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

[KEYCORP LOGO]
KeyCorp

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

0-850

Commission File Number

34-6542451

(I.R.S. Employer Identification

127 Public Square, Cleveland, Ohio

(Address of principal executive offices)

44114-1306

(Zip Code)

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

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On April 17, 2002, the Registrant issued a press release announcing its earnings results for the three-month period ended March 31, 2002. This press release, dated April 17, 2002, is attached as Exhibit 99.1 to this report.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

- 99.1 The Registrant's April 17, 2002, press release announcing its earnings results for the three-month period ended March 31, 2002.

ITEM 9. REGULATION FD DISCLOSURE

On April 17, 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.

Annex A

1

FIRST QUARTER 2002 REVIEW

[KEYCORP LOGO]

APRIL 17, 2002

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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 second 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

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in accounting, tax or regulatory practices or requirements.

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FIRST 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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OVERVIEW

- Completed PEG initiative
- Continued progress on strategic initiatives
 - Reduced auto loan/ leases by \$1.4 billion
 - Run-off portfolio reduced by \$670 million
- Increased dividend 37th consecutive year
- Announced management changes
- Enhanced client focus

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FINANCIAL HIGHLIGHTS - 1Q02

- EPS of \$0.56 exceeds consensus estimate
- Solid, clean quarter
- Strong expense management

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NET INTEREST INCOME & MARGIN (TE)

\$ in millions

[CHART]

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	1Q01	2Q01	3Q01	4Q01	1Q02
Net interest income	\$695	\$719	\$730	\$726	\$702
Net Interest Margin	3.63%	3.77%	3.85%	3.98%	3.93%
Avg. Earning Assets	\$76,872	\$76,546	\$75,687	\$72,706	\$71,981

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NET INTEREST MARGIN (TE)
4Q01 VS. 1Q02

Net Interest Margin 4Q01	3.98%
Seasonal Factors	(3)
Deposit Mix/ Spreads	(3)
Asset Mix/Spreads	1

Total	(5) b.p.
Net Interest Margin 1Q02	3.93%

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NONINTEREST INCOME 4Q01 VS. 1Q02
in millions

Noninterest Income 4Q01	\$418
4Q01 Core Items:	
Principal investing writedowns	45
Reserve for customer derivatives	15
Demutualization income	(10)
Investment banking fees	(10)
Letter of credit & loan fees	(10)
All other-net	(5)

Total	25
Noninterest Income 1Q02	\$443

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NONINTEREST EXPENSE 4Q01 VS. 1Q02
in millions

Noninterest Expense 4Q01	\$702
4Q01 Core Item:	
Demutualization contribution	(10)
Goodwill accounting change (SFAS 142)	(20)
Computer processing	(11)

Total	(41)
Noninterest Expense 1Q02	\$661

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PEG COST SAVINGS

NONINTEREST EXPENSE: ACTUAL vs. INFLATIONARY GROWTH

(in millions)

[GRAPH]

	1999	2000	2001	2002
Noninterest expense adjusted for inflation	\$2,776 (b)	\$2,869 (c)	\$2,949 (d)	\$3,020 (e)
Noninterest expense (a)	2,776	2,789	2,769	2,770T
	-----	-----	-----	-----
Savings	\$ --	\$ 80	\$ 180	\$ 250
	=====	=====	=====	=====

(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 + 2.5% (Estimate of 2.5% for 2002)

T - Target for 2002

[LOGO]

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KEY CONSUMER BANKING
in millions

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[BAR GRAPH]

	Revenue (TE)		Net Income (Loss)	
	1Q01	1Q02	1Q01	1Q02
-Retail Banking	\$325	\$312	\$59	\$ 63
-Small Business	89	95	23	28
-Indirect Lending	106	91	18	10
-National Home Equity	41	60	(1)	1
	-----	-----	---	----
Total Key Consumer Banking	\$561	\$558	\$99	\$102
	=====	=====	===	=====

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KEY CORPORATE FINANCE
in millions

[BAR GRAPH]

	Revenue (TE)		Net Income	
	1Q01	1Q02	1Q01	1Q02
-Corporate Banking	\$191	\$188	\$52	\$ 56
-National Commercial R/E	82	91	28	32
-National Equipment Finance	42	62	5	21
	-----	-----	---	----
Total Key Corporate Finance	\$315	\$341	\$85	\$109
	=====	=====	===	=====

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KEY CAPITAL PARTNERS
in millions

[BAR GRAPH]

Revenue (TE) Net Income

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	1Q01	1Q02	1Q01	1Q02
-Victory Capital Management	\$ 56	\$ 53	\$ 7	\$ 8
-High Net Worth	159	145	13	15
-Capital Markets	81	78	10	13
Total Key Capital Partners	\$296	\$276	\$30	\$36

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NET CHARGE-OFFS BY LOAN TYPE

in millions	1Q01	2Q01	3Q01	4Q01	1Q02
Continuing Portfolio					
Commercial	\$51.0	\$39.9	\$47.8	\$62.3	\$69.2
Consumer	58.2	59.6	68.1	70.4	66.9
	109.2	99.5	115.9	132.7	136.1
Run-off Portfolio & Loan Sales		71.3	57.0	87.2	70.2
Total Net C/O	\$109.2	\$170.8	\$172.9	\$219.9	\$206.3

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ASSET QUALITY INDICATORS

\$ in millions	TOTAL PORTFOLIO 4Q01	TOTAL PORTFOLIO 1Q02	CONTINUING PORTFOLIO 4Q01	CONTINUING PORTFOLIO 1Q02
Nonperforming Loans to EOP Loans	\$ 910 1.44%	\$ 973 1.52%	\$ 679 1.09%	\$ 765 1.21%
Nonperforming Assets to EOP Loans + OREO	\$ 947 1.49%	\$1,012 1.58%	\$ 716 1.15%	\$ 804 1.28%
Net C/O to Average Loans	\$ 220 1.37%	\$ 206 1.32%	\$ 133 0.84%	\$ 136 0.88%

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Allowance	\$1,677	\$1,607	\$1,402	\$1,402
to Total Loans	2.65%	2.51%	2.25%	2.22%
to Nonperforming Loans	184%	165%	206%	183%

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RUN-OFF PORTFOLIO &
NONREPLENSHING RESERVES

in millions

	5/17/01	6/30/01	9/30/01	12/31/01	03/31/02
	-----	-----	-----	-----	-----
Commitments	\$2,648	\$2,393	\$2,019	\$1,694	\$1,532
Outstandings	1,611	1,423	1,176	1,023	941
Allowance for Loan Losses	300	229	172	275	205
NPLs	257	242	233	231	208

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NONPERFORMING LOANS: 1Q02

1Q02 INCREASE IN NPL: \$63MM OR 7%

Largest NPL: \$24MM (Healthcare-CP)
10th Largest: \$13MM (Middle Market-CP)
20th Largest: \$ 9MM (Structured Finance-ROP)

CP: Continuing Portfolio
ROP:Run-off Portfolio

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NONPERFORMING LOANS: 1Q02

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Composition of NPLs:

	(A)	(B)	(C)	(D)	(E)	(C)/(D)
\$ In millions	Average Total Loans -----	NPL -----	% of Total NPL -----	% of Total Loans -----	NPL % Loans -----	Asset Weighted NPL ----
Middle Market	\$9,434	\$208.3	21.4%	14.9%	2.21%	1.43
Healthcare	1,347	145.0	14.9	2.1	10.76	7.10
Structured Finance	1,569	132.0	13.6	2.5	8.41	5.44
Large Corporate	2,350	84.0	8.6	3.7	3.57	2.32
Commercial Other	19,144	160.7	16.5	30.1	0.84	0.55
Consumer (a)	29,644	242.8	25.0	46.7	0.82	0.54
	-----	-----	-----	-----	-----	-----
Total	\$63,488	\$972.8	100.0%	100.0%	1.52%	

(a) Includes Small Business loans

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SECOND QUARTER 2002 OUTLOOK
(COMPARED WITH 1Q02)

Revenue	Slight increase - Slightly higher loans - Relatively stable NIM - Modest fee growth
Expense	Slight increase
Credit Quality	NPAs are expected to increase modestly Slight increase in core net charge-offs

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APPENDIX

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NONINTEREST INCOME

in millions	1Q01	2Q01	3Q01	4Q01	1Q02
	----	----	----	----	----
Recurring Items					
1. Trust & Invest Services Inc.	\$141	\$132	\$140	\$137	\$135
2. Inv. Banking & Cap. Mkts. Inc.	65	72	46	6	72
3. Service Charges on Deposits	84	90	107	106	100
4. COLI Income	27	27	28	32	26
5. L/C & Loan Fees	29	30	27	38	28
6. Electronic Banking Fees	17	18	20	19	18
7. Other Income	92	29	86	80	64
	----	----	----	----	----
Core Noninterest Income	455	398	454	418	443
Non-core Items					
	-	-	-	-	-
	----	----	----	----	----
Total Noninterest Income	\$455	\$398	\$454	\$418	\$443

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NONINTEREST EXPENSE

in millions	1Q01	2Q01	3Q01	4Q01	1Q02
	----	----	----	----	----
Recurring Items					
1. Personnel	\$364	\$345	\$334	\$335	\$363
2. Net Occupancy & Equipment	95	96	97	96	91
3. Computer Processing	62	63	62	65	54
4. Marketing	27	29	31	25	26
5. Amortization of Intangibles	26	24	22	23	3
6. Professional Fees	18	19	26	25	21
7. Postage & Delivery	17	16	16	14	15
8. Telecommunications	11	12	10	11	8
9. Other Expense	78	82	85	108	80
	--	--	--	--	--
Core Noninterest Expense	698	686	683	702	661

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Non-core Items	-	172	-	-	-
	---	---	---	---	---
Total Noninterest Expense	\$698	\$858	\$683	\$702	\$661

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STATEMENT OF INCOME - REPORTED

\$ in millions, except per share data	1Q01	2Q01	3Q01	4Q01	1Q02
	----	----	----	----	----
Net Interest Income (TE)	\$695	\$719	\$730	\$726	\$702
Loan Loss Provision	110	401	116	723	136
Noninterest Income	455	398	454	418	443
Noninterest Expense	698	858	683	702	661
	----	----	----	----	----
	342	(142)	385	(281)	348
Income Taxes and TE adj.	124	(6)	136	(107)	108
Accounting Change, Net of Tax	(1)	(24)	-	-	-
	----	----	----	----	----
Net Income (Loss)	\$217	\$(160)	\$249	\$(174)	\$240
Avg Common Shares O/S					
Assuming Dilution	429.9	424.7	430.3	428.3	430.0
EPS - Assuming Dilution	\$0.51	\$(0.38)	\$0.58	\$(0.41)	\$0.56

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SIGNIFICANT NON-CORE ITEMS

in millions	1Q01	2Q01	3Q01	4Q01	1Q02
	----	----	----	----	----
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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STATEMENT OF INCOME-CORE

\$ in millions, except per share data	1Q01	2Q01	3Q01	4Q01	1Q02
	----	----	----	----	----
Net Interest Income (TE)	\$695	\$719	\$730	\$726	\$702
Loan Loss Provision	110	401	116	723	136
Noninterest Income	455	398	454	418	443
Noninterest Expense	698	686	683	702	661
	---	---	---	---	---
	342	30	385	(281)	348
Income Taxes & TE adj.	124	2	136	(107)	108
Accounting Change, Net of Tax	(1)	-	-	-	-
	---	---	---	---	---
Net Income	\$217	\$ 28	\$249	\$(174)	\$240
Avg. Common Shares O/S					
Assuming Dilution	429.9	424.7	430.3	428.3	430.0
EPS - Core	\$0.51	\$0.07	\$0.58	\$(0.41)	\$0.56

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ASSET QUALITY INDICATORS

CP: CONTINUING PORTFOLIO
TP: TOTAL PORTFOLIO

\$ in millions	1Q01	2Q01	3Q01	4Q01	CP 1Q02	1
	----	----	----	----	----	---
Nonperforming Loans to EOP Loans	\$713 1.06%	\$797 1.20%	\$885 1.37%	\$910 1.44%	\$765 1.21%	
Nonperforming Assets to EOP Loans + OREO	\$740 1.10%	\$823 1.23%	\$913 1.41%	\$947 1.49%	\$804 1.28%	\$
Net C/O to Average Loans	\$109 0.66%	\$171 1.02%	\$173 1.04%	\$220 1.37%	\$136 0.88%	

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Allowance	\$1,001	\$1,231	\$1,174	\$1,677	\$1,402	\$
to Total Loans	1.49%	1.85%	1.82%	2.65%	2.22%	
to Nonperforming Loans	140%	154%	133%	184%	183%	

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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: April 17, 2002

/s/ Lee Irving

By: Lee Irving
Executive Vice President
and Chief Accounting Officer