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KEYCORP /NEW/  
Form 8-K  
January 16, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15d of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 16, 2002

[LOGO]  
KEYCORP

-----  
(Exact name of registrant as specified in its charter)

Ohio	0-850	34-6542451
----- (State or other jurisdiction of incorporation or organization)	----- Commission File Number	----- (I.R.S. Employer Identification No.)
127 Public Square, Cleveland, Ohio		44114-1306
----- (Address of principal executive offices)		----- (Zip Code)

Registrant's telephone number, including area code: (216) 689-6300

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On January 16, 2002, the Registrant issued a press release announcing its earnings results for the three- and twelve-month period ended December 31, 2001. This press release, dated January 16, 2002, is attached as Exhibit 99.1 to this report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) EXHIBITS

99.1 The Registrant's January 16, 2002, press release announcing its earnings results for the three- and twelve-month period ended December 31, 2001.

ITEM 9. REGULATION FD DISCLOSURE

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On January 16, 2002, the Registrant conducted a conference call/webcast to discuss its quarterly earnings and currently anticipated earnings trends. The slide presentation reviewed by the Registrant in the conference call/webcast follows as Annex A to this Item 9.

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### Annex A

#### FOURTH QUARTER 2001 REVIEW

[LOGO]

January 16, 2002

[LOGO]

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#### PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 FORWARD-LOOKING STATEMENT DISCLOSURE

The conference call and discussion, including related questions and answers, and presentation materials, contain forward-looking statements about issues like anticipated first quarter and full-year 2002 earnings, anticipated level of net loan charge-offs and nonperforming assets and anticipated improvement in profitability and competitiveness. Forward-looking statements by their nature are subject to assumptions, risks and uncertainties. Actual results could differ materially from those contained in or implied by such forward-looking statements for a variety of factors including: changes in interest rates; continued weakness in the economy which could materially impact credit quality trends and the ability to generate loans; failure of the capital markets to function consistent with customary levels; delay in or inability to execute strategic initiatives designed to grow revenues and/or manage expenses; consummation of significant business combinations or divestitures; changes in law imposing new legal obligations or restrictions or unfavorable resolution of litigation; disruption in the economy or business operations or activities as a result of terrorist activities or military actions; and changes in accounting, tax or regulatory practices or requirements.

[LOGO]

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FOURTH QUARTER REVIEW

- INTRODUCTION                    B. SOMERS
- OVERVIEW 2001                    H. MEYER
- FINANCIAL REVIEW                L. IRVING
- ASSET QUALITY                    K. BLAKELY
- OUTLOOK / Q&A                  B. SOMERS

[LOGO]

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OVERVIEW- 2001

- SHARPENED STRATEGIC FOCUS AND SIMPLIFIED ORGANIZATION
- STRENGTHENED ACCOUNTABILITY
- DELIVERED ON PEG COMMITMENTS
- INCREASED LOAN LOSS RESERVE
- ACCELERATED DOWNSIZING OF AUTO AND OTHER LOW SPREAD BUSINESSES
- EXIT NON-RELATIONSHIP CORPORATE LENDING
- INCREASED DIVIDEND

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FINANCIAL HIGHLIGHTS - 4Q01

- EPS MEETS CONSENSUS \$(0.41)
- ADDITIONAL LOAN LOSS PROVISION: \$590MM
- SPECIAL CHARGES: \$60 MILLION

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- NET INTEREST MARGIN INCREASED 13 B.P.
- FAVORABLE TRENDS IN FEE INCOME
- CONTINUED FOCUS ON EXPENSES

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NET INTEREST INCOME & Margin (TE)

in millions

[GRAPH]

	4Q00	1Q01	2Q01	3Q01	4Q01
NET INTEREST INCOME	\$709	\$695	\$719	\$730	\$726
NET INTEREST MARGIN	3.71%	3.63%	3.77%	3.85%	3.98%
AVG. EARNING ASSETS	\$ 76,036	\$ 76,872	\$ 76,546	\$ 75,687	\$ 72,706

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NET INTEREST MARGIN (TE)  
3Q01 vs. 4Q01

Net Interest Margin 3Q01	3.85%
Loan Mix & Spreads	.08
Deposit Mix & Spreads	(.08)
Lease Yields	.06
Seasonal Factors	.04
Balance Sheet Management	.03
Total	----- 13bp
Net Interest Margin 4Q01	3.98%

[LOGO]

CORE NONINTEREST INCOME  
3Q01 vs. 4Q01  
in millions

Noninterest Income 3Q01	\$454
Higher letter of credit & loan fees	11
Income from demutualization	10
All other-net	(10)
Principal investing write-downs	(37)
Reserve for customer derivatives	(10)
	-----
Noninterest Income 4Q01	\$418

[LOGO]

CORE NONINTEREST EXPENSE  
3Q01 vs. 4Q01  
in millions

Noninterest Expense 3Q01	\$683
Demutualization contribution	10
Higher IC tied to revenue	7
All other-net	2
	-----
Noninterest Expense 4Q01	\$702

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PEG COST SAVINGS  
NONINTEREST EXPENSE: ACTUAL vs. INFLATIONARY GROWTH

(in millions)

[GRAPH]

1999                      2000                      2001                      2002

Noninterest expense adjusted

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for inflation	\$2,776 (b)	\$2,869 (c)	\$2,949 (d)	\$3,010 (e)
Noninterest expense (a)	2,776	2,789	2,769	2,770T
	-----	-----	-----	-----
Savings	\$ --	\$ 80	\$ 180	\$ 240
	=====	=====	=====	=====

(a) Total noninterest expense less significant nonrecurring items, adjusted for divested operations

(b) CPI base

(c) CPI + 3.4% (Bureau of Labor Statistics Jan-Dec 2000)

(d) CPI + 2.8% (Bureau of Labor Statistics Jan-Nov 2001)

(e) CPI + 2.0% (Estimate of 2% for 2002)

T - Target for 2002

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NET CHARGE-OFFS BY LOAN TYPE

IN MILLIONS	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
CONTINUING PORTFOLIO					
Commercial	\$ 43.0	\$ 51.0	\$ 39.9	\$ 47.8	\$ 62.3
Consumer	64.8	58.2	59.6	68.1	70.4
	----	----	----	----	----
	107.8	109.2	99.5	115.9	132.7
RUN-OFF PORTFOLIO & LOAN SALES			71.3	57.0	87.2
			----	----	----
TOTAL NET C/O	\$ 107.8	\$ 109.2	\$ 170.8	\$ 172.9	\$ 219.9

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ASSET QUALITY INDICATORS

IN MILLIONS	TOTAL PORTFOLIO 3Q01	TOTAL PORTFOLIO 4Q01	CONTINUING PORTFOLIO 3Q01	CONTINUING PORTFOLIO 4Q01
	----	----	----	----
Nonperforming Loans to EOP Loans	\$ 885 1.37%	\$ 910 1.44%	\$ 652 1.03%	\$ 679 1.09%

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Nonperforming Assets	\$ 913	\$ 947	\$ 680	\$ 716
to EOP Loans + OREO	1.41%	1.49%	1.07%	1.15%
Net C/O	\$ 173	\$ 220	\$ 116	\$ 133
to Average Loans	1.04%	1.37%	0.71%	0.84%
Allowance	\$1,174	\$1,677	\$1,002	\$1,402
to Total Loans	1.82%	2.65%	1.58%	2.25%
to Nonperforming Loans	133%	184%	154%	206%

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RUN-OFF PORTFOLIO &  
NONREPLENISHING RESERVES

IN MILLIONS

	5/17/01	6/30/01	9/30/01	12/31/01
	-----	-----	-----	-----
COMMITMENTS	\$2,648	\$2,393	\$2,019	\$1,694
OUTSTANDINGS	1,611	1,423	1,176	1,023
ALLOWANCE FOR LOAN LOSSES	300	229	172	275
NPLs	257	242	233	231

[LOGO]

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NONPERFORMING LOANS: 4Q01

4Q01 INCREASE IN NPL: \$ 25MM OR 3%

LARGEST NPL: \$ 32MM (HEALTHCARE-CP)

10TH LARGEST: \$ 12MM (STRUCTURED FINANCE- ROP)

20TH LARGEST: \$ 9MM (STRUCTURED FINANCE-ROP)

CP: CONTINUING PORTFOLIO

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ROP: RUN-OFF PORTFOLIO

[LOGO]

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NONPERFORMING LOANS: 4Q01

Composition of Top 20 NPLs:  
in millions

	CP	ROP	TP
	--	---	--
Healthcare	\$120	--	\$120
Structured Finance	--	\$ 75	75
Middle Market	10	21	31
Large Corporate	10	20	30
Leasing	14	--	14
Key Capital Partners	13	--	13
Commercial Real Estate	--	--	--

CP: Continuing Portfolio \$167M

ROP: Run-off Portfolio 116M

-----  
TP: Total Portfolio \$283M

Top 20 Average Size \$14.2M

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SUMMARY OF SIGNIFICANT ACTIONS - 2001

- Accelerated downsizing of auto business
  - Reduced auto leases and indirect loans by \$1.2 billion
- Exit non-relationship corporate lending
  - Runoff portfolio reduced by \$588 million
- Sold \$4.4 billion of loans
- Reduced dependence on wholesale funding by \$4.1 billion
- Added \$676 million to loan loss reserve

[LOGO]



FIRST QUARTER 2002 OUTLOOK  
(COMPARED WITH 4Q01)

REVENUE	SLIGHT INCREASE (4Q INCLUDES SPECIAL CHARGES OF \$60 MILL.) - FLAT TO SLIGHTLY LOWER LOANS - SEASONAL DECLINE IN NIM - MODEST FEE GROWTH
EXPENSE	MODEST DECREASE
CREDIT QUALITY	NPAs ARE EXPECTED TO INCREASE SLIGHT INCREASE IN CORE NET CHARGE-OFFS
EARNINGS	EPS RANGE: \$0.54 TO \$0.57

[LOGO]

APPENDIX

[LOGO]

[B

LINE OF BUSINESS PERFORMANCE

RETAIL BANKING  
(A DIVISION OF KEY CONSUMER BANKING)

IN MILLIONS

[GRAPH]

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	4Q00	1Q01	2Q01	3Q01	4Q01
REVENUE	\$341	\$339	\$341	\$361	\$343
NET INCOME	\$ 73	\$ 74	\$ 73	\$ 88	\$ 80

NONINTEREST INCOME AND EXPENSE ATTRIBUTABLE TO KEY CAPITAL PARTNERS IS ASSIGNED TO RETAIL BANKING, HOME EQUITY AND CONSUMER FINANCE OR KEY CORPORATE FINANCE IF ONE OF THOSE BUSINESSES IS PRINCIPALLY RESPONSIBLE FOR MAINTAINING THE RELATIONSHIP WITH THE CLIENT THAT USED KEY CAPITAL PARTNERS' PRODUCTS AND SERVICES.

[LOGO]

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LINE OF BUSINESS PERFORMANCE

HOME EQUITY & CONSUMER FINANCE  
(A DIVISION OF KEY CONSUMER BANKING)

[GRAPH]

IN MILLIONS

	4Q00	1Q01	2Q01	3Q01	4Q01
REVENUE	\$146	\$147	\$146	\$154	\$144
NET INCOME	\$ 17	\$ 19	\$ 17*	\$ 19	\$ 12

\* EXCLUDES ONE-TIME CHARGE FOR RETAINED INTERESTS IN SECURITIZED ASSETS

NONINTEREST INCOME AND EXPENSE ATTRIBUTABLE TO KEY CAPITAL PARTNERS IS ASSIGNED TO RETAIL BANKING, HOME EQUITY AND CONSUMER FINANCE OR KEY CORPORATE FINANCE IF ONE OF THOSE BUSINESSES IS PRINCIPALLY RESPONSIBLE FOR MAINTAINING THE RELATIONSHIP WITH THE CLIENT THAT USED KEY CAPITAL PARTNERS' PRODUCTS AND SERVICES.

[LOGO]

LINE OF BUSINESS PERFORMANCE

KEY CORPORATE FINANCE

[GRAPH]

IN MILLIONS

	4Q00	1Q01	2Q01	3Q01	4Q01
REVENUE	\$480	\$442	\$474	\$459	\$498
NET INCOME	\$141	\$109	\$130	\$127	\$150

NONINTEREST INCOME AND EXPENSE ATTRIBUTABLE TO KEY CAPITAL PARTNERS IS ASSIGNED TO RETAIL BANKING, HOME EQUITY AND CONSUMER FINANCE OR KEY CORPORATE FINANCE IF ONE OF THOSE BUSINESSES IS PRINCIPALLY RESPONSIBLE FOR MAINTAINING THE RELATIONSHIP WITH THE CLIENT THAT USED KEY CAPITAL PARTNERS' PRODUCTS AND SERVICES.

[LOGO]

LINE OF BUSINESS PERFORMANCE

KEY CAPITAL PARTNERS

[GRAPH]

IN MILLIONS

	4Q00	1Q01	2Q01	3Q01	4Q01
REVENUE	\$250	\$244	\$240	\$243	\$241
NET INCOME	\$ 24	\$ 13	\$ 13	\$ 19	\$ 20

NONINTEREST INCOME AND EXPENSE ATTRIBUTABLE TO KEY CAPITAL PARTNERS IS ASSIGNED TO RETAIL BANKING, HOME EQUITY AND CONSUMER FINANCE OR KEY CORPORATE FINANCE IF ONE OF THOSE BUSINESSES IS PRINCIPALLY RESPONSIBLE FOR MAINTAINING THE RELATIONSHIP WITH THE CLIENT THAT USED KEY CAPITAL PARTNERS' PRODUCTS AND SERVICES.

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NONINTEREST INCOME

IN MILLIONS	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
RECURRING ITEMS					
1. Trust & Invest Services Inc.	\$150	\$141	\$132	\$140	\$137
2. Inv. Banking & Cap. Mkts. Inc.	94	65	72	46	6
3. Service Charges on Deposits	85	84	90	107	106
4. COLI Income	31	27	27	28	32
5. L/C & Loan Fees	34	29	30	27	38
6. Electronic Banking Fees	18	17	18	20	19
7. Other Income	96	92	29	86	80
	----	----	----	----	----
CORE NONINTEREST INCOME	508	455	398	454	418
NON-CORE ITEMS					
	-	-	-	-	-
	----	----	----	----	----
TOTAL NONINTEREST INCOME	\$508	\$455	\$398	\$454	\$418

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NONINTEREST EXPENSE

IN MILLIONS	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
RECURRING ITEMS					
1. Personnel	\$ 360	\$ 364	\$ 345	\$ 334	\$ 335
2. Net Occupancy & Equipment	97	95	96	97	96
3. Computer Processing	62	62	63	62	65
4. Marketing	28	27	29	31	25
5. Amortization of Intangibles	25	26	24	22	23

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6. Professional Fees	19	18	19	26	25
7. Postage & Delivery	16	17	16	16	14
8. Telecommunications	12	11	12	10	11
9. Other Expense	89	78	82	85	108
	-----	-----	-----	-----	-----
CORE NONINTEREST EXPENSE	708	698	686	683	702
NON-CORE ITEMS	(3)	-	172	-	-
	-----	-----	-----	-----	-----
TOTAL NONINTEREST EXPENSE	\$ 705	\$ 698	\$ 858	\$ 683	\$ 702

[LOGO]

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STATEMENT OF INCOME-REPORTED

IN MILLIONS, EXCEPT PER SHARE DATA	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
Net Interest Income (TE)	\$ 709	\$ 695	\$ 719	\$ 730	\$ 726
Loan Loss Provision	108	110	401	116	723
Noninterest Income	508	455	398	454	418
Noninterest Expense	705	698	858	683	702
	-----	-----	-----	-----	-----
	404	342	(142)	385	(281)
Income Taxes & TE adj.	138	124	(6)	136	(107)
Accounting Change, Net of Tax	-	(1)	(24)	-	-
	-----	-----	-----	-----	-----
Net Income (Loss)	\$266	\$217	\$ (160)	\$ 249	\$ (174)
Avg. Common Shares O/S					
Assuming Dilution	430.6	429.9	424.7	430.3	423.6
EPS - Assuming Dilution	\$0.62	\$0.51	\$ (0.38)	\$0.58	\$ (0.41)

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SIGNIFICANT NON-CORE ITEMS

IN MILLIONS, EXCEPT PER SHARE DATA	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
Net Interest Income (TE)	-	-	-	-	-
Loan Loss Provision	\$ 13	-	-	-	-
Noninterest Income	-	-	-	-	-
Noninterest Expense	(3)	-	\$ 172	-	-
	-----	-----	-----	-----	-----
	(10)	-	(172)	-	-
Income Taxes and TE adj.	(4)	-	(8)	-	-

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Acct. Change, Net of Tax	-	-	(24)	-	-
	-----	-----	-----	-----	-----
Net Loss	\$ (6)	-	\$ (188)	-	-

4Q00 Adjustment to loan loss provision (FFIEC), restructuring credit and other one-time charges

2Q01 Goodwill write-down, additional litigation reserves, restructuring and other one-time net charges, accounting change for retained interests

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STATEMENT OF INCOME-CORE

IN MILLIONS, EXCEPT PER SHARE DATA	4Q00	1Q01	2Q01	3Q01	4Q01
	----	----	----	----	----
Net Interest Income (TE)	\$ 709	\$ 695	\$ 719	\$ 730	\$ 726
Loan Loss Provision	95	110	401	116	723
Noninterest Income	508	455	398	454	418
Noninterest Expense	708	698	686	683	702
	-----	-----	-----	-----	-----
	414	342	30	385	(281)
Income Taxes & TE adj.	142	124	2	136	(107)
Accounting Change, Net of Tax	-	(1)	-	-	-
	-----	-----	-----	-----	-----
Net Income	\$ 272	\$ 217	\$ 28	\$ 249	\$ (174)
Avg. Common Shares O/S					
Assuming Dilution	430.6	429.9	424.7	430.3	423.6
EPS - Core	\$0.63	\$0.51	\$0.07	\$0.58	\$ (0.41)

[LOGO]

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ASSET QUALITY INDICATORS

CP: CONTINUING PORTFOLIO

TP: TOTAL PORTFOLIO

IN MILLIONS	4Q00	1Q01	2Q01	3Q01	CP 4Q01	TP 4Q01
	----	----	----	----	----	----
Nonperforming Loans	\$ 650	\$ 713	\$ 797	\$ 885	\$ 679	\$ 910
to EOP Loans	0.97%	1.06%	1.20%	1.37%	1.09%	1.44%
Nonperforming Assets	\$ 672	\$ 740	\$ 823	\$ 913	\$ 716	\$ 947
to EOP Loans + OREO	1.00%	1.10%	1.23%	1.41%	1.15%	1.49%

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Net C/O	\$ 95*	\$ 109	\$ 171	\$ 173	\$ 133	\$ 220
to Average Loans	0.57%*	0.66%	1.02%	1.04%	0.84%	1.37%
Allowance	\$1,001	\$1,001	\$1,231	\$1,174	\$1,402	\$1,677
to Total Loans	1.50%	1.49%	1.85%	1.82%	2.25%	2.65%
to Nonperforming Loans	154%	140%	154%	133%	206%	184%

\* EXCLUDES FFIEC AND ONE-TIME ITEMS

[LOGO]

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KEYCORP

-----  
(Registrant)

Date: January 16, 2002

/s/ Lee Irving

-----  
By: Lee Irving  
Executive Vice President  
and Chief Accounting Officer