

Date: 2/28/2014Analyst Name: Austin Smith, Harry Bowman**CIF Stock Recommendation Report (Spring 2014)**Company Name and Ticker: KeyCorp [KEY]**Section (A) Investment Summary**

Recommendation Buy: Yes No		Target Price:	Stop-Loss Price:
Sector: Financial	Industry: Commercial Banking	Market Cap (in Billions): 11.55	# of Shrs. O/S (in Millions): 890.7
Current Price: 13.01	52 WK Hi: 14.14	52 WK Low: 9.14	EBO Valuation: 9.37/share
Morningstar (MS) Fair Value Est.: N/A	MS FV Uncertainty: High	MS Consider Buying: N/A*	MS Consider Selling: N/A*
EPS (TTM): .92	EPS (FY1): 1.02	EPS (FY2): 1.13	MS Star Rating: 3.4
Next Fiscal Yr. End "Year": 2014 "Month": December	Last Fiscal Qtr. End: Less Than 8 WK: Y N	If Less Than 8 WK, next Earnings Ann. Date: 4/19/14	Analyst Consensus Recommendation: Hold
Forward P/E: 1.13	Mean LT Growth: 5.42	PEG: 2.11	Beta: 1.31*
% Inst. Ownership: 83.44	Inst. Ownership- Net Buy: Y N	Short Interest Ratio: .80	Short as % of Float: 1.08
<u>Ratio Analysis</u>	<u>Company</u>	<u>Industry</u>	<u>Sector</u>
P/E (TTM)	13.96	13.14	14.11
P/S (TTM)	2.82	4.94	5.28
P/B (MRQ)	1.15	2.96	2.82
P/CF (TTM)	NA	10.97	13.57
Dividend Yield	1.71	2.11	2.05
Total Debt/Equity (MRQ)	92.47	33.84	42.52
Net Profit Margin (TTM)	21.27	38.28	37.53
ROA (TTM)	0.96	3.04	3.21
ROE (TTM)	8.47	25.03	23.75

*Morningstar does not provide a “consider buying” or “consider selling”

*Beta was calculated fifty percent Reuters, fifty percent Yahoo Finance

<p><u>Investment Thesis</u></p> <p>KeyCorp is the smallest of all commercial banks listed on the S&P 500. Its competition is incredibly fierce and typically has better resources to acquire smaller banks and force growth. This disadvantage has forced KeyCorp to focus on a customer relationship model and has resulted in increased earnings over the past three years.</p> <p>Pros</p> <ul style="list-style-type: none"> • January 23th earnings release was a “match” at \$0.26 per share • Positive earnings • Consistent slow growth in earnings of the past 3 years • Very impressive resiliency during Great Recession • Positive brand recognition • Upside earnings potential with rising interest rates <p>Cons</p> <ul style="list-style-type: none"> • Very narrow economic moat from consolidating competition, increasing technology, legislation and reduced barriers of entry • Small market share • Relative valuation showed better companies • More profitable industries available • 10 Day MA is below 50 Day MA • 35% return in 2013 	<p><u>Company Profile:</u> KeyCorp is the smallest domestic commercial bank that is traded on the SP500. It has assets of \$93 Billion, 14,000 employees, 1028 branches and 1335 ATM’s. Half of its \$4.3 billion in revenue in 2013 was from interest revenue and half from non-interest fees.</p> <p><u>Fundamental Valuation:</u> The fundamental valuation puts an implied price of KeyCorp at \$9.37 a share considering growth through 2015. The implied price gradually decreases after year 2, tapering until 2021. The sensitivity analysis showed it was insensitive to long term growth rates and highly sensitive to the discount rate.</p> <p><u>Relative Valuation:</u> KeyCorp’s relative value was very similar to that of its four closest competitors. However two competitors (SunTrust and PNC) outshined KeyCorp with lower implied prices based on PEG and P/B.</p> <p><u>Revenue and Earnings Estimates:</u> Over the past 4 weeks, analysts have generally estimated revenues to go down while estimates on earnings have generally been on an upward trend.</p> <p><u>Analyst Recommendations:</u> The general consensus amongst analysts is to “hold” the stock. There are a few analysts that recommend to “buy” the stocks. Over the past few weeks, no analyst has recommended a “sell”</p> <p><u>Institutional Ownership:</u> As of the most recent data, KEY is currently 83.44% institutionally owned. The two institutions holding over 4% of shares are The Vanguard Group Inc. and State Street Corp.</p> <p><u>Short Interest:</u> Currently, the short interest ratio is relatively low. The “days to cover” has also been decreasing over the past few weeks indicating a bullish sentiment.</p>
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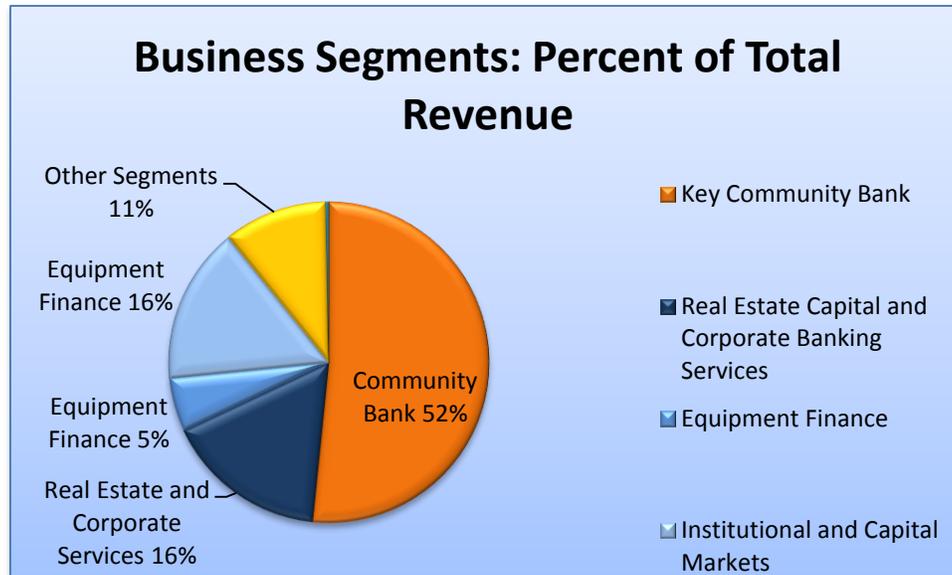
	<p>Stock Price Chart: For the 3 month and 1 yr. price chart, KEY outperforms SP500 and Financial Sector. For the 5 yr. price chart, KEY performs right along the sector and is outperformed by SP500.</p>

Section (B) Company Profile

(B-1) Profile

KeyCorp [KEY] is a regional commercial bank headquartered in Cleveland, Ohio. Its primary community banking services are consumer deposits, lending, cash management and investment services. It also provides a broad range of corporate services such as mergers and acquisitions, public and private debt and equity, syndications and derivatives to middle market companies. KEY operates its community banking in 12 states and corporate banking across the United States. It is unique to banking in that it receives nearly half of its revenue from fees, reducing its exposure to interest rate changes. KEY has assets of \$93 billion, employs 14,783 people and owns 1028 full service branches and 1335 ATMs.

KEYs three major business units are community banking, corporate banking and other segments. Community banking is the largest business unit which provided 52% of the total revenue in 2012. KEYs second largest business unit is corporate banking which produced 38% of the total revenue in 2012. The corporate banking can be segmented down into three categories: real estate capital and corporate banking services, equipment finance, and institutional and capital markets. Other segments is the smallest business unit and it includes corporate treasury services and principal investing units, and provided 11% of the total revenue. Any an important note is that corporate banking is much more profitable than community banking as it provided 38% of total revenue but 53% of net income. Even more profitable is the other segments as they provided 11% of the total revenue and an impressive 30% of net income.



Domestic deposits are the primary source of funding. In 2012 the average domestic deposits were \$61 billion and represented 85% of the funds used to support loans and other earning assets.

KEY has a relationship business model which is meant to set them apart from their competitors. They rely on organic growth to expand engagement with clients and attract new customers. They maintain a moderate risk profile which has substantially improved their credit quality over the last few years. Expanding their retail footprint, enhancing payment capabilities and investing in online/mobile banking are all parts of KEYs plan to accelerate revenue generation. Lastly they maintain a strong balance sheet focused on strong reserves, liquidity and capital.

KEY admittedly faces substantial competition with firms that are much larger and have greater resources. These competitors are typically national and super-regional banks like JPMorgan Chase, Wells Fargo and U.S. Bank Corp. They also face many smaller financial institutions that may benefit from reduced regulation. A recent trend has been consolidation of companies which results in intensified competition. In addition, new technologies continually reduce the barriers to entry for the industry.

KEY is very sensitive to the market and the business cycle with a beta of 1.61 according to Yahoo Finance. This is perfectly in-between the regional banks industry beta of 1.37 and investment banks industry beta of 1.87, both of which represent aspects of KEYs business makeup. The general consensus is that the macroeconomic environment is positive. The S&P 500 is nearly trading at its 52 week high. Besides the small dip in January led by the retailing

sector, most outlooks are positive for 2014. This being said, the last market peak was in December of 2007 according to NBER. Historically there is a 6.5 year distance between peaks, so based purely on those two statistics we can imply that the next market peak will be between 2014 and 2015. Also, the financial sector returned an impressive 35.4% in 2013, meaning it is worth questioning whether the sector can have two consecutive impressive years. The banking industry is currently experiencing a high number of acquisitions and mergers. However there is an increase in acquisitions and mergers across all sectors, which could bring higher profits to KEYs corporate banking. There is also a huge push for new technology within consumer banking in regards to mobile devices.

KEY is in the middle of a very conservative growth stage. An acquisition in the next paragraph helps explain managements plan to grow both corporate and community banking. However, KEY is the smallest of the regional banks listed on the S&P 500. They do not have the resources for massive acquisitions like some of their competitors. This is a bad thing for short term growth but it forces them to maintain healthy long term growth and as a result may add stability and long term value.

In recent years the financial industry has seen a number of mergers and acquisitions. KEY has participated in some minor acquisitions as well. In July of 2012, KEY acquired 37 HSBS retail branches in Western New York worth about \$2 billion in assets and deposits. In August of 2012 KEY acquired around \$700 million in credit card assets from Elan Financial Services. The most recent and most significant acquisition was in May of 2013. It was a \$110 billion deal to acquire Bank of America's commercial mortgage servicing portfolio and a \$14 billion deal to gain their mortgage backed securities (CMBS) special servicing portfolio. This deal is significant because it moves KEY to the third largest servicer of commercial and multifamily loans in the U.S.

Their most recent litigation is connected to the Austin Madoff-Related Claims. These range from negligence to fraud to violations of ERISA. There are several lawsuits pending against KeyCorp, Austin, and Victory Capital. Another piece of litigation has to do with a previous IRS settlement in 2012 in regards to early termination of leveraged leases. Neither of the previous mentioned cases are expected to substantially effect earnings.

The biggest risks that investors currently focus on are interest rates and legislation. The Dodd-Frank Act is a highly pertinent piece of legislation directed mainly at banks. However it has been in place since 2010 and companies such as KEY have had a long time to prepare for these changes. Another piece of legislation is the Volker Rule which will be in place in 2015. This law will restrict market making, proprietary trading and private equities. Interest rates

have still not raised much since 2008. This is primarily because of the ongoing quantitative easing by the Federal Reserve. Though banks rely heavily on interest rates, KEY was able to impressively navigate the years of 2008 and 2009 as seen in the table below. It stands to reason that when interest rates finally do rise, KEY will see an impressive jump in revenue and a wider spread on interest margins.

HISTORICAL BREAKDOWN OF TOTAL REVENUE
dollars in millions, except per share amounts

	2007	2008	2009	2010	2011	2012
Interest income	5336	4353	3795	3408	2889	2705
Interest expense	2650	2037	1415	897	622	441
Net interest income	2686	2316	2380	2511	2267	2264
Noninterest income	2241	1847	2035	1954	1808	1967
Noninterest expense	3158	3476	3554	3034	2790	2907
Total Revenue (Interest and Non-Interest Income)	7577	6200	5830	5362	4697	4672

Source: KeyCorp 2012 10-K

Another risk is the continuous widespread adoption of technology. It is essential that KEY stays current with new technologies and consumer preferences in order to maintain market share.

The last risk is the inability to attract and retain skilled people. KEY admits that to attract and retain qualified employees, they must compensate them at market levels. There have been recent restrictions on compensation put in place by the Dodd-Frank Act. Also, their incentive compensation structure is always subject to review by the Federal Reserve. These two changes will make it difficult to retain the human capital needed to succeed.

(B-2) Revenue and Earnings History

TOTAL REVENUE (Interest and Non Interest Income)				EARNINGS PER SHARE			
Periods	2011	2012	2013	Periods	2011	2012	2013
March	1217	1126	1092	March	0.19	0.20	0.21
June	1180	1119	1086	June	0.25	0.23	0.21
September	1188	1134	1106	September	0.22	0.22	0.25
December	1112	1293	1102	December	0.21	0.20	0.26
TOTAL	4697	4672	4386	TOTAL:	0.87	0.86	0.92

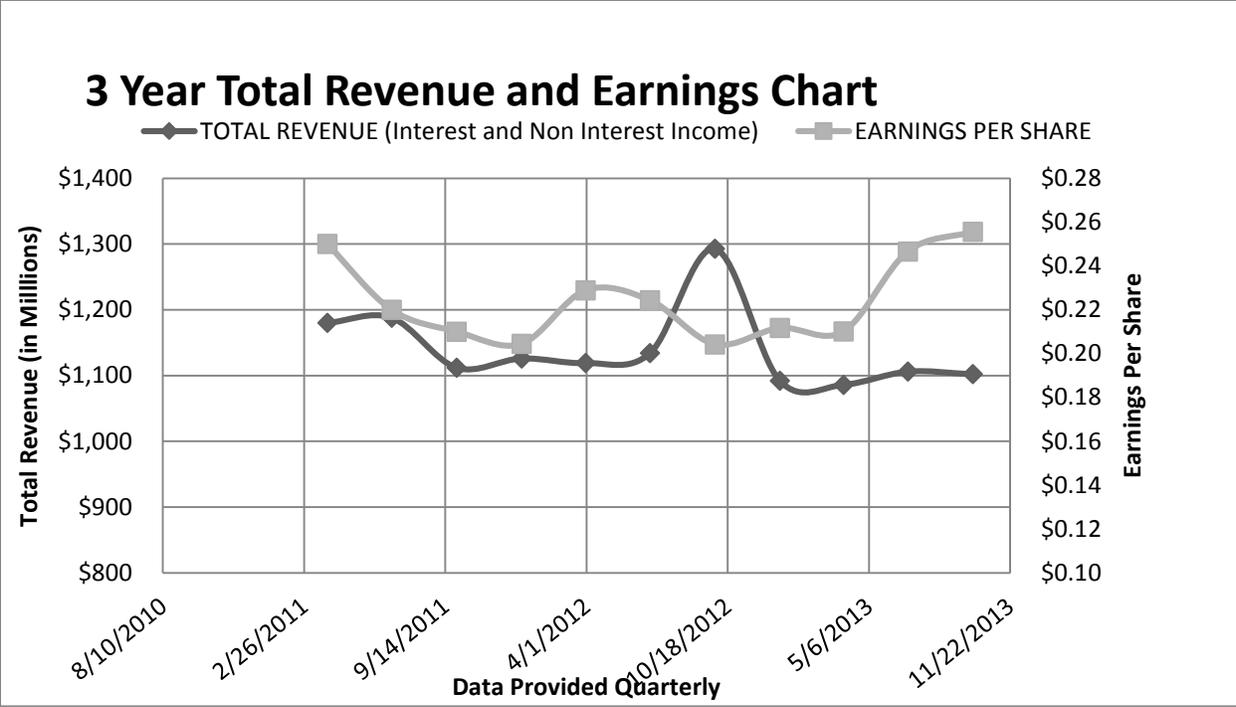
Note: Units in Millions of U.S. Dollars

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Source: KeyCorp 10-K and 8-K

Total Revenue was calculated by adding interest revenue and noninterest revenue using data from 10-Ks and 8-Ks, as revenue is not listed on Reuters. The data shows us that total revenue has been in a very mild, steady decline. This is undeniably the result of decreased interest revenue on loans. However, more importantly, the chart above titled *Historical Breakdown of Total Revenue* shows that net interest income has hardly changed since 2008.

KEYs earnings per share have been slowly and steadily increasing. The quarterly earnings do now show any seasonal patterns as seen in the chart below. The financial statements attribute this increase in earnings to an unchanged interest margin and lower noninterest expenses. As seen in the chart below titled *3 Year Total Revenue and Earnings Chart*, quarterly earnings and revenue are relatively stable, with recent growth in earnings due to effective cost cutting.



(B-3) Most Recent Quarterly Earnings Release

KeyCorp’s most recent earnings release was January 23rd, 2014. Revenue and earnings matched consensus at \$1.1 billion and \$0.26 per share. Management attributes the match to effectively executing strategy, acquiring relationships and successful reinvestment into the company. Loans were up 5% in 2013, mostly driven by commercial, financial and agricultural loans. Cards and payments income was up 20% and mortgage servicing fees doubled. Also they were successful in implementing annualized cost savings of \$241 million. In terms of capital management, they returned 76% of net income back to shareholders through dividends and common share repurchases in 2013. Even then, their capital remains in the top tier of their peer group and CEO Beth Mooney thinks this will position them well for future growth.

During the two days surrounding the earnings release the stock dropped 7.6%. During that same time the market dipped 3.0%. Considering the stocks beta of 1.31, nearly all of the 7.6% drop can be attributed to market risk and as a result the stock dropped only marginally because of its match on earnings.

Current fiscal month: 2
Target ROE: 3.05

***** Indicate next to the number if you made an adjustment to the target ROE estimate.
Justify at the bottom of this panel how you derive the adjusted value, if any *****

Discount rate

Input for discount rate: 11.30%
Risk-free rate: 3.70%
Beta: 1.31***
Market risk premium: 5.80%

***** Beta was estimated using a 50% weight from Reuters at 1.02 and 50% weight from Yahoo Finance at 1.61. We justified this based on the banking industry's average beta of 1.37. We felt that KeyCorp did not differ enough in structure or products to warrant the use of Reuters beta calculation of just 1.02.**

Output

Above normal growth period chosen: 2 Years (2015)

We justify a 2 year above normal growth period because of the currently changing interest rates. We believe that once interest rates begin to move, the revenue structure of KeyCorp will significantly change. Growth rates will presumably spike and the overall fundamental valuation would have to be redone. However we also recognize that interest rates are moving incredibly slow and the future is uncertain with the new head chairman of the fed Janet Yellen.

***** Justify at the bottom of this panel your choice of abnormal growth period *****

EBO valuation (Implied price from the spreadsheet): \$9.37

1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

The fundamental valuation of KeyCorp creates an implied price of \$9.37 with a 2 year outlook. I believe that this is fairly accurate but does not take into account the future earnings growth that will be gained in the next couple years. I would have expected the long term growth rate of the sector to be higher but it seems analysts see the rise of interest rates to be very far off. Other than the beta, no other data points were

manipulated. The industry averages seemed accurate because of the similarity KeyCorp showed with nearly all its competitors.

2) What might be the “soft spots” of the inputs? And why?

We believe that the fundamental valuation holds strong in almost every aspect. The one area that we don't feel is adequately represented is the long term growth rate, but that is highly dependent on many unpredictable factors such as the macroeconomic outlook, interest rates, and mergers and acquisitions within the industry.

Sensitivity Analysis

The changes here consist of changing the long term growth rate, the discount rate, the above normal growth period and the target ROE. Because we took the implied price from year two, the long term growth rates had no effect. The only metrics that would change the price are the discount rate and the short term growth rate estimated by the earnings per share forecasts. A decrease in the discount rate significantly rose the implied price to just above current market level. A raise of the forward 1 year and 2 year earnings estimates had less of an effect than expected, even when set to high estimates.

EBO valuation for the end of 2015 would be (you can include more than one scenario in each of the following):

\$9.37 if changing above normal growth period to 8.00%

\$9.37 if changing growth rate from mean (consensus) to the highest estimate 6.00%

\$9.37 if changing growth rate from mean (consensus) to the lowest estimate 5.00%

\$12.65 if changing discount rate to 8.5%

\$9.37 if changing target ROE to 5%

\$9.94 if changing 1 year forward earnings estimate to \$1.03 and 2 year \$1.20

Section (D) Relative Valuation

KEY

Ticker	Name	Mkt Cap	Current Price	Mean FY2		Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
				Earnings Estimate (next fiscal year)									
1	UBS U.S. Bank Corp	\$ 74,359.98	\$ 40.92	\$ 3.43	11.93	6.32%	1.89	2.05	14.34%	0.14	3.84	0.00	
2	PNC PNC Financial Services	\$ 43,354.22	\$ 80.71	\$ 7.52	10.73	7.46%	1.44	1.02	8.60%	0.12	2.71	0.00	
3	STI SunTrust Banks Inc	\$ 20,151.89	\$ 37.30	\$ 3.29	11.34	7.88%	1.44	0.97	2.06%	0.47	2.57	0.00	
4	FITB Fifth Third Bancorp	\$ 18,483.16	\$ 21.61	\$ 1.91	11.31	4.28%	2.64	1.36	9.45%	0.14	2.72	0.00	
KEY	KeyCorp	\$ 11,552.69	\$ 12.90	\$ 1.13	11.42	5.42%	2.11	1.15	3.05%	0.38	2.82	9.93	
Implied Price based on:					P/E	PEG	P/B	Value	P/S	P/CF			
1	UBS U.S. Bank Corp				\$13.48		\$11.56	\$23.00	\$4.89	\$17.57	\$0.00		
2	PNC PNC Financial Services Group Inc				\$12.13		\$8.81	\$11.44	\$4.06	\$12.40	\$0.00		
3	STI SunTrust Banks Inc				\$12.81		\$8.81	\$10.88	\$16.11	\$11.76	\$0.00		
4	FITB Fifth Third Bancorp				\$12.78		\$16.19	\$15.26	\$4.92	\$12.44	\$0.00		
	High				\$13.48		\$16.19	\$23.00	\$16.11	\$17.57	\$0.00		
	Low				\$12.13		\$8.81	\$10.88	\$4.06	\$11.76	\$0.00		
	Median				\$12.80		\$10.19	\$13.35	\$4.91	\$12.42	\$0.00		

Competitors

KeyCorp's closest competitors in order from largest market cap to smallest are U.S. Bank Corp, PNC Financial Services, SunTrust Banks Inc. and Fifth Third Bank. These are all commercial regional banks that operate within the United States.

U.S. Bank Corp is the fifth largest bank based on assets with \$360 billion. Its market cap is about 6.5 times larger than KeyCorp. It operates in the Midwestern and Western U.S. on four similar lines of business that serve individuals, businesses, municipalities and financial institutions with around 3000 offices and 5000 ATMs.

PNC Financial Services is a Northeast based firm that has about \$270 billion in assets, 2700 branches and around 7400 ATMs. It is the 6th largest bank based on assets in the U.S. PNC also operates with business segments like retail banking, credit services, institutional banking, mortgages and real estate.

SunTrust Banks Inc. is a holdings company whose largest subsidiary is SunTrust Bank. It has around \$175 billion in assets and operates 1500 branches, and 2200 ATMs. SunTrust Bank is structured very similarly to KeyCorp and maintains a strong presence in the Southeast.

Fifth Third Bancorp has around \$110 billion in assets, 1300 locations and also operates very similar to KeyCorp. Its main location for retail banking is in the Midwest to East coast area.

Relative Valuation Analysis

KeyCorp has a significantly smaller market cap and current price compared to the other companies listed. Its long term growth rate is the lowest of the four at 5.42% besides Fifth Third Bancorp. The highest of which is SunTrust at 7.88%. KeyCorp has a good price to book ratio at 1.15, which is a very important metric when considering the banking industry. KeyCorp's return on equity (ROE) of 3.05% is considerably less than its competitor whose average is 8.6%.

Its forward P/E is perfectly in line with its competitors at 11.42. The spread on forward P/E between all the five companies is only 1.2. Its price earnings to growth ratio of 2.11 is high compared to the mean of 1.85 which is easily explained by its low end long term growth rate.

As we discuss implied prices, note that KeyCorp's 52 week high is \$14.14 and its 52 week low is \$9.14. The implied prices were calculated using KeyCorp's mean two year earnings estimate, KeyCorp's current price and valuation ratios from above. The implied price based on forward P/E shows results very close to the actual price of KeyCorp at \$12.90 with very little variation. The implied price based on the price earnings to growth ratio creates a much bigger spread with KeyCorp nicely positioned in the middle. The lowest/cheapest of which is SunTrust and PNC with a value of \$8.81 and the highest being Fifth Third Bancorp at \$16.19. Both of these numbers are outside the 52 week range for KeyCorp.

The implied price based on the price to book ratio creates another large spread with U.S. Bank Corp at \$23.00 and SunTrust at a low of \$10.88. Based on book values, it seems that SunTrust, PNC and then KeyCorp are the cheapest buys. Unfortunately data on price to cash flows were not available for the chosen companies because of the nature of their business.

In conclusion, based on relative valuation alone, KeyCorp is neither the worst nor the best. When looking at forward P/E ratios, you could assume that all the companies are priced evenly. However, upon looking at PEG and P/B, it becomes evident that SunTrust Banks and PNC Financial have lower implied prices.

Section (E) Revenue and Earnings Estimates

(E-1) HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	1,027.70	1,042.00	14.30	1.39
Quarter Ending Sep-13	1,023.46	1,043.00	19.54	1.91
Quarter Ending Jun-13	1,018.62	1,015.00	-3.62	-0.36
Quarter Ending Mar-13	1,047.29	1,014.00	-33.29	-3.18
Quarter Ending Dec-12	1,056.02	1,073.00	16.98	1.61
Earnings (per share)				
Quarter Ending Dec-13	0.24	0.25	0.01	3.65
Quarter Ending Sep-13	0.22	0.19	-0.03	-14.45
Quarter Ending Jun-13	0.20	0.22	0.02	11.68
Quarter Ending Mar-13	0.20	0.22	0.02	12.76
Quarter Ending Dec-12	0.21	0.21	0.00	0.43

- 1) Key Corp does have a slight pattern of surprising the market for sales with numbers different from analyst estimates. Generally, they have a surprise percentage around 1 or 2 %. However, in the quarter ending March 2013, they had a negative surprise of 3.18%. Over the last two quarters, they had positive surprises of 1.91% and 1.39%. In terms of EPS, they generally have a large surprise, both positive and negative. In Key Corp's last quarter, they had a surprise of 3.65% but in the previous three quarters, they had surprises of over 11%, both positive and negative.

- 2) In terms of sales, the surprises have been both positive and negative. Although, the past two quarters have had positive surprises. For earnings, they generally have positive surprises. In the last 5 quarters ending, they have had 1 negative surprise.
- 3) The surprises were more notable for earnings. They are normally over 10% whereas revenue surprises have been very low; around 1 to 2%.

(E-2) CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-14	19	1,012.93	1,046.48	963.50	1,048.87
Quarter Ending Jun-14	19	1,032.39	1,066.16	973.20	1,061.91
Year Ending Dec-14	21	4,163.87	4,415.00	3,923.20	4,332.90
Year Ending Dec-15	22	4,342.97	4,646.30	4,219.60	4,572.39
Earnings (per share)					
Quarter Ending Mar-14	28	0.24	0.26	0.22	0.23
Quarter Ending Jun-14	28	0.25	0.27	0.22	0.24
Year Ending Dec-14	28	1.02	1.10	0.89	0.95
Year Ending Dec-15	28	1.13	1.25	0.97	1.10
LT Growth Rate (%)	3	5.42	6.00	5.00	4.30

- 1) % Difference between the high estimate and the mean estimate
 - a. Quarter Ending Mar 14- 3.2%
 - b. Quarter Ending Jun 14- 3.2%
 - c. Year Ending Dec 14- 5.69%
 - d. Year Ending Dec 15 – 6.53%
- 2) & Difference between the low estimate and the mean estimate
 - a. Quarter Ending Mar 14- (-5.13%)
 - b. Quarter Ending Jun 14- (-6.08%)
 - c. Year Ending Dec 14- (-6.13%)
 - d. Year Ending Dec 15- (-2.92%)
- 3) The divergence is more notable for FY1 and FY2 and for earnings.
- 4) The # of analysts providing LT growth rate estimate is 3. There are roughly 22-28 analysts providing revenue and earnings estimates.

(E-3) CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Mar-14	1,012.93	1,012.93	1,013.53	1,009.51	1,048.87
Quarter Ending Jun-14	1,032.39	1,032.39	1,034.42	1,027.88	1,061.91
Year Ending Dec-14	4,163.87	4,163.87	4,172.62	4,182.41	4,332.90
Year Ending Dec-15	4,342.97	4,342.97	4,338.64	4,364.91	4,572.39
Earnings (per share)					
Quarter Ending Mar-14	0.24	0.24	0.24	0.24	0.23
Quarter Ending Jun-14	0.25	0.25	0.25	0.25	0.24

Quarter Ending Dec-14	1.02	1.02	1.01	1.01	0.95
Quarter Ending Dec-15	1.13	1.13	1.13	1.12	1.10

1) The consensus estimate have been trending downwards in terms of sales and revenues and has been trending upwards in terms of earnings.

2) The trend is more notable for FY1 earnings.

(E-4)

ESTIMATES REVISIONS SUMMARY

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
Revenue				
Quarter Ending Mar-14	0	0	1	2
Quarter Ending Jun-14	0	0	1	2
Year Ending Dec-14	0	0	1	3
Year Ending Dec-15	0	0	1	3
Earnings				
Quarter Ending Mar-14	1	0	3	1

Quarter Ending Jun-14	1	0	2	0
Year Ending Dec-14	1	0	3	0
Year Ending Dec-15	2	0	4	1

Source: reuters.com

- 1) In the last 4 weeks there have been more downward revisions for revenue. For earnings, there have been more upward revisions.**
- 2) The revisions are predominately one directional for revenue and earnings. However, they are predominately downward for revenue and upward for earnings.**
- 3) There are not any noticeable differences in the last week versus the last four weeks for both revenue and earnings.**

(E-5) Consensus Earnings Revisions

- 1) Key Corps last reporting date was 1/23/2014 and the next reporting date is scheduled to be 4/19/2014.**
- 2) Over the past month, Key Corp has not had any revisions.**

Section (F) Analysts' Recommendations

ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	4	4	4	4
(2) OUTPERFORM	6	6	6	6
(3) HOLD	18	19	18	19
(4) UNDERPERFORM	2	2	2	2
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	2.60	2.61	2.60	2.61

Source: reuters.com

- 1) Over the past 3 months, there have not been any noticeable trends in analysts' recommendations. All of the recommendations have remained the same except a slight change in the hold recommendation.
- 2) The company received 2 different ratings over the past 3 months. It has alternated between 2.61 and 2.60.
- 3) A notable trend is that many analysts are converging on the opinion of holding the stock.
- 4) A. Morningstar analyst's research report was consistent with the reports from Reuters and other financial sites.
B. After looking at multiple financial websites, the analysts' opinions are consistent. Yahoo Finance gives Key Corp a mean rating of 2.7 and MSN Money gives it a mean

rating of 2.62. All of these websites as well as Bloomberg and CNN Money recommend holding the stock.

- 5) When looking at similar firms in the industry, the trends of the analyst's opinions are relatively the same as Key Corp.

(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC

- 1) Key Corp's last earnings report was 1/23/14. Their next earnings reporting date will be 4/19/2014.
- 2) Over the past month, there have not been any revisions in analyst recommendations.

Section (G) Institutional Ownership

KEY

Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			890,762,354	100.00%
# of Holders/Total Shares Held/% Shares	668	104.38%	733,364,646	82.33%
# New Positions	70	10.94%		
# Closed Positions	42	6.56%		
# Increased Positions	266	41.56%		
# Decreased Positions	281	43.91%		
Beg. Total Inst. Positions	640	100.00%	742,349,503	83.34%
# Net Buyers/3 Mo. Net Chg	-15	48.63%	-8,984,857	-1.01%

Ownership Information	% Outstanding
% Institutional Ownership	83.44
Top 10 Institutions % Ownership	28.62%
Mutual Fund % Ownership	43.65%
5%/Insider Ownership	0.44%

Float %	100.00%
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> 5% Ownership			
Holder Name	% Change	% Outstanding	Report Date
The Vanguard Group, Inc	1.34%	6.92%	12/31/2013
State Street Corp	-3.28%	5.30%	12/31/2013

Source: reuters.com

- 1) Institutions on a net basis have been decreasing ownership. The change can be considered substantial as the # of net buyers has decreased 1.01% over the past 3 months. The second largest institutional owner State Street Corp has decreased their ownership 3.28%.
- 2) The stock does have sizable institutional interest as 83.44% of shares outstanding are institutionally owned.
- 3) There are currently 2 institutions that are considered >5% ownership. They are The Vanguard Group, Inc. and State Street Corp. The Vanguard Group, Inc. at the fund family level owns 6.2% of shares outstanding. At the fund level, Vanguard has 5 mutual funds that own shares.

Section (H) Short Interest

(H-1) Key Corp. Short Interest

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2014	9,500,580	15,519,019	1.000000
1/15/2014	16,126,628	10,104,071	1.595756
12/31/2013	11,761,665	6,439,086	1.826605
12/15/2013	11,585,801	10,848,631	1.067951
11/29/2013	11,238,995	10,063,231	1.116838
11/15/2013	14,746,764	8,858,786	1.664648
10/31/2013	15,475,702	12,093,611	1.279659
10/15/2013	15,292,496	10,528,872	1.452434
9/30/2013	16,108,798	11,798,622	1.365312
9/13/2013	18,134,495	9,614,349	1.886191
8/30/2013	18,068,317	9,515,287	1.898873
8/15/2013	17,391,659	9,239,717	1.882272

7/31/2013	17,505,135	11,526,246	1.51872
7/15/2013	15,011,974	10,874,995	1.380412
6/28/2013	14,715,068	13,100,324	1.12326
6/14/2013	11,654,387	10,404,387	1.120142
5/31/2013	12,553,913	9,776,154	1.284136
5/15/2013	17,165,613	7,751,649	2.214447
4/30/2015	18,178,185	10,818,548	1.68028
4/15/2013	16,485,277	11,687,308	1.410528
3/28/2013	15,864,287	9,679,576	1.638944
3/15/2013	25,531,902	16,433,064	1.553691
2/28/2013	18,820,891	14,068,772	1.337778
2/15/2013	16,583,275	10,267,286	1.615157

Source:finance.yahoo.com

PNC Short Interest

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2014	5,919,068	3,166,129	1.869497
1/15/2014	5,626,522	2,156,379	2.609245
12/31/2013	6,184,587	1,862,632	3.320348
12/13/2013	6,618,332	2,184,274	3.029992
11/29/2013	6,641,913	1,846,129	3.597751
11/15/2013	6,870,654	2,058,091	3.338363
10/31/2013	6,501,952	2,162,172	3.007139
10/15/2013	7,253,158	2,040,905	3.553893
9/30/2013	7,158,895	2,190,297	3.268459
9/13/2013	6,612,998	1,612,006	4.102341
8/30/2013	6,600,650	1,442,904	4.574559

8/15/2013	7,494,346	1,874,588	3.997863
7/31/2013	6,829,791	2,741,564	2.491202
7/15/2013	7,683,707	2,440,776	3.148059
6/28/2013	7,483,826	2,900,812	2.579907
6/14/2013	7,469,338	2,543,966	2.9361
5/31/2013	7,515,341	2,649,901	2.836084
5/15/2013	8,655,504	2,580,731	3.353896
4/30/2013	10,438,021	4,198,832	2.485934
4/15/2013	10,339,121	2,496,006	4.142266
3/28/2013	9,788,361	2,127,203	4.601517
3/15/2013	9,954,102	2,901,609	3.430546
2/28/2013	7,879,321	3,643,719	2.162439
2/15/2013	8,536,302	2,871,149	2.973131

Source:finance.yahoo.com

USB Short Interest

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
1/31/2014	27,092,140	9,840,541	2.753115
1/15/2014	26,449,258	8,280,367	3.194213
12/31/2013	25,102,941	6,875,678	3.650977
12/13/2013	27,092,917	9,528,735	2.843286
11/29/2013	26,422,607	7,130,352	3.705653
11/15/2013	22,847,153	7,230,624	3.159776
10/31/2013	21,949,939	8,176,452	2.684531
10/15/2013	21,175,322	7,029,540	3.012334
9/30/2013	22,650,984	8,586,629	2.637937
9/13/2013	18,715,175	6,914,180	2.706782
8/30/2013	17,899,095	5,993,608	2.986364
8/15/2013	19,472,960	5,732,756	3.396789

7/31/2013	19,231,643	9,092,443	2.115124
7/15/2013	19,165,118	8,056,202	2.378927
6/28/2013	17,904,032	10,809,534	1.656319
6/14/2013	20,263,772	10,092,604	2.007784
5/31/2013	18,762,980	10,895,685	1.722056
5/15/2013	14,192,840	9,760,117	1.454167
4/30/2013	14,371,940	11,171,046	1.286535
4/15/2013	17,734,350	9,476,826	1.871339
3/28/2013	16,305,652	8,683,421	1.877791
3/15/2013	19,713,368	10,554,027	1.867853
2/28/2013	17,652,397	9,898,492	1.783342
2/14/2013	17,591,440	8,443,493	2.083432

Source: finance.yahoo.com

(H-2)

Key Corp.

Avg Vol (3 Month)	Avg Vol (10 Day)	Shares Outstanding	Float
10,328,800	9,009,800	890.72M	887.83M
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
9.50M	0.8	1.00%	16.12M

Source: finance.yahoo.com

PNC

Avg Vol (3 Month)	Avg Vol (10 Day)	Shares Outstanding	Float
2,256,450	2,140,640	533.00M	530.78M
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
5.92M	2.3	1.10%	5.63M

Source: finance.yahoo.com

Avg Vol (3 Month)	Avg Vol (10 Day)	Shares Outstanding	Float
8,009,410	6,748,960	1.82B	1.82B
Shares Short (Most recent date)	Short Ratio (Most recent date)	Short % of Float (Most recent date)	Shares Short (2 weeks prior)
27.09M	3.1	1.50%	26.45M

Source: finance.yahoo.com

- 1) Key Corp. last earning reporting date was 1/23/14. There next earnings report is expected to be 4/19/2014
- 2) Based on the short interest statistics, recent trends indicate that investors are more bullish on the stock over the past year. The “days to cover” has stayed relatively low ranging from 1.00 to 2.21. In the most recent month, the “days to cover” has dropped from 1.595 to 1.000. This indicates a more bullish view for the stock.
- 3) For the most recent reporting date on 1/23/2014, the “short interest” and “# of days to cover” had a notable decrease in the values. For the next most recent reporting date on 10/16/2013, the “short interest” and “days to cover”, there was a minor decrease in the values. After reviewing the stock chart for the most recent reporting date, the stock had a steady rise up until the reporting date and then had a steady decline for the next few days. For the reporting date on 10/16/2013, the stock had a steep incline for the day’s right before the reporting date and continued to increase afterwards.

Section (I) Stock Charts

(I-1) 3 months stock chart



source: reuters.com

1) For the 3 month stock chart, Key Corp outperformed both the SP 500 and the Financial Sector. However, in late January, the stock took a dive along with the financial sector and the SP 500. This was due to factors outside the control of Key Corp and had nothing to do with their better than expected earnings report.

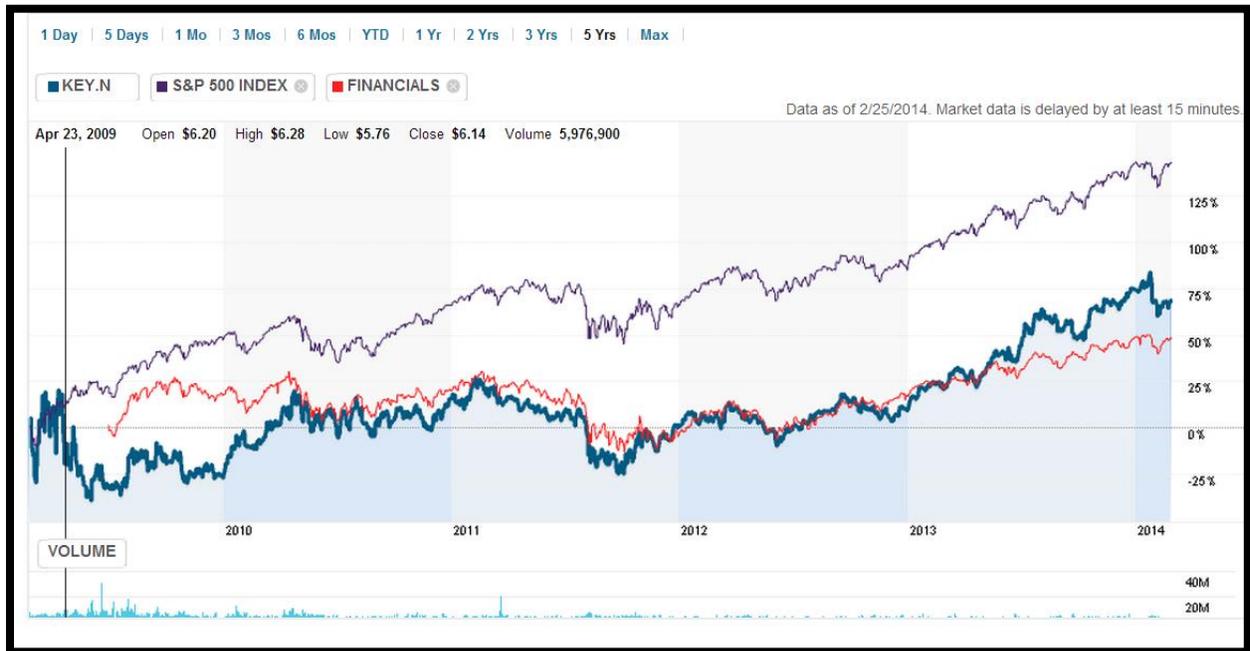
(I-2) 1 year stock chart



Source: reuters.com

- 1) For the 1 year stock chart, Key Corp outperformed both the SP 500 and the Financial Sector. Once again, there is a notable drop in performance around late January 2014 due to market panic.

(1-3) 5 year stock chart



Source: reuters.com

- 1) For the 5 year stock chart, Key Corp was outperformed early on by the Financial Sector but later started to outperform the sector. The SP 500 outperformed Key Corp for the majority of the 5 years.

(I-4) Technical Indicators



Source: <http://finance.yahoo.com/>

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