

COMERICA INC /NEW/
Form 10-K
February 14, 2014

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, 2013

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 No

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

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 No

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 No

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.

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

Accelerated
filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
company

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

At June 28, 2013 (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 \$7.2 billion based on the closing price on the New York Stock Exchange on that date of \$39.83 per share. For purposes of this Form 10-K only, it has been assumed that all common shares held in Comerica's director and employee plans, and all common shares the registrant's directors and executive officers hold, are shares held by affiliates.

At February 7, 2014, the registrant had outstanding 182,071,550 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 22, 2014.

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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 financial holding companies in the United States (“U.S.”). 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, 2013, Comerica owned directly or indirectly all the outstanding common stock of 2 active banking and 44 non-banking subsidiaries. At December 31, 2013, Comerica had total assets of approximately \$65.2 billion, total deposits of approximately \$53.3 billion, total loans (net of unearned income) of approximately \$45.5 billion and shareholders' equity of approximately \$7.2 billion.

Acquisition of Sterling Bancshares, Inc.

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

BUSINESS STRATEGY

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

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

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

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

Finance includes Comerica's securities portfolio and asset and liability management activities. This segment is responsible for managing Comerica's funding, liquidity and capital needs, performing interest sensitivity analysis and executing various strategies to manage Comerica's exposure to liquidity, interest rate risk and foreign exchange risk. 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. Comerica produces market segment results for its three primary geographic markets as well as Other Markets. Other Markets includes Florida, Arizona, the International Finance division and businesses with a national perspective.

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.

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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 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 loans in a larger overall portfolio. Some of Comerica's smaller competitors 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 (“DIF”) of the Federal Deposit Insurance Corporation (“FDIC”) to the extent provided by law. The FRB supervises non-banking activities conducted by companies directly and indirectly owned by Comerica. In addition, Comerica's non-banking subsidiaries are subject to supervision and regulation by various state, federal and self-regulatory agencies, including, but not limited to, the Financial Industry Regulatory Authority (in the case of Comerica Securities, Inc.), the

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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., World Asset Management, Inc. and Wilson, Kemp & Associates, Inc.).

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

Requirements for Approval of Acquisitions and Activities

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

The Community Reinvestment Act of 1977 (“CRA”) requires U.S. banks to help serve the credit needs of their communities. Comerica Bank's rating under the “CRA” as of December 31, 2013 was “outstanding”. If any subsidiary bank of Comerica were to receive a rating under the CRA of less than “satisfactory,” Comerica would be prohibited from engaging in certain activities.

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

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.

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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 most 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, 2014, Comerica's subsidiary banks could declare aggregate dividends of approximately \$204 million from retained net profits of the preceding two years. Comerica's subsidiary banks declared dividends of \$480 million in 2013, \$497 million in 2012 and \$292 million in 2011.

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, Comerica Bank and Comerica Bank &

Trust, National Association are specifically prohibited from paying dividends if payment would result in the bank becoming “undercapitalized.” In addition, Comerica Bank is also subject to limitations under Texas state law regarding the amount of earnings that may be paid out as dividends, and requiring prior approval for payments of dividends that exceed certain levels.

Additionally, the payment of dividends is subject to 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.

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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 institution's capital tier will depend upon where its capital levels are in relation to various relevant capital measures, which, among others, include a Tier 1 and total risk-based capital measure and a leverage ratio capital measure.

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

As of December 31, 2013, 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 four risk categories, each weighted differently based on the level of credit risk that is ascribed to

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

Comerica, like other bank holding companies, currently is required to maintain Tier 1 and "total capital" (the sum of Tier 1 and Tier 2 capital) equal to at least 4% and 8% of its total risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit), respectively. At December 31, 2013, Comerica met both requirements, with Tier 1 and total capital equal to 10.64% and 13.10% of its total risk-weighted assets, respectively. Comerica is also required to maintain a minimum "leverage ratio" (Tier 1 capital to non-risk-adjusted total assets) of 3% to 4%, depending upon criteria defined and assessed by the FRB. Comerica's leverage ratio of 10.77% at December 31, 2013 reflects the nature of Comerica's balance sheet and demonstrates a commitment to capital adequacy. At December 31, 2013, Comerica Bank had Tier 1 and total capital equal to 10.53% and 12.90% of its total risk-weighted assets, respectively, and a leverage ratio of 10.66%. Additional information on the calculation of Comerica and its bank subsidiaries' Tier 1 capital, total capital and risk-weighted assets is set forth in Note 20 of the Notes to Consolidated Financial Statements located on pages F-105 through F-106 of the Financial Section of this report.

FDIC Insurance Assessments

Comerica's subsidiary banks are subject to FDIC deposit insurance assessments to maintain the DIF. The FDIC imposes a risk-based deposit premium assessment system, which was amended pursuant to the Federal Deposit Insurance Reform Act of 2005 and further amended by the Dodd-Frank Act. Due to the passage of the Dodd-Frank Act, the FDIC was required to redefine the deposit insurance assessment base from domestic deposits to average consolidated total assets minus average tangible equity and make changes to assessment rate methodology. The FDIC adopted a final rule on February 7, 2011 that revised the risk-based assessment system for all large insured depository institutions. The first assessment under the new rule was paid in the third quarter of 2011. 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.

In November 2009, the FDIC required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010 through 2012. The prepaid assessments were to be applied against future quarterly assessments (as they may be so revised) until the prepaid assessment was exhausted or the balance of the prepayment was returned, whichever occurred first. Comerica paid such prepaid assessment of \$200 million on December 30, 2009. The remaining prepayment balance of \$73 million was refunded to Comerica in June 2013. For 2013, FDIC insurance assessments totaled \$33 million.

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.

Capital Purchase Program

On November 14, 2008, Comerica participated in the United States Department of the Treasury ("U.S. Treasury") Capital Purchase Program by issuing to the U.S. Treasury, in exchange for aggregate consideration of \$2.25 billion, (i) 2.25 million shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series F, no par value (the "Series F

Preferred Stock”), and (ii) a warrant to purchase 11,479,592 shares of Comerica's common stock at an exercise price of \$29.40 per share that expires on November 14, 2018 (the “Warrant”). Both the Series F Preferred Stock and the Warrant were accounted for as components of Comerica's regulatory Tier 1 capital and contained terms and limitations imposed by the U.S. Treasury. On March 17, 2010, Comerica fully redeemed the Series F Preferred Stock previously issued to the U.S. Treasury, and Comerica exited the Capital Purchase Program. The Warrant was separated into 11,479,592 warrants to purchase one share of Comerica's common stock at an exercise price of \$29.40 per share, and such warrants are now listed and traded on the NYSE. As a result of participating in the Capital Purchase Program, Comerica was subject to certain executive compensation and corporate governance standards promulgated by the U.S. Treasury prior to redemption, which no longer applied to Comerica following the redemption.

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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.

Financial Crisis Responsibility Fee. On January 14, 2010, the current administration announced a proposal to impose a fee (the “Financial Crisis Responsibility Fee”) on those financial institutions that benefited from recent actions taken by the U.S. government to stabilize the financial system. Calls for that fee were renewed during the 2013 federal budget discussions. As the proposal is understood, the Financial Crisis Responsibility Fee will be applied to firms with over \$50 billion in consolidated assets, and, therefore, by its terms would apply to Comerica. The Financial Crisis Responsibility Fee was not included in the Dodd-Frank Act.

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.

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. The regulatory framework includes a more conservative definition of capital, two new capital buffers - a conservation buffer and a countercyclical buffer, new and more stringent risk weight categories for assets and off-balance sheet items, and a supplemental leverage ratio. As a banking organization subject to the standardized

approach, the rules will be effective for Comerica on January 1, 2015, with certain transition provisions fully phased in on January 1, 2018.

According to the rule, Comerica will be subject to the capital conservation buffer of 2.5 percent, when fully phased in, to avoid restrictions on capital distributions and discretionary bonuses. However, the rules do not subject Comerica to the capital countercyclical buffer of up to 2.5 percent or the supplemental leverage ratio. Comerica estimates the December 31, 2013 Tier 1 and Tier 1 common risk-based ratio would be 10.3 percent if calculated under the final rule, as fully phased in, excluding most elements of accumulated other comprehensive income from regulatory capital. Comerica's December 31, 2013 estimated Tier 1 common and Tier 1 capital ratios exceed the minimum required by the final rule (7 percent and 8.5 percent, respectively, including the fully phased-in capital conservation buffer). For a reconciliation of these non-GAAP financial measures, see page F-47 of the Financial Section of this report under the caption "Supplemental Financial Data."

Comerica expects that U.S. banking regulators will establish an additional capital buffer for banking organizations deemed systemically important to the U.S. financial system (Domestic Systemically Important Banks, or "D-SIB"). As a D-SIB, Comerica

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would be subject to the additional buffer. While the level and timing of a D-SIB buffer is not currently known, Comerica expects to exceed all required capital levels within regulatory timelines.

On October 24, 2013, U.S. banking regulators issued a Notice of Proposed Rulemaking that would implement a quantitative liquidity requirement in the U.S. (the "proposed rule") generally consistent with the Liquidity Coverage Ratio ("LCR") minimum liquidity measure established under the Basel III liquidity framework. Under the proposed rule, Comerica would be subject to a modified LCR standard, which requires a financial institution to hold a buffer of high-quality, liquid assets to fully cover net cash outflows under a 21-day systematic liquidity stress scenario. Under the proposal, the LCR rules would be fully phased in on January 1, 2017, with a transition period beginning January 1, 2015. Comerica is currently evaluating the potential impact of the proposed rule; however, we expect to meet the final requirements adopted by U.S. banking regulators within the required timetable. Uncertainty exists as to the final form and timing of the proposed rule, and balance sheet dynamics may vary in the future. As a result the Corporation may decide to consider additional liquidity management initiatives. 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. The Basel Committee on Banking Supervision is in the process of reviewing the proposed NSFR standard and evaluating its impact on the banking system. U.S. banking regulators have announced that they expect to issue proposed rulemaking to implement the NSFR 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 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 interchange fee rules. The FRB has appealed the court's ruling and requested that the interchange fee remain in place pending appeal, which was granted. The appeal is currently pending in the U.S. Circuit Court of Appeals for the District of Columbia. Comerica is closely monitoring the development of this case.

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. We paid \$1.5 million in 2013 with respect to the 2012 assessment year and accrued another \$1.5 million for the 2013 assessment year.

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 recordkeeping 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 becomes effective April 1, 2014. The Volcker Rule generally requires full compliance with the new restrictions by July 21, 2015. Comerica is closely monitoring the development 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 2 of the Notes to Consolidated Financial Statements located on pages F-66 through F-67 of the Financial Section of this report.

Annual Capital Plans. On November 22, 2011, the FRB issued a final rule requiring top-tier U.S. bank holding companies with total consolidated assets of \$50 billion or more to submit annual capital plans for review, and issued

instructions regarding stress testing as part of the 2012 Capital Plan Review program. Under the rule, the FRB will annually evaluate institutions' capital adequacy, internal capital adequacy assessment processes, and their plans to make capital distributions, such as dividend payments or stock repurchases. As required, Comerica submitted its 2013 capital plan to the FRB on January 7, 2013; on March 14, 2013, Comerica announced that the FRB had completed its 2013 capital plan review and did not object to the 2013 capital plan or capital distributions contemplated in such plan. Also as required, Comerica submitted its 2014 capital plan to the FRB on January 3, 2014 and expects to receive the results of the FRB's review of the 2014 plan in March 2014. Prior to October 12, 2013, Comerica was subject to the Capital Plan Review (CapPR) program, and is currently subject to the Comprehensive Capital Analysis and Review (CCAR) program, which includes additional stress testing using the FRB's models, disclosure requirements beyond what was necessitated pursuant to the CapPR program and a higher level of scrutiny by the FRB.

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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 will make recommendations to the FRB as to enhanced prudential standards that must apply to large, interconnected bank holding companies and nonbank financial companies supervised by the FRB under the Dodd-Frank Act, including capital, leverage, liquidity and risk management requirements.

On December 20, 2011, the FRB issued its proposed regulations to implement the enhanced prudential and supervisory requirements mandated by the Dodd-Frank Act. The proposed regulations address enhanced risk-based capital and leverage requirements, enhanced liquidity requirements, enhanced risk management and risk committee requirements, single-counterparty credit limits, semiannual stress tests, and a debt-to-equity limit for companies determined to pose a grave threat to financial stability. They are intended to allow regulators to more effectively supervise large bank holding companies and nonbank financial firms whose failure could impact the stability of the US financial system, and generally build on existing US and international regulatory guidance. The proposal also takes a multi-stage or phased approach to many of the requirements (such as the capital and liquidity requirements). Most of these requirements will apply to Comerica because it has consolidated assets of more than \$50 billion. However, the proposal defers several key aspects of the new enhanced requirements to future proposals. As a result, the full impact of these enhanced standards on Comerica and its competitors cannot yet be fully assessed. It is anticipated that these requirements will be issued in 2014.

Office of Financial Research Assessments. The Dodd-Frank Act established the Office of Financial Research (“OFR”) to serve the FSOC and the public by improving the quality, transparency, and accessibility of financial data and information, by conducting and sponsoring research related to financial stability, and by promoting best practices in risk management. On May 21, 2012, the Department of the Treasury published final regulations to implement, beginning July 20, 2012, a semi-annual assessment scheme for covering expenses of the OFR based on the asset size of each assessed company as of the end of the preceding year.

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. Both Comerica and Comerica Bank filed their respective resolution plans in advance of the above due date. The resolution plans 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 takes 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 2014.

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 may have an impact on the small business customers of Comerica's banking

subsidiaries 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

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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 are 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. Comerica has implemented the model disclosures provided in Appendix A to the final rule.

On January 10, 2013, the CFPB issued three major rules relating to home mortgage loans. The first rule amends Regulation Z to implement amendments made by Sections 1461 and 1462 of the Dodd-Frank Act. Regulation Z currently requires creditors to establish escrow accounts for higher priced mortgage loans secured by a first lien on a principal dwelling. Higher priced mortgage loans, as noted in the paragraph below, occur in a transaction where the annual percentage rate is higher than the average prime offer rate by certain amounts, points and fees exceed certain ceiling amounts, or the credit transaction documents permit the creditor to charge or collect a prepayment penalty more than 36 months after transaction closing or permit such fees or penalties to exceed, in the aggregate, more than 2 percent of the amount prepaid. The rule implements statutory changes that lengthen the period of time for which the mandatory escrow must be maintained and exempts certain transactions from the requirement. Comerica's current policy does not permit business units to make first lien, higher priced mortgage loans. Therefore, this rule should not impact Comerica's loan servicing system. The effective date of the rule was June 1, 2013.

The second rule expands the universe of loans subject to the Home Ownership and Equity Protection Act ("HOEPA"). HOEPA establishes rules related to higher priced mortgage loans. HOEPA applies mainly to higher priced mortgage loans securing a consumer's principal dwelling, including purchase money loans and home equity lines of credit ("HELOCs"). The existing tests for coverage were revised, and a new prepayment penalty test for HOEPA coverage was added. The new rule implements new restrictions and requirements concerning loan terms and origination practices for mortgage loans that are within HOEPA's coverage. Comerica's mortgage servicing vendor, PHH Mortgage Corporation ("PHH"), has updated its system to comply with HOEPA requirements for purchase money loans and HELOCs for HOEPA's prepayment penalty limitation. Additionally, Comerica's applicable policies and procedures for personal purpose loans secured by a principal dwelling have been updated to meet compliance. The new rule was effective January 10, 2014.

The third rule issued on January 10, 2013 is another amendment to Regulation Z. This rule implements Sections 1411 and 1412 of the Dodd-Frank Act, which generally require creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling (excluding an open-end credit plan, timeshare plan, reverse mortgage, or temporary loan) and establishes certain protections from liability under this requirement for "qualified mortgages." A "covered" residential mortgage includes, any consumer credit (personal purpose) closed-end transaction secured by a 1-4 family dwelling regardless of lien position (primary and secondary homes) and excludes home equity lines of credit, bridge and construction loans that are 12 months or less, and business purpose loans that are placed in Comerica Bank's portfolio. The rule also implements Section 1414 of the Dodd-Frank Act, which limits prepayment penalties. Finally, the rule requires creditors to retain evidence of compliance with the rule for three years after a covered loan is consummated. Comerica has modified its policies and procedures to meet these requirements. The effective date was January 10, 2014.

Biggert-Waters Flood Insurance Reform Act of 2012. In 2012, Congress passed the Biggert-Waters Flood Insurance Reform Act ("Act"). The Act modified the National Flood Insurance Program as follows: (i) increasing the maximum civil penalty for Flood Disaster Protection Act violations to \$2,000 and eliminating the annual penalty cap; (ii) requiring lenders to escrow premiums and fees for flood insurance on residential improved real estate (including mobile homes), unless the lending institution has assets of less than \$1 billion as of July 6, 2012, the date of enactment; (iii) directing lenders to accept private flood insurance and to notify borrowers of the availability of such flood insurance; (iv) amending the force placement requirement provisions; and (v) permitting a lender to charge a

borrower for the cost of premiums and fees incurred for coverage when the policy has lapsed or has insufficient coverage. The amendments to the force placement provisions and the civil penalty provisions were effective immediately. In October 2013, the federal agencies (e.g., OCC, FRB, FDIC, Farm Credit Administration, and National Credit Union Association) issued a proposed rule establishing requirements with respect to the escrow of flood insurance payments, the acceptance of private flood insurance, and force placed insurance. These requirements will impact Comerica loans and extensions of credit secured with residential improved real estate. Comerica is currently reviewing the impact of these proposed requirements. It is anticipated that the federal agencies will issue a final rule in 2014.

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

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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.

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A comprehensive review of the quality and value of collateral, including independent third-party appraisals of machinery and equipment and commercial real estate, as appropriate, to determine the advance rates.

Physical inspection of collateral and audits of receivables, as appropriate.

Commercial Real Estate (CRE) Loan Portfolio

Comerica's CRE loan portfolio consists of real estate construction and commercial mortgage loans and includes both loans to real estate 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, 2013, Comerica and its subsidiaries had 8,564 full-time and 643 part-time employees.

AVAILABLE INFORMATION

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

Item 1A. Risk Factors.

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

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,

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could cause actual results to differ materially from forward-looking statements, and future results could differ materially from historical performance.

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

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

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

Monetary and fiscal policies of various governmental and regulatory agencies, in particular the 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.

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

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

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

Rating agencies regularly evaluate Comerica, and their ratings are based on a number of factors, including Comerica's financial strength as well as factors not entirely within its control, including conditions affecting the financial services industry generally. There can be no assurance that Comerica will maintain its current ratings. In March 2012, Moody's Investors Service downgraded Comerica's long-term and short-term senior credit ratings one notch to A3 and P-2, respectively. From July 2012 through October 2013, Fitch Ratings had Comerica's outlook as "Negative"; in October 2013, Fitch Ratings affirmed Comerica's rating while revising the outlook to "Stable." 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

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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, possibly materially in nature, Comerica.

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

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

In particular, Congress and other regulators have recently increased their focus on the regulation of the financial services industry. 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 implementation, the effects of which are not yet known.

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

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

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

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

New capital requirements in connection with Basel III and the requirements of the Dodd-Frank Act applicable to Comerica as a bank holding company as well as to Comerica's subsidiary banks will have a significant effect on Comerica. Additional information on the regulatory capital requirements applicable to Comerica is set forth in the "Supervision and Regulation" section of this report. These requirements, and any other new laws or regulations, could adversely affect Comerica's ability to pay dividends, or could require Comerica to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition and/or existing shareholders.

The liquidity requirements applicable to Comerica as a bank holding company as well as to our subsidiary banks are in the process of being substantially revised, in connection with recently proposed supervisory guidance, Basel III and the requirements of the Dodd-Frank Act. Additional information on the liquidity requirements 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 may be required to satisfy additional, more stringent, liquidity standards, including, for the first time, quantitative standards for liquidity management. We cannot fully predict at this time the final form of, or the effects of, these regulations.

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, or comply with the requirements of these standards earlier than might otherwise be required, in connection with the annual capital plan review process.

The ultimate impact of the new capital and liquidity standards cannot be fully determined at this time and will depend on a number of factors, including treatment and implementation by the U.S. banking regulators. However, maintaining higher levels of capital and liquidity may reduce Comerica's profitability and otherwise adversely affect its business, financial condition, or results of operations.

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

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

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

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

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

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

Comerica may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses, cyber attacks, 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. For example, along with a number of other large financial institutions' websites, Comerica's website, www.comerica.com, was subject to denial of service attacks in 2013. These events did not result in a breach of Comerica's client data, and account information remained secure; however, during one attack, some customers may have been prevented from accessing Comerica Bank's secure websites through www.comerica.com. In all cases, the attacks primarily resulted in inconvenience; 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.

Further, Comerica may be impacted by data breaches at retailers and other third parties who participate in data interchanges with Comerica customers that involve the theft of customer data, which may include the theft of Comerica debit card PIN numbers and commercial cards used to make purchases at such retailers and other third parties. Such data breaches could result in Comerica incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on its results of operations.

• 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.

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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

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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.

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

The operations of financial institutions such as Comerica are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Prevailing economic conditions, the trade, fiscal and monetary policies of the federal government and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which in turn significantly affect financial institutions' net interest income. Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as federal government and corporate securities and other investment vehicles, which, because of the absence of federal insurance premiums and reserve requirements, generally pay higher rates of return than financial institutions. Comerica's financial results could be materially adversely impacted by changes in financial market conditions.

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

Comerica operates in a very competitive environment, which is characterized by competition from a number of other financial institutions in each market in which it operates. Comerica competes 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 loans in a larger overall portfolio. Some of Comerica's smaller competitors 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.

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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 as other financial institutions (as referenced above) may not be subject to the same requirements.

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

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

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

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 and liquidity, operational, compliance, business risks and enterprise-wide risk could be less effective than anticipated. As a

result, Comerica may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk, which could have a material adverse impact on Comerica's business, financial condition or results of operations.

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

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

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

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

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

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

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

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

Management has identified certain accounting policies as being critical because they require management's judgment to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Comerica has established 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-41 through F-46 of the Financial Section of this report and Note 1 of the Notes to Consolidated Financial Statements located on pages F-54 through F-63 of the Financial Section of this report.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

The executive offices of Comerica are located in the Comerica Bank Tower, 1717 Main Street, Dallas, Texas 75201. Comerica Bank leases five floors of the building, plus an additional 34,238 square feet on the building's lower level, from an unaffiliated third party. The lease for such space used by Comerica and its subsidiaries extends through September 2023. Comerica's Michigan headquarters are located in a 10-story building in the central business district of Detroit, Michigan at 411 W. Lafayette, Detroit, Michigan 48226. Such building is owned by Comerica Bank. As of December 31, 2013, Comerica, through its banking affiliates, operated a total of 559 banking centers, trust services locations, and loan production or other financial services offices, primarily in the States of Texas, Michigan, California, Florida and Arizona. Of these offices, 237 were owned and 322 were leased. As of December 31, 2013, affiliates also operated from leased spaces in Denver, Colorado; Wilmington, Delaware; Oakbrook Terrace, Illinois; Boston and Waltham, Massachusetts; Minneapolis, Minnesota; Morristown, New Jersey; New York, New York; Rocky Mount and Cary, North Carolina; Granville, Ohio; Memphis, Tennessee; Reston, Virginia; Bellevue and Seattle, Washington; Monterrey, Mexico; Toronto, Ontario, Canada and Windsor, Ontario, Canada. Comerica and its subsidiaries own, among other properties, a check processing center in Livonia, Michigan, and three buildings in Auburn Hills, Michigan, used mainly for lending functions and operations.

Item 3. Legal Proceedings.

For a description of Comerica's material legal proceedings, please see Note 21 of the Notes to Consolidated Financial Statements located on pages F-106 through F-107 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 7, 2014, there were approximately 11,219 record holders of Comerica's common stock.

Sales Prices and Dividends

Quarterly cash dividends were declared during 2013 and 2012 totaling \$0.68 and \$0.55 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 2013 and 2012, as well as dividend information.

Quarter	High	Low	Dividends Per Share	Dividend Yield*
2013				
Fourth	\$48.69	\$38.64	\$0.17	1.6 %
Third	43.49	38.56	0.17	1.7
Second	40.44	33.55	0.17	1.8
First	36.99	30.73	0.17	2.0
2012				
Fourth	\$32.14	\$27.72	\$0.15	2.0 %
Third	33.38	29.32	0.15	1.9
Second	32.88	27.88	0.15	2.0
First	34.00	26.25	0.10	1.3

* 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-105 through F-106 of the Financial Section of this report and in the "Supervision and Regulation" section of this report.

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Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2013

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)	
Equity compensation plans approved by security holders (1)	16,605,670	\$44.15	8,376,239	(2)(3)
Equity compensation plans not approved by security holders (4)	189,136	34.98	—	
Total	16,794,806	\$44.04	8,376,239	

Consists of options to acquire shares of common stock, par value \$5.00 per share, issued under the Comerica Incorporated Amended and Restated 2006 Long-Term Incentive Plan ("2006 LTIP"), the Amended and Restated 1997 Long-Term Incentive Plan and the Amended and Restated Comerica Incorporated Stock Option Plan for Non-Employee Directors. Does not include 107,529 restricted stock units equivalent to shares of common stock issued under the Comerica Incorporated Amended and Restated Incentive Plan for Non-Employee Directors and outstanding as of December 31, 2013, or 2,809,164 shares of restricted stock, restricted stock units and

(1) performance restricted stock units issued under the 2006 LTIP and outstanding as of December 31, 2013. There are no shares available for future issuances under any of these plans other than the Comerica Incorporated Amended and Restated Incentive Plan for Non-Employee Directors and the 2006 LTIP. The Comerica Incorporated Incentive Plan for Non-Employee Directors was approved by the shareholders on May 18, 2004. The 2006 LTIP was approved by Comerica's shareholders on May 16, 2006, its amendment and restatement was approved by Comerica's shareholders on April 27, 2010 and its further amendment and restatement was approved by Comerica's shareholders on April 23, 2013.

Does not include shares of common stock purchased or available for purchase by employees under the Amended and Restated Employee Stock Purchase Plan, or contributed or available for contribution by Comerica on behalf of the employees. The Amended and Restated Employee Stock Purchase Plan was ratified and approved by the shareholders on May 18, 2004. Five million shares of Comerica's common stock have been registered for sale or awards to employees under the Amended and Restated Employee Stock Purchase Plan. As of December 31, 2013, 2,267,342 shares had been purchased by or contributed on behalf of employees, leaving 2,732,658 shares available for future sale or awards. If these shares available for future sale or awards under the Employee Stock Purchase Plan were included, the numbers shown in column (c) under "Equity compensation plans approved by security holders" and "Total" would both be 11,108,897.

(3) These shares are available for future issuance under the 2006 LTIP in the form of options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based awards and under the Incentive Plan for Non-Employee Directors in the form of options, stock appreciation rights, restricted stock, restricted stock units and other equity-based awards. Under the 2006 LTIP, not more than a total of 8.55 million shares may be used for awards other than options and stock appreciation rights and not more than one million shares are available as incentive stock options. Further, no award recipient may receive more than 350,000 shares during any calendar year, and the maximum number of shares underlying awards of options and stock appreciation rights that may be granted to an award recipient in any calendar year is 350,000.

(4) Includes options to purchase 189,136 shares of common stock, par value \$5.00 per share, issued under the Amended and Restated Sterling Bancshares, Inc. 2003 Stock Incentive and Compensation Plan ("Sterling LTIP"), of which 153,111 shares were assumed by Comerica in connection with its acquisition of Sterling and 36,025 shares were granted to legacy Sterling employees subsequent to the acquisition. The weighted-average option price of the

options assumed in connection with the acquisition of Sterling was \$35.81 at December 31, 2013. Does not include 17,200 shares of restricted stock granted to legacy Sterling employees under the Sterling LTIP subsequent to the acquisition. The Sterling LTIP expired on April 28, 2013, and there are no shares available for future issuance under this plan.

Most of the equity awards made by Comerica during 2013 were granted under the shareholder-approved Amended and Restated 2006 Long-Term Incentive Plan.

Plans not approved by Comerica's shareholders include:

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

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by the Governance, Compensation and Nominating Committee of Comerica's Board of Directors. The Sterling LTIP expired on April 28, 2013. Accordingly, there are no shares available for future issuance under this plan.

For additional information regarding Comerica's equity compensation plans, please refer to Note 16 on pages F-96 through F-98 of the Notes to Consolidated Financial Statements located in the Financial Section of this report.

Performance Graph

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In November 2010, the Board of Directors of Comerica authorized the repurchase of up to 12.6 million shares of Comerica Incorporated outstanding common stock and authorized the purchase of up to all 11.5 million of Comerica's original outstanding warrants. On April 24, 2012 and April 23, 2013, the Board of Directors authorized the repurchase of up to an additional 5.7 million shares and up to an additional 10.0 million shares of Comerica Incorporated outstanding common stock, respectively. There is no expiration date for Comerica's share repurchase program. The following table summarizes Comerica's share repurchase activity for the year ended December 31, 2013.

(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 2013	2,090	13,461	2,182	\$33.94	\$—
Total second quarter 2013	1,910	21,551	(d) 1,913	37.67	—
Total third quarter 2013	1,714	19,837	1,737	41.98	—
October 2013	1,057	18,780	1,060	40.37	—
November 2013	470	18,310	470	44.63	—
December 2013	183	18,127	183	45.29	—
Total fourth quarter 2013	1,710	18,127	1,713	42.07	—
Total 2013	7,424	18,127	7,545	38.58	—

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

(b) Includes approximately 122,000 shares (including 3,000 shares in the quarter ended December 31, 2013) purchased pursuant to deferred compensation plans and shares purchased from employees to pay for taxes related to restricted stock vesting under the terms of an employee share-based compensation plan during the year ended December 31, 2013. These transactions are not considered part of Comerica's repurchase program.

(c) Comerica made no repurchases of warrants under the repurchase program during the year ended December 31, 2013.

(d) Includes the impact of the additional share repurchase authorization approved by the Board on April 23, 2013.

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 "2013 Overview and 2014 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-48 of the Financial Section of this report.

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

Reference is made to the subheadings entitled "Market and Liquidity Risk," "Operational Risk," "Compliance Risk" and "Business Risk" on pages F-35 through F-40 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-49 through F-120 of the Financial Section of this report.

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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-115 and F-116 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 22, 2014, 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," "2013 Summary Compensation Table," "2013 Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End 2013," "2013 Option Exercises and Stock Vested," "Pension Benefits at Fiscal Year-End 2013," "2013 Nonqualified Deferred Compensation," and "Potential Payments upon Termination or Change of Control at Fiscal Year-End 2013" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 22, 2014, which sections are hereby incorporated by reference.

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

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

The response to the remaining requirements of this item will be included under the sections captioned "Security Ownership of Certain Beneficial Owners" and "Security Ownership of Management" of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 22, 2014, which sections are hereby incorporated by reference.

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

The response to this item will be included under the sections captioned “Director Independence and Transactions of Directors with Comerica,” “Transactions of Executive Officers with Comerica,” and “Information about Nominees” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 22, 2014, which sections are hereby incorporated by reference.

Item 14. Principal Accountant Fees and Services.

The response to this item will be included under the section captioned “Independent Auditors” of Comerica's definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held on April 22, 2014, 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-49 through F-117.
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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Comerica Incorporated and Subsidiaries

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PERFORMANCE GRAPH

The graph shown below compares the total returns (assuming reinvestment of dividends) of Comerica Incorporated common stock, the S&P 500 Index, and the Keefe Bank Index. The graph assumes \$100 invested in Comerica Incorporated common stock (returns based on stock prices per the NYSE) and each of the indices on December 31, 2008 and the reinvestment of all dividends during the periods presented.

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

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SELECTED FINANCIAL DATA

(dollar amounts in millions, except per share data)

Years Ended December 31	2013	2012	2011	2010	2009	
EARNINGS SUMMARY						
Net interest income	\$1,672	\$1,728	\$1,653	\$1,646	\$1,567	
Provision for credit losses	46	79	144	478	1,082	
Noninterest income	826	818	792	789	1,050	
Noninterest expenses	1,722	1,757	1,771	1,642	1,650	
Provision (benefit) for income taxes	189	189	137	55	(131)	
Income from continuing operations	541	521	393	260	16	
Net income	541	521	393	277	17	
Preferred stock dividends	—	—	—	123	134	
Net income (loss) attributable to common shares	533	515	389	153	(118)	
PER SHARE OF COMMON STOCK						
Diluted earnings per common share:						
Income (loss) from continuing operations	\$2.85	\$2.67	\$2.09	\$0.78	\$(0.80)	
Net income (loss)	2.85	2.67	2.09	0.88	(0.79)	
Cash dividends declared	0.68	0.55	0.40	0.25	0.20	
Common shareholders' equity	39.23	36.87	34.80	32.82	32.27	
Tangible common equity (a)	35.65	33.38	31.42	31.94	31.22	
Market value	47.54	30.34	25.80	42.24	29.57	
Average diluted shares (in millions)	187	192	186	173	149	
YEAR-END BALANCES						
Total assets	\$65,227	\$65,069	\$61,008	\$53,667	\$59,249	
Total earning assets	60,200	59,618	55,506	49,352	54,558	
Total loans	45,470	46,057	42,679	40,236	42,161	
Total deposits	53,292	52,191	47,755	40,471	39,665	
Total medium- and long-term debt	3,543	4,720	4,944	6,138	11,060	
Total common shareholders' equity	7,153	6,942	6,868	5,793	4,878	
Total shareholders' equity	7,153	6,942	6,868	5,793	7,029	
AVERAGE BALANCES						
Total assets	\$63,936	\$62,572	\$56,917	\$55,553	\$62,809	
Total earning assets	59,091	57,483	52,121	51,004	58,162	
Total loans	44,412	43,306	40,075	40,517	46,162	
Total deposits	51,711	49,533	43,762	39,486	40,091	
Total medium- and long-term debt	3,972	4,818	5,519	8,684	13,334	
Total common shareholders' equity	6,968	7,012	6,351	5,625	4,959	
Total shareholders' equity	6,968	7,012	6,351	6,068	7,099	
CREDIT QUALITY						
Total allowance for credit losses	\$634	\$661	\$752	\$936	\$1,022	
Total nonperforming loans	374	541	887	1,123	1,181	
Foreclosed property	9	54	94	112	111	
Total nonperforming assets	383	595	981	1,235	1,292	
Net credit-related charge-offs	73	170	328	564	869	
Net credit-related charge-offs as a percentage of average total loans	0.16	% 0.39	% 0.82	% 1.39	% 1.88	%
Allowance for loan losses as a percentage of total period-end loans	1.32	1.37	1.70	2.24	2.34	
	160	116	82	80	83	

Allowance for loan losses as a percentage of total
nonperforming loans

RATIOS

Net interest margin (fully taxable equivalent)	2.84	%	3.03	%	3.19	%	3.24	%	2.72	%
Return on average assets	0.85		0.83		0.69		0.50		0.03	
Return on average common shareholders' equity	7.76		7.43		6.18		2.74		(2.37))
Dividend payout ratio	23.29		20.52		18.96		27.78		n/m	
Average common shareholders' equity as a percentage of average assets	10.90		11.16		11.16		10.13		7.90	
Tier 1 common capital as a percentage of risk-weighted assets (a)	10.64		10.14		10.37		10.13		8.18	
Tier 1 capital as a percentage of risk-weighted assets	10.64		10.14		10.41		10.13		12.46	
Tangible common equity as a percentage of tangible assets (a)	10.07		9.76		10.27		10.54		7.99	

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

n/m - not meaningful.

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2013 OVERVIEW AND 2014 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.

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

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

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

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

The accounting and reporting policies of the Corporation and its subsidiaries conform to 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 \$541 million in 2013, an increase of \$20 million, or 4 percent, compared to \$521 million in 2012. Net income per diluted common share was \$2.85 in 2013, compared to \$2.67 in 2012. The most significant items contributing to the increase in net income are described below.

The provision for credit losses decreased \$33 million in 2013, compared to 2012, primarily due to continued improvements in credit quality. Improvements in credit quality included a decline of \$516 million in the Corporation's criticized loan list from December 31, 2012 to December 31, 2013. The Corporation's criticized loan list is consistent with loans in the Special Mention, Substandard and Doubtful categories defined by regulatory authorities. Reflected in the decline in criticized loans was a decrease in nonaccrual loans of \$169 million. Additional indicators of improved credit quality included a \$43 million decrease in the inflow to nonaccrual loans (based on an analysis of nonaccrual loans with book balances greater than \$2 million) and a \$97 million decrease in net credit-related charge-offs in 2013, compared to 2012.

Average loans were \$44.4 billion in 2013, an increase of \$1.1 billion, or 3 percent, compared to 2012. The increase in average loans primarily reflected an increase of \$1.7 billion, or 7 percent, in commercial loans, partially offset by a decrease of \$686 million, or 6 percent, in commercial real estate loans (total real estate construction and commercial mortgage loans). The increase in commercial loans primarily reflected increases in National Dealer Services, general Middle Market, Energy and Technology and Life Sciences, partially offset by decreases in Mortgage Banker Finance and Corporate Banking.

Average deposits increased \$2.2 billion, or 4 percent, to \$51.7 billion in 2013, compared to 2012. The increase in average deposits reflected increases of \$1.4 billion, or 7 percent, in average noninterest-bearing deposits and \$1.1 billion, or 5 percent, in money market and interest-bearing checking deposits, partially offset by a decrease of \$431 million, or 7 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 2013, a decrease of \$56 million, or 3 percent, compared to 2012. The decrease in net interest income resulted primarily from a decrease in yields and a \$22 million decrease in the accretion of the purchase discount on the acquired loan portfolio, partially offset by an increase in average earning assets of \$1.6 billion and lower funding costs.

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Noninterest income increased \$8 million or 1 percent, in 2013, compared to 2012, resulting primarily from increases of \$13 million in fiduciary income and \$9 million in card fees, partially offset by a decrease of \$13 million in net securities gains.

Noninterest expenses decreased \$35 million, or 2 percent, in 2013, compared to 2012, resulting primarily from decreases of \$35 million in merger and restructuring charges, \$15 million in salaries expense and smaller decreases in most other categories of noninterest expense, partially offset by increases of \$29 million in litigation-related expenses and \$12 million in outside processing fees.

The quarterly dividend was increased 13 percent, to 17 cents per share, in the first quarter 2013, and further increased to 19 cents per share in the first quarter 2014.

Shares repurchased under the share repurchase program totaled 7.4 million shares in 2013, which, combined with dividends, resulted in a total payout to shareholders of 76 percent of 2013 net income.

2014 OUTLOOK

Management expectations for 2014, compared to 2013, assuming a continuation of the slow growing economy and low rate environment, are as follows:

Average loan growth consistent with 2013, reflecting stabilization in Mortgage Banker Finance near average fourth quarter 2013 levels, improving trends in Commercial Real Estate and continued focus on pricing and structure discipline.

Net interest income modestly lower, reflecting a decline in purchase accounting accretion, to \$10 million to \$20 million, and the effect of a continued low rate environment, partially offset by loan growth.

Provision for credit losses stable as a result of stable net charge-offs and continued strong credit quality offset by loan growth.

Noninterest income stable, reflecting continued growth in customer-driven fee income.

Noninterest expenses lower, excluding litigation-related expenses, reflecting a more than 50 percent decrease in pension expense. Increases in merit, healthcare and regulatory costs mostly offset by continued expense discipline.

Income tax expense to approximate 28 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 2013 compared to 2012. A comparative discussion of results for 2012 compared to 2011 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	2013			2012			2011		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Commercial loans	\$27,971	\$917	3.28 %	\$26,224	\$903	3.44 %	\$22,208	\$820	3.69 %
Real estate construction loans	1,486	57	3.85	1,390	62	4.44	1,843	80	4.37
Commercial mortgage loans	9,060	372	4.11	9,842	437	4.44	10,025	424	4.23
Lease financing	847	27	3.23	864	26	3.01	950	33	3.51
International loans	1,275	48	3.74	1,272	47	3.73	1,191	46	3.83
Residential mortgage loans	1,620	66	4.09	1,505	68	4.55	1,580	83	5.27
Consumer loans	2,153	71	3.30	2,209	76	3.42	2,278	80	3.50
Total loans (a) (b)	44,412	1,558	3.51	43,306	1,619	3.74	40,075	1,566	3.91
Mortgage-backed securities available-for-sale	9,246	213	2.33	9,446	231	2.52	7,465	229	3.13
Other investment securities available-for-sale	391	2	0.48	469	4	0.77	706	6	0.72
Total investment securities available-for-sale (c)	9,637	215	2.25	9,915	235	2.43	8,171	235	2.91
Interest-bearing deposits with banks (d)	4,930	13	0.26	4,128	10	0.26	3,746	9	0.24
Other short-term investments	112	1	1.22	134	2	1.65	129	3	2.17
Total earning assets	59,091	1,787	3.03	57,483	1,866	3.27	52,121	1,813	3.49
Cash and due from banks	987			983			921		
Allowance for loan losses	(622)			(693)			(838)		
Accrued income and other assets	4,480			4,799			4,713		
Total assets	\$63,936			\$62,572			\$56,917		
Money market and interest-bearing checking deposits	\$21,704	28	0.13	\$20,622	35	0.17	\$19,088	47	0.25
Savings deposits	1,657	1	0.03	1,593	1	0.06	1,550	2	0.11
Customer certificates of deposit	5,471	23	0.42	5,902	31	0.53	5,719	39	0.68
Foreign office time deposits (e)	500	3	0.52	412	3	0.63	411	2	0.48
Total interest-bearing deposits	29,332	55	0.19	28,529	70	0.25	26,768	90	0.33
Short-term borrowings	211	—	0.07	76	—	0.12	138	—	0.13
Medium- and long-term debt (f)	3,972	57	1.45	4,818	65	1.36	5,519	66	1.20
Total interest-bearing sources	33,515	112	0.33	33,423	135	0.41	32,425	156	0.48
Noninterest-bearing deposits	22,379			21,004			16,994		
Accrued expenses and other liabilities	1,074			1,133			1,147		

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Total shareholders' equity	6,968	7,012	6,351
Total liabilities and shareholders' equity	\$63,936	\$62,572	\$56,917
Net interest income/rate spread (FTE)	\$1,675 2.70	\$1,731 2.86	\$1,657 3.01
FTE adjustment (g)	\$3	\$3	\$4
Impact of net noninterest-bearing sources of funds	0.14	0.17	0.18
Net interest margin (as a percentage of average earning assets) (FTE) (a) (c) (d)	2.84 %	3.03 %	3.19 %

Accretion of the purchase discount on the acquired loan portfolio of \$49 million, \$71 million and \$53 million (a) increased the net interest margin by 8 basis points, 12 basis points and 10 basis points in 2013, 2012 and 2011, respectively.

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

(c) Average rate based on average historical cost. Carrying value exceeded average historical cost by \$92 million, \$255 million and \$111 million in 2013, 2012 and 2011, respectively.

(d) Excess liquidity, represented by average balances deposited with the Federal Reserve Bank, reduced the net interest margin by 23 basis points, 21 basis points and 22 basis points in 2013, 2012 and 2011, respectively.

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

(f) Medium- and long-term debt average balances included \$345 million, \$336 million and \$304 million in 2013, 2012 and 2011, respectively, for the gain attributed to the risk hedged with interest rate swaps. Interest expense on medium- and long-term debt was reduced by \$72 million, \$69 million and \$72 million in 2013, 2012 and 2011, respectively, for the net gains on these fair value hedge relationships.

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

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RATE/VOLUME ANALYSIS - FTE

(in millions)

Years Ended December 31	2013/2012			2012/2011		
	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	\$(43)	\$57	\$14	\$(55)	\$138	\$83
Real estate construction loans	(9)	4	(5)	1	(19)	(18)
Commercial mortgage loans	(33)	(32)	(65)	21	(8)	13
Lease financing	2	(1)	1	(4)	(3)	(7)
International loans	1	—	1	(1)	2	1
Residential mortgage loans	(7)	5	(2)	(12)	(3)	(15)
Consumer loans	(3)	(2)	(5)	(2)	(2)	(4)
Total loans	\$(92)	(b) \$31	\$(61)	(52)	(b) 105	53 (b)
Mortgage-backed securities available-for-sale						
Other investment securities available-for-sale	(2)	—	(2)	—	(2)	(2)
Total investment securities available-for-sale	(19)	(1)	(20)	(45)	45	—
Interest-bearing deposits with banks						
Other short-term investments	—	3	3	1	—	1
Total interest income (FTE)	(111)	32	(79)	(97)	150	53
Interest Expense:						
Money market and interest-bearing checking deposits	(9)	2	(7)	(15)	3	(12)
Savings deposits	—	—	—	(1)	—	(1)
Customer certificates of deposit	(6)	(2)	(8)	(9)	1	(8)
Foreign office time deposits	—	—	—	1	—	1
Total interest-bearing deposits	(15)	—	(15)	(24)	4	(20)
Medium- and long-term debt	4	(12)	(8)	9	(10)	(1)
Total interest expense	(11)	(12)	(23)	(15)	(6)	(21)
Net interest income (FTE)	\$(100)	\$44	\$(56)	\$(82)	\$156	\$74

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

(b) Reflected a decrease of \$22 million and an increase of \$18 million in accretion of the purchase discount on the acquired loan portfolio in 2013 and 2012, respectively.

NET INTEREST INCOME

Net interest income is the difference between interest and yield-related fees 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. The FTE adjustment totaled \$3 million in both 2013 and 2012 and \$4 million in 2011. 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 67

percent of total revenues in 2013 and 68 percent in 2012 and 2011. 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, 2013, 2012 and 2011. The rate-volume analysis in the table above details the components of the change in net interest income on a FTE basis for 2013 compared to 2012 and 2012 compared to 2011.

Net interest income was \$1.7 billion in 2013, a decrease of \$56 million compared to 2012. The decrease in net interest income in 2013, compared to 2012, resulted primarily from a decrease in yields and a \$22 million decrease in the accretion of the purchase discount on the acquired loan portfolio, partially offset by the benefit from a \$1.6 billion, or 3 percent, increase in average earning assets and lower funding costs. The increase in average earning assets primarily reflected increases of \$1.1 billion in average loans and \$802 million in average interest-bearing deposits with banks, partially offset by a decrease of \$278 million in average investment securities available-for-sale.

The net interest margin (FTE) in 2013 decreased 19 basis points to 2.84 percent, from 3.03 percent in 2012, primarily from decreased yields on loans and mortgage-backed investment securities, a decrease in accretion of the purchase discount on the acquired loan portfolio and an increase in excess liquidity, partially offset by lower deposit rates. The decrease in loan yields reflected competitive pricing in the low interest rate environment, a shift in the average loan portfolio mix, largely due to volume shifts in business mix, as well as lower LIBOR rates, positive credit quality migration throughout the portfolio, an increase in lower-yielding average commercial loans and a decrease in higher-yielding commercial mortgage loans. Yields on mortgage-

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backed investment securities decreased as a result of prepayments on higher-yielding securities and new investments in lower-yielding securities impacted by the lower rate environment. Accretion of the purchase discount on the acquired loan portfolio increased the net interest margin by 8 basis points in 2013, compared to 12 basis points in 2012, and excess liquidity reduced the net interest margin by approximately 23 basis points in 2013, compared to 21 basis points in 2012. Excess liquidity was represented by \$5.9 billion and \$4.0 billion of average balances deposited with the Federal Reserve Bank (FRB) in 2013 and 2012, respectively, 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 \$46 million in 2013, compared to \$79 million in 2012. 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 \$42 million in 2013, compared to \$73 million in 2012. Credit quality in the loan portfolio continued to improve in 2013, compared to 2012. Improvements in credit quality included a decline of \$516 million in the Corporation's criticized loan list from December 31, 2012 to December 31, 2013. Reflected in the decline in criticized loans was a decrease in nonaccrual loans of \$169 million. The Corporation's criticized loan list is consistent with loans in the Special Mention, Substandard and Doubtful categories defined by regulatory authorities.

Net loan charge-offs in 2013 decreased \$97 million to \$73 million, or 0.16 percent of average total loans, compared to \$170 million, or 0.39 percent, in 2012. The \$97 million decrease in net loan charge-offs in 2013, compared to 2012, reflected decreases in all geographic markets and across almost all business lines.

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 \$4 million in 2013, compared to a provision of \$6 million in 2012. The \$2 million decrease in the provision for credit losses on lending-related commitments in 2013, compared to 2012, resulted primarily from the reduction of specific reserves established in 2012 for set aside/bonded stop loss commitments related to residential real estate construction credits in the California market. The reserves for set aside/bonded stop loss commitments were reduced in 2013 as the underlying commitments were funded and simultaneously charged-off against the allowance for loan losses.

Lending-related commitment charge-offs were insignificant in 2013 and 2012.

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 the "Credit Risk" and "Critical Accounting Policies" sections of this financial review.

NONINTEREST INCOME

(in millions)

Years Ended December 31	2013	2012	2011
Customer-driven income:			
Service charges on deposit accounts	\$214	\$214	\$208
Fiduciary income	171	158	151
Commercial lending fees	99	96	87
Card fees (a)	74	65	77
Letter of credit fees	64	71	73
Foreign exchange income	36	38	40
Brokerage fees	17	19	22
Other customer-driven income (a) (b)	88	89	70
Total customer-driven noninterest income	763	750	728
Noncustomer-driven income:			

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Bank-owned life insurance	40	39	37
Net securities gains (losses)	(1) 12	14
Other noncustomer-driven income (a) (b)	24	17	13
Total noninterest income	\$826	\$818	\$792

In 2013, the Corporation reclassified PIN-based interchange and certain other similar fees to "card fees" from "other noninterest income." Prior period amounts reclassified to conform to current presentation were \$18 million (a) for 2012 (\$11 million from "other customer-driven income" and \$7 million from "other noncustomer-driven income") and \$19 million for 2011 (\$13 million from "other customer-driven income" and \$6 million from "other noncustomer-driven income").

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

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Noninterest income increased \$8 million to \$826 million in 2013, compared to \$818 million in 2012. An analysis of significant year over year changes by individual line item follows.

Fiduciary income increased \$13 million, or 8 percent, to \$171 million in 2013, compared to \$158 million in 2012.

Personal and institutional trust fees are the two major components of fiduciary income. These fees are based on services provided and assets managed. Fluctuations in the market values of the underlying assets managed, which include both equity and fixed income securities, impact fiduciary income. The increase in 2013 was 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.

Commercial lending fees increased \$3 million, or 3 percent, to \$99 million in 2013, compared to \$96 million in 2012, and increased \$9 million, or 10 percent, in 2012, compared to 2011. The increase was due to an increase in fees earned on the unused portion of lines of credit. Syndication agent fees remained stable in 2013, compared to 2012.

Card fees, which consist primarily of interchange fees earned on debit cards and commercial cards, increased \$9 million, or 14 percent, to \$74 million in 2013, compared to \$65 million in 2012. The increase in 2013 primarily reflected volume-driven increases in commercial charge card and debit card interchange revenue.

Letter of credit fees decreased \$7 million, or 10 percent, to \$64 million in 2013, compared to \$71 million in 2012. The decrease in 2013 was primarily due to a decrease in the volume of letters of credit outstanding.

Net securities gains (losses) decreased \$13 million to a net loss of \$1 million in 2013, compared to a net gain of \$12 million in 2012. The net securities loss in 2013 primarily reflected charges related to a derivative contract tied to the conversion rate of Visa Class B shares. Net securities gains in 2012 reflected \$14 million of gains on the redemption of auction-rate securities, partially offset by \$2 million of charges related to the derivative contract tied to the conversion rate of Visa Class B shares. For further information about the derivative contract tied to the conversion rate of Visa Class B shares, refer to Note 2 to the consolidated financial statements.

Other noninterest income increased \$6 million, or 6 percent, to \$112 million in 2013, compared to \$106 million in 2012, primarily reflecting increases in deferred compensation plan asset returns, income from principal investing and warrants. In addition, income recognized from the Corporation's third-party credit card provider increased \$5 million in 2013, compared to 2012, primarily reflecting a change in the timing of the recognition of incentives from annually to quarterly in 2013. The following table illustrates certain categories included in "other noninterest income" on the consolidated statements of income.

(in millions)

Years Ended December 31	2013	2012	2011
Other noninterest income:			
Other customer-driven income:			
Customer derivative income	\$25	\$25	\$16
Investment banking fees	19	20	13
All other customer-driven income	44	44	41
Total other customer-driven income	88	89	70
Other noncustomer-driven income:			
Securities trading income	14	19	14
Deferred compensation plan asset returns (a)	13	7	2
Income from principal investing and warrants	14	8	15
Income from third-party credit card provider	14	9	4
Amortization of low income housing investments	(57)	(57)	(52)
All other noncustomer-driven income	26	31	30
Total other noncustomer-driven income	24	17	13
Total other noninterest income	\$112	\$106	\$83

Compensation deferred by the Corporation's officers is invested based on investment selections of the officers.

(a) Income earned on these assets is reported in noninterest income and the offsetting increase in liability is reported in salaries expense.

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NONINTEREST EXPENSES

(in millions)

Years Ended December 31	2013	2012	2011
Salaries	\$763	\$778	\$770
Employee benefits	246	240	205
Total salaries and employee benefits	1,009	1,018	975
Net occupancy expense	160	163	169
Equipment expense	60	65	66
Outside processing fee expense	119	107	101
Software expense	90	90	88
Litigation-related expenses	52	23	10
FDIC insurance expense	33	38	43
Advertising expense	21	27	28
Other real estate expense	2	9	22
Merger and restructuring charges	—	35	75
Other noninterest expenses	176	182	194
Total noninterest expenses	\$1,722	\$1,757	\$1,771

Noninterest expenses decreased \$35 million, or 2 percent, to \$1.7 billion in 2013, compared to \$1.8 billion in 2012, and decreased \$14 million, or 1 percent, in 2012, compared to 2011. An analysis of increases and decreases by individual line item is presented below.

Salaries expense decreased \$15 million, or 2 percent, to \$763 million in 2013, compared to \$778 million in 2012. The decrease in salaries expense primarily reflected reduced staffing levels and lower executive incentive compensation, partially offset by an increase in deferred compensation expense and annual merit increases. 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. The increase in deferred compensation expense was offset by an increase in deferred compensation plan asset returns in noninterest income.

Employee benefits expense increased \$6 million, or 3 percent, to \$246 million in 2013, compared to \$240 million in 2012. The increase in employee benefits expense was primarily due to an \$11 million increase in defined benefit pension expense, largely driven by declines in the discount rate and the expected long-term rate of return on plan assets, partially offset by a decrease in staff insurance expense.

Net occupancy and equipment expense decreased \$8 million, or 4 percent, to \$220 million in 2013, compared to \$228 million in 2012. The decrease was primarily due to savings associated with leased properties exited in 2012, lower utility expense resulting primarily from a combination of favorable price renegotiations and conservation efforts, and a reduction in equipment depreciation expense, in part reflecting delayed replacement of fully depreciated assets, partially offset by an increase in maintenance expense and an increase in property tax expense as a result of refunds received in 2012 related to settlements of tax appeals.

Outside processing fee expense increased \$12 million, or 11 percent, to \$119 million in 2013, compared to \$107 million in 2012. The increase was primarily due to increased activity tied to fee-based revenue growth, transactional costs related to increased volume and outsourcing of certain operational functions.

Litigation-related expenses increased \$29 million to \$52 million in 2013, compared to \$23 million in 2012, primarily reflecting an increase in legal reserves based on a \$52 million unfavorable jury verdict on a lender liability case announced in January 2014. For further information about legal proceedings, refer to Note 21 to the consolidated financial statements.

FDIC insurance expense decreased \$5 million, or 13 percent, to \$33 million in 2013, compared to \$38 million in 2012. The decrease in 2013 was primarily the result of lower assessment rates, reflecting improvements in the Corporation's risk profile used in determining the quarterly assessment rate.

Advertising expense decreased \$6 million, or 22 percent, to \$21 million in 2013, compared to \$27 million in 2012, primarily reflecting timing changes related to certain marketing campaigns.

Other real estate expense decreased \$7 million to \$2 million in 2013, from \$9 million in 2012. Other real estate expense includes write-downs, net gains (losses) on sales, and carrying costs related primarily to foreclosed property. The decrease in 2013 was primarily due to decreases in write-downs and carrying costs.

Other noninterest expenses decreased \$6 million, or 3 percent, to \$176 million in 2013, from \$182 million in 2012. The decrease primarily reflected decreases of \$6 million in operational losses, \$7 million in legal fees and \$5 million in core deposit

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intangible amortization, partially offset by an \$8 million decrease in net gains recognized on sales of assets and a \$5 million loss on other foreclosed property in 2013. Operational losses include traditionally defined operating losses, such as fraud and processing losses, as well as uninsured losses.

INCOME TAXES AND RELATED ITEMS

The provision for income taxes was \$189 million in both 2013 and 2012, and \$137 million in 2011. An increase in taxes due to increased pretax income in 2013 was offset by certain federal and state tax discrete items and the release of certain tax reserves in 2013.

Net deferred tax assets were \$256 million at December 31, 2013, compared to \$254 million at December 31, 2012.

The increase of \$2 million resulted primarily from increases in net unrealized losses on investment securities available-for-sale and legal reserves as well as a decrease in deferred tax liabilities related to lease financing transactions. This was partially offset by a decrease in deferred tax assets related to defined benefit plans, a decrease in the allowance for loan losses, accretion of the purchase discount on the acquired Sterling loan portfolio and the utilization of tax credits. Included in net deferred tax assets at December 31, 2013 were deferred tax assets of \$500 million. Deferred tax assets were evaluated for realization and it was determined that no valuation allowance was needed at both December 31, 2013 and December 31, 2012. This conclusion was based on available evidence of loss carryback capacity, projected future reversals of existing taxable temporary differences and assumptions made regarding future events.

2012 RESULTS OF OPERATIONS COMPARED TO 2011

Net interest income was \$1.7 billion in 2012, an increase of \$75 million compared to 2011. The increase in net interest income in 2012 resulted primarily from a \$5.4 billion increase in average earning assets and an \$18 million increase in the accretion of the purchase discount on the acquired Sterling Bancshares, Inc. (Sterling) loan portfolio, partially offset by a decrease in yields. Average earning assets increased \$5.4 billion, or 10 percent, to \$57.5 billion in 2012 in part due to the full-year impact of earning assets acquired from Sterling in 2012, compared to a five-month impact in 2011. The increase in average earning assets primarily reflected increases of \$3.2 billion in average loans, \$1.7 billion in average investment securities available-for-sale and \$371 million in average interest-bearing deposits with banks. The net interest margin (FTE) in 2012 decreased 16 basis points to 3.03 percent, from 3.19 percent in 2011, primarily from decreased yields on loans and mortgage-backed investment securities, partially offset by lower deposit rates and an increase in accretion of the purchase discount on the Sterling acquired loan portfolio. The decrease in loan yields reflected a shift in the average loan portfolio mix, largely due to an increase in lower-yielding average commercial loans as well as a decrease in higher-yielding commercial real estate loans, the maturity of higher-yielding fixed-rate loans and positive credit quality migration throughout the portfolio, partially offset by an increase in interest recognized on nonaccrual loans. Yields on mortgage-backed investment securities decreased as a result of prepayments on higher-yielding securities and new investments in lower-yielding securities impacted by the lower rate environment. Accretion of the purchase discount on the acquired Sterling loan portfolio increased the net interest margin by 12 basis points in 2012, compared to 10 basis points in 2011, and excess liquidity reduced the net interest margin by approximately 21 basis points in 2012, compared to 22 basis points 2011. Excess liquidity was represented by \$4.0 billion and \$3.7 billion of average balances deposited with the FRB in 2012 and 2011, respectively, 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 2012 and 2011 and details the components of the change in net interest income on a FTE basis for 2012 compared to 2011.

The provision for credit losses, which includes both the provision for loan losses and the provision for credit losses on lending-related commitments, was \$79 million in 2012, compared to \$144 million in 2011. The provision for loan losses was \$73 million in 2012 compared to \$153 million in 2011. The \$80 million decrease in the provision for loan losses in 2012, when compared to 2011, resulted primarily from continued improvements in credit quality, including a decrease of \$1.2 billion in the Corporation's criticized loan list and a decrease of \$341 million in the inflow to nonaccrual loans. Net loan charge-offs in 2012 decreased \$158 million to \$170 million, or 0.39 percent of average total loans, compared to \$328 million, or 0.82 percent, in 2011, primarily reflecting decreases in Middle Market (\$74 million), Small Business (\$45 million), Private Banking (\$17 million) and Commercial Real Estate (\$15 million). The

provision for credit losses on lending-related commitments was a provision of \$6 million in 2012, compared to a benefit of \$9 million in 2011. The \$15 million increase in the provision for credit losses on lending-related commitments resulted primarily from the establishment of specific reserves in the second quarter 2012 for set aside/bonded stop loss commitments related to residential real estate construction credits in the California market and an increase in the probability of draw applied to all remaining unfunded commitments effective in 2012 as a result of an updated analysis of borrower draw behavior. Lending-related commitment charge-offs were insignificant in 2012 and 2011.

Noninterest income increased \$26 million to \$818 million in 2012, compared to \$792 million in 2011. Service charges on deposit accounts increased \$6 million, or 4 percent, in 2012, primarily due to the full-year impact of Sterling in 2012, compared

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to a five-month impact from Sterling in 2011. Fiduciary income increased \$7 million, or 5 percent, primarily due to an increase in personal trust fees, largely driven by an increase in the volume of fiduciary services sold, the favorable impact on fees of market value increases and an increase in service fees collected on estate administration services. Commercial lending fees increased \$9 million, or 10 percent, primarily due to an increase in syndication agent fees, reflecting a higher volume of activity in 2012. Card fees decreased \$12 million in 2012, primarily due to the impact of regulatory limits on debit card transaction processing fees implemented in the fourth quarter 2011. Brokerage fees decreased \$3 million, or 14 percent, in 2012, compared to 2011. Brokerage fees include commissions from retail brokerage transactions and mutual fund sales and are subject to changes in the level of market activity. The decrease in 2012 was primarily due to the compression of short-term interest rates and a decline in transaction volume. Other noninterest income increased \$23 million, or 27 percent, in 2012, compared to 2011. The increase primarily reflected increases of \$9 million in customer derivative income, \$7 million in investment banking fees, \$5 million in securities trading income and \$5 million in deferred compensation plan asset returns, partially offset by a \$7 million decrease in income from principal investing and warrants. 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 \$14 million, or 1 percent, in 2012, compared to 2011, primarily due to the full-year impact of Sterling in 2012, compared to a five-month impact in 2011, and annual merit increases, partially offset by a reduction in staffing levels and lower executive incentive compensation. Employee benefits expense increased \$35 million, or 17 percent in 2012, primarily from a \$28 million increase in defined benefit pension expense, largely driven by declines in the discount rate and the expected long-term rate of return on plan assets, and the result of the full-year impact of Sterling in 2012, compared to a five-month impact in 2011. Net occupancy and equipment expense increased \$7 million, or 3 percent, in 2012, primarily due to optimizing real estate usage in the Michigan market early in the first quarter 2012, lower maintenance and repair costs, and the receipt of property tax refunds related to settlements of tax appeals, partially offset by the full-year impact of the addition of Sterling banking centers, compared to a five-month impact in 2011. Outside processing fee expense increased \$6 million, or 6 percent, in 2012, primarily due to higher volumes in activity-based processing charges and increased fees related to the Corporation's outsourcing of lockbox services. Litigation-related expenses increased \$13 million in 2012, resulting primarily from developments in certain litigation claims in 2012. FDIC insurance expense decreased \$5 million, or 12 percent, in 2012, primarily the result of lower assessment rates as well as the full-year impact of the implementation of changes to the deposit insurance assessments system which were effective April 1, 2011. Other real estate expense decreased \$13 million in 2012, primarily due to decreases in write-downs and losses on sales of foreclosed property. The Corporation recognized merger and restructuring charges of \$35 million in 2012 and \$75 million in 2011 in connection with the acquisition of Sterling in 2011. Merger and restructuring charges included facilities and contract termination charges, systems integration and related charges, severance and other employee-related charges and transaction-related costs. The restructuring plan was completed in 2012 and resulted in cumulative costs of \$110 million. Other noninterest expenses decreased \$12 million in 2012, primarily reflecting a \$12 million decrease in legal fees and a \$10 million increase in net gains recognized on sales of assets, partially offset by an \$8 million increase in operational losses.

The provision for income taxes was \$189 million in 2012, compared to \$137 million in 2011. The \$52 million increase in the provision for income taxes was due primarily to an increase in pretax income in 2012. In addition, the provision for income taxes for 2011 included a \$19 million charge related to a final settlement agreement with the Internal Revenue Service (IRS) involving the repatriation of foreign earnings on a structured investment transaction, partially offset by the release of tax reserves of \$7 million due to the Corporation's participation in a state of California voluntary compliance initiative.

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STRATEGIC LINES OF BUSINESS

BUSINESS SEGMENTS

The Corporation's operations are strategically aligned into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based upon the products and services provided. In addition to the three major business segments, 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. Note 22 to the consolidated financial statements describes the business activities of each business segment and presents financial results of these business segments for the years ended December 31, 2013, 2012 and 2011.

Segment Reporting Methodology

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

In 2013, the Corporation changed the method of assigning the allowance for loan losses to each segment. In 2012, national probability of default and loss given default statistics were incorporated into the Corporation's allowance methodology. Each segment was assigned an allowance for loan losses based on market-specific standard reserve factors applied to the loans in each segment, and the difference between the total allowance required on a national basis and the market-specific allowances was allocated based on the relative loan balances in each segment. Effective 2013, each segment was assigned an allowance for loan losses by applying national standard reserve factors to the loan balances in each segment by risk rating distribution. This change was retroactively applied to 2012. Also in 2013, the Corporation changed the method of allocating FDIC insurance expense to the segments as well as certain noninterest income and expense associated with commercial charge cards. The changes did not have a material impact on segment operating results. The table and narrative below present the business segment results, including prior periods, based on the structure and methodologies in effect at December 31, 2013.

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

(dollar amounts in
millions)

Years Ended December 31	2013		2012		2011				
Business Bank	\$785	86	%	\$826	88	%	\$699	92	%
Retail Bank	42	5		50	5		18	3	
Wealth Management	87	9		67	7		41	5	
	914	100	%	943	100	%	758	100	%
Finance	(376)		(382)		(316)	
Other (a)	3			(40)		(49)	
Total	\$541			\$521			\$393		

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

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The Business Bank's net income of \$785 million in 2013 decreased \$41 million, compared to \$826 million in 2012. Net interest income (FTE) of \$1.5 billion decreased \$14 million in 2013, primarily due to lower loan yields and a \$7 million decrease in accretion of the purchase discount on the acquired loan portfolio, partially offset by the benefit provided by a \$1.0 billion increase in average loans, a decrease in net FTP charges and lower deposit rates. Average deposits increased \$1.3 billion in 2013, compared to 2012. The provision for credit losses increased \$20 million, to \$54 million in 2013, compared to the prior year, primarily due to 2013 enhancements to the approach utilized to determine the allowance for loan losses, partially offset by improvements in credit quality. Net credit-related charge-offs of \$43 million decreased \$64 million in 2013, compared to 2012, primarily reflecting decreases in Commercial Real Estate and general Middle Market. Noninterest income of \$326 million in 2013 increased \$7 million from the prior year, primarily due to increases in warrant income (\$5 million), card fees (\$4 million) and service charges on deposit accounts (\$4 million), partially offset by a decrease in letter of credit fees (\$6 million). Noninterest expenses of \$643 million in 2013 increased \$41 million compared to the prior year, primarily due to an increase in litigation-related expenses (\$51 million), primarily related to an unfavorable jury verdict on a lender liability case, a loss on other foreclosed property in 2013 (\$5 million), and the impact of large gains recognized on the sale of assets in 2012 (\$5 million), partially offset by small decreases in several other noninterest expense categories.

Net income for the Retail Bank of \$42 million in 2013 decreased \$8 million, compared to net income of \$50 million in 2012. Net interest income (FTE) of \$610 million decreased \$37 million in 2013, primarily due to a decrease in net FTP credits, a \$15 million decrease in accretion of the purchase discount on the acquired loan portfolio and lower loan yields, partially offset by lower deposit rates. Average loans decreased \$19 million and average deposits increased \$624 million. The provision for credit losses of \$13 million in 2013 decreased \$11 million from the prior year, primarily reflecting decreases in Small Business and Retail Banking. Net credit-related charge-offs of \$22 million in 2013 decreased \$18 million compared to 2012, primarily reflecting decreases in Small Business and Retail Banking in the three primary geographic markets. Noninterest income of \$175 million in 2013 increased \$2 million compared to 2012, primarily the result of an increase in card fees (\$5 million), primarily due to the change in the method of allocating commercial card income as discussed above, partially offset by a decrease in service charges on deposit accounts (\$4 million). Noninterest expenses of \$708 million in 2013 decreased \$15 million from the prior year, primarily due to decreases in FDIC deposit insurance expense (\$4 million), in part due to the change in allocation method as discussed above, corporate overhead expense (\$3 million) and smaller decreases in several other noninterest expense categories.

Wealth Management's net income of \$87 million in 2013 increased \$20 million, compared to \$67 million in 2012. Net interest income (FTE) of \$184 million in 2013 decreased \$3 million compared to 2012, primarily due to lower loan yields, partially offset by the benefit provided by a \$122 million increase in average loans. Average deposits increased \$95 million. The provision for credit losses was a benefit of \$18 million in 2013, a decrease of \$37 million compared to 2012, primarily due to improvements in credit quality. Net credit-related charge-offs were \$8 million in 2013, compared to \$23 million in 2012. Noninterest income of \$252 million decreased \$6 million from the prior year, primarily reflecting decreases in net securities gains from the redemption of auction-rate securities (\$13 million) and securities trading income (\$5 million), partially offset by an increase in fiduciary income (\$13 million). Noninterest expenses of \$319 million in 2013 decreased \$1 million from the prior year.

The net loss in the Finance segment was \$376 million in 2013, compared to a net loss of \$382 million in 2012. Net interest expense (FTE) of \$653 million in 2013 decreased \$5 million, compared to 2012, 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 as described above, partially offset by an \$18 million decrease in interest earned on mortgage-backed investment securities. The Finance Division pays the three major business segments for the long-term value of deposits based on their implied lives. The three major business segments pay the Finance Division for funding based on the pricing and term characteristics of their loans. Noninterest income of \$61 million in 2013 increased \$1 million compared to 2012. Noninterest expenses of \$10 million in 2013 decreased \$2 million from the prior year.

Net income in the Other category of \$3 million in 2013 increased \$43 million, compared to a net loss of \$40 million in 2012. The increase in net income primarily reflected a \$58 million decrease in noninterest expenses, largely due to

decreases in merger and restructuring charges (\$35 million) and litigation-related expenses (\$16 million).

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MARKET SEGMENTS

Market segment results are 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. The Finance & Other category includes the Finance segment and the Other category as previously described in the "Business Segments" section of this financial review. The table and narrative below present the market segment results, including prior periods, based on the structure and methodologies in effect at December 31, 2013. 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, 2013, 2012 and 2011.

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

(dollar amounts in millions)

Years Ended December 31	2013		2012		2011	
Michigan	\$261	29	% \$306	33	% \$228	30
California	268	29	258	27	220	29
Texas	177	19	182	19	175	23
Other Markets	208	23	197	21	135	18
	914	100	% 943	100	% 758	100
Finance & Other (a)	(373)	(422)	(365)
Total	\$541		\$521		\$393	

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

The Michigan market's net income of \$261 million in 2013 decreased \$45 million, compared to net income of \$306 million in 2012. Net interest income (FTE) of \$751 million in 2013 decreased \$26 million, primarily due to lower loan yields, a decrease in net FTP credits and the impact of a \$157 million decrease in average loans, partially offset by lower deposit rates. Average deposits increased \$773 million. The provision for credit losses was a benefit of \$12 million in 2013, compared to a benefit of \$16 million in the prior year, primarily due to 2013 enhancements to the approach utilized to determine the allowance for loan losses, partially offset by improvements in credit quality and lower loan balances. Net credit-related charge-offs of \$6 million for 2013 decreased \$35 million from the prior year, primarily reflecting decreases in Commercial Real Estate and general Middle Market. Noninterest income of \$357 million in 2013 decreased \$28 million from 2012, primarily due to a decrease in card fees (\$19 million), due to the change in the method of allocating commercial card income as discussed above, and small decreases in several other noninterest income categories, partially offset by an increase in fiduciary income (\$4 million). Noninterest expenses of \$714 million in 2013 increased \$7 million from the prior year, primarily due to an increase in litigation-related expenses (\$50 million), primarily due to an unfavorable jury verdict on a lender liability case, and the impact of large gains recognized on the sale of assets in 2012 (\$5 million), partially offset by decreases in outside processing fees (\$7 million), operational losses (\$7 million), corporate overhead expense (\$6 million) and small decreases in most noninterest expense categories.

The California market's net income of \$268 million increased \$10 million in 2013, compared to \$258 million in 2012. Net interest income (FTE) of \$692 million for 2013 was unchanged from the prior year, as the benefits provided by a \$1.2 billion increase in average loans and lower deposit rates were offset by lower loan yields and a decrease in net FTP credits. Average deposits increased \$137 million. The provision for credit losses of \$18 million in 2013 increased \$1 million from the prior year, primarily due to loan growth and 2013 enhancements to the approach utilized to determine the allowance for loan losses, largely offset by improvements in credit quality. Net credit-related charge-offs of \$27 million in 2013 decreased \$20 million compared to 2012, primarily reflecting a decrease in charge-offs in general Middle Market. Noninterest income of \$150 million in 2013 increased \$14 million from the prior year, primarily due to increases in card fees (\$11 million), due to the change in the method of allocating commercial card income as discussed above, and warrant income (\$5 million). Noninterest expenses of \$396 million in 2013 increased \$1 million from the prior year, primarily due to a loss on other foreclosed property in 2013 (\$5 million) and an increase in salaries and employee benefits (\$3 million), partially offset by a decrease in operational

losses (\$5 million) and small decreases in several noninterest expense categories.

The Texas market's net income decreased \$5 million to \$177 million in 2013, compared to \$182 million in 2012. Net interest income (FTE) of \$541 million in 2013 decreased \$23 million from the prior year, primarily due to a \$21 million decrease in accretion of the purchase discount on the acquired loan portfolio and lower loan yields, partially offset by the benefit provided by a \$437 million increase in average loans. Average deposits increased \$207 million in 2013, compared to the prior year. The provision for credit losses of \$35 million in 2013 decreased \$12 million from the prior year, primarily reflecting improvements in credit quality. Net credit-related charge-offs of \$20 million for 2013 decreased \$2 million from the prior year. Noninterest income of \$132 million in 2013 increased \$8 million from the prior year, primarily due to an increase in card fees of \$7 million, due to the change in the method of allocating commercial card income as discussed above. Noninterest expenses of \$363 million in 2013 increased \$3 million from 2012 due to small increases in several noninterest categories.

Net income in Other Markets of \$208 million in 2013 increased \$11 million compared to \$197 million in 2012. Net interest income (FTE) of \$313 million in 2013 decreased \$5 million from the prior year, primarily due to the impact of a \$412

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million decrease in average loans and lower loan yields, partially offset by an increase in net FTP credits, primarily resulting from the benefit provided by a \$934 million increase in average deposits. The provision for credit losses decreased \$21 million in 2013, compared to the prior year, primarily reflecting lower loan balances and improvements in credit quality. Net credit-related charge-offs of \$20 million in 2013 decreased \$40 million from the prior year, primarily reflecting decreases in Private Banking and Commercial Real Estate. Noninterest income of \$114 million in 2013 increased \$9 million from the prior year, primarily reflecting increases in card fees (\$11 million), in part due to the change in the method of allocating commercial card income as discussed above, fiduciary income (\$8 million) and small increases in several other noninterest income categories, partially offset by a decrease in net securities gains from the redemption of auction-rate securities (\$13 million). Noninterest expenses of \$197 million in 2013 increased \$14 million compared to the prior year, primarily due to an increase in outside processing fees (\$8 million) and small increases in several noninterest expense categories.

The net loss for the Finance & Other category of \$373 million in 2013 decreased \$49 million compared to 2012. For further information, refer to the Finance segment and Other category discussions under the "Business Segments" subheading above.

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

December 31	2013	2012	2011
Michigan	214	216	218
Texas	136	140	142
California	105	105	104
Other Markets:			
Arizona	18	18	18
Florida	9	10	11
Canada	1	1	1
Total Other Markets	28	29	30
Total	483	490	494

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ANALYSIS OF INVESTMENT SECURITIES AND LOANS

(in millions)

December 31	2013	2012	2011	2010	2009
U.S. Treasury and other U.S. government agency securities	\$45	\$35	\$40	\$131	\$103
Residential mortgage-backed securities	8,926	9,920	9,492	6,709	6,261
State and municipal securities (a)	22	23	24	39	47
Corporate debt securities	56	58	47	27	200
Equity and other non-debt securities	258	261	501	654	805
Total investment securities available-for-sale	\$9,307	\$10,297	\$10,104	\$7,560	\$7,416
Commercial loans	\$28,815	\$29,513	\$24,996	\$22,145	\$21,690
Real estate construction loans:					
Commercial Real Estate business line (b)	1,447	1,049	1,103	1,826	3,002
Other business lines (c)	315	191	430	427	459
Total real estate construction loans	1,762	1,240	1,533	2,253	3,461
Commercial mortgage loans:					
Commercial Real Estate business line (b)	1,678	1,873	2,507	1,937	1,889
Other business lines (c)	7,109	7,599	7,757	7,830	8,568
Total commercial mortgage loans	8,787	9,472	10,264	9,767	10,457
Lease financing	845	859	905	1,009	1,139
International loans:					
Banks and other financial institutions	4	2	18	2	1
Commercial and industrial	1,323	1,291	1,152	1,130	1,251
Total international loans	1,327	1,293	1,170	1,132	1,252
Residential mortgage loans	1,697	1,527	1,526	1,619	1,651
Consumer loans:					
Home equity	1,517	1,537	1,655	1,704	1,817
Other consumer	720	616	630	607	694
Total consumer loans	2,237	2,153	2,285	2,311	2,511
Total loans	\$45,470	\$46,057	\$42,679	\$40,236	\$42,161

(a) Auction-rate securities.

(b) Primarily loans to real estate developers.

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

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EARNING ASSETS

Loans

The following tables provide information about the change in the Corporation's average loan portfolio in 2013, compared to 2012.

(dollar amounts in millions)

Years Ended December 31	2013	2012	Change	Percent Change	
Average Loans:					
Commercial loans by business line:					
General Middle Market	\$10,019	\$9,495	\$524	6	%
National Dealer Services	3,554	2,792	762	27	
Energy	2,871	2,538			