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KEYCORP /NEW/
Form 8-K
October 17, 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): October 17, 2001

[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 Identif

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, 2001, the Registrant issued a press release announcing its earnings results for the three- and nine-month period ended September 30, 2001. This press release, dated October 17, 2001, 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 October 17, 2001, press release announcing its earnings results for the three- and nine-month period ended September 30, 2001.

ITEM 9. REGULATION FD DISCLOSURE

On October 17, 2001, 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

THIRD QUARTER 2001 REVIEW

[LOGO]

OCTOBER 17, 2001

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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 2001 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

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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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THIRD QUARTER REVIEW

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

[LOGO]

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UPDATE ON STRATEGIC INITIATIVES

- ACCELERATED DOWNSIZING OF AUTO BUSINESS
- EXIT NON-RELATIONSHIP CORPORATE LENDING
- DELIVER ON PEG COMMITMENTS

[LOGO]

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DOWNSIZING AUTO BUSINESS

- DISCONTINUED NEW LEASE ORIGINATIONS
 - PORTFOLIO REDUCED FROM \$2.8 TO \$2.4 BILL.

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- INDIRECT PRIME LENDING FOCUSED ON FOOTPRINT
 - PORTFOLIO REDUCED FROM \$2.6 TO \$2.3 BILL.

- MAINTAINED NONPRIME AUTO PORTFOLIO AT LESS THAN \$500 MILLION (LESS THAN 1% OF TOTAL LOAN PORTFOLIO)

[LOGO]

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DELIVERING ON PEG COMMITMENTS
FTE REDUCTIONS

FTE
IN THOUSANDS

NET REDUCTION: 18%

[GRAPH]

1998	1999	2000	MAR-01	JUN-01	SEP-01
----	----	----	-----	-----	-----
25.9	24.6	22.1	21.9	21.7	21.3

[LOGO]

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DELIVERING ON PEG COMMITMENTS
PEG Savings- Annual Run Rate
IN MILLIONS

[GRAPH]

1Q01	2Q01	3Q01
----	----	----
\$40 - \$50	\$70 - \$80	\$100 - \$110

[LOGO]

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FINANCIAL HIGHLIGHTS - 3Q01

- \$0.58 EPS MEETS CONSENSUS
- NET INTEREST MARGIN INCREASES 8BP
- RECORD NET INTEREST INCOME-UP \$11 MM
- CONTINUED WEAKNESS IN MARKET SENSITIVE REVENUE
- STRONG GROWTH IN DEPOSIT SERVICE CHARGES
- CONTINUED EXPENSE REDUCTION

[LOGO]

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NET INTEREST INCOME & MARGIN (TE)

IN MILLIONS

[GRAPH]

	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
NET INTEREST INCOME	\$691	\$709	\$695	\$719	\$730
NET INTEREST MARGIN	3.68%	3.71%	3.63%	3.77%	3.85%
AVG. EARNING ASSETS	\$74,709	\$76,036	\$76,872	\$76,546	\$75,687

[LOGO]

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CORE NONINTEREST INCOME
2Q01 VS. 3Q01
IN MILLIONS

Noninterest Income	2Q01	\$398
2Q auto lease residual charge not repeated	40	
Increase in deposit service charges	17	
Increase in net loan sale gains	10	
Lower trading/derivative income	(11)	
Lower investment banking fees	(7)	
All other-net	7	

Noninterest Income	3Q01	\$454
--------------------	------	-------

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CORE NONINTEREST EXPENSE
2Q01 VS. 3Q01
IN MILLIONS

Noninterest Expense	2Q01	\$686
Lower Personnel Expense	(11)	
All other-net	8	
Noninterest Expense	3Q01	\$683

[LOGO]

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NET CHARGE-OFFS BY LOAN TYPE

IN MILLIONS

	3Q00	4Q00	1Q01	2Q01	3Q01
	----	----	----	----	----
CONTINUING PORTFOLIO					
Commercial	\$60.6	\$43.0	\$51.0	\$39.9	\$47.8

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Consumer	43.8	64.8	58.2	59.6	68.1
	----	----	----	----	----
	104.4	107.8	109.2	99.5	115.9
RUN-OFF PORTFOLIO				71.3	57.0
				----	----
TOTAL NET C/O	\$104.4	\$107.8	\$109.2	\$170.8	\$172.9

[LOGO]

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ASSET QUALITY INDICATORS

	TOTAL PORTFOLIO 2Q01 ----	TOTAL PORTFOLIO 3Q01 ----	CONTINUING PORTFOLIO 2Q01 ----	CONTINUING PORTFOLIO 3Q01 ----
IN MILLIONS				
Nonperforming Loans to EOP Loans	\$797 1.20%	\$885 1.37%	\$555 0.85%	\$652 1.03%
Nonperforming Assets to EOP Loans + OREO	\$823 1.23%	\$913 1.41%	\$581 0.89%	\$680 1.07%
Net C/O to Average Loans	\$171 1.02%	\$173 1.04%	\$100 0.61%	\$116 0.71%
Allowance to Total Loans	\$1,231 1.85%	\$1,174 1.82%	\$1,002 1.54%	\$1,002 1.58%
to Nonperforming Loans	154%	133%	181%	154%

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RUN-OFF PORTFOLIO IN MILLIONS

	5/17/01 -----	6/30/01 -----	9/30/01 -----
LOANS OUTSTANDING	\$1,611	\$1,423	\$1,176
LOAN COMMITMENTS	2,648	2,393	2,019
ALLOWANCE FOR LOAN LOSSES	300	229	172
NONPERFORMING LOANS	257	242	233

[LOGO]

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NONPERFORMING LOANS: 3Q01

3Q01 INCREASE IN NPL: \$88MM OR 11%

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

10TH LARGEST: \$13MM (KEY CAPITAL PARTNERS- CP)

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

CP: CONTINUING PORTFOLIO
ROP: RUN-OFF PORTFOLIO

[LOGO]

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NONPERFORMING LOANS: 3Q01

Composition of Top 20 NPLs:
in millions

	CP --	ROP ---	TP --
Healthcare	\$100	-	\$100
Structured Finance	14	\$67	81
Middle Market	10	40	50
Commercial Real Estate	19	-	19
Leasing	-	15	15
Key Capital Partners	13	-	13
Large Corporate	-	10	10
CP: Continuing Portfolio	\$156M		
ROP: Run-off Portfolio	132M		

TP: Total Portfolio	\$288M		
Top 20 Average Size	\$14.4M		

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FOURTH QUARTER 2001 OUTLOOK (COMPARED WITH 3Q01)

ASSUMPTIONS	GDP: DECLINE OF 1-2% SHORT-TERM INTEREST RATES: DECLINE OF 25- 50 BP
REVENUE	FLAT - DEPENDENT UPON GROWTH IN FEE INCOME - LOAN GROWTH: FLAT TO SLIGHTLY DOWN - NIM (PLUS OR MINUS) 3.85% - MODEST FEE GROWTH- DEPENDENT ON MARKET SENSITIVE REVENUES
EXPENSE	FLAT - DEPENDENT UPON GROWTH IN FEE INCOME
CREDIT QUALITY	NONPERFORMING ASSETS ARE EXPECTED TO INCREASE AS ECONOMY WEAKENS. MODEST INCREASE IN NET CHARGE-OFFS AND LOAN LOSS PROVISION.
EARNINGS	EPS RANGE: \$0.54 TO \$0.60

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APPENDIX

[LOGO]

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LINE OF BUSINESS PERFORMANCE

[GRAPH]

RETAIL BANKING
(A DIVISION OF KEY CONSUMER BANKING)

in millions

	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
REVENUE	\$356	\$341	\$339	\$341	\$361
NET INCOME	\$79	\$72	\$74	\$73	\$88

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

	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
--	--------------	--------------	--------------	--------------	--------------

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REVENUE	\$136	\$146	\$147	\$146	\$154
NET INCOME	\$16	\$17	\$19	\$17*	\$19

*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]

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LINE OF BUSINESS PERFORMANCE

[GRAPH]

KEY CORPORATE FINANCE

in millions

	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
REVENUE	\$435	\$480	\$442	\$474	\$459
NET INCOME	\$114	\$141	\$109	\$130	\$127

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

[GRAPH]

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KEY CAPITAL PARTNERS

in millions

	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
REVENUE	\$238	\$252	\$244	\$240	\$242
NET INCOME	\$26	\$25	\$13	\$12	\$18

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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NONINTEREST INCOME

IN MILLIONS	3Q00 ----	4Q00 ----	1Q01 ----	2Q01 ----	3Q01 ----
RECURRING ITEMS					
1. Trust & Invest Services Inc.	\$148	\$150	\$141	\$132	\$140
2. Inv. Banking & Cap. Mkts. Inc.	91	94	65	72	46
3. Service Charges on Deposits	85	85	84	90	107
4. COLI Income	28	31	27	27	28
5. L/C & Loan Fees	26	34	29	30	27
6. Electronic Banking Fees	18	18	17	18	20
7. Other Income	64	96	92	29	86
	--	--	--	--	--
CORE NONINTEREST INCOME	460	508	455	398	454
NON-CORE ITEMS	(55)	-	-	-	-
	-----	-----	-----	-----	-----
TOTAL NONINTEREST INCOME	\$405	\$508	\$455	\$398	\$454

[LOGO]

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NONINTEREST EXPENSE

IN MILLIONS	3Q00	4Q00	1Q01	2Q01	3Q01
	----	----	----	----	----
RECURRING ITEMS					
1. Personnel	\$342	\$360	\$364	\$345	\$334
2. Net Occupancy & Equipment	96	97	95	96	97
3. Computer Processing	59	62	62	63	62
4. Marketing	29	28	27	29	31
5. Amortization of Intangibles	26	25	26	24	22
6. Professional Fees	18	19	18	19	26
7. Postage & Delivery	15	16	17	16	16
8. Telecommunications	12	12	11	12	10
9. Other Expense	75	89	78	82	85
--	--	--	--	--	--
CORE NONINTEREST EXPENSE	672	708	698	686	683
NON-CORE ITEMS	115	(3)	-	172	-
	---	--	---	---	---
TOTAL NONINTEREST EXPENSE	\$787	\$705	\$698	\$858	\$683

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STATEMENT OF INCOME-REPORTED

IN MILLIONS, EXCEPT PER SHARE DATA	3Q00	4Q00	1Q01	2Q01	3Q01
	----	----	----	----	----
Net Interest Income (TE)	\$691	\$709	\$695	\$719	\$730
Loan Loss Provision	131	108	110	401	116
Noninterest Income	405	508	455	398	454
Noninterest Expense	787	705	698	858	683
	----	----	----	----	----
	178	404	342	(142)	385
Income Taxes & TE adj.	57	138	124	(6)	136
Accounting Change, Net of Tax	-	-	(1)	(24)	-
	----	----	----	----	----
Net Income	\$121	\$266	\$217	\$ (160)	\$249
EPS - Assuming Dilution	\$0.28	\$0.62	\$0.51	\$ (0.38)	\$0.58
Avg. Common Shares O/S					
Assuming Dilution	432.0	430.6	429.9	424.7	430.3

[LOGO]

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SIGNIFICANT NON-CORE ITEMS

IN MILLIONS, EXCEPT PER SHARE DATA	3Q00	4Q00	1Q01	2Q01	3Q01
	----	----	----	----	----
Net Interest Income (TE)	-	-	-	-	-
Loan Loss Provision	\$27	\$13	-	-	-
Noninterest Income	(55)	-	-	-	-
Noninterest Expense	115	(3)	-	\$172	-
	---	---		---	
	(197)	(10)	-	(172)	-
Income Taxes and TE adj.	(73)	(4)	-	(8)	-
Acct. Change, Net of Tax	-	-	-	(24)	-
	----	----	----	----	----
Net Loss	\$ (124)	\$ (6)	-	\$ (188)	-

3Q00 Investment portfolio reconfiguration, additional loan loss provision, restructuring and other one-time charges

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

[LOGO]

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STATEMENT OF INCOME-CORE

IN MILLIONS, EXCEPT PER SHARE DATA	3Q00	4Q00	1Q01	2Q01	3Q01
	----	----	----	----	----
Net Interest Income (TE)	\$691	\$709	\$695	\$719	\$730
Loan Loss Provision	104	95	110	401	116
Noninterest Income	460	508	455	398	454
Noninterest Expense	672	708	698	686	683
	---	---	---	---	---
	375	414	342	30	385
Income Taxes & TE adj.	130	142	124	2	136
Accounting Change, Net of Tax	-	-	(1)	-	-
	----	----	----	----	----
Net Income	\$245	\$272	\$217	\$ 28	\$249

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Avg. Common Shares O/S					
Assuming Dilution	432.0	430.6	429.9	424.7	430.3
EPS - Core	\$0.57	\$0.63	\$0.51	\$0.07	\$0.58

[LOGO]

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ASSET QUALITY INDICATORS

CP: CONTINUING PORTFOLIO

TP: TOTAL PORTFOLIO

IN MILLIONS	3Q00	4Q00	1Q01	2Q01	CP 3Q01	TP 3Q01
	----	----	----	----	----	----
Nonperforming Loans to EOP Loans	\$592 0.89%	\$650 0.97%	\$713 1.06%	\$797 1.20%	\$652 1.03%	\$885 1.37%
Nonperforming Assets to EOP Loans + OREO	\$617 0.93%	\$672 1.00%	\$740 1.10%	\$823 1.23%	\$680 1.07%	\$913 1.41%
Net C/O to Average Loans	\$104 0.63%	\$95* 0.57%*	\$109 0.66%	\$171 1.02%	\$116 0.71%	\$173 1.04%
Allowance to Total Loans	\$1,001 1.51%	\$1,001 1.50%	\$1,001 1.49%	\$1,231 1.85%	\$1,002 1.58%	\$1,174 1.82%
to Nonperforming Loans	169%	154%	140%	154%	154%	133%

* 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)

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Date: October 17, 2001

/s/ Lee Irving

By: Lee Irving
Executive Vice President
and Chief Accounting Officer