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KEYCORP /NEW/
Form 8-K
July 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): July 16, 2002

[KEYCORP 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 July 16, 2002, the Registrant issued a press release announcing its earnings results for the three- and six-month period ended June 30, 2002. This press release, dated July 16, 2002, is attached as Exhibit 99.1 to this report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

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(c) Exhibits

99.1 The Registrant's July 16, 2002, press release announcing its earnings results for the three- and six-month period ended June 30, 2002.

ITEM 9. REGULATION FD DISCLOSURE -----

On July 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.

1

ANNEX A

SECOND QUARTER 2002 REVIEW

JULY 16, 2002

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2

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 third 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; new legal obligations or restrictions or unfavorable resolution of litigation; further disruption in the economy or the general business climate as a result of terrorist activities or military actions; and changes in accounting, tax or regulatory practices or requirements.

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3

SECOND QUARTER REVIEW

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

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4

OVERVIEW

- CONTINUED PROGRESS ON STRATEGIC INITIATIVES
 - REDUCED AUTO LOAN/ LEASES BY \$1.8 BILLION
 - RUN-OFF PORTFOLIO REDUCED BY \$887 MILLION
 - REFOCUSED ON CORE RELATIONSHIP BUSINESSES
- STRONG EXPENSE CULTURE

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5

FINANCIAL HIGHLIGHTS - 2Q02

- EPS OF \$0.57 MEETS CONSENSUS ESTIMATE
- SOLID, CLEAN QUARTER
- REVENUE UP 3% FROM 1Q02
- STRONG EXPENSE MANAGEMENT
- NONPERFORMING LOANS DOWN

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6

NET INTEREST INCOME & MARGIN (TE)

\$ in millions

[GRAPH]

	2Q01	3Q01	4Q01	1Q02	2Q02
NET INTEREST INCOME	\$719	\$730	\$726	\$702	\$721
NET INTEREST MARGIN	3.77%	3.85%	3.98%	3.93%	3.98%
AVG. EARNING ASSETS	\$76,546	\$75,687	\$72,706	\$71,981	\$72,579

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7

NET INTEREST MARGIN (TE)
2Q02 VS. 1Q02

NET INTEREST MARGIN	1Q02	3.93%
Deposit Related	5	
Loan Fees	(2)	
Other	2	
Total	---	5 b.p.

NET INTEREST MARGIN	2Q02	3.98%
---------------------	------	-------

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8

NONINTEREST INCOME 2Q02 VS. 1Q02
IN MILLIONS

NONINTEREST INCOME	1Q02	\$ 443
--------------------	------	--------

Investment Banking Fees	13
-------------------------	----

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Service Charges	4	
Trust & Investment Services	2	
Trading/Derivative Income	(11)	
All other-net	(3)	

Total	5	
NONINTEREST INCOME 2Q02		\$ 448

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9

NONINTEREST EXPENSE 2Q02 VS. 1Q02 IN MILLIONS

NONINTEREST EXPENSE 1Q02		\$ 661
Salaries & Incentives	6	
Marketing	4	
Computer Processing	(6)	

Total	4	
NONINTEREST EXPENSE 2Q02		\$ 665

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10

KEY CONSUMER BANKING

in millions

[BAR GRAPH]

	Revenue (TE)		Net Income	
	2Q01	2Q02	2Q01	2Q02
Retail Banking	\$327	\$327	\$ 62	\$ 68
Small Business	98	98	29	30
Indirect Lending	99	94	16	13

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National Home Equity	45	60	--	4
	----	----	----	----
TOTAL KEY CONSUMER				
BANKING	\$569	\$579	\$107*	\$115
	=====	=====	=====	=====

*Excludes one-time charge for retained interests in securitized assets

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11

KEY CORPORATE FINANCE

in millions

[BAR GRAPH]

	Revenue (TE)		Net Income	
	2Q01	2Q02	2Q01	2Q02
Corporate Banking	\$201	\$177	\$ 62	\$ 50
National Commercial R/E	95	86	36	29
National Equipment Finance	44	62	7	21
	----	----	----	----
TOTAL KEY CORPORATE				
FINANCE	\$340	\$325	\$105	\$100
	=====	=====	=====	=====

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12

KEY CAPITAL PARTNERS

in millions

[BAR GRAPH]

	Revenue (TE)		Net Income	
	2Q01	2Q02	2Q01	2Q02
Victory Capital Management	\$ 60	\$ 57	\$ 12	\$ 12
High Net Worth	149	148	9	17
Capital Markets	83	83	11	13
	----	----	----	----

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TOTAL KEY CAPITAL
PARTNERS

\$292
=====

\$288
=====

\$ 32
=====

\$ 42
=====

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13

NET CHARGE-OFFS BY LOAN TYPE

in millions

	2Q01 ----	3Q01 ----	4Q01 ----	1Q02 ----	2Q02 ----
CONTINUING PORTFOLIO					
Commercial	\$39.9	\$47.8	\$62.3	\$69.2	\$75.8
Consumer	59.6 -----	68.1 -----	70.4 -----	66.9 -----	58.9 -----
	99.5	115.9	132.7	136.1	134.7
RUN-OFF PORTFOLIO & LOAN SALES	71.3 -----	57.0 -----	87.2 -----	70.2 -----	67.8 -----
TOTAL NET C/O	\$170.8	\$172.9	\$219.9	\$206.3	\$202.5

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14

ASSET QUALITY INDICATORS

\$ IN MILLIONS	TOTAL PORTFOLIO 1Q02 -----	TOTAL PORTFOLIO 2Q02 -----	CONTINUING PORTFOLIO 1Q02 -----	CONTINUING PORTFOLIO 2Q02 -----
Nonperforming Loans to EOP Loans	\$973 1.52%	\$957 1.50%	\$765 1.21%	\$825 1.31%
Nonperforming Assets to EOP Loans + OREO	\$1,012 1.58%	\$995 1.56%	\$804 1.28%	\$863 1.37%
Net C/O to Average Loans	\$206 1.32%	\$203 1.27%	\$136 0.88%	\$135 0.86%
Allowance to Total Loans	\$1,607 2.51%	\$1,539 2.41%	\$1,402 2.22%	\$1,402 2.22%

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to Nonperforming Loans 165% 161% 183% 170%

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15

RUN-OFF PORTFOLIO &
NONREPLENISHING RESERVES

IN MILLIONS

	6/30/01 -----	9/30/01 -----	12/31/01 -----	3/31/02 -----	6/30/02 -----
COMMITMENTS	\$2,393	\$2,019	\$1,694	\$1,532	\$1,143
OUTSTANDINGS	1,423	1,176	1,023	941	724
ALLOWANCE FOR LOAN LOSSES	229	172	275	205	137
NPLs	242	233	231	208	132

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16

ASSET QUALITY OUTLOOK
2002 SECOND HALF

NPL	FLAT TO DOWN MODESTLY
NET C/O	DOWN MODESTLY
WATCH LIST	MODEST FLUCTUATIONS
CONSUMER TRENDS	STABLE
RESERVE LEVEL	ADEQUATE

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17

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THIRD QUARTER 2002 OUTLOOK (COMPARED WITH 2Q02)

REVENUE	SLIGHT INCREASE
	- SLIGHTLY HIGHER LOANS
	- RELATIVELY STABLE NIM (mid 3.90% range)
	- MODEST FEE GROWTH
EXPENSE	SLIGHT INCREASE
TE TAX RATE	APPROXIMATELY 33%

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18

APPENDIX

[KEYCORP LOGO]

19

NONINTEREST INCOME

IN MILLIONS	2Q01	3Q01	4Q01	1Q02	2Q02
	----	----	----	----	----
RECURRING ITEMS					
1. Trust & Invest Services Inc.	\$132	\$140	\$137	\$135	\$137
2. Inv. Banking & Cap. Mkts. Inc.	72	46	6	72	68
3. Service Charges on Deposits	90	107	106	100	104
4. COLI Income	27	28	32	26	26
5. L/C & Loan Fees	30	27	38	28	29
6. Electronic Banking Fees	18	20	19	18	20
7. Other Income	29	86	80	64	64
	----	----	----	----	----
CORE NONINTEREST INCOME	398	454	418	443	448
NON-CORE ITEMS	-	-	-	-	-
	----	----	----	----	----

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TOTAL NONINTEREST INCOME	\$398	\$454	\$418	\$443	\$448
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20

NONINTEREST EXPENSE

IN MILLIONS	2Q01	3Q01	4Q01	1Q02	2Q02
	----	----	----	----	----
RECURRING ITEMS					
1. Personnel	\$345	\$334	\$335	\$363	\$361
2. Net Occupancy & Equipment	96	97	96	91	92
3. Computer Processing	63	62	65	54	48
4. Marketing	29	31	25	26	30
5. Amortization of Intangibles	24	22	23	3	2
6. Professional Fees	19	26	25	21	21
7. Postage & Delivery	16	16	14	15	14
8. Telecommunications	12	10	11	8	9
9. Other Expense	82	85	108	80	88
	----	----	----	----	----
CORE NONINTEREST EXPENSE	686	683	702	661	665
NON-CORE ITEMS	172	-	-	-	-
	----	----	----	----	----
TOTAL NONINTEREST EXPENSE	\$858	\$683	\$702	\$661	\$665

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21

STATEMENT OF INCOME-REPORTED

\$ IN MILLIONS, EXCEPT PER SHARE DATA	2Q01	3Q01	4Q01	1Q02	2Q02
	----	----	----	----	----
Net Interest Income (TE)	\$719	\$730	\$726	\$702	\$721
Loan Loss Provision	401	116	723	136	135
Noninterest Income	398	454	418	443	448
Noninterest Expense	858	683	702	661	665
	-----	-----	-----	-----	-----
	(142)	385	(281)	348	369
Income Taxes & TE adj	(6)	136	(107)	108	123
Accounting Change, Net of Tax	(24)	-	-	-	-
	-----	-----	-----	-----	-----
Net Income (Loss)	\$ (160)	\$249	\$ (174)	\$240	\$246
Avg. Common Shares O/S					

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Assuming Dilution	429.8	430.3	428.3	430.0	431.9
EPS - Assuming Dilution	\$ (0.38)	\$0.58	\$ (0.41)	\$0.56	\$0.57

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22

SIGNIFICANT NON-CORE ITEMS

IN MILLIONS	2Q01	3Q01	4Q01	1Q02	2Q02
	----	----	----	----	----
Net Interest Income (TE)	-	-	-	-	-
Loan Loss Provision	-	-	-	-	-
Noninterest Income	-	-	-	-	-
Noninterest Expense	\$172	-	-	-	-

	(172)	-	-	-	-
Income Taxes and TE adj	(8)	-	-	-	-
Acct. Change, Net of Tax	(24)	-	-	-	-

Net Loss	\$ (188)	-	-	-	-

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

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23

STATEMENT OF INCOME-CORE

\$ IN MILLIONS, EXCEPT PER SHARE DATA	2Q01	3Q01	4Q01	1Q02	2Q02
	----	----	----	----	----
Net Interest Income (TE)	\$719	\$730	\$726	\$702	\$721
Loan Loss Provision	401	116	723	136	135
Noninterest Income	398	454	418	443	448
Noninterest Expense	686	683	702	661	665
	-----	-----	-----	-----	-----
	30	385	(281)	348	369
Income Taxes & TE adj	2	136	(107)	108	123
Accounting Change, Net of Tax	-	-	-	-	-
	-----	-----	-----	-----	-----
Net Income	\$28	\$249	\$ (174)	\$240	\$246
Avg. Common Shares O/S					
Assuming Dilution	429.8	430.3	428.3	430.0	431.9

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EPS - Core \$0.07 \$0.58 \$(0.41) \$0.56 \$0.57

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24

ASSET QUALITY INDICATORS

CP: CONTINUING PORTFOLIO

TP: TOTAL PORTFOLIO

\$ IN MILLIONS	2Q01	3Q01	4Q01	1Q02	CP 2Q02	TP 2Q02
	----	----	----	----	----	----
Nonperforming Loans to EOP Loans	\$797 1.20%	\$885 1.37%	\$910 1.44%	\$973 1.52%	\$825 1.31%	\$957 1.50%
Nonperforming Assets to EOP Loans + OREO	\$823 1.23%	\$913 1.41%	\$947 1.49%	\$1,012 1.58%	\$863 1.37%	\$995 1.56%
Net C/O to Average Loans	\$171 1.02%	\$173 1.04%	\$220 1.37%	\$206 1.32%	\$135 0.86%	\$203 1.27%
Allowance to Total Loans	\$1,231 1.85%	\$1,174 1.82%	\$1,677 2.65%	\$1,607 2.51%	\$1,402 2.22%	\$1,539 2.41%
to Nonperforming Loans	154%	133%	184%	165%	170%	161%

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25

NONPERFORMING LOANS: 2Q02

2Q02 DECREASE IN NPL: (\$ 16MM) or (2%)

LARGEST NPL: \$ 27MM (STRUCTURED FINANCE-CP)
 10TH LARGEST: \$ 14MM (MEDIA FINANCE-ROP)
 20TH LARGEST: \$ 9MM (MIDDLE MARKET-CP)

CP: CONTINUING PORTFOLIO

ROP: RUN-OFF PORTFOLIO

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SIGNATURE

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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: July 16, 2002

/s/ Lee Irving

By: Lee Irving
Executive Vice President
and Chief Accounting Officer