SHARING DISTINCTIVENESS

In good company.
Increase of 33% over 1997

Key.

Breaking away from the pack. Moving toward a new model for delivering first-class financial services, coast-to-coast & around the globe.

in Commercial Equipment Leasing
Investment Professionals

How does a solid regional bank transform itself into a dynamic financial services provider? By looking at its business from a new perspective. By equipping itself to serve diverse clients with unique needs. By sharing its vision, resources and expertise.

With Key ATMs in hundreds of high traffic locations like ARCO AM/PM convenience stores, Key establishes its brand presence in markets where it does not have traditional branches.

Network computer storage system giant STORAGETEK offers global, customized leasing solutions through a strategic partnership with Leasetec, a Key subsidiary.

Skateboard and clothing creator ALIEN WORKSHOP rolls ahead, relying on Key for customized small business solutions including commercial mortgage services, cash management and import lines of credit.

As a builder of broadcast towers, CROWN CASTLE stands tall in the telecommunications field, with Key helping it stay tuned to successful financial strategies.

Within and outside its retail banking footprint, Key delivers flexible and responsive depository/cash management services to the U.S. POSTAL SERVICE in 14 states with support from Key’s Public Sector organization.

To help finance the American Dream—including a home and a quality education for their son while increasing personal savings—FRANK & JULIE NITTS of suburban Chicago have a powerful partner in Key.

ATMs Nationwide

RECEIVED
APR 05 1999
Once again, we devote this annual report to featuring several of the important business partnerships Key is developing with some of America’s great companies both large and small.

As a service provider, our distinctiveness frequently rests with our ability to partner with companies like those highlighted in this report.

In some cases, we have a very important direct relationship and in others we have the special privilege of providing financial services to their customers. Whether it is Key’s technology serving ARCO customers on the West Coast, or our exclusive provision of small business services to Costco’s customers, we realize that our quality and professionalism must be fully the equal of these outstanding companies. As our report illustrates, we are proud of the company we keep.

On our journey to true competitive distinction, I am pleased to report that we made significant progress in 1998. While we had record earnings in 1998, they fell short of our double-digit growth goal in part due to one-time expenses associated with the very important acquisition of McDonald & Company. It was also difficult to hold our loan margins in the face of a flat to inverse interest rate yield curve.

Our earnings for the year of $996 million flirted with the $1 billion hallmark for the first time in our history. That in itself is a mark of distinction since fewer than 100 publicly traded U.S. companies earned over $1 billion last year. We look forward to joining that elite group in 1999. Earnings per diluted common share rose 8 percent to $2.23, up from $2.07 in 1997. Returns on average equity and assets for 1998 were 18 percent and 1.32 percent, respectively. Reflecting confidence in the future, Key’s Board of Directors increased the cash dividend in January 1999 by 10.6 percent—the 34th consecutive year of dividend increases, a distinguished record indeed.

Key’s goal is to be among the highest performing financial services companies in America. The outstanding results of our recent acquisitions will help get us there. Leasetec, which specializes in vendor leasing for high-technology equipment manufacturers, helped us grow our commercial leasing portfolio by 26 percent to over $5 billion. Likewise, Champion Mortgage helped us grow our home equity portfolio by 35 percent to over $7 billion. Both of these acquisitions have exceeded our original growth projections and have been done so while maintaining our traditional excellence in credit quality.

Perhaps our most important accomplishment in 1998 was the acquisition of McDonald & Company, a full-service investment banking, brokerage and equity capital markets firm. We believe the professionals at McDonald will make it possible for us to achieve our goal of having fee income constitute 50 percent of our revenues well ahead of schedule.

One area of particular focus in 1999 for Key will be leveraging our technology advantage on a number of fronts. We have harnessed
technology to serve clients through a multitude of delivery channels, including the Internet and other electronic commerce applications. Regarding the issue of Year 2000 readiness, we have spent the last three years rigorously testing our systems and applications to be in the position of serving our clients on January 1, 2000 as we always have in the past. We believe the safest place for anyone's cash on January 1, 2000 is in an FDIC-insured deposit at the bank.

I also would like to acknowledge and thank three of our long-term directors who are retiring at the 1999 Annual Meeting. Dick Pogue, John Dimmer and Tom Moore have provided sound advice and counsel over the years, have given freely of their time, and have made very significant contributions to the progress of Key. Ed Campbell, president and chief executive officer of Nordson Corporation, joined our board at the beginning of 1999 and is standing for election at the Annual Meeting. Bill Sanford, chairman, president and chief executive officer of STERIS Corporation, is a new nominee standing for election as a director at the Annual Meeting. We think you will agree that both individuals continue the Key tradition of having outstanding directors, and we look forward to their service on the board.

Our company lost an extraordinary friend and former leader recently with the death of J Maurice Struchen. Maurie joined Society Bank in 1969 as president and served as chairman and chief executive officer of Society Corporation from 1974 to 1983 and continued as director until 1990. Maurie was a great banker and leader, known for his high principles and dedication to employees, customers and shareholders. He leaves Society and KeyCorp an unprecedented legacy of commitment, integrity and service.

Our aspirations for the future hinge on our creating a high performance management culture where our talented professionals can thrive by meeting customers' financial needs. I have asked our president, Henry Meyer, to elaborate on this performance culture in the next section of this report. Our confidence for the future is strong because of the skills and dedication of the thousands of associates who make Key a distinctive company.

Robert W. Gillespie
Chairman and Chief Executive Officer
Throughout this annual report, you will read about areas of the business where we are focusing our resources—investment banking, leasing, home equity and small business. We believe these and other areas represent the kind of high-growth opportunities that will drive our company toward top-tier performance, distinctiveness and leadership in the financial services industry.

We are managing toward top-tier performance through three main platforms, supported by an underlying philosophy:

First, Key has moved away from the "old banking" model with a balanced organization arranged in clear business groups and supported by a cost-efficient shared infrastructure that is also incented to achieve business objectives.

Second, we have a strong portfolio of businesses, distinctive in the marketplace and led by outstanding people. Importantly, already more than half of Key's revenue is from high-growth businesses, and the percentage is growing.

Third, at Key we have strong core competencies in sales, marketing and technology. We plan to harness the potential of these skills by making full use of technology throughout the company, especially among our sales teams.

All of this is accomplished through a philosophy of high performance management and shared values—teamwork, respect, accountability, integrity and leadership.

During the second half of 1998, Key's executive leadership team undertook an intense review of the company's strategic framework. We examined in detail Key's performance commitments, business priorities and operational strengths.

As part of the review, business group managers identified lines of business that will carry Key forward to top-tier performance. Business lines deemed to have the greatest potential, or "stretch" businesses, have been challenged to grow their net income 20-plus percent; the goal for a middle tier of "grow" businesses is 10-20 percent; and a third group of "improve" businesses are receiving increased focus from management and will either boost returns or be phased out.

This process signifies our commitment to a core strategy of performance distinctiveness as contrasted with one of seeking strength primarily through size. In addition, we intend to build or acquire new revenue-generating activities while steadily improving efficiency and productivity through a dedicated process of continuous improvement. The success of our recent acquisitions, as described in Bob Gillespie's letter, is evidence that our strategy is both sound and achievable.

We have been working for the last four years to transform Key from a regulated, utility-like business to a client-driven organization. In the crowded field of financial services providers, we believe we are establishing Key as a distinctive company with a competitive advantage in the core competencies that mean the most to our customers. The following overviews from each of our business groups contain customer stories that exemplify Key's distinctiveness. In 1999, as we continue to execute our strategy, we should see increased returns to our shareholders.

Henry L. Meyer III
President and Chief Operating Officer
A powerful combination of McDonald Investments, Key Asset Management, KeyCorp Insurance Management Group, and Key PrivateBank, Key Capital Partners (KCP) provides investment banking, mutual funds, asset management, insurance, structured finance and wealth management to corporate and individual clients across the country. KCP blends its high-tech capabilities with high-touch execution for superior client satisfaction.
Key Capital Partners

**MCDONALD INVESTMENTS INC.**
As Key's "investment bank within a commercial bank," McDonald includes such high-powered groups as:
- Private Client Group
- Taxable Fixed Income
- Fixed Income Capital Markets
- Municipals
- Equity Capital Markets
- Investment Banking
- Public Sector

**KEY PRIVATEBANK**
Focusing on the financial and investment needs of high net worth individual clients, Key PrivateBank includes:
- Private Banking and Investing
- Wealth Management

**ASSET MANAGEMENT GROUP**
Providing custom-made, sharply focused investment solutions that meet clients' financial goals, Key Asset Management oversees:
- Key Asset Management, Inc.
- Institutional Asset Services
- Key Insurance Management Group
- Principal Investing (including Key Equity Capital and Key Mezzanine)

A significant amount of income and expense generated by Key Capital Partners is reported under either Key Corporate Capital or Key Community Bank, reflecting the line of business principally responsible for maintaining the customer relationship.

Before assigning income and expense to the other major business groups, KCP's net income total from the products and services it provides would have been $135 million, representing 14 percent of Key's consolidated earnings. KCP's contribution in that context is shown in the chart below.
Jo-Ann Stores

Business is expanding for Hudson, Ohio-based Jo-Ann Stores, Inc., the nation’s largest fabric and craft retailer. The recent acquisition of more than 250 House of Fabrics stores (now operating as Jo-Ann Fabrics and Crafts) and the roll-out of its Jo-Ann etc mega-store bring the total number of retail locations to more than 1,000.

As its business has grown over the years, so has its relationship with Key. Starting some 30 years ago with a traditional banking relationship, Jo-Ann Stores now looks to Key as its lead bank, with expertise in credit exposure, cash management and letters of credit. Key’s merger with McDonald & Company—forming McDonald Investments—has widened Key’s ability to serve Jo-Ann Stores. McDonald’s M&A Department had advised Jo-Ann Stores on its acquisition of House of Fabrics. Key also provides sell-side research coverage and active trading of Jo-Ann Stores stock.

With a powerful team of commercial and investment bankers, research analysts, capital markets professionals and retail brokers—and the rich tapestry of products and services they deliver—the Key/McDonald Investments combination weaves a strong fabric of opportunity for clients.
As one of the world’s largest business enterprises, the U.S. Postal Service (USPS) generates some $60 billion in annual revenues through more than 38,000 post offices.

In order to manage this magnitude of cash flow effectively and efficiently, the Postal Service turns to a select number of trusted financial services providers. Key is one of these strategic partners. In 1998, Key’s Public Sector line of business began providing depository/cash management services for postal operations in all or part of 14 states, including several outside of Key’s traditional market areas. Key now processes USPS transactions totaling more than $6.7 billion annually.

“Our relationship with the USPS is a good example of Key’s ability to understand the needs of the public sector. As one of the country’s first nationwide banks, we leverage our multi-state operational capabilities and single operating structure to bring fast, efficient processing to the Postal Service,” says Karen Kleinhenz, executive vice president and head of the Public Sector line of business. “We develop targeted solutions for three specific groups: governments and governmental entities; colleges and universities; and non-profit organizations. These organizations are neither corporations nor retail consumers—they require their own specialized and unique products and services. In late 1995, we committed to organizing ourselves around the needs of the public sector, and it is really beginning to benefit Key and its clients.”

Like the USPS, Key delivers every day.
In good company.

U.S. Postal Service

Karen Kleinhenz, key executive vice president, helps the USPS and Steve Kearney, Postal Service treasurer, sort out cash management needs in 14 states.
Sharing Distinctiveness.

A Whole Greater Than Its Parts!

McDonald Investments

The Key/McDonald Investments combination has been a natural fit from the moment the acquisition was completed in late October 1998. The synergies between Key’s balance sheet, capital base and wide array of innovative products, and McDonald’s experience in investments and depth of client relationships, benefit both Key and its clients—a win, win situation.

Take Key’s PRISM® line of 401(k) services, for instance. By adding PRISM—which features Key’s Victory Funds as well as non-proprietary funds—to McDonald’s product mix, investment consultants/brokers sold more than $20 million in new fee-generating plans by the end of 1998. Key’s ability to “manufacture” innovative financial products and services, together with McDonald’s capability in “distributing” both to individuals and companies, make for a powerful combination.

PRISM is just one of the innovative products offered by Key Asset Management (KAM). With an average 17 years of experience among them, KAM’s portfolio managers drive the Victory performance, producing a very competitive product offering for the new clients from McDonald. While KAM is just two years old in name, it operates with a 100-year heritage of providing institutional and individual clients with high-quality asset management services like those offered through the PRISM 401(k).
By creating a one-stop-shopping resource for corporate clients, Key not only provides an unmatched range of financing solutions, it also brings in a diversified revenue stream, strengthening both customer and corporation. Key Corporate Capital serves commercial clients with a unique mix of capabilities, including commercial real estate; equipment leasing; financing for the media, telecommunications and healthcare industries; and global treasury services and trade financing.
Key Corporate Capital

KEY COMMERCIAL REAL ESTATE
Provides short- and long-term debt and project equity for professional developers and REITs nationwide for virtually all property types.

KEY CORPORATE CAPITAL, INC.
A powerful management organization that oversees:
- Media and Telecommunications Finance
- Key Healthcare Finance
- Key Structured Finance
- Global Treasury Management Group (including Cash Management and International)
- Loan Syndication and Sales

KEY EQUIPMENT FINANCE GROUP
Offering a comprehensive range of leasing businesses, including:
- KeyCorp Leasing
- Leasetec
- KeyLease Plus

KEY GLOBAL FINANCE
Provides corporate and institutional clients large ticket, asset-specific financing solutions, including cross-border and domestic leasing, secured financing, project financing, asset securitization and private placements.

In 1998, Key Corporate Capital contributed approximately 26 percent of Key's consolidated earnings, with net income of $261 million.
In good company.

StorageTek

It’s the Lease We Can Do!

In the past two years, approximately 25 percent of the network computer storage systems sold worldwide by Louisville, Colorado-based StorageTek have been leased to customers through StorageTek Financial Services Corporation (SFSC) and its international affiliates. Supporting this global vendor lease program is Leasetec, a vital member of the Key Equipment Finance Group and parent company of SFSC. In fact, since the program’s inception in March 1996, SFSC and StorageTek have worked together on lease transactions totaling approximately $580 million.

By partnering with Leasetec, StorageTek can offer its clients a uniquely global, one-stop-shopping financial program. With capabilities in the U.S., Canada, Europe, Australia and the Far East, Leasetec is an important component in the ability of the Key Equipment Finance Group to offer clients the best possible array of leasing options and solutions. Leasetec also closely partners with other computer industry giants such as Unisys and Cisco Systems.

One of the cornerstones of Key Corporate Capital, Key Equipment Finance Group currently is the banking industry’s number three lease originator.

Victor M. Perez, executive vice president and chief operating officer of StorageTek, inside one of the company’s automated tape libraries. StorageTek relies on Key for creative leasing solutions for its customers.
Virtual Fun, Real Financial Expertise!

Zap! Bang! Vroom! Inside a Sega GameWorks location, it's all bright lights and big fun—from video, sports and virtual reality games to full-service food and drink. Steven Spielberg conceived GameWorks as the entertainment center of the future. A joint venture of DreamWorks SKG, Sega Enterprises and Universal Studios, Inc., GameWorks is opening centers in major cities across the U.S. and is expanding internationally in 1999.

Back in the real world, when it came to finding the right company to finance game hardware and other equipment required for each location—as well as the company's 12 smaller mall-based GameWorks Studios—GameWorks found a great teammate in Key. Through the combined efforts of KeyCorp Leasing and Key's Media and Telecommunications Finance Division, Key arranged multi-million dollar equipment financing. Because GameWorks continuously moves games around to maintain a fresh and exciting line-up at each site, Key's flexible financing included asset tracking capabilities to keep the process running smoothly.

As it does for each of its clients, Key took the time not only to learn GameWorks' business but to gain a thorough knowledge of the electronic games industry and secondary market. By truly understanding its client's business needs, Key is helping to ensure every new GameWorks center is a winner.
In good company.

Sega GameWorks

With equipment leasing through Key, GameWorks is raising its customers' expectations of interactive game fun.
When it comes to simplicity, online bookselling phenomenon Amazon.com defines it: log on, order your book, get it in the mail. No wonder it’s one of the most popular sites on the Internet.

Not so simple are the real estate challenges behind Amazon’s new headquarters facility in Seattle. Fortunately, Key was on hand to provide financing that helped real estate developer Wright Runstad & Company deliver for its client.

Amazon.com’s new headquarters is the 65-year-old Pacific Medical Center. Wright Runstad entered into a long-term lease agreement with PacMed and undertook a $25 million renovation. The renovations are needed to accommodate Amazon.com’s state-of-the-art computer and communications networks. The leasehold agreements were complex but offered significant benefits to all parties.

Key understood the complexity and sensitivity of the situation and provided Wright Runstad with a construction loan that took just 30 days to close. The result? One of Seattle’s most visible buildings now houses one of the nation’s most talked-about companies, with Wright Runstad and Key making it possible.

Key Commercial Real Estate had quite a year in 1998, providing more than $7 billion in financing to developers, REITs and owner/investors. Key’s relationship managers deliver a complete range of short- and long-term debt and equity capital solutions nationwide for virtually all property types. Key continues to be the single best location, location, location for commercial real estate financing expertise.
In good company.

Wright Runstad & Company

Douglas Norberg, president of Wright Runstad & Company, amid what soon will be a conference room at Amazon.com's new headquarters in Seattle, thanks to real estate financing from Key.
Crown Castle International

Things Are Looking Up!

As wireless communication becomes an integral part of the global telecommunications network, Crown Castle International of Houston stands tall as the leading provider of wireless communications and broadcast transmission infrastructure and related services in the U.S. and abroad. And, as Crown Castle continues to grow, Key is there providing a solid financial foundation.

Since 1995, Key has structured, underwritten and arranged larger and larger credit facilities for Crown, despite continued attempts by Key’s competition to wrestle away the business.

Key’s Kathleen Mayher, senior vice president and manager of Media and Telecommunications Finance Division, says quick turnaround of comprehensive financing proposals is a primary factor in Crown’s trusting relationship with Key. “Given the challenging merger and acquisition arena in which the company operates, having a firm financing commitment in hand can mean the difference in winning a deal or losing out to the competition.”

With communications pulsing through Crown’s towers, Key understands the value of moving quickly to meet the client’s needs—while opportunity is in the air.

Credit underwritten by Key helps Crown Castle International maintain its global leadership in the construction of towers for wireless communications and broadcasting.
One of America's leading consumer finance companies with over $20 billion in managed loans, Key Consumer Finance helps clients improve their quality of life through innovative financing services.
Key Consumer Finance

Offers a complete selection of unique consumer loan services:
- Home Equity Lending
- Automotive Finance
- Marine/RV Lending
- Credit Card Services
- Education Lending

Key Consumer Finance generated net income of $147 million in 1998, or approximately 15 percent of Key's consolidated earnings.
Frank & Julie Nitts

Like so many American families, Frank and Julie Nitts of suburban Chicago were feeling the strain of paying bills while trying to put money away in savings. At the same time, it was important to the Nitts to keep their son Jason in a private school, adding to their financial obligations.

The answer? A home equity loan from Champion Mortgage, a wholly owned subsidiary of KeyCorp that provides bank-quality and non-prime first-mortgage refinancing and home equity programs across the country—both within and outside Key's traditional retail markets. Thanks to Champion, Frank and Julie are breathing easier, paying the bills, putting money into savings and giving Jason the best education he can get.

The unique ability to deliver solutions in the manner preferred by the customer and a wide array of mortgage and home equity products combine to make Key Finance an industry leader. Had Frank and Julie preferred to arrange their loan by telephone, desired a personal consultation with their account officer, or needed financing for contractor-completed home improvements, Key was ready to deliver “Help at Every Turn.”
In good company.

David Hyde

Making the Financial Grade!

Paying tuition is a concern many medical students share. David Hyde, a student in his last year at the University of New England's College of Osteopathic Medicine, was no exception. The prescription for his tuition concerns? The financial aid office at the university recommended he talk to Key Education Resources about a loan that would best suit his needs—as a student, a husband and father of two. As a result, David received a government-subsidized Federal Stafford Loan and is set to graduate in June 1999 and begin his residency.

Not only did Key help David pay for his education, it offers him flexibility in paying back the loan through the Keys 2 Repay™ program. Each month, David will have the option of choosing a payment tied to a 10-, 15- or 25-year repayment period. The shorter the repayment period, the lower the interest rate.

Key Education Resources—one of the nation’s largest providers of education financing—understands that students have much more to worry about than how to pay for school. With financing products for all students—from grade school to graduate school to continuing adult education—Key makes it easier for them to concentrate on getting the best possible education.
Providing clients across the country with “Help at Every Turn,”

Key creates custom financial solutions derived from working relationships, needs-based planning and effective data-mining.

From individual and family clients to small business operators to middle market and large corporate clients, Key Community Bank sets the standard for bank-based financial services companies.
Key Community Bank

RETAIL BANK
In 27 geographic districts across the country, Key's Retail Bank provides customers with products and services such as checking, savings, money market accounts, CDs, coin exchange and more.

Community Development—within the Retail Bank, this specialized internal and external lending group ensures compliance with the Community Reinvestment Act.

SMALL BUSINESS SERVICES
One of the country's leading small business resources, Key provides a full range of customized financial solutions to meet the needs of small business owners.

COMMERCIAL BANK
Acting as a trusted advisor to businesses, this group provides competitively priced credit financing solutions through a variety of products and services. Targeted business units within the Commercial Bank include:

- Community Middle Market
- Upper Middle Market
- Large Corporate
- Wealth Transfer and Business Valuation

In 1998, net income for Key Community Bank totaled $597 million, or approximately 60 percent of Key's consolidated earnings.
In good company.

Costco Wholesale Corporation

Expanding Business Lines!

Key's reputation as one of the nation's largest small business lenders is taking on a whole new dimension. On a foundation of approximately 300,000 current small business clients in 13 states, Key began marketing itself to three million potential new customers in 26 states in 1998 through a partnership with Seattle-based Costco Wholesale Corporation. Costco, a nationwide membership warehouse club, now offers its small business customers a Key line of credit up to $50,000.

The Costco partnership gives Key access to a host of new markets outside its traditional retail banking footprint, as well as a means to expand its small business loan portfolio. On the other side of the partnership, Costco can provide its customers with additional value, setting the wholesaler apart from its competition.

With an initial roll-out in the state of Washington in November 1998, the program expanded nationally in March 1999.

Key continues to lead the way for small business owners with a powerful combination of products and value-added services, ranging from retirement benefits, to equipment purchasing and leasing, to cash management and investments. Small businesses can apply for loans and leases around the clock by calling 1-888-KEY4BIZ.
In every sense of the word, Dayton, Ohio-based Alien Workshop is a business that has ramped up quickly. Only seven years after its founding in 1990, the designer and marketer of skateboarding and snowboarding equipment, accessories and apparel had built a reputation worldwide and needed to expand its headquarters facility from 8,000 to 22,000 square feet.

To facilitate the move, Key showed partners Chris Carter and Mike Hill how interest from capital investments could pay the mortgage on their expansion. Maybe not as adventurous as a skateboard kickflip—but nearly as creative—Key’s small business advisors provided this and other solutions to help the company grow. Alien Workshop’s well-executed financial moves continue to pay off.

Key also has provided Alien Workshop with import letters of credit, lines of credit, a building improvement loan and personal banking services. Just as Alien Workshop’s success grows, so does its relationship with Key, one of the nation’s premier small business financial resources.

Beginning in 1998, Key aggressively expanded its small business delivery channels through direct mail and telephone campaigns. By reaching more customers than ever, Key plans to significantly increase its sales.
Alien Workshop partners Chris Carter (top) and Mike Hill peer out from the skateboards they design and market at the headquarters facility they financed with Key's help.
In good company.

Oneida Indian Nation

After a decade-long financial services relationship, it’s no surprise that the Oneida Indian Nation near Verona, N.Y., turned to Key when the Nation required construction financing for a new resort property, the Hotel at Turning Stone. Despite early discussions with an out-of-town rival investment bank—a role Key now serves through McDonald Investments—the Nation chose a Key-lead loan syndication involving five local banks. Key’s position as lead bank was secured through its knowledge and understanding of the client’s financial needs as well as the project’s potential benefit to the economy of Central New York.

Over the years, Key also has been the leading community bank for members of the Oneida Nation, providing financing and expertise for housing programs as well as the construction of the Nation’s cultural center. Key serves the Oneida Nation with equipment leasing, depository and cash management services, investment advisory services, trust expertise and convenient placement of ATMs for members and visitors.

Whether for the Oneida Nation or anywhere in the company’s Retail Banking footprint, Key offers “Help at Every Turn” through customized commercial and individual products and services provided with a local touch—all backed by a powerful national organization.

Sales at Key: The Personal Touch

To exemplify the high-performance sales culture at Key, you needn’t look further than Crystal Lung, relationship manager at the Cherry Creek Financial Center in Denver. Certainly, her doctors don’t.

A 1998 car accident left Crystal in the care of several physicians. Following their recommended treatments, Crystal is just fine. And the doctors? They’re all Key clients now, having been persuaded by their patient to rely on Key for a full range of financial products and services.

As a relationship manager, Crystal typifies Key’s strength as a needs-based sales organization. She’s knowledgeable, organized and a team player, providing customized solutions for clients.

With the training, operational and management tools Key provides, Crystal and the rest of the company’s sales force are ready to meet client needs while pursuing profit growth.

Key’s sales culture—just what the doctor ordered.
At all levels of Key, from back-room operations to the computer screen in front of you, Key’s commitment to using leading-edge technology keeps the company out front in the fast-paced financial services industry. Technology is the fuel that powers everything from Key’s four delivery channels (KeyCenters, ATM, Telephone and PC) to its computer systems to its ability to set the pace in customer information mining and marketing.

Key is ready for the 21st Century—right now.
KEY TECHNOLOGY SERVICES
Across the country, Key Technology Services develops and manages the company’s industry-leading technology applications and systems, such as information mining and sales and service systems; trust, investment, lending and deposit systems; financial and administrative services; and its proactive Y2K planning efforts. In addition, this organization includes a newly created business unit known as Key Electronic Services.

KEY ELECTRONIC SERVICES
This subsidiary is responsible for a variety of electronically enabled fee-based products:
- www.Key.com website
- PC/Internet Banking/Electronic Commerce
- Electronic products and services including KeyPay, KeyTax, Bill Payment and Bill Presentation
- ATM Network
- Debit and Stored Value Card Issuing
- Merchant Acquiring Services
- Payroll and Official Check Services

No company can hope to achieve a high-performance strategy without a true, proactive Continuous Improvement (CI) process in place, and at Key, CI goes hand in hand with getting the most out of the latest in technology. “We are applying proven manufacturing industry models, tools and techniques to provide our customers with world-class service and products,” notes Chief Technology Officer Allen J. Gula, Jr. “Not only does CI focus and accelerate improvements in all areas of the company, it also has had a positive impact on Key’s bottom line. Between 1994 and 1998, the value of the productivity improvement was $72 million in our back-room operations area alone.”

In addition to using CI to reduce expenses, Key relies on CI to drive revenues to new heights. For example, Key’s Commercial Banking Revenue Building Initiative, begun in 1996, has enabled Key relationship managers to double the amount of time they spend with clients on revenue-generating activities. Our CI approach is modeled after the best practices used in other high-performing companies and Key’s leadership team is committed to using CI disciplines.
Pumping Up Profits Through Technology

Within the financial services industry, Key continues to build its reputation as a leader in harnessing the promise of technology for the benefit of both client and shareholder. Key’s electronic commerce strategy is just one example of the company’s successful use of technology. “Key Electronic Services is responsible for more than $100 million in fee income annually, the majority of which was not in existence three years ago,” said Patrick J. Swanick, president and chief executive officer, Key Electronic Services.

Each month, Key’s rapidly growing online client base provides the company with more than 400,000 visits to www.Key.com. Key’s online banking program grows by 1,000 enrollees each week. What’s more, online users represent extremely attractive demographics, and lead to higher retention and more accounts per customer. Key’s website increases the company’s revenue-generating capabilities through interactive functionality and expanded relationship account access.

Key’s technology-driven delivery channels also include an ATM network of 2,600 locations from coast to coast, within and outside Key’s Retail Banking footprint, establishing Key as a financial services leader even if Key has no traditional KeyCenters in that region.

Key also is a national leader in debit card issuance, merchant services and payroll services. Key’s merchant services business is part of a unique joint venture with NOVA Information Systems.

Customers relying on Key have—through many electronic avenues—the ability to access their money wherever they are, whenever they want.

Beverly Alexander of Corona, Calif., has good reason to smile. Beverly won a 1999 Jeep Wrangler in the “Key/ARCO (Key to Your Car) Sweepstakes” just by withdrawing cash at a Key-branded ATM. Key’s expansive ATM network enhances branding efforts across the country. Many Key ATMs are located in strategic partners’ service stations and convenience stores both within and outside Key’s traditional banking footprint.
Amid tireless media speculation that computer change-overs to the Year 2000 (Y2K for short) will be a problem, Key has been working steadily since 1995 to ensure a smooth transition, as well as to make sure that it is in the forefront of compliance with federal regulatory agencies. In fact, as an industry leader, Key is in the vanguard of some very good company—the Gartner Group, a Connecticut consulting firm, recently ranked the financial services industry first in Year 2000 preparedness.

None of this is news to Willie Kennedy, Key’s Year 2000 project manager. Kennedy estimates that Key will devote between $40 million and $50 million to Y2K issues before the end of the century.

“We completed our first two phases—awareness and assessment—in 1998,” Kennedy says. “By June of 1999, we expect to have completed our final three phases—renovation, validation and implementation.”

Key also continues to work with significant third parties in determining Y2K readiness. As part of this effort, Key has formed a separate internal team that identifies critical business interfaces; assesses potential problems relating to credit, liquidity and counterparty risk; and, where appropriate, develops line of business contingency plans.

While there can be no assurance that significant customers or critical third parties will adequately address their own Y2K issues, Key’s contingency plans will help mitigate any risks.

“If there is an isolated breakdown anywhere, we’ll have alternative procedures in place so business can continue,” says Kennedy. “From large corporate cash management clients dealing with millions of dollars every day...to individual Retail Bank customers, Key is taking the necessary steps to prepare to handle any size of cash flow, debt requirement, disbursement, payroll, paper and electronic financial transactions on January 1, 2000, just like we would any other day.”

Key has made important strides in information mining as a way to increase profitability. Key uses the information to predict the best product for a customer and the best channel to deliver it through. Key now factors in such variables as product profitability, historic acceptance and attrition rates to sharpen the focus of its marketing efforts.

Key’s refined marketing methods have increased by 200 percent the rate at which people buy the products offered to them. The company launched 18 major marketing campaigns in 1998 with 20 percent fewer customer contacts initiated, compared to 1997, doubling the net income on the products sold and receiving a 364 percent return on its marketing investment. Targeting the right product to the right customer at the right time through the right channel clearly is paying off.