

Edgar Filing: KEYCORP /NEW/ - Form 8-K

KEYCORP /NEW/  
Form 8-K  
December 20, 2001

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): December 20, 2001

[KEYCORP LOGO]

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

|  |                        |                  |
|--|------------------------|------------------|
| Ohio   | 0-850                  | 34-6             |
| -----  | -----                  | -----            |
| (State or other jurisdiction<br>of incorporation or<br>organization) | Commission File Number | (I.R.S. Employer |
| <br>127 Public Square, Cleveland, Ohio                               |                        | 44               |
| -----  |                        | -----            |
| (Address of principal executive<br>offices)                          |                        | (Z               |

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

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE  
-----

On December 20, 2001, the Registrant issued a press release announcing actions taken to build the loan loss reserve and strengthen the balance sheet. The Registrant also announced that its Board of Directors increased the cash dividend on its common stock. This press release, dated December 20, 2001, is attached as Exhibit 99.1 to this report.

Edgar Filing: KEYCORP /NEW/ - Form 8-K

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS  
-----

(c) Exhibits  
-----

- 99.1 The Registrant's December 20, 2001, press release announcing:  
(a) actions taken to build the loan loss reserve and strengthen the balance sheet and (b) that its Board of Directors increased the cash dividend on its common stock.

ITEM 9. REGULATION FD DISCLOSURE  
-----

On December 20, 2001, the Registrant conducted a conference call/webcast to discuss the press release. The slide presentation reviewed by the Registrant in the conference call/webcast follows as Annex A to this Item 9.

1

Annex A

[KEYCORP LOGO]

DECEMBER 20, 2001

[KEYCORP LOGO]

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 fourth quarter and full-year 2001 earnings, anticipated levels of net loan charge-offs and nonperforming assets and anticipated improvements 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;

## Edgar Filing: KEYCORP /NEW/ - Form 8-K

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.

[KEYCORP LOGO]

3

### TODAY'S ANNOUNCEMENT

- Builds loan loss reserve
  - Decisive response to economic environment
  - Improves Key's position relative to its peers
- Strengthens balance sheet
  - Addresses impact of September 11 events on principal investing portfolio
  - Creates reserve for customer derivative losses
- Increases dividend 1.7% - 37th consecutive year

[KEYCORP LOGO]

4

### ANTICIPATED EARNINGS CHARGES IN MILLIONS, EXCEPT PER SHARE DATA

|   | PRE-TAX<br>----- | AFTER-TAX<br>----- | EPS<br>--- |
|---|------------------|--------------------|------------|
| Loan Loss Provision (Continuing)                                      | \$425            | \$268              | \$0.63     |
| Loan Loss Provision (Run-off/<br>loan sales/non-replenishing reserve) | 165              | 104                | 0.24       |
| Principal Investing Write-downs                                       | 45               | 28                 | 0.07       |
| Customer Derivatives  | 15               | 10                 | 0.02       |
|   | ----             | ----               | ----       |
| Total Charges   | \$650            | \$410              | \$0.96     |

[KEYCORP LOGO]

5

Edgar Filing: KEYCORP /NEW/ - Form 8-K

STRENGTHENING THE LOAN LOSS RESERVE

| DOLLARS IN MILLIONS    | CONTINUING PORTFOLIO |           | RUNOFF PORTFOLIO |           | TOTAL PORTFOLIO |           |
|------------------------|----------------------|-----------|------------------|-----------|-----------------|-----------|
|                        | 3Q01                 | 4Q01 EST. | 3Q01             | 4Q01 EST. | 3Q01            | 4Q01 EST. |
| EST. Allowance         | \$1,002              | \$1,428   | \$172            | \$242     | \$1,174         | \$1,428   |
| to Total Loans         | 1.58%                | 2.29%     | 14.63%           | 22.88%    | 1.82%           | 2.29%     |
| to Nonperforming Loans | 154%                 | 217%      | 74%              | 96%       | 133%            | 133%      |

[KEYCORP LOGO]

6

STRENGTHENING THE LOAN LOSS RESERVE

|                     | 3Q01 *<br>Peer Rank | Pro Forma<br>3Q01 *<br>Peer Rank |
|---------------------|---------------------|----------------------------------|
| Reserve/Total Loans | #5                  | #2                               |
| Reserve/NPLs        | #11                 | #6                               |
| Reserve/NCOs        | #11                 | #7                               |

\* Rankings are based on 12 bank peer group as of 9/30/01

[KEYCORP LOGO]

7

STRONG CAPITAL POSITION  
Tangible Common Equity Ratio

[CHART]

|                              | 4Q00  | 1Q01  | 2Q01  | 3Q01  | 4Q01  |
|------------------------------|-------|-------|-------|-------|-------|
| Tangible Common Equity Ratio | 6.12% | 6.29% | 6.25% | 6.51% | 6.89% |

Edgar Filing: KEYCORP /NEW/ - Form 8-K

Tangible Common Equity Ratio  
With Special Charges

6.43%

[KEYCORP LOGO]

8

SUMMARY OF SIGNIFICANT  
STRATEGIC 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 \$490 million
- Sold \$3.6 billion of loans
- Reduced dependence on wholesale funding by \$2.1 billion
- Added \$669 million to loan loss reserve

[KEYCORP 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: December 20, 2001

/s/ Lee Irving

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

