

KEYCORP /NEW/
Form 10-Q
November 04, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2010
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ To _____
Commission File Number 1-11302
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

34-6542451
(I.R.S. Employer
Identification No.)

127 Public Square, Cleveland, Ohio
(Address of principal executive offices)

44114-1306
(Zip Code)

(216) 689-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares with a par value of \$1 each
(Title of class)

880,471,286 Shares
(Outstanding at October 29,
2010)

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Throughout the Notes to Consolidated Financial Statements and Management's Discussion & Analysis of Financial Condition & Results of Operations, we use certain acronyms and abbreviations which are defined in	

Note 1 (Basis of Presentation), which begins on page 9.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Consolidated Balance Sheets**

	September 30,	December 31,	September 30,
<i>in millions, except per share data</i>	2010	2009	2009
	(Unaudited)		(Unaudited)
ASSETS			
Cash and due from banks	\$ 823	\$ 471	\$ 725
Short-term investments	1,871	1,743	2,986
Trading account assets	1,155	1,209	1,406
Securities available for sale	21,241	16,641	15,413
Held-to-maturity securities (fair value: \$18, \$24, and \$24)	18	24	24
Other investments	1,405	1,488	1,448
Loans, net of unearned income of \$1,587, \$1,770, and \$1,843	51,354	58,770	62,193
Less: Allowance for loan losses	1,957	2,534	2,485
Net loans	49,397	56,236	59,708
Loans held for sale	637	443	703
Premises and equipment	888	880	863
Operating lease assets	563	716	775
Goodwill	917	917	917
Other intangible assets	39	50	54
Corporate-owned life insurance	3,145	3,071	3,041
Derivative assets	1,258	1,094	1,285
Accrued income and other assets (including \$121 of consolidated LIHTC guaranteed funds VIEs, see Note 7) ^(a)	3,936	4,096	3,463
	6,750	4,208	4,178

Discontinued assets (including \$3,291 of consolidated education loan securitization trusts VIEs at fair value, see Note 7)^(a)

Total assets	\$ 94,043	\$ 93,287	\$ 96,989
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LIABILITIES

Deposits in domestic offices:

NOW and money market deposit accounts	\$ 26,350	\$ 24,341	\$ 24,635
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Savings deposits	1,856	1,807	1,783
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Certificates of deposit (\$100,000 or more)	6,850	10,954	12,216
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Other time deposits	9,014	13,286	14,211
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Total interest-bearing	44,070	50,388	52,845
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Noninterest-bearing	16,275	14,415	13,631
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Deposits in foreign office interest-bearing	1,073	768	783
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Total deposits	61,418	65,571	67,259
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Federal funds purchased and securities sold under repurchase agreements	2,793	1,742	1,664
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Bank notes and other short-term borrowings	685	340	471
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Derivative liabilities	1,330	1,012	1,185
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Accrued expense and other liabilities	1,862	2,007	2,236
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Long-term debt	11,443	11,558	12,865
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Discontinued liabilities (including \$3,122 of consolidated education loan securitization trusts VIEs at fair value, see Note 7) ^(a)	3,124	124	121
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Total liabilities	82,655	82,354	85,801
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EQUITY

Preferred stock, \$1 par value, authorized 25,000,000 shares:

291	291	291
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7.75% Noncumulative Perpetual Convertible Preferred Stock,
Series A, \$100 liquidation
preference; authorized 7,475,000 shares; issued 2,904,839,
2,904,839 and 2,904,839 shares

Fixed-Rate Cumulative Perpetual Preferred Stock, Series B,
\$100,000 liquidation
preference; authorized and issued 25,000 shares

Common shares, \$1 par value; authorized 1,400,000,000 shares;
issued 946,348,435,
946,348,435 and 946,348,435 shares

Common stock warrant

Capital surplus

Retained earnings

Treasury stock, at cost (66,020,414, 67,813,492 and 67,789,166
shares)

Accumulated other comprehensive income (loss)

Key shareholders' equity

Noncontrolling interests

Total equity

Total liabilities and equity

	2,442	2,430	2,426
	946	946	946
	87	87	87
	3,710	3,734	3,726
	5,287	5,158	5,431
	(1,914)	(1,980)	(1,983)
	285	(3)	46
	11,134	10,663	10,970
	254	270	218
	11,388	10,933	11,188
	\$ 94,043	\$ 93,287	\$ 96,989

(a) Assets of the
VIEs can only
be used by the
particular VIE
and there is no
recourse to Key
with respect to
the liabilities of
the consolidated
education loan
securitization
trusts VIEs.

See Notes to
Consolidated
Financial Statements
(Unaudited).

Table of Contents**Consolidated Statements of Income (Unaudited)**

<i>dollars in millions, except per share amounts</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
INTEREST INCOME				
Loans	\$ 649	\$ 786	\$ 2,036	\$ 2,445
Loans held for sale	4	7	13	23
Securities available for sale	170	121	474	310
Held-to-maturity securities	1	1	2	2
Trading account assets	8	9	29	35
Short-term investments	1	3	5	9
Other investments	11	13	38	38
Total interest income	844	940	2,597	2,862
INTEREST EXPENSE				
Deposits	147	277	547	873
Federal funds purchased and securities sold under repurchase agreements	1	2	4	4
Bank notes and other short-term borrowings	4	3	11	13
Long-term debt	52	66	153	222
Total interest expense	204	348	715	1,112
NET INTEREST INCOME				
Provision for loan losses	94	733	735	2,403
Net interest income (expense) after provision for loan losses	546	(141)	1,147	(653)
NONINTEREST INCOME				
Trust and investment services income	110	113	336	342
Service charges on deposit accounts	75	83	231	248
Operating lease income	41	55	131	175
Letter of credit and loan fees	61	46	143	128
Corporate-owned life insurance income	39	26	95	78
Net securities gains (losses) ^(a)	1	1	2	112
Electronic banking fees	30	27	86	78
Gains on leased equipment	4	22	14	84
Insurance income	15	18	52	52
Net gains (losses) from loan sales	18		47	4
Net gains (losses) from principal investing	18	(6)	72	(84)
Investment banking and capital markets income (loss)	42	(26)	82	5
Gain from sale/redemption of Visa Inc. shares				105
Gain related to exchange of common shares for capital securities		(17)		78

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Other income	32	40	137	161
Total noninterest income	486	382	1,428	1,566
NONINTEREST EXPENSE				
Personnel	359	380	1,106	1,114
Net occupancy	70	63	200	192
Operating lease expense	40	46	114	145
Computer processing	46	48	140	143
Professional fees	41	41	120	121
FDIC assessment	27	40	97	140
OREO expense, net	4	51	58	72
Equipment	24	24	74	71
Marketing	21	19	50	50
Provision (credit) for losses on lending-related commitments	(10)	29	(22)	40
Intangible asset impairment		45		241
Other expense	114	115	353	354
Total noninterest expense	736	901	2,290	2,683
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES				
	296	(660)	285	(1,770)
Income taxes	85	(274)	14	(688)
INCOME (LOSS) FROM CONTINUING OPERATIONS				
	211	(386)		