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## KeyCorp Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Matthew O'Connor – UBS.

#### Matthew O'Connor – UBS

Slide 29 in the appendix is very helpful. It lays out all the exit portfolios, about \$10 billion. It's a pretty big number relative to your loan portfolio and as you think about this rolling off, should we think about it pretty meaningful deleveraging of the balance sheet, or would you look to replace some of these assets? I'm thinking beyond the draw down of commercial loans.

#### Jeffrey Weeden

I think there's going to be opportunities for us for new lending relationships going forward in the markets that we serve within the Community Bank and also within national banking. We would look for this particular portfolio longer term to provide us with additional liquidity to redeploy into those particular relationships in the markets.

The expectation would be somewhere between \$600 million a quarter that this would run off at least for the fourth quarter and looking out a little bit beyond that.

#### Matthew O'Connor – UBS

And then related expense, give up as these assets roll off?

#### Jeffrey Weeden

I think on the expense side, what we took was a severance and other exit costs in the third quarter. It was about \$19 million in total. About \$10 million of that was related specifically to the marine and educational lending business, and we expect that we're going to see an additional \$10 million to \$15 million of exit costs associated with that in the fourth quarter.

That's for not only severance, but we wrote off about \$4 million of good will in the third quarter, and then we'll have some occupancy costs that will go away. On a go forward basis, we would expect to see about \$20 million to \$25 million of annualized cost improvement as we get into 2009.

#### Tom Bunn

If you look at our businesses and you look at the changes that we've done in the real estate business, the refocusing of those businesses plus the consumer finance business that Jeff has talked about,

when you look from September of '07 through the announced changes which will take effect in December of '08, our head count in national banking will be down about 20% point to point. So that supports the numbers that Jeff just talked about.

**Matthew O'Connor – UBS**

I think all of the large mid west banks have come out with earnings. We're seeing a couple of similar trends. One, deposit pressures out there, two, it seems like everybody's shrinking assets by the balance sheet and there's no margin pressure because of deposit pricing and general liquidity issues. The kind of environment we're in right now, is this when we finally get some consolidation among specifically the Ohio banks. I'm thinking the [TARP] capital, there's some thought out there that it will only be available related to acquisition. I'm wondering how you think about that and any commentary specifically on what Treasury [inaudible] capital.

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