

Resolution Plan

KeyCorp

KeyBank N.A.

December 2013 - Public Section



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Executive Summary of Resolution Plan

Introduction

Title I, Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and the related rule (the "165(d) Rule"), require each Bank Holding Company ("BHC") with assets greater than \$50 billion to regularly submit to the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Federal Deposit Insurance Corporation ("FDIC") a plan for such company's rapid and orderly resolution ("Resolution Plan") in the event of material financial distress or failure. KeyCorp, a BHC with consolidated assets greater than \$50 billion, is required to submit a Resolution Plan in accordance with the 165(d) Rule.

Separately, the FDIC has issued a rule pursuant to its authority under the Federal Deposit Insurance Act ("FDIA") ("the IDI Rule" and together with the 165(d) Rule, the "Rules") which requires covered insured depository institutions ("CIDIs") with assets of \$50 billion or more to regularly submit a Resolution Plan that would enable the FDIC, as receiver, to resolve the CIDI in the event of the institution's failure. KeyBank National Association ("KeyBank"), a CIDI with consolidated assets greater than \$50 billion and the principal subsidiary of KeyCorp, is required to submit a Resolution Plan in accordance with the IDI Rule.

To satisfy the requirements of the Rules, and in consideration of the Company's simple organizational structure and business activities, KeyCorp and KBNA have elected to submit a single Resolution Plan. This election is based upon the significance of KeyBank to the consolidated enterprise of KeyCorp. Throughout this Resolution Plan, the term "Parent" shall be used to refer to the parent bank holding company on an unconsolidated basis. The terms "KeyCorp" and "the Company" shall be used to refer to the Parent on a consolidated basis with all subsidiaries, and the terms "KeyBank" and "KBNA" shall be used to refer to KeyBank National Association on a consolidated basis with its subsidiaries.

KBNA is the principal subsidiary and sole insured depository institution ("IDI") of KeyCorp. Through KBNA 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, commercial and institutional clients.

This public section is presented according to the requirements, set forth in the Rules, to provide an overview of the Resolution Plan for KeyCorp and KBNA. This Resolution Plan contemplates resolution strategies for resolving the Parent and KeyCorp's other Material Entities ("MEs") in the unlikely event of material financial distress or failure of the Parent and KeyCorp's other MEs. The strategies are aimed at providing for rapid and orderly resolution in a manner that minimizes risk to depositors, taxpayers, regulators, and the financial system. The Resolution Plan is intended to serve as a roadmap to facilitate resolution of KeyCorp and its MEs under applicable insolvency regimes, including receivership under the FDIA, reorganization or liquidation under the United States Bankruptcy Code, and liquidation under the Securities Investor Protection Act of 1970 ("SIPA").

In accordance with the Rules and direction provided by the Federal Reserve and FDIC, this Resolution Plan assumes the occurrence of an idiosyncratic event that results in material financial distress to KeyBank and the Company under economic conditions consistent with the baseline scenario developed by the Federal Reserve

pursuant to 12 U.S.C. § 5365. The Resolution Plan further assumes that the capital markets and other market participants are functioning normally.

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "believe," "should," "could," "would," "strategy," "unlikely," "hypothetical," and "in the event that," and other similar references to future periods. Forward-looking statements are not historical facts but instead represent current expectations and forecasts regarding future events, many of which are inherently uncertain and outside of KeyCorp's control. KeyCorp's actual results may differ, possibly materially, from the anticipated results indicated in forward-looking statements. Factors that could cause KeyCorp's actual results to differ materially from those described in forward-looking statements can be found in KeyCorp's Annual Report on Form 10-K for the year ended December 31, 2012 and subsequent filings made by KeyCorp under the Securities Exchange Act of 1934, as amended, which have been filed with the Securities and Exchange Commission ("SEC") and are available on KeyCorp's website at www.key.com/ir and on the website for the SEC at www.sec.gov. Forward-looking statements are not guarantees of future performance and should not be relied upon as representing management's views as of any subsequent date. KeyCorp does not undertake any obligation to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of the forward-looking statements.

A. The Names of Material Entities

Consistent with the requirements of the Rules, KeyCorp has identified three MEs for the purposes of resolution planning, as identified below.

KeyCorp ("Parent")

The Parent is the BHC under the Bank Holding Company Act of 1956, as amended ("BHCA"), organized in 1958 under the laws of the State of Ohio. The Parent is the parent holding company for KBNA, its principal subsidiary, through which most of the Company's banking services are provided.

KeyBank National Association ("KBNA")

KBNA is the principal subsidiary of the Parent and offers a wide range of banking services to its customers through its 14-state retail bank branch network, as well as through its website, mobile applications, contact centers and sales force across the U.S.

KeyBanc Capital Markets Inc. ("KBCMI")

KBCMI is a wholly owned subsidiary of the Parent. KBCMI is a securities broker and dealer, whose business is comprised of underwriting, investment banking, and principal and agency transactions. KBCMI is an SEC-registered securities broker and dealer.

B. Description of Core Business Lines

For purposes of resolution planning and in accordance with the Rules, KeyCorp has identified two Core Business Lines ("CBLs") that, upon failure, would result in material loss of revenue, profit or franchise value. These CBLs have been identified solely for resolution planning purposes and may differ from the operating segments that the Company uses for management reporting purposes in its SEC-disclosed reports.

Community Banking

Community Banking serves individuals and small to mid-sized businesses by offering lending, deposit, specialty and investment products through its branch network and district offices. Community Banking services clients through a network of 1,088 branches and 1,611 ATMs across a 14-state footprint, as well as through its website, mobile applications, contact centers and sales force.

Corporate & Investment Banking

Corporate & Investment Banking ("C&IB") provides a full array of commercial and investment banking products and services to clients nationally, both within and beyond KBNA's 14-state retail branch network. Products and services include commercial lending, investment banking, equity and debt underwriting and trading, and syndicated finance to large corporations and middle-market companies.

C. Consolidated Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

The asset and liability holdings of both KeyCorp as a consolidated entity and KBNA are presented below, as of December 31, 2012. This financial information was extracted from regulatory filings submitted for that date, specifically the FR Y-9C (KeyCorp) and FFIEC031 (KBNA) Reports.

KeyCorp

Consolidated Balance Sheet - December 31, 2012

(\$ in millions)

Assets		Liabilities	
Cash and due from depository institutions	\$ 4,272	Total deposits	65,788
Securities	16,025	Federal funds purchased and securities sold under repurchase agreements	\$ 1,609
Federal funds sold & reverse repurchase agreements	274	Trading liabilities	961
Loans and leases held for sale	599	Other borrowed funds	6,040
Loans and leases, net of unearned income and allowance	57,080	Subordinated debt	2,967
Trading account assets	1,138	All other liabilities	1,752
Bank premises and fixed assets	965	Total Liabilities	79,117
Other real estate owned	27		
Investments in unconsolidated subsidiaries and real estate ventures	1,009		
Goodwill and other intangibles	1,355		
All other assets	6,682	Equity Capital	10,309
Total Assets	\$ 89,426	Total liabilities and capital	\$ 89,426

Source: FR Y-9C Report

KeyBank National Association

Consolidated Balance Sheet - December 31, 2012

(\$ in millions)

Assets		Liabilities	
Cash and due from depository institutions	\$ 4,261	Total deposits	\$ 68,143
Securities	15,982	Federal funds purchased and securities sold under repurchase agreements	1,383
Federal funds sold & reverse repurchase agreements	8	Trading liabilities	682
Loans and leases held for sale	599		
Net loans & leases	57,025	Other borrowed funds	3,504
Trading account assets	568	Subordinated debt	2,535
Bank premises and fixed assets	937	All other liabilities	1,627
Other real estate owned	27	Total liabilities	77,873
Investments in unconsolidated subsidiaries and real estate ventures	970		
Goodwill and other intangibles	1,188		
All other assets	5,478	Equity Capital	9,170
Total assets	\$ 87,043	Total liabilities and capital	\$ 87,043

Source: FFIEC031 ("Call") Report

Capital

KeyCorp's tangible common equity ratio and Tier 1 common ratio were both strong at December 31, 2012. These ratios have placed the Company in the top quartile of its peer group for these measures. KBNA qualified as "well capitalized" at December 31, 2012. Bank holding companies are not directly evaluated according to any of the five capital categories applicable to IDIs; if, however, those categories applied to bank holding companies, management believes that the Parent would satisfy the criteria for a "well capitalized" institution at December 31, 2012 as well. Capital ratios for both KeyCorp as a consolidated entity and KBNA are presented below, as reported in the Company's Form 10-K (KeyCorp) and FFIEC031 Report (KBNA) filings for December 31, 2012.

KeyCorp

Year ended December 31, 2012

Capital ratios

Tier 1 Capital to net risk-weighted assets	12.15%
Total Capital to net risk-weighted assets	15.13%

*Source: Form 10-K***KeyBank National Association**

Year ended December 31, 2012

Capital ratios

Tier 1 Capital to net risk-weighted assets	10.63%
Total Capital to net risk-weighted assets	13.73%

Source: FFIEC031 ("Call") Report

KeyCorp's Corporate Treasury department is responsible for managing the Company's capital, and has fully integrated capital management for KBNA into a consolidated, company-wide process. KeyCorp has four primary capital-related processes that are integrally aligned with strategic planning, performance management and risk management activities. These four activities include capital planning, capital adequacy, capital attribution, and capital allocation.

Funding and Liquidity

Liquidity and funding are also managed through the central Corporate Treasury function. KeyCorp's primary sources of liquidity include customer deposits, wholesale funding and liquid assets. If the cash flows needed to support operating and investing activities are not satisfied by deposit balances, the Company relies on wholesale funding or liquid assets. Conversely, excess cash generated by operating, investing and deposit-gathering activities may be used to repay outstanding debt, pay dividends to or repurchase shares from shareholders, or invest in liquid assets.

Liquidity risk is the risk of not being able to accommodate liability maturities and/or deposit withdrawals, or of not being able to meet contractual obligations to fund new business opportunities at a reasonable cost, in a timely manner, and without adverse consequences. Market conditions or other events could negatively affect the level or cost of funding, affecting KeyCorp's ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost. The Company has implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned as well as unanticipated changes in assets and liabilities under both normal and adverse conditions, or any substantial, unexpected and/or prolonged change in the level or cost of liquidity that could have a material, adverse effect.

KeyCorp manages liquidity risk primarily through managing and assessing the adequacy of the liquid asset portfolio and the Parent's cash balance. This process includes understanding the risk associated with products, the limitations of funding sources under adverse conditions for both KBNA and the Parent, and the ability to respond to

a liquidity stress event.

KeyCorp's long-term liquidity strategy is to be predominantly funded by core deposits. However, wholesale funds may be used to sustain an adequate liquid asset portfolio, meet daily cash demands, and allow flexibility to execute business initiatives. KeyCorp's client-based relationship strategy provides for a strong core deposit base which, in conjunction with intermediate and long-term wholesale funds managed to a diversified maturity structure and investor base, supports the Company's liquidity risk management strategy. KeyCorp uses the loan-to-deposit ratio as a metric to monitor these strategies.

KeyCorp has several liquidity programs that enable the Parent and KBNA to raise funds in the public and private markets when the capital markets are functioning normally. The proceeds from most of these programs can be used for general corporate purposes, including acquisitions. Each of the programs is replaced or renewed regularly.

The Parent's primary sources of funding are returns on its equity investment in subsidiaries and wholesale term debt issuances. Returns on equity investments in subsidiaries, in the form of intercompany dividends, are dependent on earnings at those subsidiaries. In particular, lack of consistent earnings at KBNA may restrict the flow of dividends to the Parent. The Parent maintains a conservative cash cushion, in the form of deposits at KBNA, to protect against such an adverse event.

D. Description of Derivative Activities and Hedging Activities

KeyCorp is a party to various derivative instruments, mainly through its principal subsidiary, KBNA. The primary derivative types are interest rate swaps, caps, floors, and futures, foreign exchange contracts, energy derivatives, credit derivatives, and equity derivatives. Generally, these instruments help manage exposure to interest rate risk, mitigate the credit risk inherent in the loan portfolio, hedge against changes in foreign currency exchange rates, and meet client financing and hedging needs.

KeyCorp uses interest rate swaps primarily to hedge interest rate risk for asset and liability management purposes. These derivative instruments modify the interest rate characteristics of specified on-balance sheet assets and liabilities. KeyCorp's accounting policies related to derivatives reflect the current accounting guidance, which provides that all derivatives should be recognized as either assets or liabilities on the balance sheet at fair value, after taking into account the effects of master netting agreements. Accounting for changes in the fair value (i.e., gains or losses) of a particular derivative depends on whether the derivative has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship.

A fair value hedge is used to limit exposure to changes in the fair value of existing assets, liabilities and commitments caused by changes in interest rates or other economic factors. The effective portion of a change in the fair value of an instrument designated as a fair value hedge is recorded in earnings at the same time as a change in fair value of the hedged item, resulting in no effect on net income. The ineffective portion of a change in the fair value of such a hedging instrument is recognized in "other income" on the income statement, with no corresponding offset.

A cash flow hedge is used to minimize the variability of future cash flows caused by changes in interest rates or other economic factors. The effective portion of a gain or loss on a cash flow hedge is recorded as a component of accumulated other comprehensive income ("AOCI") on the balance sheet, and reclassified to earnings in the same period in which the hedged transaction affects earnings. The ineffective portion of a cash flow hedge is included in "other income" on the income statement.

A net investment hedge is used to hedge the exposure of changes in the carrying value of investments as a result of changes in the related foreign exchange rates. The effective portion of a gain or loss on a net investment hedge is recorded as a component of AOCI on the balance sheet when the terms of the derivative match the notional and currency risk being hedged. The effective portion is subsequently reclassified into income when the hedged transaction affects earnings. The ineffective portion of a net investment hedge is included in "other income" on the income statement.

Bilateral collateral and master netting agreements allow KeyCorp to settle all derivative contracts held with a single counterparty on a net basis, and to offset net derivative positions with related cash collateral, where applicable. As a result, the Company might have derivative contracts with negative fair values included in derivative assets on the balance sheet and contracts with positive fair values included in derivative liabilities. Where master netting agreements do not exist or are not enforceable agreements under bankruptcy laws, those derivative assets and liabilities with counterparties are recorded on a gross basis. Securities collateral related to legally enforceable master netting agreements are not offset on the balance sheet.

At December 31, 2012, after taking into account the effects of bilateral collateral and master netting agreements, KeyCorp had \$160 million of derivative assets and a positive \$91 million of derivative liabilities that relate to contracts entered into for hedging purposes. The hedging derivative liabilities are in an asset position largely due to contracts with positive fair values as a result of master netting agreements. As of the same date, after taking into account the effects of bilateral collateral and master netting agreements and a reserve for potential future losses, KeyCorp had derivative assets of \$533 million and derivative liabilities of \$675 million that were not designated as hedging instruments.

E. List of Memberships in Material Payment, Clearing and Settlement Systems

KeyCorp participates in payment, clearing, and settlement systems to provide payment services to customers and clients, and to facilitate the clearing and settlement of security, derivative and cash transactions. These systems, known as Financial Market Utilities ("FMUs"), are an essential part of doing business in the financial services industry. KeyCorp maintains memberships and/or participates in the FMUs listed below.

- National Securities Clearing Corporation
- Depository Trust Company
- Fixed Income Clearing Corporation

- Fedwire Funds Service
- Fedwire Securities Service
- Fed Check
- Fed ACH
- Electronic Payments Network
- Small Value Payments Company
- Society for Worldwide Interbank Financial Telecommunications
- MasterCard International Incorporated
- CLS Group

F. Description of Foreign Activities

KeyCorp operates primarily within the United States through its retail branch network and other offices outside the retail footprint. KBNA maintains a banking license in the Cayman Islands to support certain deposit activities. KBNA also offers a limited set of products and services internationally through equipment leasing subsidiaries. These international equipment leasing activities are not considered a material component of KBNA's business.

G. Identities of Material Supervisory Authorities

As a BHC, the Parent is subject to regulation, supervision and examination by the Federal Reserve under the BHCA. As such, the Parent is subject to various restrictions on its activities and investments.

Federal law establishes a system of prudential and functional federal regulation under which the Federal Reserve is the umbrella regulator for BHCs, while their affiliates are principally regulated by prudential and functional regulators such as the Office of the Comptroller of the Currency ("OCC") for national banks and federal savings associations, the Federal Deposit Insurance Corporation ("FDIC") for non-member state banks and savings associations, the Federal Reserve for member state banks, the Consumer Financial Protection Bureau ("CFPB") for federal consumer financial laws and consumer financial products or services, the Securities Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") for securities broker-dealer activities, the SEC and the Commodity Futures Trading Commission ("CFTC") for swaps and other derivatives, and state insurance regulators for insurance activities. Certain specific activities, including traditional bank trust and fiduciary activities, may be conducted in a bank without the bank's being deemed a "broker" or a "dealer" in securities for purposes of securities functional regulation. Although the states generally must regulate bank insurance activities in a non-discriminatory manner, the states may continue to adopt and enforce rules that specifically regulate bank insurance activities in certain identifiable risks.

KBNA is subject to regulation, supervision and examination by the OCC. KBNA has two national bank subsidiaries that are limited to fiduciary activities. The FDIC also has certain regulatory, supervisory and examination authority over KBNA and the Parent under the FDIA and Dodd-Frank Act.

The Parent has other financial services subsidiaries that are subject to regulation, supervision and examination by the Federal Reserve, as well as other applicable state and federal regulatory agencies and self-regulatory organizations. KeyCorp's securities brokerage and asset management subsidiaries are subject to supervision and regulation by the SEC, FINRA and state securities regulators, and its insurance subsidiaries are subject to regulation by the insurance regulatory authorities of the states in which they operate. KeyCorp's other non-bank subsidiaries are subject to laws and regulations of both the federal government and the various states in which they are authorized to do business.

KeyCorp is subject to supervision by the following authorities and agencies:

- Board of Governors of the Federal Reserve System ("Federal Reserve")
- Federal Deposit Insurance Corporation ("FDIC")
- Securities and Exchange Commission ("SEC")
- Office of the Comptroller of the Currency ("OCC")
- Consumer Financial Protection Bureau ("CFPB")
- Financial Industry Regulatory Authority ("FINRA")

H. Identities of Principal Officers

The principal officers of KeyCorp and their positions are listed below.

Name	Position
Beth E. Mooney	Chairman of the Board, Chief Executive Officer and President
Amy G. Brady	Chief Information Officer
Craig A. Buffie	Chief Human Resources Officer
Robert A. DeAngelis	Director, Enterprise Program Management Office
Trina M. Evans	Director, Corporate Center
Christopher M. Gorman	President, Corporate Bank
Paul N. Harris	General Counsel and Secretary
William L. Hartmann	Chief Risk Officer
Clark H. Khayat	Director, Corporate Strategy
Donald R. Kimble	Chief Financial Officer
William R. Koehler	President, Community Bank

The principal officers of KBNA and their positions are listed below.

Name	Position
Christopher M. Gorman	Chairman of the Board and Chief Executive Officer
Paul N. Harris	General Counsel and Secretary
William L. Hartmann	Chief Risk Officer
William R. Koehler	President
Joseph M. Vayda	Treasurer
Mark D. Whitham	Chief Financial Officer

I. Description of Corporate Governance Structure and Process Related to Resolution Planning

KeyCorp assumes and manages risk in support of its vision, mission and strategy. The Resolution Plan framework draws upon KeyCorp's existing risk management planning, controls, procedures and commitments. KeyCorp assumes risk and ensures that existing and emerging risks are identified and managed consistently within approved risk appetites and tolerances.

Preparation and Approval of Initial Submission of Resolution Plan

Resolution Planning at KeyCorp was supervised by the Recovery & Resolution Planning Office ("RRPO"), a centralized office which coordinated the Company's efforts across the enterprise in the preparation and development of the Resolution Plan. The RRPO had executive sponsorship from the Chief Financial Officer ("CFO") and the Chief Risk Officer ("CRO"). From the launch of the resolution planning work to the formal plan preparation, KeyCorp established a robust governance structure to define and carry out various roles and responsibilities. Through the delegation of program-specific responsibilities, various individuals and teams were individually and jointly made accountable for the completion, oversight and governance of the Resolution Plan. KeyCorp also engaged the services of external legal counsel and specialty resolution consultants to review and provide analysis to ensure completeness of the content and alignment with guidance provided by the regulators. KeyCorp's Resolution Plan has been approved by the Boards of Directors of the Parent (the "Board") and KBNA ("KBNA Board").

Continuing Governance of the Resolution Plan

The ongoing governance of the Resolution Plan will be the responsibility of a centralized, business-as-usual ("BAU") Resolution Planning Office reporting to the CFO. The BAU Resolution Planning Office will be responsible for managing, updating and submitting the Resolution Plan to the regulators, on an annual basis or more frequently, if required. The Resolution Plan will be approved by the Board and the KBNA Board annually, prior to its submission to the the regulators.

J. Description of Material Management Information Systems

KeyCorp recognizes the need to have timely access to critical management information systems and reports (collectively referred to as "MIS") at the time of resolution. As required by the Rules, this Resolution Plan provides information on critical risk, finance, accounting and regulatory management information systems and reports. KeyCorp has robust and sound MIS that include a wide variety of application systems, platforms, databases and infrastructure, enabling business users to generate standard and *ad hoc* reports and perform business analytics. Additionally, KeyCorp maintains a comprehensive Business Continuity Program ("BCP") to ensure that the Company has the capability to recover information assets and business processes lost or interrupted as a result of an unexpected business disruption. It is KeyCorp's policy that all lines of business and subsidiaries develop, implement, maintain, and test viable and comprehensive business continuity plans. In addition, all critical vendors are required to maintain a BCP and Disaster Recovery Plan that is subject to KeyCorp's approval and must meet the specified criteria set forth in the agreement governing the vendor relationship. KeyCorp has the right to audit such plans. The Board, acting through its Audit Committee, is responsible for overseeing KeyCorp's BCP and ensuring that resources are dedicated to this activity.

KeyCorp has established a central authority responsible for the overall governance of the enterprise BCP. This authority maintains the program based on KeyCorp's risk appetite, delivers consulting, training, and awareness, and provides management reporting on the Company's recovery posture. KeyCorp regularly and independently tests the controls and procedures of the BCP using both internal and external means.

K. High-level Description of Resolution Strategy Including Such Items as the Range of Potential Purchasers of the CIDI, its Material Entities, and Core Business Lines

As required by the Rules, KeyCorp has developed strategies for resolution in the unlikely and hypothetical event of failure. These strategies, subject to certain assumptions, include the resolution scenarios of designated MEs and CBLs and the considerations for delivery and continuation of critical services ("CSs"), including MIS, intellectual property, contractual relationships, facilities, and personnel, during resolution. The resolution strategies identify a range of sale and disposition options for KBNA, KBCMI and other assets of the Company. Depending on the timing and circumstances of resolution of the Company, a range of potential purchasers could include, but is not limited to, international, national, and regional financial institutions.

Resolution Under Chapter 11

In the unlikely event of failure, KeyCorp would be resolved through bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. § 1101 *et seq.* ("Chapter 11"). The Bankruptcy Code and the Chapter 11 process offer a number of protections to a Chapter 11 debtor, including the ability to continue operating as a going concern (generally free from creditor interference) in order to fashion an orderly Chapter 11 plan. Absent extenuating circumstances, a Chapter 11 debtor's management continues to operate the business in the ordinary course, as "debtor-in-possession," and its Board of Directors remains in control of the fundamental business direction and emergence strategy.

FDIC Receivership and Bridge Depository Institution

In the unlikely event of failure, KBNA, a CIDI, would be resolved under the FDIA. The FDIC would succeed to all the rights, title, powers, and privileges of the IDI and of its stockholders, officers, and directors with respect to the failed bank and its assets, subject to the provisions of the FDIA. The specific actions taken by the FDIC as receiver, including the decision whether to cause any subsidiaries of KBNA to commence bankruptcy proceedings, would depend in part upon the circumstances under which the FDIC is appointed as receiver. Among other things, the FDIC's decisions could be affected by the rate of deterioration of KBNA, the then-current state of the economy, the availability of potential purchasers, and the potential impact of the failure on the Deposit Insurance Fund ("DIF").

When resolving an IDI, the FDIC can pursue several alternative options. Historically, when a buyer can be found at or before the commencement of the receivership, the FDIC has effected an immediate sale of assets, deposits and selected other liabilities of the failed bank through a whole-bank purchase and assumption ("P&A") agreement. Where this is not possible, the FDIC will typically establish a Bridge Depository Institution ("BDI") to maintain the assets and operations of the failed bank until a buyer (or buyers) can be found.

Resolution Pursuant to the Securities Investor Protection Act

In the unlikely event of failure, broker-dealer subsidiaries such as KBCMI would be resolved pursuant to SIPA. KBCMI's resolution would likely be administered by the Securities Investor Protection Corporation ("SIPC") pursuant to SIPA. Under SIPA, the SEC or another regulatory agency would notify SIPC that KBCMI is in difficulty. If SIPC determines that KBCMI (a) has failed or is in danger of failing to meet its obligations to its customers or (b) is insolvent, in bankruptcy or is not in compliance with regulatory requirements, SIPC would move forward toward a liquidation process.