noted in last month's report, Key had previously undertaken actions to limit and/or manage its exposure to higher risk industries. There were no material changes to underwriting standards in January. The emphasis on pricing for risk and term liquidity, initiated in the third quarter, also continued in January.

### **Commercial Real Estate**

Commercial Real Estate ("CRE") loan demand continued to be weak during January. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and CRE market outlook, contributed to a considerable reduction in lending activities.

In January, Key's primary lending activities in CRE continued to be extending and modifying existing credits given the lack of liquidity and refinancing options in the commercial real estate market. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac and FHA agencies.

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **October, November, December 2008**

Submission date: **2/06/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **PART II. QUALITATIVE OVERVIEW**

*Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.*

Cleveland-based KeyCorp is one of the nation's largest bank-based financial services companies with assets of approximately \$105 billion at December 31, 2008. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. Community Banking includes the consumer and business banking organizations associated with the company's 14-state branch network. The branch network is organized into four geographic regions: Northwest, Rocky Mountains, Great Lakes and Northeast. National Banking includes those corporate and consumer business units that operate from offices within and outside Key's 14-state branch network. Its reach extends across the U.S. and to 26 countries.

### **General**

Overall, loan balances trended lower at year-end 2008. The fourth quarter of 2008 was characterized by the continued general weakening of credit demand across all client segments. Key tightened some additional credit standards during the fourth quarter, subsequent to the tightening of credit standards during the third quarter.

Key's lending strategies focus on serving the needs of existing and new relationship clients while being mindful of risk-reward and strategic capital allocation.

### **Consumer**

Overall loan demand for consumer credit (excluding residential first mortgage and credit card) was weaker as is typically the case for Consumer in the fourth quarter compared to the third quarter, since the fourth quarter generally marks a seasonal low point for the year. Based on the number of applications received by Key, the demand for consumer credit during the fourth quarter of 2008 was moderately weaker than that experienced during the fourth quarter of 2007.

During the fourth quarter there was modest tightening of Key's consumer credit standards, especially pricing-related changes as performance-based pricing necessitated increases in practically all products. This tightening of credit also reflects the elevated cost of funds that Key and others in the banking industry continued to experience as the availability of long-term funding remained restricted.

Residential mortgage demand was comparable to third quarter levels with a spike in refinance applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **October, November, December 2008**

Submission date: **2/06/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **C & I**

Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable. Also contributing to the decrease in Key's average C & I loans during the fourth quarter were client paydowns made on previous draws as a result of improved liquidity conditions in the commercial paper markets. Loan demand declined with all borrowers including those with desirable risk profiles.

Key had previously taken action to limit and/or manage its exposure to higher risk industries. During the fourth quarter, an even more cautious approach was taken to lending to these industries. These changes were prompted by the unfavorable economic outlook, worsening of industry-specific problems, decreased liquidity in the secondary market, and business decisions regarding the strategic use of capital.

Considerable focus was placed on pricing for risk during the third quarter. Continuing into the fourth quarter, credit line costs increased and premiums were charged on riskier deals. The use of interest rate floors in commercial credit agreements also became much more prevalent during the fourth quarter given trends in overnight and 30-day LIBOR, and the increased cost associated with term liquidity, including customer deposits.

## **Commercial Real Estate**

CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities.

During the fourth quarter, Key continued to tighten CRE credit standards and price for risk. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Companies, have been weak. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.

## **Underwriting**

Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Overall, only 32 transactions came to market during the quarter, with Key being involved in two, versus the 177 transactions per quarter pace seen between 2000 and 2008.

Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program. The modest rally in credit spreads opened the



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window for large, well-known, issuers of investment grade bonds, however poor economic data and expectations for weak fourth quarter earnings left some potential issuers of debt, including high yield, unable to attract investors.

## TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: KeyCorp      Submission date: 02/06/09      Person to be contacted regarding this report: Robert L. Morris

### PART I. QUANTITATIVE OVERVIEW

SCHEDULE A: CONSUMER LENDING (Millions \$)	OCT	2008 NOV	DEC	Key	Comments
<b>1. First Mortgage</b>					
a. Average Loan Balance (Daily Average Total Outstanding)	\$3,663.4	\$3,667.1	\$3,629.9	First Mortgage includes loans secured by 1-4 family residential properties including home equity loans secured by first liens.	Residential mortgage demand was comparable to third quarter levels with a spike in refinance applications beginning in December. Prime residential mortgage credit standards remained unchanged during fourth quarter, after considerable tightening in previous quarters.
b. Total Originations	\$109.2	\$114.0	\$91.5	Total Originations include both portfolio and held-for-sale loan originations.	
(1) Refinancings	\$54.0	\$50.7	\$43.7		
(2) New Home Purchases	\$55.2	\$63.3	\$47.8		
<b>2. Home Equity</b>					
a. Average Total Loan Balance	\$7,773.2	\$7,851.8	\$7,941.1	Home Equity includes home equity lines of credit only (Home equity loans secured by first liens are included with First Mortgages above).	Application volume decreased throughout the fourth quarter as consumer confidence appears to have impacted demand.
b. Originations (New Lines+Line Increases)	\$165.0	\$151.4	\$150.9		
c. Total Used and Unused Commitments	\$16,294.5	\$16,358.8	\$16,411.4		
<b>3. US Card - Managed</b>					
a. Average Total Loan Balance - Managed	\$5.7	\$5.6	\$5.7	US Card - Managed includes Credit Card loans.	Key does not originate new credit card receivables for its own portfolio. The existing portfolio was acquired through a bank acquisition.
b. New Account Originations (Initial Line Amt)	\$0.0	\$0.0	\$0.0		
c. Total Used and Unused Commitments	\$48.2	\$48.4	\$48.5		
<b>4. Other Consumer</b>					
a. Average Total Loan Balance	\$8,395.5	\$8,354.0	\$8,313.0	Other Consumer includes all other non-revolving consumer loans.	Key discontinued several higher risk, nonrelationship loan programs in 2008 including Indirect Marine, RV and non-guaranteed student loans. The volatility of originations during the fourth quarter is typically heavily impacted by guaranteed student loan funding schedules.
b. Originations	\$73.0	\$54.0	\$110.0		

SCHEDULE B: COMMERCIAL LENDING (Millions \$)	OCT	NOV	DEC	Key	Comments
<b>1. C &amp; I</b>					
a. Average Total Loan and Lease Balance	\$37,490.7	\$37,099.8	\$36,506.0	C & I includes lease financing receivables, commercial and industrial loans, agricultural loans, loans to depository institutions and other nonconsumer loans.	Borrower credit inquiries decreased moderately during the fourth quarter. Loan demand was moderately weaker for large and middle market firms. For smaller firms, loan demand was substantially weaker. The decrease in demand was attributed to decreasing needs for the financing of plant, equipment, inventory and accounts receivable.
b. Renewal of Existing Accounts	\$906.3	\$853.2	\$1,679.4	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	\$744.6	\$636.2	\$993.9	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>2. Commercial Real Estate</b>					
a. Average Total Loan and Lease Balance	\$19,331.7	\$19,359.1	\$19,224.2	Commercial Real Estate includes construction and land loans, loans secured by multi-family residential properties and by other nonresidential properties.	CRE loan demand, already very weak, was even weaker during the fourth quarter. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and Commercial Real Estate market outlook, contributed to a considerable reduction in CRE lending activities. Refinancing activity was up in the fourth quarter as alternative and permanent financing markets, such as CMBS and Life Companies, have been weak. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.
b. Renewal of Existing Accounts	\$723.0	\$588.9	\$1,263.3	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	\$517.3	\$273.2	\$229.4	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>					
<b>1. MBS/ABS Net Purchased Volume</b>					
a. Mortgage Backed Securities	-\$26.5	-\$119.5	\$146.0	Oct. MBS includes \$82.8 MM in purchases offset by \$109.3 MM in paydowns, calls and maturities. Nov. MBS includes \$119.5 million in paydowns, calls and maturities. Dec. MBS includes \$246.5 MM in purchases offset by \$100.5 MM in paydowns, calls and maturities.	Purchases of GSE-guaranteed MBS and CMO security types are targeted to replace maturing or prepaying volumes.
b. Asset Backed Securities	\$0.0	\$0.0	\$0.0		
<b>2. Secured Lending (Repo PB Margin Lending)</b>					
a. Average Total Matched Book (Repo/Reverse Repo) <sup>1</sup>	N/A	N/A	N/A		
b. Average Total Debit Balances <sup>2</sup>	N/A	N/A	N/A		
<b>3. Underwriting</b>					
a. Total Equity Underwriting	\$3.4	\$3.6	\$0.0		Equity underwriting activity was low industry-wide during the quarter due to extreme market volatility and pressure on valuations. Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program.
b. Total Debt Underwriting	\$176.1	\$362.3	\$519.3		
<b>Notes:</b> 1. Not applicable if matched book activity does not exceed \$50 billion. 2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.					

# TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **January 2009**

Submission date: **2/26/09**

Person to be contacted regarding this report: **Robert L. Morris**

## **PART II. QUALITATIVE OVERVIEW**

*Please provide a brief overview of the intermediation activity during the month. This discussion should include a general commentary on the lending environment, loan demand, any changes in lending standards and terms, and any other intermediation activity.*

Cleveland-based KeyCorp is one of the nation's largest bank-based financial services companies with assets of approximately \$105 billion at December 31, 2008. Through KeyBank and certain other subsidiaries, KeyCorp provides a wide range of retail and commercial banking, commercial leasing, investment management, consumer finance, and investment banking products and services to individual, corporate and institutional clients through two major business groups, Community Banking and National Banking. Community Banking includes the consumer and business banking organizations associated with the company's 14-state branch network. The branch network is organized into four geographic regions: Northwest, Rocky Mountains, Great Lakes and Northeast. National Banking includes those corporate and consumer business units that operate from offices within and outside Key's 14-state branch network. Its reach extends across the U.S. and to 26 countries.

### **General**

January 2009 was characterized by weak credit demand in the commercial client segment. Consumer loan growth was experienced in two segments: residential mortgages and student lending.

Key's lending strategies continue to focus on serving the needs of existing and new relationship clients while being mindful of risk-reward and strategic capital allocation.

### **Consumer**

Consumer loan demand continues to be constrained. January growth was driven by the refinancing of residential mortgages to lower rates to improve families' cash flow. The growth in student lending is seasonal, reflecting families' needs to fund the upcoming semester to keep students in school. Although KeyBank announced its exit from the private student loan market in September 2008, prior commitments for private student loans accounted for approximately \$55 million of the January funding. We expect the residential mortgage and federally guaranteed student loan segments to continue to show year over year growth, while consumers continue to limit discretionary borrowing in the coming months.

No changes in lending standards occurred during the month. Pricing changes continue to reflect industry funding costs as well as current asset quality trends.

### **C & I**

Borrower credit inquiries, excluding renewals, declined in January following already weak December levels. Present inquiries represent less than half of the new business demand from a year earlier. Demand was weak across all sectors, but especially from very small business borrowers requesting less than \$100,000, which may be a reflection of a seasonal trend.

## TARP MONTHLY INTERMEDIATION SNAPSHOT

Name of institution: **KeyCorp**

Reporting month(s): **January 2009**

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As noted in last month's report, Key had previously undertaken actions to limit and/or manage its exposure to higher risk industries. There were no material changes to underwriting standards in January. The emphasis on pricing for risk and term liquidity, initiated in the third quarter, also continued in January.

### **Commercial Real Estate**

Commercial Real Estate ("CRE") loan demand continued to be weak during January. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and CRE market outlook, contributed to a considerable reduction in lending activities.

In January, Key's primary lending activities in CRE continued to be extending and modifying existing credits given the lack of liquidity and refinancing options in the commercial real estate market. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac and FHA agencies.

**TREASURY MONTHLY INTERMEDIATION SNAPSHOT**

Name of institution: KeyCorp

Submission date: 02/26/2009

Person to be contacted about this report: Robert L. Morris

**PART I. QUANTITATIVE OVERVIEW**

SCHEDULE A: CONSUMER LENDING (Millions \$)	2008 NOV	2008 DEC	2009 JAN	Key	Comments
<b>1. First Mortgage</b>					
a. Average Loan Balance (Daily Average Total Outstanding)	\$3,667	\$3,630	\$3,494	First Mortgage includes loans secured by 1-4 family residential properties including home equity loans secured by first liens.	Refinance applications continue to be strong as consumers react to the favorable rate environment. January fundings reflect the shift to refinancings with 78% of the originations consisting of refinancings versus 48% in December.
b. Total Originations	\$114	\$92	\$129	Total Originations include both portfolio and held-for-sale loan originations.	
(1) Refinancings	\$51	\$44	\$101		
(2) New Home Purchases	\$63	\$48	\$28		
<b>2. Home Equity</b>					
a. Average Total Loan Balance	\$7,852	\$7,941	\$8,092	Home Equity includes home equity lines of credit only (Home equity loans secured by first liens are included with First Mortgages above).	Consumer application volume was up slightly in January over December, but down 22% compared to the year-ago period as consumers continue to be cautious in taking on additional debt.
b. Originations (New Lines+Line Increases)	\$151	\$151	\$121		
c. Total Used and Unused Commitments	\$16,359	\$16,411	\$16,500		
<b>3. US Card - Managed</b>					
a. Average Total Loan Balance - Managed	\$6	\$6	\$6	US Card - Managed includes Credit Card loans.	Key does not originate new credit card receivables for its own portfolio. The existing portfolio was acquired through a bank acquisition.
b. New Account Originations (Initial Line Amt)	\$0	\$0	\$0		
c. Total Used and Unused Commitments	\$48	\$49	\$47		
<b>4. Other Consumer</b>					
a. Average Total Loan Balance	\$8,354	\$8,313	\$8,408	Other Consumer includes all other non-revolving consumer loans.	The primary driver of loan growth was federal student loans which were up 135% over December and 34% over the year-ago period as Key has picked up market share from organizations that have exited the market, during this seasonal peak. Although KeyBank announced its exit from the private student loan market in September 2008, prior commitments for private student loans accounted for approximately \$55 million of the January funding.
b. Originations	\$54	\$110	\$192		

SCHEDULE B: COMMERCIAL LENDING (Millions \$)	NOV	DEC	JAN	Key	Comments
<b>1. C &amp; I</b>					
a. Average Total Loan and Lease Balance	\$37,100	\$36,506	\$36,053	C & I includes lease financing receivables, commercial and industrial loans, agricultural loans, loans to depository institutions and other nonconsumer loans.	Borrower C & I credit inquiries were extremely weak in January across all segments. Small business demand continues to be weaker than demand from large firms, but both areas are experiencing low new business volume levels of less than 50% of January 2008 levels.
b. Renewal of Existing Accounts	\$853	\$1,679	\$835	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	\$636	\$994	\$537	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>2. Commercial Real Estate</b>					
a. Average Total Loan and Lease Balance	\$19,359	\$19,224	\$18,963	Commercial Real Estate includes construction and land loans, loans secured by multi-family residential properties and by other nonresidential properties.	Commercial Real Estate ("CRE") loan demand continued to be weak during January. The collapse of the CMBS securitization market during the second half of 2008, coupled with the economic conditions and CRE market outlook, contributed to a considerable reduction in lending activities. In January, Key's primary lending activities in CRE continued to be extending and modifying existing credits given the lack of liquidity and refinancing options in the commercial real estate market. Primary refinancing activity has been in the multi-family space with Fannie Mae, Freddie Mac, and FHA agencies.
b. Renewal of Existing Accounts	\$589	\$1,263	\$908	Renewals of existing accounts include outstanding balances and unused commitments for which the terms were extended or changed. A renewed commitment may or may not have an active draw.	
c. New Commitments	\$273	\$229	\$344	New commitments include outstanding balances and unused commitments. Commitment amounts exclude standby letters of credit.	
<b>SCHEDULE C: OTHER INTERMEDIATION ACTIVITIES (Millions \$)</b>					
<b>1. MBS/ABS Net Purchased Volume</b>					
a. Mortgage Backed Securities	-\$120	\$146	-\$113	January MBS includes \$0 MM in purchases and \$113.0 MM in paydowns, calls and maturities.	Investment purchases of GSE-guaranteed MBS and CMO security types are targeted to replace maturing or prepaying volumes. The reinvestments of January maturities were completed in February when market dynamics were more favorable.
b. Asset Backed Securities	\$0	\$0	\$0		
<b>2. Secured Lending (Repo PB Margin Lending)</b>					
a. Average Total Matched Book (Repo/Reverse Repo) <sup>1</sup>	N/A	N/A	N/A		
b. Average Total Debit Balances <sup>2</sup>	N/A	N/A	N/A		
<b>3. Underwriting</b>					
a. Total Equity Underwriting	\$4	\$0	\$18		Equity underwriting continues to be slow due to extreme market volatility and pressure on valuations. Investor interest in the investment grade bond market picked up in late November with the success of the FDIC's Temporary Liquidity Guarantee Program.
b. Total Debt Underwriting	\$362	\$519	\$311		
<b>Notes:</b> 1. Not applicable if matched book activity does not exceed \$50 billion. 2. Applicable only for institutions offering prime brokerage or other margin lending services to clients.					