KeyCorp Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). Let's begin with Brian Foran with Goldman Sachs.

Brian Foran – Goldman Sachs

Good morning, guys. How are you?

Jeff Weeden

Good.

Henry Meyer

Good morning.

Brian Foran – Goldman Sachs

I guess you have the $675 million convertible preferred outstanding and then the credit environment is obviously becoming increasingly tough. And then I guess is a third moving part you obviously have the stress test results coming up. Is that security in your mind one that's likely to be proactively converted to further strengthen the common equity component of your capital base?

Jeff Weeden

Brian, this is Jeff Weeden. We are certainly looking at all the different opportunities that maybe out there. And that is one that we have had discussions on with respect to the conversion of that particular security.

Brian Foran – Goldman Sachs

And then I guess is a follow-up when we look at some of the deterioration in NPAs, one of the issues you highlighted in the past is the liquidity issue on the commercial real estate side both commercial construction and commercial mortgages and the need to I guess re-underwrite some of these loans and keep them on your balance sheet. When we look at the jump-in in construction and commercial mortgage NPAs, can you give us a sense of how much of this is loans that otherwise would have rolled off your balance sheet in a normal credit environment and maybe are moving to nonperforming because of that and how much of it is just term loans on your balance sheet that would have gone bad no matter what credit environment – no matter what liquidity environment we were at?

Chuck Hyle

This is Chuck Hyle. I think that its, it's not – it's a bit of a split. Some of the larger names, we have a couple in particular that show up on the CF&A category that are clearly impacted by liquidity. These are major names that have access to the capital markets or at least used to have access to the capital markets. I think those are loans that would have, not be in the position they are in as an NPA if we had that liquidity in the business. I think most of the others in the CRE category, where we are able to refinance the asset in a logical way by either remargining or dealing with the developer in an appropriate way, those we're getting refinanced, those that clearly are impaired are moving into the NPA and charge-off categories. So it's a bit of a split.