UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10-Q

(Mark One)

| [X] QUARTERLY REPORT P SECURITIES EXCH. | URSUANT TO SECTION 13 OR 15(d) OF ANGE ACT OF 1934 | ТНЕ |
|--|--|---|
| For the quarterly period ended | June 30, 2011 | |
| | or | |
| [] TRANSITION REPORT PU SECURITIES EXCH | URSUANT TO SECTION 13 OR 15(d) OF 'ANGE ACT OF 1934 | ТНЕ |
| For the transition period from | to | |
| | Commission file number <u>1-10706</u> | |
| | Comerica Incorporated | . |
| | (Exact name of registrant as specified in its | charter) |
| Delaware | _ | 38-1998421 |
| (State or other jurisdiction of | | (I.R.S. Employer |
| incorporation or organization) | Comerica Bank Tower | Identification No.) |
| | 1717 Main Street, MC 6404 | |
| | Dallas, Texas 75201 | |
| | (Address of principal executive office (Zip Code) | s) |
| | (214) 462-6831 | |
| | (Registrant's telephone number, including ar | ea code) |
| Securities Exchange Act of 1934 of | her the registrant (1) has filed all reports requilibring the preceding 12 months (or for such shown subject to such filing requirements for the party of the par | orter period that the registrant was required to |
| every Interactive Data File requir | her the registrant has submitted electronically ared to be submitted and posted pursuant to Ru months (or for such shorter period that the registrant has submitted electronically are the registrant has been expected as the registrant has been electronically are the | lle 405 of Regulation S-T (§232.405 of this |
| | Yes No | |
| smaller reporting company. See company" in Rule 12b-2 of the E | her the registrant is a large accelerated filer, an the definitions of "large accelerated filer," Exchange Act: Accelerated filer [] Non-accelerated file (Do not check if a smaller repo | "accelerated filer" and "smaller reporting er [] Smaller reporting company [] |
| Indicate by check mark whet | her the registrant is a shell company (as define Yes No | ed in Rule 12b-2 of the Exchange Act). |
| \$5 par value common sto | outstanding of each of the issuer's classes of coock: y 25, 2011: 176,777,667 shares | ommon stock, as of the latest practicable date |

COMERICA INCORPORATED AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Comerica Incorporated and Subsidiaries

| (in millions, except share data) | | ne 30, 2011 | Dec | ember 31, 2010 | • | June 30, 2010 |
|---|-----|----------------|-----|-------------------|----|------------------|
| ACCEPTO | (un | audited) | | | (ι | inaudited) |
| ASSETS Cash and due from banks | \$ | 987 | \$ | 668 | \$ | 816 |
| | Ψ | 2,479 | Ψ | 1,415 | Ψ | 3,409 |
| Interest-bearing deposits with banks Other short-term investments | | 124 | | 1,413 | | 134 |
| | | | | | | |
| Investment securities available-for-sale | | 7,537 | | 7,560 | | 7,188 |
| Commercial loans | | 22,052 | | 22,145 | | 21,151 |
| Real estate construction loans | | 1,728 | | 2,253 | | 2,774 |
| Commercial mortgage loans | | 9,579 | | 9,767 | | 10,318 |
| Residential mortgage loans | | 1,491 | | 1,619 | | 1,606 |
| Consumer loans | | 2,232 | | 2,311 | | 2,443 |
| Lease financing | | 949 | | 1,009 | | 1,084 |
| International loans | | 1,162 | | 1,132 | | 1,226 |
| Total loans | | 39,193 | | 40,236 | | 40,602 |
| Less allowance for loan losses Net loans | | (806) | | (901) | | (967) |
| 2.2.2.2.000 | | 38,387 | | 39,335 | | 39,635 |
| Premises and equipment | | 641 | | 630 | | 634 |
| Customers' liability on acceptances outstanding | | 10 | | 9 | | 24 |
| Accrued income and other assets | | 3,976 | | 3,909 | _ | 4,045 |
| Total assets | \$ | 54,141 | \$ | 53,667 | \$ | 55,885 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Noninterest-bearing deposits | \$ | 16,344 | \$ | 15,538 | \$ | 15,769 |
| Money market and NOW deposits | · · | 18,033 | - | 17,622 | - | 16,062 |
| Savings deposits | | 1,462 | | 1,397 | | 1,407 |
| Customer certificates of deposit | | 5,551 | | 5,482 | | 5,893 |
| Other time deposits | | 5,551 | | 5,402 | | 165 |
| Foreign office time deposits | | 368 | | 432 | | 484 |
| Total interest-bearing deposits | | 25,414 | | 24,933 | | 24,011 |
| Total deposits | | 41,758 | | 40,471 | | 39,780 |
| Short-term borrowings | | 67 | | 130 | | 200 |
| Acceptances outstanding | | 10 | | 9 | | 24 |
| Accrued expenses and other liabilities | | 1,062 | | 1,126 | | 1,048 |
| Medium- and long-term debt | | 5,206 | | 6,138 | | 9,041 |
| Total liabilities | | 48,103 | | 47,874 | | 50,093 |
| Common stock - \$5 par value: | | , | | , | | , |
| Authorized - 325,000,000 shares | | | | | | |
| Issued - 203,878,110 shares | | 1,019 | | 1,019 | | 1,019 |
| Capital surplus | | 1,019 | | 1,481 | | 1,467 |
| Accumulated other comprehensive loss | | (308) | | (389) | | (240) |
| Retained earnings | | 5,395 | | 5,247 | | 5,124 |
| Less cost of common stock in treasury - 27,092,427 shares at 6/30/11, | | 5,575 | | 5,247 | | 5,124 |
| 27,342,518 shares at 12/31/10, and 27,561,412 shares at 6/30/10 | | (1,540) | | (1,565) | | (1,578) |
| Total shareholders' equity | | 6,038 | | 5,793 | | 5,792 |
| Total liabilities and shareholders' equity | \$ | | \$ | 53,667 | \$ | 55,885 |

See notes to consolidated financial statements.

$CONSOLIDATED\ STATEMENTS\ OF\ INCOME\ (unaudited)$

Comerica Incorporated and Subsidiaries

| | Tl | ree Moi Jun | Six Months Ended June 30, | | | |
|--|----|----------------|------------------------------|-----------|------------|--|
| (in millions, except per share data) | | 2011 | 2010 | 2011 | 2010 | |
| INTEREST INCOME | | | | | | |
| Interest and fees on loans | \$ | 369 | \$ 412 | \$ 744 | \$ 824 | |
| Interest on investment securities | | 59 | 61 | 116 | 122 | |
| Interest on short-term investments | | 3 | 3 | 5 | 6 | |
| Total interest income | | 431 | 476 | 865 | 952 | |
| INTEREST EXPENSE | | | | | | |
| Interest on deposits | | 23 | 29 | 45 | 64 | |
| Interest on medium- and long-term debt | | 17 | 25 | 34 | 51 | |
| Total interest expense | | 40 | 54 | 79 | 115 | |
| Net interest income | | 391 | 422 | 786 | 837 | |
| Provision for loan losses Net interest income after provision for loan losses | | 47 344 | 126 296 | 96 690 | 301 536 | |
| NONINTEREST INCOME | | | 2,0 | 0,0 | 220 | |
| Service charges on deposit accounts | | 51 | 52 | 103 | 108 | |
| Fiduciary income | | 39 | 38 | 78 | 77 | |
| Commercial lending fees | | 21 | 22 | 42 | 44 | |
| Letter of credit fees | | 18 | 19 | 36 | 37 | |
| Card fees | | 15 | 15 | 30 | 28 | |
| Foreign exchange income | | 10 | 10 | 19 | 20 | |
| Bank-owned life insurance | | 9 | 9 | 17 | 17 | |
| Brokerage fees | | 6 | 6 | 12 | 12 | |
| Net securities gains | | 4 | 1 | 6 | 3 | |
| Other noninterest income | | 29 | 22 | 66 | 42 | |
| Total noninterest income | | 202 | 194 | 409 | 388 | |
| NONINTEREST EXPENSES | | | | | | |
| Salaries | | 185 | 179 | 373 | 348 | |
| Employee benefits | | 50 | 45 | 100 | 89 | |
| Total salaries and employee benefits | | 235 | 224 | 473 | 437 | |
| Net occupancy expense | | 38 | 39 | 78 | 80 | |
| Equipment expense | | 17 | 15 | 32 | 32 | |
| Outside processing fee expense | | 25 | 23 | 49 | 46 | |
| Software expense | | 20 | 22 | 43 | 44 | |
| FDIC insurance expense | | 12 8 | 16 9 | 27 17 | 33 17 | |
| Legal fees Advertising expense | | 7 | 7 | 17 | 17 | |
| Other real estate expense | | 6 | 5 | 14 | 17 | |
| Litigation and operational losses | | 5 | 2 | 8 | 3 | |
| Merger and restructuring charges | | 5 | _ | 5 | - | |
| Provision for credit losses on lending-related commitments | | (2) | | (5) | 7 | |
| Other noninterest expenses | | 33 | 35 | 69 | 70 | |
| Total noninterest expenses | | 409 | 397 | 824 | 801 | |
| Income from continuing operations before income taxes | | 137 | 93 | 275 | 123 | |
| Provision for income taxes | | 41 | 23 | 76 | 18 | |
| Income from continuing operations | | 96 | 70 | 199 | 105 | |
| Income from discontinued operations, net of tax | | _ | - | - | 17 | |
| NET INCOME | | 96 | 70 | 199 | 122 | |
| Less: Preferred stock dividends | | | | | 122 | |
| Income allocated to participating securities | | 1 | 1 | 2 | 123 | |
| Net income (loss) attributable to common shares | \$ | 95 | \$ 69 | \$ 197 | \$ (1) | |
| The mediae (1988) with same to common shares | • | ,,, | Ψ 0) | Ψ 1,, | Ψ (1) | |
| Basic earnings per common share: | | | | | | |
| Income (loss) from continuing operations | \$ | 0.54 | \$ 0.40 | \$ 1.12 | \$ (0.11) | |
| Net income (loss) | | 0.54 | 0.40 | 1.12 | (0.01) | |
| Diluted earnings per common share: | | | | | | |
| Income (loss) from continuing operations | | 0.53 | 0.39 | 1.10 | (0.11) | |
| Net income (loss) | | 0.53 | 0.39 | 1.10 | (0.11) | |
| | | | | | | |
| Cash dividends declared on common stock | | 18 | 0.05 | 35 | 18 | |
| Cash dividends declared per common share | | 0.10 | 0.05 | 0.20 | 0.10 | |

${\bf CONSOLIDATED\ STATEMENTS\ OF\ CHANGES\ IN\ SHAREHOLDERS'\ EQUITY\ (unaudited)}$ ${\it Comerica\ Incorporated\ and\ Subsidiaries}$

| | | | Com | mon | Stock | | | A | ccumulated Other | | | Total |
|--|----|--------------------|-----------------------|-----|-------|----|--------------------|----|----------------------|----------------------|-------------------|------------------------|
| (in millions, except per share data) | | Preferred Stock | Shares Outstanding | | | | Capital Surplus | Co | omprehensive Loss | Retained Earnings | Treasury Stock | Shareholders Equity |
| BALANCE AT DECEMBER 31, 2009 | \$ | 2,151 | 151.2 | \$ | 894 | \$ | 740 | \$ | (336) \$ | 5,161 | \$ (1,581) | \$ 7,029 |
| Net income | | - | - | | - | | - | | - | 122 | - | 123 |
| Other comprehensive income, net of tax | | - | - | | - | | - | | 96 | - | - | 90 |
| Total comprehensive income | | | | | | | | | | | | 213 |
| Cash dividends declared on preferred stock | | - | - | | - | | - | | - | (38) | - | (38 |
| Cash dividends declared on common stock (\$0.10 per share) | | - | - | | - | | - | | - | (18) | - | (13 |
| Purchase of common stock | | - | - | | - | | - | | - | - | (4) | (4 |
| Issuance of common stock | | - | 25.1 | | 125 | | 724 | | - | - | - | 849 |
| Redemption of preferred stock | | (2,250) | - | | - | | - | | - | - | - | (2,250 |
| Redemption discount accretion on preferred stock | | 94 | - | | - | | - | | - | (94) | - | |
| Accretion of discount on preferred stock | | 5 | - | | - | | - | | - | (5) | - | |
| Net issuance of common stock under employee stock plans | | - | - | | - | | (5) | | - | (4) | 6 | (2 |
| Share-based compensation | | - | - | | - | | 11 | | - | - | - | 1 |
| Other | | - | - | | - | | (3) | | - | - | 1 | (2 |
| BALANCE AT JUNE 30, 2010 | \$ | - | 176.3 | \$ | 1,019 | \$ | 1,467 | \$ | (240) \$ | 5,124 | \$ (1,578) | \$ 5,792 |
| BALANCE AT DECEMBER 31, 2010 | \$ | - | 176.5 | \$ | 1,019 | \$ | 1,481 | \$ | (389) \$ | 5,247 | \$ (1,565) | \$ 5,793 |
| Net income | | - | - | | _ | | - | | - | 199 | - | 199 |
| Other comprehensive income, net of tax | | - | - | | - | | - | | 81 | - | - | 8 |
| Total comprehensive income | | | | | | | | | | | - | 280 |
| Cash dividends declared on common stock (\$0.20 per share) | | - | _ | | _ | | - | | - | (35) | - | (3: |
| Purchase of common stock | | - | (0.5) | | - | | - | | - | `- | (21) | (2 |
| Net issuance of common stock under employee stock plans | | - | 0.8 | | - | | (30) | | - | (16) | 46 | |
| Share-based compensation | | - | - | | - | | 21 | | - | | - | 2 |
| BALANCE AT JUNE 30, 2011 | \$ | - | 176.8 | \$ | 1,019 | \$ | 1,472 | \$ | (308) \$ | 5,395 | \$ (1,540) | \$ 6,038 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Comerica Incorporated and Subsidiaries

| | Six Months Ended June 30, | | | | | | |
|--|---------------------------|---------|------|---------|--|--|--|
| (in millions) | | 2011 | 2010 | | | | |
| OPERATING ACTIVITIES | | | | | | | |
| Net income | \$ | 199 | \$ | 122 | | | |
| Income from discontinued operations, net of tax | | - | | 17 | | | |
| Income from continuing operations, net of tax | | 199 | | 105 | | | |
| Adjustments to reconcile net income to net cash provided by | | | | | | | |
| operating activities: | | | | | | | |
| Provision for loan losses | | 96 | | 301 | | | |
| Provision for credit losses on lending-related commitments | | (5) | | 7 | | | |
| Provision for deferred income taxes | | 23 | | 1 | | | |
| Depreciation and software amortization | | 59 | | 62 | | | |
| Share-based compensation expense | | 21 | | 11 | | | |
| Net amortization of securities | | 12 | | 8 | | | |
| Net securities gains | | (6) | | (3) | | | |
| Excess tax benefits from share-based compensation arrangements | | (1) | | (1) | | | |
| Net decrease in trading securities | | 14 | | 5 | | | |
| Net decrease (increase) in loans held-for-sale | | 3 | | (1) | | | |
| Net decrease in accrued income receivable | | 5 | | 9 | | | |
| Net decrease in accrued expenses | | (40) | | (9) | | | |
| Other, net | | 82 | | 228 | | | |
| Discontinued operations, net Net cash provided by operating activities | | 462 | | 740 | | | |
| Net cash provided by operating activities | | 462 | | 740 | | | |
| INVESTING ACTIVITIES | | | | | | | |
| Proceeds from maturities and redemptions of investment securities available-for-sale | | 1,031 | | 681 | | | |
| Proceeds from sales of investment securities available-for-sale | | 5 | | 209 | | | |
| Purchases of investment securities available-for-sale | | (1,028) | | (521) | | | |
| Proceeds from sales of indirect private equity and venture capital funds | | 33 | | - | | | |
| Net decrease in loans | | 822 | | 1,200 | | | |
| Net increase in fixed assets | | (57) | | (36) | | | |
| Net increase in customers' liability on acceptances outstanding | | (1) | | (13) | | | |
| Sales of Federal Home Loan Bank stock | | 36 | | 41 | | | |
| Net cash provided by investing activities | | 841 | | 1,561 | | | |
| FINANCING ACTIVITIES | | | | | | | |
| Net increase in deposits | | 1,134 | | 126 | | | |
| Net decrease in short-term borrowings | | (63) | | (262) | | | |
| Net increase in acceptances outstanding | | 1 | | 13 | | | |
| Repayments of medium- and long-term deb | | (940) | | (2,116) | | | |
| Proceeds from issuance of common stock | | - | | 849 | | | |
| Redemption of preferred stock | | - | | (2,250) | | | |
| Proceeds from issuance of common stock under employee stock plans | | 3 | | 4 | | | |
| Excess tax benefits from share-based compensation arrangements | | 1 | | 1 | | | |
| Purchase of common stock for treasury | | (21) | | (4) | | | |
| Dividends paid on common stock | | (35) | | (16) | | | |
| Dividends paid on preferred stock | | - | | (38) | | | |
| Net cash provided by (used in) financing activities | | 80 | | (3,693) | | | |
| Net increase (decrease) in cash and cash equivalents | | 1,383 | | (1,392) | | | |
| Cash and cash equivalents at beginning of period | | 2,083 | | 5,617 | | | |
| Cash and cash equivalents at end of period | \$ | 3,466 | \$ | 4,225 | | | |
| Interest paid | \$ | 76 | \$ | 125 | | | |
| Income taxes, tax deposits and tax-related interest paid | \$ | 47 | \$ | 19 | | | |
| Noncash investing and financing activities: | | | | | | | |
| Loans transferred to other real estate | \$ | 30 | \$ | 41 | | | |
| Pending settlement of matured investment securities available-for-sale | | 110 | | | | | |

See notes to consolidated financial statements.

Comerica Incorporated and Subsidiaries

NOTE 1 – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation were included. The results of operations for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. Certain items in prior periods were reclassified to conform to the current presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report of Comerica Incorporated and Subsidiaries (the Corporation) on Form 10-K for the year ended December 31, 2010.

Pending Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," (ASU 2011-05). The Corporation will adopt ASU 2011-05, which revises the way in which comprehensive income is presented in the financial statements, in its consolidated financial statements in the first quarter 2012. The provisions of ASU 2011-05 give companies the option to present total comprehensive income, components of net income, and components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. While the provisions of ASU 2011-05 will amend the presentation of comprehensive income, the adoption of ASU 2011-05 will not have any effect on the Corporation's financial condition and results of operations.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The Corporation will adopt ASU 2011-04, which generally aligns the principles of fair value measurements with International Financial Reporting Standards (IFRSs), in its consolidated financial statements in the first quarter 2012. The provisions of ASU 2011-04 clarify the application of existing fair value measurement requirements, and expand the disclosure requirements for fair value measurements. While the provisions of ASU 2011-04 will increase the Corporation's fair value disclosures the Corporation does not expect the adoption of ASU 2011-04 to have any effect on the Corporation's financial condition and results of operations.

In April 2011, the FASB issued ASU No. 2011-02, "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," (ASU 2011-02). The Corporation will adopt ASU 2011-02, which clarifies existing guidance used by creditors to determine when a modification represents a concession, in its consolidated financial statements in the third quarter 2011. While the provisions of ASU 2011-02 may increase the amount of the Corporation's receivables that are considered troubled debt restructurings and will expand the Corporation's disclosures on troubled debt restructurings, the Corporation expects minimal impact to the allowance for loan losses and does not expect the adoption of ASU 2011-02 to have a material effect on the Corporation's financial condition and results of operations.

NOTE 2 – ACQUISITION

On July 28, 2011 (the "acquisition date"), the Corporation 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 the Corporation's common stock in exchange for each share of Sterling common stock or phantom stock unit. As a result, the Corporation issued approximately 24 million common shares, subject to payment of cash in lieu of fractional shares, with an acquisition date fair value of \$793 million, based on the Corporation'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 the Corporation. In addition, outstanding warrants to purchase Sterling common stock were converted into warrants to purchase common stock of the Corporation. The fair value of total consideration paid to acquire Sterling was approximately \$803 million. The Corporation incurred \$5 million of pre-integration and transaction costs prior to the acquisition closing date that are included in "merger and restructuring charges" in the consolidated statements of income. However, the assets acquired and liabilities assumed from Sterling, the consideration paid to acquire Sterling, and the results of Sterling's operations are not reflected in consolidated financial statements as of and for the three- and six-month periods ended June 30, 2011. The acquisition of Sterling significantly expands the Corporation's presence in Texas, particularly in the Houston and San Antonio areas,

Comerica Incorporated and Subsidiaries

NOTE 2 –ACQUISITION (continued)

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.

The assets and liabilities of Sterling were recorded on the consolidated balance sheets at estimated fair value as of the acquisition date. The initial accounting for the acquisition was incomplete at the time these financial statements were issued. The following purchase price allocation is preliminary and may change as additional information becomes available and additional analyses are completed. Preliminary initial goodwill of \$469 million was recorded after adjusting for the preliminary fair value of net identifiable assets acquired.

| (in millions) | Initial A | Allocation |
|--|-----------|------------|
| Fair value of consideration paid: | | |
| Common stock issued (a) | \$ | 793 |
| Warrants issued | | 7 |
| Stock options issued | | 3 |
| Cash in lieu of fractional shares (a) | | |
| Total consideration paid | | 803 |
| Fair value of identifiable assets acquired: | | |
| Cash and cash equivalents | | 730 |
| Investment securities available-for-sale | | 1,527 |
| Total loans | | 2,109 |
| Premises and equipment | | 35 |
| Core deposit intangible | | 41 |
| Accrued income and other assets | | 288 |
| Total identifiable assets acquired | | 4,730 |
| Fair value of liabilities assumed: | | |
| Deposits | | 4,076 |
| Short-term borrowings | | 20 |
| Medium- and long-term debt | | 262 |
| Accrued expenses and other liabilities | | 38 |
| Total liabilities assumed | | 4,396 |
| Fair value of net identifiable assets acquired | | 334 |
| Goodwill resulting from acquistion | \$ | 469 |

(a) Due to the limited time since the acquisition date, the number of shares of common stock issued and the amount of cash paid in lieu of fractional shares has yet to be determined. The fair value of common stock issued includes the fair value of any potential fractional shares.

The goodwill resulting from the acquisition represents the inherent long-term value expected from the business opportunities created from combining Sterling with the Corporation. None of the goodwill recognized will be deductible for income tax purposes. Due to the limited time since the acquisition date, the allocation of the preliminary goodwill attributable to the acquisition of Sterling to the Corporation's business segments was incomplete at the time these financial statements were issued. Additionally, the pro forma revenues and net income of the combined entity are yet to be determined. This information will be included in the Corporation's Form 10-Q for the period ending September 30, 2011.

The core deposit intangible will be amortized on an accelerated basis over the estimated life, currently expected to be approximately 10 years.

Comerica Incorporated and Subsidiaries

NOTE 2 – ACQUISITION (continued)

In conjunction with the Sterling acquisition, the acquired impaired loan portfolio was accounted for at preliminary fair value as follows.

| (In millions) | Impaire Loans | | | | | |
|--|------------------|-----|--|--|--|--|
| Contractually required principal and interest | \$ | 322 | | | | |
| Contractual cash flows not expected to be | | | | | | |
| collected (nonaccretable difference) | | 165 | | | | |
| Expected cash flows | | 157 | | | | |
| Interest component of expected cash flows (accretable yield) | | 26 | | | | |
| Estimated fair value at acquisition | \$ | 131 | | | | |

Information regarding acquired loans not deemed impaired at acquisition was as follows.

| | Nonim | Nonimpaired | | | | | |
|---|-------|-------------|--|--|--|--|--|
| (In millions) | Lo | ans | | | | | |
| Contractually required principal and interest | \$ | 2,468 | | | | | |
| Contractual cash flows not expected to be collected | | 206 | | | | | |
| Estimated fair value at acquisition | | 1,978 | | | | | |

Loans acquired in the Sterling acquisition were initially recorded at fair value with no separate allowance for loan losses. The Corporation reviewed the loans at acquisition to determine which loans should be considered purchased impaired loans and aggregated the impaired loans into pools of loans based on common risk characteristics. The Corporation defined impaired loans as those that were either not accruing interest or exhibited credit risk factors consistent with nonperforming loans at the acquisition date.

The Corporation estimated the total cash flows expected to be collected from the pools of loans, which includes undiscounted expected principal and interest. The excess of the total cash flows expected to be collected over the fair value of the related loans represents the accretable yield, which is recognized as interest income on a level-yield basis over the life of the related loans. The difference between the undiscounted contractual principal and interest and the total cash flows expected to be collected is the nonaccretable difference, which reflects the impact of estimated credit losses and other factors. Subsequent decreases in the expected cash flows will require the Corporation to evaluate the need for additions to the allowance for loan losses. Subsequent improvements in expected cash flows will result in the recognition of additional interest income over the then remaining lives of the loan pools.

For acquired loans not deemed impaired at acquisition, the differences between the initial fair value and the unpaid principal balance are recognized as interest income on a level-yield basis over the lives of the related loans. Subsequent to the acquisition date, methods utilized to estimate the required allowance for loan losses for these loans is similar to originated loans; however, a provision for loan losses will be recorded only to the extent the required allowance exceeds any remaining credit discounts.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The determination of fair values of financial instruments often requires the use of estimates. In cases where quoted market values in an active market are not available, the Corporation uses present value techniques and other valuation methods to estimate the fair values of its financial instruments. These valuation methods require considerable judgment and the resulting estimates of fair value can be significantly affected by the assumptions made and methods used.

Fair value is an estimate of the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (i.e., not a forced transaction, such as a liquidation or distressed sale) between market participants at the measurement date. However, the calculated fair value estimates in many instances cannot be

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the financial instrument.

Trading securities, investment securities available-for-sale, derivatives and deferred compensation plan liabilities are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record other assets and liabilities at fair value on a nonrecurring basis, such as impaired loans, other real estate (primarily foreclosed property), nonmarketable equity securities and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve write-downs of individual assets or application of lower of cost or fair value accounting.

The Corporation categorizes assets and liabilities recorded at fair value into a three-level hierarchy, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments not recorded at fair value in their entirety on a recurring basis. For financial assets and liabilities recorded at fair value, the description includes the level of the fair value hierarchy in which the assets or liabilities are classified. Transfers of assets or liabilities between levels of the fair value hierarchy are recognized at the beginning of the reporting period, when applicable.

Cash and due from banks, federal funds sold and securities purchased under agreements to resell, and interestbearing deposits with banks

Due to the short-term nature, the carrying amount of these instruments approximates the estimated fair value.

Trading securities and associated deferred compensation plan liabilities

Securities held for trading purposes and associated deferred compensation plan liabilities are recorded at fair value and included in "other short-term investments" and "accrued expenses and other liabilities," respectively, on the consolidated balance sheets. Level 1 securities held for trading purposes include assets related to employee deferred compensation plans, which are invested in mutual funds, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and other securities traded on an active exchange, such as the New York Stock Exchange. Deferred compensation plan liabilities represent the fair value of the obligation to the employee, which corresponds to the fair value of the invested assets. Level 2 trading securities include municipal bonds and mortgage-backed securities issued by U.S. government-sponsored entities and corporate debt securities. Securities classified as Level 3 include securities in less liquid markets and securities not rated by a credit agency. The methods used to value trading securities are the same as the methods used to value investment securities available-for-sale, discussed below.

Loans held-for-sale

Loans held-for-sale, included in "other short-term investments" on the consolidated balance sheets, are recorded at the lower of cost or fair value. The fair value of loans held-for-sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Corporation classifies loans held-for-sale subjected to nonrecurring fair value adjustments as Level 2.

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NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

Investment securities available-for-sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available or the market is deemed to be inactive at the measurement date, an adjustment to the quoted prices may be necessary. In some circumstances, the Corporation may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate to estimate an instrument's fair value. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include residential mortgage-backed securities issued by U.S. government-sponsored enterprises, corporate debt securities and state and municipal securities. The fair value of Level 2 securities was determined using quoted prices of securities with similar characteristics or pricing models based on observable market data inputs, primarily interest rates, spreads and prepayment information. Securities classified as Level 3, of which the substantial majority are auction-rate securities (ARS), represent securities in less liquid markets requiring significant management assumptions when determining fair value. Due to the lack of a robust secondary auction-rate securities market with active fair value indicators, fair value at June 30, 2011, December 31, 2010 and June 30, 2010 was determined using an income approach based on a discounted cash flow model utilizing two significant assumptions: discount rate (including a liquidity risk premium) and workout period. The discount rate was calculated using credit spreads of the underlying collateral or similar securities plus a liquidity risk premium. The liquidity risk premium was based on observed industry auction-rate securities valuations by third parties and incorporated the rate at which the various types of similar ARS had been redeemed or sold since acquisition in 2008. The workout period was based on an assessment of publicly available information on efforts to re-establish functioning markets for these securities and the Corporation's redemption experience. As of June 30, 2011, approximately 61 percent of the aggregate ARS par value had been redeemed or sold since acquisition at or above carrying value.

Loans

The Corporation does not record loans at fair value on a recurring basis. However, periodically, the Corporation records nonrecurring adjustments to the carrying value of loans based on fair value measurements. Loans for which it is probable that payment of interest or principal will not be made in accordance with the contractual terms of the original loan agreement are considered impaired. Impaired loans are reported as nonrecurring fair value measurements when an allowance is established based on the fair value of collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation classifies the impaired loan as nonrecurring Level 2. When management determines that the fair value of the collateral requires additional adjustments, either as a result of non-current appraisal value or when there is no observable market price, the Corporation classifies the impaired loan as nonrecurring Level 3.

Business loans consist of commercial, real estate construction, commercial mortgage, lease financing and international loans. The estimated fair value for variable rate business loans that reprice frequently is based on carrying values adjusted for estimated credit losses and other adjustments that would be expected to be made by a market participant in an active market. The fair value for other business loans and retail loans are estimated using a discounted cash flow model that employs interest rates currently offered on the loans, adjusted by an amount for estimated credit losses and other adjustments that would be expected to be made by a market participant in an active market. The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable.

Customers' liability on acceptances outstanding and acceptances outstanding

The carrying amount of these instruments approximates the estimated fair value, due to their short-term nature.

Derivative assets and derivative liabilities

Derivative instruments held or issued for risk management or customer-initiated activities are traded in over-the-counter markets where quoted market prices are not readily available. Fair value for over-the-counter derivative instruments is measured using internally developed models that use primarily market observable inputs, such as yield curves and option volatilities. Included in the fair value of over-the-counter derivative instruments are credit valuation adjustments reflecting counterparty credit risk and credit risk of the Corporation. These adjustments are determined by applying a credit spread for the counterparty or the Corporation, as appropriate, to the total expected exposure of the derivative after considering collateral and other master netting arrangements. These adjustments, which are considered Level 3 inputs, are based on estimates of current credit spreads to evaluate the likelihood of default. The Corporation assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

derivatives. As a result, the Corporation classified its over-the-counter derivative valuations in Level 2 of the fair value hierarchy. Examples of Level 2 derivative instruments are interest rate swaps and energy derivative and foreign exchange contracts.

The Corporation also holds a portfolio of warrants for generally nonmarketable equity securities. These warrants are primarily from high technology, non-public companies obtained as part of the loan origination process. Warrants which contain a net exercise provision or a non-contingent put right embedded in the warrant agreement are accounted for as derivatives and recorded at fair value using a Black-Scholes valuation model with five inputs: risk-free rate, expected life, volatility, exercise price, and the per share market value of the underlying company. The Corporation classifies warrants accounted for as derivatives as recurring Level 3.

The Corporation holds a derivative contract associated with the 2008 sale of its remaining ownership of Visa Inc. (Visa) Class B shares. Under the terms of the derivative contract, the Corporation will compensate the counterparty primarily for dilutive adjustments made to the conversion factor of the Visa Class B to Class A shares based on the ultimate outcome of litigation involving Visa. Conversely, the Corporation will be compensated by the counterparty for any increase in the conversion factor from anti-dilutive adjustments. The fair value of the derivative contract was based on unobservable inputs consisting of management's estimate of the litigation outcome, timing of litigation settlements and payments related to the derivative. The Corporation classifies the derivative liability as recurring Level 3.

Nonmarketable equity securities

The Corporation has a portfolio of indirect private equity and venture capital investments. These funds generally cannot be redeemed and the majority are not readily marketable. Distributions from these funds are received by the Corporation as a result of the liquidation of underlying investments of the funds and/or as income distributions. It is estimated that the underlying assets of the funds will be liquidated over a period of up to 15 years. The value of these investments is at risk to changes in equity markets, general economic conditions and a variety of other factors. The investments are accounted for on the cost or equity method and are individually reviewed for impairment on a quarterly basis by comparing the carrying value to the estimated fair value. These investments may be carried at fair value on a nonrecurring basis when they are deemed to be impaired and written down to fair value. For such investments, fair value measurement guidance permits the use of net asset value, provided the net asset value is calculated by the fund in compliance with fair value measurement guidance applicable to investment companies. Where there is not a readily determinable fair value, the Corporation estimates fair value for indirect private equity and venture capital investments based on the Corporation's percentage ownership in the net asset value of the entire fund, as reported by the fund, after indication that the fund adheres to applicable fair value measurement guidance. For those funds where the net asset value is not reported by the fund, the Corporation derives the fair value of the fund by estimating the fair value of each underlying investment in the fund. In addition to using qualitative information about each underlying investment, as provided by the fund, the Corporation gives consideration to information pertinent to the specific nature of the debt or equity investment, such as relevant market conditions, offering prices, operating results, financial conditions, exit strategy and other qualitative information, as available. The lack of an independent source to validate fair value estimates, including the impact of future capital calls and transfer restrictions, is an inherent limitation in the valuation process.

The Corporation also holds restricted equity investments, primarily Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock. Restricted equity securities are not readily marketable and are recorded at cost (par value) and evaluated for impairment based on the ultimate recoverability of the par value. No significant observable market data for these instruments is available. The Corporation considers the profitability and asset quality of the issuer, dividend payment history and recent redemption experience, when determining the ultimate recoverability of the par value. The Corporation's investment in FHLB stock totaled \$92 million and \$128 million at June 30, 2011 and December 31, 2010, respectively, and its investment in FRB stock totaled \$59 million at both June 30, 2011 and December 31, 2010. The Corporation believes its investments in FHLB and FRB stock are recoverable at par.

The Corporation classifies nonmarketable equity securities subjected to nonrecurring fair value adjustments as Level 3.

Other real estate

Other real estate is included in "accrued income and other assets" on the consolidated balance sheets and includes primarily foreclosed property. Foreclosed property is initially recorded at fair value, less costs to sell, at the date of foreclosure, establishing a new cost basis. Subsequently, foreclosed property is carried at the lower of cost or fair

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

value, less costs to sell. Other real estate may be carried at fair value on a nonrecurring basis when fair value is less than cost. Fair value is based upon independent market prices, appraised value or management's estimate of the value. Foreclosed property carried at fair value based on an observable market price or a current appraised value is classified by the Corporation as nonrecurring Level 2. When management determines that the fair value of the foreclosed property requires additional adjustments, either as a result of a non-current appraisal or when there is no observable market price, the Corporation classifies the foreclosed property as nonrecurring Level 3.

Loan servicing rights

Loan servicing rights, included in "accrued income and other assets" on the consolidated balance sheets, are subject to impairment testing. A valuation model is used for impairment testing, which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management. If the valuation model reflects a value less than the carrying value, loan servicing rights are adjusted to fair value through a valuation allowance as determined by the model. As such, the Corporation classifies loan servicing rights subjected to nonrecurring fair value adjustments as Level 3.

Deposit liabilities

The estimated fair value of checking, savings and certain money market deposit accounts is represented by the amounts payable on demand. The estimated fair value of term deposits is calculated by discounting the scheduled cash flows using the period-end rates offered on these instruments.

Short-term borrowings

The carrying amount of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings approximates the estimated fair value.

Medium- and long-term debt

The carrying value of variable-rate FHLB advances approximates the estimated fair value. The estimated fair value of the Corporation's remaining variable- and fixed-rate medium- and long-term debt is based on quoted market values. If quoted market values are not available, the estimated fair value is based on the market values of debt with similar characteristics.

Credit-related financial instruments

The estimated fair value of unused commitments to extend credit and standby and commercial letters of credit is represented by the estimated cost to terminate or otherwise settle the obligations with the counterparties. This amount is approximated by the fees currently charged to enter into similar arrangements, considering the remaining terms of the agreements and any changes in the credit quality of counterparties since the agreements were executed. This estimate of fair value does not take into account the significant value of the customer relationships and the future earnings potential involved in such arrangements as the Corporation does not believe that it would be practicable to estimate a representational fair value for these items.

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of June 30, 2011 and December 31, 2010.

| (in millions) | Γotal | Le | vel 1 | Level 2 | | Le | evel 3 |
|--|-------------|----|-------|---------|-------|----|--------|
| June 30, 2011 | | | | | | | |
| Trading securities: | | | | | | | |
| Deferred compensation plan assets | \$ 90 | \$ | 90 | \$ | - | \$ | - |
| Residential mortgage-backed securities (a) | 5 | | - | | 5 | | - |
| State and municipal securities | 8 | | - | | 6 | | 2 |
| Corporate debt securities | 1 | | - | | 1 | | |
| Total trading securities | 104 | | 90 | | 12 | | 2 |
| Investment securities available-for-sale: | | | | | | | |
| U.S. Treasury and other U.S. government | | | | | | | |
| agency securities | 20 | | 20 | | - | | - |
| Residential mortgage-backed securities (a) | 6,899 | | - | | 6,899 | | - |
| State and municipal securities (b) | 26 | | - | | - | | 26 |
| Corporate debt securities: | | | | | | | |
| Auction-rate debt securities | 1 | | - | | - | | 1 |
| Other corporate debt securities | 49 | | - | | 48 | | 1 |
| Equity and other non-debt securities: | | | | | | | |
| Auction-rate preferred securities | 437 | | - | | - | | 437 |
| Money market and other mutual funds | 105 | | 105 | | - | | |
| Total investment securities available-for-sale | 7,537 | | 125 | | 6,947 | | 465 |
| Derivative assets: | | | | | | | |
| Interest rate contracts | 513 | | - | | 513 | | - |
| Energy derivative contracts | 100 | | - | | 100 | | - |
| Foreign exchange contracts | 47 | | - | | 47 | | - |
| Warrants | 8 | | - | | - | | 8 |
| Total derivative assets | 668 | | - | | 660 | | 8 |
| Total assets at fair value | \$ 8,309 | \$ | 215 | \$ | 7,619 | \$ | 475 |
| Derivative liabilities: | | | | | | | |
| Interest rate contracts | \$ 223 | \$ | - | \$ | 223 | \$ | - |
| Energy derivative contracts | 100 | | - | | 100 | | - |
| Foreign exchange contracts | 40 | | - | | 40 | | - |
| Other | 1 | | - | | - | | 1 |
| Total derivative liabilities | 364 | | - | | 363 | | 1 |
| Deferred compensation plan liabilities | 90 | | 90 | | _ | | - |
| Total liabilities at fair value | \$ 454 | \$ | 90 | \$ | 363 | \$ | 1 |

⁽a) Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.

⁽b) Primarily auction-rate securities.

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

| December 31, 2010 | (in millions) | , | Total | Level 1 | | 1 Level 2 | | Le | evel 3 | |
|--|--|----|-------|---------|-----|-----------|-------|----|--------|--|
| Deferred compensation plan assets \$86 \$86 \$ - \$ \$ \$ \$ \$ \$ \$ \$ \$ | December 31, 2010 | | | | | | | | | |
| Residential mortgage-backed securities (a) | Trading securities: | | | | | | | | | |
| Other government-sponsored enterprise securities 1 - 1 State and municipal securities 19 - 19 - Corporate debt securities 4 - - 1 Other securities 118 86 31 1 Total trading securities 118 86 31 1 Investment securities available-for-sale: 311 131 - - - 1 U.S. Treasury and other U.S. government agency securities 313 131 131 - - - - 6,709 - 6,709 - - 39 - - 6,709 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - - 39 - - - 39 - - - < | Deferred compensation plan assets | \$ | 86 | \$ | 86 | \$ | - | \$ | - | |
| Other government-sponsored enterprise securities 1 - 1 State and municipal securities 19 - 19 - Corporate debt securities 4 - - 1 Other securities 118 86 31 1 Total trading securities 118 86 31 1 Investment securities available-for-sale: 311 131 - - - 1 U.S. Treasury and other U.S. government agency securities 313 131 131 - - - - 6,709 - 6,709 - - 39 - - 6,709 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - - 39 - - - 39 - - - < | Residential mortgage-backed securities (a) | | 7 | | - | | 7 | | - | |
| Corporate debt securities 4 - 4 - 1 Other securities 1 - - 1 Total trading securities 118 86 31 1 Investment securities available-for-sale: State and monicipal securities - - - - U.S. Treasury and other U.S. government agency securities 131 131 - - - Residential mortgage-backed securities (a) 6,709 - 6,709 - 6,709 - 39 Corporate debt securities (b) 39 - - - 39 Corporate debt securities 26 - 25 1 1 Auction-rate debt securities 26 - 25 1 1 Equity and other non-debt securities 570 - - 570 1 - - 570 1 - - 570 - - 570 - - - 570 - - - 570 | Other government-sponsored enterprise securities | | 1 | | - | | 1 | | - | |
| Other securities 1 - - 1 Total trading securities 1118 86 31 1 Investment securities available-for-sale: U.S. Treasury and other U.S. government agency securities 131 131 131 - - Residential mortgage-backed securities (a) 6,709 - 6,709 - 39 Corporate debt securities: 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - < | State and municipal securities | | 19 | | - | | 19 | | - | |
| Total trading securities 118 | Corporate debt securities | | 4 | | - | | 4 | | - | |
| Investment securities available-for-sale: U.S. Treasury and other U.S. government agency securities 131 131 131 - - - Residential mortgage-backed securities (a) 6,709 - 6,709 - 39 State and municipal securities (b) 39 - - 39 Corporate debt securities: Auction-rate debt securities 1 - - 1 Other corporate debt securities 26 - 25 1 Equity and other non-debt securities 570 - - 570 Money market and other mutual funds 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: 103 - 542 - Energy derivative contracts 542 - 542 - Energy derivative assets 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value 8,381 301 7,461 619 Derivative liabilities: 103 - 103 - Energy derivative contracts 249 - 249 - Energy derivative contracts 249 - 249 - Energy derivative contracts 103 - 103 - Total derivative assets 103 - 103 - Foreign exchange contracts 249 - 249 - Energy derivative contracts 103 - 103 - Energy derivative contracts 103 - 103 - Total derivative liabilities 103 - 103 - Total derivative contracts 103 - 103 - Energy derivative contracts 103 - 103 - Energ | Other securities | | 1 | | - | | - | | 1 | |
| U.S. Treasury and other U.S. government agency securities 131 131 - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - 39 - - - - 1 - - 1 - - - 1 - - - - - - | Total trading securities | | 118 | | 86 | | 31 | | 1 | |
| agency securities 131 131 - - Residential mortgage-backed securities (a) 6,709 - 6,709 - State and municipal securities (b) 39 - - 39 Corporate debt securities: - - - 39 Corporate debt securities: - - - 1 Auction-rate debt securities 26 - 25 1 Equity and other non-debt securities: - - - 570 Money market and other mutual funds 84 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: Interest rate contracts 542 - 542 - Energy derivative contracts 51 - 51 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative liabilities: - - < | Investment securities available-for-sale: | | | | | | | | | |
| Residential mortgage-backed securities (a) 6,709 - 6,709 - 39 State and municipal securities: 339 - - - 39 Corporate debt securities: 31 - - 1 - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - 1 1 - - - - - - - - - - - - - - - - - - | U.S. Treasury and other U.S. government | | | | | | | | | |
| State and municipal securities (b) 39 - - 39 Corporate debt securities: 30 - - 1 Auction-rate debt securities 26 - 25 1 Other corporate debt securities: 26 - 25 1 Equity and other non-debt securities: 570 - - 570 Money market and other mutual funds 84 84 - - - Money market and other mutual funds 84 84 -< | agency securities | | 131 | | 131 | | - | | - | |
| Corporate debt securities: 1 - - 1 Other corporate debt securities 26 - 25 1 Equity and other non-debt securities: - - - 570 Auction-rate preferred securities 570 - - - 570 Money market and other mutual funds 84 84 - - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: 103 - 542 - - - Interest rate contracts 542 - 542 - <td>Residential mortgage-backed securities (a)</td> <td></td> <td>6,709</td> <td></td> <td>-</td> <td></td> <td>6,709</td> <td></td> <td>-</td> | Residential mortgage-backed securities (a) | | 6,709 | | - | | 6,709 | | - | |
| Auction-rate debt securities 1 - - 1 Other corporate debt securities 26 - 25 1 Equity and other non-debt securities: - - 570 Auction-rate preferred securities 570 - - 570 Money market and other mutual funds 84 84 - - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: Interest rate contracts 542 - 542 - Energy derivative contracts 51 - 51 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: 103 - \$ 249 \$ - \$ 249 \$ - Energy derivative contracts \$ | State and municipal securities (b) | | 39 | | - | | - | | 39 | |
| Other corporate debt securities 26 - 25 1 Equity and other non-debt securities: 570 - - 570 Money market and other mutual funds 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: Total contracts 542 - 542 - Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: 103 - \$ 249 \$ - \$ 249 \$ - Energy derivative contracts \$ 249 \$ - \$ 249 \$ - \$ 249 \$ - Energy derivative contracts \$ 249 \$ - \$ 249 \$ - \$ 249 | Corporate debt securities: | | | | | | | | | |
| Equity and other non-debt securities: Auction-rate preferred securities 570 - - 570 Money market and other mutual funds 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: - - 542 - 542 - Interest rate contracts 103 - 103 - Energy derivative contracts 51 - 51 - Foreign exchange contracts 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 | Auction-rate debt securities | | 1 | | - | | - | | 1 | |
| Auction-rate preferred securities 570 - - 570 Money market and other mutual funds 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: State of the contracts 542 - 542 - Interest rate contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: \$ 249 \$ - \$ 249 \$ - Energy derivative contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts \$ 249 \$ - \$ 249 \$ - Foreign exchange contracts \$ 249 \$ - \$ 249 \$ - Foreign exchange contracts \$ 48 - | Other corporate debt securities | | 26 | | - | | 25 | | 1 | |
| Money market and other mutual funds 84 84 - - Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: Interest rate contracts 542 - 542 - Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 </td <td>Equity and other non-debt securities:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> | Equity and other non-debt securities: | | | | | | | | | |
| Total investment securities available-for-sale 7,560 215 6,734 611 Derivative assets: Interest rate contracts 542 - 542 - Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - - | Auction-rate preferred securities | | 570 | | - | | - | | 570 | |
| Derivative assets: Interest rate contracts 542 - 542 - Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - - | Money market and other mutual funds | | 84 | | 84 | | - | | - | |
| Interest rate contracts 542 - 542 - Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - - | Total investment securities available-for-sale | | 7,560 | | 215 | | 6,734 | | 611 | |
| Energy derivative contracts 103 - 103 - Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts 249 \$ - \$ 249 \$ - \$ 249 \$ - 103 - | Derivative assets: | | | | | | | | | |
| Foreign exchange contracts 51 - 51 - Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - - | Interest rate contracts | | 542 | | - | | 542 | | - | |
| Warrants 7 - - 7 Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - | Energy derivative contracts | | 103 | | - | | 103 | | - | |
| Total derivative assets 703 - 696 7 Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - | Foreign exchange contracts | | 51 | | - | | 51 | | - | |
| Total assets at fair value \$ 8,381 \$ 301 \$ 7,461 \$ 619 Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - | Warrants | | 7 | | - | | - | | 7 | |
| Derivative liabilities: Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 | | | 703 | | - | | 696 | | 7 | |
| Interest rate contracts \$ 249 \$ - \$ 249 \$ - Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - - 1 Total derivative liabilities 401 - 400 - 1 Deferred compensation plan liabilities 86 86 - - - | Total assets at fair value | \$ | 8,381 | \$ | 301 | \$ | 7,461 | \$ | 619 | |
| Energy derivative contracts 103 - 103 - Foreign exchange contracts 48 - 48 - Other 1 - - 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 - - | Derivative liabilities: | | | | | | | | | |
| Foreign exchange contracts Other 1 1 Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 | Interest rate contracts | \$ | 249 | \$ | - | \$ | 249 | \$ | - | |
| Other11Total derivative liabilities401-4001Deferred compensation plan liabilities8686 | Energy derivative contracts | | 103 | | - | | 103 | | - | |
| Total derivative liabilities 401 - 400 1 Deferred compensation plan liabilities 86 86 | Foreign exchange contracts | | 48 | | - | | 48 | | - | |
| Deferred compensation plan liabilities 86 86 | Other | | 1 | | - | | - | | 1 | |
| | Total derivative liabilities | | 401 | | - | | 400 | | 1 | |
| Total liabilities at fair value \$ 487 \$ 86 \$ 400 \$ 1 | Deferred compensation plan liabilities | | | | | | - | | - | |
| | Total liabilities at fair value | \$ | 487 | \$ | 86 | \$ | 400 | \$ | 1 | |

⁽a) Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or

There were no significant transfers of assets or liabilities recorded at fair value on a recurring basis into or out of Level 1 and Level 2 fair value measurements during the three- and six-month periods ended June 30, 2011 and 2010.

U.S. government-sponsored enterprises.

⁽b) Primarily auction-rate securities.

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three- and six-month periods ended June 30, 2011 and 2010.

| | | | ···· | | ed Gains (Losses) | _ | | | | | |
|--|--------------|----------|------|------------------------|-------------------|-----|-----------|---------|-------------|--------|--------|
| | Balance at | D 1 | | г : | Recorded in Other | r | | | | | |
| (in millions) | Beginning of | Recorde | | Earnings Unrealized | Comprehensive | | D 1 | 6.1 | G +-1 + | | nce at |
| (in munons) | Period | Realized | | Circanzed | Income (Pre-tax) | | Purchases | Sales | Settlements | End of | Perio |
| Three months ended June 30, 2011 | | | | | | | | | | | |
| Trading securities: | | | | | | | | | | | |
| State and municipal securities | \$ - | \$ | - : | \$ - | \$ | - : | \$ 2 \$ | - | \$ - | \$ | 2 |
| Investment securities available-for-sale: | | | | | | | | | | | |
| State and municipal securities (a) | 26 | | - | - | | - | - | - | - | | 26 |
| Auction-rate debt securities | 1 | | - | - | | - | - | - | - | | 1 |
| Other corporate debt securities | 1 | | - | - | | - | - | - | - | | 1 |
| Auction-rate preferred securities | 504 | | 4 | - | | 8 | - | (79) | - | | 437 |
| Total investment securities available-for-sale | 532 | | 4 | - | | 8 | - | (79) | - | | 465 |
| Derivative assets: | | | | | | | | | | | |
| Warrants | 8 | | 5 | - | | - | - | (5) | - | | 8 |
| Derivative liabilities: | | | | | | | | | | | |
| Other | 2 | | - | - | | - | - | - | (1 |) | 1 |
| Three months ended June 30, 2010 | | | | | | | | | | | |
| Trading securities: | | | | | | | | | | | |
| State and municipal securities | \$ - | \$ | | \$ - | \$ | - : | \$ 3 \$ | _ | \$ - | \$ | 3 |
| Investment securities available-for-sale: | • | Ψ | | Ψ. | • | | ν υ | | Ψ | Ψ | |
| State and municipal securities (a) | 45 | | _ | _ | (| 3) | _ | _ | _ | | 42 |
| Auction-rate debt securities | 144 | | 2 | _ | | 9 | _ | (103) | _ | | 52 |
| Other corporate debt securities | 1 | | - | | | _ | | (105) | _ | | 1 |
| Auction-rate preferred securities | 663 | | 3 | | (| 9) | | (48) | | | 609 |
| Total investment securities available-for-sale | 853 | | 5 | | | 3) | | (151) | | | 704 |
| Derivative assets: | 655 | | 5 | _ | (| 3) | _ | (131) | _ | | 704 |
| Warrants | 7 | | | 1 | | _ | | (1) | | | 7 |
| Derivative liabilities: | , | | | 1 | | | | (1) | | | , |
| Other | | | (1) | (2) | | _ | | | (1 | ` | 2 |
| | | | (1) | (2) | | | | | (1 | , | |
| Six months ended June 30, 2011 | | | | | | | | | | | |
| Trading securities: | | | | | | | | | | | |
| State and municipal securities | \$ - | \$ | - : | \$ - | \$ | - : | \$ 2 \$ | - | \$ - | \$ | 2 |
| Other securities | 1 | | - | - | | - | - | (1) | - | | - |
| Total trading securities | 1 | | - | - | | - | 2 | (1) | - | | 2 |
| Investment securities available-for-sale: | | | | | | | | | | | |
| State and municipal securities (a) | 39 | | - | - | | - | - | (13) | - | | 26 |
| Auction-rate debt securities | 1 | | - | - | | - | - | - | - | | 1 |
| Other corporate debt securities | 1 | | - | - | | - | - | - | - | | 1 |
| Auction-rate preferred securities | 570 | | 7 | - | (| 3) | - | (137) | - | | 437 |
| Total investment securities available-for-sale | 611 | | 7 | - | (| 3) | - | (150) | - | | 465 |
| Derivative assets: | | | | | | | | | | | |
| Warrants | 7 | | 7 | 1 | | - | - | (7) | - | | 8 |
| Derivative liabilities: | | | | | | | | | | | |
| Other | 1 | | - | (1) | | - | - | - | (1 |) | 1 |
| g: d 1.11 20.2010 | | | | | | | | | | | |
| Six months ended June 30, 2010 | | | | | | | | | | | |
| Trading securities: | * | | | • | | | | | | | |
| State and municipal securities | \$ - | \$ | - : | \$ - | \$ | - : | \$ 3 \$ | - | \$ - | \$ | 3 |
| Investment securities available-for-sale: | | | | | | | | | | | |
| State and municipal securities (a) | 46 | | - | - | | 4) | - | - | - | | 42 |
| Auction-rate debt securities | 150 | | 2 | - | | 4 | - | (104) | - | | 52 |
| Other corporate debt securities | 7 | 2 | 27 | - | | - | - | - (0.1) | (33 |) | 1 |
| Auction-rate preferred securities | 706 | | 5 | - | | 8) | - | (94) | - | | 609 |
| Total investment securities available-for-sale | 909 | 3 | 34 | - | (| 8) | - | (198) | (33 |) | 704 |
| Derivative assets: | | | | | | | | | | | |
| Warrants | 7 | | 2 | 1 | | - | - | (3) | - | | 7 |
| Derivative liabilities: | | | (1) | (*) | | | | | | | _ |
| Other | - | (| (1) | (2) | | - | - | - | (1 |) | 2 |

There were no transfers of assets or liabilities recorded at fair value on a recurring basis into or out of Level 3 fair value measurements during the three- and six-month periods ended June 30, 2011 and 2010.

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The following table presents the income statement classification of realized and unrealized gains and losses due to changes in fair value recorded in earnings for the three- and six-month periods ended June 30, 2011 and 2010 for recurring Level 3 assets and liabilities, as shown in the previous table.

| | | | Securiti s (Losse | | (| Other N In | Nonint ncome | | | ontinued erations | | Total | | |
|---|-----|-------|----------------------|---------|-----|---------------|-----------------|----------|----|----------------------|-----|-------|------|--------|
| (in millions) | Rea | lized | Unre | ealized | Rea | lized | Un | realized | Re | alized | Rea | lized | Unre | alized |
| Three months ended June 30, 2011 Investment securities available-for-sale: | | | | | | | | | | | | | | |
| Auction-rate preferred securities | \$ | 4 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 4 | \$ | - |
| Derivative assets: | | | | | | | | | | | | | | |
| Warrants | | - | | - | | 5 | | - | | - | | 5 | | - |
| Three months ended June 30, 2010 | | | | | | | | | | | | | | |
| Investment securities available-for-sale: | | | | | | | | | | | | | | |
| Auction-rate debt securities | \$ | 2 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 2 | \$ | - |
| Auction-rate preferred securities | | 3 | | - | | - | | - | | - | | 3 | | - |
| Total investment securities available-for-sale | | 5 | | - | | - | | - | | - | | 5 | | - |
| Derivative assets: | | | | | | | | | | | | | | |
| Warrants | | - | | - | | - | | 1 | | - | | - | | 1 |
| Derivative liabilities: | | | | | | | | | | | | | | |
| Other | | (1) | | (2) | | - | | - | | - | | (1) | | (2) |
| Six months ended June 30, 2011 | | | | | | | | | | | | | | |
| Investment securities available-for-sale: | | | | | | | | | | | | | | |
| Auction-rate preferred securities | \$ | 7 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 7 | \$ | _ |
| Derivative assets: | | | | | | | | | | | | | | |
| Warrants | | - | | - | | 7 | | 1 | | - | | 7 | | 1 |
| Derivative liabilities: | | | | | | | | | | | | | | |
| Other | | - | | (1) | | - | | - | | - | | - | | (1) |
| Six months ended June 30, 2010 | | | | | | | | | | | | | | |
| Investment securities available-for-sale: | | | | | | | | | | | | | | |
| Auction-rate debt securities | \$ | 2 | \$ | _ | \$ | _ | \$ | _ | \$ | _ | \$ | 2 | \$ | _ |
| Other corporate debt securities | | _ | | _ | | _ | | _ | | 27 | | 27 | | _ |
| Auction-rate preferred securities | | 5 | | _ | | _ | | _ | | _ | | 5 | | _ |
| Total investment securities available-for-sale | | 7 | | - | | - | | - | | 27 | | 34 | | - |
| Derivative assets: | | | | | | | | | | | | | | |
| Warrants | | _ | | _ | | 2 | | 1 | | - | | 2 | | 1 |
| Derivative liabilities: | | | | | | | | | | | | | | |
| Other | | (1) | | (2) | | - | | - | | - | | (1) | | (2) |

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

The Corporation may be required, from time to time, to record certain assets and liabilities at fair value on a nonrecurring basis. These include assets that are recorded at the lower of cost or fair value that were recognized at fair value below cost at the end of the period. Assets and liabilities recorded at fair value on a nonrecurring basis are presented in the following table.

| (in millions) | To | otal | Lev | rel 2 | Level 3 |
|---------------------------------|----|------|-----|-------|-----------|
| June 30, 2011 | | | | | |
| Loans held-for-sale: | | | | | |
| Residential mortgage | \$ | 7 | \$ | 7 | \$ - |
| Loans: | | | | | |
| Commercial | | 221 | | - | 221 |
| Real estate construction | | 129 | | - | 129 |
| Commercial mortgage | | 363 | | - | 363 |
| Residential mortgage | | 10 | | - | 10 |
| Lease financing | | 6 | | - | 6 |
| International | | 7 | | - | 7 |
| Total loans | | 736 | | - | 736 |
| Nonmarketable equity securities | | 2 | | - | 2 |
| Other real estate | | 26 | | - | 26 |
| Loan servicing rights | | 4 | | - | 4 |
| Total assets at fair value | \$ | 775 | \$ | 7 | \$ 768 |
| Total liabilities at fair value | \$ | - | \$ | - | \$ - |
| December 31, 2010 | | | | | |
| Loans held-for-sale: | | | | | |
| Residential mortgage | \$ | 6 | \$ | 6 | \$ - |
| Loans: | | | | | |
| Commercial | | 200 | | - | 200 |
| Real estate construction | | 247 | | - | 247 |
| Commercial mortgage | | 398 | | - | 398 |
| Lease financing | | 7 | | - | 7 |
| International | | 2 | | - | 2 |
| Total loans | | 854 | | - | 854 |
| Nonmarketable equity securities | | 9 | | - | 9 |
| Other real estate | | 33 | | - | 33 |
| Loan servicing rights | | 5 | | _ | 5 |
| Total assets at fair value | \$ | 907 | \$ | 6 | \$ 901 |
| Total liabilities at fair value | \$ | - | \$ | - | \$ - |

Comerica Incorporated and Subsidiaries

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

Estimated Fair Values of Financial Instruments Not Recorded at Fair Value in their Entirety on a Recurring Basis

The Corporation typically holds the majority of its financial instruments until maturity and thus does not expect to realize many of the estimated fair value amounts disclosed. The disclosures also do not include estimated fair value amounts for items that are not defined as financial instruments, but which have significant value. These include such items as core deposit intangibles, the future earnings potential of significant customer relationships and the value of trust operations and other fee generating businesses. The Corporation believes the imprecision of an estimate could be significant.

The carrying amount and estimated fair value of financial instruments not recorded at fair value in their entirety on a recurring basis on the Corporation's consolidated balance sheets are as follows:

| | | June 30 |), 201 | 1 | December 31, 2010 | | | | | |
|---|----|---------|--------|------------|-------------------|--------|------------|--------|--|--|
| | Ca | arrying | Est | Estimated | | rying | Est | imated | | |
| (in millions) | A | Amount | | Fair Value | | nount | Fair Value | | | |
| Assets | | | | | | | | | | |
| Cash and due from banks | \$ | 987 | \$ | 987 | \$ | 668 | \$ | 668 | | |
| Interest-bearing deposits with banks | | 2,479 | | 2,479 | | 1,415 | | 1,415 | | |
| Loans held-for-sale | | 20 | | 20 | | 23 | | 23 | | |
| Total loans, net of allowance for loan losses (a) | | 38,387 | | 38,456 | | 39,335 | | 39,212 | | |
| Customers' liability on acceptances outstanding | | 10 | | 10 | | 9 | | 9 | | |
| Nonmarketable equity securities (b) | | 16 | | 28 | | 47 | | 77 | | |
| Loan servicing rights | | 4 | | 4 | | 5 | | 5 | | |
| Liabilities | | | | | | | | | | |
| Demand deposits (noninterest-bearing) | | 16,344 | | 16,344 | | 15,538 | | 15,538 | | |
| Interest-bearing deposits | | 25,414 | | 25,423 | | 24,933 | | 24,945 | | |
| Total deposits | | 41,758 | | 41,767 | | 40,471 | | 40,483 | | |
| Short-term borrowings | | 67 | | 67 | | 130 | | 130 | | |
| Acceptances outstanding | | 10 | | 10 | | 9 | | 9 | | |
| Medium- and long-term debt | | 5,206 | | 5,129 | | 6,138 | | 6,008 | | |
| Credit-related financial instruments | | (93) | | (93) | | (99) | | (99) | | |

⁽a) Included \$736 million and \$854 million of impaired loans recorded at fair value on a nonrecurring basis at June 30, 2011 and December 31, 2010, respectively.

⁽b) Included \$2 million and \$9 million of nonmarketable equity securities recorded at fair value on a nonrecurring basis at June 30, 2011 and December 31, 2010, respectively.

Comerica Incorporated and Subsidiaries

NOTE 4 – INVESTMENT SECURITIES

A summary of the Corporation's investment securities available-for-sale follows:

| (in millions) | | nortized Cost | ι | Gross Inrealized Gains | U | Gross Inrealized Losses | F | air Value |
|--|------|------------------|----|------------------------------|----|-------------------------------|----|-----------|
| , , , , , , , , , , , , , , , , , , , | Cost | | | Gams | | Losses | 1 | un varac |
| June 30, 2011 | | | | | | | | |
| U.S. Treasury and other U.S. government | | | | | | | | |
| agency securities | \$ | 20 | \$ | - | \$ | - | \$ | 20 |
| Residential mortgage-backed securities (a) | | 6,741 | | 169 | | 11 | | 6,899 |
| State and municipal securities (b) | | 32 | | - | | 6 | | 26 |
| Corporate debt securities: | | | | | | | | |
| Auction-rate debt securities | | 1 | | - | | - | | 1 |
| Other corporate debt securities | | 49 | | - | | - | | 49 |
| Equity and other non-debt securities: | | | | | | | | |
| Auction-rate preferred securities | | 467 | | 2 | | 32 | | 437 |
| Money market and other mutual funds | | 105 | | _ | | _ | | 105 |
| Total investment securities available-for-sale | \$ | 7,415 | \$ | 171 | \$ | 49 | \$ | 7,537 |
| | | | | | | | | |
| December 31, 2010 | | | | | | | | |
| U.S. Treasury and other U.S. government | | | | | | | | |
| agency securities | \$ | 131 | \$ | - | \$ | - | \$ | 131 |
| Residential mortgage-backed securities (a) | | 6,653 | | 95 | | 39 | | 6,709 |
| State and municipal securities (b) | | 46 | | _ | | 7 | | 39 |
| Corporate debt securities: | | | | | | | | |
| Auction-rate debt securities | | 1 | | _ | | - | | 1 |
| Other corporate debt securities | | 26 | | - | | _ | | 26 |
| Equity and other non-debt securities: | | | | | | | | |
| Auction-rate preferred securities | | 597 | | 3 | | 30 | | 570 |
| Money market and other mutual funds | | 84 | | - | | - | | 84 |
| Total investment securities available-for-sale | \$ | 7,538 | \$ | 98 | \$ | 76 | \$ | 7,560 |

⁽a) Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.

⁽b) Primarily auction-rate securities.

Comerica Incorporated and Subsidiaries

NOTE 4 – INVESTMENT SECURITIES (continued)

A summary of the Corporation's investment securities available-for-sale in an unrealized loss position as of June 30, 2011 and December 31, 2010 follows:

| | Impaired | | | | | | | | | | | | |
|--|----------|----------|------|------------|----|--------|-------|------------|-------|-------|----|------------|--|
| | I | ess than | 12 m | onths |] | 2 mont | hs or | more | Total | | | | |
| | | Fair | | Unrealized | | Fair | | Unrealized | | Fair | | Unrealized | |
| (in millions) | | Value | | Losses | | Value | | Losses | | Value | | Losses | |
| June 30, 2011 | | | | | | | | | | | | | |
| Residential mortgage-backed securities (a) | \$ | 1,263 | \$ | 11 | \$ | - | \$ | - | \$ | 1,263 | \$ | 11 | |
| State and municipal securities (b) | | - | | - | | 25 | | 6 | | 25 | | 6 | |
| Equity and other non-debt securities: | | | | | | | | | | | | | |
| Auction-rate preferred securities | | - | | - | | 345 | | 32 | | 345 | | 32 | |
| Total impaired securities | \$ | 1,263 | \$ | 11 | \$ | 370 | \$ | 38 | \$ | 1,633 | \$ | 49 | |
| December 31, 2010 | | | | | | | | | | | | | |
| Residential mortgage-backed securities (a) | \$ | 1,702 | \$ | 39 | \$ | - | \$ | - | \$ | 1,702 | \$ | 39 | |
| State and municipal securities (b) | | - | | - | | 38 | | 7 | | 38 | | 7 | |
| Equity and other non-debt securities: | | | | | | | | | | | | | |
| Auction-rate preferred securities | | - | | - | | 436 | | 30 | | 436 | | 30 | |
| Total impaired securities | \$ | 1,702 | \$ | 39 | \$ | 474 | \$ | 37 | \$ | 2,176 | \$ | 76 | |

⁽a) Residential mortgage-backed securities issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.

As of June 30, 2011, 94 percent of the Corporation's auction-rate portfolio was rated Aaa/AAA by the credit rating agencies.

At June 30, 2011, the Corporation had 208 securities in an unrealized loss position with no credit impairment, including 152 auction-rate preferred securities, 30 residential mortgage-backed securities and 26 state and municipal auction-rate securities. The unrealized losses for these securities resulted from changes in market interest rates and liquidity. The Corporation ultimately expects full collection of the carrying amount of these securities, does not intend to sell the securities in an unrealized loss position, and it is not more-likely-than-not that the Corporation will be required to sell the securities in an unrealized loss position prior to recovery of amortized cost. The Corporation does not consider these securities to be other-than-temporarily impaired at June 30, 2011.

Sales, calls and write-downs of investment securities available-for-sale resulted in the following gains and losses, recorded in "net securities gains" on the consolidated statements of income, computed based on the adjusted cost of the specific security.

| | | Six Months Ended June 30, | | | | | | | | | |
|----------------------------|----|---------------------------|------|--|--|--|--|--|--|--|--|
| (in millions) | 2 | 011 | 2010 | | | | | | | | |
| Securities gains | \$ | 7 \$ | 9 | | | | | | | | |
| Securities losses | | (1) | (6) | | | | | | | | |
| Total net securities gains | \$ | 6 \$ | 3 | | | | | | | | |

⁽b) Primarily auction-rate securities.

Comerica Incorporated and Subsidiaries

NOTE 4 – INVESTMENT SECURITIES (continued)

The table below summarizes the amortized cost and fair values of debt securities by contractual maturity. Securities with multiple maturity dates are classified in the period of final maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| (in millions) | Amortized | | Fair |
|--|-----------|------|-------|
| June 30, 2011 | Cost | | Value |
| Contractual maturity | | | |
| Within one year | \$ 69 | 9 \$ | 69 |
| After one year through five years | 46 | 5 | 473 |
| After five years through ten years | 5. | 5 | 56 |
| After ten years | 6,25 | 3 | 6,397 |
| Subtotal | 6,84 | 3 | 6,995 |
| Equity and other nondebt securities: | | | |
| Auction-rate preferred securities | 46 | 7 | 437 |
| Money market and other mutual funds | 10. | 5 | 105 |
| Total investment securities available-for-sale | \$ 7,41 | 5 \$ | 7,537 |

Included in the contractual maturity distribution in the table above were auction-rate securities with a total amortized cost and fair value of \$32 million and \$26 million, respectively. Auction-rate securities are long-term, floating rate instruments for which interest rates are reset at periodic auctions. At each successful auction, the Corporation has the option to sell the security at par value. Additionally, the issuers of auction-rate securities generally have the right to redeem or refinance the debt. As a result, the expected life of auction-rate securities may differ significantly from the contractual life. Also included in the table above were residential mortgage-backed securities with a total amortized cost and fair value of \$6,741 million and \$6,899 million, respectively. The actual cash flows of mortgage-backed securities may differ from contractual maturity as the borrowers of the underlying loans may exercise prepayment options.

At June 30, 2011, investment securities with a carrying value of \$2.3 billion were pledged where permitted or required by law to secure \$1.7 billion of liabilities, primarily public and other deposits of state and local government agencies and derivative instruments.

NOTE 5 - CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

The following table summarizes nonperforming assets as of June 30, 2011 and December 31, 2010.

| (in millions) | June | e 30, 2011 | December 31, 2010 | | | |
|----------------------------|------|------------|-------------------|-------|--|--|
| Nonaccrual loans | \$ | 941 | \$ | 1,080 | | |
| Reduced-rate loans (a) | | 33 | | 43 | | |
| Total nonperforming loans | | 974 | | 1,123 | | |
| Foreclosed property | | 70 | | 112 | | |
| Total nonperforming assets | \$ | 1,044 | \$ | 1,235 | | |

⁽a) Reduced-rate business loans totaled \$13 million and \$26 million, respectively, and reduced-rate retail loans totaled \$20 million and \$17 million, respectively, at June 30, 2011 and December 31, 2010.

Comerica Incorporated and Subsidiaries

NOTE 5 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following presents an aging analysis of loans as of June 30, 2011 and December 31, 2010.

| | | | | Due an | 90 D | ays | | | Nor | naccrual | (| Current | | |
|--|------|--------|-------|--------|------|------|----|-------|-----|----------|----|---------|-----|-----------|
| (in millions) | 30-5 | 9 Days | 60-89 | Days | or M | Iore | | Total | I | oans | | Loans | Tot | tal Loans |
| June 30, 2011 | | | | | | | | | | | | | | |
| Business loans: | | | | | | | | | | | | | | |
| Commercial | \$ | 131 | \$ | 20 | \$ | 11 | \$ | 162 | \$ | 261 | \$ | 21,629 | \$ | 22,052 |
| Real estate construction: | | | | | | | | | | | | | | |
| Commercial Real Estate business line (a) | | 15 | | 1 | | 2 | | 18 | | 137 | | 1,188 | | 1,343 |
| Other business lines (b) | | 10 | | - | | - | | 10 | | 2 | | 373 | | 385 |
| Total real estate construction | | 25 | | 1 | | 2 | | 28 | | 139 | | 1,561 | | 1,728 |
| Commercial mortgage: | | | | | | | | | | | | | | |
| Commercial Real Estate business line (a) | | 31 | | 13 | | 7 | | 51 | | 186 | | 1,693 | | 1,930 |
| Other business lines (b) | | 71 | | 10 | | 18 | | 99 | | 269 | | 7,281 | | 7,649 |
| Total commercial mortgage | | 102 | | 23 | | 25 | | 150 | | 455 | | 8,974 | | 9,579 |
| Lease financing | | - | | _ | | _ | | _ | | 6 | | 943 | | 949 |
| International | | - | | _ | | _ | | _ | | 7 | | 1,155 | | 1,162 |
| Total business loans | | 258 | | 44 | | 38 | | 340 | | 868 | | 34,262 | | 35,470 |
| Retail loans: | | | | | | | | | | | | | | |
| Residential mortgage | | 16 | | 4 | | 15 | | 35 | | 60 | | 1,396 | | 1.491 |
| Consumer: | | | | | | | | | | | | , | | , . |
| Home equity | | 10 | | 5 | | 6 | | 21 | | 4 | | 1,597 | | 1,622 |
| Other consumer | | 5 | | 1 | | 5 | | 11 | | 9 | | 590 | | 610 |
| Total consumer | | 15 | | 6 | | 11 | | 32 | | 13 | | 2,187 | | 2,232 |
| Total retail loans | | 31 | | 10 | | 26 | | 67 | | 73 | | 3,583 | | 3,723 |
| Total loans | \$ | 289 | \$ | 54 | \$ | 64 | \$ | 407 | \$ | 941 | \$ | 37,845 | \$ | 39,193 |
| | | | | | | | | | | | | | | |
| December 31, 2010 | | | | | | | | | | | | | | |
| Business loans: | | | | | | | | | | | | | | |
| Commercial | \$ | 84 | \$ | 28 | \$ | 3 | \$ | 115 | \$ | 252 | \$ | 21,778 | \$ | 22,145 |
| Real estate construction: | | | | | | | | | | | | , | | , |
| Commercial Real Estate business line (a) | | 27 | | _ | | 17 | | 44 | | 259 | | 1,523 | | 1,826 |
| Other business lines (b) | | 2 | | _ | | 5 | | 7 | | 4 | | 416 | | 427 |
| Total real estate construction | | 29 | | - | | 22 | | 51 | | 263 | | 1,939 | | 2,253 |
| Commercial mortgage: | | | | | | | | | | | | , | | , |
| Commercial Real Estate business line (a) | | 8 | | 1 | | _ | | 9 | | 181 | | 1,747 | | 1,937 |
| Other business lines (b) | | 28 | | 25 | | 16 | | 69 | | 302 | | 7,459 | | 7,830 |
| Total commercial mortgage | | 36 | | 26 | | 16 | | 78 | | 483 | | 9,206 | | 9,767 |
| Lease financing | | _ | | _ | | _ | | _ | | 7 | | 1,002 | | 1,009 |
| International | | 1 | | _ | | _ | | 1 | | 2 | | 1,129 | | 1,132 |
| Total business loans | | 150 | | 54 | | 41 | | 245 | | 1,007 | | 35,054 | | 36,306 |
| Retail loans: | | | | | | | | | | , | | , | | , |
| Residential mortgage | | 33 | | 23 | | 7 | | 63 | | 55 | | 1,501 | | 1,619 |
| Consumer: | | | | | | | | | | | | , | | , |
| Home equity | | 11 | | 4 | | 10 | | 25 | | 5 | | 1,674 | | 1,704 |
| Other consumer | | 4 | | 2 | | 4 | | 10 | | 13 | | 584 | | 607 |
| Total consumer | | 15 | | 6 | | 14 | | 35 | | 18 | | 2,258 | | 2,311 |
| Total retail loans | | 48 | | 29 | | 21 | | 98 | | 73 | | 3,759 | | 3,930 |
| Total loans | \$ | 198 | \$ | 83 | \$ | 62 | \$ | 343 | \$ | 1.080 | \$ | 38,813 | \$ | 40,236 |
| - Out IOUID | Ψ | 170 | Ψ | 0.5 | Ψ | 32 | Ψ | 373 | Ψ | 1,000 | Ψ | 50,015 | Ψ | 10,230 |

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

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

Comerica Incorporated and Subsidiaries

NOTE 5 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table details the changes in the allowance for loan losses for the three- and six-month periods ended June 30, 2011 and 2010 and related loan amounts as of June 30, 2011 and 2010.

| | E | Business | | | | | | |
|--|----|----------|-----|-----------|----|--------|----|-------------|
| (in millions) | | Loans | Ret | ail Loans | | Total | Ju | ne 30, 2010 |
| Three Months Ended | | | | | | | | |
| Allowance for loan losses: | | | | | | | | |
| Balance at beginning of period | \$ | 786 | \$ | 63 | \$ | 849 | \$ | 987 |
| Loan charge-offs | | (109) | | (16) | | (125) | | (158) |
| Recoveries on loans previously charged-off | | 33 | | 2 | | 35 | | 12 |
| Net loan charge-offs | | (76) | | (14) | | (90) | | (146) |
| Provision for loan losses | | 28 | | 19 | | 47 | | 126 |
| Balance at end of period | \$ | 738 | \$ | 68 | \$ | 806 | \$ | 967 |
| Six Months Ended | | | | | | | | |
| Allowance for loan losses: | | | | | | | | |
| Balance at beginning of period | \$ | 839 | \$ | 62 | \$ | 901 | \$ | 985 |
| Loan charge-offs | | (222) | | (26) | | (248) | | (342) |
| Recoveries on loans previously charged-off | | 54 | | 3 | | 57 | | 23 |
| Net loan charge-offs | | (168) | | (23) | | (191) | | (319) |
| Provision for loan losses | | 67 | | 29 | | 96 | | 301 |
| Balance at end of period | \$ | 738 | \$ | 68 | \$ | 806 | \$ | 967 |
| Allowance for loan losses: | | | | | | | | |
| Individually evaluated for impairment | \$ | 172 | \$ | 4 | \$ | 176 | \$ | 205 |
| Collectively evaluated for impairment | | 566 | | 64 | | 630 | | 762 |
| Total allowance for loan losses | \$ | 738 | \$ | 68 | \$ | 806 | \$ | 967 |
| Loans: | | | | | | | | |
| Individually evaluated for impairment | \$ | 808 | \$ | 49 | \$ | 857 | \$ | 956 |
| Collectively evaluated for impairment | | 34,662 | | 3,674 | | 38,336 | * | 39,646 |
| Total loans evaluated for impairment | \$ | 35,470 | \$ | 3,723 | \$ | 39,193 | \$ | 40,602 |

Changes in the allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, are summarized in the following table.

| | Γ | Three Mo | nths End | | ed | | | |
|--|----|----------|----------|-----|----|-----|----|-----|
| | | June | June 30, | | | | | |
| (in millions) | 2 | 011 | 2 | 010 | 20 | 011 | 2 | 010 |
| Balance at beginning of period | \$ | 32 | \$ | 44 | \$ | 35 | \$ | 37 |
| Provision for credit losses on lending-related commitments | | (2) | | - | | (5) | | 7 |
| Balance at end of period | \$ | 30 | \$ | 44 | \$ | 30 | \$ | 44 |
| Unfunded lending-related commitments sold | \$ | 3 | \$ | 2 | \$ | 5 | \$ | 2 |

Comerica Incorporated and Subsidiaries

NOTE 5 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents additional information regarding individually evaluated impaired loans.

| | Reco | rded | Investme | ent In | : | | | | |
|-----|-----------------------|---|--|--|--|---|---|--|--|
| Imp | aired | In | paired | | | • | | Re | lated |
| | | | | Т | otal | U | Inpaid | Allo | wance |
| | | | | Imr | paired | | - | | Loan |
| | | | | _ | | | - | | sses |
| | | | | | | | | | |
| | | | | | | | | | |
| \$ | 10 | \$ | 258 | \$ | 268 | \$ | 416 | \$ | 69 |
| | | · | | | | · | | · | |
| | _ | | 128 | | 128 | | 217 | | 19 |
| | _ | | | | | | | | 2 |
| | | | | | | | | | 21 |
| | | | 151 | | 151 | | 22, | | 21 |
| | _ | | 183 | | 183 | | 225 | | 37 |
| | _ | | | | | | | | 42 |
| | | | | | | | | | 79 |
| | _ | | | | | | | | 1 |
| | _ | | | | | | | | 2 |
| | | | | | | | | | 172 |
| | 10 | | 770 | | 000 | | 1,177 | | 1/2 |
| | 3 | | 38 | | 41 | | 47 | | 3 |
| | 3 | | 30 | | 71 | | 47 | | 3 |
| | _ | | 8 | | 8 | | 13 | | 1 |
| | | | | | | | | | 4 |
| \$ | 13 | \$ | 844 | \$ | 857 | \$ | 1,237 | \$ | 176 |
| | | | | | | | | | |
| | | | | | | | | | |
| \$ | Q | \$ | 237 | \$ | 246 | \$ | 398 | \$ | 55 |
| Ψ | | Ψ | 231 | Ψ | 240 | Ψ | 370 | Ψ | 33 |
| | _ | | 249 | | 249 | | 400 | | 51 |
| | _ | | 247 | | 247 | | | | - |
| | | | 2/10 | | 2/10 | | 400 | | 51 |
| | _ | | 247 | | 247 | | 400 | | 31 |
| | _ | | 178 | | 178 | | 282 | | 35 |
| | _ | | | | | | | | 49 |
| | | | | | | | | | 84 |
| | _ | | | | | | | | 1 |
| | _ | | | | | | | | 1 |
| | Q | | | | | | | | 192 |
| | | | 710 | | 721 | | 1,122 | | 1)2 |
| | 8 | | 29 | | 37 | | 41 | | 3 |
| | O | | 2) | | 31 | | 71 | | 3 |
| | _ | | 10 | | 10 | | 1⊿ | | 2 |
| | R | | | | | | | | 5 |
| \$ | 17 | \$ | 957 | \$ | 974 | \$ | 1,477 | \$ | 197 |
| | Loan No R Allov | Impaired Loans with No Related Allowance \$ 10 | Impaired Loans with No Related Allowance Impaired Report of the property of the proper | Impaired Loans with No Related Allowance Impaired Loans with Related Allowance \$ 10 \$ 258 - 128 - 3 - 131 - 131 - 213 - 396 - 6 - 7 10 798 3 38 - 8 3 46 \$ 13 \$ 844 \$ 9 \$ 237 - 249 - 249 - 245 - 245 - 245 - 245 - 245 - 249 - 245 - 245 - 249 - 245 - 249 - 249 - 249 - 249 - 249 <t< td=""><td>Impaired Loans with No Related Allowance Loans with Related Allowance Timpaired Loans with Related Allowance Timpaired Related Allowance \$ 10 \$ 258 \$ - 128 - - 3 - - 131 - 183 - - 213 - - 396 - 6 - 7 - 8 3 38 - 8 3 46 \$ \$ \$ 13 \$ 844 \$ \$ 9 \$ 237 \$ - 249 - - 249 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - <td< td=""><td>Loans with No Related Allowance Loans with Related Allowance Total Impaired Loans \$ 10 \$ 258 \$ 268 - 128 128 - 3 3 - 131 131 - 183 183 - 213 213 - 396 396 - 6 6 - 7 7 10 798 808 3 38 41 - 8 8 3 46 49 \$ 13 \$ 844 \$ 857 \$ 9 \$ 237 \$ 246 - 249 249 - - - - 249 249 - - - - 245 245 - - - - - - - - - - - - <</td><td>Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unit Impaired Loans Property Impaired Loans Property Impaired Loans Impaired Loans Impaired Loans Property Impaired Loans Property Impaired Loans Impair Impaired Loans</td><td>Impaired Loans with No Related Allowance Impaired Loans with Related Allowance Total Impaired Loans Unpaid Principal Balance \$ 10 \$ 258 \$ 268 \$ 416 - 128 128 217 - 3 3 10 - 131 131 227 - 183 183 225 - 213 213 282 - 213 213 282 - 396 396 507 - 6 6 14 - 7 7 13 10 798 808 1,177 3 38 41 47 - 8 8 13 3 346 49 60 \$ 13 \$ 844 \$ 857 \$ 1,237 \$ 9 \$ 237 \$ 246 \$ 398 - 249 249 400 - 249 249 400</td><td>Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unpaid Principal Balance Reformal Allowance \$ 10 \$ 258 \$ 268 \$ 416 \$ - 128 128 217 </td></td<></td></t<> | Impaired Loans with No Related Allowance Loans with Related Allowance Timpaired Loans with Related Allowance Timpaired Related Allowance \$ 10 \$ 258 \$ - 128 - - 3 - - 131 - 183 - - 213 - - 396 - 6 - 7 - 8 3 38 - 8 3 46 \$ \$ \$ 13 \$ 844 \$ \$ 9 \$ 237 \$ - 249 - - 249 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - 245 - - <td< td=""><td>Loans with No Related Allowance Loans with Related Allowance Total Impaired Loans \$ 10 \$ 258 \$ 268 - 128 128 - 3 3 - 131 131 - 183 183 - 213 213 - 396 396 - 6 6 - 7 7 10 798 808 3 38 41 - 8 8 3 46 49 \$ 13 \$ 844 \$ 857 \$ 9 \$ 237 \$ 246 - 249 249 - - - - 249 249 - - - - 245 245 - - - - - - - - - - - - <</td><td>Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unit Impaired Loans Property Impaired Loans Property Impaired Loans Impaired Loans Impaired Loans Property Impaired Loans Property Impaired Loans Impair Impaired Loans</td><td>Impaired Loans with No Related Allowance Impaired Loans with Related Allowance Total Impaired Loans Unpaid Principal Balance \$ 10 \$ 258 \$ 268 \$ 416 - 128 128 217 - 3 3 10 - 131 131 227 - 183 183 225 - 213 213 282 - 213 213 282 - 396 396 507 - 6 6 14 - 7 7 13 10 798 808 1,177 3 38 41 47 - 8 8 13 3 346 49 60 \$ 13 \$ 844 \$ 857 \$ 1,237 \$ 9 \$ 237 \$ 246 \$ 398 - 249 249 400 - 249 249 400</td><td>Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unpaid Principal Balance Reformal Allowance \$ 10 \$ 258 \$ 268 \$ 416 \$ - 128 128 217 </td></td<> | Loans with No Related Allowance Loans with Related Allowance Total Impaired Loans \$ 10 \$ 258 \$ 268 - 128 128 - 3 3 - 131 131 - 183 183 - 213 213 - 396 396 - 6 6 - 7 7 10 798 808 3 38 41 - 8 8 3 46 49 \$ 13 \$ 844 \$ 857 \$ 9 \$ 237 \$ 246 - 249 249 - - - - 249 249 - - - - 245 245 - - - - - - - - - - - - < | Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unit Impaired Loans Property Impaired Loans Property Impaired Loans Impaired Loans Impaired Loans Property Impaired Loans Property Impaired Loans Impair Impaired Loans | Impaired Loans with No Related Allowance Impaired Loans with Related Allowance Total Impaired Loans Unpaid Principal Balance \$ 10 \$ 258 \$ 268 \$ 416 - 128 128 217 - 3 3 10 - 131 131 227 - 183 183 225 - 213 213 282 - 213 213 282 - 396 396 507 - 6 6 14 - 7 7 13 10 798 808 1,177 3 38 41 47 - 8 8 13 3 346 49 60 \$ 13 \$ 844 \$ 857 \$ 1,237 \$ 9 \$ 237 \$ 246 \$ 398 - 249 249 400 - 249 249 400 | Impaired Loans with No Related Allowance Impaired Related Allowance Total Impaired Loans Unpaid Principal Balance Reformal Allowance \$ 10 \$ 258 \$ 268 \$ 416 \$ - 128 128 217 |

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

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

Comerica Incorporated and Subsidiaries

NOTE 5 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents information regarding average individually evaluated impaired loans and the related interest recognized for the three- and six-month periods ended June 30, 2011 and 2010.

| | | 2011 | | | | 10 | 10 | |
|---|-------|---------|-------|--------|------|-----------|----------|--------|
| | Ave | erage | | erest | Av | erage | Interest | |
| | Imp | aired | Inc | ome | Im | paired | Inc | ome |
| | Loans | for the | Recog | gnized | Loan | s for the | Recog | gnized |
| (in millions) | | riod | - | Period | | eriod | _ | Period |
| Three Months Ended June 30 | | | | | | | | |
| Business loans: | | | | | | | | |
| Commercial | \$ | 242 | \$ | 4 | \$ | 213 | \$ | 3 |
| Real estate construction: | | | · | | · | | | |
| Commercial Real Estate business line (a) | | 159 | | _ | | 339 | | 1 |
| Other business lines (b) | | 1 | | _ | | 3 | | _ |
| Total real estate construction | | 160 | | - | | 342 | | 1 |
| Commercial mortgage: | | | | | | | | |
| Commercial Real Estate business line (a) | | 192 | | 1 | | 151 | | 1 |
| Other business lines (b) | | 224 | | 1 | | 212 | | 1 |
| Total commercial mortgage | | 416 | | 2 | | 363 | | 2 |
| Lease financing | | 7 | | _ | | 11 | | _ |
| International | | 6 | | _ | | 5 | | _ |
| Total business loans | | 831 | | 6 | | 934 | | 6 |
| Retail loans: | | | | | | | | |
| Residential mortgage | | 41 | | _ | | 31 | | _ |
| Consumer loans: | | | | | | | | |
| Other consumer | | 7 | | _ | | 2 | | _ |
| Total retail loans | | 48 | | - | | 33 | | _ |
| Total individually evaluated impaired loans | \$ | 879 | \$ | 6 | \$ | 967 | \$ | 6 |
| Six Months Ended June 30 | | | | | | | | |
| Business loans: | | | | | | | | |
| Commercial | \$ | 244 | \$ | 5 | \$ | 206 | \$ | 3 |
| Real estate construction: | Ψ | | Ψ | | Ψ | | Ψ | Ü |
| Commercial Real Estate business line (a) | | 189 | | _ | | 390 | | 1 |
| Other business lines (b) | | 1 | | _ | | 2 | | _ |
| Total real estate construction | | 190 | | _ | | 392 | | 1 |
| Commercial mortgage: | | 1,0 | | | | <u> </u> | | - |
| Commercial Real Estate business line (a) | | 187 | | 1 | | 144 | | 1 |
| Other business lines (b) | | 231 | | 2 | | 175 | | 1 |
| Total commercial mortgage | | 418 | | 3 | | 319 | | 2 |
| Lease financing | | 7 | | - | | 12 | | _ |
| International | | 4 | | _ | | 14 | | 1 |
| Total business loans | | 863 | | 8 | | 943 | | 7 |
| Retail loans: | | | | | | | | |
| Residential mortgage | | 39 | | _ | | 28 | | _ |
| Consumer loans: | | | | | | | | |
| Other consumer | | 8 | | _ | | 2 | | _ |
| Total retail loans | | 47 | | - | | 30 | | - |
| Total individually evaluated impaired loans | \$ | 910 | \$ | 8 | \$ | 973 | \$ | 7 |

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

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

Comerica Incorporated and Subsidiaries

NOTE 5 - CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES (continued)

The following table presents loans by credit quality indicator, based on internal risk ratings assigned to each business loan at the time of approval and subjected to subsequent reviews, generally at least annually, and to pools of retail loans with similar risk characteristics.

| | | • | | | | | | | | |
|---|----|--------------|----|--------------------|-------|------------|------|-------------|----|--------|
| (in millions) | I | Pass (a) | | Special ention (b) | Subst | andard (c) | Nona | accrual (d) | | Total |
| June 30, 2011 | | | | | | | | | | |
| Business loans: | | | | | | | | | | |
| Commercial | \$ | 20,099 | \$ | 900 | \$ | 792 | \$ | 261 | \$ | 22,052 |
| Real estate construction: | | | | | | | | | | |
| Commercial Real Estate business line (e) | | 820 | | 202 | | 184 | | 137 | | 1,343 |
| Other business lines (f) | | 341 | | 24 | | 18 | | 2 | | 385 |
| Total real estate construction | | 1.161 | | 226 | | 202 | | 139 | | 1,728 |
| Commercial mortgage: | | , - | | | | | | | | , |
| Commercial Real Estate business line (e) | | 1.179 | | 328 | | 237 | | 186 | | 1,930 |
| Other business lines (f) | | 6,400 | | 504 | | 476 | | 269 | | 7,649 |
| Total commercial mortgage | | 7,579 | | 832 | | 713 | | 455 | | 9,579 |
| Lease financing | | 912 | | 11 | | 20 | | 6 | | 949 |
| International | | 1,061 | | 60 | | 34 | | 7 | | 1,162 |
| Total business loans | | 30.812 | | 2.029 | | 1.761 | | 868 | | 35,470 |
| Retail loans: | | 30,012 | | 2,02) | | 1,701 | | 000 | | 33,170 |
| Residential mortgage | | 1,400 | | 5 | | 26 | | 60 | | 1,491 |
| Consumer: | | 1,400 | | 3 | | 20 | | 00 | | 1,471 |
| Home equity | | 1,573 | | 16 | | 29 | | 4 | | 1,622 |
| Other consumer | | 581 | | 10 | | 10 | | 9 | | 610 |
| Total consumer | | 2,154 | | 26 | | 39 | | 13 | | 2,232 |
| Total retail loans | | 3,554 | | 31 | | 65 | | 73 | | 3,723 |
| Total loans | \$ | 34,366 | \$ | 2.060 | \$ | 1,826 | \$ | 941 | \$ | 39,193 |
| Total loans | Ψ | 34,300 | Ψ | 2,000 | Ψ | 1,020 | Ψ | 741 | Ψ | 37,173 |
| December 31, 2010 | | | | | | | | | | |
| Business loans: | | | | | | | | | | |
| Commercial | \$ | 19,884 | \$ | 1.015 | \$ | 994 | \$ | 252 | \$ | 22.145 |
| Real estate construction: | Ф | 19,004 | Ф | 1,013 | Ф | 994 | Ф | 232 | Ф | 22,143 |
| Commercial Real Estate business line (e) | | 1,025 | | 333 | | 209 | | 259 | | 1,826 |
| . , | | | | | | 209 | | 239 | | |
| Other business lines (f) Total real estate construction | | 383 1.408 | | 20 353 | | 229 | | 263 | | 2.253 |
| | | 1,408 | | 333 | | 229 | | 203 | | 2,233 |
| Commercial mortgage: | | 1 104 | | 272 | | 200 | | 101 | | 1.027 |
| Commercial Real Estate business line (e) | | 1,104 | | 372 | | 280 | | 181 | | 1,937 |
| Other business lines (f) | | 6,595 | | 508 | | 425 | | 302 | | 7,830 |
| Total commercial mortgage | | 7,699 | | 880 | | 705 | | 483 | | 9,767 |
| Lease financing | | 962 | | 13 | | 27 | | 7 | | 1,009 |
| International | | 963 | | 112 | | 55 | | 2 | | 1,132 |
| Total business loans | | 30,916 | | 2,373 | | 2,010 | | 1,007 | | 36,306 |
| Retail loans: | | | | | | | | 2 | | |
| Residential mortgage | | 1,541 | | 6 | | 17 | | 55 | | 1,619 |
| Consumer: | | | | | | | | | | |
| Home equity | | 1,662 | | 26 | | 11 | | 5 | | 1,704 |
| Other consumer | | 575 | | 8 | | 11 | | 13 | | 607 |
| Total consumer | | 2,237 | | 34 | | 22 | | 18 | | 2,311 |
| Total retail loans | | 3,778 | | 40 | | 39 | | 73 | | 3,930 |
| Total loans | \$ | 34,694 | \$ | 2,413 | \$ | 2,049 | \$ | 1,080 | \$ | 40,236 |

⁽a) Includes all loans not included in the categories of special mention, substandard or nonaccrual.

⁽b) Special mention loans are accruing loans that have potential credit weaknesses that deserve management's close attention, such as loans to borrowers who may be experiencing financial difficulties that may result in deterioration of repayment prospects from the borrower at some future date. Included in the special mention category were \$509 million and \$546 million at June 30, 2011 and December 31, 2010, respectively, of loans proactively monitored by management that were considered "pass" by regulatory authorities.

⁽c) Substandard loans are accruing loans that have a well-defined weakness, or weaknesses, such as loans to borrowers who may be experiencing losses from operations or inadequate liquidity of a degree and duration that jeopardizes the orderly repayment of the loan. Substandard loans also are distinguished by the distinct possibility of loss in the future if these weaknesses are not corrected. This category is generally consistent with the "substandard" category as defined by regulatory authorities.

⁽d) Nonaccrual loans are loans for which the accrual of interest has been discontinued. For further information, refer to the Nonperforming Assets subheading in Note 1 - Summary of Significant Accounting Policies - on page 76 of the Corporation's Annual Report for the year ended December 31, 2010. This category is generally consistent with the "doubtful" category as defined by regulatory authorities.

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

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

Comerica Incorporated and Subsidiaries

NOTE 6 – DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation enters into various transactions involving derivative and credit-related financial instruments to manage exposure to fluctuations in interest rate, foreign currency and other market risks and to meet the financing needs of customers. These financial instruments involve, to varying degrees, elements of market and credit risk. Derivatives are carried at fair value in the consolidated financial statements. Market and credit risk are included in the determination of fair value.

Market risk is the potential loss that may result from movements in interest rates, foreign currency exchange rates or energy commodity prices that cause an unfavorable change in the value of a financial instrument. The Corporation manages this risk by establishing monetary exposure limits and monitoring compliance with those limits. Market risk inherent in interest rate and energy contracts entered into on behalf of customers is mitigated by taking offsetting positions, except in those circumstances when the amount, tenor and/or contract rate level results in negligible economic risk, whereby the cost of purchasing an offsetting contract is not economically justifiable. The Corporation mitigates most of the inherent market risk in foreign exchange contracts entered into on behalf of customers by taking offsetting positions and manages the remainder through individual foreign currency position limits and aggregate value-at-risk limits. These limits are established annually and reviewed quarterly. Market risk inherent in derivative instruments held or issued for risk management purposes is typically offset by changes in the fair value of the assets or liabilities being hedged.

Credit risk is the possible loss that may occur in the event of nonperformance by the counterparty to a financial instrument. For customer-initiated derivatives, the Corporation attempts to minimize credit risk arising from financial instruments by evaluating the creditworthiness of each counterparty, adhering to the same credit approval process used for traditional lending activities and obtaining collateral as deemed necessary.

For derivatives with dealer counterparties, the Corporation utilizes both counterparty risk limits and monitoring procedures as well as master netting arrangements and bilateral collateral agreements to facilitate the management of credit risk. Master netting arrangements effectively reduce credit risk by permitting settlement, on a net basis, of contracts entered into with the same counterparty. Bilateral collateral agreements require daily exchange of cash or highly rated securities issued by the U.S. Treasury or other U.S. government agencies to collateralize amounts due to either party beyond certain risk limits. At June 30, 2011, counterparties had pledged marketable investment securities to secure approximately 85 percent of the fair value of contracts with bilateral collateral agreements in an unrealized gain position. For those counterparties not covered under bilateral collateral agreements, collateral is obtained, if deemed necessary, based on the results of management's credit evaluation of the counterparty. Collateral varies, but may include cash, investment securities, accounts receivable, equipment or real estate. Included in the fair value of derivative instruments are credit valuation adjustments reflecting counterparty credit risk. These adjustments are determined by applying a credit spread for the counterparty or the Corporation, as appropriate, to the total expected exposure of the derivative.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position on June 30, 2011 was \$114 million, for which the Corporation had pledged collateral of \$99 million in the normal course of business. The credit-risk-related contingent features require the Corporation's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the Corporation's debt were to fall below investment grade, the counterparties to the derivative instruments could require additional overnight collateral on derivative instruments in net liability positions. If the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2011, the Corporation would have been required to assign an additional \$15 million of collateral to its counterparties.

Comerica Incorporated and Subsidiaries

NOTE 6 - DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS (continued)

Derivative Instruments

The following table presents the composition of the Corporation's derivative instruments held or issued for risk management purposes or in connection with customer-initiated and other activities at June 30, 2011 and December 31, 2010. The table excludes commitments, warrants accounted for as derivatives and a derivative related to the Corporation's 2008 sale of its remaining ownership of Visa shares.

| | June 30, 2011 | | | | | December 31, 2010 | | | | | | |
|---|---------------|----------|----|------------|----|-------------------|-----------|-----------|----|------------|--------|-----------|
| | | tional/ | | Fair Va | | ` / | Notional/ | | | Fair Va | ılue (| a) |
| | | ontract | | Asset | | Liability | | Contract | | Asset | | iability |
| (in millions) | Am | ount (b) | D | erivatives | Ι | Derivatives | A | mount (b) | D | erivatives | De | rivatives |
| Risk management purposes | | | | | | | | | | | | |
| Derivatives designated as hedging instruments | | | | | | | | | | | | |
| Interest rate contracts: | | | | | | | | | | | | |
| Swaps - cash flow - receive fixed/pay floating | \$ | - | \$ | - | \$ | - | \$ | 800 | \$ | 3 | \$ | - |
| Swaps - fair value - receive fixed/pay floating | | 1,450 | | 261 | | - | | 1,600 | | 263 | | - |
| Total risk management interest rate swaps | | | | | | | | | | | | |
| designated as hedging instruments | | 1,450 | | 261 | | - | | 2,400 | | 266 | | - |
| Derivatives used as economic hedges | | | | | | | | | | | | |
| Foreign exchange contracts: | | | | | | | | | | | | |
| Spot, forwards and swaps | | 386 | | 2 | | 1 | | 220 | | 2 | | - |
| Total risk management purposes | \$ | 1,836 | \$ | 263 | \$ | 1 | \$ | 2,620 | \$ | 268 | \$ | - |
| Customer-initiated and other activities | | | | | | | | | | | | |
| Interest rate contracts: | | | | | | | | | | | | |
| Caps and floors written | \$ | 553 | \$ | - | \$ | 5 | \$ | 697 | \$ | - | \$ | 7 |
| Caps and floors purchased | | 553 | | 5 | | - | | 697 | | 7 | | - |
| Swaps | | 9,231 | | 247 | | 218 | | 9,126 | | 269 | | 242 |
| Total interest rate contracts | | 10,337 | | 252 | | 223 | | 10,520 | | 276 | | 249 |
| Energy derivative contracts: | | | | | | | | | | | | |
| Caps and floors written | | 1,254 | | - | | 71 | | 1,106 | | - | | 62 |
| Caps and floors purchased | | 1,254 | | 71 | | - | | 1,106 | | 62 | | - |
| Swaps | | 413 | | 29 | | 29 | | 411 | | 41 | | 41 |
| Total energy derivative contracts | | 2,921 | | 100 | | 100 | | 2,623 | | 103 | | 103 |
| Foreign exchange contracts: | | | | | | | | | | | | |
| Spot, forwards, futures, options and swaps | | 2,621 | | 45 | | 39 | | 2,497 | | 49 | | 48 |
| Total customer-initiated and other activities | \$ | 15,879 | \$ | 397 | \$ | 362 | \$ | 15,640 | \$ | 428 | \$ | 400 |
| Total derivatives | \$ | 17,715 | \$ | 660 | \$ | 363 | \$ | 18,260 | \$ | 696 | \$ | 400 |

⁽a) Asset derivatives are included in "accrued income and other assets" and liability derivatives are included in "accrued expenses and other liabilities" on the consolidated balance sheets. Included in the fair value of derivative assets and liabilities are credit valuation adjustments reflecting counterparty credit risk and credit risk of the Corporation. The fair value of derivative assets included credit valuation adjustments for counterparty credit risk totaling \$4 million and \$5 million at June 30, 2011 and December 31, 2010, respectively.

⁽b) Notional or contract amounts, which represent the extent of involvement in the derivatives market, are used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk and are not reflected in the consolidated balance sheets.

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NOTE 6 – DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS (continued)

Risk Management

As an end-user, the Corporation employs a variety of financial instruments for risk management purposes, including cash instruments, such as investment securities, as well as derivative instruments. Activity related to these instruments is centered predominantly in the interest rate markets and mainly involves interest rate swaps. Various other types of instruments also may be used to manage exposures to market risks, including interest rate caps and floors, total return swaps, foreign exchange forward contracts and foreign exchange swap agreements.

As part of a fair value hedging strategy, the Corporation entered into interest rate swap agreements for interest rate risk management purposes. These interest rate swap agreements effectively modify the Corporation's exposure to interest rate risk by converting fixed-rate debt to a floating rate. These agreements involve the receipt of fixed-rate interest amounts in exchange for floating-rate interest payments over the life of the agreement, without an exchange of the underlying principal amount.

Risk management fair value interest rate swaps generated net interest income of \$18 million and \$36 million for the three- and six-month periods ended June 30, 2011, respectively, compared to net interest income of \$20 million and \$39 million for the three- and six-month periods ended June 30, 2010, respectively.

The net gains (losses) recognized in other noninterest income (i.e., the ineffective portion) in the consolidated statements of income on risk management derivatives designated as fair value hedges of fixed-rate debt was as follows.

| | Three Mont | ths Ended June 30, | Six Months 1 | Ended June 30, |
|---------------------|------------|--------------------|--------------|----------------|
| (in millions) | 2011 | 2010 | 2011 | 2010 |
| Interest rate swaps | \$ | - \$ (1 |) \$ 1 | \$ (2) |

As part of a cash flow hedging strategy, the Corporation had entered into interest rate swap agreements that effectively converted a portion of existing and forecasted floating-rate loans to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest income over the life of the agreements. In the first quarter 2011, the remaining \$800 million notional amount of interest rate swap agreements outstanding at December 31, 2010 matured. As of June 30, 2011 the Corporation had no interest rate swap agreements designated as cash flow hedges of loans outstanding.

The net gains (losses) recognized in income and OCI on risk management derivatives designated as cash flow hedges of loans for the three- and six-month periods ended June 30, 2011 and 2010 are displayed in the table below.

| | Three | e Months E | nde | ed June 30, | Si | ix Months Ende | d June 30, |
|---|-------|------------|-----|-------------|----|----------------|------------|
| (in millions) | | 2011 | | 2010 | | 2011 | 2010 |
| Interest rate swaps | | | | | | | |
| Gain (loss) recognized in OCI (effective portion) | \$ | - | \$ | 1 | \$ | (2) \$ | 7 |
| Gain (loss) recognized in other noninterest | | | | | | | |
| income (ineffective portion) | | - | | - | | 1 | (3) |
| Gain reclassified from accumulated OCI | | | | | | | |
| into interest and fees on loans (effective | | | | | | | |
| portion) | | - | | 9 | | 1 | 17 |

Foreign exchange rate risk arises from changes in the value of certain assets and liabilities denominated in foreign currencies. The Corporation employs spot and forward contracts in addition to swap contracts to manage exposure to these and other risks.

Comerica Incorporated and Subsidiaries

NOTE 6 - DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS (continued)

The Corporation recognized an insignificant amount of net gains (losses) on risk management derivative instruments used as economic hedges in other noninterest income in the consolidated statements of income in the three-and six-month periods ended June 30, 2011 and 2010.

The following table summarizes the expected weighted average remaining maturity of the notional amount of risk management interest rate swaps and the weighted average interest rates associated with amounts expected to be received or paid on interest rate swap agreements as of June 30, 2011 and December 31, 2010.

| | | 7 | Weighted Averag | ge |
|--|----------------------|-------------------------------------|-----------------|--------------|
| (dollar amounts in millions) | otional mount | Remaining Maturity (in years) | Receive Rate | Pay Rate (a) |
| June 30, 2011 | | | | |
| Swaps - fair value - receive fixed/pay floating rate | | | | |
| Medium- and long-term debt designation | \$ 1,450 | 5.9 | 5.45 % | 0.45 % |
| Total risk management interest rate swaps | \$ 1,450 | _ | | |
| December 31, 2010 | | | | |
| Swaps - cash flow - receive fixed/pay floating rate | | | | |
| Variable rate loan designation | \$ 800 | 0.1 | 4.75 % | 3.25 % |
| Swaps - fair value - receive fixed/pay floating rate | | | | |
| Medium- and long-term debt designation | 1,600 | 7.1 | 5.73 | 0.85 |
| Total risk management interest rate swaps | \$ 2,400 | - | | |

Management believes these hedging strategies achieve the desired relationship between the rate maturities of assets and funding sources which, in turn, reduce the overall exposure of net interest income to interest rate risk, although there can be no assurance that such strategies will be successful.

Customer-Initiated and Other

Fee income is earned from entering into various transactions at the request of customers (customer-initiated contracts), principally foreign exchange contracts, interest rate contracts and energy derivative contracts. For customer-initiated foreign exchange contracts, the Corporation mitigates most of the inherent market risk by taking offsetting positions and manages the remainder through individual foreign currency position limits and aggregate value-at-risk limits. These limits are established annually and reviewed quarterly.

For those customer-initiated derivative contracts which were not offset or where the Corporation holds a speculative position within the limits described above, the Corporation recognized an insignificant amount of net gains in "other noninterest income" in the consolidated statements of income in both the three-month periods ended June 30, 2011 and 2010, and an insignificant amount and \$1 million of net gains in the six-month periods ended June 30, 2011 and 2010, respectively.

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NOTE 6 – DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS (continued)

Fair values of customer-initiated and other derivative instruments represent the net unrealized gains or losses on such contracts and are recorded in the consolidated balance sheets. Changes in fair value are recognized in the consolidated statements of income. The net gains recognized in income on customer-initiated derivative instruments, net of the impact of offsetting positions, were as follows.

| | | Three | Months | Ende | ed June 30, | Six | x Months Er | ided | June 30, |
|-----------------------------|--------------------------|-------|--------|------|-------------|-----|-------------|------|----------|
| (in millions) | Location of Gain | 20 | 011 | | 2010 | | 2011 | | 2010 |
| Interest rate contracts | Other noninterest income | \$ | 2 | \$ | 4 | \$ | 8 | \$ | 7 |
| Energy derivative contracts | Other noninterest income | | 1 | | 1 | | 1 | | 1 |
| Foreign exchange contracts | Foreign exchange income | | 9 | | 10 | | 17 | | 19 |
| Total | | \$ | 12 | \$ | 15 | \$ | 26 | \$ | 27 |

Additional information regarding the nature, terms and associated risks of derivative instruments can be found in the Corporation's 2010 Annual Report on page 55 and in Notes 1 and 9 to the consolidated financial statements.

Credit-Related Financial Instruments

The Corporation issues off-balance sheet financial instruments in connection with commercial and consumer lending activities. The Corporation's credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

| (in millions) | June 30, 2011 | Dec | cember 31, 2010 |
|---|------------------|-----|--------------------|
| Unused commitments to extend credit: | | | |
| Commercial and other | \$ 23,612 | \$ | 23,578 |
| Bankcard, revolving check credit and home equity loan commitments | 1,565 | | 1,568 |
| Total unused commitments to extend credit | \$ 25,177 | \$ | 25,146 |
| Standby letters of credit | \$ 5,282 | \$ | 5,453 |
| Commercial letters of credit | 132 | | 93 |
| Other credit-related financial instruments | 1 | | 1 |

The Corporation maintains an allowance to cover probable credit losses inherent in lending-related commitments, including unused commitments to extend credit, letters of credit and financial guarantees. At June 30, 2011 and December 31, 2010, the allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, was \$30 million and \$35 million, respectively.

Unused Commitments to Extend Credit

Commitments to extend credit are legally binding agreements to lend to a customer, provided there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments expire without being drawn upon, the total contractual amount of commitments does not necessarily represent future cash requirements of the Corporation. Commercial and other unused commitments are primarily variable rate commitments. The allowance for credit losses on lending-related commitments included \$13 million and \$16 million, at June 30, 2011 and December 31, 2010, respectively, for probable credit losses inherent in the Corporation's unused commitments to extend credit.

At June 30, 2011 and December 31, 2010, commitments to lend additional funds to borrowers whose terms have been modified in troubled debt restructurings totaled \$10 million and \$7 million, respectively.

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NOTE 6 – DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS (continued)

Standby and Commercial Letters of Credit

Standby letters of credit represent conditional obligations of the Corporation which guarantee the performance of a customer to a third party. Standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Commercial letters of credit are issued to finance foreign or domestic trade transactions. These contracts expire in decreasing amounts through the year 2019. The Corporation may enter into participation arrangements with third parties that effectively reduce the maximum amount of future payments which may be required under standby and commercial letters of credit. These risk participations covered \$257 million and \$298 million of the \$5.4 billion and \$5.5 billion standby and commercial letters of credit outstanding at June 30, 2011 and December 31, 2010, respectively.

The carrying value of the Corporation's standby and commercial letters of credit, included in "accrued expenses and other liabilities" on the consolidated balance sheet, totaled \$80 million at June 30, 2011, including \$63 million of deferred fees and \$17 million in the allowance for credit losses on lending-related commitments. At December 31, 2010, the comparable amounts were \$83 million, \$64 million and \$19 million, respectively.

The following table presents a summary of internally classified watch list standby and commercial letters of credit at June 30, 2011 and December 31, 2010. The Corporation's internal watch list is generally consistent with loans in the Special Mention, Substandard and Doubtful (nonaccrual) categories defined by regulatory authorities. The Corporation manages credit risk through underwriting, periodically reviewing and approving its credit exposures using Board committee approved credit policies and guidelines.

| (dollar amounts in millions) | June 3 | 30, 2011 | Decemb | er 31, 2010 |
|---|--------|----------|--------|-------------|
| Total watch list standby and commercial letters of credit | \$ | 233 | \$ | 243 |
| As a percentage of total outstanding standby | | | | |
| and commercial letters of credit | | 4.3 % | | 4.4 % |

Other credit-related financial instruments

The Corporation enters into credit risk participation agreements, under which the Corporation assumes credit exposure associated with a borrower's performance related to certain interest rate derivative contracts. The Corporation is not a party to the interest rate derivative contracts and only enters into these credit risk participation agreements in instances in which the Corporation is also a party to the related loan participation agreement for such borrowers. The Corporation manages its credit risk on the credit risk participation agreements by monitoring the creditworthiness of the borrowers, which is based on the normal credit review process had it entered into the derivative instruments directly with the borrower. The notional amount of such credit risk participation agreement reflects the pro-rata share of the derivative instrument, consistent with its share of the related participated loan. As of June 30, 2011 and December 31, 2010, the total notional amount of the credit risk participation agreements was approximately \$305 million and \$316 million, respectively, and the fair value, included in customer-initiated interest rate contracts recorded in "accrued expenses and other liabilities" on the consolidated balance sheets, was insignificant for each period. The maximum estimated exposure to these agreements, as measured by projecting a maximum value of the guaranteed derivative instruments, assuming 100 percent default by all obligors on the maximum values, was approximately \$12 million at both June 30, 2011 and December 31, 2010. In the event of default, the lead bank has the ability to liquidate the assets of the borrower, in which case the lead bank would be required to return a percentage of the recouped assets to the participating banks. As of June 30, 2011, the credit risk participation agreements had a weighted average remaining maturity for outstanding agreements of 2.5 years.

In 2008, the Corporation sold its remaining ownership of Visa Class B shares and entered into a derivative contract. Under the terms of the derivative contract, the Corporation will compensate the counterparty primarily for dilutive adjustments made to the conversion factor of the Visa Class B shares to Class A shares based on the ultimate outcome of litigation involving Visa. Conversely, the Corporation will be compensated by the counterparty for any increase in the conversion factor from anti-dilutive adjustments. The notional amount of the derivative contract was equivalent to approximately 780 thousand Visa Class B shares. The fair value of the derivative liability, included in "accrued expenses and other liabilities" on the consolidated balance sheets, was \$1 million at both June 30, 2011 and December 31, 2010.

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NOTE 7 – VARIABLE INTEREST ENTITIES (VIEs)

The Corporation evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Corporation is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that require a reconsideration. The following provides a summary of the VIEs in which the Corporation has an interest.

The Corporation has a limited partnership interest in 149 low income housing tax credit/historic rehabilitation tax credit partnerships. These entities meet the definition of a VIE; however, the Corporation is not the primary beneficiary of the entities, as the general partner has both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. While the partnership agreements allow the limited partners, through a majority vote, to remove the general partner, this right is not deemed to be substantive as the general partner can only be removed for cause.

The Corporation accounts for its interest in these partnerships on either the cost or equity method. Exposure to loss as a result of the Corporation's involvement with these entities at June 30, 2011 was limited to the book basis of the Corporation's investment of approximately \$337 million, which includes unused commitments for future investments.

As a limited partner, the Corporation obtains income tax credits and deductions from the operating losses of these low income housing tax credit/historic rehabilitation tax credit partnerships, which are recorded as a reduction of income tax expense (or an increase to income tax benefit) and a reduction of federal income taxes payable. These income tax credits and deductions are allocated to the funds' investors based on their ownership percentages. Investment balances, including all legally binding commitments to fund future investments, are included in "accrued income and other assets" on the consolidated balance sheets, with amortization and other write-downs of investments recorded in "other noninterest income" on the consolidated statements of income. In addition, a liability is recognized in "accrued expenses and other liabilities" on the consolidated balance sheets for all legally binding unfunded commitments to fund low income housing partnerships (\$78 million at June 30, 2011).

The Corporation provided no financial or other support that was not contractually required to any of the above VIEs during the six-month periods ended June 30, 2011 and 2010.

The following table summarizes the impact of these VIEs on line items on the Corporation's consolidated statements of income.

| | | Three Months Ended | | | Six Mont | Ended | |
|--|----------|--------------------|----|------|------------|-------|------|
| | June 30, | | | | June |), | |
| (in millions) | | 2011 | | 2010 | 2011 | | 2010 |
| Other noninterest income | \$ | (13) | \$ | (12) | \$ (26) | \$ | (24) |
| Provision (benefit) for income taxes (a) | | (13) | | (12) | (26) | | (24) |

⁽a) Income tax credits from low income housing tax credit/historic rehabilitation tax credit partnerships.

Additional information regarding the Corporation's consolidation policy can be found in Note 1 to the consolidated financial statements in the Corporation's 2010 Annual Report.

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NOTE 8 - MEDIUM- AND LONG-TERM DEBT

Medium- and long-term debt is summarized as follows:

| (in millions) | June | Decem | ber 31, 2010 | |
|---|------|-------|--------------|-------|
| Parent company | | | | |
| Subordinated notes: | | | | |
| 4.80% subordinated notes due 2015 | \$ | 337 | \$ | 337 |
| Medium-term notes: | | | | |
| 3.00% notes due 2015 | | 298 | | 298 |
| Total parent company | | 635 | | 635 |
| Subsidiaries | | | | |
| Subordinated notes: | | | | |
| 5.70% subordinated notes due 2014 | | 279 | | 280 |
| 5.75% subordinated notes due 2016 | | 692 | | 691 |
| 5.20% subordinated notes due 2017 | | 572 | | 568 |
| 8.375% subordinated notes due 2024 | | 191 | | 191 |
| 7.875% subordinated notes due 2026 | | 215 | | 213 |
| Total subordinated notes | | 1,949 | | 1,943 |
| Medium-term notes: | | | | |
| Floating-rate based on LIBOR indices due 2011 to 2012 | | 583 | | 1,017 |
| Federal Home Loan Bank advances: | | | | |
| Floating-rate based on LIBOR indices due 2011 to 2014 | | 2,000 | | 2,500 |
| Other notes: | | | | |
| 6.0% - 6.4% fixed-rate notes due 2020 | | 39 | | 43 |
| Total subsidiaries | | 4,571 | | 5,503 |
| Total medium- and long-term debt | \$ | 5,206 | \$ | 6,138 |

The carrying value of medium- and long-term debt was adjusted to reflect the gain or loss attributable to the risk hedged with interest rate swaps.

All subordinated notes with maturities greater than one year qualify as Tier 2 capital.

Comerica Bank (the Bank), a subsidiary of the Corporation, is a member of the FHLB, which provides shortand long-term funding collateralized by mortgage-related assets to its members. FHLB advances bear interest at variable rates based on LIBOR and were secured by a blanket lien on \$15 billion of real estate-related loans at June 30, 2011.

NOTE 9 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) includes the change in net unrealized gains and losses on investment securities available-for-sale, the change in accumulated net gains and losses on cash flow hedges and the change in the accumulated defined benefit and other postretirement plans adjustment. Total comprehensive income was \$280 million and \$218 million for the six months ended June 30, 2011 and 2010, respectively. The \$62 million increase in total comprehensive income for the six months ended June 30, 2011, when compared to the same period in the prior year, resulted primarily from a \$77 million increase in net income, partially offset by a \$29 million after-tax decrease in net unrealized gains on investment securities available-for-sale. The following table presents reconciliations of the components of accumulated other comprehensive income (loss) for the six months ended June 30, 2011 and 2010.

Comerica Incorporated and Subsidiaries

$NOTE\ 9-ACCUMULATED\ OTHER\ COMPREHENSIVE\ INCOME\ (LOSS)\ (continued)$

| (in millions) | | Months E 2011 | Indec | led June 30, 2010 | |
|--|----|------------------|-------|----------------------|--|
| Accumulated net unrealized gains on investment securities | | | | | |
| available-for-sale: | | | | | |
| Balance at beginning of period, net of tax | \$ | 14 | \$ | 11 | |
| Net unrealized holding gains arising during the period | | 106 | | 149 | |
| Less: Reclassification adjustment for net gains included in net income | | (| | 2 | |
| | | 100 | | 146 | |
| Change in net unrealized gains before income taxes | | 37 | | 54 | |
| Less: Provision for income taxes | | 37 | | 34 | |
| Change in net unrealized gains on investment | | (2 | | 02 | |
| securities available-for-sale, net of tax | Φ | 63 | Φ | 92 | |
| Balance at end of period, net of tax | \$ | 77 | \$ | 103 | |
| Accumulated net gains on cash flow hedges: | | | | | |
| Balance at beginning of period, net of tax | \$ | 2 | \$ | 18 | |
| Net cash flow hedge gains (losses) arising during the period | | (2) | | 7 | |
| Less: Reclassification adjustment for net gains | | | | | |
| included in net income | | 1 | | 17 | |
| Change in net cash flow hedge gains (losses) before income taxes | | (3) | | (10) | |
| Less: Provision (benefit) for income taxes | | (1) | | (4) | |
| Change in net cash flow hedge gains, net of tax | | (2) | | (6) | |
| Balance at end of period, net of tax | \$ | - | \$ | 12 | |
| Accumulated defined benefit pension and other postretirement | | | | | |
| plans adjustment: | | | | | |
| Balance at beginning of period, net of tax | \$ | (405) | \$ | (365) | |
| Net defined benefit pension and other postretirement | | | | | |
| adjustment arising during the period | | 7 | | _ | |
| Less: Adjustment for amounts recognized as components | | | | | |
| of net periodic benefit cost during the period | | (24) | | (16) | |
| Change in defined benefit pension and other postretirement | | | | (- / | |
| plans adjustment before income taxes | | 31 | | 16 | |
| Less: Provision for income taxes | | 11 | | 6 | |
| Change in defined benefit pension and other postretirement | | | | | |
| plans adjustment, net of tax | | 20 | | 10 | |
| Balance at end of period, net of tax | \$ | (385) | \$ | (355) | |
| Total accumulated other comprehensive | | | | | |
| loss at end of period, net of tax | \$ | (308) | \$ | (240) | |
| | | | | - | |

Comerica Incorporated and Subsidiaries

NOTE 10 - NET INCOME (LOSS) PER COMMON SHARE

Basic and diluted income (loss) from continuing operations per common share and net income (loss) per common share for the three- and six-month periods ended June 30, 2011 and 2010 are presented in the following table.

| | Т | hree Mo Jun | nths E e 30, | Ended | | Six Mon Jun | ths En | nded |
|--|-----|----------------|-----------------|-------|----|----------------|--------|--------|
| (in millions, except per share data) | - : | 2011 | | 2010 | | 2011 | | 2010 |
| Basic and diluted | | | | | | | | |
| Income from continuing operations | \$ | 96 | \$ | 70 | \$ | 199 | \$ | 105 |
| Less: | | | | | | | | |
| Preferred stock dividends | | - | | - | | - | | 29 |
| Redemption discount accretion on preferred stock | | - | | - | | - | | 94 |
| Income allocated to participating securities | | 1 | | 1 | | 2 | | - |
| Income (loss) from continuing operations attributable to common shares | \$ | 95 | \$ | 69 | \$ | 197 | \$ | (18) |
| Net income | \$ | 96 | \$ | 70 | \$ | 199 | \$ | 122 |
| Less: | | | | | | | | |
| Preferred stock dividends | | - | | - | | - | | 29 |
| Redemption discount accretion on preferred stock | | - | | - | | - | | 94 |
| Income allocated to participating securities | | 1 | | 1 | | 2 | | - |
| Net income (loss) attributable to common shares | \$ | 95 | \$ | 69 | \$ | 197 | \$ | (1) |
| Basic average common shares | | 175 | | 175 | | 175 | | 165 |
| Basic income (loss) from continuing operations per common share | \$ | 0.54 | \$ | 0.40 | \$ | 1.12 | \$ | (0.11) |
| Basic net income (loss) per common share | \$ | 0.54 | \$ | 0.40 | \$ | 1.12 | \$ | (0.01) |
| Basic average common shares | | 175 | | 175 | | 175 | | 165 |
| Dilutive common stock equivalents: | | | | | | | | |
| Net effect of the assumed exercise of stock options | | - | | - | | - | | - |
| Net effect of the assumed exercise of warrants | | 3 | | 3 | | 3 | | - |
| Diluted average common shares | | 178 | | 178 | | 178 | | 165 |
| Diluted income (loss) from continuing operations per common share | \$ | 0.53 | \$ | 0.39 | \$ | 1.10 | \$ | (0.11) |
| Diluted net income (loss) per common share | \$ | 0.53 | \$ | 0.39 | \$ | 1.10 | \$ | (0.01) |

The following average shares related to outstanding options to purchase shares of common stock were not included in the computation of diluted net income (loss) per common share because the exercise prices of the options were greater than the average market price of common shares for the period.

| | | nths Ended e 30, | Six Months Ended June 30, | | | |
|---|-------------------|---------------------|------------------------------|-------------------|--|--|
| (shares in millions) | 2011 | 2010 | 2011 | 2010 | | |
| Average shares related to outstanding options | 16.8 | 13.9 | 16.2 | 14.4 | | |
| Range of exercise prices | \$36.24 - \$64.50 | \$40.32 - \$64.50 | \$36.24 - \$64.50 | \$39.19 - \$64.50 | | |

Due to the net loss from continuing operations attributable to common shares for the six months ended June 30, 2010, common stock equivalents for options to purchase 5.1 million shares and warrants to purchase 11.5 million shares, with average exercise prices less than the average market price of common shares for the period, were excluded from the computation of diluted net loss per common share, as their inclusion would have been anti-dilutive.

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NOTE 11 - EMPLOYEE BENEFIT PLANS

Net periodic benefit costs are charged to "employee benefits expense" on the consolidated statements of income. The components of net periodic benefit cost for the Corporation's qualified pension plan, non-qualified pension plan and postretirement benefit plan are as follows:

| Qualified Defined Benefit Pension Plan | Three Months Ended June 30, | | | | Si | hs Er 30, | nded | | |
|---|-----------------------------|------|----|------|----|--------------|------|------|--|
| (in millions) | 2011 2010 | | | | 2 | 011 | 2010 | | |
| Service cost | \$ | 8 | \$ | 8 | \$ | 16 | \$ | 15 | |
| Interest cost | | 19 | | 19 | | 38 | | 36 | |
| Expected return on plan assets | | (29) | | (28) | | (58) | | (57) | |
| Amortization of unrecognized prior service cost | | 1 | | 2 | | 2 | | 4 | |
| Amortization of unrecognized net loss | | 9 | | 4 | | 18 | | 8 | |
| Net periodic benefit cost | \$ | 8 | \$ | 5 | \$ | 16 | \$ | 6 | |

| Non-Qualified Defined Benefit Pension Plan | Thre | ee Months l | Six Months Ended | | | | |
|---|------|-------------|------------------|----|-------|-----|--|
| | | June 30, | June 30, | | | | |
| (in millions) | 20 |)11 2 | 2010 | 20 |)11 2 | 010 | |
| Service cost | \$ | 1 \$ | 1 | \$ | 2 \$ | 2 | |
| Interest cost | | 3 | 2 | | 5 | 4 | |
| Amortization of unrecognized prior service cost | | (1) | (1) | | (1) | (1) | |
| Amortization of unrecognized net loss | | 1 | 1 | | 2 | 2 | |
| Net periodic benefit cost | \$ | 4 \$ | 3 | \$ | 8 \$ | 7 | |

| Postretirement Benefit Plan Three Months June 30 | | | | | Si | Six Months End June 30, | | |
|--|----|-----|----|-----|----|----------------------------|----|-----|
| (in millions) | 20 |)11 | | 010 | 20 |)11 | | 010 |
| Interest cost | \$ | 1 | \$ | 1 | \$ | 2 | \$ | 2 |
| Expected return on plan assets | | (1) | | (1) | | (2) | | (2) |
| Amortization of unrecognized transition obligation | | 1 | | 1 | | 2 | | 2 |
| Amortization of unrecognized net loss | | 1 | | 1 | | 1 | | 1 |
| Net periodic benefit cost | \$ | 2 | \$ | 2 | \$ | 3 | \$ | 3 |

For further information on the Corporation's employee benefit plans, refer to Note 18 to the consolidated financial statements in the Corporation's 2010 Annual Report.

NOTE 12 – INCOME TAXES AND TAX-RELATED ITEMS

The provision for federal income taxes is computed by applying the statutory federal income tax rate to income before income taxes as reported in the consolidated financial statements after deducting non-taxable items, principally income on bank-owned life insurance, and deducting tax credits related to investments in low income housing partnerships. Tax interest, state taxes and foreign taxes are then added to the federal tax provision.

Beginning in the first quarter of 2011, the Corporation applied an estimated annual effective tax rate to interim period pre-tax income to calculate the income tax provision for the quarter, in accordance with the principal method prescribed by the accounting guidance established for computing income taxes in interim periods. Prior to 2011, specifically for the interim periods beginning second quarter 2009 through December 31, 2010, the Corporation applied an alternative method permitted under the accounting guidance to calculate interim period income taxes. Under the alternative method, interim period income taxes were based on each discrete quarter's pre-tax income (loss). The method was used by the Corporation due the volatility and uncertainty in the economy in those periods. Given the diminishing economic volatility and the Corporation's ability to render more reliable estimates of pre-tax income in 2011, the principal method was applied beginning in the first quarter 2011. The Corporation determined it was impracticable to retroactively apply the principal method to the prior interim periods.

Comerica Incorporated and Subsidiaries

NOTE 12 – INCOME TAXES AND TAX-RELATED ITEMS (continued)

At June 30, 2011, net unrecognized tax benefits were \$27 million, compared to net unrecognized tax benefits of \$5 million at June 30, 2010. The increase in unrecognized tax benefits of \$22 million from June 30, 2010 to June 30, 2011 was primarily the result of the recognition of a settlement agreement with the Internal Revenue Service (IRS) regarding the repatriation of foreign earnings on a structured investment transaction and the recognition of other federal settlements. The Corporation anticipates that it is reasonably possible that final settlement of federal and state tax issues will result in a decrease of net unrecognized tax benefits of \$30 million within the next twelve months. Accrued interest payable on tax liabilities was insignificant at June 30, 2011 and \$17 million at June 30, 2010. The \$17 million decrease in accrued interest from June 30, 2010 to June 30, 2011 was primarily the result of the aforementioned settlements with tax authorities.

In the ordinary course of business, the Corporation enters into certain transactions that have tax consequences. From time to time, the IRS may question and/or challenge specific interpretative tax positions taken by the Corporation with respect to those transactions. The Corporation believes that its tax returns were filed based upon applicable statutes, regulations and case law in effect at the time of the transactions. The IRS, an administrative authority or a court, if presented with the transactions, could disagree with the Corporation's interpretation of the tax law.

Based on current knowledge and probability assessment of various potential outcomes, the Corporation believes that current tax reserves are adequate and the amount of any incremental liability arising is not expected to have a material adverse effect on the Corporation's consolidated financial condition or results of operations. Probabilities and outcomes are reviewed as events unfold, and adjustments to the reserves are made when necessary.

NOTE 13 – CONTINGENT LIABILITIES

Legal Proceedings

The Corporation and certain of its subsidiaries are subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. The Corporation 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 the Corporation and its shareholders. On at least a quarterly basis, the Corporation 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. Litigation-related expense of \$3 million and \$1 million were included in "litigation and operational losses" on the consolidated statements of income for the six months ended June 30, 2011 and 2010, respectively. 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 the Corporation'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 the Corporation's consolidated financial condition, consolidated results of operations or consolidated cash flows.

For other matters, where a loss is not probable, the Corporation has not established legal reserves. In determining whether it is possible to provide an estimate of loss or range of possible loss, the Corporation 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 the Corporation'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 the Corporations consolidated financial condition, consolidated results of operations or consolidated cash flows.

Comerica Incorporated and Subsidiaries

NOTE 13 – CONTINGENT LIABILITIES (continued)

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, the Corporation 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 the Corporation's consolidated financial condition.

For information regarding income tax contingencies, refer to Note 12.

NOTE 14 - BUSINESS SEGMENT INFORMATION

The Corporation has strategically aligned its operations into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based on the type of customer and the related products and services provided. In addition to the three major business segments, the Finance Division is also reported as a segment. Business segment results are produced by the Corporation's internal management accounting system. This system measures financial results based on the internal business unit structure of the Corporation. Information presented is not necessarily comparable with similar information for any other financial institution. The management accounting system assigns balance sheet and income statement items to each business segment using certain methodologies, which are regularly reviewed and refined. For comparability purposes, amounts in all periods are based on business segments and methodologies in effect at June 30, 2011. These methodologies may be modified as the management accounting system is enhanced and changes occur in the organizational structure and/or product lines.

For a description of the business activities of each business segment and further information on the methodologies, which form the basis for these results, refer to Note 23 to the consolidated financial statements in the Corporation's 2010 Annual Report.

Comerica Incorporated and Subsidiaries

NOTE 14 – BUSINESS SEGMENT INFORMATION (continued)

Business segment financial results for the six months ended June 30, 2011 and 2010 are shown in the following table.

| (dollar amounts in millions) | | siness | | | etail | | Vealth | _ | | | O.d. | 77 | 1 | |
|--|-----|--------|---|------|----------|-----|----------|----|--------|-------|-------|-----|-------|---|
| Six Months Ended June 30, 2011 Earnings summary: | E | Bank | | В | ank | Mai | nagement | F | inance | | Other | 1 | 'otal | |
| Net interest income (expense) (FTE) | \$ | 682 | | \$ | 282 | \$ | 92 | \$ | (283) | \$ | 15 | \$ | 788 | |
| Provision for loan losses | Ψ | 24 | | Ψ | 47 | Ψ | 23 | Ψ | (203) | Ψ | 2 | Ψ | 96 | |
| Noninterest income | | 156 | | | 87 | | 128 | | 27 | | 11 | | 409 | |
| Noninterest expenses | | 316 | | | 325 | | 155 | | 6 | | 22 | | 824 | |
| Provision (benefit) for income taxes (FTE) | | 155 | | | 2 | | 16 | | (98) | | 3 | | 78 | |
| Net income (loss) | \$ | 343 | | \$ | (5) | \$ | 26 | \$ | (164) | \$ | (1) | \$ | 199 | |
| Net credit-related charge-offs | \$ | 126 | | \$ | 46 | \$ | 19 | \$ | - | \$ | - | \$ | 191 | _ |
| Selected average balances: | | | | | | | | | | | | | | |
| Assets | \$2 | 9,991 | | \$: | 5,505 | \$ | 4,769 | \$ | 9,360 | \$ | 4,523 | \$5 | 4,148 | |
| Loans | 2 | 9,493 | | : | 5,053 | | 4,774 | | 35 | | 6 | 3 | 9,361 | |
| Deposits | 2 | 0,241 | | 1′ | 7,549 | | 2,889 | | 244 | | 118 | 4 | 1,041 | |
| Statistical data: | | | | | | | | | | | | | | |
| Return on average assets (a) | | 2.29 | % | | (0.06) % | | 1.08 | % | N/M | | N/M | | 0.73 | % |
| Net interest margin (b) | | 4.65 | | | 3.24 | | 3.91 | | N/M | | N/M | | 3.19 | |
| Efficiency ratio | | 37.78 | | - 1 | 87.81 | | 72.87 | | N/M | | N/M | | 69.19 | |
| | Bus | siness | | R | etail | V | Vealth | | | | | | | |
| Six Months Ended June 30, 2010 | Е | Bank | | В | ank | Maı | nagement | F | inance | (| Other | Γ | 'otal | |
| Earnings summary: | | | | | | | | | | | | | | |
| Net interest income (expense) (FTE) | \$ | 692 | | \$ | 265 | \$ | 87 | \$ | (209) | \$ | 5 | \$ | 840 | |
| Provision for loan losses | | 219 | | | 52 | | 31 | | - | | (1) | | 301 | |
| Noninterest income | | 152 | | | 86 | | 122 | | 26 | | 2 | | 388 | |
| Noninterest expenses | | 319 | | | 314 | | 153 | | 4 | | 11 | | 801 | |
| Provision (benefit) for income taxes (FTE) | | 83 | | | (5) | | 9 | | (71) | | 5 | | 21 | |
| Income from discontinued operations, net of tax | | | | | | | | | | | 17 | | 17 | |
| Net income (loss) | \$ | 223 | | \$ | (10) | \$ | 16 | \$ | (116) | \$ | 9 | \$ | 122 | _ |
| Net credit-related charge-offs | \$ | 251 | | \$ | 47 | \$ | 21 | \$ | - | \$ | - | \$ | 319 | _ |
| Selected average balances: | | | | | | | | | | | | | | |
| Assets | \$3 | 0,949 | | \$ | 6,021 | \$ | 4,883 | \$ | 9,379 | \$ | 5,653 | \$5 | 6,885 | |
| Loans | | 0,633 | | | 5,522 | | 4,815 | | 23 | | (3) | | 0,990 | |
| Deposits | 1 | 8,413 | | | 6,825 | | 2,858 | | 934 | | 95 | | 9,125 | |
| Statistical data: | | | | | | | | | | | | | | |
| Return on average assets (a) | | 1.44 | % | | (0.11) % | | 0.67 | % | N/M | | N/M | | 0.43 | % |
| Net interest margin (b) | | 4.55 | | | 3.17 | | 3.64 | | N/M | | N/M | | 3.23 | |
| Efficiency ratio | | 37.84 | | ; | 88.79 | | 75.39 | | N/M | انسدد | N/M | | 65.45 | |

⁽a) Return on average assets is calculated based on the greater of average assets or average liabilities and attributed equity.

⁽b) Net interest margin is calculated based on the greater of average earning assets or average deposits and purchased funds.

FTE - Fully Taxable Equivalent

N/M - Not Meaningful

Comerica Incorporated and Subsidiaries

NOTE 14 – BUSINESS SEGMENT INFORMATION (continued)

The Corporation's management accounting system also produces market segment results 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. Market segment results are provided as supplemental information to the business segment results and may not meet all operating segment criteria as set forth in ASC Topic 280, Segment Reporting. For comparability purposes, amounts in all periods are based on market segments and methodologies in effect at June 30, 2011.

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

The Western market consists of the states of California, Arizona, Nevada, Colorado and Washington. Currently, California operations represent the significant majority of the Western market.

The Texas and Florida markets consist of operations located in the states of Texas and Florida, respectively.

Other Markets include businesses with a national perspective, the Corporation's investment management and trust alliance businesses as well as activities in all other markets in which the Corporation has operations, except for the International market, as described below.

The International market represents the activity of the Corporation'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.

The Finance & Other Businesses segment includes the Corporation's securities portfolio, asset and liability management activities, discontinued operations, the income and expense impact of equity and cash not assigned to specific business/market segments, tax benefits not assigned to specific business/market segments and miscellaneous other expenses of a corporate nature. This segment includes responsibility for managing the Corporation's funding, liquidity and capital needs, performing interest sensitivity analysis and executing various strategies to manage the Corporation's exposure to liquidity, interest rate risk and foreign exchange risk.

Comerica Incorporated and Subsidiaries

NOTE 14 – BUSINESS SEGMENT INFORMATION (continued)

Market segment financial results for the six months ended June 30, 2011 and 2010 are shown in the following table. Finance

| (1.11 | | | | | | | | | | | | 2.1 | | | | | inance | | | |
|---|------------------------|--|---|--|--|----|---|---|-------|---|----------|--|----------------|---|-----|----------|--|----------------------|---|---|
| (dollar amounts in millions) | 3.5. | | | *** | | | m | | _ | | | Other | | | , | | Other | | 1 | |
| Six Months Ended June 30, 2011 | Mı | dwest | | Weste | rn | | Texas | | F | lorida | IV | Iarkets | Inte | ernationa | ìl. | Bu | sinesses | | otal | |
| Earnings summary: | Ф | 107 | | e 2 | 20 | d | 170 | | ф | 22 | ф | 02 | d. | 20 | | Ф | (2(0) | Ф | 700 | |
| Net interest income (expense) (FTE) | \$ | 407 | | | 30 | \$ | | | \$ | 23 | \$ | 82 | \$ | 38 | | \$ | (268) | \$ | 788 | |
| Provision for loan losses | | 49 | | | 31 | | 2 | | | 19 | | (2) | | (5) | | | 2 | | 96 | |
| Noninterest income | | 200 | | | 74 | | 48 | | | 7 | | 24 | | 18 | | | 38 | | 409 | |
| Noninterest expenses | | 371 | | | 17 | | 124 | | | 24 | | 41 | | 19 | | | 28 | | 824 | |
| Provision (benefit) for income taxes (FTE) | | 72 | | | 55 | | 36 | | _ | (4) | | (1) | | 15 | | _ | (95) | _ | 78 | |
| Net income (loss) | \$ | 115 | | \$ 10 | | 9 | | | \$ | (9) | \$ | 68 | \$ | 27 | | \$ | (165) | \$ | 199 | |
| Net credit-related charge-offs | \$ | 81 | | \$: | 52 | \$ | 12 | | \$ | 23 | \$ | 21 | \$ | 2 | | \$ | - | \$ | 191 | |
| Selected average balances: | | | | | | | | | | | | | | | | | | | | |
| Assets | \$ 14 | 4,287 | | \$ 12,45 | 59 | 9 | 7,056 | | \$ | 1,543 | \$ | 3,171 | \$ | 1,749 | | \$ | 13.883 | \$ 5 | 4,148 | |
| Loans | | 4,077 | | 12,2 | | , | 6,848 | | - | 1,573 | _ | 2,891 | _ | 1,681 | | _ | 41 | | 9,361 | |
| Deposits | | 8,273 | | 12,34 | | | 5,982 | | | 382 | | 2,375 | | 1.320 | | | 362 | | 1,041 | |
| • | - | 0,273 | | 12,3 | ., | | 3,702 | | | 302 | | 2,373 | | 1,520 | | | 302 | | 1,011 | |
| Statistical data: | | | | | | | | | | | | | | | | | | | | |
| Return on average assets (a) | | 1.18 | % | | 51 | % | 1.75 | | | (1.11) % | | 4.31 | % | 3.06 | % | | N/M | | 0.73 | % |
| Net interest margin (b) | | 4.48 | | 5.3 | | | 5.18 | | | 2.98 | | 5.81 | | 4.37 | | | N/M | | 3.19 | |
| Efficiency ratio | - (| 61.14 | | 53. | 77 | | 55.27 | | | 78.79 | | 41.42 | | 33.87 | | | N/M | | 69.19 | |
| | | | | | | | | | | | | | | | | F | inance | | | |
| | | | | | | | | | | | (| Other | | | | & | c Other | | | |
| | | | | | | | | | _ | lorida | | | - | | | | | | | |
| Six Months Ended June 30, 2010 | Mi | dwest | | Weste | rn | | Texas | | F | юпаа | N | Iarkets | Inte | ernationa | ıl | Bu | sinesses | [| otal | |
| Six Months Ended June 30, 2010 Earnings summary: | Mi | dwest | | Weste | rn | | Texas | | F | тогаа | N | larkets | Inte | ernationa | ıl | Bu | sinesses | 7 | otal | |
| | Mie \$ | dwest 415 | | | rn 25 | \$ | | | \$ | 21 | \$ \$ | larkets 86 | Inte | ernationa 37 | ıl | Bu \$ | (204) | \$ | 840 | |
| Earnings summary: | | | | \$ 32 | | \$ | | | | | | | | | al | | | | | |
| Earnings summary: Net interest income (expense) (FTE) | | 415 | | \$ 32 | 25 | \$ | 160 | | | 21 | | 86 | | 37 | al | | (204) | | 840 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses | | 415 114 | | \$ 32 | 25 86 | \$ | 5 160 16 | | | 21 19 | | 86 75 | | 37 (8) | al | | (204) | | 840 301 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income | \$ | 415 114 198 | | \$ 32 | 25 86 69 | \$ | 3 160 16 43 | | | 21 19 7 | | 86 75 25 | \$ | 37 (8) 18 | al | | (204) (1) 28 | | 840 301 388 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses | \$ | 415 114 198 366 | | \$ 32 | 25 86 69 15 | \$ | 3 160 16 43 125 | | | 21 19 7 21 | | 86 75 25 43 | \$ | 37 (8) 18 16 | al | | (204) (1) 28 15 | | 840 301 388 801 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) | \$ | 415 114 198 366 | | \$ 32 | 25 86 69 15 | \$ | 3 160 16 43 125 | | | 21 19 7 21 | | 86 75 25 43 | \$ | 37 (8) 18 16 | al | | (204) (1) 28 15 | | 840 301 388 801 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, | \$ | 415 114 198 366 47 | ; | \$ 33 | 25 86 69 15 | \$ | 6 160 16 43 125 22 | | | 21 19 7 21 (4) | | 86 75 25 43 (26) | \$ | 37 (8) 18 16 | al | | (204) (1) 28 15 (66) | | 840 301 388 801 21 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax | \$ | 415 114 198 366 47 | | \$ 32 | 25 86 69 15 32 | | 6 160 16 43 125 22 | | \$ | 21 19 7 21 (4) | \$ | 86 75 25 43 (26) | \$ | 37 (8) 18 16 16 | al | \$ | (204) (1) 28 15 (66) | \$ | 840 301 388 801 21 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs | \$ | 415 114 198 366 47 | | \$ 32 2 2 5 | 25 86 69 15 32 | \$ | 6 160 16 43 125 22 | | \$ | 21 19 7 21 (4) | \$ | 86 75 25 43 (26) | \$ | 37 (8) 18 16 16 | hl_ | \$ | (204) (1) 28 15 (66) 17 (107) | \$ | 840 301 388 801 21 17 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: | \$ | 415 114 198 366 47 - 86 98 | | \$ 33 2 2 3 \$ (0 | 225 886 69 115 332 | 9 | 6 160 16 43 125 22 | | \$ \$ | 21 19 7 21 (4) - (8) | \$ \$ | 86 75 25 43 (26) | \$ \$ | 37 (8) 18 16 16 | al | \$ \$ | (204) (1) 28 15 (66) 17 (107) | \$ | 840 301 388 801 21 17 122 319 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets | \$ \$ \$ | 415 114 198 366 47 - 86 98 | | \$ 32 2 3 \$ 1 \$ 13,09 | 225 886 69 115 332 - 61 112 | 9 | 6 160 16 43 125 22 | | \$ \$ | 21 19 7 21 (4) - (8) 17 | \$ \$ | 86 75 25 43 (26) - 19 54 | \$ \$ | 37 (8) 18 16 16 - 31 5 | al | \$ | (204) (1) 28 15 (66) 17 (107) | \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets Loans | \$ \$ \$14 | 415 114 198 366 47 - - - - - - - - - - - - - - - - - - | | \$ 32 \$ 2 \$ 13,09 12,88 | 25 86 69 115 332 | 9 | 6 160 43 125 22 6 40 6 33 6 6,771 6,565 | | \$ \$ | 21 19 7 21 (4) - (8) 17 | \$ \$ | 86 75 25 43 (26) - 19 54 3,859 3,578 | \$ \$ | 37 (8) 18 16 16 - 31 5 1,642 1,589 | al | \$ \$ | (204) (1) 28 15 (66) 17 (107) | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 0,990 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets | \$ \$ \$14 | 415 114 198 366 47 - 86 98 | | \$ 32 2 3 \$ 1 \$ 13,09 | 25 86 69 115 332 | 9 | 6 160 16 43 125 22 | | \$ \$ | 21 19 7 21 (4) - (8) 17 | \$ \$ | 86 75 25 43 (26) - 19 54 | \$ \$ | 37 (8) 18 16 16 - 31 5 | al | \$ \$ | (204) (1) 28 15 (66) 17 (107) | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets Loans | \$ \$ \$14 | 415 114 198 366 47 - - - - - - - - - - - - - - - - - - | | \$ 32 \$ 2 \$ 13,09 12,88 | 25 86 69 115 332 | 9 | 6 160 43 125 22 6 40 6 33 6 6,771 6,565 | | \$ \$ | 21 19 7 21 (4) - (8) 17 | \$ \$ | 86 75 25 43 (26) - 19 54 3,859 3,578 | \$ \$ | 37 (8) 18 16 16 - 31 5 1,642 1,589 | al | \$ \$ | (204) (1) 28 15 (66) 17 (107) | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 0,990 | |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets Loans Deposits | \$ \$ \$14 | 415 114 198 366 47 - - - - - - - - - - - - - - - - - - | | \$ 32 2 2 \$ 11 \$ 13,09 12,88 11,93 | 25 86 69 115 332 | 3 | 6 160 43 125 22 6 40 6 33 6 6,771 6,565 | | \$ \$ | 21 19 7 21 (4) - (8) 17 | \$ \$ | 86 75 25 43 (26) - 19 54 3,859 3,578 | \$ \$ \$ | 37 (8) 18 16 16 - 31 5 1,642 1,589 | | \$ \$ | (204) (1) 28 15 (66) 17 (107) | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 0,990 | _ |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets Loans Deposits Statistical data: | \$ \$ \$14 | 415 114 198 366 47 - 86 98 4,915 4,777 7,526 | | \$ 32 2 2 \$ 11 \$ 13,09 12,88 11,93 | 225 886 69 115 332 | 3 | 6 160 16 43 125 22 6 40 6 33 6 6,771 6,565 5,137 | % | \$ \$ | 21 19 7 21 (4) - (8) 17 1,576 1,575 382 | \$ \$ | 86 75 25 43 (26) - 19 54 3,859 3,578 2,099 | \$ \$ \$ | 37 (8) 18 16 16 - 31 5 1,642 1,589 1,013 | | \$ \$ | (204) (1) 28 15 (66) 17 (107) - 15,032 20 1,029 | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 0,990 9,125 | _ |
| Earnings summary: Net interest income (expense) (FTE) Provision for loan losses Noninterest income Noninterest expenses Provision (benefit) for income taxes (FTE) Income from discontinued operations, net of tax Net income (loss) Net credit-related charge-offs Selected average balances: Assets Loans Deposits Statistical data: Return on average assets (a) | \$ \$ \$14 17 | 415 114 198 366 47 | | \$ 32 \$ 2 \$ 13,09 \$ 12,88 11,93 | 225 86 69 115 332 - 61 112 90 86 339 | 3 | 6 160 16 43 125 22 6 40 6 33 6 6,771 6,565 5,137 | % | \$ \$ | 21 19 7 21 (4) - (8) 17 1,576 1,575 382 (1.00) % | \$ \$ | 86 75 25 43 (26) - 19 54 3,859 3,578 2,099 | \$ \$ \$ | 37 (8) 18 16 16 16 - - 31 5 1,642 1,589 1,013 | | \$ \$ | (204) (1) 28 15 (66) 17 (107) - 15,032 20 1,029 N/M | \$ \$ \$ \$ | 840 301 388 801 21 17 122 319 6,885 0,990 9,125 | _ |

⁽a) Return on average assets is calculated based on the greater of average assets or average liabilities and attributed equity.

⁽b) Net interest margin is calculated based on the greater of average earning assets or average deposits and purchased funds.

FTE - Fully Taxable Equivalent

N/M - Not Meaningful

Comerica Incorporated and Subsidiaries

NOTE 15 – DISCONTINUED OPERATIONS

In December 2006, the Corporation sold its ownership interest in Munder Capital Management (Munder), an investment advisory subsidiary, to an investor group. The sale agreement included an interest-bearing contingent note.

In the first quarter 2010, the Corporation and the investor group that acquired Munder negotiated a cash settlement of the note receivable for \$35 million, which resulted in a \$27 million gain (\$17 million, after tax), recorded in "income from discontinued operations, net of tax" on the consolidated statements of income. The settlement paid the note in full and concluded the Corporation's financial arrangements with Munder.

The components of net income from discontinued operations for the six-month period ended June 30, 2010 are shown in the following table. There was no income from discontinued operations for the three-month periods ended June 30, 2011 and 2010 or the six-month period ended June 30, 2011.

| | Six Months En | ded June 30, |
|---|---------------|--------------|
| (in millions, except per share data) | 2 | 010 |
| Income from discontinued operations before income taxes | \$ | 27 |
| Provision for income taxes | | 10 |
| Net income from discontinued operations | \$ | 17 |
| Earnings per common share from discontinued operations: | | |
| Basic | \$ | 0.10 |
| Diluted | | 0.10 |

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This report includes forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Any statements in this report that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as "anticipates," "believes," "feels," "expects," "estimates," "seeks," "strives," "plans," "intends," "outlook," "forecast," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "aspiration," "opportunity," "initiative," "outcome," "continue," "remain," "maintain," "trend," "objective," "pending," "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 the Corporation or its management, are intended to identify forward-looking statements. These forward-looking statements are predicated on the beliefs and assumptions of the Corporation's management based on information known to the Corporation's management as of the date of this report and do not purport to speak as of any other date. Forward-looking statements may include descriptions of plans and objectives of the Corporation's management for future or past operations, products or services, and forecasts of the Corporation's revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries, estimates of credit trends and global stability. Such statements reflect the view of the Corporation's management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, the Corporation's actual results could differ materially from those discussed. Factors that could cause or contribute to such differences are changes in general economic, political or industry conditions and related credit and market conditions; changes in trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve Board; adverse conditions in the capital markets; the interdependence of financial service companies; changes in regulation or oversight, including the effects of recently enacted legislation, actions taken by or proposed by the U.S. Treasury, the Board of Governors of the Federal Reserve System, the Texas Department of Banking and the Federal Deposit Insurance Corporation, legislation or regulations enacted in the future, and the impact and expiration of such legislation and regulatory actions; unfavorable developments concerning credit quality; the acquisition of Sterling Bancshares, Inc., or any future acquisitions; the effects of more stringent capital or liquidity requirements; declines or other changes in the businesses or industries in which the Corporation has a concentration of loans, including, but not limited to, the automotive production industry and the real estate business lines; the implementation of the Corporation's strategies and business models, including the anticipated performance of any new banking centers; the Corporation's ability to utilize technology to efficiently and effectively develop, market and deliver new products and services; operational difficulties or information security problems; changes in the financial markets, including fluctuations in interest rates and their impact on deposit pricing; the entry of new competitors in the Corporation's markets; changes in customer borrowing, repayment, investment and deposit practices; management's ability to maintain and expand customer relationships; management's ability to retain key officers and employees; the impact of legal and regulatory proceedings; the effectiveness of methods of reducing risk exposures; the effects of war and other armed conflicts or acts of terrorism and the effects of catastrophic events including, but not limited to, hurricanes, tornadoes, earthquakes, fires, droughts and floods. The Corporation cautions that the foregoing list of factors is not exclusive. For discussion of factors that may cause actual results to differ from expectations, please refer to our filings with the Securities and Exchange Commission. In particular, please refer to "Item 1A. Risk Factors" beginning on page 16 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010, "Item 1A. Risk Factors" beginning on page 65 of the Corporation's Quarterly Report on Form 10Q for the quarter ended March 31, 2011 and "Item 1A. Risk Factors" beginning on page 74 of the Corporation's Quarterly Report on Form 10Q for the quarter ended June 30, 2011. Forward-looking statements speak only as of the date they are made. The Corporation 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. For any forward-looking statements made in this report, the Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Acquisition of Sterling Bancshares, Inc.

On July 28, 2011 (the "acquisition date"), the Corporation acquired all the outstanding common stock of Sterling Bancshares, Inc. ("Sterling"), a bank holding company headquartered in Houston, Texas, in a stock-forstock transaction. Sterling common shareholders and holders of outstanding Sterling phantom stock units received 0.2365 shares of the Corporation's common stock in exchange for each share of Sterling common stock or phantom stock unit. As a result, the Corporation issued approximately 24 million common shares, subject to payment of cash in lieu of fractional shares, with an acquisition date fair value of \$793 million, based on the Corporation'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 the Corporation. In addition, outstanding warrants to purchase Sterling common stock were converted into warrants to purchase common stock of the Corporation. The fair value of total consideration paid to acquire Sterling was approximately \$803 million. The Corporation incurred \$5 million of pre-integration and transaction costs prior to the acquisition closing date that are included in "merger and restructuring charges" in the consolidated statements of income. However, the assets acquired and liabilities assumed from Sterling, the consideration paid to acquire Sterling, and the results of Sterling's operations are not reflected in consolidated financial statements as of and for the three- and six-month periods ended June 30, 2011. The acquisition of Sterling significantly expands 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.

Results of Operations

Net income for the three months ended June 30, 2011 was \$96 million, an increase of \$26 million from \$70 million reported for the three months ended June 30, 2010. The increase in net income in the second quarter 2011, compared to the same period in 2010, was primarily due to an \$81 million decrease in the provision for credit losses (\$79 million decrease in the provision for loan losses and a \$2 million decrease in the provision for credit losses on lending-related commitments), partially offset by an increase of \$18 million in the provision for income taxes and a \$31 million decrease in net interest income. Net income per diluted common share was \$0.53 in the second quarter 2011, compared to \$0.39 for the same period one year ago.

Net income for the first six months of 2011 was \$199 million, an increase of \$77 million from \$122 million reported for the six months ended June 30, 2010. The increase in net income for the six months ended June 30, 2011 from the comparable 2010 period was primarily due to a \$217 million decrease in the provision for credit losses (\$205 million decrease in the provision for credit losses on lending-related commitments), partially offset by an increase of \$58 million in the provision for income taxes and a decrease of \$51 million in net interest income. Net income attributable to common shares was \$197 million for the first six months of 2011, compared to a net loss attributable to common shares of \$1 million for the same period one year ago. There were no preferred stock dividends included in net income attributable to common shares for the six months ended June 30, 2011, compared to \$123 million of preferred stock dividends, including a \$94 million one-time redemption charge reflected in the net loss attributable to common shares, for the same period one year ago. The decrease in preferred stock dividends was due to the first quarter 2010 full redemption of \$2.25 billion of preferred stock issued to the U.S. Treasury. Diluted net income per common share was \$1.10 for the first six months of 2011, compared to a diluted net loss per common share of \$0.01 for the comparable 2010 period.

Second-Half 2011 Outlook (Combined Comerica and Sterling Results) Compared to First-Half 2011 (Comerica Only Results)

For the second half of 2011, management expects the following combined results, based on the incorporation of the projected results of Sterling operations from the acquisition closing date of July 28, 2011 through year-end 2011, compared to Comerica-only results for the first half of 2011, assuming a continuation of modest growth in the economy. The estimated purchase accounting impacts incorporated in this outlook are preliminary and may not be indicative of actual amounts that will be recorded as additional information becomes available and as additional analyses are performed.

- A mid-single digit increase in average loans, primarily due to the acquisition of Sterling loans at fair value. The pace of decline of loans in the Commercial Real Estate business line is expected to decrease in the second half of 2011. Average loans in the National Dealer Services business line are expected to be lower in the third quarter and rebound in the fourth quarter of 2011.
- Average earning assets of approximately \$52.5 billion, reflecting increases, primarily related to Sterling, in average loans and average investment securities available-for-sale, partially offset by a decrease in excess liquidity.
- An average net interest margin of 3.35 percent to 3.40 percent, reflecting the benefit from the accretion of the purchase discount on the acquired Sterling loan portfolio (\$35 million to \$45 million; 13 basis points to 17 basis points), a reduction in excess liquidity, no increase in the Federal Funds rate, and LIBOR consistent with second quarter 2011 levels.
- Net credit-related charge-offs between \$165 million and \$185 million for the second half of 2011. The provision for credit losses is expected to be between \$65 million and \$85 million for the second half of 2011.
- A mid-single digit decline in noninterest income in the second half of 2011 compared to the first half of 2011, primarily due to the impact of regulatory changes and a reduction of net income from principal investing and warrants, partially offset by the inclusion of Sterling.
- Excluding merger and restructuring charges, a high single-digit increase in noninterest expenses in the second half of 2011 compared to the first half of 2011, primarily due to the addition of Sterling.
- Total merger and restructuring charges of approximately \$80 million, after-tax (\$125 million pre-tax), with about \$25 million, after-tax, recognized in each of the third and fourth quarters of 2011, and the remainder recognized in 2012.
- Total acquisition synergies of approximately 35 percent of Sterling expenses, or about \$56 million, with the majority realized in 2012.
- For the second half of 2011, income tax expense to approximate 36 percent of income before income taxes less approximately \$33 million in tax benefits.
- Continue share repurchase program that, combined with dividend payments, results in a payout up to 50 percent of full-year earnings.

Net Interest Income

Net interest income was \$391 million for the three months ended June 30, 2011, a decrease of \$31 million compared to \$422 million for the same period in 2010. The decrease in net interest income in the second quarter 2011, compared to the same period in 2010, resulted primarily from a decline in average earning assets, the maturity of interest rate swaps at positive spreads, maturities of higher-yield fixed-rate loans and decreases in LIBOR rates, partially offset by a continued shift in funding sources toward lower-cost funds, along with maturities and redemptions of higher-cost medium- and long-term debt. The "Quarterly Analysis of Net Interest Income & Rate/Volume – Fully Taxable Equivalent" table of this financial review details the components of the change in net interest income on a fully taxable equivalent (FTE) basis for the three months ended June 30, 2011, compared to the same period in the prior year. Average earning assets decreased \$1.7 billion, or three percent, to \$50.1 billion in the second quarter 2011, compared to \$51.8 billion in the second quarter 2010, primarily due to a \$1.5 billion, or four percent, decrease in average loans, to \$39.2 billion. The net interest margin (FTE) for the three months ended June 30, 2011 decreased 14 basis points to 3.14 percent, from 3.28 percent for the comparable period in 2010, primarily due to LIBOR-based loan rates declining faster than deposit rates, a decrease in loan spreads and the maturity of interest rate swaps at positive spreads.

Net interest income was \$786 million for the six months ended June 30, 2011, a decrease of \$51 million compared to \$837 million for the same period in 2010. The decrease in net interest income in the six months ended 2011, compared to the same period in 2010, was primarily due to the same reasons cited in the quarterly discussion above. The "Year-to-date Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent" table provides an analysis of net interest income for the first six months of 2011 on a FTE basis, compared to the same period in the prior year. Average earning assets decreased \$2.7 billion, or five percent, to \$49.7 billion for the six months ended June 30, 2011, compared to \$52.4 billion for the same period in the prior year, primarily due to a \$1.6 billion, or four percent, decrease in average loans, to \$39.4 billion and a \$1.0 billion, or 27 percent, decrease in average interest-bearing deposits with banks. The net interest margin (FTE) for the six months ended June 30, 2011 decreased four basis points to 3.19 percent, from 3.23 percent for the same period in 2010, primarily due to the same reasons cited in the quarterly discussion above, partially offset by a reduction in excess liquidity. The net interest margin was reduced by approximately 18 basis points and 24 basis points in the first six months of 2011 and 2010, respectively, from excess liquidity. Excess liquidity was represented by \$2.8 billion and \$3.9 billion of average balances deposited with the Federal Reserve Bank (FRB) in the first six months of 2011 and 2010, respectively, included in "interest-bearing deposits with banks" in the consolidated balance sheets. Refer to the "Supplemental Financial Data" section of this financial review for reconcilements of non-GAAP financial measures.

For further discussion of the effects of market rates on net interest income, refer to the "Market Risk" section of this financial review.

For full-year 2011, management expects an average net interest margin of 3.35 percent to 3.40 percent, reflecting the benefit from the accretion of the purchase discount on the acquired Sterling loan portfolio (\$35 million to \$45 million; 13 basis points to 17 basis points), a reduction in excess liquidity, no increase in the Federal Funds rate, and LIBOR consistent with second quarter 2011 levels.

Quarterly Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent (FTE)

Three Months Ended

| | | Jı | ine 3 | 30, 201 | | ee Mon | | | une | 30, 20 | 10 | |
|--|-------|---------|-------|---------|-------|--------|----|---------|-----|--------|-------|----|
| | A | Average | | | Avera | ge | A | verage | | | Avera | ge |
| (dollar amounts in millions) | I | Balance | Int | erest | Rate | : | E | Balance | Int | erest | Rate | • |
| Commercial loans | \$ | 21,677 | \$ | 196 | 3.65 | % | \$ | 20,910 | \$ | 206 | 3.95 | % |
| Real estate construction loans | | 1,881 | | 17 | 3.75 | | | 2,987 | | 23 | 3.13 | |
| Commercial mortgage loans | | 9,636 | | 96 | 3.98 | | | 10,372 | | 109 | 4.20 | |
| Residential mortgage loans | | 1,525 | | 21 | 5.50 | | | 1,607 | | 22 | 5.44 | |
| Consumer loans | | 2,243 | | 20 | 3.42 | | | 2,448 | | 22 | 3.56 | |
| Lease financing | | 958 | | 8 | 3.50 | | | 1,108 | | 10 | 3.72 | |
| International loans | | 1,254 | | 12 | 3.80 | | | 1,240 | | 13 | 4.07 | |
| Business loan swap income | | - | | - | - | | | - | | 9 | - | |
| Total loans | | 39,174 | | 370 | 3.79 | | | 40,672 | | 414 | 4.07 | |
| Auction-rate securities available-for-sale | | 500 | | 1 | 0.71 | | | 816 | | 3 | 1.19 | |
| Other investment securities available-for-sale | | 6,907 | | 58 | 3.40 | | | 6,446 | | 58 | 3.71 | |
| Total investment securities available-for-sale | | 7,407 | | 59 | 3.20 | | | 7,262 | | 61 | 3.41 | |
| Federal funds sold and securities purchased | | | | | | | | | | | | |
| under agreements to resell | | 2 | | - | 0.33 | | | 1 | | - | 1.35 | |
| Interest-bearing deposits with banks (a) | | 3,433 | | 3 | 0.25 | | | 3,768 | | 3 | 0.25 | |
| Other short-term investments | | 120 | | - | 1.39 | | | 132 | | - | 1.65 | |
| Total earning assets | | 50,136 | | 432 | 3.46 | | | 51,835 | | 478 | 3.70 | |
| Cash and due from banks | | 872 | | | | | | 795 | | | | |
| Allowance for loan losses | | (859) | | | | | | (1,037) | | | | |
| Accrued income and other assets | | 4,368 | | | | | | 4,665 | | | | |
| Total assets | \$ | 54,517 | _ | | | | \$ | 56,258 | _ | | | |
| Money market and NOW deposits | \$ | 18,207 | = | 11 | 0.26 | | \$ | 16,354 | = | 13 | 0.32 | |
| Savings deposits | | 1,465 | | 1 | 0.09 | | | 1,429 | | - | 0.07 | |
| Customer certificates of deposit | | 5,609 | | 10 | 0.70 | | | 5,927 | | 15 | 0.92 | |
| Total interest-bearing core deposits | | 25,281 | | 22 | 0.35 | | | 23,710 | | 28 | 0.45 | |
| Other time deposits | | - | | - | - | | | 295 | | 1 | 2.14 | |
| Foreign office time deposits | | 413 | | 1 | 0.52 | | | 448 | | - | 0.23 | |
| Total interest-bearing deposits | | 25,694 | | 23 | 0.35 | | | 24,453 | | 29 | 0.47 | |
| Short-term borrowings | | 112 | | - | 0.14 | | | 248 | | - | 0.27 | |
| Medium- and long-term debt | | 5,821 | | 17 | 1.20 | | | 9,571 | | 25 | 1.04 | |
| Total interest-bearing sources | | 31,627 | | 40 | 0.51 | | | 34,272 | | 54 | 0.63 | |
| Noninterest-bearing deposits | | 15,786 | | | | | | 15,218 | | | | |
| Accrued expenses and other liabilities | | 1,132 | | | | | | 1,060 | | | | |
| Total shareholders' equity | | 5,972 | _ | | | | | 5,708 | _ | | | |
| Total liabilities and shareholders' equity | \$ | 54,517 | = | | | | \$ | 56,258 | = | | | |
| Net interest income/rate spread (FTE) | | | \$ | 392 | 2.95 | | | | \$ | 424 | 3.07 | |
| FTE adjustment | | | \$ | 1 | | | | | \$ | 2 | | |
| Impact of net noninterest-bearing sources of funds | | | | | 0.19 | | | | | | 0.21 | |
| Net interest margin (as a percentage of average earning assets) (I | TE) (| (a) | | | 3.14 | % | | | | | 3.28 | % |

⁽a) Excess liquidity, represented by average balances deposited with the FRB, reduced the net interest margin by 21 basis points and 23 basis points in the second quarter of 2011 and 2010, respectively. Excluding excess liquidity, the net interest margin would have been 3.35% and 3.51% in each respective period. See Supplemental Financial Data section for reconcilements of non-GAAP financial measures.

Quarterly Analysis of Net Interest Income & Rate/Volume – Fully Taxable Equivalent (FTE) (continued)

Three Months Ended June 30, 2011/June 30, 2010

| | June 30, 2011/June 30, 2010 | | | | | | | | | | | |
|--|-----------------------------|---------|--------|------------|------------|-------|--|--|--|--|--|--|
| | Inc | rease | Inc | crease | I | Net | | | | | | |
| | (Dec | crease) | (De | crease) | Inc | rease | | | | | | |
| (in millions) | Due | to Rate | Due to | Volume (a) | (Decrease) | | | | | | | |
| Loans | \$ | (29) | \$ | (15) | \$ | (44) | | | | | | |
| Investment securities available-for-sale | | (5) | | 3 | | (2) | | | | | | |
| Total earning assets | | (34) | | (12) | | (46) | | | | | | |
| Interest-bearing deposits | | (5) | | (1) | | (6) | | | | | | |
| Medium- and long-term debt | | 3 | | (11) | | (8) | | | | | | |
| Total interest-bearing sources | | (2) | | (12) | | (14) | | | | | | |
| Net interest income/rate spread (FTE) | \$ | (32) | \$ | - | \$ | (32) | | | | | | |

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

Year-to-Date Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent (FTE)

Six Months Ended

| | | June 30, 201 | | ntns Ended Ju: | ne 30, 2010 |) |
|--|----------|--------------|---------|-------------------|-------------|---------|
| (1.11) | Average | : | Average | Average | | Average |
| (dollar amounts in millions) | Balance | Interest | Rate | Balance | Interest | Rate |
| Commercial loans | \$ 21,58 | | 3.70 % | | \$ 411 | 3.95 % |
| Real estate construction loans | 2,02 | | 3.62 | 3,185 | 48 | 3.03 |
| Commercial mortgage loans | 9,71 | | 3.96 | 10,380 | 216 | 4.19 |
| Residential mortgage loans | 1,56 | | 5.37 | 1,620 | 44 | 5.43 |
| Consumer loans | 2,26 | | 3.42 | 2,464 | 44 | 3.57 |
| Lease financing | 97 | | 3.56 | 1,119 | 21 | 3.73 |
| International loans | 1,23 | | 3.83 | 1,261 | 25 | 4.00 |
| Business loan swap income | 20.24 | - 1 | - | - | 17 | - |
| Total loans | 39,36 | 746 | 3.82 | 40,990 | 826 | 4.06 |
| Auction-rate securities available-for-sale | 52 | .7 2 | 0.80 | 847 | 5 | 1.06 |
| Other investment securities available-for-sale | 6,83 | 2 114 | 3.39 | 6,475 | 118 | 3.72 |
| Total investment securities available-for-sale | 7,35 | 9 116 | 3.19 | 7,322 | 123 | 3.40 |
| Federal funds sold and securities purchased | | | | | | |
| under agreements to resell | | 2 - | 0.32 | 1 | - | 1.17 |
| Interest-bearing deposits with banks (a) | 2,89 | 7 4 | 0.25 | 3,944 | 5 | 0.25 |
| Other short-term investments | 12 | 4 1 | 2.05 | 128 | 1 | 1.70 |
| Total earning assets | 49,74 | 3 867 | 3.51 | 52,385 | 955 | 3.67 |
| Cash and due from banks | 87 | 8 | | 792 | | |
| Allowance for loan losses | (88 | 3) | | (1,048) | | |
| Accrued income and other assets | 4,41 | 0_ | | 4,756 | | |
| Total assets | \$ 54,14 | -8 | | \$ 56,885 | | |
| Money market and NOW deposits | \$ 18,00 | 3 23 | 0.26 | \$ 15,709 | 25 | 0.32 |
| Savings deposits | 1,44 | 3 1 | 0.09 | 1,407 | - | 0.07 |
| Customer certificates of deposit | 5,55 | | 0.73 | 6,049 | 30 | 0.97 |
| Total interest-bearing core deposits | 25,00 | 5 44 | 0.36 | 23,165 | 55 | 0.48 |
| Other time deposits | | | - | 584 | 9 | 3.18 |
| Foreign office time deposits | 41 | | 0.50 | 453 | - | 0.22 |
| Total interest-bearing deposits | 25,41 | 8 45 | 0.36 | 24,202 | 64 | 0.54 |
| Short-term borrowings | 10 | | 0.21 | 241 | _ | 0.19 |
| Medium- and long-term debt | 5,97 | | 1.15 | 10,169 | 51 | 0.99 |
| Total interest-bearing sources | 31,49 | | 0.51 | 34,612 | 115 | 0.67 |
| Noninterest-bearing deposits | 15,62 | | | 14,923 | | |
| Accrued expenses and other liabilities | 1,12 | | | 1,067 | | |
| Total shareholders' equity | 5,90 | | | 6,283 | | |
| Total liabilities and shareholders' equity | \$ 54,14 | -8 | | \$ 56,885 | | |
| Net interest income/rate spread (FTE) | | \$ 788 | 3.00 | _ | \$ 840 | 3.00 |
| FTE adjustment | | \$ 2 | ı | - | \$ 3 | |
| Impact of net noninterest-bearing | | | | | | |
| sources of funds | | | 0.19 | | | 0.23 |
| Net interest margin (as a percentage of average earning assets) (FTE) (a) | | | 3.19 % | | | 3.23 % |
| | | | 2.17 /0 | | | 2.23 /0 |

⁽a) Excess liquidity, represented by average balances deposited with the FRB, reduced the net interest margin by 18 basis points and 24 basis points year-to-date in 2011 and 2010, respectively. Excluding excess liquidity, the net interest margin would have been 3.37% and 3.47% in each respective period. See Supplemental Financial Data section for reconcilements of non-GAAP financial measures.

Year-to-Date Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent (FTE)

Six Months Ended June 30, 2011/June 30, 2010

| | Julie 50, 2011/Julie 50, 2010 | | | | | | | | | | | |
|--|-------------------------------|---------|----------|------------|------------|-------|--|--|--|--|--|--|
| | Inc | crease | Inc | crease |] | Net | | | | | | |
| | (De | crease) | (De | crease) | Inc | rease | | | | | | |
| (in millions) | Due | to Rate | Due to ' | Volume (a) | (Decrease) | | | | | | | |
| Loans | \$ | (49) | \$ | (31) | \$ | (80) | | | | | | |
| Investment securities available-for-sale | | (11) | | 4 | | (7) | | | | | | |
| Interest-bearing deposits with banks | | - | | (1) | | (1) | | | | | | |
| Total earning assets | | (60) | | (28) | | (88) | | | | | | |
| Interest-bearing deposits | | (11) | | (8) | | (19) | | | | | | |
| Medium- and long-term debt | | 8 | | (25) | | (17) | | | | | | |
| Total interest-bearing sources | | (3) | | (33) | | (36) | | | | | | |
| Net interest income/rate spread (FTE) | \$ | (57) | \$ | 5 | \$ | (52) | | | | | | |

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

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 provision for loan losses was \$47 million for the second quarter 2011, compared to \$126 million for the same period in 2010. The provision for loan losses for the first six months of 2011 was \$96 million, compared to \$301 million for the same period in 2010. The Corporation establishes this provision to maintain an adequate allowance for loan losses, which is discussed under the "Credit Risk" subheading in the "Risk Management" section of this financial review. The decreases of \$79 million and \$205 million in the provision for loan losses in the three- and six month periods ended June 30, 2011, respectively, when compared to the same periods in 2010, resulted primarily from improvements in credit quality. Improvements in credit quality included a decline of \$715 million, to \$4.8 billion, in the Corporation's watch list loans from December 31, 2010 to June 30, 2011. The Corporation's internal watch list is generally consistent with loans in the Special Mention, Substandard and Doubtful (nonaccrual) 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 book balances greater than \$2 million) of \$115 million and a decrease in net credit-related charge-offs of \$128 million in the six month period ended June 30, 2011, compared to the same period in the prior year.

Moderate U.S. economic growth through the second half of 2010 gave way to a slow growth "soft patch" in the first half of 2011. Real gross domestic product growth for the first quarter of 2011 registered just 1.9 percent annualized and second quarter growth is expected be about the same. U.S. job growth dwindled in May and June, totaling just 43,000 net new jobs for the two months. Three sets of factors converged to pull the economy into a soft patch. These factors are characterized by their expected duration: transitory, medium term and long term. Transitory factors include bad winter and spring weather, high crude oil and gasoline prices early in the year, and the Japan disaster at the end of March which resulted in supply-chain bottlenecks for U.S. manufacturers. Medium term factors that will weigh on economic growth through the remainder of 2011 include still-weak housing markets, constrained consumer spending, and the state and local government budget crisis. Long term factors dragging on economic growth into 2012 and beyond include a lower rate of population growth, an unwind of various federal government efforts to stimulate the economy, and eventual caps and cuts in federal spending, expected to come as a result of current negotiations on the federal debt ceiling. The Texas economy has maintained some forward momentum through the soft patch, while California and Michigan have experienced mildly deteriorating labor market conditions in the second quarter of 2011. Fortunately, the transitory factors are proving to be transitory. Automobile production is expected to increase through the second half of 2011, stabilizing durable goods manufacturing in the second half of the year. This and other forward-looking indicators point to moderately improving economic conditions in the Corporation's primary geographic markets in late 2011.

Total net credit-related charge-offs include net charge-offs on both loans and lending-related commitments. Net loan charge-offs for the second quarter 2011 decreased \$56 million to \$90 million, or 0.92 percent of average total loans, compared to \$146 million, or 1.44 percent for the second quarter 2010. The decrease in net loan charge-offs in the second quarter 2011, compared to the second quarter 2010, consisted primarily of decreases in net loan charge-offs in the Middle Market (\$34 million) and Commercial Real Estate (\$23 million) business lines. By geographic market, net loan charge-offs decreased in all markets, with the exception of Florida, in the second quarter 2011, compared to the same period in 2010, with the largest decreases noted in the Other Markets (\$29

million) and Western (\$21 million) markets. In the Florida market, net loan charge-offs increased \$8 million, primarily due to increases in the Private Banking and Middle Market business lines.

Net loan charge-offs for the first six months of 2011 were \$191 million, compared to \$319 million for the same period in 2010. The \$128 million decrease in net loan charge-offs for the first six months of 2011, compared to the same period in 2010, consisted primarily of decreases in net loan charge-offs in the Commercial Real Estate (\$98 million), Specialty Businesses (\$17 million), and Middle Market (\$14 million) business lines, partially offset by an increase in the Global Corporate Banking Business Line (\$7 million). By geographic market, net loan charge-offs decreased in all markets, with the exception of Florida, for the six-month period ended June 30, 2011, compared to the same period in 2010, with the largest decreases noted in the Western (\$60 million), Other Markets (\$33 million) and Texas (\$22 million) markets. In the Florida market, net loan charge-offs increased \$6 million, primarily due to increases in the Middle Market and Private Banking business lines.

The provision for credit losses on lending-related commitments was a benefit of \$2 million and \$5 million for the three- and six-month periods ended June 30, 2011, compared to provisions of zero and \$7 million for the comparable periods in 2010. The decreases of \$2 million and \$12 million for the three- and six-month periods ended June 30, 2011, when compared to the same periods in 2010, respectively, resulted primarily from improved credit quality in unfunded commitments in the Midwest, Western and Texas markets. The Corporation establishes this provision to maintain an adequate allowance to cover probable credit losses inherent in lending-related commitments, which is discussed under the "Credit Risk" subheading in the "Risk Management" section of this financial review. Lending-related commitment charge-offs were insignificant in both the three- and six-month periods ended June 30, 2011 and 2010.

An analysis of allowance for credit losses and nonperforming assets is presented under the "Credit Risk" subheading in the "Risk Management" section of this financial review.

Management expects net credit-related charge-offs between \$165 million and \$185 million for the second half of 2011. The provision for credit losses is expected to be between \$65 million and \$85 million for the second half of 2011.

Noninterest Income

Noninterest income was \$202 million for the three months ended June 30, 2011, an increase of \$8 million, or four percent, compared to \$194 million for the same period in 2010, resulting primarily from increases of \$5 million in net income from principal investing and warrants and \$3 million in net securities gains.

Noninterest income was \$409 million for the first six months of 2011, an increase of \$21 million, or five percent, compared to the same period in 2010, resulting primarily from increases in net income from principal investing and warrants (\$10 million), risk management hedge gains (\$7 million), deferred compensation asset returns (\$6 million) and net securities gains (\$3 million), partially offset by a decrease in service charges on deposit accounts (\$5 million).

Management expects a mid-single digit decline in noninterest income for the second half of 2011, compared to the first half of 2011, primarily due to the impact of regulatory changes and a reduction of net income from principal investing and warrants, partially offset by the inclusion of Sterling.

Noninterest Expenses

Noninterest expenses were \$409 million for the three months ended June 30, 2011, an increase of \$12 million, or three percent, from \$397 million for the comparable period in 2010, resulting primarily from increases in salaries expense (\$6 million), employee benefits expense (\$5 million) and merger and restructuring charges (\$5 million), partially offset by a decrease in FDIC insurance expense (\$4 million).

Noninterest expenses were \$824 million for the first six months of 2011, an increase of \$23 million, or three percent, compared to \$801 million for the comparable period in 2010. The increase in noninterest expense resulted primarily from increases in salaries expense (\$25 million), employee benefits expense (\$11 million), merger and restructuring charges (\$5 million) and litigation and operational losses (\$5 million), partially offset by decreases in the provision for credit losses on lending-related commitments (\$12 million) and FDIC insurance expense (\$6 million). The increase in salaries expense reflected increases in incentive compensation (\$12 million), share-based compensation (\$11 million) and deferred compensation asset returns (\$6 million) (offset by an increase in deferred compensation asset returns in noninterest income), partially offset by a decrease in regular salaries (\$4 million).

Excluding merger and restructuring charges related to the acquisition of Sterling, management expects a high single-digit increase in noninterest expenses in the second half of 2011 compared to the first half of 2011, primarily due to the addition of Sterling. Management expects total merger and restructuring charges of approximately \$80 million, after-tax (\$125 million pre-tax), with about \$25 million, after-tax, recognized in each of the third and fourth quarters of 2011, and the remainder recognized in 2012.

Provision for Income Taxes

The provision for income taxes for the second quarter 2011 was \$41 million, compared to \$23 million for the same period in 2010. The \$18 million increase in the provision for income taxes in the three-month period ended June 30, 2011, compared to the same period in 2010, was primarily due to an increase in income before taxes in the second quarter 2011, compared to the same quarter in the prior year, 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 a release of tax reserves of \$9 million due to the Corporation's planned participation in a recently enacted State of California voluntary compliance initiative. The Corporation has no other investment structures with uncertain tax positions.

For the first six months of 2011, the provision for income taxes was \$76 million, an increase of \$58 million compared to the same period in 2010. The increase in the provision for income taxes was primarily due to the same reasons cited in the quarterly discussion above.

Net deferred tax assets were \$310 million at June 30, 2011, compared to \$383 million at December 31, 2010, a decrease of \$73 million, resulting primarily from a reduction in deferred tax assets due to decreases in the allowance for loan losses and unrealized gains recognized in other comprehensive income. Deferred tax assets were evaluated for realization and it was determined that no valuation allowance was needed at both June 30, 2011 and December 31, 2010. 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. For further information on income taxes, refer to Note 12 to these unaudited consolidated financial statements.

For the second half of 2011, management expects income tax expense to approximate 36 percent of income before income taxes less approximately \$33 million in tax benefits.

Income from Discontinued Operations, Net of Tax

In the first six months of 2011, there was no income from discontinued operations, net of tax. Income from discontinued operations, net of tax, for the first six months of 2010 was \$17 million, reflecting a first quarter after-tax gain 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 15 to these unaudited consolidated financial statements.

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 on 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 14 to these unaudited consolidated financial statements presents financial results of these business segments for the six months ended June 30, 2011 and 2010. For a description of the business activities of each business segment and the methodologies which form the basis for these results, refer to Note 14 to these unaudited consolidated financial statements and Note 23 to the consolidated financial statements in the Corporation's 2010 Annual Report.

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

| | Six Wolfins Ended Julie 30, | | | | | |
|------------------------------|-----------------------------|-------|--------|-------|--|--|
| (dollar amounts in millions) | 201 | 1 | 2010 | 0 | | |
| Business Bank | \$ 343 | 94 % | \$ 223 | 97 % | | |
| Retail Bank | (5) | (1) | (10) | (4) | | |
| Wealth Management | 26 | 7 | 16 | 7 | | |
| | 364 | 100 % | 229 | 100 % | | |
| Finance | (164) | | (116) | | | |
| Other (a) | (1) | | 9 | | | |
| Total | \$ 199 | | \$ 122 | | | |

Six Months Ended June 30

(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 \$343 million increased \$120 million in the six months ended June 30. 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$682 million decreased \$10 million in the six months ended June 30, 2011 compared to the same period in the prior year, as the benefit provided by a \$1.8 billion increase in average deposits and an increase in loan spreads was offset by a \$1.1 billion decrease in average loans. The provision for loan losses of \$24 million decreased \$195 million from the comparable period in the prior year, primarily reflecting decreases in the Commercial Real Estate (in all markets) and Middle Market (primarily in the Other Markets and Midwest markets) business lines. Net credit-related charge-offs of \$126 million decreased \$125 million from the comparable period in the prior year, primarily due to a decrease in charge-offs in the Commercial Real Estate business line. Noninterest income of \$156 million increased \$4 million from the comparable prior year period, primarily due to increases in warrant income (\$5 million) and customer derivative income (\$3 million), partially offset by a decrease in investment banking fees (\$3 million). Noninterest expenses of \$316 million decreased \$3 million from the same period in the prior year, primarily due to decreases in the provision for credit losses on lending commitments (\$12 million), other real estate expense (\$3 million) and nominal decreases in other noninterest expense categories, partially offset by increases in allocated corporate overhead expenses (\$13 million) and salaries expense (\$4 million). The provision for income taxes (FTE) of \$155 million for the six month period ended June 30, 2011 increased \$72 million, compared to \$83 million for the comparable period the prior year, primarily resulting from an increase in income before income taxes.

The net loss for the Retail Bank was \$5 million in the six months ended June 30, 2011, compared to a net loss of \$10 million in the six months ended June 30, 2010. Net interest income (FTE) of \$282 million increased \$17 million from the comparable period in the prior year, primarily due to an increase in loan and deposit spreads and the benefit provided by a \$724 million increase in average deposits, partially offset by a \$469 million decrease in average loans. The provision for loan losses decreased \$5 million from the comparable period in the prior year, reflecting a decrease in the Small Business business line (primarily the Midwest market), partially offset by an increase in the Personal Banking business line (primarily the Midwest Market). Net credit-related charge-offs of \$46 million decreased \$1 million from the comparable period in the prior year. Noninterest income of \$87 million increased \$1 million from the comparable prior year period, primarily due to nominal increases in other noninterest income categories, partially offset by a \$4 million decrease in service charges on deposit accounts. Noninterest expenses of \$325 million increased \$11 million from the same period in the prior year, primarily due to an increase in allocated corporate overhead expenses (\$7 million).

Wealth Management's net income of \$26 million increased \$10 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$92 million increased \$5 million from the comparable period in the prior year, primarily due to increases in loan and deposit spreads. The provision for loan losses decreased \$8 million from the comparable period in the prior year, primarily reflecting a decrease in the Midwest market. Net credit-related charge-offs of \$19 million decreased \$2 million from the comparable period in the prior year, primarily due to a decrease in the Western market, partially offset by an increase in the Florida market. Noninterest income of \$128 million increased \$6 million from the comparable period in the prior year, primarily due to a \$3 million increase in investment banking fees and nominal increases in other noninterest income categories. Noninterest expenses of \$155 million increased \$2 million, primarily due to an increase in allocated corporate overhead expenses (\$4 million).

The net loss for the Finance Division was \$164 million in the six months ended June 30, 2011, compared to a net loss of \$116 million in the six months ended June 30, 2010. Net interest expense (FTE) increased \$74 million in the six months ended June 30, 2011, compared to the same period in the prior year. Net interest expense (FTE) in the Finance Division is primarily impacted by the Corporation's internal funds transfer methodology. The methodology is designed to centralize interest rate risk in the Finance Division and to measure profitability across all interest rate environments. To that end, 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 repricing and term characteristics of their loans. Noninterest income increased \$1 million from the comparable period in the prior year, primarily due to a \$7 million increase in risk management hedge income, partially offset by a \$2 million gain on the repurchase of subordinated debt in the first quarter 2010 and nominal decreases in other noninterest income categories. Noninterest expenses increased \$2 million from the same period in the prior year primarily due to a \$2 million increase in salaries expense.

The Other category's net income decreased \$10 million to a net loss of \$1 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. The decrease in net income primarily reflected a \$5 million increase in principal investing and warrant income, more than offset by the \$17 million after-tax discontinued operations gain recorded in the first quarter 2010.

Market Segments

The Corporation's management accounting system also produces market segment results 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. Note 14 to these unaudited consolidated financial statements contains a description and presents financial results of these market segments for the six months ended June 30, 2011 and 2010.

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

| | Six Months Ended June 30, | | | | | | | | |
|--------------------------------|---------------------------|-------|-------|----|-------|-------|--|--|--|
| (dollar amounts in millions) | | 2011 | 1 | | 2010 | | | | |
| Midwest | \$ | 115 | 31 % | \$ | 86 | 38 % | | | |
| Western | | 101 | 28 | | 61 | 26 | | | |
| Texas | | 62 | 17 | | 40 | 17 | | | |
| Florida | | (9) | (2) | | (8) | (3) | | | |
| Other Markets | | 68 | 19 | | 19 | 9 | | | |
| International | | 27 | 7 | | 31 | 13 | | | |
| | | 364 | 100 % | | 229 | 100 % | | | |
| Finance & Other Businesses (a) | | (165) | | | (107) | | | | |
| Total | \$ | 199 | | \$ | 122 | | | | |

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

The Midwest market's net income of \$115 million increased \$29 million in the six months ended June 30. 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$407 million decreased \$8 million from the comparable period in the prior year, primarily due to a \$700 million decrease in average loans, partially offset by an increase in deposit spreads and the benefit provided by a \$747 million increase in average deposits. The provision for loan losses decreased \$65 million, reflecting decreases in the Middle Market, Commercial Real Estate, Specialty Businesses, Private Banking and Small Business business lines, partially offset by an increase in the Global Corporate Banking business line. Net credit-related charge-offs of \$81 million decreased \$17 million from the comparable period in the prior year, primarily due to decreases in charge-offs in the Commercial Real Estate and Specialty Businesses business lines, partially offset by an increase in the Global Corporate Banking business line. Noninterest income of \$200 million increased \$2 million from the comparable period in the prior year, as a decrease in service charges on deposit accounts (\$4 million) was more than offset by nominal increases in other noninterest income categories. Noninterest expenses of \$371 million increased \$5 million from the same period in the prior year, primarily due to an increase in allocated corporate overhead expenses (\$11 million), partially offset by a decrease in the provision for credit losses on lending-related commitments (\$7 million). The provision for income taxes (FTE) of \$72 million for the six month period ended June 30, 2011, increased \$25 million, compared to the same period in the prior year, primarily resulting from an increase in income before income taxes.

The Western market's net income of \$101 million increased \$40 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$330 million increased \$5 million from the comparable prior year period, primarily due to an increase in loan and deposit spreads and the benefit provided by a \$408 million increase in average deposits, partially offset by a \$636 million decrease in average loans. The provision for loan losses decreased \$55 million, primarily reflecting decreases in the Commercial Real Estate and Specialty Businesses business lines. Net credit-related charge-offs of \$52 million decreased \$60 million from the comparable period in the prior year, primarily due to a decrease in charge-offs in the Commercial

Real Estate business line. Noninterest income of \$74 million increased \$5 million from the comparable period in the prior year primarily due to an increase in net income from principal investing and warrants (\$7 million). Noninterest expenses of \$217 million increased \$2 million from the same period in the prior year, primarily due to increases in allocated corporate overhead expenses (\$8 million), partially offset by decreases in the provision for credit losses on lending-commitments (\$3 million) and other real estate expense (\$3 million). The provision for income taxes (FTE) of \$55 million for the six month period ended June 30, 2011, increased \$23 million, compared to \$32 million for the comparable period in the prior year, primarily resulting from an increase in income before income taxes.

The Texas market's net income increased \$22 million to \$62 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$176 million increased \$16 million from the comparable period in the prior year, primarily due to an increase in loan and deposit spreads and the benefit provided by increases of \$845 million in average deposits and \$283 million in average loans. The provision for loan losses decreased \$14 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 \$12 million decreased \$21 million from the comparable period in the prior year, primarily due to a decrease in the Commercial Real Estate business line. Noninterest income of \$48 million increased \$5 million from the comparable period in the prior year due to nominal increases in several noninterest income categories. Noninterest expenses of \$124 million decreased \$1 million from the comparable period in the prior year primarily due to decreases in the provision for credit losses on lending-commitments (\$3 million) and other real estate expenses (\$2 million), partially offset by an increase in allocated corporate overhead expenses (\$4 million). The provision for income taxes (FTE) of \$36 million for the six month period ended June 30, 2011, increased \$14 million, compared to \$22 million for the comparable period the prior year, primarily resulting from an increase in income before income taxes.

The net loss in the Florida market was \$9 million in the six months ended June 30, 2011, compared to a net loss of \$8 million in the six months ended June 30, 2010. Net interest income (FTE) of \$23 million increased \$2 million from the comparable period in the prior year primarily due to an increase in loan spreads. The provision for loan losses of \$19 million in the six months ended June 30, 2011, was unchanged compared to the same period in the prior year, as a decrease in the Commercial Real Estate business line was primarily offset by an increase in the Middle Market business line. Net credit-related charge-offs of \$23 million increased \$6 million from the comparable period in the prior year, primarily due to increases in the Middle Market and Private Banking business lines. Noninterest income of \$7 million was unchanged from the comparable period in the prior year. Noninterest expenses of \$24 million increased \$3 million from the comparable period in the prior year, primarily due to nominal increases in several noninterest expense categories.

The Other Markets' net income increased \$49 million, to \$68 million, in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$82 million decreased \$4 million from the comparable period in the prior year primarily due to a \$687 million decrease in average loans, partially offset by an increase in loan and deposit spreads and the benefit provided by a \$276 million increase in average deposits. The provision for loan losses decreased \$77 million, primarily reflecting decreases in the Middle Market and Commercial Real Estate business lines. Net credit-related charge-offs of \$21 million decreased \$33 from the comparable period in the prior year, primarily due to decreases in charge-offs in the Commercial Real Estate and Middle Market business lines. Noninterest income of \$24 million decreased \$1 million from the comparable period in the prior year, primarily due to a decrease in investment banking fees (\$3 million), partially offset by nominal increases in several noninterest income categories. Noninterest expenses of \$41 million decreased \$2 million from the comparable period in the prior year. The benefit for income taxes (FTE) of \$1 million for the six month period ended June 30, 2011, decreased \$25 million, compared to a benefit of \$26 million for the comparable period in the prior year, primarily due to an increase in income before income taxes.

The International market's net income decreased \$4 million to \$27 million in the six months ended June 30, 2011, compared to the six months ended June 30, 2010. Net interest income (FTE) of \$38 million increased \$1 million from the comparable period in the prior year, primarily due to increases of \$307 million in average deposits and \$92 million in average loans, partially offset by a decline in loan spreads. The provision for loan losses increased \$3 million to a benefit of \$5 million in the six months ended June 30, 2011, compared to a benefit of \$8 million for the same period in 2010. Noninterest income of \$18 million was unchanged from the comparable period in the prior year. Noninterest expenses of \$19 million increased \$3 million from the comparable period in the prior year.

The net loss for Finance & Other Businesses was \$165 million in the six months ended June 30, 2011, compared to a net loss of \$107 million in the six months ended June 30, 2010. The \$58 million increase in net loss was due to the same reasons noted in the Finance Division and the Other category discussions under the "Business Segments" heading above.

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

| | June 30 | 0, |
|--------------------|---------|------|
| | 2011 | 2010 |
| Midwest (Michigan) | 218 | 217 |
| Western: | | |
| California | 104 | 100 |
| Arizona | 17 | 16 |
| Total Western | 121 | 116 |
| Texas | 95 | 93 |
| Florida | 11 | 10 |
| International | 1 | 1 |
| Total | 446 | 437 |

Financial Condition

Total assets increased \$474 million to \$54.1 billion at June 30, 2011, compared to \$53.7 billion at December 31, 2010, primarily due to increases of \$1.1 billion in interest-bearing deposits with banks and \$319 million in cash and due from banks, partially offset by a decrease in total loans of \$1.0 billion. On an average basis, total assets increased \$761 million in the second quarter 2011, compared to the fourth quarter 2010, resulting primarily from an increase in average interest-bearing deposits with banks of \$1.6 billion, partially offset by a decrease in average total loans of \$825 million to \$39.2 billion.

The following tables show the change in average loans by business line and geographic market in the second quarter 2011, compared to the fourth quarter 2010.

| | J | June 30, | De | cember 31, | | | Percent |
|-------------------------------------|----|----------|----|------------|----|-------|---------|
| (dollar amounts in millions) | | 2011 | | 2010 | Cl | nange | Change |
| Average Loans By Business Line: | | | | | | | |
| Middle Market | \$ | 12,024 | \$ | 11,770 | \$ | 254 | 2 % |
| Commercial Real Estate | | 4,023 | | 4,740 | | (717) | (15) |
| Global Corporate Banking | | 4,756 | | 4,344 | | 412 | 9 |
| National Dealer Services | | 3,603 | | 3,763 | | (160) | (4) |
| Specialty Businesses (a) | | 4,974 | | 5,330 | | (356) | (7) |
| Total Business Bank | | 29,380 | | 29,947 | | (567) | (2) |
| Small Business | | 3,323 | | 3,407 | | (84) | (2) |
| Personal Financial Services | | 1,676 | | 1,785 | | (109) | (6) |
| Total Retail Bank | | 4,999 | | 5,192 | | (193) | (4) |
| Private Banking | | 4,742 | | 4,820 | | (78) | (2) |
| Total Wealth Management | | 4,742 | | 4,820 | | (78) | (2) |
| Finance/Other | | 53 | | 40 | | 13 | 32 |
| Total loans | \$ | 39,174 | \$ | 39,999 | \$ | (825) | (2) % |
| Average Loans By Geographic Market: | | | | | | | |
| Midwest | \$ | 14,051 | \$ | 14,219 | \$ | (168) | (1) % |
| Western | | 12,121 | | 12,497 | | (376) | (3) |
| Texas | | 6,871 | | 6,435 | | 436 | 7 |
| Florida | | 1,565 | | 1,612 | | (47) | (3) |
| Other Markets | | 2,823 | | 3,651 | | (828) | (23) |
| International | | 1,690 | | 1,545 | | 145 | 9 |
| Finance/Other | | 53 | | 40 | | 13 | 32 |
| Total loans | \$ | 39,174 | \$ | 39,999 | \$ | (825) | (2) % |

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

N/M - not meaningful

Average loans decreased \$825 million, or two percent, to \$39.2 billion at June 30, 2011, compared to December 31, 2010, reflecting increases in the Global Corporate Banking (\$412 million), Middle Market (\$254 million) and Energy Lending (\$187 million) (included in Specialty Businesses) business lines. These increases were more than offset by decreases in the Commercial Real Estate (\$717 million), Mortgage Banker Finance (\$487 million) (included in Specialty Businesses), National Dealer Services (\$160 million) and Personal Financial Services (\$109 million) business lines. Mortgage Banker Finance provides short-term financing to borrowers in the mortgage banking industry who originate and refinance residential mortgage loans which they subsequently sell in the secondary market (mortgage warehousing loans). Average loans in Mortgage Banker Finance, included in "Commercial Loans" on the consolidated balance sheets, declined 44 percent to \$614 million at June 30, 2011, compared to \$1.1 billion at December 31, 2010, primarily due to a decline in consumer refinance volumes during the three months ended June 30, 2011 compared to the fourth quarter 2010. The decrease in average loans in the National Dealer Services business line primarily reflected the impact of supply-chain disruptions related to the earthquake and tsunami in Japan in March 2011. Average loans in the Commercial Real Estate business line continued to decline, as the Corporation continued to work through the nonperforming portfolio and customers accessed external sources of long-term refinancing. By market, increases in average loans in the Texas (\$436 million) and International (\$145 million) markets were more than offset by decreases in Other Markets (\$828 million), which included Mortgage Banker Finance, Western (\$376 million) and Midwest (\$168 million) markets.

Management expects average earning assets of approximately \$52.5 billion for the second half of 2011, reflecting increases, primarily related to Sterling, in average loans and average investment securities available-for-sale, partially offset by a decrease in excess liquidity. The pace of decline of loans in the Commercial Real Estate business line is expected to decrease in the second half of 2011. Average loans in the National Dealer Services business line are expected to be lower in the third quarter and rebound in the fourth quarter of 2011.

Total liabilities increased \$229 million to \$48.1 billion at June 30, 2011, compared to December 31, 2010, primarily due to a \$1.3 billion increase in total deposits, partially offset by a \$932 million decrease in medium- and long-term debt. On an average basis, total liabilities increased \$659 million in the second quarter 2011, compared to the fourth quarter 2010. Average core deposits, which exclude other time deposits and foreign office time deposits, were \$41.1 billion for the second quarter 2011, compared to \$39.9 billion for the fourth quarter 2010, primarily reflecting increases of \$905 million in money market and NOW deposits and \$179 million in noninterest-bearing deposits. Within average core deposits, increases from the fourth quarter 2010 to the second quarter 2011 were noted in the Global Corporate Banking (\$550 million), Specialty Businesses (\$550 million), Personal Banking (\$420 million, and Private Banking (\$248 million) business lines, partially offset by a decrease in the Middle Market business line (\$552 million). By geographic market, average core deposits increased in all major markets in the second quarter 2011, compared to the fourth quarter 2010.

<u>Capital</u>

Total shareholders' equity increased \$245 million to \$6.0 billion at June 30, 2011, compared to December 31, 2010. The following table presents a summary of changes in total shareholders' equity for the six months ended June 30, 2011.

| (in millions) | | |
|---|----------|-------|
| Balance at January 1, 2011 | \$ | 5,793 |
| Retention of earnings (net income less cash dividends declared) | | 164 |
| Change in accumulated other comprehensive income (loss): | | |
| Investment securities available-for-sale | \$ 63 | |
| Cash flow hedges | (2) | |
| Defined benefit and other postretirement plans | 20 | |
| Total change in accumulated other comprehensive income (loss) | | 81 |
| Repurchase of common stock | | (21) |
| Share-based compensation | | 21 |
| Balance at June 30, 2011 | \$ | 6,038 |

On November 16, 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's original outstanding warrants, which expire November 14, 2018. There is no expiration date for the Corporation's share repurchase program. For further information regarding the repurchase program, refer to Note 14 to the consolidated financial statements in the Corporation's 2010 Annual Report. The following table summarizes the Corporation's repurchase activity during the six months ended June 30, 2011.

| | | | | | | Total Number of Shares and | |
|---------------------------|---------------------|------|------------|-----|--------------------|-------------------------------|-------------------|
| | Total Number of | | | | | Warrants Purchased as Part of | Remaining |
| | Shares and Warrants | Ave | rage Price | | Average Price | Publicly Announced Repurchase | Repurchase |
| (shares in thousands) | Purchased (a) | Paid | Per Share | Pai | id Per Warrant (b) | Plans or Programs | Authorization (c) |
| Total first quarter 2011 | 548 | \$ | 39.40 | \$ | - | 400 | 23,656 |
| April 2011 | 3 | | 37.30 | | - | - | 23,656 |
| May 2011 | - | | - | | - | - | 23,656 |
| June 2011 | - | | - | | - | - | 23,656 |
| Total second quarter 2011 | 3 | | 37.27 | | - | - | 23,656 |
| Total 2011 | 551 | \$ | 39.38 | \$ | - | 400 | 23,656 |

⁽a) Included approximately 151 thousand shares purchased 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 the Corporation's repurchase program.

Management expects to continue the share repurchase program that, combined with dividend payments, results in a payout up to 50 percent of earnings for full-year 2011.

Risk-based regulatory capital standards are designed to make regulatory capital requirements more sensitive to differences in credit risk profiles among banking institutions and to account for off-balance sheet exposure. Assets and off-balance sheet items are assigned to broad risk categories, each with specified risk-weighting factors. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. As shown in the table below, the Tier 1 common capital, Tier 1 risk-based capital, Total risk-based capital and leverage ratios increased from December 31, 2010 to June 30, 2011. These increases were primarily due to a decrease in risk-weighted assets resulting from a decrease in loans, partially offset by an increase in interest-bearing deposits with banks, which carry a lower risk weight. The tangible common equity ratio increased 36 basis points primarily due to an increase in tangible common equity, reflecting an increase in retained earnings, partially offset by an increase in tangible assets.

In December 2009, the Basel Committee on Banking Supervision (the Basel Committee) released proposed Basel III guidance on bank capital and liquidity. In September 2010, the Basel Committee proposed higher global minimum capital standards, including a minimum Tier 1 common capital ratio and additional capital and liquidity requirements, with rules 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 certain. The Corporation believes that the expected impacts from changes in the components of capital and the calculation of risk-weighted assets would not be material. A higher degree of uncertainty exists regarding the implementation and interpretation of the liquidity rules. If subject to these rules, the Corporation expects the liquidity requirements to be manageable. 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.

The Corporation's capital ratios exceeded minimum regulatory requirements as follows:

| | June 30, | 2011 | December 31, 2010 | | |
|---|--------------|------------|-------------------|---------|--|
| (dollar amounts in millions) | Capital | Ratio | Capital | Ratio | |
| Tier 1 common (a) (b) | \$ 6,193 | 10.53 % \$ | 6,027 | 10.13 % | |
| Tier 1 risk-based (4.00% - minimum) (b) | 6,193 | 10.53 | 6,027 | 10.13 | |
| Total risk-based (8.00% - minimum) (b) | 8,705 | 14.81 | 8,651 | 14.54 | |
| Leverage (3.00% - minimum) (b) | 6,193 | 11.39 | 6,027 | 11.26 | |
| Tangible common equity (a) | 5,883 | 10.90 | 5,637 | 10.54 | |

⁽a) See Supplemental Financial Data section for reconcilements of non-GAAP financial measures.

⁽b) The Corporation made no repurchases of warrants under the repurchase program during the six months ended June 30, 2011.

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

⁽b) June 30, 2011 capital and ratios are estimated.

At June 30, 2011, the Corporation and its U.S. banking subsidiaries exceeded the ratios required for an institution to be considered "well capitalized" (Tier 1 risk-based capital, total risk-based capital and leverage ratios greater than six percent, 10 percent and five percent, respectively).

Risk Management

The following updated information should be read in conjunction with the "Risk Management" section on pages 38-60 in the Corporation's 2010 Annual Report.

Credit Risk

Allowance for Credit Losses and Nonperforming Assets

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 loan losses includes specific allowances, based on individual evaluations of certain loans and loan relationships, and allowances for pools of loans with similar risk characteristics for the remaining business and retail loans. The Corporation defines business loans 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 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 for loan losses was \$806 million at June 30, 2011, compared to \$901 million at December 31, 2010, a decrease of \$95 million, or 11 percent. The decrease resulted primarily from improvements in credit quality, including a decline of \$715 million in the Corporation's watch list loans from December 31, 2010 to June 30, 2011, and a \$1.0 billion decrease in loan balances from December 31, 2010 to June 30, 2011. The decrease in the allowance for loan losses primarily reflected decreases in the Commercial Real Estate (all markets) and Middle Market (primarily the Midwest and Other markets) business lines, partially offset by an increase in the Middle Market business line in the Western market. The allowance for loan losses as a percentage of total period-end loans was 2.06 percent at June 30, 2011, compared to 2.24 percent at December 31, 2010. Nonperforming loans of \$974 million at June 30, 2011 decreased \$149 million, compared to December 31, 2010. All large nonperforming loans are individually reviewed each quarter for potential charge-offs and reserves. Chargeoffs are taken as amounts are determined to be uncollectible based on a qualitative assessment of the recoverability of the principal amount from collateral and other cash flow sources. 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 June 30, 2011, nonperforming loans were charged-off to 53 percent of the contractual amount, compared to 54 percent at December 31, 2010. This level of write-downs is consistent with losses experienced on loan defaults in the first six months of 2011 and in recent years. The allowance as a percentage of total nonperforming loans, a ratio which results from the actions noted above, was 83 percent at June 30, 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, resulting in a lower nonperforming loan allowance coverage when compared to banking organizations with higher concentrations of consumer loans.

The allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, includes specific allowances, based on individual evaluations of certain letters of credit in a manner consistent with business loans, and allowances based on the pools of the remaining letters of credit and all unused commitments to extend credit within each internal risk rating. A probability of draw estimate is applied to the commitment amount, and the result is multiplied by standard reserve factors consistent with business loans. In general, the probability of draw for letters of credit is considered certain for all letters of credit supporting loans and for letters of credit assigned an internal risk rating generally consistent with regulatory defined substandard or doubtful. Other letters of credit and all unfunded commitments have a lower probability of draw.

The allowance for credit losses on lending-related commitments was \$30 million at June 30, 2011, a decrease of \$5 million from \$35 million at December 31, 2010.

Nonperforming assets include loans on nonaccrual status, loans which have been renegotiated to less than the original contractual rates (reduced-rate loans) and real estate which has been acquired through foreclosure and is awaiting disposition (foreclosed property). Nonperforming assets decreased \$191 million to \$1.0 billion at June 30, 2011, from \$1.2 billion at December 31, 2010, and are summarized in the following table.

| Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 51 37 2 39 36 59 55 | \$ | 252 259 4 263 181 302 | |
|--|---------------------------------------|----------|--------------------------------------|---|
| Business loans: Commercial \$ 26 Real estate construction: Commercial Real Estate business line (a) 13 Other business lines (b) Total real estate construction 13 Commercial mortgage: Commercial Real Estate business line (a) 18 Other business lines (b) 26 Total commercial mortgage 45 Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage 6 | 37 2 39 36 59 | \$ | 259 4 263 181 | |
| Commercial \$ 26 Real estate construction: Commercial Real Estate business line (a) 13 Other business lines (b) Total real estate construction 13 Commercial mortgage: Commercial Real Estate business line (a) 18 Other business lines (b) 26 Total commercial mortgage 45 Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage 66 | 37 2 39 36 59 | \$ | 259 4 263 181 | |
| Real estate construction: Commercial Real Estate business line (a) Other business lines (b) Total real estate construction Commercial mortgage: Commercial Real Estate business line (a) Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 37 2 39 36 59 | <u> </u> | 259 4 263 181 | |
| Commercial Real Estate business line (a) Other business lines (b) Total real estate construction Commercial mortgage: Commercial Real Estate business line (a) Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 2 39 36 59 | | 263 181 | |
| Other business lines (b) Total real estate construction 13 Commercial mortgage: Commercial Real Estate business line (a) 18 Other business lines (b) 20 Total commercial mortgage 45 Lease financing International Total nonaccrual business loans 86 Retail loans: Residential mortgage 6 | 2 39 36 59 | | 263 181 | |
| Total real estate construction Commercial mortgage: Commercial Real Estate business line (a) Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 39 36 55 | | 263 181 | |
| Commercial mortgage: Commercial Real Estate business line (a) Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 36 59 55 | | 181 | |
| Commercial Real Estate business line (a) 18 Other business lines (b) 26 Total commercial mortgage 45 Lease financing International Total nonaccrual business loans 86 Retail loans: Residential mortgage 6 | 59 55 | | | |
| Other business lines (b) Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 59 55 | | | |
| Total commercial mortgage Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | 55 | | 707 | |
| Lease financing International Total nonaccrual business loans Retail loans: Residential mortgage | | | 483 | |
| International Total nonaccrual business loans Retail loans: Residential mortgage | 6 | | 7 | |
| Total nonaccrual business loans Retail loans: Residential mortgage | 7 | | 2 | |
| Residential mortgage | 58 | | 1,007 | |
| | | | , | |
| | 50 | | 55 | |
| Consumer: | | | | |
| Home equity | 4 | | 5 | |
| Other consumer | 9 | | 13 | |
| Total consumer | 13 | | 18 | |
| Total nonaccrual retail loans | 73 | | 73 | |
| Total nonaccrual loans 94 | 1 | | 1,080 | |
| Reduced-rate loans | 33 | | 43 | |
| Total nonperforming loans 97 | 74 | | 1,123 | |
| Foreclosed property | 70 | | 112 | |
| Total nonperforming assets \$ 1,04 | 14 | \$ | 1,235 | |
| Nonperforming loans as a percentage of total loans 2.4 | 19 % | | 2.79 | % |
| Nonperforming assets as a percentage of total loans and foreclosed property 2.6 | 56 | | 3.06 | |
| | 33 | | 80 | |
| | 54 | \$ | 62 | |
| Loans past due 90 days or more and still accruing as a percentage of | | • | | |
| | 16 % | | 0.15 | % |

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

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

The following table presents a summary of changes in nonaccrual loans.

| | Three Months Ended | | | | | | | | |
|---|--------------------|-------|----|--------------|-------------------|-------|--|--|--|
| (in millions) | June 30, 201 | | Ma | rch 31, 2011 | December 31, 2010 | | | | |
| Nonaccrual loans at beginning of period | \$ | 996 | \$ | 1,080 | \$ | 1,163 | | | |
| Loans transferred to nonaccrual (a) | | 163 | | 166 | | 180 | | | |
| Nonaccrual business loan gross charge-offs (b) | | (109) | | (111) | | (120) | | | |
| Loans transferred to accrual status (a) | | - | | (4) | | (4) | | | |
| Nonaccrual business loans sold (c) | | (9) | | (60) | | (41) | | | |
| Payments/Other (d) | | (100) | | (75) | | (98) | | | |
| Nonaccrual loans at end of period | \$ | 941 | \$ | 996 | \$ | 1,080 | | | |
| (a) Based on an analysis of nonaccrual loans with book balances greater than \$2 million. | | | | | | | | | |
| (b) Analysis of gross loan charge-offs: | | | | | | | | | |
| Nonaccrual business loans | \$ | 109 | \$ | 111 | \$ | 120 | | | |
| Performing watch list loans | | _ | | 2 | | - | | | |
| Retail | | 16 | | 10 | | 20 | | | |
| Total gross loan charge-offs | \$ | 125 | \$ | 123 | \$ | 140 | | | |
| (c) Analysis of loans sold: | | | | | | | | | |
| Nonaccrual business loans | \$ | 9 | \$ | 60 | \$ | 41 | | | |
| Performing watch list loans | | 6 | | 35 | | 29 | | | |
| Total loans sold | \$ | 15 | \$ | 95 | \$ | 70 | | | |

(d) Includes net changes related to nonaccrual loans with balances less than \$2 million, payments on nonaccrual loans with book balances greater than \$2 million, transfers of nonaccrual loans to foreclosed property and retail loan charge-offs. Excludes business loan gross charge-offs and business nonaccrual loans sold.

There were 27 loan relationships with balances greater than \$2 million, totaling \$163 million, transferred to nonaccrual status in the second quarter 2011, a decrease of \$3 million from \$166 million in the first quarter 2011. Of the transfers to nonaccrual in the second quarter 2011, \$76 million were from the Middle Market business line, primarily in the Midwest and Western markets, and \$29 million were from Commercial Real Estate business line, primarily in the Florida, Western and Other markets. There were four loan relationships greater than \$10 million, totaling \$57 million, transferred to nonaccrual in the second quarter 2011, including \$45 million and \$12 million to companies in the Middle Market and Specialty Businesses business lines, respectively.

The following table presents the number of nonaccrual loan relationships and balance by size of relationship at June 30, 2011.

| (dollar amounts in millions) | Number of | Dalama |
|---|---------------|---------|
| Nonaccrual Relationship Size | Relationships | Balance |
| Under \$2 million (a) | 893 | \$ 231 |
| \$2 million - \$5 million | 63 | 202 |
| \$5 million - \$10 million | 21 | 155 |
| \$10 million - \$25 million | 22 | 324 |
| Greater than \$25 million | 1 | 29 |
| Total loan relationships at June 30, 2011 | 1,000 | \$ 941 |

⁽a) For nonaccrual balances under \$2 million, number of relationships is represented by the number of borrowers.

The following table presents a summary of nonaccrual loans at June 30, 2011 and loan relationships transferred to nonaccrual and net loan charge-offs for the three months ended June 30, 2011, based primarily on the Standard Industrial Classification (SIC) industry categories.

| (dollar amounts in millions) June 30, 2011 | June 30, 2011 |
|--|---------------|

| | | | I | Loans Trai | nsferred to | Net Loan C | harge-Offs | | |
|------------------------------|------------------|-------|-------------|------------|-------------|--------------|------------|--|--|
| Industry Category | Nonaccrual Loans | | | Nonacc | rual (a) | (Recoveries) | | | |
| Real Estate | \$ 379 | 41 % | 5 \$ | 45 | 28 % | \$ 21 | 23 % | | |
| Services | 126 | 13 | | 33 | 20 | 11 | 13 | | |
| Finance | 72 | 8 | | 19 | 12 | 1 | 1 | | |
| Residential Mortgage | 60 | 6 | | - | - | 6 | 8 | | |
| Retail Trade | 52 | 6 | | 2 | 1 | 6 | 6 | | |
| Wholesale Trade | 50 | 5 | | 31 | 19 | 4 | 4 | | |
| Contractors | 33 | 4 | | 2 | 1 | 1 | 1 | | |
| Transportation & Warehousing | 32 | 3 | | 15 | 9 | 21 | 23 | | |
| Manufacturing | 32 | 3 | | 13 | 8 | 1 | 1 | | |
| Holding & Other Invest. Co. | 30 | 3 | | - | - | 4 | 5 | | |
| Hotels, etc. | 29 | 3 | | - | - | 1 | 1 | | |
| Utilities | 15 | 2 | | - | - | 2 | 2 | | |
| Entertainment | 12 | 1 | | - | - | 1 | 2 | | |
| Natural Resources | 11 | 1 | | - | - | 1 | 1 | | |
| Other (b) | 8 | 1 | | 3 | 2 | 9 | 9 | | |
| Total | \$ 941 | 100 % | 5 \$ | 163 | 100 % | \$ 90 | 100 % | | |

- (a) Based on an analysis of nonaccrual loan relationships with book balances greater than \$2 million.
- (b) Consumer, excluding residential mortgage and certain personal purpose nonaccrual loans and net charge-offs, are included in the "Other" category.

Business loans are generally placed on nonaccrual status when management determines that full collection of principal or interest is unlikely or when principal or interest payments are 90 days past due, unless the loan is fully collateralized and in the process of collection. The primary driver of when the principal amount of a business loan should be fully or partially charged off is based on a qualitative assessment of the recoverability of the principal amount from collateral and other cash flow sources. Residential mortgage and home equity loans are generally placed on nonaccrual status and charged off to current appraised values, less costs to sell, during the foreclosure process, normally no later than 180 days past due. Other consumer loans are generally not placed on nonaccrual status and are charged off at no later than 120 days past due, earlier if deemed uncollectible. Loan amounts in excess of probable future cash collections are charged off to an amount that management ultimately expects to collect. At the time a loan is placed on nonaccrual status, interest previously accrued but not collected is charged against current income. Income on such loans is then recognized only to the extent that cash is received and the future collection of principal is probable. Generally, a loan may be returned to accrual status when all delinquent principal and interest have been received and the Corporation expects repayment of the remaining contractual principal and interest, or when the loan is both well secured and in the process of collection. For a further discussion of impaired loans refer to Note 1 to the consolidated financial statements in the Corporation's 2010 Annual Report.

At June 30, 2011, troubled debt restructurings totaled \$212 million, of which \$141 million were included in nonperforming loans (\$108 million nonaccrual loans and \$33 million reduced-rate loans) and \$71 million were included in performing loans. Performing restructured loans included \$51 million of commercial loans (primarily in the Middle Market and Specialty Businesses business lines) and \$20 million of commercial mortgage loans (primarily in the Middle Market business line) at June 30, 2011. At December 31, 2010, troubled debt restructurings totaled \$165 million, including \$44 million performing restructured loans, \$78 million nonaccrual loans and \$43 million reduced-rate loans. The \$47 million increase in troubled debt restructurings was primarily due to increases in the Specialty Businesses and Middle Market business lines.

Loans past due 90 days or more and still accruing interest generally represent loans that are well collateralized and in a continuing process that is expected to result in repayment or restoration to current status. Loans past due 90 days or more and still accruing increased \$2 million, to \$64 million at June 30, 2011, compared to \$62 million at December 31, 2010 and are summarized in the following table. Loans past due 30-89 days increased \$62 million to \$343 million at June 30, 2011, compared to \$281 million at December 31, 2010.

Loans past due 90 days or more and still accruing are summarized in the following table.

| (in millions) | June 30, 2011 | | | |
|---|---------------|----|----|----|
| Business loans: | | | | |
| Commercial | \$ | 11 | \$ | 3 |
| Real estate construction | | 2 | | 22 |
| Commercial mortgage | | 25 | | 16 |
| Total business loans | | 38 | | 41 |
| Retail loans: | | | | |
| Residential mortgage | | 15 | | 7 |
| Consumer | | 11 | | 14 |
| Total retail loans | · | 26 | | 21 |
| Total loans past due 90 days or more and still accruing | \$ | 64 | \$ | 62 |

The following table presents a summary of total internally classified watch list loans. Watch list loans that meet certain criteria are individually subjected to quarterly credit quality reviews, and the Corporation may establish specific allowances for such loans. The \$715 million decrease in total watch list loans, compared to December 31, 2010, is reflected in the decrease in the allowance for loan losses in the same period.

| (dollar amounts in millions) | June | e 30, 2011 | Ma | rch 31, 2011 | Dece | mber 31, 2010 |
|--------------------------------|------|------------|--------|--------------|------|---------------|
| Total watch list loans | \$ | 4,827 | \$ | 5,166 | \$ | 5,542 |
| As a percentage of total loans | | 12.3 % |)) | 13.2 % | | 13.8 % |

The following table presents a summary of foreclosed property by property type.

| (in millions) | June 30, 2011 | | March | 31, 2011 | December 31, 2010 | |
|---|---------------|----|-------|----------|-------------------|-----|
| Construction, land development and other land | \$ | 45 | \$ | 36 | \$ | 60 |
| Single family residential properties | | 12 | | 13 | | 20 |
| Multi-family residential properties | | 1 | | 1 | | - |
| Other non-land, nonresidential properties | | 12 | | 24 | | 32 |
| Total foreclosed property | \$ | 70 | \$ | 74 | \$ | 112 |

At June 30, 2011, foreclosed property totaled \$70 million and consisted of approximately 191 properties, compared to \$112 million and approximately 230 properties at December 31, 2010.

The following table presents a summary of changes in foreclosed property.

| | Three Months Ended | | | | | | | | |
|---|--------------------|---------|-------|----------|-------------------|------|--|--|--|
| (in millions) | June 3 | 0, 2011 | March | 31, 2011 | December 31, 2010 | | | | |
| Foreclosed property at beginning of period | \$ | 74 | \$ | 112 | \$ | 120 | | | |
| Acquired in foreclosure | | 17 | | 13 | | 21 | | | |
| Write-downs | | (2) | | (7) | | (5) | | | |
| Foreclosed property sold (a) | | (19) | | (44) | | (25) | | | |
| Capitalized expenditures | | - | | - | | 1_ | | | |
| Foreclosed property at end of period | \$ | 70 | \$ | 74 | \$ | 112 | | | |
| (a) Net gain (loss) on foreclosed property sold | \$ | (2) | \$ | 2 | \$ | 4 | | | |

At June 30, 2011, there were eight foreclosed properties with a carrying value greater than \$2 million, totaling \$27 million, compared to 10 foreclosed properties totaling \$61 million at December 31, 2010. Of the foreclosed properties with balances greater than \$2 million at June 30, 2011, \$14 million and \$13 million were in the Commercial Real Estate and the Middle Market business lines, respectively. At June 30, 2011, there were no foreclosed properties with a carrying value greater than \$10 million, compared to two foreclosed properties, totaling \$29 million at December 31, 2010.

Commercial and Residential Real Estate Lending

The following table summarizes the Corporation's commercial real estate loan portfolio by loan category as of June 30, 2011 and December 31, 2010.

| (in millions) | | December 31, 2010 | |
|--|----|----------------------|-------------|
| Real estate construction loans: | | | |
| Commercial Real Estate business line (a) | \$ | 1,343 | \$ 1,826 |
| Other business lines (b) | | 385 | 427 |
| Total real estate construction loans | \$ | 1,728 | \$ 2,253 |
| Commercial mortgage loans: | | | |
| Commercial Real Estate business line (a) | \$ | 1,930 | \$ 1,937 |
| Other business lines (b) | | 7,649 | 7,830 |
| Total commercial mortgage loans | \$ | 9,579 | \$ 9,767 |

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

The Corporation limits risk inherent in its commercial real estate lending activities by limiting exposure to those borrowers directly involved in the commercial real estate markets and adhering to conservative policies on loan-to-value ratios for such loans. Commercial real estate loans, consisting of real estate construction and commercial mortgage loans, totaled \$11.3 billion at June 30, 2011, of which \$3.3 billion, or 29 percent, were to borrowers in the Commercial Real Estate business line, which includes loans to residential real estate investors and developers. The remaining \$8.0 billion, or 71 percent, of commercial real estate loans in other business lines consisted primarily of owner-occupied commercial mortgages which bear credit characteristics similar to non-commercial real estate business loans.

The real estate construction portfolio totaled \$1.7 billion at June 30, 2011. The real estate construction loan portfolio primarily contains loans made to long-time customers with satisfactory completion experience. However, the significant and sudden decline in residential real estate activity that began in late 2008 in the Western, Florida and Midwest markets proved extremely difficult for many of the smaller residential real estate developers. Of the \$1.3 billion of real estate construction loans in the Commercial Real Estate business line, \$137 million were on nonaccrual status at June 30, 2011, including single family projects totaling \$37 million (primarily in the Western and Florida markets), residential land development projects totaling \$30 million (primarily in the Western market) and multi-use projects totaling \$27 million (primarily in the Western market). Real estate construction loan net charge-offs in the Commercial Real Estate business line totaled \$14 million for the six months ended June 30, 2011, including \$7 million from residential land development projects (primarily in the Western market) and \$4 million from multi-use projects (primarily in the Western market).

The commercial mortgage loan portfolio totaled \$9.6 billion at June 30, 2011 and included \$1.9 billion in the Commercial Real Estate business line and \$7.7 billion in other business lines. Of the \$1.9 billion of commercial mortgage loans in the Commercial Real Estate business line, \$186 million were on nonaccrual status at June 30, 2011, including retail projects totaling \$55 million (primarily in the Midwest market), multi-family projects totaling \$24 million (primarily in the Other market), single family projects totaling \$21 million (primarily in the Other market) and medical office projects totaling \$20 million in the Midwest market. Commercial mortgage loan net charge-offs in the Commercial Real Estate business line totaled \$9 million for the six months ended June 30, 2011, primarily including net charge-offs of \$4 million from multi-family projects (primarily in the Florida market) and \$3 million from retail projects in the Midwest market.

The geographic distribution and project type of commercial real estate loans are important factors in diversifying credit risk within the portfolio. The following table reflects real estate construction and commercial mortgage loans to borrowers in the Commercial Real Estate business line by project type and location of property.

| (dollar amounts in millions) | | | | | | Ţ | lune | 30, 20 |)11 | | | | _ | | | | |
|-------------------------------|-------|--------|----|--------|----|--------|------|--------|-----|--------|-------------|-------|---|----|--------|-----------|----|
| | | | | Locati | on | of Pro | pert | y | | | | | | I | Decemb | er 31, 20 | 10 |
| | | | | | | | | | C | ther | | % of | | | | % of | • |
| Project Type: | W | estern | Mi | chigan | Τ | `exas | F | lorida | M | arkets | Total | Total | | , | Γotal | Total | 1 |
| Real estate construction loan | s: | | | | | | | | | | | | | | | | |
| Commercial Real Estate bus | iness | line: | | | | | | | | | | | | | | | |
| Residential: | | | | | | | | | | | | | | | | | |
| Single family | \$ | 74 | \$ | 9 | \$ | 23 | \$ | 22 | \$ | 13 | \$ 141 | 10 | % | \$ | 196 | 10 | % |
| Land development | | 25 | | 8 | | 30 | | 6 | | 23 | 92 | 7 | | | 157 | 9 | |
| Total residential | | 99 | | 17 | | 53 | | 28 | | 36 | 233 | 17 | | | 353 | 19 | _ |
| Other construction: | | | | | | | | | | | | | | | | | |
| Multi-family | | 128 | | - | | 161 | | 56 | | 68 | 413 | 31 | | | 579 | 32 | |
| Retail | | 84 | | 46 | | 222 | | 26 | | 29 | 407 | 30 | | | 485 | 27 | |
| Multi-use | | 72 | | - | | 51 | | - | | 8 | 131 | 10 | | | 201 | 11 | |
| Office | | 57 | | 5 | | 44 | | - | | - | 106 | 8 | | | 119 | 6 | |
| Commercial | | - | | 6 | | 9 | | - | | - | 15 | 1 | | | 47 | 3 | |
| Land development | | 8 | | 9 | | 9 | | - | | - | 26 | 2 | | | 24 | 1 | |
| Other | | 10 | | - | | - | | 2 | | - | 12 | 1 | | | 18 | 1 | |
| Total | \$ | 458 | \$ | 83 | \$ | 549 | \$ | 112 | \$ | 141 | \$ 1,343 | 100 | % | \$ | 1,826 | 100 | % |
| Commercial mortgage loans: | | | | | | | | | | | | | | | | | |
| Commercial Real Estate busi | iness | line: | | | | | | | | | | | | | | | |
| Residential: | | | | | | | | | | | | | | | | | |
| Single family | \$ | 1 | \$ | 3 | \$ | 15 | \$ | 5 | \$ | 38 | \$ 62 | 3 | % | \$ | 69 | 4 | % |
| Land carry | | 45 | | 26 | | 15 | | 32 | | 9 | 127 | 7 | | | 133 | 6 | |
| Total residential | | 46 | | 29 | | 30 | | 37 | | 47 | 189 | 10 | | | 202 | 10 | - |
| Other commercial mortgage | e: | | | | | | | | | | | | | | | | |
| Multi-family | | 128 | | 51 | | 131 | | 177 | | 27 | 514 | 27 | | | 404 | 22 | |
| Retail | | 152 | | 91 | | 33 | | 57 | | 17 | 350 | 18 | | | 386 | 20 | |
| Multi-use | | 116 | | 39 | | 38 | | _ | | 52 | 245 | 12 | | | 249 | 13 | |
| Land carry | | 122 | | 49 | | 19 | | 13 | | 28 | 231 | 12 | | | 239 | 12 | |
| Office | | 104 | | 36 | | 6 | | 24 | | 14 | 184 | 10 | | | 221 | 11 | |
| Commercial | | 63 | | 36 | | 11 | | - | | 33 | 143 | 7 | | | 121 | 6 | |
| Other | | 14 | | 47 | | - | | - | | 13 | 74 | 4 | | | 115 | 6 | |
| Total | \$ | 745 | \$ | 378 | \$ | 268 | \$ | 308 | \$ | 231 | \$ 1,930 | 100 | % | \$ | 1,937 | 100 | % |

Residential real estate development loans totaled \$422 million at June 30, 2011, a decrease of \$133 million, or 24 percent, from \$555 million at December 31, 2010.

The following table summarizes the Corporation's residential mortgage and home equity loan portfolio by geographic market as of June 30, 2011.

| | June 30, 2011 | | | | | | | | | |
|------------------------------|---------------|-------|-----|-------|---------|-------|-----|---|--|--|
| | Resi | % of | | I. | Iome | % of | | | | |
| (dollar amounts in millions) | Mortga | Total | | Equit | y Loans | Total | | | | |
| Geographic market: | | | | | | | | | | |
| Midwest | \$ | 517 | 35 | % | \$ | 986 | 61 | % | | |
| Western | | 510 | 34 | | | 442 | 27 | | | |
| Texas | | 232 | 16 | | | 148 | 9 | | | |
| Florida | | 229 | 15 | | | 46 | 3 | | | |
| Other Markets | | 3 | - | | | - | - | | | |
| Total | \$ | 1,491 | 100 | % | \$ | 1,622 | 100 | % | | |

Residential real estate loans, which consist of traditional residential mortgages and home equity loans and lines of credit, totaled \$3.1 billion at June 30, 2011. Residential mortgages totaled \$1.5 billion at June 30, 2011, and were primarily larger, variable-rate mortgages originated and retained for certain private banking relationship customers. Of the \$1.5 billion of residential mortgage loans outstanding, \$60 million were on nonaccrual status at June 30, 2011. The home equity portfolio totaled \$1.6 billion at June 30, 2011, of which \$1.4 billion was outstanding under primarily variable-rate, interest-only home equity lines of credit and \$185 million consisted of closed-end home equity loans. Of the \$1.6 billion of home equity loans outstanding, \$4 million were on nonaccrual status at June 30, 2011. A substantial majority of the home equity portfolio was secured by junior liens.

The Corporation rarely originates residential real estate loans with a loan-to-value ratio above 100 percent at origination, has no sub-prime mortgage programs and does not originate payment-option adjustable-rate mortgages or other nontraditional mortgages that allow negative amortization. A significant majority of residential mortgage originations are sold in the secondary market. Since 2008, the Corporation has used a third party to originate, document and underwrite residential mortgage loans on behalf of the Corporation. Under this arrangement, the third party assumes any repurchase liability for the loans it originates. The Corporation has repurchase liability exposure for residential mortgage loans originated prior to 2008, however based on historical experience, the Corporation believes such exposure, which could be triggered by early payment defaults by borrowers or by underwriting discrepancies, is minimal. The residential real estate portfolio is principally located within the Corporation's primary geographic markets. The economic recession and significant declines in home values in the Western, Florida and Midwest markets following the financial market turmoil beginning in the fall of 2008 adversely impacted the residential real estate portfolio. At June 30, 2011, the Corporation estimated that, of the \$15 million total residential mortgage loans past due 90 days or more and still accruing interest, approximately \$2 million exceeded 90 percent of the current value of the underlying collateral, based on S&P/Case-Shiller home price indices. To account for this exposure, the Corporation factors changes in home values into estimated loss ratios for residential real estate loans, using index-based estimates by major metropolitan area, resulting in an increased allowance allocated for residential real estate loans when home values decline. Additionally, to mitigate increasing credit exposure due to depreciating home values, the Corporation periodically reviews home equity lines of credit and makes line reductions or converts outstanding balances at line maturity to closed-end, amortizing loans when necessary.

Shared National Credits

Shared National Credit (SNC) loans are facilities greater than \$20 million shared by three or more federally supervised financial institutions that are reviewed annually by regulatory authorities at the agent bank level. The results of the 2011 SNC Exam were reflected in the second quarter 2011 credit metrics. The Corporation generally seeks to obtain ancillary business at the origination of a SNC relationship. Loans classified as SNC loans (approximately 900 borrowers at June 30, 2011) totaled \$7.5 billion at June 30, 2011, compared to \$7.3 billion at December 31, 2010. SNC net loan charge-offs totaled \$13 million and \$14 million for the three- and six-month periods ended June 30, 2011, respectively. SNC loans, diversified by both business line and geographic market, comprised approximately 19 percent and 18 percent of total loans at June 30, 2011 and December 31, 2010, respectively. SNC loans are held to the same credit underwriting standards as the remainder of the loan portfolio and face similar credit challenges.

Automotive Lending

Loans in the National Dealer Services business line include floor plan financing and other loans to automotive dealerships. Floor plan loans, included in "commercial loans" in the consolidated balance sheets, totaled \$1.5 billion at June 30, 2011, a decrease of \$539 million compared to \$2.0 billion at December 31, 2010, primarily reflecting the impact of supply chain disruptions caused by the catastrophic earthquake and tsunami in Japan in March 2011, as the significant majority of the decrease in floor plan loans was concentrated in automotive franchises selling Japanese-made vehicles. Other loans to automotive dealers in the National Dealer Services business line totaled \$1.9 billion, including \$1.4 billion of owner-occupied commercial real estate mortgage loans, at both June 30, 2011 and December 31, 2010. Automotive lending also includes loans to borrowers involved with automotive production, primarily Tier 1 and Tier 2 suppliers. Loans to borrowers involved with automotive production totaled approximately \$1.0 billion at June 30, 2011, compared to \$831 million at December 31, 2010.

State and Local Municipalities

In the normal course of business, the Corporation serves the needs of state and local municipalities in multiple capacities, including traditional banking products such as deposit services, loans and letters of credit, investment banking services such as bond underwriting and private placements, and by investing in municipal securities.

The following table summarizes the Corporation's direct exposure to state and local municipalities as of June 30, 2011 and December 31, 2010.

| (in millions) | Jı | ine 30, 2011 | Dece | ember 31, 2010 |
|---|----|--------------|------|----------------|
| Loans outstanding | \$ | 39 | \$ | 27 |
| Lease financing | | 413 | | 446 |
| Investment securities available-for-sale | | 26 | | 39 |
| Trading account securities | | 8 | | 19 |
| Standby letters of credit | | 78 | | 80 |
| Unused commitments to extend credit | | 23 | | 12 |
| Total direct exposure to state and local municipalities | \$ | 587 | \$ | 623 |

Indirect exposure comprised \$345 million auction-rate preferred securities collateralized by municipal securities at June 30, 2011, compared to \$436 million at December 31, 2010. Additionally, the Corporation is exposed to Automated Clearing House (ACH) transaction risk for those municipalities utilizing this electronic payment and/or deposit method and similar products in their cash flow management. The Corporation sets limits on ACH activity during the underwriting process.

Extensions of credit to state and local municipalities are subjected to the same underwriting standards as other business loans. At June 30, 2011 and December 31, 2010, all outstanding municipal loans and leases were performing according to contractual terms and none were included in the Corporation's internal watch list. Municipal leases are secured by the underlying equipment, and a substantial majority of the leases are fully defeased with AAA-rated U.S. government securities. Substantially all municipal investment securities available-for sale are auction-rate securities. All auction-rate securities are reviewed quarterly for other-than-temporary impairment. All auction-rate municipal securities were rated investment grade, and all auction-rate preferred securities collateralized by municipal securities were rated AAA or the equivalent and were adequately collateralized at both June 30, 2011 and December 31, 2010. Municipal securities are held in the trading account for resale to customers. In addition, Comerica Securities, a broker-dealer subsidiary of Comerica Bank, underwrites bonds issued by municipalities. All bonds underwritten by Comerica Securities are sold to third party investors.

European Exposure

The Corporation does not hold any sovereign exposure to Portugal, Ireland, Italy, Greece or Spain. The Corporation's international strategy as it pertains to Europe is to focus on European corporations doing business in North America, with an emphasis on the major geographic markets. Credit limits to banks domiciled in the aforementioned countries totaled less than \$15 million at June 30, 2011. In addition, exposure to corporations in the aforementioned European countries was less than \$125 million at June 30, 2011.

For further discussion of credit risk, see the "Credit Risk" section on pages 38-52 in the Corporation's 2010 Annual Report.

Market and Liquidity Risk

Interest Rate Risk

Net interest income is the predominant source of revenue for the Corporation. Interest rate risk arises primarily through the Corporation's core business activities of extending loans and accepting deposits. The Corporation's balance sheet is predominantly characterized by floating-rate loans funded by a combination of core deposits and wholesale borrowings. Approximately 80 percent of the Corporation's loans were floating at June 30, 2011, of which approximately 70 percent were based on LIBOR and 30 percent were based on Prime. This creates a natural imbalance between the floating-rate loan portfolio and the more slowly repricing deposit products. The result is that growth and/or contraction in the Corporation's core businesses will lead to sensitivity to interest rate movements in the absence of mitigating actions. Examples of such actions are purchasing investment securities, primarily fixed-rate, which provide liquidity to the balance sheet and act to mitigate the inherent interest sensitivity, and hedging the sensitivity with interest rate swaps. The Corporation actively manages its exposure to interest rate risk, with the principal objective of optimizing net interest income and the economic value of equity while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

The Corporation frequently evaluates net interest income under various balance sheet and interest rate scenarios, looking at both 12 and 24 month time horizons, using simulation modeling analysis as its principal risk management evaluation technique. The results of these analyses provide the information needed to assess the balance sheet structure. Changes in economic activity, whether domestic or international, different from those management included in its simulation analyses could translate into a materially different interest rate environment than currently expected. Management evaluates a base case net interest income under an unchanged interest rate environment and what is believed to be the most likely balance sheet structure. This base case net interest income is then evaluated against non-parallel interest rate scenarios that increase and decrease 200 basis points in a linear fashion from the base case over twelve months, resulting in an average change in interest rates of 100 basis points over the period. Due to the current low level of interest rates, the analysis reflects a declining interest rate scenario of a 25 basis point drop, to zero percent. In addition, consistent with each interest rate scenario, adjustments to asset prepayment levels, yield curves, and overall balance sheet mix and growth assumptions are made. These assumptions are inherently uncertain and, as a result, the model may not precisely predict the impact of higher or lower interest rates on net interest income. Actual results may differ from simulated results due to timing, magnitude and frequency of changes in interest rates, market conditions and management strategies, among other factors. However, the model can indicate the likely direction of change. Existing derivative instruments entered into for risk management purposes are included in these analyses, but no additional hedging is forecasted.

The table below, as of June 30, 2011 and December 31, 2010, displays the estimated impact on net interest income during the next 12 months by relating the base case scenario results to those from the rising and declining rate scenarios described above. These results do not reflect the impact of the acquisition of Sterling. The Corporation expects the sensitivity of net interest income to changes in interest rates will not be materially different with the addition of Sterling.

| | | June 30, 2 | 2011 | | December 31, 2010 | | | | |
|--|---|------------|------|----|-------------------|------|-----|----|--|
| (dollar amounts in millions) | | ount | % | | Am | ount | % | | |
| Sensitivity of net interest income to changes in interest rates: | ¢ | 118 | 0 | % | ¢ | 104 | 7 | % | |
| +200 basis points - 25 basis points (to zero percent) | Ф | (17) | (1) | %0 | Ф | (15) | (1) | 70 | |

In addition to the simulation analysis, an economic value of equity analysis is performed for a longer term view of the interest rate risk position. The economic value of equity analysis begins with an estimate of the economic value of the financial assets and liabilities on the Corporation's balance sheet, derived through discounting cash flows based on actual rates at the end of the period, and then applies the estimated impact of rate movements to the economic value of assets, liabilities and off-balance sheet instruments. The economic value of equity is then calculated as the difference between the estimated market value of assets and liabilities net of the impact of off-balance sheet instruments. As with net interest income shocks, a variety of alternative scenarios are performed to measure the impact on economic value of equity, including changes in the level, slope and shape of the yield curve.

The table below, as of June 30, 2011 and December 31, 2010, displays the estimated impact on the economic value of equity from a 200 basis point immediate parallel increase or decrease in interest rates. Similar to the simulation analysis above, due to the current low level of interest rates, the economic value of equity analyses below reflect an interest rate scenario of an immediate 25 basis point drop, to zero percent, while the rising interest rate scenario reflects an immediate 200 basis point rise. The change in the sensitivity of the economic value of equity to a 200 basis point parallel increase in rates between December 31, 2010 and June 30, 2011 was primarily driven by changes in market interest rates, deposit mix, and the Corporation's mortgage-backed securities portfolio's forecasted prepayments.

| | | June 30, 2 | | December 31, 2010 | | | | |
|---|----------|------------|-----|-------------------|----|-------|-----|---|
| (dollar amounts in millions) | Amount % | | | | An | ount | % | |
| Sensitivity of economic value of equity to changes in interest ra | ates: | | | | | | | |
| +200 basis points | \$ | 365 | 4 | % | \$ | 435 | 5 | % |
| - 25 basis points (to zero percent) | | (96) | (1) | | | (100) | (1) |) |

Wholesale Funding

The Corporation satisfies liquidity requirements with either liquid assets or various funding sources. Liquid assets, which totaled \$8.8 billion at June 30, 2011, compared to \$7.8 billion at December 31, 2010, provide a reservoir of liquidity. Liquid assets include cash and due from bank, federal funds sold and securities purchased under agreements to resell, interest-bearing deposits with banks, other short-term investments and unencumbered investment securities available-for-sale. At June 30, 2011, the Corporation held excess liquidity, represented by \$2.4 billion deposited with the FRB, compared to \$1.3 billion at December 31, 2010.

The Corporation may access the purchased funds market when necessary, which includes 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 ("other time deposits" on the consolidated balance sheets), foreign office time deposits and short-term borrowings. Purchased funds totaled \$435 million at June 30, 2011, compared to \$562 million at December 31, 2010. Capacity for incremental purchased funds at June 30, 2011, consisted largely of federal funds purchased, brokered certificates of deposits and securities sold under agreements to repurchase. In addition, the Corporation is a member of the Federal Home Loan Bank of Dallas, Texas (FHLB), which provides short- and long-term funding to its members through advances collateralized by real estate-related assets. The actual borrowing capacity is contingent on the amount of collateral available to be pledged to the FHLB. As of June 30, 2011, the Corporation had \$2.0 billion of outstanding borrowings from the FHLB with remaining maturities ranging from May 2013 to May 2014. The Corporation also maintains a shelf registration statement with the Securities and Exchange Commission from which it may issue debt and/or equity securities. Additionally, the Bank had the ability to issue up to \$14 billion of debt at June 30, 2011 under an existing \$15 billion medium-term senior note program which allows the issuance of debt with maturities between three months and 30 years.

Other Market Risks

Certain components of the Corporation's noninterest income, primarily fiduciary income, are at risk to fluctuations in the market values of underlying assets, particularly equity and debt securities. Other components of noninterest income, primarily brokerage fees, are at risk to changes in the volume of market activity.

At June 30, 2011, the Corporation had a \$16 million portfolio of investments in indirect private equity and venture capital funds, with commitments of \$6 million to fund additional investments in future periods, compared to a portfolio of \$47 million at December 31, 2010. During the six months ended June 30, 2011, the Corporation sold 49 funds for a total of \$33 million and recognized a net gain of \$2 million. The value of these investments is at risk to changes in equity markets, general economic conditions and a variety of other factors. The majority of these investments are not readily marketable and are included in "accrued income and other assets" on the consolidated balance sheets. The investments are individually reviewed for impairment on a quarterly basis by comparing the carrying value to the estimated fair value.

For further discussion of market risk, see Note 6 to these unaudited consolidated financial statements and pages 52-59 in the Corporation's 2010 Annual Report.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") was signed into law. 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 the Corporation. Most of the provisions contained in the Financial Reform Act will be 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 the Corporation 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.

- Interest on 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. There will not be a separate assessment for unlimited deposit insurance coverage for this period.
- Deposit Insurance: Changes the definition of assessment base from domestic deposits to net assets (average consolidated total assets less average tangible equity), increases the deposit insurance fund's minimum reserve ratio and permanently increases general deposit insurance coverage from \$100,000 to \$250,000. The Corporation expects 2011 FDIC insurance expense to be lower than the 2010 expense.
- Derivatives: Allows continued trading of foreign exchange and interest rate derivatives. Requires banks to shift
 energy, uncleared commodities and agriculture derivatives to a separately capitalized subsidiary within their
 holding company. Directly impacts client-driven energy derivatives business (approximately \$1 million in
 annual revenue, based on full-year 2010).
- Interchange Fee: Limits debit card transaction processing fees that card issuers can charge to merchants. Based on the final Federal Reserve Board rules, estimated annual revenue from debit card PIN and signature-based interchange fees in 2011 is expected to decrease by approximately \$4 million, compared to full-year 2010.
- Trust Preferred Securities: Prohibits 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 June 30, 2011, the Corporation had no outstanding trust preferred securities.

Critical Accounting Policies

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 included in the Corporation's 2010 Annual Report. These policies require numerous estimates and strategic or economic assumptions, which may prove inaccurate or subject to variations. Changes in underlying factors, assumptions or estimates could have a material impact on the Corporation's future financial condition and results of operations. At December 31, 2010, the most critical of these significant accounting policies were the policies related to allowance for credit losses, valuation methodologies, goodwill, pension plan accounting and income taxes. These policies were reviewed with the Audit Committee of the Corporation's Board of Directors and are discussed more fully on pages 60-68 in the Corporation's 2010 Annual Report. As of the date of this report, the Corporation does not believe that there has been a material change in the nature or categories of the critical accounting policies or estimates and assumptions from those discussed in the Corporation's 2010 Annual Report.

Supplemental Financial Data

The following tables provide a reconciliation of non-GAAP financial measures used in this financial review with financial measures defined by GAAP.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | | |
|---|-----------------------------|----------|----|---------------------------|--------------|----|--------|
| (dollar amounts in millions) | | 2011 | | 2010 | 2011 | | 2010 |
| Impact of Excess Liquidity on Net Interest Margin (F | TE) |): | | | | | |
| Net interest income (FTE) | \$ | 392 | \$ | 424 | \$ 788 | \$ | 840 |
| Less: | | | | | | | |
| Interest earned on excess liquidity (a) | | 2 | | 2 | 3 | | 5 |
| Net interest income (FTE), excluding excess liquidity | \$ | 390 | \$ | 422 | \$ 785 | \$ | 835 |
| Average earning assets | \$ | 50,136 | \$ | 51,835 | \$ 49,743 | \$ | 52,385 |
| Less: | | | | | | | |
| Average net unrealized gains on | | | | | | | |
| investment securities available-for-sale | | 74 | | 80 | 48 | | 71 |
| Average earning assets for net interest margin (FTE) | | 50,062 | | 51,755 | 49,695 | | 52,314 |
| Less: | | | | | | | |
| Excess liquidity (a) | | 3,382 | | 3,719 | 2,843 | | 3,905 |
| Average earning assets for net interest | | | | | | | |
| margin (FTE), excluding excess liquidity | \$ | 46,680 | \$ | 48,036 | \$ 46,852 | \$ | 48,409 |
| Net interest margin (FTE) | | 3.14 % | | 3.28 % | 3.19 % | | 3.23 % |
| Net interest margin (FTE), excluding excess liquidity | | 3.35 | | 3.51 | 3.37 | | 3.47 |
| Impact of excess liquidity on net interest margin (FTE) | | (0.21) | | (0.23) | (0.18) | | (0.24) |
| | | June 30, | D | ecember 31, | | | |
| | | 2011 | | 2010 | | | |
| Tier 1 Common Capital Ratio: | | | | | | | |
| Tier 1 capital (b) (c) | \$ | 6,193 | \$ | 6,027 | | | |
| Tier 1 common capital (c) | | 6,193 | | 6,027 | | | |
| Risk-weighted assets (b) (c) | | 58,790 | \$ | 59,506 | | | |
| Tier 1 capital ratio (c) | | 10.53 % | | 10.13 % | | | |
| Tier 1 common capital ratio (c) | | 10.53 | | 10.13 | | | |
| Tangible Common Equity Ratio: | | | | | | | |
| Total shareholders' equity | \$ | 6,038 | \$ | 5,793 | | | |
| Less: | | ., | | - , | | | |
| Goodwill | | 150 | | 150 | | | |
| Other intangible assets | | 4 | | 6 | | | |
| Tangible common equity | \$ | 5,884 | \$ | 5,637 | | | |
| Total assets | \$ | 54,141 | \$ | 53,667 | | | |
| Less: | | | | | | | |
| Goodwill | | 150 | | 150 | | | |
| Other intangible assets | | 4 | | 6 | | | |
| Tangible assets | \$ | 53,987 | \$ | 53,511 | | | |
| Common equity ratio | | 11.15 % | | 10.80 % | | | |
| Tangible common equity ratio | | 10.90 | | 10.54 | | | |
| | | | | | | | |

- (a) Excess liquidity represented by interest earned on and average balances deposited with the FRB.
- (b) Tier 1 capital and risk-weighted assets as defined by regulation.
- (c) June 30, 2011 Tier 1 capital and risk-weighted assets are estimated.

The net interest margin (FTE), excluding excess liquidity, removes interest earned on balances deposited with the FRB from net interest income (FTE) and average balances deposited with the FRB from average earning assets from the numerator and denominator of the net interest margin (FTE) ratio, respectively. The Corporation believes this measurement provides meaningful information to investors, regulators, management and others of the impact on net interest income and net interest margin resulting from the Corporation's short-term investment in low yielding instruments.

The Tier 1 common capital ratio removes preferred stock and qualifying trust preferred securities from Tier 1 capital as defined by and calculated in conformity with bank regulations. The tangible common equity ratio removes preferred stock and the effect of intangible assets from capital and the effect of intangible assets from total assets. The Corporation believes these measurements are meaningful measures of capital adequacy used by investors, regulators, management and others to evaluate the adequacy of common equity and to compare against other companies in the industry.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures for the current period can be found in the "Market and Liquidity Risk" section of "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 4. Controls and Procedures

- (a) Evaluation of Disclosure Controls and Procedures. The Corporation maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management has evaluated, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on the evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Corporation's disclosure controls and procedures are effective.
- (b) <u>Changes in Internal Control Over Financial Reporting</u>. During the period to which this report relates, there have not been any changes in the Corporation's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or that are reasonably likely to materially affect, such controls.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

For information regarding the Corporation's legal proceedings, see "Part I. Item 1. Note 13 – Contingent Liabilities," which is incorporated herein by reference.

ITEM 1A. Risk Factors

Other than as set forth below, there has been no material change in the Corporation's risk factors as previously disclosed in our Form 10-K for the fiscal year ended December 31, 2010 in response to Part I, Item 1A. of such Form 10-K. Such risk factors are incorporated herein by reference.

Below we amend the following risk factor discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010:

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 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.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

For information regarding the Corporation's purchase of equity securities, see "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital," which is incorporated herein by reference.

ITEM 6. Exhibits

- (2.1) Agreement and Plan of Merger, dated as of January 16, 2011, by and between Comerica Incorporated and Sterling Bancshares, Inc. (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) (filed as Annex B to Amendment No. 2 to Registrant's Registration Statement on Form S-4 (File No. 333-172211), and incorporated herein by reference).
- (3.1) Restated Certificate of Incorporation of Comerica Incorporated (filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K dated August 4, 2010, and incorporated herein by reference).
- (3.2) Certificate of Amendment to Restated Certificate of Incorporation of Comerica Incorporated (filed as Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- (3.3) Amended and Restated Bylaws of Comerica Incorporated (filed as Exhibit 3.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
- (4) [In accordance with Regulation S-K Item No. 601(b)(4)(iii), the Registrant is not filing copies of instruments defining the rights of holders of long-term debt because none of those instruments authorizes debt in excess of 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.]
- Warrant Agreement, dated as of June 9, 2010, between Comerica Incorporated (as successor to Sterling Bancshares, Inc.) and America Stock Transfer & Trust Company, LLC (filed as Exhibit 4.1 to Sterling Bancshares, Inc.'s Registration Statement on Form 8-A12B filed on June 10, 2010 (File No. 001-34768) and incorporated herein by reference).
- (4.2) Form of Warrant (filed as Exhibit 4.2 to Registrant's Registration Statement on Form S-4 (File No. 333-172211), and incorporated herein by reference).
- (10.1) Comerica Incorporated 2011 Management Incentive Plan (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 26, 2011, and incorporated herein by reference).
- (10.2) 1999 Comerica Incorporated Amended and Restated Deferred Compensation Plan (amended and restated on July 26, 2011) (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated July 26, 2011, and incorporated herein by reference).
- (10.3) 1999 Comerica Incorporated Amended and Restated Common Stock Deferred Incentive Award Plan (amended and restated on July 26, 2011) (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K dated July 26, 2011, and incorporated herein by reference).
- (10.4) Form of Standard Comerica Incorporated Non-Employee Director Restricted Stock Unit Agreement under the Comerica Incorporated Amended and Restated Incentive Plan for Non-Employee Directors (Version 4).
- (31.1) Chairman, President and CEO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
- (31.2) Executive Vice President and CFO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
- (32) Section 1350 Certification of Periodic Report (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

(101) Financial statements from Quarterly Report on Form 10-Q of the Corporation for the quarter ended June 30, 2011, formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Shareholders' Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements. †

† As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMERICA INCORPORATED

(Registrant)

/s/ Muneera S. Carr Muneera S. Carr Senior Vice President and

Senior Vice President and Chief Accounting Officer

Date: August 2, 2011

EXHIBIT INDEX

| Exhibit No. | <u>Description</u> |
|----------------|---|
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| 4 | [In accordance with Regulation S-K Item No. 601(b)(4)(iii), the Registrant is not filing copies of instruments defining the rights of holders of long-term debt because none of those instruments authorizes debt in excess of 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.] |
| 4.1 | Warrant Agreement, dated as of June 9, 2010, between Comerica Incorporated (as successor to Sterling Bancshares, Inc.) and America Stock Transfer & Trust Company, LLC (filed as Exhibit 4.1 to Sterling Bancshares, Inc.'s Registration Statement on Form 8-A12B filed on June 10, 2010 (File No. 001-34768) and incorporated herein by reference). |
| 4.2 | Form of Warrant (filed as Exhibit 4.2 to Registrant's Registration Statement on Form S-4 (File No. 333-172211), and incorporated herein by reference). |
| 10.1 | Comerica Incorporated 2011 Management Incentive Plan (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 26, 2011, and incorporated herein by reference). |
| 10.2 | 1999 Comerica Incorporated Amended and Restated Deferred Compensation Plan (amended and restated on July 26, 2011) (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated July 26, 2011, and incorporated herein by reference). |
| 10.3 | 1999 Comerica Incorporated Amended and Restated Common Stock Deferred Incentive Award Plan (amended and restated on July 26, 2011) (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K dated July 26, 2011, and incorporated herein by reference). |
| 10.4 | Form of Standard Comerica Incorporated Non-Employee Director Restricted Stock Unit Agreement under the Comerica Incorporated Amended and Restated Incentive Plan for Non-Employee Directors (Version 4). |

| 31.1 | Chairman, President and CEO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002) |
|------|---|
| 31.2 | Executive Vice President and CFO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002) |
| 32 | Section 1350 Certification of Periodic Report (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002) |
| 101 | Financial statements from Quarterly Report on Form 10-Q of the Corporation for the quarter ended June 30, 2011, formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Changes in Shareholders' Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements. † |

 $[\]dagger$ As provided in Rule 406T of Regulation S-T, this information shall not be deemed "filed" for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those sections.

Exhibit (31.1) - Chairman, President and CEO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

- I, Ralph W. Babb, Jr., Chairman, President and Chief Executive Officer of Comerica Incorporated (the "Registrant"), certify that:
- 1. I have reviewed this report on Form 10-Q of the Registrant for the quarterly period ended June 30, 2011;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

- 5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 2, 2011

/s/ Ralph W. Babb, Jr.
Ralph W. Babb, Jr.
Chairman, President and
Chief Executive Officer

Exhibit (31.2) - Executive Vice President and CFO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

- I, Elizabeth S. Acton, Executive Vice President and Chief Financial Officer of Comerica Incorporated (the "Registrant"), certify that:
- 1. I have reviewed this report on Form 10-Q of the Registrant for the quarterly period ended June 30, 2011;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
- 4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

- 5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 2, 2011 /s/ Elizabeth S. Acton

Elizabeth S. Acton Executive Vice President and Chief Financial Officer Exhibit (32) Section 1350 Certification of Periodic Report (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

CERTIFICATION OF PERIODIC REPORT

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Ralph W. Babb, Jr., Chairman, President and Chief Executive Officer, and Elizabeth S. Acton, Executive Vice President and Chief Financial Officer, of Comerica Incorporated (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 2, 2011 /s/ Ralph W. Babb, Jr.

Ralph W. Babb, Jr. Chairman, President and Chief Executive Officer

/s/ Elizabeth S. Acton Elizabeth S. Acton Executive Vice President and Chief Financial Officer