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KEYCORP /NEW/
Form 8-K
October 17, 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): October 17, 2002

[KeyCorp LOGO]

(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 October 17, 2002, the Registrant issued a press release announcing its earnings results for the three- and nine-month period ended September 30, 2002. This press release, dated October 17, 2002, is attached as Exhibit 99.1 to this report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

99.1 The Registrant's October 17, 2002, press release announcing its earnings results for the three- and nine-month period ended September 30, 2002.

ITEM 9. REGULATION FD DISCLOSURE

On October 17, 2002, the Registrant conducted a conference call/webcast to

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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

THIRD QUARTER 2002 REVIEW OCTOBER 17, 2002

SPEAKERS: HENRY MEYER
 JEFF WEEDEN
 LEE IRVING
 KEVIN BLAKELY

CONFERENCE CALL: 913-981-4900 CODE: 457513
REPLAY: 402-398-4261

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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 fourth 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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STRATEGIC OVERVIEW

* COMPLETED MANAGEMENT RESTRUCTURING
- JEFF WEEDEN APPOINTED NEW CFO

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- * ANNOUNCED ACQUISITION OF UNION BANKSHARES
- * CONTINUED PROGRESS ON STRATEGIC INITIATIVES
 - AUTO LOANS/ LEASES REDUCED BY \$2.3 BILLION SINCE 5/01
 - RUNOFF PORTFOLIO REDUCED BY \$.9 BILLION SINCE 5/01
- * STOCK OPTIONS TO BE EXPENSED IN 2003

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FINANCIAL SUMMARY - 3Q02

- * EPS OF \$0.57
- * SLIGHTLY HIGHER NET INTEREST MARGIN
- * TOTAL LOANS DOWN DUE TO WEAK DEMAND
- * EXPENSES DOWN 4% FROM YEAR-AGO QUARTER
- * REPURCHASED 1.8 MILLION SHARES

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NET INTEREST INCOME & MARGIN (TE)

\$ IN MILLIONS

[BAR CHART]

| | 3Q01 | 4Q01 | 1Q02 | 2Q02 | 3Q02 |
|---------------------|----------|----------|----------|----------|----------|
| Net Interest Income | \$730 | \$726 | \$702 | \$721 | \$722 |
| NET INTEREST MARGIN | 3.85% | 3.98% | 3.93% | 3.98% | 3.99% |
| AVG. EARNING ASSETS | \$75,687 | \$72,706 | \$71,981 | \$72,579 | \$72,083 |

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NONINTEREST INCOME 3Q02 VS. 2Q02 IN MILLIONS

| | |
|--------------------------------------|-------|
| Noninterest Income 2Q02 | \$448 |
| Loan Fees | 7 |
| Investment Banking & Capital Markets | (13) |
| Trust & Investment Services | (7) |

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| | |
|---------------|------|
| All other-net | (3) |
| | ---- |
| Total | (16) |

Noninterest Income 3Q02 \$432

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NONINTEREST EXPENSE 3Q02 VS. 2Q02
IN MILLIONS

| | |
|--------------------------|-------|
| Noninterest Expense 2Q02 | \$665 |
| Personnel | (3) |
| Marketing | 3 |
| All other | (6) |
| | ---- |
| Total | (6) |

Noninterest Expense 3Q02 \$659

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LINE OF BUSINESS HIGHLIGHTS
(3Q02 VS. 2Q02)

KEY CONSUMER BANKING

- Net income up 6% - Revenue growth in Retail Banking (up 2%), Small Business (up 4%) and National Home Equity (up 3%)
- Revenue down 10% in Indirect Lending - primarily due to downsizing of auto business

KEY CORPORATE FINANCE

- Net income up 5% - (3% revenue growth)
- Average deposits up 9%

KEY CAPITAL PARTNERS

- Net income down 12% due to declining equity markets

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BALANCE SHEET MANAGEMENT

* BUILDING CAPITAL IN UNCERTAIN TIMES

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- CAPITAL RATIOS AT HIGH END OF RANGES
- FLEXIBILITY -- INVESTMENT IN HIGHER RETURN BUSINESSES/ DIVIDENDS/ SHARE REPURCHASE

* FOCUS ON GROWING PROFITABLE, STABLE CORE DEPOSITS

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NET CHARGE-OFFS BY LOAN TYPE

| IN MILLIONS | 3Q01 | 4Q01 | 1Q02 | 2Q02 | 3Q02 |
|--------------------------------|-------|-------|-------|-------|-------|
| | ---- | ---- | ---- | ---- | ---- |
| CONTINUING PORTFOLIO | | | | | |
| Commercial | \$48 | \$62 | \$69 | \$76 | \$84 |
| Consumer | 68 | 71 | 67 | 59 | 51 |
| | --- | --- | --- | --- | --- |
| | 116 | 133 | 136 | 135 | 135 |
| | | | | | |
| RUN-OFF PORTFOLIO & LOAN SALES | 57 | 87 | 70 | 68 | 50 |
| | --- | --- | --- | --- | --- |
| TOTAL NET C/O | \$173 | \$220 | \$206 | \$203 | \$185 |

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ASSET QUALITY INDICATORS

| \$ IN MILLIONS | 3Q01 | 4Q01 | 1Q02 | 2Q02 | 3Q02 |
|---|------------------|------------------|------------------|------------------|------------------|
| | ---- | ---- | ---- | ---- | ---- |
| Nonperforming Loans to EOP Loans | \$885 1.37% | \$910 1.44% | \$973 1.52% | \$957 1.50% | \$987 1.57% |
| Nonperforming Assets to EOP Loans + OREO | \$913 1.41% | \$947 1.49% | \$1,012 1.58% | \$995 1.56% | \$1,017 1.61% |
| Net C/O to Average Loans | \$173 1.04% | \$220 1.37% | \$206 1.32% | \$203 1.27% | \$185 1.16% |
| Allowance to Total Loans | \$1,174 1.82% | \$1,677 2.65% | \$1,607 2.51% | \$1,539 2.41% | \$1,489 2.37% |
| to Nonperforming Loans | 133% | 184% | 165% | 161% | 151% |

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RUN-OFF PORTFOLIO & NONREPLENISHING RESERVES

IN MILLIONS

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| | 9/30/01 ----- | 12/31/01 ----- | 3/31/02 ----- | 6/30/02 ----- | 9/30/02 ----- |
|---------------------------|------------------|-------------------|------------------|------------------|------------------|
| COMMITMENTS | \$2,019 | \$1,694 | \$1,532 | \$1,143 | \$1,005 |
| OUTSTANDINGS | 1,176 | 1,023 | 941 | 724 | 662 |
| ALLOWANCE FOR LOAN LOSSES | 172 | 275 | 205 | 137 | 87 |
| NPLS | 233 | 231 | 208 | 132 | 91 |

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ASSET QUALITY OUTLOOK

| | |
|----------------|----------|
| NPLS | Flat |
| TOTAL NET C/Os | Flat |
| WATCH LIST | Flat |
| RESERVE LEVEL | Adequate |

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FOURTH QUARTER 2002 OUTLOOK
(COMPARED WITH 3Q02)

| | |
|---------------|---------------------------|
| REVENUE | Relatively stable |
| EXPENSES | Stable to slight increase |
| TAX RATE (TE) | Approximately 33% |
| EPS | Relatively stable |

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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: October 17, 2002

/s/ Lee Irving

By: Lee Irving
Executive Vice President
and Chief Accounting Officer