

4. LINE OF BUSINESS RESULTS

CONSUMER BANKING

Retail Banking provides individuals with branch-based deposit and investment products, personal finance services and loans, including residential mortgages, home equity and various types of installment loans.

Small Business provides businesses that have annual sales revenues of \$10 million or less with deposit, investment and credit products, and business advisory services.

Consumer Finance includes Indirect Lending and National Home Equity.

Indirect Lending offers automobile and marine loans to consumers through dealers and finances inventory for automobile and marine dealers. This business unit also provides federal and private education loans to students and their parents and processes payments on loans from private schools to parents.

National Home Equity provides both prime and nonprime mortgage and home equity loan products to individuals. These products originate outside of Key's retail branch system. This business unit also works with mortgage brokers and home improvement contractors to provide home equity and home improvement solutions.

CORPORATE AND INVESTMENT BANKING

Corporate Banking provides an array of products and services to large corporations, middle-market companies, financial institutions and government organizations. These products and services include financing, treasury management, investment banking, derivatives and foreign exchange, equity and debt trading, and syndicated finance.

KeyBank Real Estate Capital provides construction and interim lending, permanent debt placements and servicing, and equity and investment banking services to developers, brokers and owner-investors. This line of business deals exclusively with nonowner-occupied properties (i.e., generally properties for which the owner occupies less than 60% of the premises).

Key Equipment Finance meets the equipment leasing needs of companies worldwide and provides equipment manufacturers, distributors and resellers with financing options for their clients. Lease financing receivables and related revenues are assigned to other lines of business (primarily Corporate Banking) if those businesses are principally responsible for maintaining the relationship with the client.

Year ended December 31, dollars in millions	Consumer Banking			Corporate and Investment Banking			Investment Management Services		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
SUMMARY OF OPERATIONS									
Net interest income (TE)	\$1,856	\$1,782	\$1,827	\$1,048	\$1,070	\$1,066	\$250	\$227	\$224
Noninterest income	495	497	483	506	489	524	556	623	677
Total revenue (TE) ^a	2,351	2,279	2,310	1,554	1,559	1,590	806	850	901
Provision for loan losses	280	300	302	204	238	139	16	14	13
Depreciation and amortization expense	128	137	218	39	43	78	43	49	82
Other noninterest expense	1,263	1,205	1,167	680	644	637	592	609	641
Income (loss) before income taxes (TE) and cumulative effect of accounting changes	680	637	623	631	634	736	155	178	165
Allocated income taxes and TE adjustments	255	238	248	237	238	284	58	67	67
Income (loss) before cumulative effect of accounting changes	425	399	375	394	396	452	97	111	98
Cumulative effect of accounting changes	—	—	(24)	—	—	—	—	—	—
Net income (loss)	\$ 425	\$ 399	\$ 351	\$ 394	\$ 396	\$ 452	\$ 97	\$111	\$ 98
Percent of consolidated net income	47%	41%	266%	43%	41%	342%	11%	11%	74%
Percent of total segments net income	46	42	39	43	42	51	11	12	11
AVERAGE BALANCES									
Loans	\$28,905	\$27,882	\$27,751	\$27,871	\$29,279	\$31,109	\$5,060	\$4,827	\$5,179
Total assets ^a	31,309	30,218	30,368	32,255	32,798	35,034	6,121	5,840	6,390
Deposits	34,773	33,940	35,210	4,414	3,395	3,116	6,084	3,920	3,675
OTHER FINANCIAL DATA									
Expenditures for additions to long-lived assets ^a	\$ 56	\$ 74	\$ 51	\$ 11	\$ 14	\$ 19	\$17	\$11	\$18
Net loan charge-offs	280	299	350	249	466	305	18	14	13
Return on average allocated equity	19.07%	19.08%	15.77%	11.77%	12.08%	14.31%	15.75%	18.56%	14.69%
Average full-time equivalent employees	8,445	8,443	8,668	2,459	2,446	2,550	2,834	3,146	3,369

^a Substantially all revenue generated by Key's major business groups is derived from clients resident in the United States. Substantially all long-lived assets, including premises and equipment, capitalized software and goodwill, held by Key's major business groups are located in the United States.

^b Significant items included under Reconciling Items for the year ended December 31, 2001, are as follows:

- Noninterest income includes a \$40 million (\$25 million after tax) charge taken to establish a reserve for losses incurred on the residual values of leased vehicles and a \$15 million (\$9 million after tax) increase in the reserve for customer derivative losses.