COMERICA INC /NEW/
Form 10-K
February 21, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the fiscal year ended
December 31, 2011
Commission file number 1-10706
COMERICA INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

Delaware	38-1998421
(State or Other Jurisdiction of Incorporation)	(IRS Employer Identification Number)

Comerica Bank Tower
1717 Main Street, MC 6404
Dallas, Texas 75201
(Address of Principal Executive Offices) (Zip Code)
(214) 462-6831
(Registrant’s Telephone Number, Including Area Code)
Securities registered pursuant to Section 12(b) of
the Exchange Act:
Common Stock, $5 par value
Warrants to Purchase Common Stock (expiring November 14, 2018)
These securities are registered on the New York Stock Exchange.
Securities registered pursuant to Section 12(g) of the
Exchange Act:
Warrants to Purchase Common Stock (expiring December 12, 2018)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o
Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller	Smaller reporting company o

reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

At June 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant's common stock, $5 par value, held by non-affiliates had an aggregate market value of approximately $5.9 billion based on the closing price on the New York Stock Exchange on that date of $34.57 per share. For purposes of this Form 10-K only, it has been assumed that all common shares held in Comerica's director and employee plans, and all common shares the registrant's directors and executive officers hold, are shares held by affiliates.

At February 15, 2012, the registrant had outstanding 197,627,048 shares of its common stock, $5 par value.

Documents Incorporated by Reference:

Part III:

Items 10-14—Proxy Statement for the Annual Meeting of Shareholders to be held April 24, 2012.

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PART I

Item 1. Business.

GENERAL

Comerica Incorporated (“Comerica”) is a financial services company, incorporated under the laws of the State of Delaware, and headquartered in Dallas, Texas. As of December 31, 2011, it was among the 25 largest commercial bank holding companies in the United States. Comerica was formed in 1973 to acquire the outstanding common stock of Comerica Bank, which at such time was a Michigan banking corporation and one of Michigan’s oldest banks (formerly Comerica Bank-Detroit). On October 31, 2007, Comerica Bank, a Michigan banking corporation, was merged with and into Comerica Bank, a Texas banking association (“Comerica Bank”). As of December 31, 2011, Comerica owned directly or indirectly all the outstanding common stock of 2 active banking and 49 non-banking subsidiaries. At December 31, 2011, Comerica had total assets of approximately $61.0 billion, total deposits of approximately $47.8 billion, total loans (net of unearned income) of approximately $42.7 billion and shareholders’ equity of approximately $6.9 billion.

Acquisition of Sterling Bancshares, Inc.

On July 28, 2011, Comerica acquired all the outstanding common stock of Sterling Bancshares, Inc. ("Sterling"), a bank holding company headquartered in Houston, Texas, in a stock-for-stock transaction. Sterling common shareholders and holders of outstanding Sterling phantom stock units received 0.2365 shares of Comerica’s common stock in exchange for each share of Sterling common stock or phantom stock unit. As a result, Comerica issued approximately 24 million common shares with an acquisition date fair value of $793 million, based on Comerica’s closing stock price of $32.67 on July 27, 2011. Based on the merger agreement, outstanding and unexercised options to purchase Sterling common stock were converted into fully vested options to purchase common stock of Comerica. In addition, outstanding warrants to purchase Sterling common stock were converted into warrants to purchase common stock of Comerica. Including an insignificant amount of cash paid in lieu of fractional shares, the fair value of total consideration paid was $803 million. The acquisition of Sterling significantly expanded Comerica’s presence in Texas, particularly in the Houston and San Antonio areas.

BUSINESS STRATEGY

Comerica has strategically aligned its operations into three major business segments: the Business Bank, the Retail Bank, and Wealth Management. In addition to the three major business segments, the Finance Division is also reported as a segment.

The Business Bank meets the needs of middle market businesses, multinational corporations and governmental entities by offering various products and services, including commercial loans and lines of credit, deposits, cash management, capital market products, international trade finance, letters of credit, foreign exchange management services and loan syndication services.

The Retail Bank includes small business banking and personal financial services, consisting of consumer lending, consumer deposit gathering and mortgage loan origination. In addition to a full range of financial services provided to small business customers, this business segment offers a variety of consumer products, including deposit accounts, installment loans, credit cards, student loans, home equity lines of credit and residential mortgage loans.

Wealth Management offers products and services consisting of fiduciary services, private banking, retirement services, investment management and advisory services, investment banking and brokerage services. This business segment also offers the sale of annuity products, as well as life, disability and long-term care insurance products.

The Finance segment includes Comerica’s securities portfolio and asset and liability management activities. This segment is responsible for managing Comerica’s funding, liquidity and capital needs, performing interest sensitivity analysis and executing various strategies to manage Comerica’s exposure to liquidity, interest rate risk and foreign exchange risk.

The Other category includes discontinued operations, the income and expense impact of equity and cash, tax benefits not assigned to specific business segments and miscellaneous other expenses of a corporate nature.

In addition, Comerica has positioned itself to deliver financial services in its four primary geographic markets: Midwest, Western, Texas and Florida.

The Midwest market consists of Michigan, Ohio and Illinois. Michigan operations represent the significant majority of the Midwest market.

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The Western market consists of the states of California, Arizona, Nevada, Colorado and Washington. California operations represent the significant majority of the Western market.
The Texas and Florida markets consist of the states of Texas and Florida, respectively.
In addition to the four primary geographic markets, Comerica also considers Other Markets and International as market segments. Other Markets include businesses with a national perspective, Comerica’s investment management and trust alliance businesses as well as activities in all other markets in which Comerica has operations, except for the International market. The International market represents the activities of Comerica’s international finance division, which provides banking services primarily to foreign-owned, North American-based companies and secondarily to international operations of North American-based companies.
We provide financial information for our segments and information about our non-U.S. revenues and long-lived assets: (1) under the caption, “Strategic Lines of Business” on pages F-13 through F-16 of the Financial Section of this report; and (2) in Note 23 of the Notes to Consolidated Financial Statements located on pages F-111 through F-115 of the Financial Section of this report.
We provide information about the net interest income and noninterest income we received from our various classes of products and services: (1) under the caption, “Analysis of Net Interest Income—Fully Taxable Equivalent (FTE)” on page F-6 of the Financial Section of this report; (2) under the caption “Net Interest Income” on pages F-7 through F-8 of the Financial Section of this report; and (3) under the caption “Noninterest Income” on pages F-9 through F-10 of the Financial Section of this report.
We provide information on risks attendant to foreign operations: (1) under the caption, “Provision for Credit Losses” on pages F-8 through F-9 of the Financial Section of this report; (2) under the caption “Market Segments” on page F-14 through F-16 of the Financial Section of this report; (3) under the caption “Concentration of Credit Risk” on page F-31 of the Financial Section of this report; and (4) under the caption "International Exposure" on pages F-35 through F-36 of the Financial Section of this report.

COMPETITION

The financial services business is highly competitive. Comerica and its subsidiaries compete primarily with banks and other financial institutions for various deposits, loans, trust services and/or other products and services in their primary geographic markets of Texas, Arizona, California, Florida and Michigan; through their other offices in Colorado, Delaware, Illinois, Massachusetts, Minnesota, New Jersey, Nevada, New York, North Carolina, Ohio, Tennessee, Virginia, Washington, Canada and Mexico; and in selected other U.S. markets as opportunities arise.
Comerica believes that the level of competition in all geographic markets will continue to increase in the future. In addition to banks, Comerica’s banking subsidiaries also face competition from other financial intermediaries, including savings and loan associations, consumer finance companies, leasing companies, venture capital funds, credit unions, investment banks, insurance companies and securities firms. Competition among providers of financial products and services continues to increase, with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives. The industry continues to consolidate, which affects competition by eliminating some regional and local institutions, while strengthening the franchises of acquirers.

SUPERVISION AND REGULATION

Banks, bank holding companies and financial institutions are highly regulated at both the state and federal level. Comerica is subject to supervision and regulation at the federal level by the Board of Governors of the Federal Reserve System (“FRB”) under the Bank Holding Company Act of 1956, as amended. The Gramm-Leach-Bliley Act expanded the activities in which a bank holding company registered as a financial holding company can engage. The conditions to be a financial holding company include, among others, the requirement that each depository institution subsidiary of the holding company be well capitalized and well managed. Effective July 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Financial Reform Act”) also requires the well capitalized and well managed standards to be met at the financial holding company level. Comerica became a financial holding company in 2000. As a financial holding company, Comerica may affiliate with securities firms and insurance companies and engage in activities that are financial in nature. Activities that are “financial in nature” include, but are not limited to: securities underwriting; securities dealing and market making; sponsoring mutual funds and investment companies (subject to the prohibitions of the Volcker Rule, described below); insurance underwriting and agency; merchant

banking; travel agent services; and activities that the FRB has determined to be financial in nature or incidental or complementary to a financial activity, provided that it does not pose a substantial risk to the safety or

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soundness of the depository institution or the financial system generally. A bank holding company that is not also a financial holding company is limited to engaging in banking and other activities previously determined by the FRB to be closely related to banking.

Comerica Bank is chartered by the State of Texas and at the state level is supervised and regulated by the Texas Department of Banking under the Texas Finance Code. Comerica Bank has elected to be a member of the Federal Reserve System ("FRS") under the Federal Reserve Act and, consequently, is supervised and regulated by the Federal Reserve Bank of Dallas. Comerica Bank & Trust, National Association is chartered under federal law and is subject to supervision and regulation by the Office of the Comptroller of the Currency ("OCC") under the National Bank Act. Comerica Bank & Trust, National Association, by virtue of being a national bank, is also a member of the FRS. The deposits of Comerica Bank and Comerica Bank & Trust, National Association are insured by the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law.

The FRB supervises non-banking activities conducted by companies directly and indirectly owned by Comerica. In addition, Comerica's non-banking subsidiaries are subject to supervision and regulation by various state, federal and self-regulatory agencies, including, but not limited to, the Financial Industry Regulatory Authority (in the case of Comerica Securities, Inc.), the Office of Financial and Insurance Services of the State of Michigan (in the case of Comerica Securities, Inc. and Comerica Insurance Services, Inc.), and the Securities and Exchange Commission ("SEC") (in the case of Comerica Securities, Inc., World Asset Management, Inc. and Wilson, Kemp & Associates, Inc.).

Described below are the material elements of selected laws and regulations applicable to Comerica and its subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described. Changes in applicable law or regulation, and in their application by regulatory agencies, cannot be predicted, but they may have a material effect on the business of Comerica and its subsidiaries.

Requirements for Approval of Acquisitions and Activities

In most cases, no FRB approval is required for Comerica to acquire a company engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB. However, Federal and state laws impose notice and approval requirements for mergers and acquisitions of other depository institutions or bank holding companies. Prior approval is required before Comerica may acquire the beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company (including a financial holding company) or a bank.

Community Reinvestment Act

The Community Reinvestment Act of 1977 ("CRA") requires U.S. banks to help serve the credit needs of their communities and the effectiveness of the subject organizations in combating money laundering activities. Comerica Bank's current rating under the "CRA" is "outstanding". If any subsidiary bank of Comerica were to receive a rating under the CRA of less than "satisfactory", Comerica would be prohibited from engaging in certain activities. In addition, Comerica, Comerica Bank and Comerica Bank & Trust, National Association, are each "well capitalized" and "well managed" under FRB standards. If any subsidiary bank of Comerica were to cease being "well capitalized" or "well managed" under applicable regulatory standards, the FRB could place limitations on Comerica's ability to conduct the broader financial activities permissible for financial holding companies or impose limitations or conditions on the conduct or activities of Comerica or its affiliates. If the deficiencies persisted, the FRB could order Comerica to divest any subsidiary bank or to cease engaging in any activities permissible for financial holding companies that are not permissible for bank holding companies, or Comerica could elect to conform its non-banking activities to those permissible for a bank holding company that is not also a financial holding company.

Transactions with Affiliates

Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W, limit borrowings by Comerica and its nonbank subsidiaries from its affiliate insured depository institutions, and also limit various other transactions between Comerica and its nonbank subsidiaries, on the one hand, and its affiliate insured depository institutions, on the other. For example, Section 23A of the Federal Reserve Act limits the aggregate outstanding amount of any insured depository institution's loans and other "covered transactions"

with any particular nonbank affiliate to no more than 10% of the institution's total capital and limits the aggregate outstanding amount of any insured depository institution's covered transactions with all of its nonbank affiliates to no more than 20% of its total capital. “Covered transactions” are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the FRB) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

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Section 23A of the Federal Reserve Act also generally requires that an insured depository institution's loans to its nonbank affiliates be, at a minimum, 100% secured, and Section 23B of the Federal Reserve Act generally requires that an insured depository institution's transactions with its nonbank affiliates be on arms-length terms. The Financial Reform Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization. For example, commencing in July 2012, the Financial Reform Act applies the 10% of capital limit on covered transactions to financial subsidiaries and amends the definition of "covered transaction" to include (i) securities borrowing or lending transactions with an affiliate, and (ii) all derivatives transactions with an affiliate, to the extent that either causes a bank or its affiliate to have credit exposure to the securities borrowing/lending or derivative counterparty.

Privacy

The privacy provisions of the Gramm-Leach-Bliley Act generally prohibit financial institutions, including Comerica, from disclosing nonpublic personal financial information of consumer customers to third parties for certain purposes (primarily marketing) unless customers have the opportunity to "opt out" of the disclosure. The Fair Credit Reporting Act restricts information sharing among affiliates for marketing purposes.

Anti-Money Laundering Regulations

The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act ("USA PATRIOT Act") of 2001 and its implementing regulations substantially broadened the scope of U.S. anti-money laundering laws and regulations by requiring insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. The USA PATRIOT Act and its regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants. To comply with these obligations, Comerica and its various operating units have implemented appropriate internal practices, procedures, and controls.

Interstate Banking and Branching

The Interstate Banking and Branching Efficiency Act (the "Interstate Act"), as amended by the Financial Reform Act, permits a bank holding company, with FRB approval, to acquire banking institutions located in states other than the bank holding company's home state without regard to whether the transaction is prohibited under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to and following the proposed acquisition, control no more than 10% of the total amount of deposits of insured depository institutions in the United States and no more than 30% of such deposits in that state (or such amount as established by state law if such amount is lower than 30%). The Interstate Act, as amended, also authorizes banks to operate branch offices outside their home states by merging with out-of-state banks, purchasing branches in other states and by establishing de novo branches in other states, subject to various conditions. In the case of purchasing branches in a state in which it does not already have banking operations, the "host" state must have "opted-in" to the Interstate Act by enacting a law permitting such branch purchases. The Financial Reform Act expanded the de novo interstate branching authority of banks beyond what had been permitted under the Interstate Act by eliminating the requirement that a state expressly "opt-in" to de novo branching, in favor of a rule that de novo interstate branching is permissible if under the law of the state in which the branch is to be located, a state bank chartered by that state would be permitted to establish the branch. Effective July 21, 2011, the Financial Reform Act also required that a bank holding company or bank be well-capitalized and well-managed (rather than simply adequately capitalized and adequately managed) in order to take advantage of these interstate banking and branching provisions.

Comerica has consolidated most of its former banking business into one bank, Comerica Bank, with branches in Texas, Arizona, California, Florida and Michigan.

Dividends

Comerica is a legal entity separate and distinct from its banking and other subsidiaries. Most of Comerica's revenues result from dividends its bank subsidiaries pay it. There are statutory and regulatory requirements applicable to the

payment of dividends by subsidiary banks to Comerica, as well as by Comerica to its shareholders. Certain, but not all, of these requirements are discussed below.

Comerica Bank and Comerica Bank & Trust, National Association are required by federal law to obtain the prior approval of the FRB and/or the OCC, as the case may be, for the declaration and payment of dividends, if the total of all

dividends declared by the board of directors of such bank in any calendar year will exceed the total of (i) such bank's retained net income (as defined and interpreted by regulation) for that year plus (ii) the retained net income (as defined and interpreted by regulation) for the preceding two years, less any required transfers to surplus or to fund the retirement of preferred stock. At January 1, 2012, Comerica's subsidiary banks could declare aggregate dividends of approximately $496 million from retained net profits of the preceding two years. Comerica's subsidiary banks declared dividends of $292 million in 2011, $28 million in 2010 and $49 million in 2009.

Further, federal regulatory agencies can prohibit a banking institution or bank holding company from engaging in unsafe and unsound banking practices and could prohibit the payment of dividends under circumstances in which such payment could be deemed an unsafe and unsound banking practice. Under the FDICIA "prompt corrective action" regime discussed below, Comerica Bank and Comerica Bank & Trust, National Association are specifically prohibited from paying dividends if payment would result in the bank becoming "undercapitalized." In addition, Comerica Bank is also subject to limitations under Texas state law regarding the amount of earnings that may be paid out as dividends, and requiring prior approval for payments of dividends that exceed certain levels.

Additionally, the payment of dividends is subject to approval by the FRB pursuant to the Capital Plan Review program. For more information, please see "Other Recent Legislative and Regulatory Developments" in this section.

Source of Strength & Cross-Guarantee Requirements

Federal law and FRB regulations require that bank holding companies serve as a source of strength to each subsidiary bank and commit resources to support each subsidiary bank. This support may be required at times when a bank holding company may not be able to provide such support without adversely affecting its ability to meet other obligations. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC (either as a result of the failure of a banking subsidiary or related to FDIC assistance provided to such a subsidiary in danger of failure), the other banking subsidiaries may be assessed for the FDIC's loss, subject to certain exceptions.

FDICIA

The Federal Deposit Insurance Corporation Improvement Act ("FDICIA") requires, among other things, the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon where its capital levels are in relation to various relevant capital measures, which, among others, include a Tier 1 and total risk-based capital measure and a leverage ratio capital measure.

Regulations establishing the specific capital tiers provide that, for a depository institution to be well capitalized, it must have a total risk-based capital ratio of at least 10% and a Tier 1 risk-based capital ratio of at least 6%, a Tier 1 leverage ratio of at least 5% and not be subject to any specific capital order or directive. For an institution to be adequately capitalized, it must have a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 4%, and a Tier 1 leverage ratio of at least 4% (and in some cases 3%). Under certain circumstances, the appropriate banking agency may treat a well capitalized, adequately capitalized or undercapitalized institution as if the institution were in the next lower capital category.

As of December 31, 2011, Comerica and its banking subsidiaries exceeded the ratios required for an institution to be considered "well capitalized" under these regulations.

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to limitations on growth and certain activities and are required to submit an acceptable capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the institution's parent holding company must guarantee for a specific time period that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company under the guaranty is limited to the lesser of (i) an amount equal to 5% of the depository institution's total assets at the time it became undercapitalized, or (ii) the amount that is necessary (or would have been necessary) to bring the institution into

compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit or implement an acceptable plan, it is treated as if it is significantly undercapitalized.

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Significantly undercapitalized depository institutions are subject to a number of requirements and restrictions. Specifically, such a depository institution may be required to do one or more of the following, among other things: sell sufficient voting stock to become adequately capitalized, reduce the interest rates it pays on deposits, reduce its rate of asset growth, dismiss certain senior executive officers or directors, or stop accepting deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator or such other action as the FDIC and the applicable federal banking agency shall determine appropriate.

As an additional means to identify problems in the financial management of depository institutions, FDICIA requires federal bank regulatory agencies to establish certain non-capital safety and soundness standards for institutions any such agency supervises. The standards relate generally to, among others, earnings, liquidity, operations and management, asset quality, various risk and management exposures (e.g., credit, operational, market, interest rate, etc.) and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

FDICIA also contains a variety of other provisions that may affect the operations of depository institutions including reporting requirements, regulatory standards for real estate lending, “truth in savings” provisions, the requirement that a depository institution give 90 days prior notice to customers and regulatory authorities before closing any branch, and a prohibition on the acceptance or renewal of brokered deposits by depository institutions that are not well capitalized or are adequately capitalized and have not received a waiver from the FDIC.

Capital Requirements

Comerica and its bank subsidiaries are subject to risk-based capital requirements and guidelines imposed by the FRB and/or the OCC.

For this purpose, a depository institution’s or holding company’s assets and certain specified off-balance sheet commitments are assigned to four risk categories, each weighted differently based on the level of credit risk that is ascribed to such assets or commitments. A depository institution’s or holding company’s capital, in turn, is divided into two tiers: core (“Tier 1”) capital, which includes common equity, non-cumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock and related surplus (excluding auction rate issues) and minority interests in equity accounts of consolidated subsidiaries, less goodwill, certain identifiable intangible assets and certain other assets; and supplementary (“Tier 2”) capital, which includes, among other items, perpetual preferred stock not meeting the Tier 1 definition, mandatory convertible securities, subordinated debt, and allowances for loan and lease losses, subject to certain limitations, less certain required deductions. Bank holding companies that engage in trading activities, whose trading activities exceed specified levels, also are required to maintain capital for market risk. Market risk includes changes in the market value of trading account, foreign exchange, and commodity positions, whether resulting from broad market movements (such as changes in the general level of interest rates, equity prices, foreign exchange rates, or commodity prices) or from position specific factors.

Comerica, like other bank holding companies, currently is required to maintain Tier 1 and “total capital” (the sum of Tier 1 and Tier 2 capital) equal to at least 4% and 8% of its total risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit), respectively. At December 31, 2011, Comerica met both requirements, with Tier 1 and total capital equal to 10.41% and 14.25% of its total risk-weighted assets, respectively. Comerica is also required to maintain a minimum “leverage ratio” (Tier 1 capital to non-risk-adjusted total assets) of 3% to 5%, depending upon criteria defined and assessed by the FRB. Comerica’s leverage ratio of 10.92% at December 31, 2011 reflects the nature of Comerica’s balance sheet and demonstrates a commitment to capital adequacy. At December 31, 2011, Comerica Bank had Tier 1 and total capital equal to 10.47% and 14.04% of its total risk-weighted assets, respectively, and a leverage ratio of 10.98%. Additional information on the calculation of Comerica and its bank subsidiaries' Tier 1 Capital, total capital and risk-weighted assets is set forth in Note 21 of the Notes to Consolidated Financial Statements located on pages F-109 through F-110 of the Financial Section of this report.

FDIC Insurance Assessments

Comerica's subsidiary banks are subject to FDIC deposit insurance assessments to maintain the DIF. The FDIC imposes a risk-based deposit premium assessment system, which was amended pursuant to the Federal Deposit Insurance Reform Act of 2005 and further amended by the Financial Reform Act. Due to the passage of the Financial

Reform Act, the FDIC was required to redefine the deposit insurance assessment base from domestic deposits to average consolidated total assets minus average tangible equity and make changes to assessment rate methodology. The FDIC adopted a final rule on February 7, 2011 that revised the risk-based assessment system for all large insured depository institutions. The first assessment under the new rule was paid in the third quarter of 2011.

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In November 2009, the FDIC required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010 through 2012. The prepaid assessments are applied against future quarterly assessments (as they may be so revised) until the prepaid assessment is exhausted or the balance of the prepayment is returned, whichever occurs first. Comerica paid such prepaid assessment of $200 million on December 30, 2009. For 2011, FDIC insurance assessments totaled $48 million. The remaining prepayment at December 31, 2011 was $116 million, against which 2012 DIF assessments will be applied.

Enforcement Powers of Federal Banking Agencies

The FRB and other federal banking agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil penalties and appoint a conservator or receiver. Failure to comply with applicable laws or regulations could subject Comerica or its banking subsidiaries, as well as officers and directors of these organizations, to administrative sanctions and potentially substantial civil and criminal penalties.

Capital Purchase Program

On November 14, 2008, Comerica entered the Capital Purchase Program by issuing to the United States Department of the Treasury ("U.S. Treasury"), in exchange for aggregate consideration of $2.25 billion, (1) 2.25 million shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series F, no par value (the "Series F Preferred Stock"), and (2) a warrant to purchase 11,479,592 shares of Comerica's common stock at an exercise price of $29.40 per share (the "Warrant"). Both the Series F Preferred Stock and the Warrant were accounted for as components of Comerica's regulatory Tier 1 capital and contained terms and limitations imposed by the U.S. Treasury. On March 17, 2010, Comerica fully redeemed the Series F Preferred Stock previously issued to the U.S. Treasury, and Comerica exited the Capital Purchase Program. The Warrant was separated into 11,479,592 warrants to purchase one share of Comerica's common stock at an exercise price of $29.40 per share, and such warrants are now listed and traded on the NYSE. As a result of participating in the Capital Purchase Program, Comerica was subject to certain executive compensation and corporate governance standards promulgated by the U.S. Treasury prior to redemption, which no longer applied to Comerica following the redemption.

For additional details about the Capital Purchase Program, please refer to page F-21 under the caption "Capital" and Note 14 on pages F-96 through F-97 of the Financial Section of this report.

Temporary Liquidity Guarantee Program

Among other programs and actions taken by the U.S. regulatory agencies during the financial crisis, the FDIC implemented in 2008 the Temporary Liquidity Guarantee Program ("TLGP") to strengthen confidence and encourage liquidity in the banking system. The TLGP was comprised of the Debt Guarantee Program ("DGP") and the Transaction Account Guarantee Program ("TAGP"). The DGP temporarily guaranteed all newly issued senior unsecured debt (e.g., promissory notes, unsubordinated unsecured notes and commercial paper) up to prescribed limits issued by participating entities beginning on October 14, 2008 and continuing through October 31, 2009. For eligible debt issued by that date, the FDIC provided the guarantee coverage until the earlier of the maturity date of the debt or December 31, 2012 (or June 30, 2012 for debt issued prior to April 1, 2009). The TAGP offered a temporary full guarantee for noninterest-bearing transaction accounts held at participating FDIC-insured depository institutions. The unlimited deposit coverage was available beginning October 14, 2008, and was in addition to the $250,000 FDIC deposit insurance coverage per account that was included as part of the Emergency Economic Stabilization Act of 2008. Participation in both the DGP and the TAGP was voluntary.

Comerica, Comerica Bank and Comerica Bank & Trust, National Association, participated in the TLGP. As of December 31, 2011, Comerica had no senior unsecured debt outstanding under the DGP. Comerica Bank and Comerica Bank & Trust, National Association voluntarily participated in the TAGP from October 2008, until they opted out effective July 1, 2010. The TAGP expired as of December 31, 2010.

However, the Financial Reform Act automatically provides unlimited deposit insurance for noninterest-bearing transaction accounts and interest-bearing lawyers' trust accounts from December 31, 2010 through December 31, 2012. For further discussion of the Financial Reform Act, refer to "The Dodd-Frank Wall Street Reform and Consumer Protection Act" section below in this "Supervisory and Regulation" section.

For additional details about the TGLP, see pages F-20 and F-21 of the Financial Section of this report under the caption "Deposits and Borrowed Funds."

The Dodd-Frank Wall Street Reform and Consumer Protection Act
The recent financial crisis has led to significant changes in the competitive landscape of the financial services industry

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and an overhaul of the legislative and regulatory landscape with the passage of the Financial Reform Act, which was signed into law on July 21, 2010. The Financial Reform Act provides for, among other matters, increased regulatory supervision and examination of financial institutions, the imposition of more stringent capital requirements on financial institutions and increased regulation of derivatives and hedging transactions. Provided below is an overview of key elements of the Financial Reform Act relevant to Comerica. Most of the provisions contained in the Financial Reform Act became effective immediately upon enactment; however, many have delayed effective dates. Implementation of the Financial Reform Act will require many new mandatory and discretionary rules to be made by federal regulatory agencies over the next several years. The estimates of the impact on Comerica discussed below are based on the limited information currently available and, given the uncertainty of the timing and scope of the impact, are subject to change until final rulemaking is complete.

•The Financial Stability Oversight Council (“FSOC”): Will coordinate efforts of the primary U.S. financial regulatory agencies in establishing regulations to address financial stability concerns and will make recommendations to the FRB as to enhanced prudential standards that must apply to large, interconnected bank holding companies and nonbank financial companies supervised by the FRB under the Financial Reform Act, including capital, leverage, liquidity and risk management requirements. As a bank holding company with total consolidated assets exceeding $50 billion, Comerica will be subject to these enhanced prudential requirements.

•The Consumer Financial Protection Bureau (“CFPB“): Granted broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. Possesses examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets.

•Interest on Commercial Demand Deposits: Allows interest on commercial demand deposits, which could lead to increased cost of commercial demand deposits, depending on the interplay of interest, deposit credits and service charges.

•Unlimited Deposit Insurance Extension: Provides unlimited deposit insurance on noninterest-bearing accounts from December 31, 2010 to December 31, 2012.

•Deposit Insurance: Changed the definition of assessment base from domestic deposits to net assets (average consolidated total assets less average tangible equity), increased the deposit insurance fund's minimum reserve ratio and permanently increased general deposit insurance coverage from $100,000 to $250,000.

•Derivatives: Created a new framework for the regulation of OTC derivatives activities. Allows continued trading of foreign exchange and interest rate derivatives, but requires banks to shift energy, uncleared commodities and agriculture derivatives to a separately capitalized subsidiary within their holding company.

•Interchange Fee: Limits debit card transaction processing fees that card issuers can charge to merchants to an amount reasonable and proportional to the actual cost of a transaction to the issuer.

•Trust Preferred Securities: Prohibits bank holding companies with more than $15 billion in assets from including trust preferred securities as Tier 1 capital, and allows for a phase-in period of three years, beginning January 1, 2013. As of December 31, 2011, Comerica had $29 million of remaining trust preferred securities outstanding. Comerica called $4 million of the trust preferred securities effective January 7, 2012

•The Volcker Rule: Broadly restricts banking entities from engaging in proprietary trading and private fund sponsorship and investment activities and generally requires full compliance with the new restrictions by July 2014.

The Financial Reform Act also:

•Requires that publicly traded companies give stockholders a non-binding vote on executive compensation and “golden parachute” payments;

•Weakens the federal preemption rules that have been applicable for national banks and gives state attorneys general the ability to enforce federal consumer protection laws;

•Requires creation of “living wills” describing the company's strategy for rapid and orderly resolution in bankruptcy during times of financial distress; and

•Establishes the Office of Financial Research (“OFR”) to serve the FSOC and the public by improving the quality, transparency, and accessibility of financial data and information, by conducting and sponsoring research related to financial stability, and by promoting best practices in risk management.

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The environment in which financial institutions will operate after the recent financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, and changes in fiscal policy may have long-term effects on the business model and profitability of financial institutions that cannot now be foreseen. The Financial Reform Act will have important implications for Comerica and the entire financial services industry. As the Financial Reform Act requires that many studies be conducted and that hundreds of regulations be written in order to fully implement it, the full impact of this legislation on Comerica, its business strategies, and financial performance cannot be known at this time, and may not be known for a number of years.

Other Recent Legislative and Regulatory Developments

Overdraft Fees. On November 12, 2009, the Federal Reserve adopted amendments to its Regulation E, effective July 1, 2010, that prohibit financial institutions from charging clients overdraft fees on automated teller machines (“ATM”) and one-time debit card transactions, unless a consumer consents, or opts in, to the overdraft service for those type of transactions. Pursuant to the adopted regulation, clients must opt-in to an overdraft service in order for the financial institution to collect overdraft fees. If a consumer does not opt in, any ATM transaction or debit that overdraws the consumer's account will be denied. Overdrafts on the payment of checks and regular electronic bill payments are not covered by this rule. Before opting in, the consumer must be provided a notice that explains the financial institution's overdraft services, including the fees associated with the service, and the consumer's choices. Financial institutions must provide consumers who do not opt in with the same account terms, conditions and features (including pricing) that they provide to consumers who do opt in.

Financial Crisis Responsibility Fee. On January 14, 2010, the current administration announced a proposal to impose a fee (the “Financial Crisis Responsibility Fee”) on those financial institutions that benefited from recent actions taken by the U.S. government to stabilize the financial system. If implemented as initially proposed, the Financial Crisis Responsibility Fee will be applied to firms with over $50 billion in consolidated assets, and, therefore, by its terms would apply to Comerica. The Financial Crisis Responsibility Fee was not included in the Financial Reform Act. On February 14, 2011, the administration included a revised Financial Crisis Responsibility Fee in its proposed fiscal 2012 budget. On February 1, 2012, the Obama administration proposed to use a portion of the Financial Crisis Responsibility Fee to provide certain eligible homeowners who are current on their mortgage payments with an opportunity to refinance.

Incentive-Based Compensation. In June 2010, the FRB, OCC and FDIC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. The Federal Reserve will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

On April 14, 2011, FRB, OCC and several other federal financial regulators approved a joint proposed rulemaking to implement Section 956 of the Financial Reform Act. Section 956 prohibits incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions and are deemed to be excessive, or that may lead to material losses. This proposal is consistent with and builds on the final guidance issued by the banking agencies in June 2010. Consistent with the Financial Reform Act, the proposed rule does not apply to

banks with total consolidated assets of less than $1 billion, and contains heightened standards for institutions with $50 billion or more in total consolidated assets, which includes Comerica. For these larger institutions, the proposed rule requires that at least 50 percent of incentive-based payments be deferred for a minimum of three years for designated executives. Moreover, boards of directors of these larger institutions must identify employees who individually have the ability to expose the institution to substantial risk, and must determine that the incentive compensation for these employees appropriately balances risk and rewards according to enumerated standards.
Basel III: Regulatory Capital and Liquidity Regime. In December 2010, the Basel Committee on Banking Supervision issued a framework for strengthening international capital and liquidity regulation ("Basel III"). The Basel III capital framework includes higher global minimum capital standards, including a more stringent definition of capital, new capital conservation buffers and a minimum Tier 1 common capital ratio. The Basel III capital framework also proposes the

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deduction of certain assets from capital, including deferred tax assets and mortgage servicing rights, among others and within prescribed limitations, as well as the inclusion of other comprehensive income in capital and increased capital requirements for counterparty credit risk Rules are expected to be implemented between 2013 and 2019. Adoption in the U.S. is expected to occur over a similar timeframe, but the final form of the U.S. rules is not yet known.

The Basel III liquidity framework includes two minimum liquidity measures. The Liquidity Coverage Ratio requires a financial institution to hold a buffer of high-quality, liquid assets to fully cover net cash outflows under a 30-day systematic liquidity stress scenario. The Net Stable Funding Ratio requires the amount of available longer-term, stable sources of funding to be at least 100 percent of the required amount of longer-term stable funding over a one-year period. Comerica's liquidity position is strong, but if subject to the Basel III liquidity framework as currently proposed, Comerica would need to implement additional liquidity management initiatives. While uncertainty exists in both the final form of the Basel III guidance and whether or not Comerica will be required to adopt the guidelines, Comerica is closely monitoring the development of the guidance. Comerica expects to meet the final requirements adopted by U.S. banking regulators within regulatory timelines.

Interchange Fees. On July 20, 2011, the FRB published final rules pursuant to the Financial Reform Act establishing the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction as the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction. The restrictions on interchange transaction fees do not apply to issuers with assets of less than $10 billion.

The Volcker Rule. The federal banking agencies and the SEC published proposed regulations to implement the Volcker Rule on November 7, 2011. The proposal adopts a multi-faceted approach to implementing the Volcker Rule prohibitions that relies on: (i) detailed descriptions of prohibited and permitted activities; (ii) detailed compliance requirements; and (iii) for banking entities with large volumes of trading activity, detailed quantitative analysis and reporting obligations. In addition to rules implementing the core prohibitions and exemptions of the Volcker Rule, the proposal also includes three appendices devoted to recordkeeping and reporting requirements, including numerous quantitative data reporting obligations for banking entities with significant trading activities (Appendix A), detailed guidance regarding trading undertaken in connection with market making activities (Appendix B), and enhanced compliance requirements for banking entities with significant trading or covered fund activities (Appendix C). Comerica is closely monitoring the development of the Volcker Rule, and expects to meet the final requirements adopted by regulators within regulatory timelines.

Annual Capital Plans. On November 22, 2011, the FRB issued a final rule requiring top-tier U.S. bank holding companies with total consolidated assets of $50 billion or more to submit annual capital plans for review, and issued instructions regarding stress testing as part of the 2012 Capital Plan Review program. Under the rule, the FRB will annually evaluate institutions' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions, such as dividend payments or stock repurchases. As required, Comerica submitted its capital plan to the FRB on January 9, 2012, and expects to receive the results of the FRB's review of the plan by mid-March.

Enhanced Prudential Requirements. On December 20, 2011, the FRB issued its proposed regulations to implement the enhanced prudential and supervisory requirements mandated by the Financial Reform Act. The proposed regulations address enhanced risk-based capital and leverage requirements, enhanced liquidity requirements, enhanced risk management and risk committee requirements, single-counterparty credit limits, semiannual stress tests, and a debt-to-equity limit for companies determined to pose a grave threat to financial stability. They are intended to allow regulators to more effectively supervise large bank holding companies and nonbank financial firms whose failure could impact the stability of the US financial system, and generally build on existing US and international regulatory guidance. The proposal also takes a multi-stage or phased approach to many of the requirements (such as the capital and liquidity requirements). Most of these requirements will apply to Comerica because it has consolidated assets of more than $50 billion. However, the proposal defers several key aspects of the new enhanced requirements to future proposals. As a result, the full impact of these enhanced standards on Comerica and its competitors cannot yet be fully assessed.

OFR Assessments. On January 3, 2012, the Department of the Treasury published proposed regulations to implement, beginning July 20, 2012, a semi-annual assessment scheme for covering expenses of the OFR based on the asset size

of each assessed company as of the end of the preceding year.

Future Legislation and Regulatory Measures

Changes to the laws of the states and countries in which Comerica and its subsidiaries do business could affect the operating environment of bank holding companies and their subsidiaries in substantial and unpredictable ways. Moreover, in light of recent events and current conditions in the U.S. financial markets and economy, Congress and regulators have continued to increase their focus on the regulation of the financial services industry. Comerica cannot accurately predict

whether legislative changes will occur or, if they occur, the ultimate effect they would have upon the financial condition or results of operations of Comerica.

UNDERWRITING APPROACH

The loan portfolio is a primary source of profitability and risk, so proper loan underwriting is critical to Comerica's long-term financial success. Comerica extends credit to businesses, individuals and public entities based on sound lending principles and consistent with prudent banking practice. During the loan underwriting process, a qualitative and quantitative analysis of potential credit facilities is performed, and the credit risks associated with each relationship are evaluated. Important factors considered as part of the underwriting process for new loans and loan renewals include:

- People: Including the competence, integrity and succession planning of customers;
- Purpose: The legal, logical and productive purposes of the credit facility;
- Payment: Including the source, timing and probability of payment;
- Protection: Including obtaining alternative sources of repayment, securing the loan, as appropriate, with collateral and/or third-party guarantees and ensuring appropriate legal documentation is obtained.
- Perspective: The risk/reward relationship and pricing elements (cost of funds; servicing costs; time value of money; credit risk).

Comerica prices credit facilities to reflect risk, the related costs and the expected return, while maintaining competitiveness with other financial institutions. Loans with variable and fixed rates are underwritten to achieve expected risk-adjusted returns on the credit facilities and for the full relationship including the borrower's ability to repay the principal and interest based on such rates.

Credit Administration

Comerica maintains a Credit Administration Department ("Credit Administration") which is responsible for the oversight and monitoring of our loan portfolio. Credit Administration assists with underwriting by providing objective financial analysis, including an assessment of the borrower's business model, balance sheet, cash flow and collateral. Each borrower relationship is assigned an internal risk rating by Credit Administration. Further, Credit Administration updates the assigned internal risk rating for every borrower relationship as new information becomes available, either as a result of periodic reviews of the credit quality or as a result of a change in borrower performance. The goal of the internal risk rating framework is to improve Comerica's risk management capability, including its ability to identify and manage changes in the credit risk profile of its portfolio, predict future losses and price the loans appropriately for risk.

Credit Policy

Comerica maintains a comprehensive set of credit policies. Comerica's credit policies provide individual loan officers, as well as loan committees, approval authorities based on our internal risk rating system and establish maximum exposure limits based on risk ratings and Comerica's legal lending limit. Credit Administration, in conjunction with the businesses units, monitors compliance with the credit policies and modifies the existing policies as necessary. New or modified policies/guidelines require approval by the Strategic Credit Committee, chaired by Comerica's Chief Credit Officer and comprising senior credit, market and risk management executives.

Commercial Loan Portfolio

Commercial loans are underwritten using a comprehensive analysis of the borrower's operations. The underwriting process includes an analysis of some or all of the factors listed below:

- The borrower's business model.
- Periodic review of financial statements including financial statements audited by an independent certified public accountant when appropriate.
- The pro-forma financial condition including financial projections.
- The borrower's sources and uses of funds.

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- The borrower's debt service capacity.
- The guarantor's financial strength.
- A comprehensive review of the quality and value of collateral, including independent third-party appraisals of machinery and equipment and commercial real estate, as appropriate, to determine the advance rates.
- Physical inspection of collateral and audits of receivables, as appropriate.

Commercial Real Estate (CRE) Loan Portfolio

Comerica's CRE loan portfolio consists of real estate construction and commercial mortgage loans and includes both loans to real estate investors and developers, and loans secured by owner-occupied real estate. Comerica's CRE loan underwriting policies are consistent with the approach described above and provide maximum loan-to-value ratios that limit the size of a loan to a maximum percentage of the value of the real estate collateral securing the loan. The loan-to-value percentage varies by the type of collateral and is limited by advance rates established by our regulators. Our loan-to-value limitations are, in certain cases, more restrictive than those required by regulators and are influenced by other risk factors such as the financial strength of the borrower or guarantor, the equity provided to the project and the viability of the project itself. CRE loans generally require cash equity. CRE loans are normally originated with full recourse or limited recourse to all principals and owners. There are limitations to the size of a single project loan and to the aggregate dollar exposure to a single guarantor.

Consumer and Residential Mortgage Loan Portfolios

Comerica's consumer and residential mortgage loans are originated consistent with the underwriting approach described above, but also includes an assessment of each borrower's personal financial condition, including a review of credit reports and related FICO scores and verification of income and assets. Comerica does not originate subprime loan programs. Although a standard industry definition for subprime loans (including subprime mortgage loans) does not exist, Comerica defines subprime loans as specific product offerings for higher risk borrowers, including individuals with one or a combination of high credit risk factors. These credit factors include low FICO scores, poor patterns of payment history, high debt-to-income ratios and elevated loan-to-value. We consider subprime FICO scores to be those below 620 on a secured basis (excluding loans with cash or near-cash collateral and adequate income to make payments) and below 660 for unsecured loans. Residential mortgage loans retained in the portfolio are largely relationship based. The remaining loans are typically eligible to be sold on the secondary market. Adjustable rate loans are limited to standard conventional loan programs.

EMPLOYEES

As of December 31, 2011, Comerica and its subsidiaries had 9,037 full-time and 720 part-time employees.

AVAILABLE INFORMATION

Comerica maintains an Internet website at www.comerica.com where the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports are available without charge, as soon as reasonably practicable after those reports are filed with or furnished to the SEC. The Code of Business Conduct and Ethics for Employees, the Code of Business Conduct and Ethics for Members of the Board of Directors and the Senior Financial Officer Code of Ethics adopted by Comerica are also available on the Internet website and are available in print to any shareholder who requests them. Such requests should be made in writing to the Corporate Secretary at Comerica Incorporated, Comerica Bank Tower, 1717 Main Street, MC 6404, Dallas, Texas 75201.

Item 1A. Risk Factors.

This report includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. In addition, Comerica may make other written and oral communications from time to time that contain such statements. All statements regarding Comerica's expected financial position, strategies and growth prospects and general economic conditions Comerica expects to exist in the future are forward-looking statements. The words, "anticipates," "believes," "feels," "expects," "estimates," "seeks," "strives," "plans," "intends," "outlook," "forecast," "position," "target," "mission," "a "potential," "strategy," "goal," "aspiration," "opportunity," "initiative," "outcome," "continue," "remain," "maintain," "on cour "trend," "objective," "looks forward" and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions, as they relate to Comerica or its management, are intended to identify forward-looking statements.

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Comerica cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date the statement is made, and Comerica does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.
In addition to factors mentioned elsewhere in this Report or previously disclosed in Comerica's SEC reports (accessible on the SEC's website at www.sec.gov or on Comerica's website at www.comerica.com), the factors contained below, among others, could cause actual results to differ materially from forward-looking statements, and future results could differ materially from historical performance.

- General political, economic or industry conditions, either domestically or internationally, may be less favorable than expected.

Local, domestic, and international economic, political and industry specific conditions affect the financial services industry, directly and indirectly. Conditions such as or related to inflation, recession, unemployment, volatile interest rates, international conflicts and other factors, such as real estate values, energy costs, fuel prices, state and local municipal budget deficits, the European debt crisis and government spending and the U.S. national debt, outside of our control may, directly and indirectly, adversely affect Comerica. As has been the case with the impact of recent economic conditions, economic downturns could result in the delinquency of outstanding loans, which could have a material adverse impact on Comerica's earnings.

- Governmental monetary and fiscal policies may adversely affect the financial services industry, and therefore impact Comerica's financial condition and results of operations.

Monetary and fiscal policies of various governmental and regulatory agencies, in particular the Federal Reserve Board, affect the financial services industry, directly and indirectly. The Federal Reserve Board regulates the supply of money and credit in the United States and its monetary and fiscal policies determine in a large part Comerica's cost of funds for lending and investing and the return that can be earned on such loans and investments. Changes in such policies, including changes in interest rates, will influence the origination of loans, the value of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits. Changes in monetary and fiscal policies are beyond Comerica's control and difficult to predict. Comerica's financial condition and results of operations could be materially adversely impacted by changes in governmental monetary and fiscal policies.

- Volatility and disruptions in global capital and credit markets may adversely impact Comerica's business, financial condition and results of operations.

Global capital and credit markets are sometimes subject to periods of extreme volatility and disruption. Disruptions, uncertainty or volatility in the capital and credit markets may limit Comerica's ability to access capital and manage liquidity, which may adversely affect Comerica's business, financial condition and results of operations. Further, Comerica's customers may be adversely impacted by such conditions, which could have a negative impact on Comerica's business, financial condition and results of operations.

- Any reduction in our credit rating could adversely affect Comerica and/or the holders of its securities.

Rating agencies regularly evaluate Comerica, and their ratings are based on a number of factors, including Comerica's financial strength as well as factors not entirely within its control, including conditions affecting the financial services industry generally. There can be no assurance that Comerica will maintain its current ratings. In December 2011, Moody's Investors Service placed Comerica on review for a possible downgrade. A downgrade to Comerica or its subsidiaries' credit ratings could affect its ability to access the capital markets, increase its borrowing costs and negatively impact its profitability. A ratings downgrade to Comerica, its subsidiaries or their securities could also create obligations or liabilities to Comerica under the terms of its outstanding securities that could increase Comerica's costs or otherwise have a negative effect on Comerica's results of operations or financial condition. Additionally, a downgrade of the credit rating of any particular security issued by Comerica or its subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

- The soundness of other financial institutions could adversely affect Comerica.

Comerica's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of

trading, clearing, counterparty or other relationships. Comerica has exposure to many different industries and counterparties, and it routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led, and may further lead, to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions could expose Comerica to credit risk in the event of default of its counterparty or client. In addition, Comerica’s credit risk may be impacted when the collateral held by it cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to Comerica. There is no assurance that any such losses would not adversely affect, possible materially in nature, Comerica.

•Changes in regulation or oversight may have a material adverse impact on Comerica's operations.

Comerica is subject to extensive regulation, supervision and examination by the U.S. Treasury, the Texas Department of Banking, the FDIC, the FRB, the SEC and other regulatory bodies. Such regulation and supervision governs the activities in which Comerica may engage. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on Comerica's operations, investigations and limitations related to Comerica's securities, the classification of Comerica's assets and determination of the level of Comerica's allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material adverse impact on Comerica's business, financial condition or results of operations.

In particular, Congress and other regulators have recently increased their focus on the regulation of the financial services industry:

During the second quarter of 2009, the FDIC levied an industry-wide special assessment charge on insured financial institutions as part of the agency's efforts to rebuild DIF. In November 2009, the FDIC amended regulations that required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010-2012. The prepaid assessments will be applied against future quarterly assessments (as they may be so revised) until the prepaid assessment is exhausted or the balance of the prepayment is returned, whichever occurs first. The FDIC is not precluded from changing assessment rates or from further revising the risk-based assessment system during the prepayment period or thereafter. Thus, Comerica may also be required to pay significantly higher FDIC insurance assessments premiums in the future because market developments significantly depleted DIF and reduced the ratio of reserves to insured deposits. Additional information on the impact of the FDIC's risk-based deposit premium assessment system is presented in “FDIC Insurance Assessments” in the “Supervisory and Regulation” section.

On January 14, 2010, the current administration announced a proposal to impose a Financial Crisis Responsibility Fee on those financial institutions that benefited from recent actions taken by the U.S. government to stabilize the financial system. If implemented as initially proposed, the Financial Crisis Responsibility Fee will be applied to firms with over $50 billion in consolidated assets, and, therefore, by its terms would apply to Comerica. On February 14, 2011, the administration included a revised Financial Crisis Responsibility Fee in its proposed fiscal 2012 budget. On February 1, 2012, the Obama administration proposed to use a portion of the Financial Crisis Responsibility Fee to provide certain eligible homeowners who are current on their mortgage payments with an opportunity to refinance.

On July 21, 2010, the Financial Reform Act was signed into law. The Financial Reform Act implements a variety of far-reaching changes and has been called the most sweeping reform of the financial services industry since the 1930s. Many of the provisions of the Financial Reform Act will directly affect or have directly affected Comerica's ability to conduct its business, including, but not limited to:

•Creation of the FSOC that may recommend to the FRB enhanced prudential standards, including increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;

•Application of the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies, such as Comerica, which, among other things, will, after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company's Tier

1 capital;

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•Increases in the FDIC assessment for depository institutions with assets of $10 billion or more, such as Comerica Bank, and increases the minimum reserve ratio for the FDIC's Deposit Insurance Fund from 1.15% to 1.35%;
•Repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;
•Establishment of a CFPB with broad authority to implement new consumer protection regulations and, for bank holding companies with $10 billion or more in assets, to examine and enforce compliance with federal consumer laws;
•Restrictions on banking entities from engaging in proprietary trading and private fund sponsorship and investment activities;
•Created a new framework for the regulation of OTC derivatives activities; and
•Enactment of rules limiting debit-card interchange fees.

Additional information on the changes to interchange fees, the Volcker Rule and enhanced prudential requirements is set forth in "Other Recent Legislative and Regulatory Developments" of the "Supervisory and Regulation" section. For more information on the Financial Reform Act, please refer to "The Dodd-Frank Wall Street Reform and Consumer Protection Act" of the "Supervision and Regulation" section above. Many provisions in the Financial Reform Act remain subject to regulatory rule-making and implementation, the effects of which are not yet known.

The BCBS issued the Basel III capital framework in December 2010, which significantly increases regulatory capital requirements. The Basel III capital standards, as well as strict new liquidity requirements adopted by the BCBS, will be phased in over a period of several years and are now subject to individual adoption by member nations, including the United States. Further information concerning the Basel III framework is set forth in "Other Recent Legislative and Regulatory Developments" of the "Supervisory and Regulation" section.

On November 22, 2011, the FRB issued a final rule requiring top-tier U.S. bank holding companies with total consolidated assets of $50 billion or more to submit annual capital plans for review, and issued instructions regarding stress testing as part of the 2012 Capital Plan Review program. Under the rule, the FRB will annually evaluate institutions' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions, such as dividend payments or stock repurchases. As required, Comerica submitted its capital plan to the FRB on January 9, 2012, and expects to receive the results of the FRB's review of the plan by mid-March.

On January 3, 2012, the Department of the Treasury published proposed regulations to implement, beginning July 20, 2012, a semi-annual assessment scheme for covering expenses of the OFR based on the asset size of each assessed company as of the end of the preceding year.

The effects of such recently enacted legislation and regulatory actions on Comerica cannot reliably be fully determined at this time. Moreover, as some of the legislation and regulatory actions previously implemented in response to the recent financial crisis expire, the impact of the conclusion of these programs on the financial sector and on the economic recovery is unknown. Any delay in the economic recovery or a worsening of current financial market conditions could adversely affect Comerica. We can neither predict when or whether future regulatory or legislative reforms will be enacted nor what their contents will be. The impact of any future legislation or regulatory actions on Comerica's businesses or operations cannot be reliably determined at this time, and such impact may adversely affect Comerica.

•Unfavorable developments concerning credit quality could adversely affect Comerica's financial results.

Although Comerica regularly reviews credit exposure related to its customers and various industry sectors in which it has business relationships, default risk may arise from events or circumstances that are difficult to detect or foresee. Under such circumstances, Comerica could experience an increase in the level of provision for credit losses, nonperforming assets, net charge-offs and reserve for credit losses, which could adversely affect Comerica's financial results.

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- Comerica’s acquisition of Sterling or any future strategic acquisitions or divestitures may present certain risks to Comerica’s business and operations.

Comerica completed the acquisition of Sterling on July 28, 2011, and completed systems integrations on November 14, 2011. Difficulties in capitalizing on the opportunities presented by the Sterling acquisition may prevent Comerica from fully achieving the expected benefits from the acquisition, or may cause the achievement of such expectations to take longer to realize than expected.
Further, the assimilation of Comerica's and Sterling's customers and markets could result in higher than expected deposit attrition, loss of key employees, disruption of Comerica's businesses or the businesses of Sterling or otherwise adversely affect Comerica's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. These matters could have an adverse effect on Comerica for an undetermined period. Comerica will be subject to similar risks and difficulties in connection with any future acquisitions or decisions to downsize, sell or close units or otherwise change the business mix of the Corporation.

- Compliance with more stringent capital and liquidity requirements may adversely affect Comerica.

As discussed above, the Financial Reform Act creates a FSOC that may recommend to the FRB enhanced capital requirements for financial institutions as they grow in size and complexity and imposes higher risk-based capital and leverage requirements, which, among other things, will, after a three-year phase-in period beginning in January 1, 2013, remove trust preferred securities as a permitted component of Tier 1 capital. Moreover, the capital requirements applicable to us as a bank holding company as well as to our subsidiary banks are in the process of being substantially revised, in connection with Basel III and the requirements of the Financial Reform Act. These requirements, and any other new regulations, could adversely affect Comerica's ability to pay dividends, or could require Comerica to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition and/or existing shareholders. The liquidity requirements applicable to Comerica as a bank holding company as well as to our subsidiary banks also are in the process of being substantially revised, in connection with recently proposed supervisory guidance, Basel III and the requirements of the Financial Reform Act. In light of these new legal and regulatory requirements, Comerica and our subsidiary banks may be required to satisfy additional, more stringent, liquidity standards, including, for the first time, quantitative standards for liquidity management. We cannot fully predict at this time the final form of, or the effects of, these regulations. Additional information on the liquidity requirements applicable to Comerica is set forth in the “Supervision and Regulation” section.
The ultimate impact of the new capital and liquidity standards cannot be determined at this time and will depend on a number of factors, including treatment and implementation by the U.S. banking regulators. However, maintaining higher levels of capital and liquidity may reduce Comerica's profitability and otherwise adversely affect its business, financial condition, or results of operations.

- Declines in the businesses or industries of Comerica's customers could cause increased credit losses, which could adversely affect Comerica.

Comerica's business customer base consists, in part, of customers in volatile businesses and industries such as the energy industry, the automotive production industry and the real estate business. These industries are sensitive to global economic conditions and supply chain factors. Any decline in one of those customers' businesses or industries could cause increased credit losses, which in turn could adversely affect Comerica.

- The introduction, implementation, withdrawal, success and timing of business initiatives and strategies, including, but not limited to, the opening of new banking centers, may be less successful or may be different than anticipated, which could adversely affect Comerica’s business.

Comerica makes certain projections and develops plans and strategies for its banking and financial products. If Comerica does not accurately determine demand for its banking and financial product needs, it could result in Comerica incurring significant expenses without the anticipated increases in revenue, which could result in a material adverse effect on its business.

- Proposed revenue enhancements and efficiency improvements may not be achieved.

Comerica has announced a 2012 profit improvement plan that focuses on revenue enhancements and expense reduction initiatives. The estimates and assumptions underlying the profit improvement plan may or may not prove to be accurate in some respects. Additionally, Comerica's 2012 performance is subject to the various risks inherent to its

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business and operations. There may be delays in the anticipated timing of activities related to our cost savings plans and higher than expected or unanticipated costs to implement them, and some benefits may not be fully achieved. Furthermore, the implementation of the profit improvement plan may have unintended impacts on Comerica's ability to attract and retain business and customers, while revenue enhancement ideas may not be successful in the marketplace. Accordingly, Comerica's results of operations and profitability may be negatively impacted, making it less competitive and potentially causing the loss of market share.

- Comerica may not be able to utilize technology to efficiently and effectively develop, market, and deliver new products and services to its customers.

The financial services industry experiences rapid technological change with regular introductions of new technology-driven products and services. The efficient and effective utilization of technology enables financial institutions to better serve customers and to reduce costs. Comerica's future success depends, in part, upon its ability to address the needs of its customers by using technology to market and deliver products and services that will satisfy customer demands, meet regulatory requirements, and create additional efficiencies in Comerica's operations. Comerica may not be able to effectively develop new technology-driven products and services or be successful in marketing or supporting these products and services to its customers, which could have a material adverse impact on Comerica's financial condition and results of operations.

- Operational difficulties, failure of technology infrastructure or information security incidents could adversely affect Comerica's business and operations.

Comerica is exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, failure of Comerica's controls and procedures and unauthorized transactions by employees or operational errors, including clerical or recordkeeping errors or those resulting from computer or telecommunications systems malfunctions. Given the high volume of transactions at Comerica, certain errors may be repeated or compounded before they are identified and resolved.

In particular, Comerica's operations rely on the secure processing, storage and transmission of confidential and other information on its technology systems and networks. Any failure, interruption or breach in security of these systems could result in failures or disruptions in Comerica's customer relationship management, general ledger, deposit, loan and other systems.

Comerica also faces the risk of operational disruption, failure or capacity constraints due to its dependency on third party vendors for components of its business infrastructure. While Comerica has selected these third party vendors carefully, it does not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect Comerica's business and operations.

Comerica may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses, cyberattacks, spikes in transaction volume and/or customer activity, electrical or telecommunications outages, or natural disasters. Although Comerica has programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality, integrity, and availability of its systems, business applications and customer information, such disruptions may give rise to interruptions in service to customers and loss or liability to Comerica.

The occurrence of any failure or interruption in Comerica's operations or information systems, or any security breach, could cause reputational damage, jeopardize the confidentiality of customer information, result in a loss of customer business, subject Comerica to regulatory intervention or expose it to civil litigation and financial loss or liability, any of which could have a material adverse effect on Comerica.

- Changes in the financial markets, including fluctuations in interest rates and their impact on deposit pricing, could adversely affect Comerica’s net interest income and balance sheet.

The operations of financial institutions such as Comerica are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Prevailing economic conditions, the trade, fiscal and monetary policies of the federal government and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which in turn significantly affect financial institutions’ net interest income. Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as federal

government and corporate securities and other investment vehicles, which, because of the absence of federal insurance

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premiums and reserve requirements, generally pay higher rates of return than financial institutions. Comerica's financial results could be materially adversely impacted by changes in financial market conditions.

- Competitive product and pricing pressures among financial institutions within Comerica's markets may change.

Comerica operates in a very competitive environment, which is characterized by competition from a number of other financial institutions in each market in which it operates. Comerica competes with large national and regional financial institutions and with smaller financial institutions in terms of products and pricing. If Comerica is unable to compete effectively in products and pricing in its markets, business could decline, which could have a material adverse effect on Comerica's business, financial condition or results of operations.

- Changes in customer behavior may adversely impact Comerica's business, financial condition and results of operations.

Comerica uses a variety of financial tools, models and other methods to anticipate customer behavior as a part of its strategic planning and to meet certain regulatory requirements. Individual, economic, political, industry-specific conditions and other factors outside of Comerica's control, such as fuel prices, energy costs, real estate values or other factors that affect customer income levels, could alter predicted customer borrowing, repayment, investment and deposit practices. Such a change in these practices could materially adversely affect Comerica's ability to anticipate business needs and meet regulatory requirements.

Further, as we have seen recently, difficult economic conditions may negatively affect consumer confidence levels. A decrease in consumer confidence levels would likely aggravate the adverse effects of these difficult market conditions on Comerica, Comerica's customers and others in the financial institutions industry.

- Management's ability to maintain and expand customer relationships may differ from expectations.

The financial services industry is very competitive. Comerica not only vies for business opportunities with new customers, but also competes to maintain and expand the relationships it has with its existing customers. While management believes that it can continue to grow many of these relationships, Comerica will continue to experience pressures to maintain these relationships as its competitors attempt to capture its customers. Failure to create new customer relationships and to maintain and expand existing customer relationships to the extent anticipated may adversely impact Comerica's earnings.

- Management's ability to retain key officers and employees may change.

Comerica's future operating results depend substantially upon the continued service of its executive officers and key personnel. Comerica's future operating results also depend in significant part upon its ability to attract and retain qualified management, financial, technical, marketing, sales and support personnel. Competition for qualified personnel is intense, and Comerica cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions, and it may be increasingly difficult for Comerica to hire personnel over time.

Further, Comerica's ability to retain key officers and employees may be impacted by legislation and regulation affecting the financial services industry. On April 14, 2011, FRB, OCC and several other federal financial regulators approved a joint proposed rulemaking to implement Section 956 of the Financial Reform Act. Section 956 prohibits incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions and are deemed to be excessive, or that may lead to material losses. Consistent with the Financial Reform Act, the proposed rule does not apply to banks with total consolidated assets of less than $1 billion, and contains heightened standards for institutions with $50 billion or more in total consolidated assets, which includes Comerica. For these larger institutions, the proposed rule requires that at least 50 percent of incentive-based payments be deferred for a minimum of three years for designated executives. Moreover, boards of directors of these larger institutions must identify employees who individually have the ability to expose the institution to substantial risk, and must determine that the incentive compensation for these employees appropriately balances risk and rewards according to enumerated standards. Accordingly, Comerica may be at a disadvantage to offer competitive compensation as other financial institutions (as referenced above) may not be subject to the same requirements.

Comerica's business, financial condition or results of operations could be materially adversely affected by the loss of any of its key employees, or Comerica's inability to attract and retain skilled employees.

- Legal and regulatory proceedings and related matters with respect to the financial services industry, including those directly involving Comerica and its subsidiaries, could adversely affect Comerica or the financial services industry in general.

Comerica has been, and may in the future be, subject to various legal and regulatory proceedings. It is inherently difficult to assess the outcome of these matters, and there can be no assurance that Comerica will prevail in any proceeding or litigation. Any such matter could result in substantial cost and diversion of Comerica's efforts, which by itself could have a material adverse effect on Comerica's financial condition and operating results. Further, adverse determinations in such matters could result in actions by Comerica's regulators that could materially adversely affect Comerica's business, financial condition or results of operations.

- Methods of reducing risk exposures might not be effective.

Instruments, systems and strategies used to hedge or otherwise manage exposure to various types of credit, market and liquidity, operational, compliance, business risks and enterprise-wide risk could be less effective than anticipated. As a result, Comerica may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk, which could have a material adverse impact on Comerica's business, financial condition or results of operations.

- Terrorist activities or other hostilities may adversely affect the general economy, financial and capital markets, specific industries, and Comerica.

Terrorist attacks or other hostilities may disrupt Comerica's operations or those of its customers. In addition, these events have had and may continue to have an adverse impact on the U.S. and world economy in general and consumer confidence and spending in particular, which could harm Comerica's operations. Any of these events could increase volatility in the U.S. and world financial markets, which could harm Comerica's stock price and may limit the capital resources available to Comerica and its customers. This could have a material adverse impact on Comerica's operating results, revenues and costs and may result in increased volatility in the market price of Comerica's common stock.

- Catastrophic events, including, but not limited to, hurricanes, tornadoes, earthquakes, fires and floods, may adversely affect the general economy, financial and capital markets, specific industries, and Comerica.

Comerica has significant operations and a significant customer base in California, Texas, Florida and other regions where natural and other disasters may occur. These regions are known for being vulnerable to natural disasters and other risks, such as tornadoes, hurricanes, earthquakes, fires and floods. These types of natural catastrophic events at times have disrupted the local economy, Comerica's business and customers and have posed physical risks to Comerica's property. In addition, catastrophic events occurring in other regions of the world may have an impact on Comerica's customers and in turn, on Comerica. A significant catastrophic event could materially adversely affect Comerica's operating results.

- Changes in accounting standards could materially impact Comerica's financial statements.

From time to time accounting standards setters change the financial accounting and reporting standards that govern the preparation of Comerica's financial statements. These changes can be difficult to predict and can materially impact how Comerica records and reports its financial condition and results of operations. In some cases, Comerica could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to retained earnings.

- Comerica's accounting policies and processes are critical to the reporting of financial condition and results of operations. They require management to make estimates about matters that are uncertain.

Accounting policies and processes are fundamental to how Comerica records and reports the financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with U.S. GAAP. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in the Company reporting materially different results than would have been reported under a different alternative.

Management has identified certain accounting policies as being critical because they require management's judgment to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Comerica has established

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detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding management's judgments and the estimates pertaining to these matters, Comerica cannot guarantee that it will not be required to adjust accounting policies or restate prior period financial statements. See “Critical Accounting Policies” on pages F-43 through F-48 of the Financial Section of this report and Note 1 of the Notes to Consolidated Financial Statements located on pages F-55 through F-63 of the Financial Section of this report.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The executive offices of Comerica are located in the Comerica Bank Tower, 1717 Main Street, Dallas, Texas 75201. Comerica Bank leases five floors of the building, plus an additional 34,238 square feet on the building’s lower level, from an unaffiliated third party. The lease for such space used by Comerica and its subsidiaries extends through September 2023. Comerica's Michigan headquarters are located in a 10-story building in the central business district of Detroit, Michigan at 411 W. Lafayette, Detroit, Michigan 48226. Such building is owned by Comerica Bank. Comerica and its subsidiaries also leased 11 floors in the Comerica Tower at One Detroit Center, 500 Woodward Avenue, Detroit, Michigan 48226 through January 2012. As of December 31, 2011, Comerica, through its banking affiliates, operated a total of 575 banking centers, trust services locations, and loan production or other financial services offices, primarily in the States of Texas, Michigan, California, Florida and Arizona. Of these offices, 241 were owned and 334 were leased. As of December 31, 2011, affiliates also operated from leased spaces in Denver, Colorado; Wilmington, Delaware; Oakbrook Terrace, Illinois; Boston and Waltham, Massachusetts; Minneapolis, Minnesota; Morristown, New Jersey; Las Vegas, Nevada; New York, New York; Rocky Mount and Cary, North Carolina; Granville, Ohio; Memphis, Tennessee; Reston, Virginia; Bellevue and Seattle, Washington; Monterrey, Mexico; Toronto, Ontario, Canada and Windsor, Ontario, Canada. Comerica and its subsidiaries own, among other properties, a check processing center in Livonia, Michigan, and three buildings in Auburn Hills, Michigan, used mainly for lending functions and operations.

Item 3. Legal Proceedings.

Comerica and certain of its subsidiaries are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. Comerica believes it has meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management’s judgment as to what is in the best interests of Comerica and its shareholders. On at least a quarterly basis, Comerica assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. On a case-by-case basis, reserves are established for those legal claims for which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved. Based on current knowledge, and after consultation with legal counsel, management believes that current reserves are adequate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on Comerica’s consolidated financial condition, consolidated results of operations or consolidated cash flows. However, in the event of significant unexpected future developments on existing cases, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to Comerica's consolidated financial condition, consolidated results of operations or consolidated cash flows. For other matters, where a loss is not probable, Comerica has not established legal reserves. In determining whether it is possible to provide an estimate of loss or range of possible loss, Comerica reviews and evaluates its material litigation on an ongoing basis, in conjunction with legal counsel, in light of potentially relevant factual and legal developments. Based on current knowledge, expectation of future earnings, and after consultation with legal counsel, management believes the maximum amount of reasonably possible losses would not have a material adverse effect on Comerica's consolidated financial condition, consolidated results of operations or consolidated cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to Comerica's consolidated financial condition, consolidated results of operations or

consolidated cash flows.

The damages alleged by plaintiffs or claimants may be overstated, unsubstantiated by legal theory, unsupported by the facts, and/or bear no relation to the ultimate award that a court, jury or agency might impose. In view of the inherent difficulty of predicting the outcome of such matters, Comerica cannot state with confidence a range of reasonably possible losses, nor what the eventual outcome of these matters will be. However, based on current knowledge and after consultation with legal counsel, management believes the maximum amount of reasonably possible losses would not have a material adverse effect on

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Comerica's consolidated financial condition, consolidated results of operations or consolidated cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Holders of Common Stock

The common stock of Comerica Incorporated is traded on the New York Stock Exchange (NYSE Trading Symbol: CMA). At February 15, 2012, there were approximately 12,152 record holders of Comerica’s common stock.

Sales Prices and Dividends

Quarterly cash dividends were declared during 2011 and 2010 totaling $0.40 and $0.25 per common share per year, respectively. The following table sets forth, for the periods indicated, the high and low sale prices per share of Comerica’s common stock as reported on the NYSE Composite Transactions Tape for all quarters of 2011 and 2010, as well as dividend information.

Quarter	High	Low	Dividends Per Share	Dividend Yield*	
2011					
Fourth	$27.37	$21.53	$0.10	1.6	%
Third	35.79	21.48	0.10	1.4	
Second	39.00	33.08	0.10	1.1	
First	43.53	36.20	0.10	1.0	
2010					
Fourth	$43.44	$34.43	$0.10	1.0	%
Third	40.21	33.11	0.05	0.5	
Second	45.85	35.44	0.05	0.5	
First	39.36	29.68	0.05	0.6	

* Dividend yield is calculated by annualizing the quarterly dividend per share and dividing by an average of the high and low price in the quarter.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2011

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)	
Equity compensation plans approved by security holders(1)	18,803,549	$47.28	5,408,289	(2)(3)
Equity compensation plans not approved by security holders(4)	346,527	37.03	507,896	(5)
Total	19,150,076	$47.10	5,916,185	

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(1) Consists of options to acquire shares of common stock, par value $5.00 per share, issued under the Comerica Incorporated Amended and Restated 2006 Long-Term Incentive Plan ("2006 LTIP"), and Amended and Restated 1997 Long-Term Incentive Plan. Does not include 84,987 restricted stock units equivalent to shares of common stock issued under the Comerica Incorporated Amended and Restated Incentive Plan for Non-Employee Directors and outstanding as of December 31, 2011, or 1,948,260 shares of restricted stock and restricted stock units issued under the 2006 LTIP and outstanding as of December 31, 2011. There are no shares available for future issuances under any of these plans other than the Comerica Incorporated Incentive Plan for Non-Employee Directors and the 2006 LTIP. The Comerica Incorporated Incentive Plan for Non-Employee Directors was approved by the shareholders on May 18, 2004. The 2006 LTIP was approved by Comerica's shareholders on May 16, 2006, its amendment and restatement was approved by Comerica's shareholders on April 27, 2010 and its further amendment and restatement was approved by Comerica's Board of Directors on February 22, 2011.

(2) Does not include shares of common stock purchased or available for purchase by employees under the Amended and Restated Employee Stock Purchase Plan, or contributed or available for contribution by Comerica on behalf of the employees. The Amended and Restated Employee Stock Purchase Plan was ratified and approved by the shareholders on May 18, 2004. Five million shares of Comerica's common stock have been registered for sale or awards to employees under the Amended and Restated Employee Stock Purchase Plan. As of December 31, 2011, 1,981,930 shares had been purchased by or contributed on behalf of employees, leaving 3,018,070 shares available for future sale or awards. If the shares available for future sale or awards under the Employee Stock Purchase Plan were included, the number shown in column (c) under "Equity compensation plans approved by security holders" would be 8,426,359, and the number shown in column (c) under "Total" would be 8,934,255.

(3) These shares are available for future issuance under the 2006 LTIP in the form of options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards, under the Incentive Plan for Non-Employee Directors in the form of options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards. Under the 2006 LTIP, not more than a total of 4.7 million shares may be used for awards other than options and stock appreciation rights and not more than one million shares are available as incentive stock options. Further, no award recipient may receive more than 350,000 shares during any calendar year, and the maximum number of shares underlying awards of options and stock appreciation rights that may be granted to an award recipient in any calendar year is 350,000.

(4) Includes options to acquire shares of common stock, par value $5.00 per share, issued under the Amended and Restated Comerica Incorporated Stock Option Plan for Non-Employee Directors of Comerica Bank and Affiliated Banks (terminated March 2004). Also includes options to purchase 284,027 shares of common stock, par value $5.00 per share, that were assumed by Comerica in connection with its acquisition of Sterling, under whose plans the options were originally granted. The weighted-average option price of these assumed options was $32.82 at December 31, 2011.

(5) These shares are available for future issuance to legacy Sterling employees under the Amended and Restated Sterling Bancshares, Inc. 2003 Stock Incentive and Compensation Plan ("Sterling LTIP") in the form of options, restricted stock, performance awards, bonus shares, phantom shares and other stock-based awards. Under the Sterling LTIP, the maximum number of shares underlying awards of options, restricted stock, phantom shares and other stock-based awards that may be granted to an award recipient in any calendar year is 47,300, and the maximum amount of all performance awards that may be granted to an award recipient in any calendar year is $2,000,000. The Sterling LTIP was approved by Sterling's shareholders on April 28, 2003, and its amendment and restatement was approved by Sterling's shareholders on April 30, 2007.

Most of the equity awards made by Comerica during 2011 were granted under the shareholder-approved Amended and Restated 2006 Long-Term Incentive Plan.

Plans not approved by Comerica's shareholders include:

Amended and Restated Comerica Incorporated Stock Option Plan for Non-Employee Directors of Comerica Bank and Affiliated Banks (Terminated March 2004)—Under the plan, Comerica granted options to acquire up to 450,000 shares of common stock, subject to equitable adjustment upon the occurrence of events such as stock splits, stock dividends

or recapitalizations. After each annual meeting of shareholders, each member of the Board of Directors of a subsidiary bank of Comerica who was not an employee of Comerica or of any of its subsidiaries nor a director of Comerica (the "Eligible Directors") automatically was granted an option to purchase 2,500 shares of the common stock of Comerica. Option grants

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under the plan were in addition to annual retainers, meeting fees and other compensation payable to Eligible Directors in connection with their services as directors. The plan is administered by a committee of the Board of Directors. With respect to the automatic grants, the committee does not and did not have discretion as to matters such as the selection of directors to whom options will be granted, the timing of grants, the number of shares to become subject to each option grant, the exercise price of options, or the periods of time during which any option may be exercised. In addition to the automatic grants, the committee could grant options to the Eligible Directors in its discretion. The exercise price of each option granted was the fair market value of each share of common stock subject to the option on the date the option was granted. The exercise price is payable in full upon exercise of the option and may be paid in cash or by delivery of previously owned shares. The committee may change the option price per share following a corporate reorganization or recapitalization so that the aggregate option price for all shares subject to each outstanding option prior to the change is equivalent to the aggregate option price for all shares or other securities into which option shares have been converted or which have been substituted for option shares. The term of each option cannot be more than ten years. This plan was terminated by the Board of Directors on March 23, 2004. Accordingly, no new options may be granted under this plan.

Amended and Restated Sterling Bancshares, Inc. 2003 Stock Incentive and Compensation Plan. Under the plan, stock awards in the form of options, restricted stock, performance awards, bonus shares, phantom shares and other stock-based awards may be granted to legacy Sterling employees. The maximum number of shares underlying awards of options, restricted stock, phantom shares and other stock-based awards that may be granted to an award recipient in any calendar year is 47,300, and the maximum amount of all performance awards that may be granted to an award recipient in any calendar year is $2,000,000. Awards are generally subject to a vesting schedule specified in the grant documentation. The exercise price of each option granted will be no less than the fair market value of each share of common stock subject to the option on the date the option was granted. The term of each option cannot be more than ten years, and the applicable grant documentation specifies the extent to which options may be exercised during their respective terms, including in the event of an employee's death, disability or termination of employment. To the extent that an award terminates, expires, lapses or is settled in cash, the shares subject to the award may be used again with respect to new grants under the Sterling LTIP. However, shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligations may not be used again for grants under the Sterling LTIP Plan. The Sterling LTIP is administered by the Governance, Compensation and Nominating Committee of Comerica's Board of Directors.

For additional information regarding Comerica’s equity compensation plans, please refer to Note 17 on pages F-100 through F-101 of the Notes to Consolidated Financial Statements located in the Financial Section of this report.

Performance Graph

Our performance graph is available under the caption "Performance Graph" on page F-2 of the Financial Section of this report.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In November 2010, the Board of Directors of Comerica authorized the repurchase of up to 12.6 million shares of Comerica Incorporated outstanding common stock and authorized the purchase of up to all 11.5 million of Comerica’s original outstanding warrants. There is no expiration date for Comerica’s share repurchase program. There were no open market repurchases of common stock or warrants in 2010 and 2009.

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The following table summarizes Comerica’s share repurchase activity for the year ended December 31, 2011.

(shares in thousands)	Total Number of Shares and Warrants Purchased as Part of Publicly Announced Repurchase Plans or Programs	Remaining Repurchase Authorization (a)	Total Number of Shares Purchased (b)	Average Price Paid Per Share	Average Price Paid Per Warrant (c)
Total first quarter 2011	400	23,656	548	$39.40	$—
Total second quarter 2011	—	23,656	3	37.27	—
Total third quarter 2011	2,124	21,532	2,153	25.38	—
October 2011	440	21,092	457	25.17	—
November 2011	1,065	20,027	1,065	25.21	—
December 2011	80	19,947	81	25.92	—
Total fourth quarter 2011	1,585	19,947	1,603	25.23	—
Total 2011	4,109	19,947	4,307	27.12	—

(a) Maximum number of shares and warrants that may yet be purchased under the publicly announced plans or programs.

(b) Includes approximately 198,000 shares purchased in 2011 (including 18,303 shares in the quarter ended December 31, 2011) pursuant to deferred compensation plans and shares purchased from employees to pay for taxes related to restricted stock vesting under the terms of an employee share-based compensation plan. These transactions are not considered part of Comerica's repurchase program.

(c) Comerica made no repurchases of warrants under the repurchase program during 2011.

Item 6. Selected Financial Data.

Reference is made to the caption “Selected Financial Data” on page F-3 of the Financial Section of this report.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Reference is made to the sections entitled “2011 Overview and Key Corporate Initiatives,” "Results of Operations," "Strategic Lines of Business," "Balance Sheet and Capital Funds Analysis," "Risk Management," "Critical Accounting Policies," "Supplemental Financial Data" and "Forward-Looking Statements" on pages F-4 through F-50 of the Financial Section of this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Reference is made to the subheadings entitled “Market and Liquidity Risk,” “Operational Risk,” “Compliance Risk” and “Business Risk” on pages F-36 through F-42 of the Financial Section of this report.

Item 8. Financial Statements and Supplementary Data.

Reference is made to the sections entitled “Consolidated Balance Sheets,” "Consolidated Statements of Income," "Consolidated Statements of Changes in Stockholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," "Report of Management," "Reports of Independent Registered Public Accounting Firm," and "Historical Review" on pages F-51 through F-125 of the Financial Section of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, management, including the Chief Executive Officer and Chief

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Financial Officer, conducted an evaluation as of the end of the period covered by this Annual Report on Form 10-K, of the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Comerica's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Internal Control Over Financial Reporting

Management's annual report on internal control over financial reporting and the related attestation report of Comerica's registered public accounting firm are included on pages F-120 and F-121 in the Financial Section of this report.

As required by Rule 13a-15(d) of the Exchange Act, management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, Comerica's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that there has been no such change during the last quarter of the fiscal year covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, Comerica's internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant.

Comerica has a Senior Financial Officer Code of Ethics that applies to the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer and the Executive Vice President of Finance. The Senior Financial Officer Code of Ethics is available on Comerica's website at www.comerica.com. If any substantive amendments are made to the Senior Financial Officer Code of Ethics or if Comerica grants any waiver, including any implicit waiver, from a provision of the Senior Financial Officer Code of Ethics to the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer or the Executive Vice President of Finance, we will disclose the nature of such amendment or waiver on our website.

The remainder of the response to this item will be included under the sections captioned "Information About Nominees and Incumbent Directors," "Nominees for Class I Directors - Terms Expiring in 2013," "Nominees for Class III Directors - Terms Expiring in 2013," "Incumbent Class II Directors - Terms Expiring in 2013," "Committees and Meetings of Directors," "Committee Assignments," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 24, 2012, which sections are hereby incorporated by reference.

Item 11. Executive Compensation.

The response to this item will be included under the sections captioned "Compensation Committee Interlocks and Insider Participation," "Compensation of Executive Officers," "Compensation Discussion and Analysis," "Compensation of Directors," "Governance, Compensation and Nominating Committee Report," "2011 Summary Compensation Table," "2011 Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End 2011," "2011 Option Exercises and Stock Vested," "Pension Benefits at Fiscal Year-End 2011," "2011 Nonqualified Deferred Compensation," and "Potential Payments upon Termination or Change of Control at Fiscal Year-End 2011" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 24, 2012, which sections are hereby incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information called for by this item with respect to securities authorized for issuance under equity compensation plans is included under Part II, Item 5 of this Annual Report on Form 10-K.

The response to the remaining requirements of this item will be included under the sections captioned "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 24, 2012, which sections are hereby incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The response to this item will be included under the sections captioned "Director Independence and Transactions of Directors with Comerica," "Transactions of Executive Officers with Comerica," "Information about Nominees and Incumbent Directors," "Nominees for Class I Directors - Terms Expiring in 2013," Nominees for Class III Directors - Terms Expiring in 2013" and "Incumbent Class II Directors - Terms Expiring in 2013" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 24, 2012, which sections are hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services.

The response to this item will be included under the section captioned "Independent Auditors" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 24, 2012, which section is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as a part of this report:

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1. Financial Statements: The financial statements that are filed as part of this report are included in the Financial Section on pages F-51 through F-122.

2. All of the schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instruction, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable and therefore have been omitted.

3. Exhibits: The exhibits listed on the Exhibit Index on pages E-1 through E-5 of this Form 10-K are filed with this report or are incorporated herein by reference.

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PERFORMANCE GRAPH

The graph shown below compares the total returns (assuming reinvestment of dividends) of Comerica Incorporated common stock, the S&P 500 Index, and the Keefe Bank Index. The graph assumes $100 invested in Comerica Incorporated common stock (returns based on stock prices per the NYSE) and each of the indices on December 31, 2006 and the reinvestment of all dividends during the periods presented.
The performance shown on the graph is not necessarily indicative of future performance.

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SELECTED FINANCIAL DATA

(dollar amounts in millions, except per share data)

Years Ended December 31	2011 (a)	2010	2009	2008	2007
EARNINGS SUMMARY					
Net interest income	$1,653	$1,646	$1,567	$1,815	$2,003
Provision for loan losses	153	480	1,082	686	212
Noninterest income	792	789	1,050	893	888
Noninterest expenses	1,762	1,640	1,650	1,751	1,691
Provision (benefit) for income taxes	137	55	(131)	59	306
Income from continuing operations	393	260	16	212	682
Net income	393	277	17	213	686
Preferred stock dividends	—	123	134	17	—
Net income (loss) attributable to common shares	389	153	(118)	192	680
PER SHARE OF COMMON STOCK					
Diluted earnings per common share:					
Income (loss) from continuing operations	$2.09	$0.78	$(0.80)	$1.28	$4.40
Net income (loss)	2.09	0.88	(0.79)	1.28	4.43
Cash dividends declared	0.40	0.25	0.20	2.31	2.56
Common shareholders’ equity	34.80	32.82	32.27	33.38	34.12
Tangible common equity (b)	31.42	31.94	31.22	32.30	33.03
Market value	25.80	42.24	29.57	19.85	43.53
Average diluted shares (in millions)	186	173	149	149	154
YEAR-END BALANCES					
Total assets	$61,008	$53,667	$59,249	$67,548	$62,331
Total earning assets	55,506	49,352	54,558	62,374	57,448
Total loans	42,679	40,236	42,161	50,505	50,743
Total deposits	47,755	40,471	39,665	41,955	44,278
Total medium and long-term debt	4,944	6,138	11,060	15,053	8,821
Total common shareholders’ equity	6,868	5,793	4,878	5,023	5,117
Total shareholders’ equity	6,868	5,793	7,029	7,152	5,117
AVERAGE BALANCES					
Total assets	$56,917	$55,553	$62,809	$65,185	$58,574
Total earning assets	52,121	51,004	58,162	60,422	54,688
Total loans	40,075	40,517	46,162	51,765	49,821
Total deposits	43,762	39,486	40,091	42,003	41,934
Total medium and long-term debt	5,519	8,684	13,334	12,457	8,197
Total common shareholders’ equity	6,351	5,625	4,959	5,166	5,070
Total shareholders’ equity	6,351	6,068	7,099	5,442	5,070
CREDIT QUALITY					
Total allowance for credit losses	$752	$936	$1,022	$808	$578
Total nonperforming loans	887	1,123	1,181	917	404
Foreclosed property	94	112	111	66	19
Total nonperforming assets	981	1,235	1,292	983	423
Net credit-related charge-offs	328	564	869	472	153
Net credit-related charge-offs as a percentage of average total loans	0.82 %	1.39 %	1.88 %	0.91 %	0.31 %
Allowance for loan losses as a percentage of total period-end loans	1.70	2.24	2.34	1.52	1.10
	82	80	83	84	138

Allowance for loan losses as a percentage of total nonperforming loans					
RATIOS					
Net interest margin (fully taxable equivalent)	3.19 %	3.24 %	2.72 %	3.02 %	3.66 %
Return on average assets	0.69	0.50	0.03	0.33	1.17
Return on average common shareholders’ equity	6.18	2.74	(2.37)	3.79	13.52
Dividend payout ratio	18.96	27.78	n/m	179.07	57.53
Average common shareholders’ equity as a percentage of average assets	11.16	10.13	7.90	7.93	8.66
Tier 1 common capital as a percentage of risk-weighted assets (b)	10.37	10.13	8.18	7.08	6.85
Tier 1 capital as a percentage of risk-weighted assets	10.41	10.13	12.46	10.66	7.51
Tangible common equity as a percentage of tangible assets (b)	10.27	10.54	7.99	7.21	7.97

(a) Includes the impact of the acquisition of Sterling Bancshares, Inc., completed on July 28, 2011.
(b) See Supplemental Financial Data section for reconcilements of non-GAAP financial measures.
n/m - not meaningful.

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2011 OVERVIEW AND KEY CORPORATE INITIATIVES

Comerica Incorporated (the Corporation) is a financial holding company headquartered in Dallas, Texas. The Corporation's major business segments are the Business Bank, the Retail Bank and Wealth Management. The core businesses are tailored to each of the Corporation's four primary geographic markets: Midwest, Western, Texas and Florida.

The Business Bank meets the needs of middle market businesses, multinational corporations and governmental entities by offering various products and services, including commercial loans and lines of credit, deposits, cash management, capital market products, international trade finance, letters of credit, foreign exchange management services and loan syndication services.

The Retail Bank includes small business banking and personal financial services, consisting of consumer lending, consumer deposit gathering and mortgage loan origination. In addition to a full range of financial services provided to small business customers, this business segment offers a variety of consumer products, including deposit accounts, installment loans, credit cards, student loans, home equity lines of credit and residential mortgage loans.

Wealth Management offers products and services consisting of fiduciary services, private banking, retirement services, investment management and advisory services, investment banking and brokerage services. This business segment also offers the sale of annuity products, as well as life, disability and long-term care insurance products.

As a financial institution, the Corporation's principal activity is lending to and accepting deposits from businesses and individuals. The primary source of revenue is net interest income, which is principally derived from the difference between interest earned on loans and investment securities and interest paid on deposits and other funding sources. The Corporation also provides other products and services that meet the financial needs of customers and which generate noninterest income, the Corporation's secondary source of revenue. Growth in loans, deposits and noninterest income is affected by many factors, including economic conditions in the markets the Corporation serves, the financial requirements and economic health of customers, and the ability to add new customers and/or increase the number of products used by current customers. Success in providing products and services depends on the financial needs of customers and the types of products desired.

The accounting and reporting policies of the Corporation and its subsidiaries conform to U.S. generally accepted accounting principles (GAAP). The Corporation's consolidated financial statements are prepared based on the application of accounting policies, the most significant of which are described in Note 1 to the consolidated financial statements. The most critical of these significant accounting policies are discussed in the "Critical Accounting Policies" section of this financial review.

OVERVIEW (reflects the impact of the acquisition of Sterling Bancshares, Inc. (Sterling), completed on July 28, 2011)

- Net income was $393 million for 2011, an increase of $116 million, or 42 percent, compared to $277 million for 2010. Net income attributable to common shares was $389 million for 2011, compared to $153 million for 2010. No preferred stock dividends were included in net income attributable to common shares in 2011. In 2010, preferred stock dividends reduced net income attributed to common shares by $123 million. Net income per diluted common share was $2.09 for 2011, compared to $0.88 for 2010. The most significant items contributing to the increase in net income are described below.
- The provision for loan losses decreased $327 million in 2011, compared to 2010, resulting from improvements in credit quality. Improvements in credit quality included a reduction of $1.1 billion to the Corporation's internal watch list loans from December 31, 2010 to December 31, 2011. Additional indicators of improved credit quality included a $353 million decrease in the inflow to nonaccrual loans (based on an analysis of nonaccrual loans with book balances greater than $2 million) and a $236 million decrease in net credit-related charge-offs in 2011, compared to 2010.
- Total loans were $42.7 billion at December 31, 2011, an increase of $2.4 billion, or six percent, from December 31, 2010, primarily reflecting the acquisition of Sterling and core growth in commercial loans. The increase in total loans primarily included net increases of $2.9 billion, or 13 percent, in commercial loans and $497 million, or five percent, in commercial mortgage loans, partially offset by a net decrease of $720 million in real estate construction loans. The increase in commercial loans was primarily driven by increases in Mortgage Banker Finance, Energy Lending and

Technology and Life Sciences, as well as Middle Market and Global Corporate Banking. Average loans in 2011 were $40.1 billion, a decrease of $442 million from 2010.

- Average deposits increased $4.3 billion, or 11 percent, in 2011, compared to 2010. The increase in average deposits primarily reflected increases in average money market and NOW deposits of $2.7 billion, or 17 percent, and noninterest-bearing deposits of $1.9 billion, or 13 percent, in 2011, partially offset by a decrease in other time deposits of $283 million, or 93 percent.
- Net interest income increased $7 million to $1.7 billion in 2011, compared to 2010, as the benefit provided by accretion of the purchase discount on the acquired Sterling loan portfolio in 2011, an increase in average earning assets of $1.1 billion and lower deposit rates was largely offset by a decrease in business loan swap income, maturities of higher-yield fixed-rate loans, decreases in one-month LIBOR rates and decreased yields on mortgage-backed investment securities.

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- Noninterest income increased $3 million compared to 2010, resulting primarily from the addition of Sterling, increases of $12 million in net income from principal investing and warrants and $11 million in net securities gains, partially offset by a decrease of $8 million in commercial lending fees and declines in several other noninterest income categories.
- Noninterest expenses increased $122 million, or seven percent, compared to 2010. Noninterest expenses in 2011 included merger and restructuring charges of $75 million ($47 million, after-tax; $0.25 per diluted share) associated with the acquisition of Sterling, completed on July 28, 2011. The remaining increase resulted primarily from increases of $56 million in salaries and employee benefits expenses and $8 million in legal fees, partially offset by a decrease of $19 million in Federal Deposit Insurance Corporation (FDIC) insurance expense. The increase in salaries and employee benefits expenses was largely driven by an increase in pension expense, the addition of Sterling and an increase in incentive compensation, reflecting overall performance, including the Corporation's performance relative to peer performance.

KEY CORPORATE INITIATIVES

- Completed the acquisition of Sterling on July 28, 2011. The acquisition of Sterling significantly expanded the Corporation's presence in Texas, particularly in the Houston and San Antonio areas, and gives the Corporation the ability to leverage additional marketing capacity to offer a wide array of products through a larger distribution network, particularly to middle market and small business companies. Systems integrations and branch conversions were successfully completed in the fourth quarter 2011.
- Commenced a share repurchase program that, combined with dividend payments, resulted in a total payout to shareholders of 47 percent of 2011 net income.
- Redeemed $53 million of subordinated notes acquired from Sterling related to trust preferred securities issued by unconsolidated subsidiaries, with an additional $4 million redeemed in January 2012.
- Initiated revenue enhancement and expense reduction strategies designed to maintain earnings growth momentum, including:
- Leveraging the Business Bank relationship banking model to promote higher levels of cross-sell between business units.
- Introducing new Retail Bank technology platforms and leveraging Retail Bank's expanded distribution system to drive revenue growth.
- Targeting Wealth Management resources toward higher net worth clients that can benefit from an improved asset management platform.
- Vendor consolidations and selective outsourcing of certain non-core back-office functions.
- Standardizing the middle-office platform in the lending groups.

2012 Business Outlook

For full-year 2012, management expects the following, compared to full-year 2011, assuming a continuation of the current economic environment. For purposes of this outlook, management defines "moderate" as two percent to five percent.

- Average loans increasing moderately.
- Net interest income increasing moderately.
- Net credit-related charge-offs declining and a relatively stable provision for credit losses.
- Noninterest income relatively stable.
- Noninterest expenses relatively stable.
- Income tax expense to approximate 36 percent of income before income taxes less approximately $65 million in tax benefits

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RESULTS OF OPERATIONS

The following section provides a comparative discussion of the Corporation's Consolidated Results of Operations for the three-year period ended December 31, 2011. For a discussion of the Critical Accounting Policies that affect the Consolidated Results of Operations, see pages F-43 through F-48 of this Financial Review.

ANALYSIS OF NET INTEREST INCOME-Fully Taxable Equivalent (FTE)
(dollar amounts in millions)

Years Ended December 31	2011			2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Commercial loans	$22,208	$819	3.69 %	$21,090	$820	3.89 %	$24,534	$890	3.63 %
Real estate construction loans	1,843	80	4.37	2,839	90	3.17	4,140	121	2.92
Commercial mortgage loans	10,025	424	4.23	10,244	421	4.10	10,415	437	4.20
Lease financing	950	33	3.51	1,086	42	3.88	1,231	40	3.25
International loans	1,191	46	3.83	1,222	48	3.94	1,533	58	3.79
Residential mortgage loans	1,580	83	5.27	1,607	85	5.30	1,756	97	5.53
Consumer loans	2,278	80	3.50	2,429	86	3.54	2,553	94	3.68
Business loan swap income (a)	—	1	—	—	28	—	—	34	—
Total loans (b) (c)	40,075	1,566	3.91	40,517	1,620	4.00	46,162	1,771	3.84
Auction-rate securities available-for-sale	479	4	0.72	745	8	1.01	1,010	15	1.47
Other investment securities available-for-sale	7,692	231	3.06	6,419	220	3.51	8,378	318	3.88
Total investment securities available-for-sale (d)	8,171	235	2.91	7,164	228	3.24	9,388	333	3.61
Federal funds sold	5	—	0.32	6	—	0.36	18	—	0.32
Interest-bearing deposits with banks (e)	3,741	9	0.24	3,191	8	0.25	2,440	6	0.25
Other short-term investments	129	3	2.17	126	2	1.58	154	3	1.74
Total earning assets	52,121	1,813	3.49	51,004	1,858	3.65	58,162	2,113	3.64
Cash and due from banks	921			825			883		
Allowance for loan losses	(838)			(1,019)			(947)		
Accrued income and other assets	4,713			4,743			4,711		
Total assets	$56,917			$55,553			$62,809		
Money market and NOW deposits	$19,088	47	0.25	$16,355	51	0.31	$12,965	63	0.49
Savings deposits	1,550	2	0.11	1,394	1	0.08	1,339	2	0.11
Customer certificates of deposit	5,719	39	0.68	5,875	53	0.90	8,131	183	2.26
Total interest-bearing core deposits	26,357	88	0.33	23,624	105	0.44	22,435	248	1.11
Other time deposits	23	—	0.42	306	9	3.04	4,103	121	2.96
Foreign office time deposits (g)	388	2	0.48	462	1	0.31	653	2	0.29
Total interest-bearing deposits	26,768	90	0.33	24,392	115	0.47	27,191	371	1.37
Short-term borrowings	138	—	0.13	216	1	0.25	1,000	2	0.24
Medium- and long-term debt (f)	5,519	66	1.20	8,684	91	1.05	13,334	165	1.23
Total interest-bearing sources	32,425	156	0.48	33,292	207	0.62	41,525	538	1.29
Noninterest-bearing deposits	16,994			15,094			12,900		
Accrued expenses and other liabilities	1,147			1,099			1,285		
Total shareholders' equity	6,351			6,068			7,099		
Total liabilities and shareholders' equity	$56,917			$55,553			$62,809		
Net interest income/rate spread (FTE)		$1,657	3.01		$1,651	3.03		$1,575	2.35

FTE adjustment (h)	$4	$5	$8
Impact of net noninterest-bearing sources of funds	0.18	0.21	0.37
Net interest margin (as a percentage of average earning assets (FTE) (b) (e)	3.19 %	3.24 %	2.72 %

(a) The gain or loss attributable to the effective portion of cash flow hedges of loans is shown in “Business loan swap income”.

(b) Accretion of the purchase discount on the acquired loan portfolio of $53 million increased the net interest margin by 10 basis points in 2011.

(c) Nonaccrual loans are included in average balances reported and are included in the calculation of average rates.

(d) Average rate based on average historical cost.

(e) Excess liquidity, represented by average balances deposited with the Federal Reserve Bank, reduced the net interest margin by 22 basis points, 20 basis points and 11 basis point in 2011, 2010 and 2009, respectively.

(f) Medium- and long-term debt average balances include the gain or loss attributable to the risk hedged by risk management swaps that qualify as fair value hedges. The gain or loss attributable to the effective portion of fair value hedges of medium- and long-term debt, which totaled a net gain of $72 million, $77 million and $61 million in 2011, 2010 and 2009, respectively, is included in the related interest expense line item.

(g) Includes substantially all deposits by foreign domiciled depositors; deposits are primarily in excess of $100,000.

(h) The FTE adjustment is computed using a federal income tax rate of 35%.

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RATE-VOLUME ANALYSIS-Fully Taxable Equivalent (FTE)
(in millions)

Years Ended December 31	2011 / 2010			2010 / 2009		
	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)
Interest income (FTE):						
Loans:						
Commercial loans	$(42)	$41	$(1)	$63	$(133)	$(70)
Real estate construction loans	34	(44)	(10)	10	(41)	(31)
Commercial mortgage loans	12	(9)	3	(9)	(7)	(16)
Lease financing	(4)	(5)	(9)	8	(6)	2
International loans	(1)	(1)	(2)	2	(12)	(10)
Residential mortgage loans	—	(2)	(2)	(4)	(8)	(12)
Consumer loans	(1)	(5)	(6)	(3)	(5)	(8)
Business loan swap income	(27)	—	(27)	(6)	—	(6)
Total loans	(29)	(25)	(54)	61	(212)	(151)
Auction-rate securities available-for-sale	(2)	(2)	(4)	(5)	(2)	(7)
Other investment securities available-for-sale	(28)	39	11	(30)	(68)	(98)
Total investment securities available-for-sale	(30)	37	7	(35)	(70)	(105)
Interest-bearing deposits with banks	—	1	1	—	2	2
Other short-term investments	1	—	1	—	(1)	(1)
Total interest income (FTE)	(58)	13	(45)	26	(281)	(255)
Interest expense:						
Interest-bearing deposits:						
Money market and NOW accounts	(11)	7	(4)	(22)	10	(12)
Savings deposits	1	—	1	(1)	—	(1)
Customer certificates of deposit	(13)	(1)	(14)	(110)	(20)	(130)
Other time deposits	(8)	(1)	(9)	3	(115)	(112)
Foreign office time deposits	1	—	1	—	(1)	(1)
Total interest-bearing deposits	(30)	5	(25)	(130)	(126)	(256)
Short-term borrowings	—	(1)	(1)	—	(1)	(1)
Medium- and long-term debt	13	(38)	(25)	(24)	(50)	(74)
Total interest expense	(17)	(34)	(51)	(154)	(177)	(331)
Net interest income (FTE)	$(41)	$47	$6	$180	$(104)	$76

(a) Rate/volume variances are allocated to variances due to volume.

NET INTEREST INCOME

Net interest income is the difference between interest and yield-related fees earned on assets and interest paid on liabilities. Adjustments are made to the yields on tax-exempt assets in order to present tax-exempt income and fully taxable income on a comparable basis. Gains and losses related to the effective portion of risk management interest rate swaps that qualify as hedges are included with the interest income or expense of the hedged item when classified in net interest income. Net interest income on a fully taxable equivalent (FTE) basis comprised 68 percent of total revenues in 2011 and 2010, and 60 percent in 2009. The “Analysis of Net Interest Income-Fully Taxable Equivalent” table of this financial review provides an analysis of net interest income for the years ended December 31, 2011, 2010 and 2009. The rate-volume analysis in the table above details the components of the change in net interest income on a FTE basis for 2011 compared to 2010 and 2010 compared to 2009.

Net interest income was $1.7 billion in 2011. Net interest income increased $7 million compared to 2010, as the benefit provided by accretion of the purchase discount on the acquired Sterling loan portfolio, an increase in average earning assets, improved credit quality, lower deposit rates and the continued shift in funding sources toward lower-cost funds was offset by a shift in the loan portfolio mix toward LIBOR-based portfolios, decreased yields on mortgage-backed investment securities, the maturity of interest rate swaps at positive spreads, maturities of higher-yield fixed-rate loans, loan repricing and decreases in one-month LIBOR rates. On a FTE basis, net interest income increased $6 million from 2010. Average earning assets increased $1.1 billion, or two percent, to $52.1 billion in 2011, compared to $51.0 billion in 2010, primarily due to increases of $1.0 billion in average investment securities available-for-sale and $550 million in average interest-bearing deposits with banks, partially offset by a decrease of $442 million in average loans. The net interest margin (FTE) decreased five basis points to 3.19 percent in 2011, from 3.24 percent in 2010, resulting primarily from the reasons cited for the increase in net interest income discussed above, as well as the impact of an increase in excess liquidity. Accretion of the purchase discount on the acquired Sterling loan portfolio of

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$53 million increased the net interest margin by 10 basis points in 2011, and excess liquidity reduced the net interest margin by approximately 22 basis points and 20 basis points in 2011 and 2010, respectively. At December 31, 2011, $96 million of purchase discounts remained on acquired loans not deemed credit impaired at acquisition. Excess liquidity was represented by $3.7 billion and $3.1 billion of average balances deposited with the Federal Reserve Bank (FRB) in 2011 and 2010, respectively, included in “interest-bearing deposits with banks” on the consolidated balance sheets.

The Corporation implements various asset and liability management strategies to manage net interest income exposure to interest rate risk. Refer to the “Interest Rate Risk” section of this financial review for additional information regarding the Corporation's asset and liability management policies.

In 2010, net interest income was $1.6 billion, an increase of $79 million, or five percent, from 2009. The increase in net interest income in 2010 was primarily due to changes in the funding mix, including a shift in funding sources toward lower-cost funds, and improved loan spreads. On a FTE basis, net interest income was $1.7 billion in 2010, an increase of $76 million, or five percent, from 2009. Average earning assets decreased $7.2 billion, or 12 percent, to $51.0 billion in 2010, compared to 2009, primarily as a result of decreases of $5.6 billion in average loans and $2.2 billion in average investment securities available-for-sale, partially offset by an increase of $751 million in average interest-bearing deposits with banks. The net interest margin (FTE) increased to 3.24 percent in 2010, from 2.72 percent in 2009, resulting primarily from the reasons cited for the increase in net interest income discussed above. The net interest margin was reduced by approximately 20 basis points and 11 basis points in 2010 and 2009, respectively, from excess liquidity, represented by $3.1 billion and $2.4 billion of average balances deposited with the FRB in 2010 and 2009, respectively.

PROVISION FOR CREDIT LOSSES

The provision for credit losses includes both the provision for loan losses and the provision for credit losses on lending-related commitments. The Corporation performs a detailed credit quality review quarterly to determine the appropriateness of the allowance for loan losses and the allowance for credit losses on lending-related commitments and records provisions for each based on the results. For a further discussion of both allowances, refer to the “Credit Risk” and the “Critical Accounting Policies” sections of this financial review.

The provision for loan losses was $153 million in 2011, compared to $480 million in 2010 and $1.1 billion in 2009. The $327 million decrease in the provision for loan losses in 2011, compared to 2010, resulted primarily from continued improvements in credit quality, including a decrease of $1.1 billion in the Corporation's internal watch list loans from year-end 2010 to year-end 2011. The Corporation's internal watch list is generally consistent with loans in the Special Mention, Substandard and Doubtful categories defined by regulatory authorities. Additional indicators of improved credit quality included a decrease of $353 million in the inflow to nonaccrual loans (based on an analysis of nonaccrual loans with book balances greater than $2 million) and a decrease in net credit-related charge-offs of $236 million in 2011, compared to 2010. The decrease in the provision for loan losses in 2010, when compared to 2009, resulted primarily from significant, broad-based improvements in credit quality, including a decrease of $2.2 billion in the Corporation's internal watch list loans, a decrease of $369 million in the inflow to nonaccrual loans (based on an analysis of nonaccrual loans with book balances greater than $2 million), a decrease in net credit related charge-offs of $305 million and a $39 million decrease in loans past 90 days or more and still accruing.

Net loan charge-offs in 2011 decreased $236 million to $328 million, or 0.82 percent of average total loans, compared to $564 million, or 1.39 percent, in 2010 and $868 million, or 1.88 percent, in 2009. The $236 million decrease in net loan charge-offs in 2011, compared to 2010, consisted primarily of decreases in the Commercial Real Estate ($164 million), Middle Market ($42 million), Private Banking ($12 million) and Entertainment ($12 million) business lines, partially offset by an increase in net loan charge-offs in the Technology and Life Sciences ($8 million) and Global Corporate Banking ($4 million) business lines. By geographic market, net loan charge-offs decreased in all markets, with the exception of Florida, in 2011, compared to 2010, with the largest decreases noted in the Western ($123 million), Midwest ($63 million), Texas ($30 million) and Other ($23 million) markets. In the Florida market, net loan charge-offs increased $5 million, primarily reflecting increased net charge-offs in the Middle Market and Private Banking business lines.

The provision for credit losses on lending-related commitments, a component of “noninterest expenses” on the consolidated statements of income, decreased $7 million to a benefit of $9 million in 2011, compared to a benefit of $2 million in 2010 and a provision of less than $0.5 million in 2009. The decrease in provision for credit losses on lending-related commitments in 2011, compared to 2010, resulted primarily from improved credit quality in unfunded commitments in the Midwest, Western, and Texas markets.

The U.S. economy showed increasing momentum through 2011 after a very slow start. Real gross domestic product (GDP) growth for the first quarter of 2011 was 0.4 percent, suppressed by climbing oil prices, weak government spending and bad weather. The earthquake and tsunami in Japan and subsequent nuclear power disaster that occurred at the end of the first quarter 2011 resulted in supply-chain bottlenecks that slowed U.S. production in the second quarter, when real GDP growth ticked

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up to 1.3 percent. In the third quarter 2011, production constraints eased, allowing for a rebound in automotive production, which helped to boost real GDP growth to 1.8 percent. In the final quarter of 2011, economic data was generally more positive, as real GDP increased at a 2.8 percent annual rate. Labor market indicators generally improved as the unemployment rate dipped to 8.5 percent in December. Real disposable income increased in the fourth quarter after being flat for most of the year. U.S. automotive sales climbed in November and December to finish the year at a 13.5 million unit annualized pace. Although the Corporation has limited direct exposure to Europe, the developing Eurozone crisis strained U.S. financial markets, suppressing stock prices and adding to volatility. However, through the end of 2011 there were no significant drags from the Eurozone crisis reflected in U.S. economic indicators. U.S. regional economic performance was mixed, but the Corporation's major geographic markets showed improvement through the year. The Texas economy grew solidly through 2011, but in the third quarter the pace of growth eased. Job creation increased in October after leveling out over the previous three months. Lower oil prices are a risk to the state's economy, as weaker global macroeconomic conditions imply weaker demand in the months ahead. However, recent tension between the U.S. and Iran may keep oil prices elevated. After suffering through a deeper recession than many other states, California posted slightly better job growth in 2011 than many other states. Silicon Valley continued to hire, showing ongoing strength in the high tech sector. However, key components of economic activity remain soft in California. In particular, housing markets are still depressed in many parts of the state. The Michigan economy showed more signs of stability, reflecting gains from rebounding automotive production. The rate of job growth for the state was generally consistent with the national average, and the unemployment rate is expected to resume trending downward. However, the Michigan economy is still somewhat mixed, with regional unemployment rates elevated and house prices soft.

An analysis of the changes in the allowance for loan losses, including charge-offs and recoveries by loan category, is provided in the "Analysis of the Allowance for Loan Losses" table in the "Credit Risk" section of this financial review. An analysis of the changes in the allowance for credit losses on lending-related commitments is also provided in the "Credit Risk" section of this financial review.

NONINTEREST INCOME

(in millions)

Years Ended December 31	2011	2010	2009
Service charges on deposit accounts	$208	$208	$228
Fiduciary income	151	154	161
Commercial lending fees	87	95	79
Letter of credit fees	73	76	69
Card fees	58	58	51
Foreign exchange income	40	39	41
Bank-owned life insurance	37	40	35
Brokerage fees	22	25	31
Net securities gains	14	3	243
Other noninterest income	102	91	112
Total noninterest income	$792	$789	$1,050

Noninterest income increased $3 million to $792 million in 2011, compared to $789 million in 2010, and decreased $261 million in 2010, compared to $1.1 billion in 2009. An analysis of significant year over year changes by individual line item follows.

Service charges on deposit accounts of $208 million was unchanged in 2011, compared to 2010, and decreased $20 million, or nine percent, in 2010. In 2011, an increase in commercial service charges and the benefit from five months of Sterling service charge income offset reduced fees from retail overdrafts, which reflected the impact of overdraft policy changes implemented in the second half of 2010. The decrease in 2010 was due to lower commercial service charges and reduced fees from retail overdrafts and non-sufficient funds in part due to the impact of the overdraft policy changes described above.

Fiduciary income decreased $3 million, or two percent, to $151 million in 2011, compared to $154 million in 2010, and decreased $7 million, or four percent, in 2010. Personal and institutional trust fees are the two major components

of fiduciary income. These fees are based on services provided and assets managed. Fluctuations in the market values of the underlying assets managed, which include both equity and fixed income securities, impact fiduciary income. The decrease in 2011 resulted from a decrease in institutional trust fees, primarily due to a decrease in yields on short-term funds and reduced pension service fees, partially offset by an increase in personal trust fees, primarily due to market value increases. The decrease in 2010, compared to 2009, was primarily due to the sale of the Corporation's proprietary defined contribution plan recordkeeping business in the second quarter 2009.

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Commercial lending fees decreased $8 million, or nine percent, to $87 million in 2011, compared to $95 million in 2010, and increased $16 million, or 21 percent, in 2010. The majority of the decrease in 2011 resulted from decreased participation agent fees due to lower volume and decreased commercial loan service charges. The majority of the increase in 2010 resulted from improved pricing on unused commercial loan commitments as well as lower usage levels in 2010.

Letter of credit fees decreased $3 million, or three percent, to $73 million in 2011, compared to $76 million in 2010, and increased $7 million, or 10 percent, in 2010. The decrease in 2011 was primarily due to decreased volume and competitive pricing. The increase in 2010 was primarily due to improved pricing on standby letters of credit and new business.

Card fees, which consist primarily of interchange fees earned on debit and commercial cards, were unchanged at $58 million in 2011, compared to 2010, and increased $7 million, or 15 percent, in 2010. Card fees were unchanged in 2011, as the benefit from increased card activity and the addition of Sterling was offset by the implementation of regulatory limits on debit card transaction processing fees in the fourth quarter 2011. Growth in 2010 resulted primarily from higher levels of commercial card business activity and new customers. Regulatory limits on debit card transaction processing fees are expected to reduce card fee income by approximately $20 million in full-year 2012, compared to full-year 2011, assuming similar transaction volumes.

Foreign exchange income increased $1 million, or four percent, to $40 million in 2011, compared to a decrease of $2 million, or five percent, in 2010.

Bank-owned life insurance income decreased $3 million, or eight percent, to $37 million in 2011, compared to an increase of $5 million, or 14 percent, in 2010. The decrease in 2011 resulted primarily from a decrease in death benefits received, partially offset by an increase in earnings, in part due to the addition of Sterling. The increase in 2010 resulted primarily from an increase in death benefits received.

Brokerage fees decreased $3 million, or 10 percent, to $22 million in 2011, compared to a decrease of $6 million, or 22 percent, in 2010. Brokerage fees include commissions from retail brokerage transactions and mutual fund sales and are subject to changes in the level of market activity. The decrease in 2011 was primarily due to the compression of short-term interest rates and a decline in the transaction volume. The decrease in 2010 was primarily due to the impact of lower transaction and dollar volumes despite modest economic growth in the same period.

Net securities gains increased $11 million, to $14 million in 2011, compared to a decrease of $240 million, to $3 million in 2010. In 2011, net securities gains primarily reflected gains on sales of Sterling legacy securities to reposition the acquired portfolio to more closely match the mix of the Corporation's portfolio ($12 million) and redemptions of auction-rate securities ($10 million), partially offset by charges related to a derivative contract tied to the conversion rate of Visa Class B shares ($7 million). Net securities gains in 2010 primarily reflected net gains on sales and redemptions of auction-rate securities ($8 million), partially offset by a a charge related to the derivative contract tied to the conversion rate of Visa Class B shares ($5 million). In 2009, net securities gains primarily reflected gains on the sale of residential mortgage-backed securities ($225 million) and gains on the redemption of auction-rate securities ($14 million). Residential mortgage-backed government agency securities were sold in 2009 as market conditions were favorable and there was no longer a need to hold a large portfolio of fixed-rate securities to mitigate the impact of potential future rate declines on net interest income.

Other noninterest income increased $11 million, or 12 percent, in 2011, compared to a decrease of $21 million, or 19 percent, in 2010. The following table illustrates certain categories included in “other noninterest income” on the consolidated statements of income with significant year over year changes.

(in millions)

Years Ended December 31	2011	2010	2009
Other noninterest income			
Customer derivative income	$16	$8	$9
Net income (loss) from principal investing and warrants	15	3	(6)
Investment banking fees	13	17	20
Deferred compensation asset returns (a)	2	5	10
	2	(2)	(6)

Risk management hedge gains (losses) from interest rate and foreign exchange contracts			
Amortization of low income housing investments	(52)	(51)	(48)
Gain on repurchase of debt	—	2	15
Net gain on termination of leveraged leases	—	—	8

(a) Compensation deferred by the Corporation's officers is invested based on investment selections of the officers. The change in the value of these investments is recorded in noninterest income and the offsetting increase (decrease) in the liability is recorded in salaries expense.

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NONINTEREST EXPENSES
(in millions)

Years Ended December 31	2011	2010	2009
Salaries	$770	$740	$687
Employee benefits	205	179	210
Total salaries and employee benefits	975	919	897
Net occupancy expense	169	162	162
Equipment expense	66	63	62
Outside processing fee expense	101	96	97
Software expense	88	89	84
Merger and restructuring charges	75	—	—
FDIC Insurance expense	43	62	90
Legal fees	43	35	37
Advertising expense	28	30	29
Other real estate expense	22	29	48
Litigation and operational losses	17	11	10
Provision for credit losses on lending-related commitments	(9)	(2)	—
Other noninterest expenses	144	146	134
Total noninterest expenses	$1,762	$1,640	$1,650

Noninterest expenses increased $122 million, or seven percent, to $1.8 billion in 2011, compared to $1.6 billion in 2010, and decreased $10 million, or one percent, in 2010, from $1.7 billion in 2009. Excluding merger and restructuring charges of $75 million in 2011, noninterest expenses increased $47 million, or three percent, in 2011, compared to 2010, primarily due to the addition of Sterling noninterest expenses. An analysis of increases and decreases by individual line item is presented below.

Salaries expense increased $30 million, or four percent, in 2011, compared to an increase of $53 million, or eight percent, in 2010. The increase in salaries expense in 2011 was primarily due to the addition of Sterling ($18 million) and increases in incentive compensation, reflecting overall performance, including the Corporation's performance relative to peer performance. The Corporation's incentive programs are designed to reward performance and provide market competitive total compensation. Business unit incentives are tied to new business and business unit profitability, while executive incentives are tied to the Corporation's overall performance and peer-based comparisons of results. The increase in salaries expense in 2010 was primarily due to an increase in incentive compensation, reflecting improved overall performance and performance relative to peer performance. During the time the Corporation was a participant in the U.S. Department of Treasury (U.S. Treasury) Capital Purchase Program, from November 2008 through March 2010, adjustments were made to the Corporation's incentive programs to comply with related required restrictions.

Employee benefits expense increased $26 million, or 14 percent, in 2011, compared to a decrease of $31 million, or 15 percent, in 2010. The increase in 2011 resulted primarily from an increase in defined benefit pension expense ($17 million) largely driven by declines in the discount rate and the expected long-term rate of return on plan assets, as well as the addition of Sterling ($6 million). The decrease in 2010 resulted primarily from a decline in defined benefit pension expense largely driven by higher than expected net gains on plan assets in 2009. For a further discussion of defined benefit pension expense, refer to the “Critical Accounting Policies” section of this financial review and Note 18 to the consolidated financial statements.

Net occupancy and equipment expense increased $10 million, or four percent, to $235 million in 2011, compared to an increase of $1 million, or less than one percent, in 2010. The increase in 2011 was primarily due to the addition of Sterling banking centers.

Outside processing fee expense increased $5 million, or five percent, to $101 million in 2011, compared to a decrease of $1 million, or one percent, in 2010. The increase in 2011 was primarily due to the Corporation's conversion to an enhanced brokerage platform and higher volumes in activity-based processing charges, primarily driven by expanded card products.

Software expense decreased $1 million, or two percent, in 2011, compared to an increase of $5 million, or seven percent, in 2010. The increase in 2010 was primarily due to software upgrades in the banking centers and throughout the Corporation.
The Corporation recognized merger and restructuring charges of $75 million in 2011 in connection with the acquisition of Sterling. Merger and restructuring charges include facilities and contract termination charges, systems integration and related charges, severance and other employee-related charges and transaction-related costs. The restructuring plan, which is expected

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to be substantially completed by December 31, 2012, is expected to result in cumulative costs of approximately $115 million. For additional information regarding merger and restructuring charges, refer to Note 2 to the consolidated financial statements.

FDIC insurance expense decreased $19 million, or 30 percent, to $43 million in 2011, compared to a decrease of $28 million in 2010. The decrease in 2011 was primarily due to the implementation of changes to the deposit insurance assessment system effective April 1, 2011. The decrease in 2010 was primarily due to an industry-wide special assessment charge in 2009 of $29 million.

Legal fees increased $8 million, or 23 percent, to $43 million in 2011, compared to a decrease of $2 million, or five percent, in 2010. The increase in 2011 was primarily due to increased litigation expense and the addition of Sterling. The increase in litigation expenses primarily related to the favorable resolution of a long-standing matter by the Corporation in 2011.

Other real estate expenses decreased $7 million to $22 million in 2011, from $29 million in 2010, and decreased $19 million in 2010. Other real estate expenses reflects write-downs, net gains (losses) on sales and carrying costs related primarily to foreclosed property. The decrease in 2011 was primarily due to decreases in write-downs on foreclosed property, the recognition of net gains on foreclosed property sold and decreased carrying costs. The decrease in 2010 was primarily due to decreases in write-downs on foreclosed property and the recognition of net gains on foreclosed property sold. For additional information regarding foreclosed property, refer to “Nonperforming Assets” in the “Credit Risk” section of this financial review.

Litigation and operational losses increased $6 million to $17 million in 2011, from $11 million in 2010, and increased $1 million in 2010. Litigation and operational losses include traditionally defined operating losses, such as fraud and processing losses, as well as uninsured losses and litigation losses. These expenses are subject to fluctuation due to timing of authorized and actual litigation settlements, as well as insurance settlements. The increase in 2011 primarily reflected an increase in estimated probable litigation losses, as certain litigation contingencies progressed closer to resolution in 2011 and accruals were made for certain litigation arising during the year.

The provision for credit losses on lending-related commitments decreased $7 million to a benefit of $9 million in 2011, from a benefit of $2 million in 2010. For discussion of the provision for credit losses on lending related commitments, refer to the "Credit Risk" subheading in the "Risk Management" section of this financial review.

Other noninterest expenses decreased $2 million, or one percent, in 2011, and increased $12 million, or eight percent, in 2010. In 2011, other noninterest expenses included core deposit intangible amortization of $5 million due to the acquisition of Sterling, which was more than offset by smaller decreases in several other noninterest expense categories. The increase in 2010 was primarily due to a $5 million loss on the redemption of trust preferred securities and smaller increases in several other noninterest expense categories.

INCOME TAXES AND TAX-RELATED ITEMS

The provision for income taxes was $137 million in 2011, compared to $55 million in 2010 and a benefit of $131 million in 2009. The increase in the provision for income taxes in 2011 was due primarily to an increase in income before income taxes and a $19 million charge related to a final settlement agreement with the Internal Revenue Service involving the repatriation of foreign earnings on a structured investment transaction, partially offset by the release of tax reserves of $7 million due to the Corporation's participation in a recently enacted State of California voluntary compliance initiative. At December 31, 2011, the Corporation had no investment structures with uncertain tax positions. The increase in the provision for income taxes in 2010 was due primarily to an increase in income before income taxes.

Net deferred tax assets were $395 million at December 31, 2011, compared to $383 million at December 31, 2010, an increase of $12 million, primarily due to an increase in deferred tax assets due to the acquisition of Sterling and a decrease in deferred tax liabilities due to lease financing transactions, partially offset by a reduction in deferred tax assets due to an increase in unrealized gains recognized in other comprehensive income. Included in net deferred tax assets at December 31, 2011 were deferred tax assets of $696 million. Deferred tax assets were evaluated for realization and it was determined that no valuation allowance was needed. This conclusion was based on available evidence of loss carryback capacity, projected future reversals of existing taxable temporary differences and assumptions made regarding future events.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

There was no income from discontinued operations, net of tax, in 2011, compared to $17 million in 2010 and $1 million in 2009. The income from discontinued operations, net of tax, of $17 million recognized in 2010 resulted from an after-tax gain in the first quarter 2010 from the cash settlement of a note receivable related to the 2006 sale of an investment advisory subsidiary. For further information on the cash settlement of the note and discontinued operations, refer to Note 25 to the consolidated financial statements.

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PREFERRED STOCK DIVIDENDS

There were no preferred stock dividends in 2011, compared to $123 million in 2010 and $134 million in 2009.
In 2010, the Corporation fully redeemed $2.25 billion of preferred stock issued in connection with the Capital Purchase Program. The redemption was funded by the net proceeds from an $880 million common stock offering completed in the first quarter 2010 and from excess liquidity at the parent company. Preferred stock dividends in 2010 included a one-time redemption charge of $94 million, reflecting the accelerated accretion of the remaining discount, cash dividends of $24 million and non-cash discount accretion of $5 million. Preferred stock dividends in 2009 included $22 million of non-cash discount accretion. Preferred stock dividends reduced diluted earnings per common share by $0.71 and $0.90 in 2010 and 2009, respectively.

STRATEGIC LINES OF BUSINESS

BUSINESS SEGMENTS

The Corporation's operations are strategically aligned into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based upon the products and services provided. In addition to the three major business segments, the Finance Division is also reported as a segment. The Other category includes discontinued operations and items not directly associated with these business segments or the Finance Division. Note 23 to the consolidated financial statements describes the business activities of each business segment and presents financial results of these business segments for the years ended December 31, 2011, 2010 and 2009.

Segment Reporting Methodology

Net interest income for each business segment is determined based on the Corporation's funds transfer pricing (FTP) methodology. The FTP methodology provides the business segments credits for deposits and other funds and charges the business segments a cost of funds using matched maturity funding for certain assets and liabilities. For acquired loans and deposits, matched maturity funding is determined based on origination date. This matched maturity funding reflects the transfer of interest rate risk exposures to the Treasury group within the Finance Division. Accordingly, the FTP process reflects interest income within each business segment based on considerations of the maturities of assets and also provides each business segment credits for the low cost of deposits generated based on their implied maturity in an assumed normalized interest rate environment. The provision for loan losses is assigned based on the amount necessary to maintain an allowance for loan losses appropriate for each business segment, based on the methodology used to estimate the consolidated allowance for loan losses described in Note 1 to the consolidated financial statements. Noninterest income and expenses directly attributable to a line of business are assigned to that business segment. Direct expenses incurred by areas whose services support the overall Corporation are allocated to the business segments as follows: product processing expenditures are allocated based on standard unit costs applied to actual volume measurements; administrative expenses are allocated based on estimated time expended; and corporate overhead is assigned 50 percent based on the ratio of the business segment’s noninterest expenses to total noninterest expenses incurred by all business segments and 50 percent based on the ratio of the business segment’s attributed equity to total attributed equity of all business segments. Equity is attributed based on credit, operational and interest rate risks. Most of the equity attributed relates to credit risk, which is determined based on the credit score and expected remaining life of each loan, letter of credit and unused commitment recorded in the business segments. Operational risk is allocated based on loans and letters of credit, deposit balances, non-earning assets, trust assets under management, certain noninterest income items, and the nature and extent of expenses incurred by business units. Virtually all interest rate risk is assigned to Finance, as are the Corporation’s hedging activities.

The following table presents net income (loss) by business segment.

(dollar amounts in millions)

Years Ended December 31	2011			2010				2009			
Business Bank	$723	92	%	$529		107	%	$147		104	%
Retail Bank	23	3		(31	)	(6	)	(48	)	(34	)
Wealth Management	42	5		(3	)	(1	)	43		30	
	788	100	%	495		100	%	142		100	%

Finance	(350)	(234)	(110)
Other (a)	(45)	16	(15)
Total	$393	$277	$17

(a) Includes discontinued operations and items not directly associated with the three major business segments or the Finance Division.

The Business Bank's net income of $723 million increased $194 million for the year ended December 31, 2011, compared to net income of $529 million in 2010. Net interest income (FTE) was $1.4 billion in 2011, an increase of $57 million, or four percent, compared to 2010. The increase in net interest income (FTE) was primarily due to a reduction in FTP funding costs,

accretion of the purchase discount on the acquired Sterling acquired loan portfolio of $30 million in 2011 and an increase in FTP funding credits, partially offset by lower loan yields and the impact of a $231 million decrease in average loans. The provision for loan losses decreased $248 million to $38 million in 2011, from $286 million in 2010, primarily reflecting decreases in the Commercial Real Estate and Middle Market business lines. Net credit-related charge-offs of $199 million decreased $225 million, primarily due to decreases in charge-offs in the Commercial Real Estate and Middle Market business lines. Noninterest income of $306 million in 2011 increased $3 million from 2010, primarily due to increases in warrant income ($6 million), customer derivative income ($6 million) and card fees ($3 million), partially offset by a decrease in investment banking fees ($6 million) and commercial lending fees ($5 million). Noninterest expenses of $641 million in 2011 increased $9 million from 2010, primarily due to increases in corporate overhead expense ($15 million), incentive compensation ($9 million) and outside processing fees ($7 million), partially offset by decreases in net processing charges ($8 million), FDIC insurance expense ($7 million) and regular salaries expense ($6 million). The increase in corporate overhead in 2011, when compared to 2010, resulted primarily from expansion of expenses due to increased enterprise-wide technology projects. The provision for income taxes (FTE) of $331 million for the year ended December 31, 2011, increased $105 million, compared to $226 million for the comparable period in the prior year, primarily due to an increase in income before income taxes.

Net income for the Retail Bank was $23 million in 2011, compared to a net loss of $31 million in 2010. Net interest income (FTE) of $630 million increased $99 million, or 19 percent, in 2011, primarily due to an increase in FTP funding credits, accretion of the purchase discount on the acquired Sterling loan portfolio of $22 million in 2011, a decrease in FTP funding costs and lower deposit rates, partially offset by lower loan yields and the impact of a $94 million decrease in average loans. The provision for loan losses decreased $26 million to $79 million in 2011, primarily reflecting a decrease in the Small Business Banking business lines Net credit-related charge-offs of $89 million increased $1 million. Noninterest income of $169 million decreased $5 million in 2011, from $174 million in 2010, primarily reflecting a decrease in card fees ($3 million) and smaller decreases in several other noninterest income categories. Noninterest expenses of $681 million in 2011 increased $33 million from 2010, primarily due to increases in salaries expense ($10 million), allocated net corporate overhead expenses ($11 million), employee benefits ($6 million) and core deposit intangible amortization expense related to the acquisition of Sterling ($5 million), partially offset by a decrease in FDIC insurance expense ($6 million). Refer to the previous Business Bank discussion for an explanation of the increase in allocated net corporate overhead expenses.

Net income for Wealth Management was $42 million in 2011, compared to a net loss of $3 million in 2010. Net interest income (FTE) of $184 million increased $14 million, or eight percent, in 2011, compared to 2010, primarily due to a decrease in FTP funding costs and an increase in FTP funding credits, partially offset by lower loan yields and the impact of a $115 million decrease in average loans. The provision for loan losses decreased $50 million to $40 million, primarily reflecting decreases in the Midwest and Western markets. Net credit-related charge-offs of $40 million decreased $12 million, primarily due to a decrease in the Western market. Noninterest income of $239 million decreased $1 million in 2011. Noninterest expenses of $315 million in 2011 decreased $9 million from 2010, primarily due to smaller decreases in several noninterest expense categories, partially offset by an increase in allocated corporate overhead ($4 million). Refer to the previous Business Bank discussion for an explanation of the increase in allocated net corporate overhead expenses.

The net loss in the Finance Division was $350 million in 2011, compared to a net loss of $234 million in 2010. Net interest expense (FTE) of $619 million increased $195 million in 2011, compared to 2010, primarily as a result of the Corporation's internal FTP methodology as previously described. The Finance Division pays the three major business segments for the long-term value of deposits based on their assumed lives. The three major business segments pay the Finance Division for funding based on the pricing and term characteristics of their loans. The increase in net interest expense (FTE) was primarily due to an increase in average deposits in the three major business segments. Noninterest income of $68 million in 2011 increased $8 million from 2010, primarily due to $12 million in gains from sales in 2011 of Sterling legacy securities to reposition the acquired portfolio to more closely match the mix of the Corporation's portfolio, and a $4 million increase in risk management hedge income, partially offset by smaller decreases in several other noninterest income categories. Noninterest expenses decreased $6 million from 2010,

primarily due to a $5 million loss in 2010 on the redemption of trust preferred securities. The benefit for income taxes (FTE) of $213 million in 2011 increased $65 million from 2010, primarily resulting from a decrease in income before income taxes.
The net loss in the Other category was $45 million in 2011, compared to net income of $16 million in 2010. The decrease in net income of $61 million primarily resulted from $75 million of merger and restructuring charges in 2011 related to the Sterling acquisition and a $17 million after-tax discontinued operations gain recognized in 2010.
MARKET SEGMENTS
Market segment results are provided for the Corporation's four primary geographic markets: Midwest, Western, Texas and Florida. In addition to the four primary geographic markets, Other Markets and International are also reported as market segments. The Finance & Other Businesses category includes discontinued operations and items not directly associated with the market segments. Note 23 to the consolidated financial statements presents a description of each of these market segments as well as the financial results for the years ended December 31, 2011, 2010 and 2009.

The following table presents net income (loss) by market segment.

(dollar amounts in millions)						
Years Ended December 31	2011		2010		2009	
Midwest	$227	29 %	$171	35 %	$41	29 %
Western	215	27	114	23	(16)	(11)
Texas	181	23	70	14	39	28
Florida	(9)	(1)	(13)	(3)	(24)	(17)
Other Markets	124	16	100	20	77	54
International	50	6	53	11	25	17
	788	100 %	495	100 %	142	100 %
Finance & Other Businesses (a)	(395)		(218)		(125)	
Total	$393		$277		$17	

(a) Includes discontinued operations and items not directly associated with the market segments.

The Midwest market's net income increased $56 million to $227 million in 2011, compared to $171 million in 2010. Net interest income (FTE) of $808 million decreased $8 million, or one percent, from 2010, primarily due to the impact of a $573 million decrease in average loans and a decrease in loan yields, partially offset by a decrease in FTP funding costs and lower deposit rates. The provision for loan losses decreased $108 million, to $91 million in 2011, compared to 2010, primarily reflecting decreases in the Middle Market, Commercial Real Estate, Private Banking and Small Business Banking business lines, partially offset by an increase in the Global Corporate Banking business line. Net credit-related charge-offs decreased $63 million, primarily due to decreases in net charge-offs in the Commercial Real Estate and Middle Market business lines. Noninterest income of $381 million in 2011 decreased $16 million from 2010, primarily due to decreases of $6 million in service charges on deposit accounts and $6 million in fiduciary income. Noninterest expenses of $738 million in 2011 decreased $13 million from 2010, primarily due to decreases in FDIC insurance expense ($8 million), the provision for credit losses on lending-related commitments ($5 million) and smaller decreases in several other noninterest expense categories, partially offset by an increase in allocated corporate overhead expenses of $10 million. The provision for income taxes (FTE) of $133 million in 2011 increased $41 million from 2010, primarily resulting from an increase in income before income taxes. Refer to the previous Business Bank discussion for an explanation of the increase in allocated net corporate overhead expenses.

The Western market's net income of $215 million increased $101 million in 2011, compared to $114 million in 2010. Net interest income (FTE) of $665 million increased $26 million, or four percent, in 2011, primarily due to a decrease in FTP funding costs and an increase FTP funding credits, partially offset by lower loan yields and the impact of a $602 million decrease in average loans. The provision for loan losses decreased $116 million, to $32 million in 2011, primarily reflecting decreases in the Commercial Real Estate, Entertainment and Private Banking business lines, partially offset by an increase in the Technology and Life Sciences business line. Net credit-related charge-offs decreased $123 million, primarily due to decreases in net charge-offs in the Commercial Real Estate Middle Market and Private Banking business lines. Noninterest income of $139 million in 2011 increased $4 million from 2010, primarily due to a $6 million increase in net income from principal investing and warrants. Noninterest expenses of $432 million in 2011 were unchanged from 2010, as increases in allocated net corporate overhead expenses ($7 million) and smaller increases in several other noninterest expense categories were offset by decreases in processing charges ($7 million), other real estate expense ($6 million) and FDIC insurance expense ($5 million). The provision for income taxes (FTE) of $125 million in 2011 increased $45 million from 2010, primarily resulting from an increase in income before income taxes. Refer to the previous Business Bank discussion for an explanation of the increase in allocated net corporate overhead expenses.

The Texas market's net income increased $111 million to $181 million in 2011, compared to $70 million in 2010. Net interest income (FTE) of $477 million increased $159 million in 2011, compared to 2010. The increase in net interest income (FTE) was primarily due to an increase in FTP funding credits, $52 million in accretion of the purchase discount on the acquired Sterling loan portfolio and the benefit provided by an increase of $1.2 billion in average loans. The increase in average loans and average deposits was primarily due to loans and deposits acquired from Sterling. The provision for loan losses decreased $45 million, primarily due to a decrease in the Commercial Real

Estate business line. Net credit-related charge-offs of $17 million decreased $30 million from the prior year, primarily due to a decrease in the Commercial Real Estate business line. Noninterest income of $103 million in 2011 increased $12 million from 2010, primarily due to a $5 million increase in service charges on deposit accounts and nominal increases in several other noninterest income categories in part due to the addition of Sterling. Noninterest expenses of $293 million in 2011 increased $40 million from 2010, largely due to the addition of Sterling and primarily reflecting increases in allocated corporate overhead expenses ($13 million), salaries and benefits expense ($15 million) and core deposit intangible amortization expense related to the acquisition of Sterling ($5 million), partially offset by a $6 million decrease in other real estate expense. The provision for income taxes (FTE) of $103 million in 2011 increased $65 million from 2010,

primarily resulting from an increase in income before income taxes. Refer to the previous Business Bank discussion for an explanation of the increase in allocated net corporate overhead expenses.

The net loss in the Florida market was $9 million in 2011, compared to a net loss of $13 million in 2010. Net interest income (FTE) of $45 million in 2011 increased $2 million, primarily due to a decrease in FTP funding costs. The provision for loan losses decreased $9 million, primarily reflecting a decrease in the Commercial Real Estate business line, partially offset by an increase in the Middle Market business line. Net credit-related charge-offs of $35 million increased $5 million from the prior year, primarily due to increases in net charge-offs in the Middle Market and Private Banking business lines. Noninterest income of $14 million in 2011 was unchanged from 2010. Noninterest expenses of $49 million in 2011 increased $5 million from 2010, primarily due to smaller increases in several noninterest expense categories.

Net income in Other Markets increased $24 million to $124 million in 2011, compared to $100 million in 2010. Net interest income (FTE) of $169 million in 2011 decreased $13 million from 2010, primarily due to lower loan yields and the impact of a $507 million decrease in average loans, partially offset by a decrease in FTP funding costs. The provision for loan losses decreased $51 million, primarily reflecting decreases in the Middle Market and Commercial Real Estate business lines, partially offset by an increase in the Technology and Life Sciences business line. Net credit-related charge-offs decreased $23 million, primarily due to decreases in net charge-offs in the Commercial Real Estate and Middle Market business lines. Noninterest income of $42 million decreased $3 million in 2011, compared to 2010, primarily due to a $6 million decrease in investment banking fees, partially offset by a $3 million increase in fiduciary income and smaller increases in several other noninterest income categories. Noninterest expenses of $89 million in 2011 decreased $1 million from 2010.

The International market's net income decreased $3 million to $50 million in 2011, compared to $53 million in 2010. Net interest income (FTE) of $77 million in 2011 increased $4 million from 2010, primarily due the benefit provided by an increase in FTP funding credits partially offset by a decline in loan yields. The provision for loan losses increased $5 million to a benefit of $2 million in 2011, compared to a benefit of $7 million in 2010. Noninterest income of $35 million in 2011 was unchanged from 2010. Noninterest expenses of $36 million increased $2 million in 2011 compared to 2010, primarily due to nominal increases in several noninterest expense categories.

The net loss for the Finance & Other Business segment was $395 million in 2011, compared to a net loss of $218 million in 2010. The $177 million increase in net loss resulted from the same reasons noted in the Finance Division and Other category discussions under the “Business Segments” heading above.

The following table lists the Corporation's banking centers by geographic market segment.

December 31	2011	2010	2009
Midwest (Michigan)	218	217	232
Texas	142	95	90
Western:			
California	104	103	98
Arizona	18	17	16
Total Western	122	120	114
Florida	11	11	10
International	1	1	1
Total	494	444	447

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BALANCE SHEET AND CAPITAL FUNDS ANALYSIS

Total assets were $61.0 billion at December 31, 2011, an increase of $7.3 billion from $53.7 billion at December 31, 2010, reflecting the acquisition of Sterling and including net increases of $2.5 billion in investment securities available-for-sale, $2.4 billion in total loans, and $1.2 billion in interest-bearing deposits with banks. On an average basis, total assets increased $1.4 billion to $56.9 billion in 2011, compared to 2010, reflecting five months of Sterling and resulting primarily from net increases in average investment securities available-for-sale ($1.0 billion) and average interest-bearing deposits with banks ($550 million), partially offset by a net decrease in average loans ($442 million). Total liabilities increased $6.3 billion to $54.1 billion at December 31, 2011, compared to December 31, 2010, reflecting the acquisition of Sterling and primarily including a $7.3 billion increase in total deposits, partially offset by a $1.2 billion decrease in medium- and long-term debt. On an average basis, total liabilities increased $1.1 billion to $50.6 billion in 2011, from $49.5 billion in 2010, reflecting five months of Sterling and primarily including an increase of $4.3 billion in average deposits, partially offset by a decrease of $3.2 billion in in medium- and long-term debt.

ANALYSIS OF INVESTMENT SECURITIES AND LOANS

(in millions)

December 31	2011	2010	2009	2008	2007
U.S. Treasury and other U.S. government agency securities	$20	$131	$103	$79	$36
Residential mortgage-backed securities	9,512	6,709	6,261	7,861	6,165
State and municipal securities (a)	24	39	47	66	3
Corporate debt securities:					
Auction-rate debt securities	1	1	150	147	—
Other corporate debt securities	46	26	50	42	46
Equity and other non-debt securities:					
Auction-rate preferred securities	408	570	706	936	—
Money market and other mutual funds	93	84	99	70	46
Total investment securities available-for-sale	$10,104	$7,560	$7,416	$9,201	$6,296
Commercial loans	$24,996	$22,145	$21,690	$27,999	$28,223
Real estate construction loans:					
Commercial Real Estate business line (b)	1,103	1,826	3,002	3,844	4,100
Other business lines (c)	430	427	459	633	716
Total real estate construction loans	1,533	2,253	3,461	4,477	4,816
Commercial mortgage loans:					
Commercial Real Estate business line (b)	2,507	1,937	1,889	1,725	1,467
Other business lines (c)	7,757	7,830	8,568	8,764	8,581
Total commercial mortgage loans	10,264	9,767	10,457	10,489	10,048
Lease financing	905	1,009	1,139	1,343	1,351
International loans:					
Banks and other financial institutions	18	2	1	7	27
Commercial and industrial	1,152	1,130	1,251	1,746	1,899
Total international loans	1,170	1,132	1,252	1,753	1,926
Residential mortgage loans	1,526	1,619	1,651	1,852	1,915
Consumer loans:					
Home equity	1,655	1,704	1,817	1,796	1,616
Other consumer	630	607	694	796	848
Total consumer loans	2,285	2,311	2,511	2,592	2,464
Total loans	$42,679	$40,236	$42,161	$50,505	$50,743

(a) Primarily auction-rate securities.

(b) Primarily loans to real estate investors and developers.

(c) Primarily loans secured by owner-occupied real estate.

EARNING ASSETS

Total earning assets increased $6.1 billion, or 12 percent, to $55.5 billion at December 31, 2011, from $49.4 billion at December 31, 2010. Average earning asset balances are provided in the “Analysis of Net Interest Income-Fully Taxable Equivalent” table of this financial review.

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Loans

The following tables detail the Corporation's average loan portfolio by loan type, business line and geographic market.

(dollar amounts in millions) Years Ended December 31	2011	2010	Change	Percent Change
Average Loans By Loan Type:				
Commercial loans	$22,208	$21,090	$1,118	5 %
Real estate construction loans:				
Commercial Real Estate business line (a)	1,429	2,404	(975)	(41)
Other business lines (b)	414	435	(21)	(5)
Total real estate construction loans	1,843	2,839	(996)	(35)
Commercial mortgage loans:				
Commercial Real Estate business line (a)	2,217	2,000	217	11
Other business lines (b)	7,808	8,244	(436)	(5)
Total commercial mortgage loans	10,025	10,244	(219)	(2)
Lease financing	950	1,086	(136)	(13)
International loans	1,191	1,222	(31)	(3)
Residential mortgage loans	1,580	1,607	(27)	(2)
Consumer loans:				
Home equity	1,656	1,746	(90)	(5)
Other consumer	622	683	(61)	(9)
Total consumer loans	2,278	2,429	(151)	(6)
Total loans	$40,075	$40,517	$(442)	(1)%
Average Loans By Business Line:				
Middle Market	$11,933	$12,074	$(141)	(1)%
Commercial Real Estate	4,358	5,218	(860)	(16)
Global Corporate Banking	4,735	4,562	173	4
National Dealer Services	3,475	3,459	16	—
Specialty Businesses (c)	5,554	4,973	581	12
Total Business Bank	30,055	30,286	(231)	(1)
Small Business	3,548	3,524	24	1
Personal Financial Services	1,744	1,862	(118)	(6)
Total Retail Bank	5,292	5,386	(94)	(2)
Private Banking	4,704	4,819	(115)	(2)
Total Wealth Management	4,704	4,819	(115)	(2)
Finance/Other	24	26	(2)	(7)
Total loans	$40,075	$40,517	$(442)	(1)%
Average Loans By Geographic Market:				
Midwest	$13,937	$14,510	$(573)	(4)%
Western	12,103	12,705	(602)	(5)
Texas	7,705	6,480	1,225	19
Florida	1,520	1,578	(58)	(4)
Other Markets	3,146	3,653	(507)	(14)
International	1,640	1,565	75	5
Finance/Other	24	26	(2)	(7)
Total loans	$40,075	$40,517	$(442)	(1)%

(a) Primarily loans to real estate investors and developers.

(b) Primarily loans secured by owner-occupied real estate.

(c) Includes Entertainment, Energy, Leasing, Financial Services Division, Mortgage Banker Finance, and Technology and Life Sciences.

N/M - not meaningful

Total loans were $42.7 billion at December 31, 2011, an increase of $2.4 billion from December 31, 2010, primarily reflecting the acquisition of Sterling and core growth in commercial loans. The increase in total loans included net increases of $2.9 billion, or 13 percent, in commercial loans and $497 million, or five percent, in commercial mortgage loans, partially offset

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by a net decrease of $720 million in real estate construction loans. The increase in commercial loans was primarily driven by increases in Mortgage Banker Finance, Energy Lending and Technology and Life Sciences, as well as increases in Middle Market and Global Corporate Banking. As shown in the tables above, total average loans decreased $442 million, or one percent, to $40.1 billion in 2011, compared to 2010, with declines in all major geographic markets, with the exception of Texas, and in most business lines from 2010 to 2011, reflecting subdued loan demand from customers in an uncertain domestic economic environment and the worsening economic conditions in the Eurozone, the impact of the March 2011 earthquake and tsunami in Japan on the automotive supply chain, and expected runoff in the Commercial Real Estate business line. In the Texas market, average loans increased primarily due to the addition of loans acquired from Sterling.

Average commercial loans increased $1.1 billion, or five percent, to $22.2 billion in 2011, from $21.1 billion in 2010. The increase in average commercial loans primarily reflected increases in the Energy ($404 million), Global Corporate Banking ($205 million), Middle Market ($203 million), Technology and Life Sciences ($180 million) and Mortgage Banker Finance ($116 million) business lines, partially offset by a decrease in the Commercial Real Estate business line ($127 million).

Average commercial real estate loans, consisting of real estate construction and commercial mortgage loans, decreased $1.2 billion, or nine percent, to $11.9 billion in 2011, from $13.1 billion in 2010. Commercial mortgage loans are loans where the primary collateral is a lien on any real property. Real property is generally considered primary collateral if the value of that collateral represents more than 50 percent of the commitment at loan approval. Average loans to borrowers in the Commercial Real Estate business line, which primarily includes loans to real estate investors and developers, represented $3.6 billion, or 31 percent of average total commercial real estate loans, in 2011, compared to $4.4 billion, or 34 percent of average total commercial real estate loans, in 2010. The decrease in average commercial real estate loans to borrowers in the Commercial Real Estate business line in 2011 largely reflected ongoing payment activity and the continued workout of the nonperforming portfolio, as well as the ability of customers to access external sources of long-term refinancing. The remaining $8.3 billion and $8.7 billion of average commercial real estate loans in other business lines in 2011 and 2010, respectively, were primarily loans secured by owner-occupied real estate.

Average residential mortgage loans, which primarily include mortgages originated and retained for certain relationship customers, decreased $27 million, or 2 percent, to $1.6 billion in 2011, from 2010.

For more information on real estate loans, refer to the “Commercial and Residential Real Estate Lending” portion of the “Risk Management” section of this financial review.

ANALYSIS OF INVESTMENT SECURITIES PORTFOLIO
(Fully Taxable Equivalent)

(dollar amounts in millions)	Maturity (a) Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total		Weighted Average Maturity
December 31, 2011	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Yrs./Mos.
Available-for-sale											
U.S. Treasury and other U.S. government agency securities	$20	0.32 %	$—	— %	$—	— %	$—	— %	$20	0.32 %	0/5
Residential mortgage-backed securities (b)	—	—	277	3.37	150	2.00	9,085	2.84	9,512	2.84	13/8
State and municipal securities (c)	—	—	1	10.05	2	0.86	21	0.86	24	1.10	13/2
Corporate debt securities:											
Auction-rate debt securities	—	—	—	—	—	—	1	2.87	1	2.87	25/6
Other corporate debt securities	46	1.05	—	—	—	—	—	—	46	1.05	0/5

Equity and other non-debt securities:											
Auction-rate preferred securities (d)	—	—	—	—	—	—	408	0.56	408	0.56	—
Money market and other mutual funds (e)	—	—	—	—	—	—	93	—	93	—	—
Total investment securities available-for-sale	$66	0.85 %	$278	3.38 %	$152	2.00 %	$9,608	2.74 %	$10,104	2.73 %	13/7

(a) Based on final contractual maturity.
(b) Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.
(c) Primarily auction-rate securities.
(d) Auction-rate preferred securities have no contractual maturity and are excluded from weighted average maturity.
(e) Balances are excluded from the calculation of total yield and weighted average maturity.

Investment Securities Available-for-Sale

Investment securities available-for-sale increased $2.5 billion to $10.1 billion at December 31, 2011, from $7.6 billion at December 31, 2010, primarily reflecting an increase of $2.8 billion in residential mortgage-backed securities issued by U.S. government agencies or U.S. government-sponsored enterprises, resulting from securities acquired in the Sterling transaction on July 28, 2011 and the purchase of an incremental $1.0 billion of residential mortgage-backed securities to utilize excess liquidity

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late in the third quarter, partially offset by a $177 million decrease in auction-rate securities. The proceeds from prepayments on residential mortgage-backed securities are generally reinvested in similar securities. At December 31, 2011, the weighted-average expected life of the Corporation's residential mortgage-backed securities portfolio was approximately 3 years. On an average basis, investment securities available-for-sale increased $1.0 billion to $8.2 billion in 2011, compared to $7.2 billion in 2010.

Auction-rate securities (ARS) were purchased in 2008 as a result of the Corporation's September 2008 offer to repurchase, at par, auction-rate securities held by certain retail and institutional clients that were sold through Comerica Securities, a broker/dealer subsidiary of Comerica Bank (the Bank). As of December 31, 2011, the Corporation's auction-rate securities portfolio was carried at an estimated fair value of $432 million, compared to $609 million at December 31, 2010. During 2011, auction-rate securities with a par value of $201 million were redeemed or sold, resulting in net securities gains of $10 million. As of December 31, 2011, approximately 65 percent of the aggregate ARS par value had been redeemed or sold since acquisition, for a cumulative net gain of $37 million. For additional information on the repurchase of auction-rate securities, refer to the "Critical Accounting Policies" section of this financial review and Note 4 to the consolidated financial statements.

Short-Term Investments

Short-term investments include federal funds sold, interest-bearing deposits with banks and other short-term investments. Federal funds sold offer supplemental earnings opportunities and serve correspondent banks. Interest-bearing deposits with banks primarily include deposits with the FRB and also include deposits with banks in developed countries or international banking facilities of foreign banks located in the United States. Average interest-bearing deposits with banks increased $550 million to $3.7 billion in 2011, compared to 2010, reflecting an increase in average deposits with the FRB due to an increase in excess liquidity. At December 31, 2011, interest-bearing deposits with the FRB totaled $2.5 billion, compared to $1.3 billion at December 31, 2010. Other short-term investments include trading securities and loans held-for-sale. Loans held-for-sale typically represent residential mortgage loans and Small Business Administration loans originated with management's intention to sell. Average other short-term investments increased $3 million to $129 million in 2011, compared to 2010. Short-term investments, other than trading securities and loans held-for-sale, provide a range of maturities of less than one year and are mostly used to manage liquidity requirements of the Corporation.

DEPOSITS AND BORROWED FUNDS

The Corporation's average deposits and borrowed funds balances are detailed in the following table.

(dollar amounts in millions)

Years Ended December 31	2011	2010	Change	Percent Change
Noninterest-bearing deposits	$16,994	$15,094	$1,900	13 %
Money market and NOW deposits	19,088	16,355	2,733	17
Savings deposits	1,550	1,394	156	11
Customer certificates of deposit	5,719	5,875	(156)	(3)
Total core deposits	43,351	38,718	4,633	12
Other time deposits	23	306	(283)	(93)
Foreign office time deposits	388	462	(74)	(16)
Total deposits	$43,762	$39,486	$4,276	11 %
Short-term borrowings	$138	$216	$(78)	(36)%
Medium- and long-term debt	5,519	8,684	(3,165)	(36)
Total borrowed funds	$5,657	$8,900	$(3,243)	(36)%

Average deposits were $43.8 billion in 2011, an increase of $4.3 billion, or 11 percent, from 2010. Average core deposits increased $4.6 billion, or 12 percent, to $43.4 billion in 2011, compared to 2010. Within average deposits, nearly all business lines showed increases from 2010 to 2011, including Small Business Banking ($1.1 billion), Global Corporate Banking ($1.0 billion), Personal Banking ($864 million), Technology and Life Sciences ($747 million), the Financial Services Division ($354 million) and Private Banking ($308 million). Average deposits increased in all geographic markets from 2010 to 2011, with the largest increases in the Texas ($2.5 billion), largely reflecting the

addition of deposits from Sterling, Western ($808 million) and Midwest ($449 million) markets. The increase in average deposits was primarily due to an increased level of savings by customers during the uncertain economic conditions throughout 2011 and the addition of deposits acquired from Sterling. Other time deposits represent certificates of deposit issued to institutional investors in denominations in excess of $100,000 and to retail customers in denominations of less than $100,000 through brokers, and are an alternative to other sources of purchased funds. The Corporation participated in the Transaction Account Guarantee Program (TAGP) from its inception in October 2008 through June 30, 2010. During that time, the FDIC provided unlimited deposit insurance protection on noninterest-bearing transaction accounts (as defined by the FDIC). The Corporation and its subsidiary banks elected to opt-out of the FDIC's TAGP

extension through December 31, 2010, effective July 1, 2010. On July 1, 2010, deposit insurance reverted back to the statutory coverage limit of $250,000 per depositor. The Dodd-Frank Wall Street Reform and Consumer Protection Act (The Financial Reform Act) reinstated, for all financial institutions, unlimited deposit insurance protection for the period December 31, 2010 through December 31, 2012 for traditional noninterest-bearing demand deposit accounts and interest-bearing lawyers' trust accounts. For more information regarding the Financial Reform Act, refer to the Supervision and Regulation section of Part I. Item 1. Business.

Short-term borrowings primarily include federal funds purchased, securities sold under agreements to repurchase and treasury tax and loan notes. Average short-term borrowings decreased $78 million, to $138 million in 2011, compared to $216 million in 2010, mostly reflecting a decrease in federal funds purchased.

The Corporation uses medium- and long-term debt to provide funding to support earning assets. On an average basis, medium- and long-term debt decreased $3.2 billion, or 36 percent, in 2011, compared to 2010. Medium- and long-term debt decreased $1.2 billion in 2011, to $4.9 billion at December 31, 2011, compared to December 31, 2010, resulting primarily from the maturities of $859 million of medium-term notes and $500 million of Federal Home Loan Bank (FHLB) advances, partially offset by $109 million of subordinated notes assumed by the Corporation in the acquisition of Sterling in 2011.

Further information on medium- and long-term debt is provided in Note 13 to the consolidated financial statements.

CAPITAL

Total shareholders' equity increased $1.1 billion to $6.9 billion at December 31, 2011, compared to $5.8 billion at December 31, 2010, primarily due to the acquisition of Sterling and the retention of $318 million of earnings, after dividends of $75 million. Additionally, the Corporation repurchased 4.1 million shares in the open market in 2011for a total of $110 million that, combined with dividends, resulted in a total payout to shareholders of 47 percent of 2011 net income.

In July 2011, in connection with the acquisition of Sterling, the Corporation issued 24.3 million shares of common stock with an acquisition date fair value of $793 million. Based on the merger agreement, outstanding unexercised options and outstanding warrants to purchase Sterling common stock were converted into fully vested options and warrants to purchase common stock of the Corporation. The options and warrants issued were recorded at their acquisition date fair values of $3 million and $7 million, respectively.

In the fourth quarter 2010, the Board of Directors authorized the Corporation to repurchase up to 12.6 million shares of Comerica Incorporated outstanding common stock, and authorized the purchase of up to all 11.5 million of Comerica Incorporated original outstanding warrants, which expire November 14, 2018. The shares and warrants may be purchased from time to time in the open market. The shares may be held in treasury or retired. The share repurchase program superseded the Corporation's previous repurchase programs and has no expiration date. In 2011, the Corporation repurchased 4.1 million shares in the open market under the publicly announced repurchase program for a total of $110 million. There were no shares repurchased under the publicly announced repurchase program in 2010. At December 31, 2011, 8.5 million shares and 11.5 million of Comerica Incorporated original outstanding warrants remained available for repurchase under the publicly announced repurchase program.

In the first quarter 2010, the Corporation fully redeemed $2.25 billion of preferred stock issued in connection with the Capital Purchase Program. The redemption was funded by the net proceeds from an $880 million common stock offering completed in the first quarter 2010 and from excess liquidity at the parent company. In the second quarter 2010, the U.S. Treasury sold the related warrant, which granted the right to purchase 11.5 million shares of the Corporation's common stock at $29.40 per share. Prior to the public sale, the warrant was separated into 11.5 million warrants to purchase one share of the Corporation's common stock at an exercise price of $29.40 per share. The sale of the warrant by the U.S. Treasury had no impact on the Corporation's equity. The warrants remained outstanding at December 31, 2011 and were included in “capital surplus” on the consolidated balance sheets at their original fair value of $124 million.

The Corporation declared common dividends in 2011 totaling $75 million, or $0.40 per share, on net income of $393 million, compared to common dividends totaling $0.25 per share in 2010. The dividend payout ratio, calculated on a per share basis, was 19 percent in 2011, compared to 28 percent in 2010. Including share repurchases, the total payout to shareholders was 47 percent in 2011.

Refer to Note 14 to the consolidated financial statements for additional information on the Capital Purchase Program and the Corporation's share repurchase program.

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The following table presents a summary of changes in total shareholders' equity in 2011:

(in millions)		
Year Ended December 31		2011
Balance at January 1		$5,793
Retention of earnings (net income less cash dividends declared)		318
Change in accumulated other comprehensive income (loss):		
Investment securities available-for-sale	$115	
Cash flow hedges	(2)	
Defined benefit and other postretirement plans	(80)	
Total change in accumulated other comprehensive income (loss)		33
Acquisition of Sterling Bancshares, Inc.		803
Purchase of common stock		(116)
Share-based compensation		37
Balance at December 31		$6,868

Further information on the change in accumulated other comprehensive income (loss) is provided in Note 15 to the consolidated financial statements.

In July 2010, the Financial Reform Act was signed into law, which prohibits holding companies with more than $15 billion in assets from including trust preferred securities in Tier 1 capital, with a phase-in period of three years, beginning on January 1, 2013. As of December 31, 2011, the Corporation had $29 million of trust preferred securities outstanding, due to the acquisition of Sterling. The Corporation called $4 million of the trust preferred securities effective January 7, 2012 and excluded the amount from Tier 1 and total capital as of December 31, 2011. For further discussion of the Financial Reform Act, refer to the Supervision and Regulation section of Part I. Item 1. Business.

The Corporation assesses capital adequacy against the risk inherent in the balance sheet, recognizing that unexpected loss is the common denominator of risk and that common equity has the greatest capacity to absorb unexpected loss. At December 31, 2011, the Corporation and its U.S. banking subsidiaries exceeded the capital ratios required for an institution to be considered “well capitalized” by the standards developed under the Federal Deposit Insurance Corporation Improvement Act of 1991. Refer to Note 21 to the consolidated financial statements for further discussion of regulatory capital requirements and capital ratio calculations.

The Corporation has established a forecasting process to periodically conduct stress tests to evaluate potential impacts to the Corporation under various economic scenarios. These stress tests are becoming a regular part of the Corporation's overall risk management and capital planning process. The same forecasting process was also used by the Corporation to conduct the stress test that was part of the Federal Reserve's Capital Plan Review. For additional information about risk management processes, refer to the "Risk Management" section of this financial review.

In December 2010, the Basel Committee on Banking Supervision (the Basel Committee) issued a framework for strengthening international capital and liquidity regulation (Basel III). The Basel III capital framework includes higher global minimum capital standards, including a more stringent definition of capital, new capital conservation buffers and a minimum Tier 1 common capital ratio. The Basel III capital framework also proposes the deduction of certain assets from capital, including deferred tax assets and mortgage servicing rights, among others and within prescribed limitations, as well as the inclusion of other comprehensive income in capital and increased capital requirements for counterparty credit risk Rules are expected to be implemented between 2013 and 2019. Adoption in the U.S. is expected to occur over a similar timeframe, but the final form of the U.S. rules is not yet known.

The Basel III liquidity framework includes two minimum liquidity measures. The Liquidity Coverage Ratio requires a financial institution to hold a buffer of high-quality, liquid assets to fully cover net cash outflows under a 30-day systematic liquidity stress scenario. The Net Stable Funding Ratio requires the amount of available longer-term, stable sources of funding to be at least 100 percent of the required amount of longer-term stable funding over a one-year period. The Corporation's liquidity position is strong, but if subject to the Basel III liquidity framework as currently proposed, the Corporation would need to implement additional liquidity management initiatives. While uncertainty exists in both the final form of the Basel III guidance and whether or not the Corporation will be required to adopt the guidelines, the Corporation is closely monitoring the development of the guidance. We expect to meet the final

requirements adopted by U.S. banking regulators within regulatory timelines.

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RISK MANAGEMENT

The Corporation assumes various types of risk in the normal course of business. Management classifies risk exposures into six areas: (1) credit, (2) market, (3) liquidity, (4) operational, (5) compliance and (6) business risks. Of these, the Corporation considers credit risk as the most significant risk.

The Corporation continuously enhances its risk management capabilities with additional processes, tools and systems designed to not only provide management with deeper insight into the Corporation's various risks and assess its appetite for risk, but also enhance the Corporation's ability to control those risks and ensure that appropriate return is received for the risks taken.

Specialized risk managers, along with the risk management committees in credit, market, liquidity, operational and compliance are responsible for the day-to-day management of those respective risks. The Enterprise-Wide Risk Management Committee has been established by the Enterprise Risk Committee of the Board and charged with responsibility for establishing the governance over the risk management process, providing oversight in managing the Corporation's aggregate risk position and reporting on the comprehensive portfolio of risks and the potential impact these risks can have on the Corporation's risk profile and resulting capital level. The Enterprise-Wide Risk Management Committee is principally composed of senior officers representing the different risk areas and business units who are appointed by the Chairman and Chief Executive Officer of the Corporation.

The Board's Enterprise Risk Committee meets quarterly and is chartered to assist the Board in promoting the best interest of the Corporation by overseeing policies, procedures and risk practices relating to enterprise-wide risk and compliance with bank regulatory obligations. Members of the Enterprise Risk Committee are selected such that the committee comprises individuals whose experiences and qualifications can lead to broad and informed views on risk matters facing the Corporation and the financial services industry, including, but not limited to, risk matters that address credit, market, liquidity, operational, compliance and general business conditions. A comprehensive risk report is submitted to the Enterprise Risk Committee each quarter providing management's view of the Corporation's risk position.

CREDIT RISK

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. The governance structure is administered through the Strategic Credit Committee. The Strategic Credit Committee is chaired by the Chief Credit Officer and approves recommendations to address credit risk matters through credit policy, credit risk management practices, and required credit risk actions. In order to facilitate the corporate credit risk management process, various other corporate functions provide the resources for the Strategic Credit Committee to carry out its responsibilities. The Corporation manages credit risk through underwriting, periodically reviewing and approving its credit exposures using approved credit policies and guidelines. Additionally, the Corporation manages credit risk through loan portfolio diversification, limiting exposure to any single industry, customer or guarantor, and selling participations and/or syndicating to third parties credit exposures above those levels it deems prudent.

Credit Administration provides the resources to manage the line of business transactional credit risk, assuring that all exposure is risk rated according to the requirements of the credit risk rating policy and providing business segment reporting support as necessary.

Portfolio Risk Analytics provides comprehensive reporting on portfolio credit risks, continuous assessment and verification of risk rating models, quarterly calculation of the allowance for loan losses and the allowance for credit losses on lending-related commitments and calculation of economic credit risk capital.

The Special Assets Group is responsible for managing the recovery process on distressed or defaulted loans and loan sales.

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ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
(dollar amounts in millions)

Years Ended December 31	2011	2010	2009	2008	2007
Balance at beginning of year	$901	$985	$770	$557	$493
Loan charge-offs:					
Commercial	192	195	375	183	89
Real estate construction:					
Commercial Real Estate business line (a)	35	175	234	184	37
Other business lines (b)	2	4	1	1	5
Total real estate construction	37	179	235	185	42
Commercial mortgage:					
Commercial Real Estate business line (a)	46	53	90	72	15
Other business lines (b)	93	138	81	28	37
Total commercial mortgage	139	191	171	100	52
Lease financing	—	1	36	1	—
International	7	8	23	2	—
Residential mortgage	15	14	21	7	—
Consumer	33	39	34	22	13
Total loan charge-offs	423	627	895	500	196
Recoveries:					
Commercial	33	25	18	17	27
Real estate construction	14	11	1	3	—
Commercial mortgage	26	16	3	4	4
Lease financing	11	5	1	1	4
International	5	1	2	1	8
Residential mortgage	2	1	—	—	—
Consumer	4	4	2	3	4
Total recoveries	95	63	27	29	47
Net loan charge-offs	328	564	868	471	149
Provision for loan losses	153	480	1,082	686	212
Foreign currency translation adjustment	—	—	1	(2)	1
Balance at end of year	$726	$901	$985	$770	$557
Net loan charge-offs during the year as a percentage of average loans outstanding during the year	0.82%	1.39%	1.88%	0.91%	0.30%

(a) Primarily charge-offs of loans to real estate investors and developers.
(b) Primarily charge-offs of loans secured by owner-occupied real estate.

Allowance for Credit Losses

The allowance for credit losses includes both the allowance for loan losses and the allowance for credit losses on lending-related commitments. The allowance for loan losses represents management's assessment of probable, estimable losses inherent in the Corporation's loan portfolio. The allowance for credit losses on lending-related commitments, included in “accrued expenses and other liabilities” on the consolidated balance sheets, provides for probable losses inherent in lending-related commitments, including unused commitments to extend credit and letters of credit.

The Corporation disaggregates the loan portfolio into segments for purposes of determining the allowance for credit losses. These segments are based on the level at which the Corporation develops, documents and applies a systematic methodology to determine the allowance for credit losses. The Corporation's portfolio segments are business loans and retail loans. Business loans are defined as those belonging to the commercial, real estate construction, commercial mortgage, lease financing and international loan portfolios. Retail loans consist of traditional residential mortgage,

home equity and other consumer loans.
The allowance for loan losses includes specific allowances, based on individual evaluations of certain loans, and allowances for homogeneous pools of loans with similar risk characteristics.
The allowance for loan losses was $726 million at December 31, 2011, compared to $901 million at December 31, 2010, a decrease of $175 million, or 19 percent. The decrease resulted primarily from improvements in credit quality, including a decline

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of $1.1 billion in the Corporation's internal watch list loans from December 31, 2010 to December 31, 2011. The Corporation's internal watch list is generally consistent with loans in the Special Mention, Substandard and Doubtful categories defined by regulatory authorities. Additional indicators of improved credit quality included a decrease in the inflow to nonaccrual (based on an analysis of nonaccrual loans with balances greater than $2 million) of $353 million and a $236 million decrease in net credit-related charge-offs from December 31, 2010 to December 31, 2011. The $175 million decrease in the allowance for loan losses consisted of decreases in the Middle Market (primarily the Midwest and Other markets), Commercial Real Estate (in all markets), Small Business Banking (in all markets) and National Dealer Services (primarily the Western market) business lines, partially offset by increases in Technology and Life Sciences (primarily the Western market) and Personal Banking (primarily the Midwest market) business lines. Nonperforming loans of $887 million at December 31, 2011 decreased $236 million, or 21 percent, compared to December 31, 2010. Loan charge-offs are taken as amounts are determined to be uncollectible. A measure of the level of charge-offs already taken on nonperforming loans is the current book balance as a percentage of the contractual amount owed. At December 31, 2011, nonperforming loans were charged-off to approximately 60 percent of the contractual amount. This level of write-downs is consistent with losses experienced on loan defaults in 2011 and in recent years. The allowance as a percentage of total nonperforming loans, a ratio which results from the actions noted above, was 82 percent at December 31, 2011, compared to 80 percent at December 31, 2010. The Corporation's loan portfolio is primarily composed of business loans, which, in the event of default, are typically carried on the books at fair value as nonperforming assets for a longer period of time than are consumer loans, which are generally fully charged off when they become nonperforming, resulting in a lower nonperforming loan allowance coverage when compared to banking organizations with higher concentrations of consumer loans. The allowance for loan losses as a multiple of total annual net loan charge-offs increased to 2.2 times for the year ended December 31, 2011, compared to 1.6 times for the year ended December 31, 2010.

Loans acquired from Sterling were initially recorded at fair value, which included an estimate of credit losses expected to be realized over the remaining lives of the loans, and therefore no corresponding allowance for loan losses was recorded for these loans at acquisition. Methods utilized to estimate the required allowance for loan losses for acquired loans not deemed credit-impaired at acquisition are similar to originated loans; however, the estimate of loss is based on the unpaid principal balance less the remaining purchase discount. At December 31, 2011, no allowance was required for acquired loans not deemed credit-impaired and $96 million of purchase discounts remained. Purchased credit impaired (PCI) loans are not considered nonperforming loans. No impairment charges were required in 2011 for acquired PCI loans.

The total allowance for loan losses is sufficient to absorb incurred losses inherent in the total loan portfolio. Unanticipated economic events, including political, economic and regulatory instability could cause changes in the credit characteristics of the portfolio and result in an unanticipated increase in the allowance. Inclusion of other industry-specific portfolio exposures in the allowance, as well as significant increases in the current portfolio exposures, could also increase the amount of the allowance. Any of these events, or some combination thereof, may result in the need for additional provision for loan losses in order to maintain an allowance that complies with credit risk and accounting policies.

The allowance as a percentage of total loans, as a percentage of total nonperforming loans and as a multiple of annual net loan charge-offs is provided in the following table.

Years Ended December 31	2011		2010		2009	
Allowance for loan losses as a percentage of total loans at end of year	1.70	%	2.24	%	2.34	%
Allowance for loan losses as a percentage of total nonperforming loans at end of year	82		80		83	
Allowance for loan losses as a multiple of total net loan charge-offs for the year	2.2x		1.6x		1.1x	

The allowance for loan losses as a percentage of total period-end loans was 1.70 percent at December 31, 2011, compared to 2.24 percent at December 31, 2010. The decline in the ratio of the allowance to total loans reflects the

improved credit quality of the loan portfolio and the impact of the increase in period-end loans as a result of loans acquired from Sterling that were initially recorded at fair value without a corresponding allowance for loan losses.

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ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

(dollar amounts in millions) December 31	2011 Allocated Allowance	2011 Allowance Ratio (a)	2011 % (b)	2010 Allocated Allowance	2010 % (b)	2009 Allocated Allowance	2009 % (b)	2008 Allocated Allowance	2008 % (b)	2007 Allocated Allowance	2007 % (b)
Business loans											
Commercial	$359	1.44 %	58 %	$422	54 %	$456	51 %	$380	55 %	$288	55 %
Real estate construction	45	2.97	4	102	6	194	8	194	9	128	9
Commercial mortgage	228	2.22	24	272	24	219	25	147	21	92	20
Lease financing	7	0.74	2	8	3	13	3	6	3	15	3
International	9	0.79	3	20	3	33	3	12	3	11	4
Total business loans	648	1.67	91	824	90	915	90	739	91	534	91
Retail loans											
Residential mortgage	21	1.37	4	29	4	32	4	4	4	2	4
Consumer	57	2.48	5	48	6	38	6	27	5	21	5
Total retail loans	78	2.04	9	77	10	70	10	31	9	23	9
Total loans	$726	1.70 %	100 %	$901	100 %	$985	100 %	$770	100 %	$557	100 %

(a) Allocated allowance as a percentage of related loans outstanding.
(b) Loans outstanding as a percentage of total loans.

The allowance for credit losses on lending-related commitments includes specific allowances, based on individual evaluations of certain letters of credit in a manner consistent with business loans, and allowances based on the pool of the remaining letters of credit and all unused commitments to extend credit within each internal risk rating.

The allowance for credit losses on lending-related commitments was $26 million at December 31, 2011, a decrease of $9 million from $35 million at December 31, 2010. The decrease resulted primarily from improved credit quality in unfunded commitments in the Midwest, Western and Texas markets. The Corporation recorded a purchase discount for lending-related commitments acquired from Sterling. An allowance for credit losses will be recorded on Sterling lending-related commitments only to the extent that the required allowance exceeds the remaining purchase discount. At December 31, 2011, no allowance was recorded for Sterling lending-related commitments and $3 million of purchase discount remained. An analysis of the changes in the allowance for credit losses on lending-related commitments is presented below.

(dollar amounts in millions) Years Ended December 31	2011	2010	2009	2008	2007
Balance at beginning of year	$35	$37	$38	$21	$26
Less: Charge-offs on lending-related commitments (a)	—	—	1	1	4
Add: Provision for credit losses on lending-related commitments	(9)	(2)	—	18	(1)
Balance at end of year	$26	$35	$37	$38	$21

(a) Charge-offs result from the sale of unfunded lending-related commitments.

For additional information regarding the allowance for credit losses, refer to the "Critical Accounting Policies" section of this financial review and Note 5 to the consolidated financial statements.

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SUMMARY OF NONPERFORMING ASSETS AND PAST DUE LOANS
(dollar amounts in millions)

December 31	2011	2010	2009	2008	2007
Nonaccrual loans:					
Business loans:					
Commercial	$237	$252	$238	$205	$75
Real estate construction:					
Commercial Real Estate business line (a)	93	259	507	429	161
Other business lines (b)	8	4	4	5	6
Total real estate construction	101	263	511	434	167
Commercial mortgage:					
Commercial Real Estate business line (a)	159	181	127	132	66
Other business lines (b)	268	302	192	130	75
Total commercial mortgage	427	483	319	262	141
Lease financing	5	7	13	1	—
International	8	2	22	2	4
Total nonaccrual business loans	778	1,007	1,103	904	387
Retail loans:					
Residential mortgage	71	55	50	7	