COMERICA INC /NEW/
Form 10-K
February 26, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the fiscal year ended
December 31, 2015
Commission file number 1-10706
COMERICA INCORPORATED
(Exact Name of Registrant as Specified in Its Charter)

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

Comerica Bank Tower
1717 Main Street, MC 6404
Dallas, Texas 75201
(Address of Principal Executive Offices) (Zip Code)
(214) 462-6831
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of
the Exchange Act:
Common Stock, $5 par value
Warrants to Purchase Common Stock (expiring November 14, 2018)
These securities are registered on the New York Stock Exchange.

Securities registered pursuant to Section 12(g) of the
Exchange Act:
Warrants to Purchase Common Stock (expiring December 12, 2018)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

At June 30, 2015 (the last business day of the registrant’s most recently completed second fiscal quarter), the registrant’s common stock, $5 par value, held by non-affiliates had an aggregate market value of approximately $9.0 billion based on the closing price on the New York Stock Exchange on that date of $51.32 per share. For purposes of this Form 10-K only, it has been assumed that all common shares Comerica’s Trust Department holds for Comerica’s employee plans, and all common shares the registrant’s directors and executive officers hold, are shares held by affiliates.

At February 19, 2016, the registrant had outstanding 174,878,064 shares of its common stock, $5 par value.

Documents Incorporated by Reference:

Part III:

Items 10-14—Proxy Statement for the Annual Meeting of Shareholders to be held April 26, 2016.

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PART I

Item 1. Business.

GENERAL

Comerica Incorporated (“Comerica”) is a financial services company, incorporated under the laws of the State of Delaware, and headquartered in Dallas, Texas. Based on total assets as reported in the most recently filed Consolidated Financial Statements for Bank Holding Companies (FR Y-9C), it was among the 25 largest commercial United States (“U.S.”) financial holding companies. Comerica was formed in 1973 to acquire the outstanding common stock of Comerica Bank, which at such time was a Michigan banking corporation and one of Michigan's oldest banks (formerly Comerica Bank-Detroit). On October 31, 2007, Comerica Bank, a Michigan banking corporation, was merged with and into Comerica Bank, a Texas banking association (“Comerica Bank”). As of December 31, 2015, Comerica owned directly or indirectly all the outstanding common stock of 2 active banking and 36 non-banking subsidiaries. At December 31, 2015, Comerica had total assets of approximately $71.9 billion, total deposits of approximately $59.9 billion, total loans (net of unearned income) of approximately $49.1 billion and shareholders’ equity of approximately $7.6 billion.

Business Segments

Comerica has strategically aligned its operations into three major business segments: the Business Bank, the Retail Bank, and Wealth Management. In addition to the three major business segments, Finance is also reported as a segment. We provide information about our business segments and the principal products and services provided by these segments in Note 22 on pages F-103 through F-107 of the Notes to Consolidated Financial Statements located in the Financial Section of this report.

Comerica operates in three primary geographic markets - Texas, California, and Michigan, as well as in Arizona and Florida, with select businesses operating in several other states, and in Canada and Mexico. We provide information about our market segments in Note 22 on pages F-103 through F-107 of the Notes to Consolidated Financial Statements located in the Financial Section of this report.

Activities with customers domiciled outside the U.S., in total or with any individual country, are not significant. We provide information on risks attendant to foreign operations: (1) under the caption “Concentration of Credit Risk” on page F-30 of the Financial Section of this report; and (2) under the caption "International Exposure" on page F-33 of the Financial Section of this report.

We provide information about the net interest income and noninterest income we received from our various classes of products and services: (1) under the caption, “Analysis of Net Interest Income-Fully Taxable Equivalent (FTE)” on page F-6 of the Financial Section of this report; (2) under the caption “Net Interest Income” on pages F-7 through F-8 of the Financial Section of this report; and (3) under the caption “Noninterest Income” on pages F-8 through F-9 of the Financial Section of this report.

Acquisition of Sterling Bancshares, Inc.

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

COMPETITION

The financial services business is highly competitive. Comerica and its subsidiaries mainly compete in their three primary geographic markets of Texas, California and Michigan, as well as in the states of Arizona and Florida. They also compete in broader, national geographic markets, as well as markets in Mexico and Canada. They are subject to competition with respect to various products and services, including, without limitation, loans and lines of credit, deposits, cash management, capital market products, international trade finance, letters of credit, foreign exchange management services, loan syndication services, consumer lending, consumer deposit gathering, mortgage loan origination, consumer products, fiduciary services, private banking, retirement services, investment management and advisory services, investment banking services, brokerage services, the sale of annuity products, and the sale of life, disability and long-term care insurance products.

Comerica competes in terms of products and pricing with large national and regional financial institutions and with smaller financial institutions. Some of Comerica's larger competitors, including certain nationwide banks that have a significant presence in Comerica's market area, may make available to their customers a broader array of product, pricing and structure alternatives and, due to their asset size, may more easily absorb credit losses in a larger overall portfolio. Some of Comerica's competitors (larger or smaller) may have more liberal lending policies and processes. Further, Comerica's banking competitors may be subject to a significantly different or reduced degree of regulation due to their asset size or types of products offered. They may also have the ability to more efficiently utilize resources to comply with regulations or may be able to more effectively absorb the costs of regulations into their existing cost structure. Comerica believes that the level of competition in all geographic markets will continue to increase in the future.

In addition to banks, Comerica's banking subsidiaries also face competition from other financial intermediaries, including savings and loan associations, consumer finance companies, leasing companies, venture capital funds, credit unions, investment banks, insurance companies and securities firms. Competition among providers of financial products and services continues to increase, with consumers having the opportunity to select from a growing variety of traditional and nontraditional alternatives. The ability of non-banking financial institutions to provide services previously limited to commercial banks has intensified competition. Because non-banking financial institutions are not subject to many of the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures.

In addition, the industry continues to consolidate, which affects competition by eliminating some regional and local institutions, while strengthening the franchises of acquirers.

SUPERVISION AND REGULATION

Banks, bank holding companies, and financial institutions are highly regulated at both the state and federal level. Comerica is subject to supervision and regulation at the federal level by the Board of Governors of the Federal Reserve System (“FRB”) under the Bank Holding Company Act of 1956, as amended. The Gramm-Leach-Bliley Act expanded the activities in which a bank holding company registered as a financial holding company can engage. The conditions to be a financial holding company include, among others, the requirement that each depository institution subsidiary of the holding company be well capitalized and well managed. Effective July 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) also requires the well capitalized and well managed standards to be met at the financial holding company level. Comerica became a financial holding company in 2000. As a financial holding company, Comerica may affiliate with securities firms and insurance companies, and engage in activities that are financial in nature. Activities that are “financial in nature” include, but are not limited to: securities underwriting; securities dealing and market making; sponsoring mutual funds and investment companies (subject to regulatory requirements, including restrictions set forth in the Volcker Rule, described under the heading "The Dodd-Frank Wall Street Reform and Consumer Protection Act and Other Recent Legislative and Regulatory Developments" below); insurance underwriting and agency; merchant banking; and activities that the FRB has determined to be financial in nature or incidental or complementary to a financial activity, provided that it does not pose a substantial risk to the safety or soundness of the depository institution or the financial system generally. A bank holding company that is not also a financial holding company is limited to engaging in banking and other activities previously determined by the FRB to be closely related to banking.

Comerica Bank is chartered by the State of Texas and at the state level is supervised and regulated by the Texas Department of Banking under the Texas Finance Code. Comerica Bank has elected to be a member of the Federal Reserve System under the Federal Reserve Act and, consequently, is supervised and regulated by the Federal Reserve Bank of Dallas. Comerica Bank & Trust, National Association is chartered under federal law and is subject to supervision and regulation by the Office of the Comptroller of the Currency (“OCC”) under the National Bank Act. Comerica Bank & Trust, National Association, by virtue of being a national bank, is also a member of the Federal Reserve System. The deposits of Comerica Bank and Comerica Bank & Trust, National Association are insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (“FDIC”) to the extent provided by law. Certain transactions executed by Comerica Bank are also subject to regulation by the U.S. Commodity Futures Trading Commission. In Canada, Comerica Bank is supervised by the Office of the Superintendent of Financial Institutions and in Mexico, by the Banco de México.

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

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

Requirements for Approval of Acquisitions and Activities

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

The Community Reinvestment Act of 1977 (“CRA”) requires U.S. banks to help serve the credit needs of their communities. Comerica Bank's current rating under the “CRA” is “satisfactory”. If any subsidiary bank of Comerica were to receive a rating under the CRA of less than “satisfactory,” Comerica would be prohibited from engaging in certain activities.

In addition, Comerica, Comerica Bank and Comerica Bank & Trust, National Association, are each “well capitalized” and “well managed” under FRB standards. If any subsidiary bank of Comerica were to cease being “well capitalized” or “well managed” under applicable regulatory standards, the FRB could place limitations on Comerica's ability to conduct the broader financial activities permissible for financial holding companies or impose limitations or conditions on the conduct or activities of Comerica or its affiliates. If the deficiencies persisted, the FRB could order Comerica to divest any subsidiary bank or to cease engaging in any activities permissible for financial holding companies that are not permissible for bank holding companies, or Comerica could elect to conform its non-banking activities to those permissible for a bank holding company that is not also a financial holding company.

Further, the effectiveness of Comerica and its subsidiaries in complying with anti-money laundering regulations (discussed below) is also taken into account by the FRB when considering applications for approval of acquisitions.

Transactions with Affiliates

Various governmental requirements, including Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W, limit borrowings by Comerica and its nonbank subsidiaries from its affiliate insured depository institutions, and also limit various other transactions between Comerica and its nonbank subsidiaries, on the one hand, and Comerica's affiliate insured depository institutions, on the other. For example, Section 23A of the Federal Reserve Act limits the aggregate outstanding amount of any insured depository institution's loans and other “covered transactions” with any particular nonbank affiliate to no more than 10% of the institution's total capital and limits the aggregate outstanding amount of any insured depository institution's covered transactions with all of its nonbank affiliates to no more than 20% of its total capital. “Covered transactions” are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the FRB) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. Section 23A of the Federal Reserve Act also generally requires that an insured depository institution's loans to its nonbank affiliates be, at a minimum, 100% secured, and Section 23B of the Federal Reserve Act generally requires that an insured depository institution's transactions with its nonbank affiliates be on terms and under circumstances that are substantially the same or at least as favorable as those prevailing for comparable transactions with nonaffiliates. The Dodd-Frank Act significantly expanded the coverage and scope of the limitations on affiliate transactions within a banking organization. For example, commencing in July 2012, the Dodd-Frank Act applies the 10% of capital limit on covered transactions to financial subsidiaries and amends the definition of “covered transaction” to include (i) securities borrowing or lending transactions with an affiliate, and (ii) all derivatives transactions with an affiliate, to the extent that either causes a bank or its affiliate to have credit exposure to the securities borrowing/lending or derivative counterparty.

Privacy

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

Anti-Money Laundering Regulations

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

Interstate Banking and Branching

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

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

Dividends

Comerica is a legal entity separate and distinct from its banking and other subsidiaries. Most of Comerica's revenues result from dividends its bank subsidiaries pay it. There are statutory and regulatory requirements applicable to the payment of dividends by subsidiary banks to Comerica, as well as by Comerica to its shareholders. Certain, but not all, of these requirements are discussed below.

Comerica Bank and Comerica Bank & Trust, National Association are required by federal law to obtain the prior approval of the FRB and/or the OCC, as the case may be, for the declaration and payment of dividends, if the total of all dividends declared by the board of directors of such bank in any calendar year will exceed the total of (i) such bank's retained net income (as defined and interpreted by regulation) for that year plus (ii) the retained net income (as defined and interpreted by regulation) for the preceding two years, less any required transfers to surplus or to fund the retirement of preferred stock. At January 1, 2016, Comerica's subsidiary banks could declare aggregate dividends of approximately $398 million from retained net profits of the preceding two years. Comerica's subsidiary banks declared dividends of $437 million in 2015, $380 million in 2014 and $480 million in 2013.

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

Additionally, the payment of dividends by Comerica to its shareholders is subject to the non-objection of the FRB pursuant to the Comprehensive Capital Analysis and Review (CCAR) program. For more information, please see “The Dodd-Frank Wall Street Reform and Consumer Protection Act and Other Recent Legislative and Regulatory Developments” in this section.

Source of Strength and Cross-Guarantee Requirements

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

Federal Deposit Insurance Corporation Improvement Act

FDICIA requires, among other things, the federal banking agencies to take “prompt corrective action” in respect of depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” A depository

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institution's capital tier will depend upon where its capital levels are in relation to various relevant capital measures, which, among others, include a Tier 1 and total risk-based capital measure and a leverage ratio capital measure. Regulations establishing the specific capital tiers provide that, for a depository institution to be well capitalized, it must have a total risk-based capital ratio of at least 10% and a Tier 1 risk-based capital ratio of at least 8%, a common equity Tier 1 risk-based capital measure of at least 6.5%, a Tier 1 leverage ratio of at least 5% and not be subject to any specific capital order or directive. For an institution to be adequately capitalized, it must have a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 6%, a common equity Tier 1 risk-based capital measure of at least 4.5% and a Tier 1 leverage ratio of at least 4%. Under certain circumstances, the appropriate banking agency may treat a well capitalized, adequately capitalized or undercapitalized institution as if the institution were in the next lower capital category.

As of December 31, 2015, Comerica and its banking subsidiaries exceeded the ratios required for an institution to be considered “well capitalized” under these regulations.

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

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

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

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

Capital Requirements

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

For this purpose, a depository institution's or holding company's assets and certain specified off-balance sheet commitments are assigned to various risk categories defined by the FRB, each weighted differently based on the level of credit risk that is ascribed to such assets or commitments, based on counterparty type and asset class. A depository institution's or holding company's capital, in turn, is divided into three tiers: Common Equity Tier 1 (“CET1”), additional Tier 1, and Tier 2. CET1 capital predominantly includes common shareholders’ equity, less certain deductions for goodwill, intangible assets and deferred tax assets that arise from net operating losses and tax credit carry-forwards, if any. Additionally, Comerica has made the election to permanently exclude accumulated other comprehensive income related to debt securities, cash flow hedges, and defined benefit postretirement plans from CET1 capital. Additional Tier 1 capital primarily includes noncumulative perpetual preferred stock and related surplus. Tier 2 capital primarily includes qualifying subordinated debt and qualifying allowance for credit losses. Certain deductions and adjustments to CET1 capital, Tier 1 capital and Tier 2 capital are subject to phase-in through December 31, 2017. Entities that engage in trading activities, whose trading activities exceed specified levels, also are required to maintain capital for market risk. Market risk includes changes in the market value of trading account, foreign exchange, and commodity positions, whether resulting from broad market movements (such as changes in the general level of interest rates, equity prices, foreign exchange rates, or commodity prices) or from position specific factors. From time to time, Comerica's trading activities may exceed specified regulatory levels, in which case Comerica maintains additional capital for market risk as required.

Comerica, like other bank holding companies, currently is required to maintain CET1, Tier 1 (the sum of CET1 and additional Tier 1 capital) and “total capital” (the sum of Tier 1 and Tier 2 capital) equal to at least 4.5%, 6% and 8% of its total risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit), respectively. At December 31, 2015, Comerica met all requirements, with CET1, Tier 1 and total capital equal to 10.54%, 10.54% and 12.69% of its total risk-weighted assets, respectively.

Comerica is also required to maintain a minimum “leverage ratio” (Tier 1 capital to non-risk-adjusted total assets) of 4%. Comerica's leverage ratio of 10.22% at December 31, 2015 reflects the nature of Comerica's balance sheet and demonstrates a commitment to capital adequacy. At December 31, 2015, Comerica Bank had CET1, Tier 1 and total capital equal to 10.20%, 10.20% and 12.05% of its total risk-weighted assets, respectively, and a leverage ratio of 9.89%.

Additional information on the calculation of Comerica and its bank subsidiaries' CET1, Tier 1 capital, total capital and risk-weighted assets is set forth in Note 20 of the Notes to Consolidated Financial Statements located on pages F-99 through F-100 of the Financial Section of this report. Additional information on the timing and nature of the Basel III capital requirements is set forth below, under "Basel III: Regulatory Capital and Liquidity Regime."

FDIC Insurance Assessments

The FDIC Deposit Insurance Fund (“DIF”) provides insurance coverage for certain deposits. Comerica's subsidiary banks are subject to FDIC deposit insurance assessments to maintain the DIF. The FDIC imposes a risk-based deposit premium assessment system, which was amended pursuant to the Federal Deposit Insurance Reform Act of 2005 and further amended by the Dodd-Frank Act. The Dodd-Frank Act also increased the DIF's minimum reserve ratio and permanently increased general deposit insurance coverage from $100,000 to $250,000. The final rule implementing revisions to the assessment system became effective April 1, 2011. Under the risk-based deposit premium assessment system, the assessment rates for an insured depository institution are determined by an assessment rate calculator, which is based on a number of elements to measure the risk each institution poses to the DIF. The assessment rate is applied to total average assets less tangible equity. Under the current system, premiums are assessed quarterly and could increase if, for example, criticized loans and/or other higher risk assets increase or balance sheet liquidity decreases. For 2015, Comerica’s FDIC insurance expense totaled $37 million.

In November 2015, the FDIC issued a Notice of Proposed Rulemaking on Assessments in order to implement section 334 of the Dodd-Frank Act (§334), which requires the FDIC to (1) raise the minimum reserve ratio for the DIF to 1.35 percent, from 1.15 percent, (2) assess premiums on banks to reach the 1.35 percent goal by September 30, 2020, and (3) offset the effect of the increase in the minimum reserve ratio on insured depository institutions with assets of less than $10 billion. The FDIC proposed a surcharge on large banks, to be assessed over a period of eight quarters, to begin the quarter after the DIF reserve ratio first reaches or exceeds 1.15 percent, as a means to implement §334. As proposed, Comerica would be subject to the surcharge assessment. Management currently estimates that, based on the proposal, total FDIC expense would increase by approximately $10 million annually during the surcharge period, which could begin in either the first or second quarter 2016.

Enforcement Powers of Federal and State Banking Agencies

The FRB and other federal and state banking agencies have broad enforcement powers, including, without limitation, and as prescribed to each agency by applicable law, the power to terminate deposit insurance, impose substantial fines and other civil penalties and appoint a conservator or receiver. Failure to comply with applicable laws or regulations could subject Comerica or its banking subsidiaries, as well as officers and directors of these organizations, to administrative sanctions and potentially substantial civil and criminal penalties.

The Dodd-Frank Wall Street Reform and Consumer Protection Act and Other Recent Legislative and Regulatory Developments

The recent financial crisis has led to significant changes in the legislative and regulatory landscape of the financial services industry, including the overhaul of that landscape with the passage of the Dodd-Frank Act, which was signed into law on July 21, 2010. Provided below is an overview of key elements of the Dodd-Frank Act relevant to

Comerica, as well as other recent legislative and regulatory developments. The estimates of the impact on Comerica discussed below are based on information currently available and, if applicable, are subject to change until final rulemaking is complete.

Incentive-Based Compensation. In June 2010, the FRB, OCC and FDIC issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers senior executives as well as other employees who, either individually or as part of a group, have the ability to expose the banking organization to material amounts of risk, is based upon the key principles that a banking organization's incentive compensation arrangements (i) should provide employees incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risk; (ii) should be compatible with effective controls and risk-management;

and (iii) should be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Banking organizations are expected to review regularly their incentive compensation arrangements based on these three principles. Where there are deficiencies in the incentive compensation arrangements, they should be promptly addressed. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness, particularly if the organization is not taking prompt and effective measures to correct the deficiencies. Comerica is subject to this final guidance and, similar to other large banking organizations, has been subject to a continuing review of incentive compensation policies and practices by representatives of the FRB, the Federal Reserve Bank of Dallas and the Texas Department of Banking since 2011. As part of that review, Comerica has undertaken a thorough analysis of all the incentive compensation programs throughout the organization, the individuals covered by each plan and the risks inherent in each plan's design and implementation. Comerica has determined that risks arising from employee compensation plans are not reasonably likely to have a material adverse effect on Comerica. Further, it is the Company's intent to continue to evolve our processes going forward by monitoring regulations and best practices for sound incentive compensation.

On April 14, 2011, the FRB, OCC and several other federal financial regulators issued a joint proposed rulemaking to implement Section 956 of the Dodd-Frank Act. Section 956 directed regulators to jointly prescribe regulations or guidelines prohibiting incentive-based payment arrangements, or any feature of any such arrangement, at covered financial institutions that encourage inappropriate risks by providing excessive compensation or that could lead to a material financial loss. This proposal supplements the final guidance issued by the banking agencies in June 2010. Consistent with the Dodd-Frank Act, the proposed rule would not apply to institutions with total consolidated assets of less than $1 billion, and would impose heightened standards for institutions with $50 billion or more in total consolidated assets, which includes Comerica. For these larger institutions, the proposed rule would require that at least 50 percent of annual incentive-based payments be deferred over a period of at least three years for designated executives. Moreover, boards of directors of these larger institutions would be required to identify employees who individually have the ability to expose the institution to possible losses that are substantial in relation to the institution's size, capital or overall risk tolerance, and to determine that the incentive compensation for these employees appropriately balances risk and rewards according to enumerated standards. Comerica is monitoring the development of this rule.

Basel III: Regulatory Capital and Liquidity Regime. In December 2010, the Basel Committee on Banking Supervision (the "Basel Committee") issued a framework for strengthening international capital and liquidity regulation ("Basel III"). In July 2013, U.S. banking regulators issued a final rule for the U.S. adoption of the Basel III regulatory capital framework. Basel III includes a more stringent definition of capital and introduces a new common equity Tier 1 ("CET1") capital requirement; sets forth two comprehensive methodologies for calculating risk-weighted assets ("RWA"), a standardized approach and an advanced approach; introduces two new capital buffers, a conservation buffer and a countercyclical buffer (applicable to advanced approach entities); establishes a new supplemental leverage ratio (applicable to advanced approach entities); and sets out minimum capital ratios and overall capital adequacy standards. As a banking organization subject to the standardized approach, the rules were effective for Comerica on January 1, 2015. Certain deductions and adjustments to regulatory capital (primarily related to intangible assets and surplus Tier 2 capital minority interest) phase in starting January 1, 2015 and will be fully implemented on January 1, 2018. The capital conservation buffer phases in at 0.625 percent beginning on January 1, 2016 and ultimately increases to 2.5 percent on January 1, 2019. Comerica is not subject to the countercyclical buffer or the supplemental leverage ratio.

Comerica's December 31, 2015 CET1 and Tier 1 ratios were both 10.54 percent. Comerica's December 31, 2015 CET1 and Tier 1 capital ratios exceed the minimum required by the final rule (4.5 percent and 6 percent, respectively).

On September 3, 2014, U.S. banking regulators adopted the Liquidity Coverage Ratio ("LCR") rule, which set for U.S. banks the minimum liquidity measure established under the Basel III liquidity framework. Under the final rule, Comerica is subject to a modified LCR standard, which requires a financial institution to hold a minimum level of high-quality, liquid assets ("HQLA") to fully cover modified net cash outflows under a 30-day systematic liquidity stress scenario. The rule is effective for Comerica on January 1, 2016. During the transition year, 2016, Comerica will be required to maintain a minimum LCR of 90 percent. Beginning January 1, 2017, and thereafter, the minimum required LCR will be 100 percent. As of December 31, 2015, Comerica's LCR ratio meets the fully phased-in 2017 requirement.

The Basel III liquidity framework includes a second minimum liquidity measure, the Net Stable Funding Ratio ("NSFR"), which requires the amount of available longer-term, stable sources of funding to be at least 100 percent of the required amount of longer-term stable funding over a one-year period. On October 31, 2014, the Basel Committee on Banking Supervision issued its final NSFR rule, which was originally introduced in 2010 and revised in January 2014. U.S. banking regulators have announced that they expect to issue proposed rules to implement the NFSR in advance of its scheduled global implementation in 2018. While uncertainty exists in the final form and timing of the U.S. rule implementing the NSFR and whether or not Comerica will be subject to the full requirements, Comerica is closely monitoring the development of the rule.

Interchange Fees. On July 20, 2011, the FRB published final rules (Regulation II) pursuant to the Dodd-Frank Act establishing the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction as the sum of 21 cents per transaction and 5 basis points multiplied by the value of the transaction and prohibiting network exclusivity arrangements and routing restrictions. Comerica is subject to the final rules. In July 2013, a federal district court invalidated the FRB's interchange fee rules. The FRB's appeal of the court's ruling resulted in the U.S. Circuit Court of Appeals for the District of Columbia overruling the district court, reinstating the final rule as previously issued. On January 20, 2015, the U.S. Supreme Court denied a further appeal. Accordingly, Regulation II remains intact and its limits on interchange fees are now permanent.

Supervision and Regulation Assessment. Section 318 of the Dodd-Frank Act authorizes the federal banking agencies to assess fees against bank holding companies with total consolidated assets in excess of $50 billion equal to the expenses necessary or appropriate in order to carry out their supervision and regulation of those companies. Comerica accrued $1.6 million for 2015, which will be assessed in the first quarter 2016.

The Volcker Rule. The federal banking agencies and the SEC published approved joint final regulations to implement the Volcker Rule on December 10, 2013. The Volcker Rule generally prohibits banking entities from engaging in proprietary trading and from owning and sponsoring "covered funds" (e.g. hedge funds and private equity funds). The final regulations adopt a multi-faceted approach to implementing the Volcker Rule prohibitions that relies on: (i) detailed descriptions of prohibited and permitted activities; (ii) detailed compliance requirements; and (iii) for banking entities with large volumes of trading activity, detailed quantitative analysis and reporting obligations. In addition to rules implementing the core prohibitions and exemptions (e.g. underwriting, market-making related activities, risk-mitigating hedging and trading in certain government obligations) of the Volcker Rule, the regulations also include two appendices devoted to record-keeping and reporting requirements, including numerous quantitative data reporting obligations for banking entities with significant trading activities (Appendix A) and enhanced compliance requirements for banking entities with significant trading or covered fund activities (Appendix B). The final rule was effective April 1, 2014. The Volcker Rule generally required full compliance with the new restrictions by July 21, 2015; however, the FRB has extended the conformance period to July 21, 2017 for covered funds that were in place prior to December 31, 2013. Comerica is currently in compliance with the effective aspect of the Volcker Rule and expects to meet the final requirements adopted by regulators within the applicable regulatory timelines. Additional information on Comerica's portfolio of indirect (through funds) private equity and venture capital investments is set forth in Note 1 of the Notes to Consolidated Financial Statements located on page F-54 of the Financial Section of this report.

Annual Capital Plans and Stress Tests. Comerica is subject to the FRB's annual Comprehensive Capital Analysis and Review (CCAR) process, as well as the Dodd-Frank Act Stress Testing (DFAST) requirements. As part of the CCAR process, the FRB undertakes a supervisory assessment of the capital adequacy of bank holding companies (BHCs), including Comerica, that have $50 billion or more in total consolidated assets. This capital adequacy assessment is based on a review of a comprehensive capital plan submitted by each participating BHC to the FRB that describes the company's planned capital actions during the nine quarter review period, as well as the results of stress tests conducted by both the company and the FRB under different hypothetical macro-economic scenarios, including a supervisory baseline and an adverse and a severely adverse scenario provided by the FRB. After completing its review, the FRB may object or not object to the company's proposed capital actions, such as plans to pay or increase common stock dividends, reinstate or increase common equity repurchase programs, or issue or redeem preferred stock or other regulatory capital instruments. In connection with the 2015 CCAR, Comerica submitted its 2015 capital plan to the FRB on January 5, 2015; on March 5, 2015, Comerica and the FRB released the revenue, loss and capital results from the annual stress testing exercises and on March 11, 2015, Comerica announced that the FRB had completed its CCAR 2015 capital plan review and did not object to the capital plan or capital distributions contemplated in the plan. The 2015 capital plan submission extended over a period of five quarters, second quarter 2015 - second quarter 2016, due to a modification in timing by the FRB. Comerica plans to submit its CCAR 2016 capital plan to the FRB, consistent with new supervisory guidance (SR 15-19), in April 2016 and expects to receive the results of the FRB's review of the plan in June 2016 and to release its company-run stress tests results in June or July 2016.

FRB regulations also required that Comerica and other large bank holding companies conduct a separate mid-year stress test using financial data as of March 31st and three company-derived macro-economic scenarios (base, adverse and severely adverse) and publish a summary of the results under the severely adverse scenario. On July 23, 2015, Comerica released the results of its company-run mid-year stress tests. For 2016, the mid-year stress test will be

moved to an October submission (instead of July). Stress test results are available in the Investor Relations section of Comerica's website at investor.comerica.com, on the “Regulatory Disclosures” page under "Financial Reports."
Enhanced Prudential Requirements. The Dodd-Frank Act created the Financial Stability Oversight Council (“FSOC”) to coordinate efforts of the primary U.S. financial regulatory agencies in establishing regulations to address financial stability concerns and to make recommendations to the FRB as to enhanced prudential standards that must apply to large, interconnected bank holding companies and nonbank financial companies supervised by the FRB under the Dodd-Frank Act, including capital, leverage, liquidity and risk management requirements.

On February 18, 2014, the FRB issued its final regulations to implement the enhanced prudential and supervisory requirements mandated by the Dodd-Frank Act. The final regulations address enhanced risk-based capital and leverage requirements, enhanced liquidity requirements, enhanced risk management and risk committee requirements, single-counterparty credit limits, semiannual stress tests (as described above under "Annual Capital Plans and Stress Tests"), and a debt-to-equity limit for companies determined to pose a grave threat to financial stability. They are intended to allow regulators to more effectively supervise large bank holding companies and nonbank financial firms whose failure could impact the stability of the US financial system, and generally build on existing US and international regulatory guidance. The rule also takes a multi-stage or phased approach to many of the requirements (such as the capital and liquidity requirements). Most of these requirements apply to Comerica because it has consolidated assets of more than $50 billion. Comerica has or will implement all requirements of the new rules within regulatory timelines.

Resolution (Living Will) Plans. Section 165(d) of the Dodd-Frank Act requires bank holding companies with total consolidated assets of $50 billion or more (“covered companies”) to prepare and submit to the federal banking agencies (e.g., FRB and FDIC) a plan for their rapid and orderly resolution under the U.S. Bankruptcy Code. Covered companies, such as Comerica, with less than $100 billion in total nonbank assets were required to submit their initial plans by December 31, 2013. In addition, Section 165(d) requires FDIC-insured depository institutions (like Comerica Bank) with assets of $50 billion or more to develop, maintain, and periodically submit plans outlining how the FDIC would resolve it through the FDIC's resolution powers under the Federal Deposit Insurance Act. The federal banking agencies have issued rules to implement these requirements. In addition, those rules require the filing of annual updates to the plans. Both Comerica and Comerica Bank filed their respective initial and updated resolution plans by the required due dates. The 2015 resolution plan updates are currently under review by the FRB and FDIC.

Section 611 and Title VII of the Dodd-Frank Act. Section 611 of the Dodd-Frank Act prohibits a state bank from engaging in derivative transactions unless the lending limit laws of the state in which the bank is chartered take into consideration exposure to derivatives. Section 611 does not provide how state lending limit laws must factor in derivatives. The Texas Finance Commission has adopted an administrative rule meeting the requirements of Section 611. Accordingly, Comerica Bank may engage in derivative transactions, as permitted by applicable law.

Title VII of the Dodd-Frank Act establishes a comprehensive framework for over-the-counter (“OTC”) derivatives transactions. The structure for derivatives set forth in the Dodd-Frank Act is intended to promote, among other things, exchange trading and centralized clearing of swaps and security-based swaps, as well as greater transparency in the derivatives markets and enhanced monitoring of the entities that use these markets. In this regard, the CFTC and SEC have issued several regulatory proposals, some of which are now effective or will become effective in 2016.

The SEC and CFTC have jointly adopted rules further defining the terms “swap,” “security-based swap,” “security-based swap agreement,” and have also adopted final joint rules defining the terms “swap dealer,” “security-based swap dealer,” “major swap participant,” and “major security-based swap participant.” Comerica has determined that neither it, nor its subsidiaries, are within the definition of “swap dealer” or “major swap participant,” but some portions of the Title VII regulations apply nonetheless. One of these regulations centers on limiting certain OTC transactions to “eligible contract participants.” This regulation impacts Comerica's small business customers that do not qualify as eligible contract participants by making such customers ineligible for swap derivatives as hedging in their loan agreements.

Consumer Finance Regulations. The Dodd-Frank Act made several changes to consumer finance laws and regulations. It contained provisions that have weakened the federal preemption rules applicable for national banks and give state attorneys general the ability to enforce federal consumer protection laws. Additionally, the Dodd-Frank Act created the Consumer Financial Protection Bureau (“CFPB“), which has a broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices, and possesses examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. In this regard, the CFPB has commenced issuing several new rules to implement various provisions of the Dodd-Frank Act that were specifically identified as being enforced by the CFPB, as well as those specified for supervisory and enforcement authority for very large depository institutions and non-depository (nonbank) entities. Comerica is subject to CFPB foreign remittance rules and home mortgage lending rules, in addition to certain other CFPB rules.

The foreign remittance rules fall under Section 1073 of the Dodd-Frank Act. The CFPB issued new regulations amending Regulation E, which implements the Electronic Fund Transfer Act, effective October 28, 2013. The regulations were designed to provide protections to consumers who transfer funds to recipients located in countries outside the United States (customer foreign remittance transfers). In general, the regulation requires remittance transfer providers, such as Comerica, to disclose to a consumer the exchange rate, fees, and amount to be received by the recipient when the consumer sends a remittance transfer. Although Comerica had implemented the model disclosures provided in Appendix A to the final rule, on September 18, 2014, the CFPB extended the compliance exception period for the rule's new disclosure requirements to July 21, 2020.

On November 13, 2014, the CFPB issued a proposed regulation establishing new consumer protections and disclosure requirements on prepaid accounts, including (i) the provision of either periodic statements or free online account information access; (ii) new account error and unauthorized transaction rights; (iii) new “Know Before You Owe” prepaid account disclosures; (iv) public disclosure of account agreements for prepaid accounts and (v) credit protection for linked credit accounts.

Comerica has implemented these new rules and positioned itself to be in compliance with the new requirements.

Truth in Lending Act (“TILA”) and Real Estate Settlement Procedures Act (“RESPA”). In November 2013, the CFPB issued a rule implementing new TILA RESPA Integrated Disclosures (“TRID”) to replace the initial Truth-in-Lending disclosure and Good Faith Estimate for most closed-end consumer mortgage loans. The effective date was October 3, 2015. Significant changes in TRID include: (1) expansion of the scope of loans that require RESPA early disclosures, including bridge loans, vacant land loans, and construction loans; (2) changes and additions to “waiting period” requirements to close a loan; (3) reduced tolerances for estimated fees and (4) the lender, rather than the closing agent, is responsible for providing final disclosures. Although Comerica outsources most of its consumer mortgage loans, consumer construction financing has been suspended pending further clarification from the CFPB. This regulation has also resulted in a suspension of consumer bridge loan financing. Such financing has not been a significant business for Comerica.

The Truth in Lending Act (TILA) requires credit card issuers to post consumer credit card agreements to their websites and submit them quarterly to the CFPB commencing February 5, 2015. The CFPB implemented the rule on April 17, 2015. The CFPB delayed implementation of submissions of the agreements to the CFPB until the first week of April 2016. Comerica outsources its consumer credit cards, and does not anticipate any negative impact.

Home Mortgage Disclosure Act (HMDA). In July 2015 the CFPB implemented and expanded new HMDA rules. The final rule adopts a dwelling-secured standard for all loans or lines of credit that are for personal, family, or household purposes. Thus, most consumer-purpose transactions, including closed-end home-equity loans, home-equity lines of credit, and reverse mortgages, are subject to the regulation. Most commercial-purpose transactions (i.e., loans or lines of credit not for personal, family, or household purposes) are subject to the regulation only if they are for the purpose of home purchase, home improvement, or refinancing. The final rule excludes from coverage home improvement loans that are not secured by a dwelling (i.e., home improvement loans that are unsecured or that are secured by some other type of collateral) and all agricultural-purpose loans and lines of credit. Comerica is monitoring and implementing changes as required.

FDIC Guidance on Brokered Deposits. On January 5, 2015, the FDIC issued guidance in the form of “Frequently Asked Questions” to promote consistency by insured depository institutions in identifying, accepting, and reporting brokered deposits. On November 13, 2015, the FDIC issued proposed updates to the FAQs. All insured depository institutions (including those that are well capitalized) must report brokered deposits in their Consolidated Reports of Condition and Income (Call Reports). Comerica is currently evaluating the impact of these FAQs, including the proposed updates, to various business units throughout the organization, and believes they will only have a nominal impact.

Flood Insurance Reform. The Biggert-Waters Flood Insurance Reform Act of 2012 (“Biggert-Waters Act”), as amended by the Homeowner Flood Insurance Affordability Act of 2014, modified the National Flood Insurance Program by: (i) increasing the maximum civil penalty for Flood Disaster Protection Act violations to $2,000 and eliminating the annual penalty cap; (ii) requiring certain lenders (including Comerica) to escrow premiums and fees for flood insurance on residential improved real estate; (iii) directing lenders to accept private flood insurance and to notify borrowers of its availability; (iv) amending the force placement requirement provisions; and (v) permitting lenders to charge borrowers costs for lapses in or insufficient coverage. These requirements will impact Comerica loans and extensions of credit secured with residential improved real estate. The civil penalty and force placed insurance provisions were effective immediately.

On July 21, 2015, certain federal agencies issued a joint final rule exempting: (1) detached structures that are not used as a residence from the mandatory flood insurance purchase requirements and (2) HELOCs, business purpose loans, nonperforming loans, loans with terms of less than one year, loans for co-ops and condominiums, and subordinate loans on the same property from the mandatory escrow of flood insurance premium requirements. Additionally, the final rule requires Comerica to escrow flood insurance payments and offer the option to escrow flood insurance premiums on residential improved real estate securing a loan, effective January 1, 2016. The federal agencies will address the private flood insurance provisions of the Biggert-Waters Act in a separate rulemaking. Comerica will continue to monitor the development and implementation of the private flood insurance rules.

Future Legislation and Regulatory Measures

The environment in which financial institutions will operate after the recent financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, and changes in fiscal policy, may have long-term effects on the business model and profitability of financial institutions that cannot be foreseen. Moreover, in light of recent events and current conditions in the U.S. financial markets and economy, Congress and regulators have continued to increase their focus on the regulation of the financial services industry. Comerica cannot accurately predict whether legislative changes will occur or, if they occur, the ultimate effect they would have upon the financial condition or results of operations of Comerica.

UNDERWRITING APPROACH

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

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

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

Credit Administration

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

Credit Policy

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

Commercial Loan Portfolio

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

- The borrower's business model.
- Periodic review of financial statements including financial statements audited by an independent certified public accountant when appropriate.
- The pro-forma financial condition including financial projections.
- The borrower's sources and uses of funds.
- The borrower's debt service capacity.
- The guarantor's financial strength.
- A comprehensive review of the quality and value of collateral, including independent third-party appraisals of machinery and equipment and commercial real estate, as appropriate, to determine the advance rates.
- Physical inspection of collateral and audits of receivables, as appropriate.

For additional information specific to our Energy loan portfolio, please see the caption, "Energy Lending" on pages F-31 through F-33 of the Financial Section of this report.

Commercial Real Estate (CRE) Loan Portfolio

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

Consumer and Residential Mortgage Loan Portfolios

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

EMPLOYEES

As of December 31, 2015, Comerica and its subsidiaries had 8,533 full-time and 570 part-time employees.

AVAILABLE INFORMATION

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

In addition, pursuant to regulations adopted by the FRB, Comerica makes additional regulatory capital-related disclosures. Under these regulations, Comerica satisfies a portion of these requirements through postings on its website, and Comerica has done so and expects to continue to do so without also providing disclosure of this information through filings with the SEC.

Where we have included web addresses in this report, such as our web address and the web address of the SEC, we have included those web addresses as inactive textual references only. Except as specifically incorporated by reference into this report, information on those websites is not part hereof.

Item 1A. Risk Factors.

This report includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. In addition, Comerica may make other written and oral communications from time to time that contain such statements. All statements regarding Comerica's expected financial position, strategies and growth prospects and general economic conditions Comerica expects to exist in the future are forward-looking statements. The words, “anticipates,” “believes,” “contemplates,” “feels,” “expects,” “estimates,” “seeks,” “strives,” “plans,” “intends,” “outlook,” “forecast,” “posit
“mission,” “assume,” “achievable,” “potential,” “strategy,” “goal,” “aspiration,” "opportunity," "initiative," “outcome,” “contir

“remain,” “maintain,” "on course," “trend,” “objective,” "looks forward," "projects," "models" and variations of such words and similar expressions, or future or conditional verbs such as “will,” “would,” “should,” “could,” “might,” “can,” “may” or sir expressions, as they relate to Comerica or its management, are intended to identify forward-looking statements. Comerica cautions that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date the statement is made, and Comerica does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors mentioned elsewhere in this report or previously disclosed in Comerica's SEC reports (accessible on the SEC's website at www.sec.gov or on Comerica's website at www.comerica.com), the factors contained below, among others, could cause actual results to differ materially from forward-looking statements, and future results could differ materially from historical performance.

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

Local, domestic, and international events including economic, financial market, 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 prices, state and local municipal budget deficits, government spending and the U.S. national debt, outside of our control may, directly and indirectly, adversely affect Comerica. As was the case with the Great Recession of 2008 and 2009, economic downturns could result in the delinquency of outstanding loans, which could have a material adverse impact on Comerica's earnings.

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

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

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

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

In particular, Congress and other regulators have significantly increased their focus on the regulation of the financial services industry. Their actions include, but are not limited to, the passage of the Dodd-Frank Act, many parts of which are now in effect, and the adoption of the Basel III framework in the U.S. For additional information on these actions, please see “The Dodd-Frank Wall Street Reform and Consumer Protection Act and Other Recent Legislative and Regulatory Developments” section of the “Supervisory and Regulation” section of this report. Many provisions in the Dodd-Frank Act and the Basel III framework remain subject to regulatory rule-making and/or implementation, the effects of which are not yet known.

Additionally, Comerica may be subject to other regulatory actions that are currently under consideration, or may be under consideration in the future. For example, should U.S. banking regulators establish any additional capital buffers (for example, for banking organizations deemed systemically important to the U.S. financial system), Comerica may be subject to those additional requirements. Further, the current administration proposed in January 2010 a fee on those financial institutions that benefited from recent actions taken by the U.S. government to stabilize the financial system. Calls for that fee were renewed during the 2013 federal budget discussions. Most recently, the administration's 2015 budget proposal would impose a 7 basis point tax on U.S. financial firms with assets over $50 billion, with the goal of such proposal to penalize financial institutions for being overly leveraged. If such fee or another similar fee were implemented, Comerica would likely be subject to its terms.

The effects of such legislation and regulatory actions on Comerica cannot reliably be fully determined at this time. We can neither predict when or whether future regulatory or legislative reforms will be enacted nor what their contents will be. The impact of any future legislation or regulatory actions on Comerica's businesses or operations cannot be reliably determined at this time, and such impact may adversely affect Comerica.

- Comerica must maintain adequate sources of funding and liquidity to meet regulatory expectations, support its operations and fund outstanding liabilities.

Comerica’s liquidity and ability to fund and run its business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruptions and volatility or a lack of market or customer confidence in financial markets in general, which may result in a loss of customer deposits or outflows of cash or collateral and/or ability to access capital markets on favorable terms.

Other conditions and factors that could materially adversely affect Comerica’s liquidity and funding include a lack of market or customer confidence in, or negative news about, Comerica or the financial services industry generally which also may result in a loss of deposits and/or negatively affect the ability to access the capital markets; the loss of customer deposits to alternative investments; counterparty availability; interest rate fluctuations; general economic conditions; and the legal, regulatory, accounting and tax environments governing our funding transactions. Many of the above conditions and factors may be caused by events over which Comerica has little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. Further, Comerica's customers may be adversely impacted by such conditions, which could have a negative impact on Comerica's business, financial condition and results of operations.

In September 2014, U.S. banking regulators issued a final rule implementing a quantitative liquidity requirement in the U.S. generally consistent with the Liquidity Coverage Ratio ("LCR") minimum liquidity measure established under the Basel III liquidity framework. Under the final rule, Comerica is subject to a modified LCR standard, which requires a financial institution to hold a minimum level of high-quality, liquid assets ("HQLA") to fully cover modified net cash outflows under a 30-day systematic liquidity stress scenario. The rule is effective for Comerica on January 1, 2016. During the transition year, 2016, Comerica will be required to maintain a minimum LCR of 90 percent. Beginning January 1, 2017, and thereafter, the minimum required LCR will be 100 percent. For more information regarding the LCR, please see the “Supervision and Regulation” section of this report. The inability to access capital markets funding sources as needed could adversely impact our level of regulatory-qualifying capital and ability to continue to comply with the LCR framework.

Further, if Comerica is unable to continue to fund assets through customer bank deposits or access funding sources on favorable terms, or if Comerica suffers an increase in borrowing costs or otherwise fails to manage liquidity effectively, Comerica’s liquidity, operating margins, financial condition and results of operations may be materially adversely affected.

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

While new capital and liquidity requirements in connection with Basel III and the requirements of the Dodd-Frank Act have been largely implemented, continued compliance by Comerica and its subsidiary banks with these restrictions will have an effect on Comerica. Additional information on the regulatory capital and liquidity requirements currently applicable to Comerica is set forth in the “Supervision and Regulation” section of this report. In light of these or other new legal and regulatory requirements, Comerica and our subsidiary banks are, and will be in the future, required to satisfy additional, more stringent capital and liquidity standards, including annual and mid-year stress testing and quantitative standards for liquidity management. These requirements, and any other new laws or regulations related to capital and liquidity, could adversely affect Comerica's ability to pay dividends or make equity repurchases, or could require Comerica to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition and/or existing shareholders.

Further, our regulators may also require us to satisfy additional, more stringent capital adequacy and liquidity standards than those specified as part of the Dodd-Frank Act and the FRB's proposed and final rules implementing Basel III.

Maintaining higher levels of capital and liquidity may reduce Comerica's profitability and otherwise adversely affect its business, financial condition, or results of operations.

- Declines in the businesses or industries of Comerica's customers - in particular, the energy industry - could cause increased credit losses or decreased loan balances, which could adversely affect Comerica.

Comerica's business customer base consists, in part, of customers in volatile businesses and industries such as the energy industry, the automotive production industry and the real estate business. These industries are sensitive to global economic conditions, supply chain factors and/or commodities prices. Any decline in one of those customers' businesses or industries could cause increased credit losses, which in turn could adversely affect Comerica. Further, any decline in these businesses or industries could cause decreased borrowings, either due to reduced demand or reductions in the borrowing base available for each customer loan.

In particular, oil and gas prices have fallen sharply since mid-2014. Loans in the Middle Market - Energy business line were $3.1 billion, or approximately 6 percent of total loans, at December 31, 2015. At December 31, 2015, the reserve allocation for energy and energy-related loans was over 4 percent of total energy and energy-related loans. Subsequent to December 31, 2015, oil and gas prices dropped significantly, and Comerica saw additional negative migration into criticized loans. If oil and gas prices continue to remain depressed for a prolonged period of time, Comerica's energy portfolio could experience increased credit losses, which could adversely affect Comerica's financial results. Furthermore, a prolonged period of low oil prices could also have a negative impact on the Texas economy, which could have a material adverse effect on Comerica's business, financial condition and results of operations. For more information regarding Comerica's energy portfolio, please see "Energy Lending" beginning on page F-31 of the Financial Section of this report.

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

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

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

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

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

Comerica may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses, cyber attacks (including cyber attacks resulting in the destruction or exfiltration of data and systems), spikes in transaction volume and/or customer activity, electrical or telecommunications outages, or natural disasters. Although Comerica has programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality, integrity, and availability of its systems, business applications and customer information, such disruptions may give rise to interruptions in service to customers and loss or liability to Comerica. While Comerica's website, www.comerica.com, has been subject to denial of service attacks in the last few years, these events did not result in a breach of Comerica's client data, and account information remained secure. However, future cyber attacks could be more disruptive and damaging, and Comerica may not be able to anticipate or prevent all such attacks.

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

- Comerica relies on other companies to provide certain key components of its business infrastructure, and certain failures could materially adversely affect operations.

Comerica faces the risk of operational disruption, failure or capacity constraints due to its dependency on third party vendors for components of its business infrastructure. Third party vendors provide certain key components of Comerica's business infrastructure, such as data processing and storage, payment processing services, recording and monitoring transactions, internet connections and network access, clearing agency and card processing services. While Comerica conducts due diligence prior to engaging with third party vendors, it does not control their operations. Further, while Comerica has enhanced its vendor management policies and practices to facilitate Comerica's compliance with recently updated vendor regulations, these policies and practices cannot eliminate this risk. In this context, any vendor failure to properly deliver these services could adversely affect Comerica's business operations, and result in financial loss, reputational harm, and/or regulatory action.

- Noninterest expenses are important to our profitability, but are subject to a number of factors, some of which are not in our control.

Many factors can influence the amount of noninterest expenses, including changing regulations, pension and health care costs, technology and cybersecurity investments, outside processing expenses and litigation. The importance of managing expenses has been amplified in the current slow growth, low net interest margin business environment. Comerica's noninterest expenses may increase more than anticipated, which could result in an adverse impact on net income.

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

The operations of financial institutions such as Comerica are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Prevailing economic conditions, the trade, fiscal and monetary policies of the federal government and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which in turn significantly affect financial institutions' net interest income. Interest rates over the past several years have remained at low levels, even following the Federal Open Market Committee's 25 basis point rate rise in December. A continued low interest rate environment may continue to adversely affect the interest income Comerica earns on loans and investments. For a discussion of Comerica's interest rate sensitivity, please see, “Market and Liquidity Risk” beginning on page F-33 of the Financial Section of this report.

Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as federal government and corporate securities and other investment vehicles, which, because of the absence of federal insurance premiums and reserve requirements, generally pay higher rates of return than financial institutions. Comerica's financial results could be materially adversely impacted by changes in financial market conditions.

- Reduction in our credit ratings could adversely affect Comerica and/or the holders of its securities.

Rating agencies regularly evaluate Comerica, and their ratings are based on a number of factors, including Comerica's financial strength as well as factors not entirely within its control, including conditions affecting the financial services industry generally. There can be no assurance that Comerica will maintain its current ratings. In February 2016, Standard & Poor's downgraded Comerica's long-term senior credit ratings one notch to BBB+ and Comerica Bank's long and short-term credit ratings one notch to A- and A-2, respectively, and maintained its "Negative" outlook. In March 2015, Moody's Investors Service put global bank ratings on review following the publication of revised bank rating methodology and in May 2015, it downgraded Comerica Bank's long-term senior credit ratings one notch to A3. In February 2016, Moody's revised its outlook to "Negative." While recent credit rating actions have had little to no detrimental impact on Comerica's profitability, borrowing costs, or ability to access the capital markets, future downgrades to Comerica's or its subsidiaries' credit ratings could adversely affect Comerica's profitability, borrowing costs, or ability to access the capital markets or otherwise have a negative effect on Comerica's results of operations or financial condition. If such a reduction placed Comerica's or its subsidiaries' credit ratings below investment grade, it could also create obligations or liabilities under the terms of existing arrangements that could increase Comerica's costs under such arrangements. Additionally, a downgrade of the credit rating of any particular security issued by Comerica or its subsidiaries could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

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

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

- The introduction, implementation, withdrawal, success and timing of business initiatives and strategies may be less successful or may be different than anticipated, which could adversely affect Comerica's business.

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

- Damage to Comerica’s reputation could damage its businesses.

With consumers increasingly interested in doing business with companies they admire and trust, reputational risk is an increasing concern for business. Such risks include compliance issues, operational challenges, or a strategic, high profile event. Comerica's business is based on the trust of its customers, communities, and entire value chain, which makes managing reputational risk extremely important. News or other publicity that impairs Comerica's reputation, or the reputation of the financial services industry generally, can therefore cause significant harm to Comerica’s business and prospects. Further, adverse publicity or negative information posted on social media websites regarding Comerica, whether or not true, may result in harm to Comerica’s prospects.

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

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

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

Comerica operates in a very competitive environment, which is characterized by competition from a number of other financial institutions in each market in which it operates. Comerica competes in terms of products and pricing with large national and regional financial institutions and with smaller financial institutions. Some of Comerica's larger competitors, including certain nationwide banks that have a significant presence in Comerica's market area, may make available to their customers a broader array of product, pricing and structure alternatives and, due to their asset size, may more easily absorb credit losses in a larger overall portfolio. Some of Comerica's competitors (larger or smaller) may have more liberal lending policies and processes.

Additionally, the financial services industry has recently been subject to increasing regulation. For more information, see the “Supervision and Regulation” section of this report. Such regulations may require significant additional investments in technology, personnel or other resources or place limitations on the ability of financial institutions, including Comerica, to engage in certain activities. Comerica's competitors may be subject to a significantly different or reduced degree of regulation due to their asset size or types of products offered. They may also have the ability to more efficiently utilize resources to comply with regulations or may be able to more effectively absorb the costs of regulations into their existing cost structure.

If Comerica is unable to compete effectively in products and pricing in its markets, business could decline, which could have a material adverse effect on Comerica's business, financial condition or results of operations.

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

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

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

- Any future strategic acquisitions or divestitures may present certain risks to Comerica's business and operations.

Difficulties in capitalizing on the opportunities presented by a future acquisition may prevent Comerica from fully achieving the expected benefits from the acquisition, or may cause the achievement of such expectations to take longer to realize than expected.

Further, the assimilation of the acquired entity's customers and markets could result in higher than expected deposit attrition, loss of key employees, disruption of Comerica's businesses or the businesses of the acquired entity or otherwise adversely affect Comerica's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. These matters could have an adverse effect on Comerica for an undetermined period. Comerica will be subject to similar risks and difficulties in connection with any future decisions to downsize, sell or close units or otherwise change the business mix of Comerica.

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

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

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

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

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

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

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

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

Comerica establishes reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. Comerica may still incur legal costs for a matter even if it has not established a reserve. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending legal proceeding, depending on the remedy sought and granted, could adversely affect Comerica's results of operations and financial condition.

- Methods of reducing risk exposures might not be effective.

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

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

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

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

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

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

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

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

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

Management has identified certain accounting policies as being critical because they require management's judgment to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Comerica has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding management's judgments and the estimates pertaining to these matters, Comerica cannot guarantee that it will not be required to adjust accounting policies or restate prior period financial statements. See “Critical Accounting Policies” on pages F-40 through F-43 of the Financial Section of this report and Note 1 of the Notes to Consolidated Financial Statements located on pages F-51 through F-63 of the Financial Section of this report.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The executive offices of Comerica are located in the Comerica Bank Tower, 1717 Main Street, Dallas, Texas 75201. Comerica Bank occupies six floors of the building, plus additional space on the building's lower level. Comerica does not own the Comerica Bank Tower space, but has naming rights to the building and leases the space from an unaffiliated third party. The lease for such space used by Comerica and its subsidiaries extends through September 2023. Comerica's Michigan headquarters are located in a 10-story building in the central business district of Detroit, Michigan at 411 W. Lafayette, Detroit, Michigan 48226. Such building is owned by Comerica Bank. As of December 31, 2015, Comerica, through its banking affiliates, operated at a total of 604 locations. This includes banking centers, trust services locations, and/or loan production or other financial services offices, primarily in the States of Texas, Michigan, California, Florida and Arizona. Of the 604 locations, 236 were owned and 368 were leased. As of December 31, 2015, affiliates also operated from leased spaces in Denver, Colorado; Wilmington, Delaware; Oakbrook Terrace, Illinois; Boston, Massachusetts; Minneapolis, Minnesota; Morristown, New Jersey; New York, New York; Rocky Mount and Cary, North Carolina; Memphis, Tennessee; McLean, Virginia; Bellevue and Seattle, Washington; Monterrey, Mexico; Toronto, Ontario, Canada and Windsor, Ontario, Canada. Comerica and its subsidiaries own, among other properties, a check processing center in Livonia, Michigan, and three buildings in Auburn Hills, Michigan, used mainly for lending functions and operations.

Item 3. Legal Proceedings.

Please see Note 21 of the Notes to Consolidated Financial Statements located on pages F-102 through F-103 of the Financial Section of this report.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information and Holders of Common Stock

The common stock of Comerica Incorporated is traded on the New York Stock Exchange (NYSE Trading Symbol: CMA). At February 17, 2016, there were approximately 10,070 record holders of Comerica's common stock.

Sales Prices and Dividends

Quarterly cash dividends were declared during 2015 and 2014 totaling $0.83 and $0.79 per common share per year, respectively. The following table sets forth, for the periods indicated, the high and low sale prices per share of Comerica's common stock as reported on the NYSE Composite Transactions Tape for all quarters of 2015 and 2014, as well as dividend information.

Quarter	High	Low	Dividends Per Share	Dividend Yield*	
2015					
Fourth	$47.44	$39.52	$0.21	1.9	%
Third	52.93	40.01	0.21	1.8	
Second	53.45	44.38	0.21	1.7	
First	47.94	40.09	0.20	1.8	
2014					
Fourth	$50.14	$42.73	$0.20	1.7	%
Third	52.72	48.33	0.20	1.6	
Second	52.60	45.34	0.20	1.6	
First	53.50	43.96	0.19	1.6	

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

A discussion of dividend restrictions is set forth in Note 20 of the Notes to Consolidated Financial Statements located on pages F-101 through F-102 of the Financial Section of this report, in the "Capital" section on pages F-21 through

F-23 of the Financial Section of this report and in the “Supervision and Regulation” section of this report.

Performance Graph

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On April 28, 2015, the Board of Directors of Comerica authorized the repurchase of up to an additional 10.0 million shares of Comerica Incorporated outstanding common stock, in addition to the 2.1 million shares remaining at March 31, 2015 under the Board's prior authorizations for the equity repurchase program initially approved in November 2010. Including the April 28, 2015 authorization, a total of 40.3 million shares has been authorized for repurchase under the equity repurchase program since its inception in 2010. In November 2010, the Board authorized the purchase of up to all 11.5 million of Comerica's original outstanding warrants and on April 28, 2015, the Board also authorized the repurchase of up to an additional 2.6 million warrants. There is no expiration date for Comerica's equity repurchase program.

The following table summarizes Comerica's equity repurchase activity for the year ended December 31, 2015.

(shares in thousands)	Total Number of Shares and Warrants Purchased as Part of Publicly Announced Repurchase Plans or Programs	Remaining Repurchase Authorization (a)		Total Number of Shares Purchased (b)	Average Price Paid Per Share	Average Price Paid Per Warrant (c)
Total first quarter 2015	1,354	12,728		1,517	$43.38	$—
Total second quarter 2015	1,513	19,608	(d)	1,523	48.00	20.70
Total third quarter 2015	1,234	18,374		1,260	47.75	—
October 2015	649	17,725		652	42.52	—
November 2015	629	17,096		632	45.73	—
December 2015	192	16,904		192	44.74	—
Total fourth quarter 2015	1,470	16,904		1,476	44.19	—
Total 2015	5,571	16,904		5,776	45.54	20.70

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

(b) Includes approximately 205,000 shares (including 6,000 shares in the quarter ended December 31, 2015) purchased pursuant to deferred compensation plans and shares purchased from employees to pay for required minimum tax withholding related to restricted stock vesting under the terms of an employee share-based compensation plan during the year ended December 31, 2015. These transactions are not considered part of Comerica's repurchase program.

(c) Comerica repurchased 500,000 warrants under the repurchase program during the year ended December 31, 2015. Upon exercise of a warrant, the number of shares with a value equal to the aggregate exercise price is withheld from an exercising warrant holder as payment (known as a "net exercise provision"). During the year ended December 31, 2015, Comerica withheld the equivalent of approximately 1,291,000 shares to cover an aggregate of $65.7 million in exercise price and issued approximately 934,000 shares to the exercising warrant holders. Shares withheld in connection with the net exercise provision are not included in the total number of shares or warrants purchased in the above table.

(d) Includes April 28, 2015 equity repurchase authorization for up to an additional 10.6 million shares and share-equivalents.

Item 6. Selected Financial Data.

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

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

Reference is made to the sections entitled “2015 Overview and 2016 Outlook,” “Results of Operations," "Strategic Lines of Business," "Balance Sheet and Capital Funds Analysis," "Risk Management," "Critical Accounting Policies," "Supplemental Financial Data" and "Forward-Looking Statements" on pages F-4 through F-45 of the Financial Section of this report.

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

Reference is made to the subheadings entitled “Market and Liquidity Risk,” “Operational Risk,” “Compliance Risk” and “Strategic Risk” on pages F-33 through F-39 of the Financial Section of this report.

Item 8. Financial Statements and Supplementary Data.

Reference is made to the sections entitled “Consolidated Balance Sheets,” “Consolidated Statements of Income,” “Consolidated Statements of Comprehensive Income,” “Consolidated Statements of Changes in Shareholders' Equity,” “Consolidated Statements of Cash Flows,” “Notes to Consolidated Financial Statements,” “Report of Management,” “Reports of Independent Registered Public Accounting Firm,” and “Historical Review” on pages F-46 through F-116 of the Financial Section of this report.

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

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

Management's annual report on internal control over financial reporting and the related attestation report of Comerica's registered public accounting firm are included on pages F-111 and F-112 in the Financial Section of this report.

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

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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

The remainder of the response to this item will be included under the sections captioned “Information About Nominees,” “Committees and Meetings of Directors,” “Committee Assignments,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 26, 2016, which sections are hereby incorporated by reference.

Item 11. Executive Compensation.

The response to this item will be included under the sections captioned “Compensation Committee Interlocks and Insider Participation,” “Compensation Discussion and Analysis,” “Compensation of Directors,” “Governance, Compensation and Nominating Committee Report,” “2015 Summary Compensation Table,” “2015 Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year-End 2015,” “2015 Option Exercises and Stock Vested,” “Pension Benefits at Fiscal Year-End 2015,” “2015 Nonqualified Deferred Compensation,” and “Potential Payments upon Termination or Change of Control at Fiscal Year-End 2015” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 26, 2016, which sections are hereby incorporated by reference.

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

The response to this item will be included under the sections captioned “Security Ownership of Certain Beneficial Owners,” “Security Ownership of Management” and "Securities Authorized for Issuance Under Equity Compensation Plans" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 26, 2016, which sections are hereby incorporated by reference.

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

The response to this item will be included under the sections captioned “Director Independence and Transactions of Directors with Comerica,” “Transactions of Related Parties with Comerica,” and “Information about Nominees” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 26, 2016, which sections are hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services.

The response to this item will be included under the section captioned “Independent Registered Public Accounting Firm” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 26, 2016, which section is hereby incorporated by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements: The financial statements that are filed as part of this report are included in the Financial Section on pages F-46 through F-113.

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

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

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PERFORMANCE GRAPH

The graph shown below compares the total returns (assuming reinvestment of dividends) of Comerica Incorporated common stock, the S&P 500 Index, and the KBW Bank Index. The graph assumes $100 invested in Comerica Incorporated common stock (returns based on stock prices per the NYSE) and each of the indices on December 31, 2010 and the reinvestment of all dividends during the periods presented.

The performance shown on the graph is not necessarily indicative of future performance.

SELECTED FINANCIAL DATA

(dollar amounts in millions, except per share data)

Years Ended December 31	2015	2014	2013	2012	2011
EARNINGS SUMMARY					
Net interest income	$1,689	$1,655	$1,672	$1,728	$1,653
Provision for credit losses	147	27	46	79	144
Noninterest income (a)	1,050	868	882	870	843
Noninterest expenses (a)	1,842	1,626	1,722	1,757	1,771
Provision for income taxes	229	277	245	241	188
Net income	521	593	541	521	393
Net income attributable to common shares	515	586	533	515	389
PER SHARE OF COMMON STOCK					
Diluted earnings per common share	$2.84	$3.16	$2.85	$2.67	$2.09
Cash dividends declared	0.83	0.79	0.68	0.55	0.40
Common shareholders’ equity	43.03	41.35	39.22	36.86	34.79
Tangible common equity (b)	39.33	37.72	35.64	33.36	31.40
Market value	41.83	46.84	47.54	30.34	25.80
Average diluted shares (in millions)	181	185	187	192	186
YEAR-END BALANCES					
Total assets	$71,877	$69,186	$65,224	$65,066	$61,005
Total earning assets	66,687	63,788	60,200	59,618	55,506
Total loans	49,084	48,593	45,470	46,057	42,679
Total deposits	59,853	57,486	53,292	52,191	47,755
Total medium- and long-term debt	3,058	2,675	3,543	4,720	4,944
Total common shareholders’ equity	7,560	7,402	7,150	6,939	6,865
AVERAGE BALANCES					
Total assets	$70,247	$66,336	$63,933	$62,569	$56,914
Total earning assets	65,129	61,560	59,091	57,483	52,121
Total loans	48,628	46,588	44,412	43,306	40,075
Total deposits	58,326	54,784	51,711	49,533	43,762
Total medium- and long-term debt	2,905	2,963	3,972	4,818	5,519
Total common shareholders’ equity	7,534	7,373	6,965	7,009	6,348
CREDIT QUALITY					
Total allowance for credit losses	$679	$635	$634	$661	$752
Total nonperforming loans	379	290	374	541	887
Foreclosed property	12	10	9	54	94
Total nonperforming assets	391	300	383	595	981
Net credit-related charge-offs	101	25	73	170	328
Net credit-related charge-offs as a percentage of average total loans	0.21 %	0.05 %	0.16 %	0.39 %	0.82 %
Allowance for loan losses as a percentage of total period-end loans	1.29	1.22	1.32	1.37	1.70
Allowance for loan losses as a percentage of total nonperforming loans	167	205	160	116	82
RATIOS					
Net interest margin (fully taxable equivalent)	2.60 %	2.70 %	2.84 %	3.03 %	3.19 %
Return on average assets	0.74	0.89	0.85	0.83	0.69
Return on average common shareholders’ equity	6.91	8.05	7.76	7.43	6.18

Dividend payout ratio	28.33	24.09	23.29	20.52	18.96
Average common shareholders’ equity as a percentage of average assets	10.73	11.11	10.90	11.21	11.16
Common equity tier 1 capital as a percentage of risk-weighted assets (c)	10.54	n/a	n/a	n/a	n/a
Tier 1 common capital as a percentage of risk-weighted assets (b)	n/a	10.50	10.64	10.14	10.37
Tier 1 capital as a percentage of risk-weighted assets (c)	10.54	10.50	10.64	10.14	10.41
Tangible common equity as a percentage of tangible assets (b)	9.70	9.85	10.07	9.76	10.27

(a) Effective January 1, 2015, contractual changes to a card program resulted in a change to the accounting presentation of the related revenues and expenses. The effect of this change was an increase of $181 million to both noninterest income and noninterest expenses in 2015.

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

(c) Ratios calculated based on the risk-based capital requirements in effect at the time. The U.S. implementation of the Basel III regulatory capital framework became effective on January 1, 2015, with transitional provisions.

n/a - not applicable.

2015 OVERVIEW AND 2016 OUTLOOK

Comerica Incorporated (the Corporation) is a financial holding company headquartered in Dallas, Texas. The Corporation's major business segments are the Business Bank, the Retail Bank and Wealth Management. The core businesses are tailored to each of the Corporation's three primary geographic markets: Michigan, California and Texas. Information about the activities of the Corporation's business segments is provided in Note 22 to the consolidated financial statements.

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

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

OVERVIEW

- Net income was $521 million in 2015, a decrease of $72 million, or 12 percent, compared to $593 million in 2014. Net income per diluted common share was $2.84 in 2015, compared to $3.16 in 2014. The most significant items contributing to the decrease in net income are described below.
- Average loans were $48.6 billion in 2015, an increase of $2.0 billion, or 4 percent, compared to 2014. The increase in average loans primarily reflected an increase of $1.8 billion, or 6 percent, in commercial loans, $174 million, or 8 percent, in consumer loans and $100 million, or 6 percent in residential mortgage loans. The increase in commercial loans primarily reflected increases in Mortgage Banker Finance, Technology and Life Sciences, National Dealer Services and Small Business, partially offset by a decrease in Corporate Banking.
- Average deposits increased $3.5 billion, or 6 percent, to $58.3 billion in 2015, compared to 2014. The increase in average deposits reflected increases of $3.1 billion, or 12 percent, in average noninterest-bearing deposits and $1.2 billion, or 5 percent, in money market and interest-bearing checking deposits, partially offset by a decrease of $660 million, or 14 percent, in customer certificates of deposit. The increase in average deposits reflected increases in almost all lines of business and in all geographic markets.
- Net interest income was $1.7 billion in 2015, an increase of $34 million, or 2 percent, compared to 2014. The increase in net interest income resulted primarily from an increase in average earning assets of $3.6 billion, partially offset by a $27 million decrease in the accretion of the purchase discount on the acquired loan portfolio, continued pressure on yields from the low-rate environment and loan portfolio dynamics.
- The provision for credit losses was $147 million in 2015, an increase of $120 million compared to 2014, primarily reflecting increased provisions for Energy and energy-related loans, Technology and Life Sciences, Corporate Banking and Small Business, partially offset by improved credit quality in the remainder of the portfolio. Net loan charge-offs were $100 million, or 0.21 percent of average loans, for 2015, an increase of $75 million compared to 2014, primarily reflecting increases in Energy, general Middle Market (largely due to an increase in charge-offs on energy-related loans), Small Business, Corporate Banking and Technology and Life Sciences, partially offset by a decrease in Private Banking.
- Noninterest income increased $182 million or 21 percent, in 2015, compared to 2014. Excluding a $181 million impact from a change in accounting presentation for a card program, noninterest income increased $1 million. Increases in card fees, service charges on deposit accounts and fiduciary income were largely offset by lower investment banking income, lower fee income on certain categories impacted by regulatory changes and decreases in

several non-fee categories.

- Noninterest expenses increased $216 million, or 13 percent, in 2015, compared to 2014. Excluding the $181 million impact from a change in accounting presentation for a card program and the benefit to 2015 from the release of $33 million of litigation reserves in the second and third quarters, noninterest expenses increased $68 million, or 4 percent, primarily due to increases in technology and regulatory expenses, outside processing fees and pension expense, partially offset by cost savings realized in 2015 from certain actions taken in the second half of 2014.
- The quarterly dividend was increased to 21 cents per share, or 5 percent, in April 2015.
- The Corporation repurchased approximately 5.1 million shares and 500,000 warrants in 2015 under the equity repurchase program. Together with dividends of $0.83 per share, $389 million, or 75 percent of 2015 net income, was returned to shareholders.

2016 OUTLOOK

Management expectations for 2016, compared to 2015, assuming a continuation of the current economic and low-rate environment, are as follows:

- Average loans modestly higher, in line with Gross Domestic Product growth, reflecting a continued decline in Energy more than offset by increases in most other lines of business.
- Net interest income higher, reflecting the benefits from the December 2015 short-term rate increase, loan growth and a larger securities portfolio more than offsetting higher funding costs.

Full-year benefit from the December rise in short-term rates expected to be more than $90 million if deposit prices remain at current levels.

- Provision for credit losses higher, with an estimated impact of $75 million to $125 million for energy and energy-related exposure, recognized primarily in the first quarter. Continued improvements in the remainder of the portfolio provide a partial offset.

Net charge-offs in line with historical normal levels.

- Noninterest income modestly higher, primarily due to growth in card fees from merchant processing services, government card and commercial card. Continued focus on cross-sell opportunities, including wealth management products such as fiduciary and brokerage services.
- Noninterest expenses higher, reflecting continued increases in technology costs and regulatory expenses, increased outside processing in line with growing revenue, higher FDIC insurance expense due to recent regulatory proposal, and typical inflationary pressures. Additionally, 2015 benefited from a $33 million legal reserve release, which is offset by lower pension expense in 2016.
- Income tax expense to approximate 32 percent of pre-tax income.

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RESULTS OF OPERATIONS

The following provides a comparative discussion of the Corporation's consolidated results of operations for 2015 compared to 2014. A comparative discussion of results for 2014 compared to 2013 is provided at the end of this section. For a discussion of the Critical Accounting Policies that affect the Consolidated Results of Operations, see the "Critical Accounting Policies" section of this Financial Review.

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

Years Ended December 31	2015			2014			2013		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Commercial loans	$31,501	$966	3.07 %	$29,715	$927	3.12 %	$27,971	$917	3.28 %
Real estate construction loans	1,884	66	3.48	1,909	65	3.41	1,486	57	3.85
Commercial mortgage loans	8,697	296	3.41	8,706	327	3.75	9,060	372	4.11
Lease financing	783	25	3.17	834	19	2.33	847	27	3.23
International loans	1,441	51	3.58	1,376	50	3.65	1,275	48	3.74
Residential mortgage loans	1,878	71	3.77	1,778	68	3.82	1,620	66	4.09
Consumer loans	2,444	80	3.26	2,270	73	3.20	2,153	71	3.30
Total loans (a) (b)	48,628	1,555	3.20	46,588	1,529	3.28	44,412	1,558	3.51
Mortgage-backed securities	9,113	202	2.24	8,970	209	2.33	9,246	213	2.33
Other investment securities	1,124	14	1.25	380	2	0.45	391	2	0.48
Total investment securities (c)	10,237	216	2.13	9,350	211	2.26	9,637	215	2.25
Interest-bearing deposits with banks	6,158	16	0.26	5,513	14	0.26	4,930	13	0.26
Other short-term investments	106	1	0.81	109	—	0.57	112	1	1.22
Total earning assets	65,129	1,788	2.75	61,560	1,754	2.85	59,091	1,787	3.03
Cash and due from banks	1,059			934			987		
Allowance for loan losses	(621)			(601)			(622)		
Accrued income and other assets	4,680			4,443			4,480		
Total assets	$70,247			$66,336			$63,936		
Money market and interest-bearing checking deposits	$24,073	26	0.11	$22,891	24	0.11	$21,704	28	0.13
Savings deposits	1,841	—	0.02	1,744	1	0.03	1,657	1	0.03
Customer certificates of deposit	4,209	16	0.37	4,869	18	0.36	5,471	23	0.42
Foreign office time deposits (d)	116	1	1.02	261	2	0.82	500	3	0.52
Total interest-bearing deposits	30,239	43	0.14	29,765	45	0.15	29,332	55	0.19
Short-term borrowings	93	—	0.05	200	—	0.04	211	—	0.07
Medium- and long-term debt (e)	2,905	52	1.80	2,963	50	1.68	3,972	57	1.45
Total interest-bearing sources	33,237	95	0.29	32,928	95	0.29	33,515	112	0.33
Noninterest-bearing deposits	28,087			25,019			22,379		
Accrued expenses and other liabilities	1,389			1,016			1,074		
Total shareholders' equity	7,534			7,373			6,968		
Total liabilities and shareholders' equity	$70,247			$66,336			$63,936		

Net interest income/rate spread (FTE)	$1,693	2.46	$1,659	2.56	$1,675	2.70
FTE adjustment (f)	$4		$4		$3	
Impact of net noninterest-bearing sources of funds		0.14		0.14		0.14
Net interest margin (as a percentage of average earning assets) (FTE) (a) (c)		2.60 %		2.70 %		2.84 %

(a) Accretion of the purchase discount on the acquired loan portfolio of $7 million, $34 million and $49 million increased the net interest margin by 1 basis point, 6 basis points and 8 basis points in 2015, 2014 and 2013, respectively.

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

(c) Includes investment securities available-for-sale and investment securities held-to-maturity. Average rate based on average historical cost. Carrying value exceeded average historical cost by $100 million, $12 million and $92 million in 2015, 2014 and 2013, respectively.

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

(e) Medium- and long-term debt average balances included $160 million, $192 million and $274 million in 2015, 2014 and 2013, respectively, for the gain attributed to the risk hedged with interest rate swaps. Interest expense on medium-and long-term debt was reduced by $70 million in 2015 and $72 million in both 2014 and 2013, for the net gains on these fair value hedge relationships.

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

RATE/VOLUME ANALYSIS - FTE
(in millions)

Years Ended December 31	2015/2014			2014/2013		
	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)
Interest Income (FTE):						
Commercial loans	$(15)	$54	$39	$(45)	$55	$10
Real estate construction loans	2	(1)	1	(6)	14	8
Commercial mortgage loans	(31)	—	(31)	(32)	(13)	(45)
Lease financing	8	(2)	6	(8)	—	(8)
International loans	(1)	2	1	(1)	3	2
Residential mortgage loans	(1)	4	3	(4)	6	2
Consumer loans	1	6	7	(2)	4	2
Total loans	(37) (b)	63	26 (b)	(98) (b)	69	(29) (b)
Mortgage-backed securities	(8)	1	(7)	—	(4)	(4)
Other investment securities	3	9	12	—	—	—
Total investment securities (c)	(5)	10	5	—	(4)	(4)
Interest-bearing deposits with banks	—	2	2	—	1	1
Other short-term investments	—	1	1	(1)	—	(1)
Total interest income (FTE)	(42)	76	34	(99)	66	(33)
Interest Expense:						
Money market and interest-bearing checking deposits	—	2	2	(5)	1	(4)
Savings deposits	(1)	—	(1)	—	—	—
Customer certificates of deposit	1	(3)	(2)	(3)	(2)	(5)
Foreign office time deposits	1	(2)	(1)	1	(2)	(1)
Total interest-bearing deposits	1	(3)	(2)	(7)	(3)	(10)
Medium- and long-term debt	3	(1)	2	9	(16)	(7)
Total interest expense	4	(4)	—	2	(19)	(17)
Net interest income (FTE)	$(46)	$80	$34	$(101)	$85	$(16)

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

(b) Reflected decreases of $27 million and $15 million in accretion of the purchase discount on the acquired loan portfolio in 2015 and 2014, respectively.

(c) Includes investment securities available-for-sale and investment securities held-to-maturity.

NET INTEREST INCOME

Net interest income is the difference between interest earned on assets and interest paid on liabilities. FTE adjustments are made to the yields on tax-exempt assets in order to present tax-exempt income and fully taxable income on a comparable basis. FTE adjustments totaled $4 million in both 2015 and 2014 and $3 million in 2013. Gains and losses related to the effective portion of risk management interest rate swaps that qualify as hedges are included with the interest expense of the hedged item. Net interest income on a FTE basis comprised 62 percent of total revenues in 2015 and 66 percent in both 2014 and 2013. The decrease in 2015 is due to an increase in noninterest income as described under the "Noninterest Income" subheading below. The “Analysis of Net Interest Income-Fully Taxable

Equivalent" table of this financial review provides an analysis of net interest income for the years ended December 31, 2015, 2014, and 2013. The rate-volume analysis in the table above details the components of the change in net interest income on a FTE basis for 2015 compared to 2014 and 2014 compared to 2013.

Net interest income was $1.7 billion in 2015, an increase of $34 million compared to 2014. The increase in net interest income resulted primarily from higher earning asset volume, partially offset by lower loan and investment yields, in part due to a $27 million decrease in the accretion of the purchase discount on the acquired loan portfolio and continued pressure on yields from the low-rate environment and changing loan portfolio dynamics. Average earning assets increased $3.6 billion, or 6 percent, primarily reflecting increases of $2.0 billion in average loans, $887 million in average investment securities and $645 million in average interest-bearing deposits with banks. Funding costs remained unchanged with lower interest expense on deposits, primarily due to lower time deposit balances, offset by an increase in interest expense on debt, primarily due to an increase in the portfolio average rate, largely as a result of the impact of maturities and new issues.

The net interest margin (FTE) in 2015 decreased 10 basis points to 2.60 percent, from 2.70 percent in 2014, primarily due to lower loan yields and an increase in average balances deposited with the Federal Reserve Bank (FRB), partially offset by higher average loan balances. The decrease in loan yields primarily reflected unfavorable portfolio dynamics and a decrease in accretion on the acquired loan portfolio, shifts in the average loan portfolio mix and the impact of a competitive low-rate environment, partially offset by a benefit from an increase in LIBOR rates. Accretion of the purchase discount on the acquired loan portfolio increased the net interest margin by 1 basis point in 2015, compared to 6 basis points in 2014. Average balances deposited with the FRB were $6.0 billion and $5.4 billion in 2015 and 2014, respectively, and are included in “interest-bearing deposits with banks” on the consolidated balance sheets.

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

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $147 million in 2015, compared to $27 million in 2014. 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 is recorded to maintain the allowance for loan losses at the level deemed appropriate by the Corporation to cover probable credit losses inherent in the portfolio. The provision for loan losses was $142 million in 2015, an increase of $120 million compared to $22 million in 2014, primarily reflecting increased provisions for Energy and energy-related loans, Technology and Life Sciences, Corporate Banking and Small Business.

Net loan charge-offs in 2015 increased $75 million to $100 million, or 0.21 percent of average total loans, compared to $25 million, or 0.05 percent, in 2014. The increase primarily reflected increases in Energy, general Middle Market (largely due to an increase in charge-offs on energy-related loans), Small Business (primarily due to the charge-off of a single large credit in 2015), Corporate Banking and Technology and Life Sciences, partially offset by an increase in net recoveries in Private Banking.

The provision for credit losses on lending-related commitments is recorded to maintain the allowance for credit losses on lending-related commitments at the level deemed appropriate by the Corporation to cover probable credit losses inherent in lending-related commitments. The provision for credit losses on lending-related commitments was $5 million in both 2015 and 2014. Lending-related commitment charge-offs were $1 million in 2015 and insignificant in 2014.

For further discussion of the allowance for loan losses and the allowance for credit losses on lending-related commitments, including the methodology used in the determination of the allowances and an analysis of the changes in the allowances, refer to Note 1 to the consolidated financial statements and the "Credit Risk" section of this financial review.

NONINTEREST INCOME

(in millions)

Years Ended December 31	2015	2014	2013
Card fees	$290	$92	$86
Card fees excluding presentation change (a)	109	92	86
Service charges on deposit accounts	223	215	214
Fiduciary income	187	180	171
Commercial lending fees	99	98	99
Letter of credit fees	53	57	64
Bank-owned life insurance	40	39	40
Foreign exchange income	40	40	36
Brokerage fees	17	17	17
Net securities losses	(2)	—	(1)
Other noninterest income (b)	103	130	156
Total noninterest income	$1,050	$868	$882
Total noninterest income excluding presentation change (a)	$869	$868	$882

(a) Effective January 1, 2015, contractual changes to a card program resulted in a change to the accounting presentation of the related revenues and expenses. The effect of this change was an increase of $181 million to card fees in 2015. The Corporation believes that this information will assist investors, regulators, management and others in comparing results to prior periods.

(b) The table below provides further details on certain categories included in other noninterest income.

Noninterest income increased $182 million to $1.1 billion in 2015, compared to $868 million in 2014. Excluding the $181 million impact of the change in accounting presentation on card fees as described in footnote (a) to the above table, noninterest income increased $1 million. An analysis of significant year over year changes by individual line item follows.

Card fees consist primarily of interchange and other fees earned on government card programs, commercial cards and debit/ATM cards, as well as, beginning in 2015, fees from providing merchant payment processing services. Card fees increased $198 million to $290 million in 2015, compared to $92 million in 2014. Two significant developments impacted the comparability of card fees between 2014 and 2015. First, as referenced in footnote (a) to the table above, the Corporation entered into a new contract for an existing government card program effective January 1, 2015. Changes to the terms of the contract resulted in a change to the presentation of the related revenue and expenses. In 2015, under the current contract, total revenue before related expenses was recorded in card fees, and related expenses were recorded in outside processing fee expense; whereas in 2014, under the terms of the prior contract, revenue was recorded in card fees net of the related expenses. The impact of this presentation change was a $181 million increase to card fees in 2015. Second, the Corporation changed its business model for providing merchant payment processing services. Previously, the Corporation's merchant payment processing revenue was earned through a joint venture, and the revenue was recorded in other noninterest income net of related expenses. The Corporation's participation in the joint venture concluded in the second quarter 2015. The net revenue from the joint venture included in other noninterest income was $3 million in 2015, compared to $14 million in 2014. The Corporation now directly enters into agreements with its merchant customers and records merchant services revenue in card fees ($17 million in 2015, zero in 2014) before the related expenses. A third party processes the transactions, and such processing expenses are recorded in outside processing fee expense ($16 million in 2015, $1 million in 2014, both years include start-up expenses). After adjusting for the $181 million impact of the contractual change to a government card program and the $17 million impact from the change to the Corporation's business model for providing merchant payment processing services, card fees were stable. For further information about the impact of the change to the merchant payment processing business model, refer to the "other noninterest income" discussion below and the "outside processing fee expense" discussion under the "Noninterest Expenses" subheading that follows.

Service charges on deposit accounts increased $8 million, or 4 percent, to $223 million in 2015, compared to $215 million in 2014. The increase in 2015 was primarily due to an increase in commercial service charges.

Fiduciary income increased $7 million, or 4 percent, to $187 million in 2015, compared to $180 million in 2014. Personal trust fees, institutional trust fees and investment advisory fees are the three major components of fiduciary income. These fees are based on services provided, assets under management and assets under administration. Fluctuations in the market values of the underlying assets managed or administered, which include both equity and fixed income securities, and net asset flows within client accounts, impact fiduciary income. The increase in 2015 was primarily due to an increase in investment advisory fees, largely driven by net asset inflows, as brokerage clients continue to transition from transactional services to investment advisory services, and the favorable impact on fees from market value increases.

Letter of credit fees decreased $4 million, or 7 percent, to $53 million in 2015, compared to $57 million in 2014. The decrease in 2015 was primarily due to regulatory-driven decreases in the volume of letters of credit outstanding.

Other noninterest income decreased $27 million, or 21 percent, to $103 million in 2015, compared to $130 million in 2014. The following table illustrates certain categories included in "other noninterest income" on the consolidated statements of income.

(in millions) Years Ended December 31	2015	2014	2013
Customer derivative income	$18	$22	$25
Investment banking fees	12	18	19
Insurance commissions	10	13	14
Securities trading income	9	9	14
Income from principal investing and warrants	6	10	14
Income from unconsolidated subsidiaries	2	8	10
Deferred compensation asset returns (a)	—	6	13
All other noninterest income	46	44	47
Other noninterest income	$103	$130	$156

(a) Compensation deferred by the Corporation's officers and directors is invested based on investment selections of the officers and directors. Income earned on these assets is reported in noninterest income and the offsetting change in liability is reported in salaries and benefits expense.

The decrease in other noninterest income primarily reflected decreases in investment banking fees, income from unconsolidated subsidiaries and deferred compensation plan asset returns. The decline in investment banking fees was largely due to decreased activity in the energy markets. Income from unconsolidated subsidiaries reflected the decrease of $11 million in income from the merchant payment processing joint venture that concluded in the second quarter 2015, as described further in the discussion of "card fees" above, partially offset by a decrease in tax credit investment amortization expense. The decrease in deferred compensation asset returns was offset by a decrease in deferred compensation expense in salaries and benefits expense.

NONINTEREST EXPENSES
(in millions)

Years Ended December 31	2015	2014	2013
Salaries and benefits expense	1,009	980	1,009
Outside processing fee expense	332	122	119
Outside processing fee expense excluding presentation change (a)	151	122	119
Net occupancy expense	159	171	160
Equipment expense	53	57	60
Software expense	99	95	90
FDIC insurance expense	37	33	33
Advertising expense	24	23	21
Litigation-related expense	(32)	4	52
Gain on debt redemption	—	(32)	(1)
Other noninterest expenses	161	173	179
Total noninterest expenses	$1,842	$1,626	$1,722
Total noninterest expenses excluding presentation change (a)	$1,661	$1,626	$1,722

(a) Effective January 1, 2015, contractual changes to a card program resulted in a change to the accounting presentation of the related revenues and expenses. The effect of this change was an increase of $181 million to outside processing fee expense in 2015. The Corporation believes that this information will assist investors, regulators, management and others in comparing results to prior periods.

Noninterest expenses increased $216 million to $1.8 billion in 2015, compared to $1.6 billion in 2014. Excluding the $181 million impact of the change in accounting presentation on outside processing fees as described in footnote (a) to the above table, noninterest expenses increased $35 million, or 2 percent, in 2015. Included in the $35 million increase was a $15 million increase in outside processing expense associated with the change in the Corporation's business model for providing merchant payment processing services, as previously described under the "Noninterest Income" subheading above and further discussed below. An analysis of significant increases and decreases by individual line item is presented below.

Salaries and benefits expense increased $29 million, or 3 percent, to $1.0 billion in 2015, compared to $980 million in 2014. The increase in salaries and benefits expense primarily reflected an increase in technology-related contract labor expenses, the impact of merit increases and higher defined benefit pension expense, partially offset by decreases in deferred compensation plan expense and lower severance and executive incentive compensation expense. An $8 million increase in pension expense was primarily due to the impact of changes to plan assumptions, including a decrease in the discount rate and a change in mortality assumptions, partially offset by the benefit of a $350 million contribution to the pension plan in the December 2014. The Corporation's incentive programs are designed to reward performance and provide market competitive total compensation opportunity. Business unit incentives are tied to various financial and strategic business objectives, while executive incentives are tied to the Corporation's overall performance and peer-based comparisons of results.

Outside processing fee expense increased $210 million to $332 million in 2015, compared to $122 million in 2014. Excluding the $181 million impact of the above-described change in accounting presentation, outside processing fee expense increased $29 million, or 24 percent, compared to 2014. The increase was primarily due to a $15 million increase in third-party processing expenses associated with the change in the Corporation's business model for providing merchant payment processing services, including up-front costs incurred for converting customers to the new vendor providing the services, as well as an increase associated with a retirement savings program and smaller increases in other outside processing expenses related to revenue-generating activities. Under the previous joint venture business model for merchant services, revenue was recorded net of related expenses, whereas under the new business model, expenses are recorded in outside processing fees.

Net occupancy and equipment expense decreased $16 million, or 7 percent, to $212 million in 2015, compared to $228 million in 2014. The decrease was primarily the result of lease termination charges of $10 million taken in 2014 as well as the 2015 benefit from those real estate optimization actions.

Litigation-related expense decreased $36 million in 2015, reflecting the release of $33 million of litigation reserves in the second and third quarters of 2015. For further information about legal proceedings, refer to Note 21 to the consolidated financial statements.

The Corporation recognized a gain on debt redemption of $32 million in 2014, on the early redemption of a $150 million subordinated note in the third quarter 2014, primarily from the recognition of the unamortized value of a related, previously terminated interest rate swap.

Other noninterest expenses decreased $12 million, or 7 percent, to $161 million in 2015, from $173 million in 2014, primarily reflecting a decrease in contributions to the Comerica Charitable Foundation in 2015.

INCOME TAXES AND RELATED ITEMS

The provision for income taxes was $229 million in 2015, compared to $277 million in 2014. The $48 million decrease in the provision for income taxes in 2015, compared to 2014, was due primarily to the decrease in pretax income as well as a $5 million tax benefit from the early termination of certain leveraged leases.

Net deferred tax assets were $199 million at December 31, 2015, compared to $130 million at December 31, 2014. The increase of $69 million resulted primarily from decreases in deferred tax liabilities related to lease financing transactions and net unrealized gains on investment securities available-for-sale, as well as an increase deferred tax assets related to the allowance for loan losses. Deferred tax assets of $429 million were evaluated for realization and it was determined that a valuation allowance of $3 million, related to state net operating loss carryforwards, was needed at December 31, 2015. There was no valuation allowance at December 31, 2014. These conclusions were based on available evidence of loss carryback capacity, projected future reversals of existing taxable temporary differences and assumptions made regarding future events.

2014 RESULTS OF OPERATIONS COMPARED TO 2013

Net interest income was $1.7 billion in 2014, a decrease of $17 million compared to 2013. The decrease in net interest income in 2014 resulted primarily from a $15 million decrease in the accretion of the purchase discount on the acquired loan portfolio. The benefits from a $2.5 billion, or 4 percent, increase in average earning assets and lower funding costs were offset by lower loan yields. The increase in average earning assets primarily reflected increases of $2.2 billion in average loans and $583 million in average interest-bearing deposits with banks, partially offset by a decrease of $287 million in average investment securities.

The net interest margin (FTE) in 2014 decreased 14 basis points to 2.70 percent, from 2.84 percent in 2013, primarily from decreased yields on loans and an increase in lower yielding FRB deposits, partially offset by lower deposit rates. The decrease in loan yields reflected the impact of a competitive rate environment, a decrease in accretion on the acquired loan portfolio, positive credit quality migration throughout the portfolio, lower LIBOR rates and the impact of a $9 million residual value adjustment to assets in the leasing portfolio. Accretion of the purchase discount on the acquired loan portfolio increased the net interest margin by 6 basis points in 2014, compared to 8 basis points in 2013. Average balances deposited with the FRB were $5.4 billion and $4.8 billion in 2014 and 2013, respectively, and are included in “interest-bearing deposits with banks” on the consolidated balance sheets. The "Analysis of Net Interest Income - Fully Taxable Equivalent (FTE)" and "Rate/Volume Analysis - FTE" tables under the "Net Interest Income" subheading in this section above provide an analysis of net interest income (FTE) for 2014 and 2013 and details the components of the change in net interest income on a FTE basis for 2014 compared to 2013.

The provision for credit losses, which includes both the provision for loan losses and the provision for credit losses on lending-related commitments, was $27 million in 2014, compared to $46 million in 2013. The provision for loan losses was $22 million in 2014 compared to $42 million in 2013. Credit quality in the loan portfolio continued to improve in 2014, compared to 2013. Improvements in credit quality included a decline of $367 million in the Corporation's criticized loan list from 2013 to 2014. Reflected in the decline in criticized loans was a decrease in nonaccrual loans of $77 million. Net loan charge-offs in 2014 decreased $48 million to $25 million, or 0.05 percent of average total loans, compared to $73 million, or 0.16 percent, in 2013. The $48 million decrease in net loan charge-offs in 2014, compared to 2013, reflected decreases in almost all business lines, with the largest decreases in Commercial Real Estate and general Middle Market, partially offset by an increase in Technology and Life Sciences. The provision for credit losses on lending-related commitments was $5 million in 2014, compared to $4 million in 2013. Lending-related commitment charge-offs were insignificant in 2014 and 2013.

Noninterest income decreased $14 million to $868 million in 2014, compared to $882 million in 2013. Fiduciary income increased $9 million, or 6 percent in 2014, primarily due to an increase in personal trust fees, largely driven by an increase in the volume of fiduciary services sold and the favorable impact on fees of market value increases. Card fees increased $6 million, or 6 percent in 2014, primarily reflecting a volume-driven increase in commercial charge card interchange revenue. Letter of credit fees decreased $7 million, or 12 percent in 2014, primarily due to regulatory-driven decreases in the volume of letters of credit outstanding. Foreign exchange income increased $4 million, or 9 percent, in 2014, primarily due to an increase in customer trading volume throughout the year. Other noninterest income decreased $26 million, or 16 percent, in 2014, compared to 2013. The decrease primarily reflected decreases in deferred compensation plan asset returns, income recognized from the Corporation's third-party credit card provider, securities trading income and income from principal investing and warrants. The decrease in deferred compensation plan asset returns was offset by a decrease in deferred compensation expense in salaries and benefits expense. The decrease in income from the Corporation's third-party credit card provider was primarily the result of a change in the timing of the recognition of incentives from annually to quarterly in 2013. Refer to the table provided under the “Noninterest Income” subheading previously in this section for the details of certain categories included in other noninterest income.

Noninterest expenses decreased $96 million, or 2 percent, in 2014, compared to 2013. Salaries and benefits expense decreased $29 million, or 3 percent, in 2014, primarily due to decreases in pension and deferred compensation expense, partially offset by the impact of merit increases and an increase in technology-related contract labor expense. Net occupancy and equipment expense increased $8 million, or 4 percent, in 2014, primarily the result of lease termination charges of $10 million taken in 2014 related to real estate optimization. Software expense increased $5 million, or 6 percent, in 2014, primarily due to an increase in amortization expense as a result of the completion of technology projects throughout the year. Litigation-related expenses decreased $48 million in 2014, primarily as a result of the recognition of a $52 million unfavorable jury verdict on a lender liability case in 2013. The Corporation recognized a gain on debt redemption of $32 million in 2014 on the early redemption of a $150 million subordinated note, primarily from the recognition of the unamortized value of a related, previously terminated interest rate swap. Other noninterest expenses decreased $6 million, or 4 percent, in 2014, primarily reflecting decreases of $5 million in other real estate expense and $5 million in losses on other foreclosed property, partially offset by an increase of $9 million in charitable contributions to the Comerica Charitable Foundation in 2014.

The provision for income taxes increased $32 million to $277 million in 2014, primarily due to an increase in pretax income.

STRATEGIC LINES OF BUSINESS

The Corporation's operations are strategically aligned into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based upon the products and services provided. In addition to the three major business segments, Finance is also reported as a segment. The Other category includes items not directly associated with these business segments or the Finance segment. The performance of the business segments is not comparable with the Corporation's consolidated results and is not necessarily comparable with similar information for any other financial institution. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. Market segment results are also provided for the Corporation's three primary geographic markets: Michigan, California and Texas. In addition to the three primary geographic markets, Other Markets is also reported as a market segment. Note 22 to the consolidated financial statements describes the Corporation's segment reporting methodology as well as the business activities of each business segment and presents financial results of these business segments for the years ended December 31, 2015, 2014 and 2013.

The Corporation's management accounting system assigns balance sheet and income statement items to each segment using certain methodologies, which are regularly reviewed and refined. These methodologies may be modified as the management accounting system is enhanced and changes occur in the organizational structure and/or product lines.

In the second quarter 2014, the Corporation enhanced the approach used to determine the standard reserve factors used in estimating the allowance for credit losses, which had the effect of capturing certain elements in the standard reserve component that had formerly been included in the qualitative assessment. The impact of the change was largely neutral to the total allowance for loan losses. However, because standard reserves are allocated to the segments at the loan level, while qualitative reserves are allocated at the portfolio level, the impact of the methodology change on the allowance of each segment reflected the characteristics of the individual loans within each segment's portfolio, causing segment reserves to increase or decrease accordingly. As a result, the current year provision for credit losses within each segment is not comparable to prior year amounts.

BUSINESS SEGMENTS

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

(dollar amounts in millions)

Years Ended December 31	2015			2014			2013		
Business Bank	$765	85	%	$822	86	%	$799	87	%
Retail Bank	47	5		44	5		36	4	
Wealth Management	85	10		84	9		79	9	
	897	100	%	950	100	%	914	100	%
Finance	(375	)		(357	)		(376	)	
Other (a)	(1	)		—			3		
Total	$521			$593			$541		

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

The Business Bank's net income of $765 million in 2015 decreased $57 million, compared to $822 million in 2014. Net interest income (FTE) of $1.5 billion increased $4 million in 2015, primarily the result of the benefit from an increase in average loans of $1.7 billion and the funds transfer pricing (FTP) benefit from a $2.4 billion increase in average deposits, partially offset by a decrease in accretion of the purchase discount on the acquired loan portfolio, lower loan yields and a lower FTP crediting rate. The increase in average loans primarily reflected increases in Technology and Life Sciences, Mortgage Banker Finance, National Dealer Services and Commercial Real Estate, partially offset by a decrease in Corporate Banking. Average deposits increased in nearly all lines of business, with the largest increases in general Middle Market, Technology and Life Sciences, Corporate Banking and Commercial Real Estate. The provision for credit losses increased $102 million, to $158 million in 2015, compared to the prior year. The increase in the provision primarily reflected increased reserves for loans related to energy, as a result of stress in the energy and energy-related portfolio as a result of sustained lower energy prices. Corporate Banking and

Technology and Life Sciences also contributed to the increase in the provision. These increases were partially offset by improvements in credit quality in the remainder of the portfolio. Net loan charge-offs of $89 million increased $73 million in 2015, compared to 2014, primarily reflecting increases in Energy, general Middle Market (largely due to an increase in charge-offs on energy-related loans), Corporate Banking and Technology and Life Sciences. Excluding the $181 million impact of the change in accounting presentation on card fees as described under the "Noninterest Income" subheading in the "Results of Operations" section of this financial review, noninterest income of $393 million in 2015 increased $1 million from the prior year, primarily reflecting a $13 million increase in card fees, partially offset by a $6 million decrease in income from unconsolidated subsidiaries and a $6 million decrease in investment banking fees, largely for the same reasons as previously discussed under the "Noninterest Income" subheading in the "Results of Operations" section of this financial review. Also excluding the impact of the change in accounting presentation for a card program, noninterest expenses of $605 million in 2015 increased $16 million compared to the prior year, primarily due to a $17 million increase in outside processing expenses, largely due to the increase in third-party processing expenses associated with the change to the Corporation's business model for providing merchant payment processing services, a $22 million increase in corporate overhead and a $4 million increase in salaries and benefits expense, primarily reflecting the impact of merit increases, largely offset by a $31 million decrease in litigation-related expense. The increase in corporate overhead expense was largely the result of increases in technology costs and regulatory expenses. Refer to the "Noninterest Expenses" subheading in the "Results of Operations" section of this financial review for further discussion of the change to the Corporation's business model for providing merchant payment processing services.

Net income for the Retail Bank of $47 million in 2015 increased $3 million, compared to $44 million in 2014. Net interest income (FTE) of $626 million increased $20 million in 2015, primarily due to the benefit provided by a $207 million increase in average loans, the FTP benefit provided by a $909 million increase in average deposits and lower deposit rates, partially offset by a lower FTP crediting rate and a decrease in accretion of the purchase discount on the acquired loan portfolio. The provision for credit losses was $8 million in 2015, compared to a benefit of $7 million in 2014, primarily reflecting a large provision in 2015 for a single credit in Small Business. Net loan charge-offs of $28 million in 2015 increased $18 million, compared to $10 million in 2014, mostly due to a charge-off of the same single credit in Small Business. The provision and charge-off in Small Business resulted from irregularities associated with a single customer loan relationship discovered in the first quarter 2016. Noninterest income of $185 million in 2015 increased $16 million compared to 2014, primarily due to a $9 million increase in revenue related to a retirement savings program and smaller increases in several other fee categories. The increase in revenue related to a retirement savings program was offset by a related $9 million increase in outside processing fees in noninterest expense. Noninterest expenses of $734 million in 2015 increased $19 million from the prior year, primarily due to a $13 million increase in outside processing expenses, mostly related to the retirement savings program and smaller increases related to other revenue-generating activities; and a $4 million increase in salaries and benefits expense, primarily reflecting the impact of merit increases.

Wealth Management's net income of $85 million in 2015 increased $1 million, compared to $84 million in 2014. Net interest income (FTE) of $179 million in 2015 decreased $2 million compared to 2014, primarily reflecting an increase in FTP funding charges and lower loan yields, partially offset by the benefit from a $148 million increase in average loans and the FTE benefit provided by a $346 million increase in average deposits. The provision for credit losses was a benefit of $20 million in 2015, compared to a benefit of $21 million in 2014. Net loan recoveries were $17 million in 2015, compared to net recoveries of $1 million in 2014. Noninterest income of $235 million decreased $6 million from the prior year, primarily reflecting a $4 million decrease resulting from securities losses of $2 million in 2015 compared to securities gains of $2 million in 2014, and small decreases in several other categories of noninterest income, partially offset by a $7 million increase in fiduciary income. Noninterest expenses of $305 million in 2015 decreased $5 million from the prior year, primarily due to a $5 million decrease in litigation-related expenses.

The net loss in the Finance segment was $375 million in 2015, compared to a net loss of $357 million in 2014. Net interest expense (FTE) of $632 million in 2015 decreased $30 million, compared to 2014, primarily reflecting a decrease in net FTP expense as a result of lower net rates paid to the business segments under the Corporation's internal FTP methodology. Noninterest income of $57 million in 2015 decreased $3 million compared to 2014, primarily due to a $4 million decrease in customer derivative income. An increase in noninterest expenses of $30 million in 2015 was primarily the result of the third quarter 2014 gain of $32 million on the early redemption of debt.

MARKET SEGMENTS

The table and narrative below present the market segment results, including prior periods, based on the structure and methodologies in effect at December 31, 2015. Note 22 to these consolidated financial statements presents a description of each of these market segments as well as the financial results for the years ended December 31, 2015, 2014 and 2013.

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

(dollar amounts in millions) Years Ended December 31	2015	2014	2013

Michigan	$325	36	%	$288	30	%	$252	28	%
California	297	33		274	29		270	29	
Texas	79	9		168	18		183	20	
Other Markets	196	22		220	23		209	23	
	897	100	%	950	100	%	914	100	%
Finance & Other (a)	(376	)		(357	)		(373	)	
Total	$521			$593			$541		

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

The Michigan market's net income of $325 million in 2015 increased $37 million, compared to net income of $288 million in 2014. Net interest income (FTE) of $720 million in 2015 increased $2 million, primarily due to the FTP benefit provided by a $849 million increase in average deposits and lower deposit rates, partially offset by lower loan yields, the impact of a $156 million decrease in average loans and a lower FTP crediting rate. The increase in average deposits primarily reflected increases in general Middle Market, Personal Banking and Small Business. The decrease in average loans resulted primarily from decreases in general Middle Market, Corporate Banking and Private Banking, partially offset by an increase in National Dealer Services. The provision for credit losses was a benefit of $27 million in 2015, an increase of $5 million compared to a benefit of $32 million in the prior year. Net loan charge-offs of $8 million for 2015 were unchanged from the prior year, primarily reflecting increases in general Middle Market and Corporate Banking, offset by decreases in Commercial Real Estate, Small Business and Private Banking. Noninterest income of $333 million in 2015 decreased $12 million from 2014, primarily reflecting decreases of $5 million in income from unconsolidated subsidiaries, $4 million in letter of credit fees, $4 million in customer derivative income and small decreases in several other noninterest income categories, partially offset by an $8 million increase in card fees. The changes in income from unconsolidated subsidiaries and card fees were primarily driven by the change to the Corporation's business model for providing merchant payment processing services. For further information about the business model change, refer to the "Noninterest Income" subheading in the "Results of Operations" section of this financial review. Noninterest expenses of $598 million in 2015 decreased $45 million from the prior year, primarily reflecting a $34 million decrease in litigation-related expenses, a $5 million gain on the disposal of fixed assets and small decreases in several noninterest expense categories, partially offset by an $8 million increase in outside processing expense, largely due to an increase in third-party processing expenses associated with the change to the Corporation's business model for providing merchant payment processing services. Refer to the "Noninterest Expenses" subheading in the "Results of Operations" section of this financial review for further discussion of the change to the Corporation's business model for providing merchant payment processing services.

The California market's net income of $297 million increased $23 million in 2015, compared to $274 million in 2014. Net interest income (FTE) of $736 million for 2015 increased $14 million from the prior year, primarily due to the benefit provided by a $1.2 billion increase in average loans and the FTP benefit provided by a $1.6 billion increase in average deposits, partially offset by a lower FTP crediting rate and lower loan yields. The increase in average loans and deposits both reflected increases in nearly all lines of business, with the largest increases in Technology and Life Sciences, National Dealer Services, and Commercial Real Estate. The provision for credit losses of $17 million in 2015 decreased $11 million from the prior year. An increase in the provision related to an increase in reserves for Technology and Life Sciences was more than offset by improvements in credit quality in the remainder of the portfolio. Net loan charge-offs of $18 million in 2015 decreased $4 million compared to 2014, primarily reflecting decreases in Private Banking and Corporate Banking. Noninterest income of $153 million in 2015 increased $6 million from the prior year, primarily due to a $4 million increase in card fees, which was largely driven by the change to the Corporation's business model for providing merchant payment processing services, and a $4 million increase in service charges on deposits, partially offset by a $5 million decrease in warrant income. For further information about the merchant services business model change, refer to the "Noninterest Income" subheading in the "Results of Operations" section of this financial review. Noninterest expenses of $408 million in 2015 increased $10 million from the prior year, primarily reflecting a $4 million increase in corporate overhead expenses and small increases in several other categories of noninterest expense. See the Business Bank discussion for an explanation of the increase in corporate overhead expense.

The Texas market's net income decreased $89 million to $79 million in 2015, compared to $168 million in 2014. Net interest income (FTE) of $521 million in 2015 decreased $21 million from the prior year, primarily due to a decrease in accretion of the purchase discount on the acquired loan portfolio, lower loan yields and a decrease in net FTP credits due to a lower FTP crediting rate, partially offset by the benefit provided by a $214 million increase in average loans and the FTP benefit provided by a $118 million increase in average deposits. The increase in average loans primarily reflected increases in Energy, Small Business and Private Banking, partially offset by decreases in Corporate Banking and Technology and Life Sciences. The increase in average deposits resulted primarily from increases in Personal Banking, Energy and Small Business, partially offset by decreases in general Middle Market and Technology and Life Sciences. The provision for credit losses of $131 million in 2015 increased $81 million from the prior year, primarily reflecting increased reserves for loans related to energy, partially offset by credit quality improvements in the remainder of the portfolio. Refer to the "Allowance for Credit Losses" and "Energy Lending" subheadings in the Risk Management section of this financial review for a discussion of the impact of sustained low oil and gas prices on the Corporation's portfolio of energy-related loans. Net loan charge-offs of $45 million for 2015 increased $36 million from the prior year, primarily reflecting increases in Energy and general Middle Market (largely due to an increase in charge-offs on energy-related loans). Noninterest income of $133 million in 2015 decreased $9 million from the prior year, primarily due to a $5 million decrease in investment banking fees and small decreases in several other noninterest income categories. Noninterest expenses of $389 million in 2015 increased $19 million from 2014, primarily due to a $9 million increase in corporate overhead expenses and small increases in several other categories of noninterest expense. See the Business Bank discussion for an explanation of the increase in corporate overhead expense.

Net income in Other Markets of $196 million in 2015 decreased $24 million compared to $220 million in 2014. Net interest income (FTE) of $339 million in 2015 increased $27 million from the prior year, primarily due to the benefit from an increase in average loans of $759 million and the FTP benefit provided by a $1.0 billion increase in average deposits, partially offset by the impact of a lower FTP crediting rate. The increase in average loans primarily reflected increases in Mortgage Banker Finance and Technology and Life Sciences. Average deposits increased in nearly all business lines, with the largest increases in

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Corporate Banking, Technology and Life Sciences and general Middle Market. The provision for credit losses was $25 million in 2015, an increase of $43 million compared to a benefit of $18 million in the prior year, primarily reflecting increases in Small Business, Corporate Banking, Commercial Real Estate and general Middle Market. Net loan charge-offs were $29 million in 2015, compared to net recoveries of $14 million in 2014, primarily reflecting increases in Small Business, Commercial Real Estate, Corporate Banking and general Middle Market. See the Retail Bank discussion for an explanation of the increase in Small Business provision and net charge-offs. Excluding the $181 million impact of the change in accounting presentation for a card program, noninterest income of $194 million in 2015 increased $26 million from the prior year, primarily reflecting a $9 million increase in income related to a retirement savings program and small increases in several other noninterest income categories. Excluding the impact of the change in accounting presentation for a card program, noninterest expenses of $249 million in 2015 increased $46 million compared to the prior year, primarily due to a $17 million increase in outside processing expense, largely due to third-party processing expense associated with the retirement savings program and merchant payment processing services associated with the change to the Corporation's business model for providing merchant payment processing services, as well as a $9 million increase in corporate overhead expense and small increases in several other categories of noninterest expense. See the Business Bank discussion for an explanation of the increase in corporate overhead expense. Refer to the "Noninterest Expenses" subheading in the "Results of Operations" section of this financial review for further discussion of the change to the Corporation's business model for providing merchant payment processing services.

The net loss for the Finance & Other category of $376 million in 2015 increased $19 million compared to 2014, primarily reflecting the after tax impact of a $30 million increase in noninterest expense in the Finance segment, largely due to the $32 million gain in 2014 on the early redemption of debt as previously discussed under the "Business Segments" subheading above.

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

December 31	2015	2014	2013
Michigan	214	214	216
Texas	133	135	140
California	103	104	105
Other Markets:			
Arizona	19	18	18
Florida	7	9	10
Canada	1	1	1
Total Other Markets	27	28	29
Total	477	481	490

BALANCE SHEET AND CAPITAL FUNDS ANALYSIS
ANALYSIS OF INVESTMENT SECURITIES AND LOANS
(in millions)

December 31	2015	2014		2013	2012	2011
Investment securities available-for-sale:						
U.S. Treasury and other U.S. government agency securities	$2,763	$526		$45	$35	$40
Residential mortgage-backed securities (a)	7,545	7,274	(b)	8,926	9,920	9,492
State and municipal securities	9	23		22	23	24
Corporate debt securities	1	51		56	58	47
Equity and other non-debt securities	201	242		258	261	501
Total investment securities available-for-sale	10,519	8,116		9,307	10,297	10,104
Investment securities held to maturity:						
Residential mortgage-backed securities (a)	1,981	1,935	(b)	—	—	—
Total investment securities	$12,500	$10,051		$9,307	$10,297	$10,104
Commercial loans	$31,659	$31,520		$28,815	$29,513	$24,996
Real estate construction loans	2,001	1,955		1,762	1,240	1,533
Commercial mortgage loans	8,977	8,604		8,787	9,472	10,264
Lease financing	724	805		845	859	905
International loans:						
Banks and other financial institutions	—	31		4	2	18
Commercial and industrial	1,368	1,465		1,323	1,291	1,152
Total international loans	1,368	1,496		1,327	1,293	1,170
Residential mortgage loans	1,870	1,831		1,697	1,527	1,526
Consumer loans:						
Home equity	1,720	1,658		1,517	1,537	1,655
Other consumer	765	724		720	616	630
Total consumer loans	2,485	2,382		2,237	2,153	2,285
Total loans	$49,084	$48,593		$45,470	$46,057	$42,679

(a) Issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.

(b) During the fourth quarter 2014, the Corporation transferred residential mortgage-backed securities from available-for sale to held-to-maturity.

EARNING ASSETS

Loans

Average total loans increased $2.0 billion, or 4 percent, to $48.6 billion in 2015, compared to $46.6 billion in 2014, primarily reflecting an increase of $1.8 billion, or 6 percent, in commercial loans. The following tables provide information about the changes in the Corporation's average loan portfolio in 2015, compared to 2014.

(dollar amounts in millions)				Percent
Years Ended December 31	2015	2014	Change	Change
Average Loans:				
Commercial loans by business line:				
General Middle Market	$10,289	$10,185	$104	1 %
National Dealer Services	4,333	4,012	321	8
Energy	3,365	3,211	154	5
Technology and Life Sciences	2,933	2,395	538	22
Environmental Services	845	865	(20)	(2)
Entertainment	618	536	82	15
Total Middle Market	22,383	21,204	1,179	6
Corporate Banking	3,088	3,324	(236)	(7)
Mortgage Banker Finance	1,843	1,301	542	42
Commercial Real Estate	884	788	96	12
Total Business Bank commercial loans	28,198	26,617	1,581	6
Total Retail Bank commercial loans	1,931	1,706	225	13
Total Wealth Management commercial loans	1,372	1,392	(20)	(1)
Total commercial loans	31,501	29,715	1,786	6
Real estate construction loans	1,884	1,909	(25)	(1)
Commercial mortgage loans	8,697	8,706	(9)	—
Lease financing	783	834	(51)	(6)
International loans	1,441	1,376	65	5
Residential mortgage loans	1,878	1,778	100	6
Consumer loans:				
Home equity	1,693	1,583	110	7
Other consumer	751	687	64	9
Consumer loans	2,444	2,270	174	8
Total loans	$48,628	$46,588	$2,040	4 %
Average Loans By Geographic Market:				
Michigan	$13,180	$13,336	$(156)	(1)%
California	16,613	15,390	1,223	8
Texas	11,168	10,954	214	2
Other Markets	7,667	6,908	759	11
Total loans	$48,628	$46,588	$2,040	4 %

Middle Market business lines generally serve customers with annual revenue between $20 million and $500 million. National Dealer Services primarily provides floor plan inventory financing to auto dealerships, and the $321 million increase in average National Dealer Services commercial loans largely reflected the increased volume of new car sales activity in 2015. Customers in the Energy business line are engaged in three segments of the oil and gas business: exploration and production (E&P), midstream and energy services. While average Energy commercial loans increased $154 million in 2015, compared to 2014, period-end Energy commercial loan balances decreased $488 million from December 31, 2014 to December 31, 2015, reflecting the impact of sustained lower oil and gas prices over the past six quarters. For more information on Energy and related loans, refer to "Energy Lending" in the "Risk Management section of this financial review. The Technology and Life Sciences business line serves two segments: (1) private equity and venture capital firms, referred to as equity fund services, and (2) companies that are typically owned by venture-capital firms, where significant equity is invested to create products and build companies around new intellectual property. The $538 million increase in average Technology and Life Sciences commercial loans primarily reflected growth of $471 million in equity fund services, where the line of business provides capital call or subscription lines, along with other financial services. Corporate Banking generally serves customers with revenue over $500 million, and the $236 million decrease in average Corporate Banking commercial loan balances generally reflected the Corporation's continued pricing and structure discipline in the competitive environment. Mortgage Banker Finance provides short-term, revolving lines of credit to independent mortgage banking companies and therefore balances tend to reflect the level of home sales and refinancing activity in the market as a whole. The $542 million increase in average Mortgage Banker Finance commercial loans reflected higher average home sales volume and increased refinancing activity in 2015, compared to 2014, as well as new and expanded relationships. Commercial real estate loans comprise real estate construction loans and commercial mortgage loans. Real estate construction loans primarily include loans in the Commercial Real Estate business line, which generally serves commercial real estate developers. Commercial mortgage loans are loans where the primary collateral is a lien on any real property and are primarily loans secured by owner occupied real estate. Real property is generally considered primary collateral if the value of that collateral represents more than 50 percent of the commitment at loan approval.

On a period-end basis, total loans were $49.1 billion at December 31, 2015, an increase of $491 million from December 31, 2014, primarily reflecting increases of $419 million, or 4 percent, in commercial real estate loans and $139 million in commercial loans. The increase in period-end commercial loans primarily reflected increases in Mortgage Banker Finance ($674 million) and Technology and Life Sciences ($496 million), partially offset by decreases in Energy ($488 million), general Middle Market ($487 million) and Corporate Banking ($459 million). The $419 million increase in period-end commercial real estate loans was primarily driven by an increase in commercial mortgage loans in the Commercial Real Estate business line. For more information on commercial real estate loans, refer to "Commercial Real Estate Lending" in the "Risk Management" section of this financial review.

ANALYSIS OF INVESTMENT SECURITIES PORTFOLIO (FTE)

(dollar amounts in millions)	Maturity (a) Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total		Weighted Average Maturity
December 31, 2015	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Years
U.S. Treasury and other U.S. government agency securities	$10	0.28 %	$2,753	1.58 %	$—	— %	$—	— %	$2,763	1.58 %	4.0
Residential mortgage-backed securities (b)	—	—	96	2.13	1,306	3.02	8,124	2.07	9,526	2.20	16.9
State and municipal securities (c)	—	—	2	0.58	2	0.58	5	0.58	9	0.58	11.4
Auction-rate debt securities	—	—	—	—	—	—	1	—	1	—	22.0
Equity and other non-debt securities:											
Auction-rate preferred securities (d)	—	—	—	—	—	—	67	0.44	67	0.44	—
Money market and other mutual funds (e)	—	—	—	—	—	—	134	—	134	—	—
Total investment securities	$10	0.28 %	$2,851	1.60 %	$1,308	3.01 %	$8,331	2.06 %	$12,500	2.05 %	14.0

(a)Based on final contractual maturity.

(b)Issued and/or guaranteed by U.S. government agencies or U.S. government-sponsored enterprises.

(c)Auction-rate securities.

(d)Auction-rate preferred securities have no contractual maturity; balances are excluded from the calculation of total weighted average maturity.

(e)Balances are excluded from the calculation of total yield and weighted average maturity.

Investment Securities

Investment securities increased $2.4 billion to $12.5 billion at December 31, 2015, from $10.1 billion at December 31, 2014, primarily reflecting the purchase of approximately $2.2 billion of U.S. Treasury securities, resulting from the reinvestment of excess Federal Reserve Bank deposits into higher yielding securities in the fourth quarter 2015. Net unrealized gains on investment securities available-for-sale were $28 million at December 31, 2015, compared to net unrealized gains of $81 million at December 31, 2014. At December 31, 2015, the weighted-average expected life of the Corporation's residential mortgage-backed securities portfolio was approximately 3.8 years. On an average basis, investment securities increased $887 million to $10.2 billion in 2015, compared to $9.4 billion in 2014.

The Corporation has been purchasing U.S. Treasury securities and reinvesting paydowns on residential mortgage-backed securities (RMBS) issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (government-sponsored enterprises, or GSEs) with RMBS issued by the Government National Mortgage Association (GNMA), as U.S. Treasury and GNMA securities receive more favorable treatment under Liquidity Coverage Ratio (LCR) rules. The following table provides a summary of securities issued and/or guaranteed by the U.S. government, its agencies and GSEs.

	December 31, 2015	December 31, 2014
(dollar amounts in millions)	Amount	Amount
U.S. Treasury and other U.S. government agency securities	2,763	526
RMBS issued by GNMA	3,806	2,111
RMBS issued by government-sponsored enterprises	5,720	7,098
Total RMBS	9,526	9,209
Total	$12,289	$9,735

As of December 31, 2015, the Corporation's auction-rate securities portfolio was carried at an estimated fair value of $77 million, compared to $136 million at December 31, 2014. During 2015, auction-rate securities with a par value of $63 million were redeemed or sold, resulting in net securities losses of $2 million. As of December 31, 2015, approximately 94 percent of the aggregate auction-rate securities par value had been redeemed or sold since the portfolio was acquired in 2008, for a cumulative net gain of $52 million.

Interest-Bearing Deposits with Banks and Other Short-Term Investments

Interest-bearing deposits with banks primarily include deposits with the FRB and also include deposits with banks in developed countries or international banking facilities of foreign banks located in the United States. Other short-term investments include federal funds sold, trading securities and loans held-for-sale. Substantially all trading securities are deferred compensation plan assets. Loans held-for-sale typically represent residential mortgage loans originated with management's intention to sell and, from time to time, other loans that are transferred to held-for-sale. Federal funds sold offer supplemental earnings opportunities and serve correspondent banks. Interest-bearing deposits with banks and federal funds sold provide a range of maturities of less than one year and are mostly used to manage liquidity requirements of the Corporation. Interest-bearing deposits with banks decreased $55 million to $5.0 billion at December 31, 2015. Other short-term investments increased $14 million to $113 million at December 31, 2015. On an average basis, interest-bearing deposits increased $645 million to $6.2 billion in 2015, compared to $5.5 billion in 2014, primarily reflecting a $622 million increase in average deposits with the FRB.

DEPOSITS AND BORROWED FUNDS

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

(dollar amounts in millions)				Percent
Years Ended December 31	2015	2014	Change	Change
Noninterest-bearing deposits	$28,087	$25,019	$3,068	12 %
Money market and interest-bearing checking deposits	24,073	22,891	1,182	5
Savings deposits	1,841	1,744	97	6
Customer certificates of deposit	4,209	4,869	(660)	(14)
Foreign office and other time deposits	116	261	(145)	(55)
Total deposits	$58,326	$54,784	$3,542	6 %
Short-term borrowings	$93	$200	$(107)	(53)%
Medium- and long-term debt	2,905	2,963	(58)	(2)
Total borrowed funds	$2,998	$3,163	$(165)	(5)%

Average deposits increased $3.5 billion, or 6 percent, to $58.3 billion in 2015, compared to $54.8 billion in 2014. Average deposits increased in almost all business lines from 2014 to 2015, with the largest increases in general Middle Market ($1.0 billion), Personal Banking ($645 million), Technology and Life Sciences ($494 million), Corporate Banking ($396 million), Private Banking ($315 million) and Small Business Banking ($264 million). Average deposits increased in all geographic markets from 2014 to 2015, including increases in California ($1.6 billion), Michigan ($849 million), Texas ($118 million) and Other Markets ($1.0 billion). Average noninterest-bearing deposits increased $3.1 billion, or 12 percent, to $28.1 billion in 2015, compared to $25.0 billion in 2014. At December 31, 2015, total deposits were $59.9 billion, an increase of $2.4 billion, or 4 percent, compared to $57.5 billion at December 31, 2014. Noninterest-bearing deposits were $30.8 billion at December 31, 2015, an increase of $3.6 billion, or 13 percent, compared to $27.2 billion at December 31, 2014. The growth in deposits generally reflects the significant liquidity of the Corporation's customers.

Short-term borrowings primarily include federal funds purchased and securities sold under agreements to repurchase. Average short-term borrowings decreased $107 million, to $93 million in 2015, compared to $200 million in 2014, primarily reflecting a decrease in securities sold under agreements to repurchase. Total short-term borrowings at December 31, 2015 were $23 million, a decrease of $93 million compared to $116 million at December 31, 2014.

Average medium- and long-term debt decreased $58 million, or 2 percent, to $2.9 billion in 2015, compared to $3.0 billion in 2014. The Corporation uses medium- and long-term debt to provide funding to support earning assets, liquidity and regulatory capital. Total medium- and long-term debt at December 31, 2015 increased $383 million to

$3.1 billion, compared to $2.7 billion at December 31, 2014. The net increase resulted from issuances of a total of $675 million of medium-term notes in the second and third quarters and $350 million of subordinated notes in the third quarter, partially offset by the maturities of $300 million of subordinated notes in the second quarter and $300 million of medium-term notes in the third quarter.

Further information on medium- and long-term debt is provided in Note 12 to the consolidated financial statements.

CAPITAL

Total shareholders' equity increased $158 million to $7.6 billion at December 31, 2015, compared to $7.4 billion at December 31, 2014. The following table presents a summary of changes in total shareholders' equity in 2015.

(in millions)		
Balance at January 1, 2015		$7,402
Net income		521
Cash dividends declared on common stock		(148)
Purchase of common stock		(240)
Purchase and retirement of warrants		(10)
Other comprehensive income (loss):		
Investment securities available-for-sale	$(28)	
Defined benefit and other postretirement plans	11	
Total other comprehensive income (loss)		(17)
Issuance of common stock under employee stock plans		14
Share-based compensation		38
Balance at December 31, 2015		$7,560

Further information about other comprehensive income (loss) is provided in the consolidated statements of comprehensive income and Note 14 to the consolidated financial statements.

The Federal Reserve completed its 2015 Comprehensive Capital Analysis and Review (CCAR) in March 2015 and did not object to the Corporation's 2015/2016 capital plan and the capital distributions contemplated in the plan. The plan provides for up to $393 million in equity repurchases for the five-quarter period ending June 30, 2016. At December 31, 2015, up to $210 million remained available for equity repurchases under the plan. Share repurchases totaled $232 million (5.1 million shares) and warrant repurchases totaled $10 million (500,000 warrants) in 2015. The pace of future equity repurchases will be linked to the Corporation's overall capital position and financial condition. The 2016 capital plan will be submitted to the Federal Reserve for review in April 2016 and a response is expected in June 2016.

The following table summarizes the Corporation’s equity repurchase activity for the year ended December 31, 2015.

(shares in thousands)	Total Number of Shares and Warrants Purchased as Part of Publicly Announced Repurchase Plans or Programs	Remaining Repurchase Authorization (a)		Total Number of Shares Purchased (b)	Average Price Paid Per Share	Average Price Paid Per Warrant (c)
Total first quarter 2015	1,354	12,728		1,517	43.38	—
Total second quarter 2015	1,513	19,608	(d)	1,523	48.00	20.70
Total third quarter 2015	1,234	18,374		1,260	47.75	—
October 2015	649	17,725		652	42.52	—
November 2015	629	17,096		632	45.73	—
December 2015	192	16,904		192	44.74	—
Total fourth quarter 2015	1,470	16,904		1,476	44.19	—
Total 2015	5,571	16,904		5,776	$45.54	$20.70

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

(b) Includes approximately 205,000 shares (including 6,000 shares for the quarter ended December 31, 2015) purchased pursuant to deferred compensation plans and shares purchased from employees to pay for required minimum tax withholding related to restricted stock vesting under the terms of an employee share-based compensation plan during the year ended December 31, 2015. These transactions are not considered part of the

Corporation's repurchase program.

(c) The Corporation repurchased 500,000 warrants under the repurchase program during the year ended December 31, 2015. Upon exercise of a warrant, the number of shares with a value equal to the aggregate exercise price is withheld from an exercising warrant holder as payment (known as a "net exercise provision"). During the year ended December 31, 2015, the Corporation withheld the equivalent of approximately 1,291,000 shares to cover an aggregate of $65.7 million in exercise price and issued approximately 934,000 shares to the exercising warrant holders. Shares withheld in connection with the net exercise provision are not included in the total number of shares or warrants purchased in the above table.

(d) Includes April 28, 2015 equity repurchase authorization for up to an additional 10.6 million shares and share-equivalents.

In April 2015, the Board of Directors of the Corporation (the Board) authorized the repurchase of up to an additional 10.0 million shares of Comerica Incorporated outstanding common stock, in addition to the 2.1 million shares remaining at March 31, 2015 under the Board's prior authorizations for the equity repurchase program initially approved in November 2010. Including the April 2015 authorization, a total of 40.3 million shares has been authorized for repurchase under the equity repurchase program since its inception in 2010. In April 2015, the Board also authorized the repurchase of up to an additional 2.6 million warrants, in addition to the 10.6 million warrants remaining at March 31, 2015 under an authorization initially approved in November 2010. There is no expiration date for the Corporation's equity repurchase program.

In April 2015, the Board approved a 1-cent increase in the quarterly common dividend, to $0.21 per share. The 2015 dividend increase was contemplated in the Corporation's 2015/2016 capital plan. The Corporation declared common dividends in 2015 totaling $148 million, or $0.83 per share, on net income of $521 million, compared to common dividends totaling $0.79 per share in 2014. The dividend payout ratio, calculated on a per share basis, was 28 percent in 2015, compared to 24 percent in 2014. Including share repurchases under the equity repurchase program, the total payout to shareholders was 75 percent in 2015, compared to 66 percent in 2014.

The Corporation periodically conducts stress tests to evaluate potential impacts to the Corporation's forecasted financial condition under various economic scenarios and business conditions. These stress tests are a normal part of the Corporation's overall risk management and capital planning process and are part of the forecasting process used by the Corporation to conduct the enterprise-wide stress test that was part of CCAR. For additional information about risk management processes, refer to the "Risk Management" section of this financial review.

The U.S. adoption of the Basel III regulatory capital framework (Basel III) became effective for the Corporation on January 1, 2015. Basel III includes a more stringent definition of capital and introduces a new common equity Tier 1 (CET1) capital requirement; sets forth two comprehensive methodologies for calculating risk-weighted assets (RWA), a standardized approach and an advanced approach; introduces two new capital buffers, a conservation buffer and a countercyclical buffer (applicable to advanced approach entities); establishes a new supplemental leverage ratio (applicable to advanced approach entities); and sets out minimum capital ratios and overall capital adequacy standards. Certain deductions and adjustments to regulatory capital phase in and will be fully implemented on January 1, 2018. The capital conservation buffer phases in beginning January 1, 2016 and will be fully implemented on January 1, 2019.

Under Basel III, CET1 capital predominantly includes common shareholders' equity, less certain deductions for goodwill, intangible assets and deferred tax assets that arise from net operating losses and tax credit carry-forwards. Additionally, the Corporation has elected to permanently exclude capital in accumulated other comprehensive income (AOCI) related to debt and equity securities classified as available-for-sale as well as for defined benefit postretirement plans from CET1, an option available to standardized approach entities under Basel III. Tier 1 capital incrementally includes noncumulative perpetual preferred stock. Tier 2 capital includes Tier 1 capital as well as subordinated debt qualifying as tier 2 and qualifying allowance for credit losses. Certain deductions and adjustments to CET1 capital, Tier 1 capital and Tier 2 capital are subject to phase-in through December 31, 2017.

The Corporation computes RWA using the standardized approach. Under the standardized approach, RWA is generally based on supervisory risk-weightings which vary by counterparty type and asset class. Under the Basel III standardized approach, capital is required for credit risk RWA, to cover the risk of unexpected losses due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms; and if trading assets and liabilities exceed certain thresholds, capital is also required for market risk RWA, to cover the risk of losses due to adverse market movements or from position-specific factors.

The following table presents the minimum ratios required to be considered "adequately capitalized" as of December 31, 2015 and December 31, 2014.

	2015		2014	
December 31	Basel III Rules		Basel I Rules	
Common equity tier 1 capital to risk-weighted assets	4.5	% (a)	n/a	
Tier 1 capital to risk-weighed assets	6.0	(a)	4.0	%
Total capital to risk-weighted assets	8.0	(a)	8.0	
Tier 1 capital to adjusted average assets (leverage ratio)	4.0		3.0	

(a) In order to avoid restrictions on capital distributions and discretionary bonuses, the Corporation will also be required to maintain a minimum capital conservation buffer, which phases in at 0.625% beginning on January 1, 2016 and ultimately increases to 2.5% on January 1, 2019.

n/a - not applicable.

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

	2015			2014		
December 31	(Basel III Rules)			(Basel I Rules)		
(dollar amounts in millions)	Capital/Assets	Ratio		Capital/Assets	Ratio	
Common equity tier 1	$7,350	10.54	%	n/a	n/a	
Tier 1 common (a)	n/a	n/a		$7,169	10.50	%
Tier 1 risk-based	7,350	10.54		7,169	10.50	
Total risk-based	8,852	12.69		8,543	12.51	
Leverage	7,350	10.22		7,169	10.35	
Tangible common equity (a)	6,911	9.70		6,752	9.85	
Risk-weighted assets	69,731			68,273		

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

n/a - not applicable.

At December 31, 2015, the Corporation and its U.S. banking subsidiaries exceeded the capital ratios required for an institution to be considered “well capitalized” by the standards developed under the Federal Deposit Insurance Corporation Improvement Act of 1991. Refer to Note 20 to the consolidated financial statements for further discussion of regulatory capital requirements and capital ratio calculations.

RISK MANAGEMENT

As a result of conducting business in the normal course, the Corporation assumes various types of risk. The Corporation's enterprise risk framework provides a process for identifying, measuring, controlling and managing these risks. This framework incorporates a risk assessment process, a collection of risk committees that manage the Corporation's major risk elements, and a risk appetite statement that outlines the levels and types of risks the Corporation accepts. The Corporation continuously enhances its enterprise risk framework with additional processes, tools and systems designed to not only provide management with deeper insight into the Corporation's various existing and emerging risks in accordance with its appetite for risk, but also to improve the Corporation's ability to control those risks and ensure that appropriate consideration is received for the risks taken.

The Corporation’s front line employees, the first line of defense, are responsible for the day to day management of risks including the identification, assessment, measurement and control of risks encountered as a part of the normal course of business. Risks are further monitored, measured and controlled by the second line of defense, specialized risk managers for each of the major risk categories who aid in the identification, measurement, and control of organizational risks. The majority of these risk managers report into the Office of Enterprise Risk. The Office of Enterprise Risk, led by the Chief Risk Officer, is responsible for designing and managing the Corporation’s enterprise risk framework and ensures effective risk management oversight. Risk management committees serve as a point of review and escalation for those risks which may have risk interdependencies or where risk levels may be nearing the limits outlined in the Corporation’s risk appetite statement. These committees comprise senior and executive management that represent views from both the lines of business and risk management. Internal Audit, the third line of defense, monitors and assesses the overall effectiveness of the risk management framework on an ongoing basis and provides an independent assessment of the Corporation’s ability to manage and control risk to management and the Audit Committee of the Board.

The Enterprise-Wide Risk Management Committee, established by the Enterprise Risk Committee of the Board, is responsible for governance over the risk management framework, providing oversight in managing the Corporation's aggregate risk position and reporting on the comprehensive portfolio of risks as well as the potential impact these risks can have on the Corporation's risk profile and resulting capital level. The Enterprise-Wide Risk Management Committee is principally composed of senior officers and executives representing the different risk areas and business units who are appointed by the Chairman and Chief Executive Officer of the Corporation.

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

Further discussion and analyses of each major risk area are included in the following sub-sections of the Risk Management section in this financial review.

CREDIT RISK

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

Credit Administration manages credit policy and provides the resources to manage the line of business transactional credit risk, assuring that all exposure is risk rated according to the requirements of the credit risk rating policy and providing business segment reporting support as necessary. The Corporation's Asset Quality Review function, a division of Internal Audit, audits the accuracy of internal risk ratings that are assigned by the lending and credit groups. The Special Assets Group is responsible for managing the recovery process on distressed or defaulted loans and loan sales.

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

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

Years Ended December 31	2015	2014	2013	2012	2011
Balance at beginning of year	$594	$598	$629	$726	$901
Loan charge-offs:					
Commercial	139	59	91	112	192
Real estate construction	—	—	3	8	37
Commercial mortgage	3	22	36	89	139
Lease financing	1	—	—	—	—
International	14	6	—	3	7
Residential mortgage	1	2	4	13	15
Consumer	10	13	19	20	33
Total loan charge-offs	168	102	153	245	423
Recoveries:					
Commercial	33	34	42	39	33
Real estate construction	1	4	7	6	14
Commercial mortgage	21	28	20	18	26
Lease financing	—	2	1	—	11
International	—	—	—	2	5
Residential mortgage	2	4	4	2	2
Consumer	11	5	6	8	4
Total recoveries	68	77	80	75	95
Net loan charge-offs	100	25	73	170	328
Provision for loan losses	142	22	42	73	153
Foreign currency translation adjustment	(2)	(1)	—	—	—
Balance at end of year	$634	$594	$598	$629	$726
Net loan charge-offs during the year as a percentage of average loans outstanding during the year	0.21%	0.05%	0.16%	0.39%	0.82%

Allowance for Credit Losses

The allowance for credit losses includes both the allowance for loan losses and the allowance for credit losses on lending-related commitments. The allowance for loan losses represents management's assessment of probable, estimable losses inherent in the Corporation's loan portfolio. The allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, provides for probable losses inherent in lending-related commitments, including unused commitments to extend credit and standby letters of credit. Refer to Note 1 to the consolidated financial statements for a discussion of the methodology used in the determination of the allowance for credit losses.

U.S. economic data at the end of 2015 was mixed, with modest real Gross Domestic Product (GDP) growth seen throughout the year. U.S. manufacturing faced many opposing forces. Low gasoline prices and strengthening household income supported strong demand for new vehicles. U.S. auto sales reached their highest level in 15 years in 2015, with nearly 17.5 million units sold. However, sustained low oil prices created stress in energy and related industries, and soft global demand, coupled with the strong U.S. dollar, created headwinds for many U.S. manufacturing industries outside of the auto sector. Yet U.S. households are being supported by strong job growth, with the unemployment rate down to 5.0 percent in December. Wage income was up by 4.5 percent over the previous 12 months, while the consumer price index was essentially unchanged for the year due to lower energy prices. Rising incomes, still-low mortgage rates and increasing confidence are supporting new home construction. House prices are rising consistently in most areas, creating wealth for home owners.

An analysis of the coverage of the allowance for loan losses is provided in the following table.

Years Ended December 31	2015	2014	2013

Allowance for loan losses as a percentage of total loans at end of year	1.29	%	1.22	%	1.32	%
Allowance for loan losses as a percentage of total nonperforming loans at end of year	167		205		160	
Allowance for loan losses as a multiple of total net loan charge-offs for the year	6.3x		23.5x		8.2x	

The allowance for loan losses was $634 million at December 31, 2015, compared to $594 million at December 31, 2014, an increase of $40 million, or 7 percent. While the overall quality of the loan portfolio remained solid through the end of 2015, sustained lower energy prices, economic complexity and uncertainty continued to be a consideration when determining the appropriateness of the allowance for loan losses. Reserves increased, primarily reflecting increases in reserves allocated for energy and energy-related exposure as well as Technology and Life Sciences, partially offset by improved credit quality in the remainder of the portfolio. The increase in reserves for energy and energy-related exposure reflected stress in the energy and energy-related portfolio as a result of sustained lower energy prices. Technology and Life Sciences reserves increased largely as a result of the levels and trends of charge-offs.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	2015			2014		2013		2012		2011	
(dollar amounts in millions) December 31	Allocated Allowance	Allowance Ratio (a)	% (b)	Allocated Allowance	% (b)	Allocated Allowance	% (b)	Allocated Allowance	% (b)	Allocated Allowance	% (b)
Business loans											
Commercial	$463	1.46 %	65 %	$388	65 %	$346	63 %	$297	63 %	$303	58 %
Real estate construction	12	0.60	4	20	4	16	4	16	3	48	4
Commercial mortgage	93	1.03	18	120	18	159	19	227	21	281	24
Lease financing	3	0.39	1	2	1	4	2	4	2	7	2
International	8	0.62	3	4	3	6	3	8	3	9	3
Total business loans	579	1.30	91	534	91	531	91	552	92	648	91
Retail loans											
Residential mortgage	14	0.76	4	14	4	17	4	20	3	21	4
Consumer	41	1.64	5	46	5	50	5	57	5	57	5
Total retail loans	55	1.26	9	60	9	67	9	77	8	78	9
Total loans	$634	1.29 %	100 %	$594	100 %	$598	100 %	$629	100 %	$726	100 %

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

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

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

The allowance for credit losses on lending-related commitments was $45 million at December 31, 2015 compared to $41 million at December 31, 2014. The $4 million increase in the allowance for credit losses on lending-related commitments primarily reflected the impact of downgrades of energy and energy-related unfunded commitments and issued letters of credit. An analysis of changes in the allowance for credit losses on lending-related commitments is presented below.

(dollar amounts in millions) Years Ended December 31	2015	2014	2013	2012	2011
Balance at beginning of year	$41	$36	$32	$26	$35
Charge-offs on lending-related commitments (a)	(1)	—	—	—	—
Provision for credit losses on lending-related commitments	5	5	4	6	(9)
Balance at end of year	$45	$41	$36	$32	$26

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

For additional information regarding the allowance for credit losses, refer to the "Critical Accounting Policies" section of this financial review and Notes 1 and 4 to the consolidated financial statements.

Nonperforming Assets

Nonperforming assets include loans on nonaccrual status, troubled debt restructured loans (TDRs) which have been renegotiated to less than the original contractual rates (reduced-rate loans) and foreclosed property. TDRs include performing and nonperforming loans. Nonperforming TDRs are either on nonaccrual or reduced-rate status.

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

December 31	2015	2014	2013	2012	2011
Nonaccrual loans:					
Business loans:					
Commercial	$238	$109	$81	$103	$237
Real estate construction	1	2	21	33	101
Commercial mortgage	60	95	156	275	427
Lease financing	6	—	—	3	5
International	8	—	4	—	8
Total nonaccrual business loans	313	206	262	414	778
Retail loans:					
Residential mortgage	27	36	53	70	71
Consumer:					
Home equity	27	30	31	31	5
Other consumer	—	1	4	4	6
Total consumer	27	31	35	35	11
Total nonaccrual retail loans	54	67	88	105	82
Total nonaccrual loans	367	273	350	519	860
Reduced-rate loans	12	17	24	22	27
Total nonperforming loans	379	290	374	541	887
Foreclosed property	12	10	9	54	94
Total nonperforming assets	$391	$300	$383	$595	$981
Gross interest income that would have been recorded had the nonaccrual and reduced-rate loans performed in accordance with original terms	$27	$25	$34	$62	$74
Interest income recognized	5	6	5	5	11
Nonperforming loans as a percentage of total loans	0.77 %	0.60 %	0.82 %	1.17 %	2.08 %
Nonperforming assets as a percentage of total loans and foreclosed property	0.80	0.62	0.84	1.29	2.29
Loans past due 90 days or more and still accruing	$17	$5	$16	$23	$58
Loans past due 90 days or more and still accruing as a percentage of total loans	0.03 %	0.01 %	0.03 %	0.05 %	0.14 %

Nonperforming assets increased $91 million to $391 million at December 31, 2015, from $300 million at December 31, 2014. The increase in nonperforming assets primarily reflected an increase of $129 million in nonaccrual commercial loans, largely the result of a $134 million increase in nonaccrual energy and energy-related loans, partially offset by a $35 million decrease in nonaccrual commercial mortgage loans. Nonperforming assets were 0.80 percent of total loans and foreclosed property at December 31, 2015, compared to 0.62 percent at December 31, 2014.

The following table presents a summary of TDRs at December 31, 2015 and 2014.
(in millions)

December 31	2015	2014
Nonperforming TDRs:		
Nonaccrual TDRs	$100	$58
Reduced-rate TDRs	12	17
Total nonperforming TDRs	112	75

Performing TDRs (a)	128	43
Total TDRs	$240	$118

(a) TDRs that do not include a reduction in the original contractual interest rate which are performing in accordance with their modified terms.

The $85 million increase in performing TDRs and the $42 million increase in nonaccrual TDRs from December 31, 2014 to December 31, 2015 primarily reflected increases in energy and energy-related loans.

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

(in millions)		
Years Ended December 31	2015	2014
Balance at beginning of period	$273	$350
Loans transferred to nonaccrual (a)	358	167
Nonaccrual business loan gross charge-offs (b)	(132)	(87)
Loans transferred to accrual status (a)	(4)	(18)
Nonaccrual business loans sold (c)	(3)	(36)
Payments/other (d)	(125)	(103)
Balance at end of period	$367	$273
(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	$132	$87
Performing business loans	25	—
Retail loans	11	15
Total gross loan charge-offs	$168	$102
(c) Analysis of loans sold:		
Nonaccrual business loans	$3	$36
Performing criticized loans	10	19
Total loans sold	$13	$55

(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 gross charge-offs. Excludes business loan gross charge-offs and nonaccrual business loans sold.

There were 25 borrowers with balances greater than $2 million, totaling $358 million, transferred to nonaccrual status in 2015, an increase of $191 million when compared to $167 million in 2014. Of the transfers to nonaccrual greater than $2 million in 2015, $226 million were energy and energy-related.

The following table presents the composition of nonaccrual loans by balance and the related number of borrowers at December 31, 2015 and 2014.

	2015		2014	
(dollar amounts in millions)	Number of Borrowers	Balance	Number of Borrowers	Balance
Under $2 million	1,300	$112	1,492	$154
$2 million - $5 million	12	34	15	48
$5 million - $10 million	8	57	3	22
$10 million - $25 million	4	58	2	23
Greater than $25 million	3	106	1	26
Total	1,327	$367	1,513	$273

The following table presents a summary of nonaccrual loans at December 31, 2015 and loans transferred to nonaccrual and net loan charge-offs for the year ended December 31, 2015, based on North American Industry Classification System (NAICS) categories.

	December 31, 2015		Year Ended December 31, 2015			
(dollar amounts in millions) Industry Category	Nonaccrual Loans		Loans Transferred to Nonaccrual (a)		Net Loan Charge-Offs (Recoveries)	
Mining, Quarrying and Oil & Gas Extraction (b)	$139	38%	$204	57%	$44	44%
Real Estate and Home Builders	29	8	—	—	(9)	(9)
Services	28	8	9	3	(4)	(4)
Retail Trade	27	8	40	10	26	26
Residential Mortgage	27	7	—	—	(1)	(1)
Manufacturing (b)	26	7	58	16	11	11
Health Care and Social Assistance	20	5	—	—	—	—
Contractors (b)	16	4	9	3	—	—
Holding and Other Investment Companies	10	3	—	—	(9)	(9)
Utilities (b)	9	2	11	3	6	6
Wholesale Trade (c)	1	—	14	4	32	32
Other (d)	35	10	13	4	4	4
Total	$367	100%	$358	100%	$100	100%

(a) Based on an analysis of nonaccrual loans with book balances greater than $2 million.

(b) Included nonaccrual energy and energy-related loans of approximately $138 million in Mining, Quarrying and Oil & Gas Extraction, $14 million in Contractors, $5 million in Utilities and $4 million in Manufacturing at December 31, 2015.

(c) Included a charge-off resulting from irregularities associated with single customer loan relationship in Small Business.

(d) Consumer, excluding residential mortgage and certain personal purpose nonaccrual loans and net charge-offs, is included in the “Other” category.

Loans past due 90 days or more and still accruing interest generally represent loans that are well collateralized and in a continuing process of collection. Loans past due 90 days or more increased $12 million to $17 million at December 31, 2015, compared to $5 million at December 31, 2014. Loans past due 30-89 days decreased $34 million to $129 million at December 31, 2015, compared to $163 million at December 31, 2014. An aging analysis of loans included in Note 4 to the consolidated financial statements provides further information about the balances comprising past due loans.

The following table presents a summary of total criticized loans. The Corporation's criticized list is consistent with the Special Mention, Substandard and Doubtful categories defined by regulatory authorities. Criticized loans with balances of $2 million or more on nonaccrual status or whose terms have been modified in a TDR are individually subjected to quarterly credit quality reviews, and the Corporation may establish specific allowances for such loans. A table of loans by credit quality indicator included in Note 4 to the consolidated financial statements provides further information about the balances comprising total criticized loans.

(dollar amounts in millions) December 31	2015	2014
Total criticized loans	$3,193	$1,893
As a percentage of total loans	6.5%	3.9%

The $1.3 billion increase in criticized loans from December 31, 2014 to December 31, 2015 included a $1.2 billion increase in criticized energy and energy-related loans. For further information about criticized energy and energy-related loans, refer to the "Energy Lending" subheading later in this section.

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

(in millions)

Years Ended December 31	2015	2014
Balance at beginning of period	$10	$9
Acquired in foreclosure	12	16
Write-downs	(1)	(1)
Foreclosed property sold (a)	(9)	(14)
Balance at end of period	$12	$10
(a) Net gain on foreclosed property sold	$3	$5

For further information regarding the Corporation's nonperforming assets policies and impaired loans, refer to Note 1 and Note 4 to the consolidated financial statements.

Concentration of Credit Risk

Concentrations of credit risk may exist when a number of borrowers are engaged in similar activities, or activities in the same geographic region, and have similar economic characteristics that would cause them to be similarly impacted by changes in economic or other conditions. The Corporation has a concentration of credit risk with the automotive industry. All other industry concentrations, as defined by management, individually represented less than 10 percent of total loans at December 31, 2015.

The following table presents a summary of loans outstanding to companies related to the automotive industry.

	2015			2014		
(in millions)	Loans	Percent of		Loans	Percent of	
December 31	Outstanding	Total Loans		Outstanding	Total Loans	
Production:						
Domestic	$892			$883		
Foreign	374			353		
Total production	1,266	2.6	%	1,236	2.5	%
Dealer:						
Floor plan	3,939			3,790		
Other	2,634			2,641		
Total dealer	6,573	13.4	%	6,431	13.2	%
Total automotive	$7,839	16.0	%	$7,667	15.8	%

Substantially all dealer loans are in the National Dealer Services business line. Loans in the National Dealer Services business line primarily include floor plan financing and other loans to automotive dealerships. Floor plan loans, included in “commercial loans” in the consolidated balance sheets, totaled $3.9 billion at December 31, 2015, an increase of $149 million compared to $3.8 billion at December 31, 2014. At December 31, 2015 other loans in the National Dealer Services business line totaled $2.6 billion, including $1.7 billion of owner-occupied commercial real estate mortgage loans, compared to $2.6 billion, including $1.5 billion of owner-occupied commercial real estate mortgage loans, at December 31, 2014. 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 $1.3 billion and $1.2 billion at December 31, 2015 and 2014, respectively.

December 31, 2015, dealer loans, as shown in the table above, totaled $6.6 billion, of which approximately $4.1 billion, or 63 percent, were to foreign franchises, and $1.9 billion, or 28 percent, were to domestic franchises. Other dealer loans, totaling $561 million, or 9 percent, at December 31, 2015, include obligations where a primary franchise was indeterminable, such as loans to large public dealership consolidators and rental car, leasing, heavy truck and recreation vehicle companies.

There were no nonaccrual loans to automotive borrowers at December 31, 2015, compared to $4 million at December 31, 2014. There were no automotive net loan charge-offs in 2015 and 2014.

For further information regarding significant group concentrations of credit risk, refer to Note 5 to the consolidated financial statements.

Commercial Real Estate Lending

The following table summarizes the Corporation's commercial real estate loan portfolio by loan category.

(in millions)		
December 31	2015	2014
Real estate construction loans:		
Commercial Real Estate business line (a)	$1,681	$1,606
Other business lines (b)	320	349
Total real estate construction loans	$2,001	$1,955
Commercial mortgage loans:		
Commercial Real Estate business line (a)	$2,104	$1,790

Other business lines (b)	6,873	6,814
Total commercial mortgage loans	$8,977	$8,604

(a) Primarily loans to real estate 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, diversifying credit risk by geography and project type, and maintaining conservative policies on loan-to-value ratios for such loans. Commercial real estate loans, consisting of real estate construction and commercial mortgage loans, totaled $11.0 billion at December 31, 2015, of which $3.8 billion, or 34 percent, were to borrowers in the Commercial Real Estate business line, which includes loans to real estate developers. The remaining $7.2 billion, or 66 percent, of commercial real estate loans is to borrowers in other business lines and consisted primarily of owner-occupied commercial mortgages which bear credit characteristics similar to non-commercial real estate business loans. In the Texas market, commercial real estate loans totaled $2.6 billion at December 31, 2015, of which $1.4 billion were to borrowers in the Commercial Real Estate business line. Substantially all of the remaining $1.2 billion were owner-occupied commercial mortgages. Loans in the Commercial Real Estate business line secured by properties located in Texas totaled $1.1 billion at December 31, 2015, primarily including $611 million for multifamily projects, $197 million for commercial projects and $88 million for retail projects. No loans in the Commercial Real Estate business line that were secured by properties located in Texas were on nonaccrual status at December 31, 2015.

The real estate construction loan portfolio primarily contains loans made to long-time customers with satisfactory completion experience. Credit quality in the real estate construction loan portfolio was strong, with $1 million on nonaccrual status at December 31, 2015, compared to $2 million on nonaccrual status at December 31, 2014, and real estate construction loan net recoveries of $1 million in 2015 and $4 million in 2014.

Loans in the commercial mortgage portfolio generally mature within three to five years. Of the $2.1 billion of commercial mortgage loans in the Commercial Real Estate business line, $16 million were on nonaccrual status at December 31, 2015, compared to $1.8 billion with $22 million on nonaccrual status at December 31, 2014. Commercial mortgage loan net recoveries in the Commercial Real Estate business line were $5 million and $8 million in 2015 and 2014, respectively. In other business lines, $44 million and $73 million of commercial mortgage loans were on nonaccrual status at December 31, 2015 and 2014, respectively, and net recoveries were $13 million in 2015 compared to net charge-offs of $2 million in 2014.

Residential Real Estate Lending

The following table summarizes the Corporation's residential mortgage and home equity loan portfolios by geographic market.

(dollar amounts in millions)	2015						2014					
December 31	Residential Mortgage Loans	% of Total		Home Equity Loans	% of Total		Residential Mortgage Loans	% of Total		Home Equity Loans	% of Total	
Geographic market:												
Michigan	$387	21	%	$785	46	%	$417	23	%	$795	48	%
California	874	47		611	35		831	46		564	34	
Texas	325	17		269	16		337	18		247	15	
Other Markets	284	15		55	3		246	13		52	3	
Total	$1,870	100	%	$1,720	100	%	$1,831	100	%	$1,658	100	%

Residential real estate loans, which consist of traditional residential mortgages and home equity loans and lines of credit, totaled $3.6 billion at December 31, 2015. Residential mortgages totaled $1.9 billion at December 31, 2015, and were primarily larger, variable-rate mortgages originated and retained for certain private banking relationship customers. Of the $1.9 billion of residential mortgage loans outstanding, $27 million were on nonaccrual status at December 31, 2015. The home equity portfolio totaled $1.7 billion at December 31, 2015, of which $1.5 billion was outstanding under primarily variable-rate, interest-only home equity lines of credit, $131 million were in amortizing status and $56 million were closed-end home equity loans. Of the $1.7 billion of home equity loans outstanding, $27 million were on nonaccrual status at December 31, 2015. A majority of the home equity portfolio was secured by junior liens at December 31, 2015. The residential real estate portfolio is principally located within the Corporation's primary geographic markets. Substantially all residential real estate loans past due 90 days or more are placed on nonaccrual status, and substantially all junior lien home equity loans that are current or less than 90 days past due are placed on nonaccrual status if full collection of the senior position is in doubt. At no later than 180 days past due, such loans are charged off to current appraised values less costs to sell.

Energy Lending

The Corporation has a portfolio of energy and energy-related loans that are included primarily in "commercial loans" in the consolidated balance sheets. The Corporation has over 30 years of experience in energy lending, with a focus on middle market companies in the oil and gas business. Customers in the Corporation's Energy business line (approximately 200 borrowers at December 31, 2015) are engaged in three segments of the oil and gas business: exploration and production (E&P), midstream and energy services. E&P generally includes such activities as searching for potential oil and gas fields, drilling exploratory wells and operating active wells. Commitments to E&P borrowers are generally subject to semi-annual borrowing base re-determinations based on a variety of factors including updated prices (reflecting market and competitive conditions), energy reserve levels and the impact of hedging. The midstream sector is generally involved in the transportation, storage and marketing of crude and/or refined oil and gas products. The Corporation's energy services customers provide products and services primarily to the E&P segment. About 95 percent of the loans in the Energy business line are Shared National Credits (SNC), which are facilities greater than $20 million shared by three or more federally supervised institutions, reflecting the Corporation's focus on larger middle market companies that have financing needs that generally exceed internal individual borrower credit risk limits. The Corporation seeks to develop full relationships with SNC borrowers.

In addition to oil and gas loans in the Energy business line, the Corporation is monitoring a portfolio of loans in other lines of business to companies that have a sizable portion of their revenue related to oil and gas or could be otherwise disproportionately negatively impacted by prolonged lower oil and gas prices ("energy-related'), primarily in general Middle Market, Corporate Banking, Small Business, and Technology and Life Sciences. These companies include downstream businesses such as refineries and petrochemical companies, companies that sell products to E&P, midstream and energy services companies, companies involved in developing new technologies for the oil and gas industry, and other similar businesses.

The following table summarizes information about the Corporation's portfolio of energy and energy-related loans.

(dollar amounts in millions)	2015				2014			
December 31	Outstandings		Nonaccrual	Criticized	Outstandings		Nonaccrual	Criticized
Exploration and production (E&P)	$2,111	69 %	$108	$967	$2,539	71 %	$—	$73
Midstream	479	15	—	42	454	13	—	—
Services	480	16	24	235	566	16	—	26
Total Energy business line	3,070	100 %	132	1,244	3,559	100 %	—	99
Energy-related	624		29	187	780		27	98
Total energy and energy-related	$3,694		$161	$1,431	$4,339		$27	$197
As a percentage of total energy and energy-related loans			4 %	38 %			1 %	5 %

Loans in the Energy business line were $3.1 billion, or approximately 6 percent of total loans, at December 31, 2015, compared to $3.6 billion, or approximately 7 percent of total loans, at December 31, 2014, a decrease of $489 million, or 14%. Total exposure, including unused commitments to extend credit and letters of credit, was $6.4 billion and $7.1 billion at December 31, 2015 and 2014, respectively. The decrease in total exposure in the Energy business line primarily reflected reduced borrowing bases as a result of the decline in value of oil and gas reserves, while the decrease in outstandings largely reflected energy customers taking actions to adjust their cash flow and reduce their bank debt. As of December 31, 2015, a majority of the Corporation's E&P customers had at least 50 percent of their oil and/or gas production hedged up to the end of 2016. The value and coverage benefit of such hedging contracts are dependent upon the underlying oil/gas price in each contract and will be different for each borrower. Approximately 95 percent of the loans outstanding and 90 percent of total exposure in the Energy business line had varying levels and types of collateral at December 31, 2015, including oil and gas reserves and pipelines, equipment, accounts receivable, inventory and other assets, or some combination thereof. Energy-related outstandings were approximately $624 million at December 31, 2015 (approximately 110 relationships), a decrease of $156 million, or 20%, compared to December 31, 2014.

Criticized energy and energy-related loans increased from $197 million, or 5 percent of total energy and energy-related loans, at December 31, 2014, to $1.4 billion or 38 percent at December 31, 2015, in part reflecting the Corporation's weighting of current and expected operating cash flows in the assessment of the probability of default. Nonaccrual energy and energy-related loans increased to $161 million, or 4 percent of total energy and energy-related loans at December 31, 2015, compared to $27 million, or 1 percent at December 31, 2014. Energy and energy-related net loan charge-offs were $47 million for the year ended December 31, 2015, with $28 million from the energy portfolio and $19 million from the energy-related portfolio.

The Corporation's allowance methodology carefully considers the various risk elements within its loan portfolio. At December 31, 2015, the reserve allocation for energy and energy-related loans was over 4 percent of total energy and energy-related loans. The reserve allocation for energy and energy-related loans appropriately incorporated the changing dynamics in energy and energy-related loans described above, including but not limited to, continued negative migration in the portfolio and the value of collateral considered in determining estimated loss given default, which has resulted in increases in reserves for this portfolio for the past five quarterly periods. The Corporation continued to incorporate a qualitative reserve component for energy and energy-related loans at December 31, 2015, which provided for incurred losses that emerged between the borrower's most recent internal risk rating review and the end of the year, due to the uncertainty associated with continued volatility and impact of sustained lower oil and gas prices. In developing the qualitative adjustment, management considered a range of possible outcomes for probability of default, loss given default and the loss emergence period, as well as historical migration and loss experience under similar economic conditions, based on the conditions that existed at that time.

Subsequent to December 31, 2015, oil and gas prices dropped significantly, and the Corporation saw additional negative migration into criticized loans after updating the price decks for January 2016 oil prices. The Corporation expects that if current conditions persist, it could result in an estimated additional provision of between $75 million and $125 million, recognized primarily in the first quarter 2016. Net energy and energy-related charge-offs are expected to be manageable.

Refer to the "Allowance for Credit Losses" subheading earlier in this section for a discussion of changes in the allowance for loan losses as a result of the above-described events.

International Exposure

International assets are subject to general risks inherent in the conduct of business in foreign countries, including economic uncertainties and each foreign government's regulations. Risk management practices minimize the risk inherent in international lending arrangements. These practices include structuring bilateral agreements or participating in bank facilities, which secure repayment from sources external to the borrower's country. Accordingly, such international outstandings are excluded from the cross-border risk of that country.

Mexico, with cross-border outstandings of $617 million (0.86 percent of total assets), $670 million (0.97 percent of total assets) and $645 million (0.99 percent of total assets) at December 31, 2015, 2014 and 2013, respectively, was the only country with outstandings between 0.75 and 1.00 percent of total assets at year-end 2015, 2014 and 2013. There were no countries with cross-border outstandings exceeding 1.00 percent of total assets at year-end 2015, 2014 and 2013.

The Corporation's international strategy is to focus on international companies doing business in North America, with an emphasis on the Corporation's primary geographic markets.

The following table summarizes cross-border exposure to entities domiciled in Mexico and Europe at December 31, 2015 and 2014.

(in millions)

December 31	2015	2014
Mexico exposure:		
Commercial and industrial	$617	$661
Banks and other financial institutions	—	9
Total outstanding	617	670
Unfunded commitments and guarantees	206	179
Total Mexico exposure	$823	$849
European exposure:		
Commercial and industrial	$285	$211
Banks and other financial institutions	35	52
Total outstanding	320	263
Unfunded commitments and guarantees	456	382
Total European exposure (a)	$776	$645

(a) Primarily United Kingdom and the Netherlands.

MARKET AND LIQUIDITY RISK

Market risk represents the risk of loss due to adverse movements in market rates or prices, including interest rates, foreign exchange rates, commodity prices and equity prices. Liquidity risk represents the failure to meet financial obligations coming due resulting from an inability to liquidate assets or obtain adequate funding, and the inability to easily unwind or offset specific exposures without significant changes in pricing, due to inadequate market depth or market disruptions.

The Asset and Liability Policy Committee (ALCO) of the Corporation establishes and monitors compliance with the policies and risk limits pertaining to market and liquidity risk management activities. ALCO meets regularly to discuss and review market and liquidity risk management strategies, and consists of executive and senior management from various areas of the Corporation, including treasury, finance, economics, lending, deposit gathering and risk management. The Treasury Department mitigates market and liquidity risk through the actions it takes to manage the

Corporation's market, liquidity and capital positions under the direction of ALCO.

Market Risk Analytics, within the Office of Enterprise Risk, supports ALCO in measuring, monitoring and managing interest rate risk and coordinating all other market risks. Key activities encompass: (i) providing information and analysis of the Corporation's balance sheet structure and measurement of interest rate and all other market risks; (ii) monitoring and reporting of the Corporation's positions relative to established policy limits and guidelines; (iii) developing and presenting analysis and strategies to adjust risk positions; (iv) reviewing and presenting policies and authorizations for approval; (v) monitoring of industry trends and analytical tools to be used in the management of interest rate and all other market risks; and (vi) developing and monitoring the interest rate risk economic capital estimate.

Interest Rate Risk

Net interest income is the primary source of revenue for the Corporation. Interest rate risk arises in the normal course of business due to differences in the repricing and cash flow characteristics of assets and liabilities, primarily through the Corporation's core business activities of extending loans and acquiring deposits. The Corporation's balance sheet is predominantly characterized by floating-rate loans funded by a combination of core deposits and wholesale borrowings. Approximately 85 percent of the Corporation's loans were floating at December 31, 2015, of which approximately 75 percent were based on LIBOR and 25 percent were based on Prime. This creates sensitivity to interest rate movements due to the imbalance between the floating-rate loan portfolio and the more slowly repricing deposit products. In addition, the growth and/or contraction in the Corporation's loans and deposits may lead to changes in 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.

Since no single measurement system satisfies all management objectives, a combination of techniques is used to manage interest rate risk. These techniques examine the impact of interest rate risk on net interest income and the economic value of equity under a variety of alternative scenarios, including changes in the level, slope and shape of the yield curve, utilizing multiple simulation analyses. Simulation analyses produce only estimates of net interest income, as the assumptions used are inherently uncertain. Actual results may differ from simulated results due to many factors, including, but not limited to, the timing, magnitude and frequency of changes in interest rates, market conditions, regulatory impacts and management strategies.

Sensitivity of Net Interest Income to Changes in Interest Rates

The analysis of the impact of changes in interest rates on net interest income under various interest rate scenarios is management's principal risk management technique. Management models a base case net interest income under an unchanged interest rate environment and what is believed to be the most likely balance sheet structure. Existing derivative instruments entered into for risk management purposes are included in the analysis, but no additional hedging is currently forecasted. These derivative instruments currently comprise interest rate swaps that convert fixed-rate long-term debt to variable rates. This base case net interest income is then compared against interest rate scenarios in which rates rise or decline in a linear, non-parallel fashion from the base case over 12 months. In the first scenario presented, short-term interest rates increase 200 basis points, resulting in an average increase in short-term interest rates of 100 basis points over the period (+200 scenario). Due to the current low level of interest rates, the second scenario reflects a decline in short-term interest rates to zero percent.

Each scenario includes assumptions such as loan growth, investment security prepayment levels, depositor behavior, yield curve changes, loan and deposit pricing, and overall balance sheet mix and growth. In the +200 scenario, assumptions related to loan growth are based on historical experience. Because deposit balances have continued to grow significantly in this persistent low rate environment, historical depositor behavior may be less indicative of future trends. As a result, the December 31, 2015 +200 scenario reflects a greater decrease in deposits than we have experienced historically as rates begin to rise. Investment securities modeling includes the replacement of prepayments as well as an estimate of projected growth in high quality liquid assets (HQLA) needed for compliance with the LCR, and expected funding maturities are included. In addition, the model reflects deposit pricing based on historical price movements with short-term interest rates and loan spread held at current levels. Changes in actual economic activity may result in a materially different interest rate environment as well as a balance sheet structure that is different from the changes management included in its simulation analysis.

The table below, as of December 31, 2015 and 2014, 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.

	Estimated Annual Change			
(in millions)	2015		2014	
December 31	Amount	%	Amount	%
Change in Interest Rates:				
Rising 200 basis points	$212	12 %	$224	13 %
Declining to zero percent	(88)	(5)	(32)	(2)

Sensitivity decreased modestly from December 31, 2014 to December 31, 2015, primarily due to the recent addition of HQLA for the LCR, changes in the current balance sheet mix driving a revised forecast, and the modeled reduction in deposit growth in the +200 scenario discussed above. The risk to declining interest rates is limited by an assumed floor on interest rates of zero percent, but reflects the recent rise in short-term interest rates, allowing for a decline of 50 basis points at December 31, 2015, relative to a 25 basis point decline at December 31, 2014.

The table below, as of December 31, 2015, illustrates the estimated sensitivity of the above results to a change in deposit balance assumptions in the +200 scenario, with all other assumptions held constant. In this analysis, average noninterest-bearing deposit run-off in the 12-month period has been increased by $1 billion and $3 billion from the run-off included in the standard +200 scenario presented above and assumes the deposit run-off reduces excess reserves and increases purchased funds. The analysis is provided as an indicator of the sensitivity of net interest income to the modeled deposit run-off assumption. It is not meant to reflect management's expectation or best estimate. Actual changes in deposit balances may vary from those reflected.

	+200 Basis Points	
(in millions)	Estimated Annual Change	
December 31, 2015	Amount	%
Incremental Average Decrease in Noninterest-bearing Deposit Balances:		
$1 billion	$201	11 %
$3 billion	178	10

Sensitivity of Economic Value of Equity to Changes in Interest Rates

In addition to the simulation analysis on net interest income, an economic value of equity analysis provides an alternative view of the interest rate risk position. The economic value of equity is the difference between the estimate of the economic value of the Corporation's financial assets, liabilities and off-balance sheet instruments, derived through discounting cash flows based on actual rates at the end of the period and the estimated economic value after applying the estimated impact of rate movements. The economic value of equity analysis is based on an immediate parallel 200 basis point increase and 50 basis point decrease in interest rates.

The table below, as of December 31, 2015 and 2014, displays the estimated impact on the economic value of equity from the interest rate scenario described above.

	2015		2014	
(in millions)	Amount	%	Amount	%
Change in Interest Rates:				
Rising 200 basis points	$1,021	9 %	$1,218	10 %
Falling to zero percent	(538)	(5)	(293)	(2)

The change in the sensitivity of the economic value of equity to a 200 basis point parallel increase in rates between December 31, 2014 and December 31, 2015 was primarily driven by growth in deposits without a stated maturity, by changes in market interest rates at the middle to long end of the curve, which most significantly impact the value of deposits without a stated maturity, and by recent security purchases. The change in the declining scenario is most significantly impacted by the more significant drop in interest rates at December 31, 2015.

LOAN MATURITIES AND INTEREST RATE SENSITIVITY

(in millions)	Loans Maturing			
December 31, 2015	Within One Year (a)	After One But Within Five Years	After Five Years	Total
Commercial loans	$14,854	$15,580	$1,225	$31,659
Real estate construction loans	540	1,350	111	2,001
Commercial mortgage loans	1,882	4,975	2,120	8,977
International loans	623	688	57	1,368
Total	$17,899	$22,593	$3,513	$44,005
Sensitivity of loans to changes in interest rates:				
Predetermined (fixed) interest rates	$1,130	$2,561	$889	$4,580
Floating interest rates	16,769	20,032	2,624	39,425
Total	$17,899	$22,593	$3,513	$44,005

(a) Includes demand loans, loans having no stated repayment schedule or maturity and overdrafts.

The Corporation uses investment securities and derivative instruments as asset and liability management tools with the overall objective of managing the volatility of net interest income from changes in interest rates. These tools assist management in achieving the desired interest rate risk management objectives. Activity related to derivative instruments currently involves interest rate swaps effectively converting fixed-rate medium- and long-term debt to floating rate.

Risk Management Derivative Instruments

(in millions) Risk Management Notional Activity	Interest Rate Contracts	Foreign Exchange Contracts	Totals
Balance at January 1, 2014	$1,450	$253	$1,703
Additions	600	14,012	14,612
Maturities/amortizations	(250)	(13,757)	(14,007)
Balance at December 31, 2014	$1,800	$508	$2,308
Additions	1,025	15,846	16,871
Maturities/amortizations	(300)	(15,761)	(16,061)
Balance at December 31, 2015	$2,525	$593	$3,118

The notional amount of risk management interest rate swaps totaled $2.5 billion at December 31, 2015, and $1.8 billion at December 31, 2014, all under fair value hedging strategies, converting fixed-rate medium- and long-term debt to floating rate. The fair value of risk management interest rate swaps was a net unrealized gain of $147 million at December 31, 2015, compared to a net unrealized gain of $175 million at December 31, 2014. Risk management interest rate swaps generated $70 million and $72 million of net interest income for the years ended December 31, 2015 and 2014, respectively.

In addition to interest rate swaps, the Corporation employs various other types of derivative instruments as offsetting positions to mitigate exposures to foreign currency risks associated with specific assets and liabilities (e.g., customer loans or deposits denominated in foreign currencies). Such instruments may include foreign exchange forward contracts and foreign exchange swap agreements. The aggregate notional amounts of these risk management derivative instruments at December 31, 2015 and 2014 were $593 million and $508 million, respectively.

Further information regarding risk management derivative instruments is provided in Note 8 to the consolidated financial statements.

Customer-Initiated and Other Derivative Instruments

(in millions) Customer-Initiated and Other Notional Activity	Interest Rate Contracts	Energy Derivative Contracts	Foreign Exchange Contracts	Totals
Balance at January 1, 2014	$11,697	$5,374	$1,764	$18,835
Additions	3,298	2,925	62,871	69,094
Maturities/amortizations	(1,668)	(3,160)	(62,641)	