PEREZ WILLIAM D
Form 4
January 31, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
PEREZ WILLIAM D
(Last) (First) (Middle)
PO BOX 3599
(Street)
BATTLE CREEK, MI 49016-3599
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KELLOGG CO [K]

3. Date of Earliest Transaction (Month/Day/Year)
01/31/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D S (

Derivative Security						(A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	$ 44.98	01/31/2005		A		5,000		07/31/2005	01/31/2015	Common Stock	5,000
Phantom Stock Units	$ 44.38	02/09/2005		A		11.27		(1)	(1)	Common Stock	11.27

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PEREZ WILLIAM D PO BOX 3599 BATTLE CREEK, MI 49016-3599	X			

Signatures

James K. Markey, Attorney-in-Fact   01/31/2005

**Signature of Reporting Person   Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) According to the terms of the amended Kellogg Company Deferred Compensation Plan for Non-Employee Directors, final value of phantom stock units is to be determined as of date of reporting person's retirement and may be paid in cash or stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ent:49px;font-size:10pt;">The Corporation holds ownership interests in funds in the form of limited partnerships or limited liability companies (LLCs) investing in affordable housing projects that qualify for the LIHTC. The Corporation also directly invests in limited partnerships and LLCs which invest in community development projects which generate similar tax credits to investors. As an investor, the Corporation obtains income tax credits and deductions from the operating losses of these tax credit entities. These tax credit entities meet the definition of a VIE; however, the Corporation is not the primary beneficiary of the entities, as the general partner or the managing member has both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. While the partnership/LLC agreements allow the limited partners/investor members, through a majority vote, to remove the general partner/managing member, this right is not deemed to be substantive as the general partner/managing member can only be removed for cause.
The Corporation accounts for its interests in LIHTC entities using the proportional amortization method. Exposure to loss as a result of the Corporation’s involvement with LIHTC entities at September 30, 2014 was limited to

approximately $379 million. Ownership interests in other community development projects which generate similar tax credits to investors (other tax credit entities) are accounted for under either the cost or equity method. Exposure to loss as a result of the Corporation's involvement in other tax credit entities at September 30, 2014 was limited to approximately $10 million.

Investment balances, including all legally binding commitments to fund future investments, are included in “accrued income and other assets” on the consolidated balance sheets. A liability is recognized in “accrued expenses and other liabilities” on the consolidated balance sheets for all legally binding unfunded commitments to fund tax credit entities ($131 million at

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September 30, 2014). Amortization and other write-downs of LIHTC investments are presented on a net basis as a component of the "provision for income taxes" on the consolidated statements of comprehensive income, while amortization and write-downs of other tax credit investments are recorded in “other noninterest income." The income tax credits and deductions are recorded as a reduction of income tax expense and a reduction of federal income taxes payable.

The Corporation provided no financial or other support that was not contractually required to any of the above VIEs during the nine months ended September 30, 2014 and 2013.

The following table summarizes the impact of these tax credit entities on line items on the Corporation’s consolidated statements of comprehensive income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Other noninterest income:				
Amortization of other tax credit investments	$(2)	$—	$(5)	$—
Provision for income taxes:				
Amortization of LIHTC investments	15	14	43	41
Low income housing tax credits	(15)	(14)	(43)	(42)
Other tax benefits related to tax credit entities	(6)	(5)	(19)	(15)
Total provision for income taxes	$(6)	$(5)	(19)	(16)

For further information on the Corporation’s consolidation policy, see Note 1 to these unaudited consolidated financial statements and Note 1 to the consolidated financial statements in the Corporation's 2013 Annual Report.

NOTE 7 - MEDIUM- AND LONG-TERM DEBT

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

(in millions)	September 30, 2014	December 31, 2013
Parent company		
Subordinated notes:		
4.80% subordinated notes due 2015 (a)	$308	$318
3.80% subordinated notes due 2026 (a)	249	—
Medium-term notes:		
3.00% notes due 2015	299	299
2.125% notes due 2019 (a)	346	—
Total parent company	1,202	617
Subsidiaries		
Subordinated notes:		
5.70% subordinated notes due 2014 (a)	—	255
8.375% subordinated notes called 2014	—	183
5.75% subordinated notes due 2016 (a)	672	681
5.20% subordinated notes due 2017 (a)	551	566
7.875% subordinated notes due 2026 (a)	221	213
Total subordinated notes	1,444	1,898
Federal Home Loan Bank advance:		
Floating-rate based on LIBOR indices due 2014	—	1,000
Other notes:		
6.0% - 6.4% fixed-rate notes due 2020	23	28
Total subsidiaries	1,467	2,926
Total medium- and long-term debt	$2,669	$3,543

(a)

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

Subordinated notes with remaining maturities greater than one year qualify as Tier 2 capital.

Comerica Bank (the Bank) is a member of the FHLB, which provides short- and long-term funding to its members through advances collateralized by real estate-related assets. Actual borrowing capacity is contingent on the amount of collateral available

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to be pledged to the FHLB. At September 30, 2014, $14 billion of real estate-related loans were pledged to the FHLB as blanket collateral for potential future borrowings.
In the second quarter 2014, the Corporation issued $350 million of 2.125% senior notes due 2019, which were swapped to a floating rate based on six-month LIBOR. Proceeds were used for general corporate purposes.
In the third quarter 2014, the Corporation issued $250 million of 3.80% subordinated notes due 2026, which were swapped to a floating rate based on six-month LIBOR. Proceeds were used for general corporate purposes. Also in the third quarter 2014, the Corporation exercised its option to redeem, at par, $150 million of 8.375% subordinated notes, originally due in 2024. A gain of $32 million was recognized on the early redemption, primarily from the recognition of the unamortized value of a related, previously terminated interest rate swap.

NOTE 8 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents a reconciliation of the changes in the components of accumulated other comprehensive loss and details the components of other comprehensive income (loss) for the nine months ended September 30, 2014 and 2013, including the amount of income tax expense (benefit) allocated to each component of other comprehensive income (loss).

	Nine Months Ended September 30,	
(in millions)	2014	2013
Accumulated net unrealized gains (losses) on investment securities available-for-sale:		
Balance at beginning of period, net of tax	$(68)	$150
Net unrealized holding gains (losses) arising during the period	85	(270)
Less: Provision (benefit) for income taxes	30	(100)
Net unrealized holding gains (losses) arising during the period, net of tax	55	(170)
Less:		
Net realized gains included in net securities gains	1	1
Less: Provision for income taxes	—	—
Reclassification adjustment for net securities gains included in net income, net of tax	1	1
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	54	(171)
Balance at end of period, net of tax	$(14)	$(21)
Accumulated defined benefit pension and other postretirement plans adjustment:		
Balance at beginning of period, net of tax	$(323)	$(563)
Amortization of actuarial net loss	30	65
Amortization of prior service cost	1	2
Amounts recognized in salaries and benefits expense	31	67
Less: Provision for income taxes	11	24
Change in defined benefit pension and other postretirement plans adjustment, net of tax	20	43
Balance at end of period, net of tax	$(303)	$(520)
Total accumulated other comprehensive loss at end of period, net of tax	$(317)	$(541)

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NOTE 9 - NET INCOME PER COMMON SHARE
Basic and diluted net income per common share are presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2014	2013	2014	2013
Basic and diluted				
Net income	$154	$147	$444	$424
Less:				
Income allocated to participating securities	2	2	6	6
Net income attributable to common shares	$152	$145	$438	$418
Basic average common shares	179	182	179	184
Basic net income per common share	$0.85	$0.80	$2.44	$2.28
Basic average common shares	179	182	179	184
Dilutive common stock equivalents:				
Net effect of assumed exercise of stock options	2	1	2	1
Net effect of the assumed exercise of warrants	4	4	5	2
Diluted average common shares	185	187	186	187
Diluted net income per common share	$0.82	$0.78	$2.35	$2.23

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(shares in millions)	2014	2013	2014	2013
Average outstanding options	6.0	8.2	7.3	11.8
Range of exercise prices	$50.87 - $60.82	$41.70 - $61.94	$48.17 - $61.94	$34.78 - $61.94

NOTE 10 - EMPLOYEE BENEFIT PLANS
Net periodic benefit costs are charged to "employee benefits expense" on the consolidated statements of comprehensive income. The components of net periodic benefit cost for the Corporation's qualified pension plan, non-qualified pension plan and postretirement benefit plan are as follows.

Qualified Defined Benefit Pension Plan	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Service cost	$7	$9	$22	$28
Interest cost	22	20	66	59
Expected return on plan assets	(33)	(33)	(99)	(99)
Amortization of prior service cost	1	1	4	3
Amortization of net loss	9	18	24	56
Net periodic defined benefit cost	$6	$15	$17	$47

Non-Qualified Defined Benefit Pension Plan	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Service cost	$1	$1	$3	$3

Interest cost	2	2	7	7
Amortization of prior service cost (credit)	(1)	—	(3)	(1)
Amortization of net loss	2	3	5	8
Net periodic defined benefit cost	$4	$6	$12	$17

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Postretirement Benefit Plan	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Interest cost	$—	$1	$2	$3
Expected return on plan assets	(1)	(1)	(3)	(3)
Amortization of net loss	1	—	1	1
Net periodic postretirement benefit cost	$—	$—	$—	$1

For further information on the Corporation's employee benefit plans, refer to Note 17 to the consolidated financial statements in the Corporation's 2013 Annual Report.

NOTE 11 - INCOME TAXES AND TAX-RELATED ITEMS

At September 30, 2014, net unrecognized tax benefits were $14 million, compared to $11 million at December 31, 2013. The increase in unrecognized tax benefits of $3 million was primarily the result of the recognition of federal audit adjustments. The Corporation anticipates that it is reasonably possible that final settlement of federal and state tax issues will result in a decrease in net unrecognized tax benefits of $9 million within the next twelve months. Included in "accrued expense and other liabilities" on the consolidated balance sheets was a $2 million liability for tax-related interest and penalties at both September 30, 2014 and December 31, 2013.

Net deferred tax assets were $200 million at September 30, 2014, compared to $256 million at December 31, 2013. The decrease of $56 million in net deferred tax assets resulted primarily from a decrease in unrealized losses on investment securities available-for-sale recognized in other comprehensive income. Deferred tax assets were evaluated for realization and it was determined that no valuation allowance was needed at both September 30, 2014 and December 31, 2013. 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.

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

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

NOTE 12 - CONTINGENT LIABILITIES

Legal Proceedings

As previously reported in the Corporation's Form 10-K for the year ended December 31, 2013 and Forms 10-Q for the quarterly periods ended March 31, 2014 and June 30, 2014, Comerica Bank, a wholly owned subsidiary of the Corporation, was sued in November 2011 as a third-party defendant in Butte Local Development v. Masters Group v. Comerica Bank (“the case”), for lender liability. The case was tried in January 2014, in the Montana Second District Judicial Court for Silver Bow County in Butte, Montana ("the court"). On January 17, 2014, a jury awarded Masters $52 million against the Bank. Following the jury’s decision on the case, the Corporation increased its reserve for litigation-related expense, effective as of December 31, 2013, to $52 million. The Corporation increased its reserve related to the case to $54 million in March 2014, to include additional attorney's fees and costs awarded by the court. The Corporation believes that it has meritorious defenses and appellate issues for this litigation and has appealed to the Montana Supreme Court, the sole appellate court for the state of Montana. The Montana Supreme Court heard oral arguments in September 2014 and will be rendering a written decision on the appeal.

The Corporation and certain of its subsidiaries are subject to various other pending or threatened legal proceedings arising out of the normal course of business or operations. The Corporation believes it has meritorious defenses to the

claims asserted against it in its other currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management’s judgment as to what is in the best interests of the Corporation and its shareholders. Settlement may result from the Corporation's determination that it may be more prudent financially to settle, rather than litigate, and should not be regarded as an admission of liability. On at least a quarterly basis, the Corporation assesses its potential liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information

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available. On a case-by-case basis, reserves are established for those legal claims for which it is probable that a loss will be incurred either as a result of a settlement or judgment, and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved. Based on current knowledge, and after consultation with legal counsel, management believes that current reserves are adequate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the Corporation’s consolidated financial condition, consolidated results of operations or consolidated cash flows. Legal fees of $8 million and $5 million were included in "other noninterest expenses" on the consolidated statements of income for the three-month periods ended September 30, 2014 and 2013, respectively, and $18 million and $19 million for the nine-month periods ended September 30, 2014 and 2013, respectively. For matters where a loss is not probable, the Corporation has not established legal reserves. The Corporation believes the estimate of the aggregate range of reasonably possible losses, in excess of reserves established, for all legal proceedings in which it is involved is from zero to approximately $44 million at September 30, 2014. This estimated aggregate range of reasonably possible losses is based upon currently available information for those proceedings in which the Corporation is involved, taking into account the Corporation’s best estimate of such losses for those cases for which such estimate can be made. For certain cases, the Corporation does not believe that an estimate can currently be made. The Corporation’s estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the existence in certain proceedings of multiple defendants (including the Corporation) whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims) and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Corporation’s estimate will change from time to time, and actual losses may be more or less than the current estimate.

In the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Corporation's consolidated financial condition, consolidated results of operations or consolidated cash flows.

For information regarding income tax contingencies, refer to Note 11.

NOTE 13 - BUSINESS SEGMENT INFORMATION

The Corporation has strategically aligned its operations into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based on the type of customer and the related products and services provided. In addition to the three major business segments, the Finance Division is also reported as a segment. Business segment results are produced by the Corporation’s internal management accounting system. This system measures financial results based on the internal business unit structure of the Corporation. 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. The management accounting system assigns balance sheet and income statement items to each business segment using certain methodologies, which are regularly reviewed and refined. These methodologies may be modified as the management accounting system is enhanced and changes occur in the organizational structure and/or product lines. For comparability purposes, amounts in all periods are based on business segments and methodologies in effect at September 30, 2014.

In the second quarter 2014, the Corporation enhanced the approach used to determine the standard reserve factors used in estimating the allowance for credit losses, which had the effect of capturing certain elements in the standard reserve component that had formerly been included in the qualitative assessment. The impact of the change was largely neutral to the total allowance for loan losses at June 30, 2014. However, because standard reserves are allocated to the segments at the loan level, while qualitative reserves are allocated at the portfolio level, the impact of the methodology change on the allowance of each segment reflected the characteristics of the individual loans within each segment's portfolio, causing segment reserves to increase or decrease accordingly. As a result, the current year provision for credit losses within each segment is not comparable to prior period amounts.

The following discussion provides information about the activities of each business segment. A discussion of the financial results and the factors impacting performance can be found in the section entitled "Business Segments" in the financial review.

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.

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Wealth Management offers products and services consisting of fiduciary services, private banking, retirement services, investment management and advisory services, investment banking and brokerage services. This business segment also offers the sale of annuity products, as well as life, disability and long-term care insurance products.
The Finance segment includes the Corporation's securities portfolio and asset and liability management activities. This segment is responsible for managing the Corporation's funding, liquidity and capital needs, performing interest sensitivity analysis and executing various strategies to manage the Corporation's exposure to liquidity, interest rate risk and foreign exchange risk.
The Other category includes discontinued operations, the income and expense impact of equity and cash, tax benefits not assigned to specific business segments, charges of an unusual or infrequent nature that are not reflective of the normal operations of the business segments and miscellaneous other expenses of a corporate nature.
For further information on the methodologies which form the basis for these results refer to Note 22 to the consolidated financial statements in the Corporation's 2013 Annual Report.
Business segment financial results are as follows:

(dollar amounts in millions) Nine Months Ended September 30, 2014	Business Bank	Retail Bank	Wealth Management	Finance	Other	Total
Earnings summary:						
Net interest income (expense) (FTE)	$1,124	$446	$139	$(485)	$19	$1,243
Provision for credit losses	45	(2)	(11)	—	(7)	25
Noninterest income	275	123	195	44	6	643
Noninterest expenses	441	524	239	(24)	27	1,207
Provision (benefit) for income taxes (FTE)	311	16	38	(160)	5	210
Net income (loss)	$602	$31	$68	$(257)	$—	$444
Net credit-related charge-offs	$16	$7	$1	$—	$—	$24
Selected average balances:						
Assets	$37,094	$6,074	$4,981	$11,070	$6,117	$65,336
Loans	36,124	5,406	4,797	—	—	46,327
Deposits	27,755	21,600	3,934	246	246	53,781
Statistical data:						
Return on average assets (a)	2.17 %	0.19 %	1.81 %	N/M	N/M	0.91 %
Efficiency ratio (b)	31.56	91.81	71.95	N/M	N/M	63.99

(dollar amounts in millions) Nine Months Ended September 30, 2013	Business Bank	Retail Bank	Wealth Management	Finance	Other	Total
Earnings summary:						
Net interest income (expense) (FTE)	$1,115	$460	$138	$(492)	$23	$1,244
Provision for credit losses	29	21	(8)	—	(5)	37
Noninterest income	287	132	191	47	6	663
Noninterest expenses	446	530	238	7	28	1,249
Provision (benefit) for income taxes (FTE)	312	14	35	(168)	4	197
Net income (loss)	$615	$27	$64	$(284)	$2	$424
Net credit-related charge-offs	$37	$18	$5	$—	$—	$60
Selected average balances:						
Assets	$35,694	$5,967	$4,785	$11,553	$5,708	$63,707

Loans	34,626		5,278		4,629		—	—	44,533	
Deposits	25,931		21,183		3,722		309	210	51,355	
Statistical data:										
Return on average assets (a)	2.30	%	0.17	%	1.78	%	N/M	N/M	0.89	%
Efficiency ratio (b)	31.78		89.19		72.64		N/M	N/M	65.45	

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

(b) Noninterest expenses as a percentage of the sum of net interest income (FTE) and noninterest income excluding net securities gains.

FTE – Fully Taxable Equivalent

N/M – not meaningful

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The Corporation operates in three primary 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. The Corporation produces market segment results for the Corporation's three primary geographic markets as well as Other Markets. Other Markets includes Florida, Arizona, the International Finance division and businesses with a national perspective. The Finance & Other category includes the Finance segment and the Other category as previously described. Market segment results are provided as supplemental information to the business segment results and may not meet all operating segment criteria as set forth in GAAP. For comparability purposes, amounts in all periods are based on market segments and methodologies in effect at September 30, 2014.
A discussion of the financial results and the factors impacting performance can be found in the section entitled "Market Segments" in the financial review.
Market segment financial results are as follows:

(dollar amounts in millions) Nine Months Ended September 30, 2014	Michigan	California	Texas	Other Markets	Finance & Other	Total
Earnings summary:						
Net interest income (expense) (FTE)	$544	$531	$403	$231	$(466)	$1,243
Provision for credit losses	(13)	39	32	(26)	(7)	25
Noninterest income	268	109	95	121	50	643
Noninterest expenses	487	299	274	144	3	1,207
Provision (benefit) for income taxes (FTE)	122	113	70	60	(155)	210
Net income (loss)	$216	$189	$122	$174	$(257)	$444
Net credit-related charge-offs (recoveries)	$13	$21	$8	$(18)	$—	$24
Selected average balances:						
Assets	$13,797	$15,543	$11,525	$7,284	$17,187	$65,336
Loans	13,400	15,259	10,829	6,839	—	46,327
Deposits	20,853	15,506	10,743	6,187	492	53,781
Statistical data:						
Return on average assets (a)	1.32 %	1.52 %	1.36 %	3.19 %	N/M	0.91 %
Efficiency ratio (b)	59.87	46.74	55.02	41.12	N/M	63.99

(dollar amounts in millions) Nine Months Ended September 30, 2013	Michigan	California	Texas	Other Markets	Finance & Other	Total
Earnings summary:						
Net interest income (expense) (FTE)	$564	$516	$394	$239	$(469)	$1,244
Provision for credit losses	(16)	22	31	5	(5)	37
Noninterest income	268	113	100	129	53	663
Noninterest expenses	496	298	272	148	35	1,249
Provision (benefit) for income taxes (FTE)	125	115	67	54	(164)	197
Net income (loss)	$227	$194	$124	$161	$(282)	$424
Net credit-related charge-offs	$10	$30	$7	$13	$—	$60
Selected average balances:						

Assets	$13,936	$14,072	$10,774	$7,664	$17,261	$63,707
Loans	13,508	13,826	10,064	7,135	—	44,533
Deposits	20,294	14,532	10,149	5,861	519	51,355
Statistical data:						
Return on average assets (a)	1.42 %	1.66 %	1.46 %	2.80 %	N/M	0.89 %
Efficiency ratio (b)	59.52	47.39	54.96	40.22	N/M	65.45

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

(b) Noninterest expenses as a percentage of the sum of net interest income (FTE) and noninterest income excluding net securities gains.

FTE – Fully Taxable Equivalent

N/M – not meaningful

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

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. In addition, the Corporation may make other written and oral communications from time to time that contain such statements. All statements regarding the Corporation's expected financial position, strategies and growth prospects and general economic conditions expected to exist in the future are forward-looking statements. The words, "anticipates," "believes," "contemplates," "feels," "expects," "estimates," "seeks," "strives," "plans," "intends," "outlook," "forecast," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "aspiration," "opportunity," "initiative," "outcome," "continue," "remain," "maintain," "on course," "trend," "objective," "looks forward," "projects," "models," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. These forward-looking statements are predicated on the beliefs and assumptions of the Corporation's management based on information known to the Corporation's management as of the date of this report and do not purport to speak as of any other date. Forward-looking statements may include descriptions of plans and objectives of the Corporation's management for future or past operations, products or services, and forecasts of the Corporation's revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries, estimates of credit trends and global stability. Such statements reflect the view of the Corporation's management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, the Corporation's actual results could differ materially from those discussed. Factors that could cause or contribute to such differences are changes in general economic, political or industry conditions; changes in monetary and fiscal policies, including changes in interest rates; volatility and disruptions in global capital and credit markets; changes in the Corporation's credit rating; the interdependence of financial service companies; changes in regulation or oversight; unfavorable developments concerning credit quality; the effects of more stringent capital or liquidity requirements; declines or other changes in the businesses or industries of the Corporation's customers; operational difficulties, failure of technology infrastructure or information security incidents; the implementation of the Corporation's strategies and business initiatives; the Corporation's ability to utilize technology to efficiently and effectively develop, market and deliver new products and services; changes in the financial markets, including fluctuations in interest rates and their impact on deposit pricing; competitive product and pricing pressures among financial institutions within the Corporation's markets; changes in customer behavior; any future strategic acquisitions or divestitures; management's ability to maintain and expand customer relationships; management's ability to retain key officers and employees; the impact of legal and regulatory proceedings or determinations; the effectiveness of methods of reducing risk exposures; the effects of terrorist activities and other hostilities; the effects of catastrophic events including, but not limited to, hurricanes, tornadoes, earthquakes, fires and floods; changes in accounting standards and the critical nature of the Corporation's accounting policies. The Corporation cautions that the foregoing list of factors is not exclusive. For discussion of factors that may cause actual results to differ from expectations, please refer to our filings with the Securities and Exchange Commission. In particular, please refer to “Item 1A. Risk Factors” beginning on page 12 of Comerica's Annual Report on Form 10-K for the year ended December 31, 2013. Forward-looking statements speak only as of the date they are made. The Corporation does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. For any forward-looking statements made in this report or in any documents, the Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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RESULTS OF OPERATIONS

Net income for the three months ended September 30, 2014 was $154 million, an increase of $7 million from $147 million reported for the three months ended September 30, 2013. This increase was primarily the result of a $20 million decrease in noninterest expenses, a $2 million increase in net interest income and a $3 million decrease in the provision for credit losses, partially offset by a $13 million decrease in noninterest income. Net income per diluted common share was $0.82 for the three months ended September 30, 2014, compared to $0.78 for the same period one year ago. Third quarter results reflected a net benefit of $5 million, after tax, or $0.03 per share, from certain actions including a $32 million gain on the early redemption of debt, a $9 million contribution to the Comerica Charitable Foundation and other charges totaling $15 million intended to assist in partially offsetting headwinds from rising regulatory and technology demands. Average diluted common shares were 185 million and 187 million for the three-month periods ended September 30, 2014 and 2013, respectively.

Net income for the nine months ended September 30, 2014 was $444 million, an increase of $20 million from $424 million reported for the nine months ended September 30, 2013. The increase in net income was primarily the result of decreases of $42 million in noninterest expenses and $12 million in the provision for credit losses, partially offset by decreases of $20 million in noninterest income and $2 million in net interest income. Net income per diluted common share was $2.35 for the nine months ended September 30, 2014, compared to $2.23 for the same period one year ago. Average diluted common shares were 186 million and 187 million for the nine-month periods ended September 30, 2014 and 2013, respectively.

Full-Year and Fourth Quarter 2014 Outlook

Management expectations for full-year 2014 compared to full-year 2013 have not changed from the previously provided outlook, with the exception of the following:

- Average loans - previous outlook was for growth in average loans of 4 percent to 6 percent and now growth is expected to be in the middle of the range, or about 5 percent.
- Net interest income - previous outlook for purchase accounting accretion was $25 million to $30 million and now accretion is expected to be at the upper end of the range, or about $30 million.

For fourth quarter 2014 compared to third quarter 2014, management expects the following, assuming a continuation of the current economic and low-rate environment:

- Slight growth in average loans, reflecting a seasonal decline in Mortgage Banker Finance, a seasonal increase in National Dealer Services, and slight growth in our remaining business lines similar to the third quarter, with continued focus on pricing and structure discipline.
- Slight growth in net interest income, reflecting fourth quarter purchase accounting accretion of about $5 million. Loan growth approximately offsets continued pressure from low rate environment.
- Provision for credit losses to remain low, similar to the provisions in the first half of 2014.
- Noninterest income relatively stable, with stable customer-driven income and lower noncustomer-driven income.
- Noninterest expenses higher, reflecting higher technology and consulting expenses, a seasonal increase in benefits expense and certain fourth quarter actions expected to result in additional charges of about $5 million to $7 million. Third quarter included a net benefit of $8 million from actions taken.

The Corporation early adopted an amendment to U.S. generally accepted accounting principles in the first quarter 2014 related to the accounting for affordable housing projects that qualify for the low-income housing tax credit. Amortization of the initial investment cost of qualifying projects is now recorded in the provision for income taxes together with the tax credits and benefits received. Previously, the amortization was recorded as a reduction to other noninterest income. All prior period amounts in this financial review have been restated to reflect the adoption of the amendment, which resulted in offsetting increases to other noninterest income and the provision for income taxes of $14 million and $41 million for the three- and nine-month periods ended September 30, 2013, respectively ($56 million for full-year 2013). The adoption had no impact on net income for any period presented.

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Net Interest Income

The "Quarterly Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent" table that follows provides an analysis of net interest income (FTE) for the three months ended September 30, 2014 and 2013 and details the components of the change in net interest income on a FTE basis for the three months ended September 30, 2014 compared to the same period in the prior year.

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

	Three Months Ended September 30, 2014				September 30, 2013			
(dollar amounts in millions)	Average Balance	Interest	Average Rate		Average Balance	Interest	Average Rate	
Commercial loans	$30,188	$236	3.11	%	$27,759	$226	3.25	%
Real estate construction loans	1,973	17	3.41		1,522	15	3.78	
Commercial mortgage loans	8,698	76	3.45		8,943	88	3.90	
Lease financing	823	4	2.33		839	7	3.21	
International loans	1,417	13	3.59		1,252	12	3.76	
Residential mortgage loans	1,792	17	3.76		1,642	17	3.98	
Consumer loans	2,268	19	3.24		2,137	17	3.27	
Total loans (a)	47,159	382	3.22		44,094	382	3.44	
Mortgage-backed securities available-for-sale	9,020	52	2.29		8,989	54	2.41	
Other investment securities available-for-sale	368	—	0.43		391	—	0.43	
Total investment securities available-for-sale	9,388	52	2.22		9,380	54	2.32	
Interest-bearing deposits with banks (b)	5,015	3	0.25		5,308	4	0.26	
Other short-term investments	110	—	0.54		110	—	0.77	
Total earning assets	61,672	437	2.82		58,892	440	2.97	
Cash and due from banks	963				1,027			
Allowance for loan losses	(601	)			(622	)		
Accrued income and other assets	4,367				4,360			
Total assets	$66,401				$63,657			
Money market and interest-bearing checking deposits	$23,146	6	0.11		$21,894	7	0.13	
Savings deposits	1,759	—	0.03		1,680	—	0.04	
Customer certificates of deposit	4,824	4	0.36		5,384	6	0.41	
Foreign office time deposits	159	1	1.43		528	—	0.48	
Total interest-bearing deposits	29,888	11	0.15		29,486	13	0.18	
Short-term borrowings	231	—	0.03		249	—	0.06	
Medium- and long-term debt	2,652	11	1.75		3,590	14	1.54	
Total interest-bearing sources	32,771	22	0.28		33,325	27	0.32	
Noninterest-bearing deposits	25,275				22,379			
Accrued expenses and other liabilities	944				1,033			
Total shareholders’ equity	7,411				6,920			
Total liabilities and shareholders’ equity	$66,401				$63,657			
Net interest income/rate spread (FTE)		$415	2.54			$413	2.65	

FTE adjustment	$1		$1	
Impact of net noninterest-bearing sources of funds	0.13		0.14	
Net interest margin (as a percentage of average earning assets) (FTE) (a) (b)	2.67	%	2.79	%

(a) Accretion of the purchase discount on the acquired loan portfolio of $3 million and $8 million in the three-month periods ended September 30, 2014 and 2013, respectively, increased the net interest margin by 2 basis points and 5 basis points in each respective period.

(b) Average balances deposited with the Federal Reserve Bank reduced the net interest margin by 21 basis points and 24 basis points in the three months ended September 30, 2014 and 2013, respectively.

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

	Three Months Ended September 30, 2014/September 30, 2013		
(in millions)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)
Interest Income (FTE):			
Loans	$(25)	$25	$—
Investment securities available-for-sale	(2)	—	(2)
Interest-bearing deposits with banks	(1)	—	(1)
Total interest income (FTE)	(28)	25	(3)
Interest Expense:			
Interest-bearing deposits	(1)	(1)	(2)
Medium- and long-term debt	2	(5)	(3)
Total interest expense	1	(6)	(5)
Net interest income (FTE)	$(29)	$31	$2

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

Net interest income was $414 million for the three months ended September 30, 2014, an increase of $2 million compared to $412 million for the three months ended September 30, 2013. The increase in net interest income resulted primarily from the benefit provided by an increase in average earning assets and a decrease in funding costs, partially offset by a decrease in loan yields. Average earning assets increased $2.8 billion, or 5 percent, to $61.7 billion for the three months ended September 30, 2014, compared to $58.9 billion for the same period in 2013. The increase in average earning assets primarily reflected an increase of $3.1 billion in average loans, partially offset by a decrease of $293 million in average interest-bearing deposits with banks. The net interest margin (FTE) for the three months ended September 30, 2014 decreased 12 basis points to 2.67 percent, from 2.79 percent for the comparable period in 2013, primarily from decreased yields on loans and mortgage-backed investment securities, partially offset by the benefit from lower funding costs. The decrease in loan yields reflected shifts in the average loan portfolio mix, a decrease in accretion on the acquired loan portfolio, the impact of a competitive rate environment, the decline in LIBOR and positive credit quality migration throughout the portfolio, as well as the impact of a negative residual value adjustment to assets in the leasing portfolio. Yields on mortgage-backed investment securities decreased primarily due to the benefit of a cumulative retrospective premium adjustment to third quarter 2013 yields, with no similar adjustment in the third quarter 2014, partially offset by decreased premium amortization resulting from slower actual prepayments in third quarter 2014, compared to third quarter 2013. Average balances deposited with the Federal Reserve Bank (FRB) of $4.9 billion and $5.2 billion in the three months ended September 30, 2014 and 2013, respectively, included in "interest bearing deposits with banks" on the consolidated balance sheets, reduced the net interest margin by approximately 21 basis points and 24 basis points in each respective period.

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The "Year-to-Date Analysis of Net Interest Income & Rate/Volume - Fully Taxable Equivalent" table that follows provides an analysis of net interest income (FTE) for the nine months ended September 30, 2014 and 2013 and details the components of the change in net interest income on a FTE basis for the nine months ended September 30, 2014 compared to the same period in the prior year.

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

	Nine Months Ended September 30, 2014			September 30, 2013		
(dollar amounts in millions)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Commercial loans	$29,487	$689	3.12 %	$28,069	$688	3.28 %
Real estate construction loans	1,905	49	3.42	1,430	43	3.98
Commercial mortgage loans	8,739	246	3.77	9,177	271	3.95
Lease financing	840	20	3.23	850	21	3.22
International loans	1,349	37	3.64	1,265	35	3.73
Residential mortgage loans	1,763	50	3.81	1,600	50	4.13
Consumer loans	2,244	54	3.21	2,142	53	3.32
Total loans (a)	46,327	1,145	3.30	44,533	1,161	3.49
Mortgage-backed securities available-for-sale	8,976	159	2.36	9,339	158	2.29
Other investment securities available-for-sale	369	1	0.44	390	1	0.48
Total investment securities available-for-sale	9,345	160	2.28	9,729	159	2.21
Interest-bearing deposits with banks (b)	4,803	9	0.25	4,433	9	0.26
Other short-term investments	110	—	0.60	115	1	1.38
Total earning assets	60,585	1,314	2.90	58,810	1,330	3.03
Cash and due from banks	932			993		
Allowance for loan losses	(602)			(627)		
Accrued income and other assets	4,421			4,531		
Total assets	$65,336			$63,707		
Money market and interest-bearing checking deposits	$22,571	18	0.11	$21,594	22	0.13
Savings deposits	1,734	—	0.03	1,654	—	0.03
Customer certificates of deposit	4,990	13	0.36	5,603	19	0.44
Foreign office time deposits	304	2	0.68	513	2	0.54
Total interest-bearing deposits	29,599	33	0.15	29,364	43	0.19
Short-term borrowings	209	—	0.03	189	—	0.07
Medium- and long-term debt	3,062	38	1.67	4,109	43	1.42
Total interest-bearing sources	32,870	71	0.29	33,662	86	0.34
Noninterest-bearing deposits	24,182			21,991		
Accrued expenses and other liabilities	960			1,104		
Total shareholders' equity	7,324			6,950		
Total liabilities and shareholders' equity	$65,336			$63,707		
Net interest income/rate spread (FTE)		$1,243	2.61		$1,244	2.69
FTE adjustment		$3			$2	

Impact of net noninterest-bearing sources of funds	0.13		0.14	
Net interest margin (as a percentage of average earning assets) (FTE) (a) (b)	2.74	%	2.83	%

(a) Accretion of the purchase discount on the acquired loan portfolio of $25 million and $26 million in the nine months ended September 30, 2014 and 2013, respectively, increased the net interest margin by 6 basis points in each period.

(b) Average balances deposited with the Federal Reserve Bank reduced the net interest margin by 20 basis points in both the nine-month periods ended September 30, 2014 and 2013.

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

	Nine Months Ended September 30, 2014/September 30, 2013		
(in millions)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume (a)	Net Increase (Decrease)
Interest Income (FTE):			
Loans	$(58)	$42	$(16)
Investment securities available-for-sale	4	(3)	1
Other short-term investments	(1)	—	(1)
Total interest income (FTE)	(55)	39	(16)
Interest Expense:			
Interest-bearing deposits	(8)	(2)	(10)
Medium- and long-term debt	8	(13)	(5)
Total interest expense	—	(15)	(15)
Net interest income (FTE)	$(55)	$54	$(1)

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

Net interest income was $1.2 billion for the nine months ended September 30, 2014, a decrease of $2 million compared to the same period in 2013. The decrease in net interest income resulted primarily from a decrease in loan yields, partially offset by the benefit provided by an increase in average loans and a decrease in funding costs. Average earning assets increased $1.8 billion, or 3 percent, to $60.6 billion for the nine months ended September 30, 2014, compared to $58.8 billion for the same period in 2013. The increase in average earning assets primarily reflected increases of $1.8 billion in average loans and $370 million in average interest-bearing deposits with banks, partially offset by a decrease of $384 million in average investment securities available-for-sale. The net interest margin (FTE) for the nine months ended September 30, 2014 decreased 9 basis points to 2.74 percent, from 2.83 percent for the comparable period in 2013, due to decreased yields on loans, partially offset by improved yields on mortgage-backed investment securities and the benefit from lower funding costs. The decrease in loan yields was primarily the result of the same reasons discussed in the quarterly analysis above, with the exception of the impact of accretion on the acquired portfolio, which was largely neutral to the change in loan yields for the nine months ended September 30, 2014 compared to the same period in 2013. The increase in mortgage-backed investment securities yields was primarily due to decreased premium amortization resulting from slower prepayment speeds. Average balances deposited with the FRB of $4.7 billion and $4.3 billion in the nine months ended September 30, 2014 and 2013, respectively, included in "interest bearing deposits with banks" on the consolidated balance sheets, reduced the net interest margin by approximately 20 basis points in each respective period.

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

Provision for Credit Losses

The provision for credit losses was $5 million and $8 million for the three-month periods ended September 30, 2014 and 2013, respectively, and $25 million and $37 million for the nine-month periods ended September 30, 2014 and 2013, respectively. 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. For a discussion of the allowance for loan losses and the methodology used in the determination of the allowance for loan losses, refer to the "Credit Risk" and "Critical Accounting Policies" sections of this financial review. The provision for loan losses was $4 million for the three months ended September 30, 2014, compared to $10 million for the three months ended September 30, 2013, and was $18 million for the nine months ended September 30, 2014 compared to $35 million for the same period in

the prior year. Credit quality in the loan portfolio continued to improve in the three- and nine-month periods ended September 30, 2014, compared to the same periods in the prior year. Improvements in credit quality included a decline of $367 million in the Corporation's criticized loan list from September 30, 2013 to September 30, 2014. Reflected in the decline in criticized loans was a decrease in nonaccrual loans of $108 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 the three months ended September 30, 2014 decreased $16 million to $3 million, or 0.03 percent of average total loans, compared to $19 million, or 0.18 percent, for the three months ended September 30, 2013. The $16 million decrease in net loan charge-offs in the three months ended September 30, 2014, compared to the same period in 2013, primarily reflected decreases in Commercial Real Estate, Retail Banking and Small Business, partially offset by increases in Technology and Life Sciences, Private Banking and general Middle Market.

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Net loan charge-offs in the nine months ended September 30, 2014 decreased $36 million to $24 million, or 0.07 percent of average total loans, compared to $60 million, or 0.18 percent, for the nine months ended September 30, 2013. The $36 million decrease in net loan charge-offs in the nine months ended September 30, 2014, compared to the same period in 2013, reflected decreases in most business lines, with the largest decreases in general Middle Market, Commercial Real Estate, Small Business and Corporate Banking, partially offset by an increase in Technology and Life Sciences.

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 $1 million in the three months ended September 30, 2014, compared to a benefit of $2 million in the three months ended September 30, 2013 and was $7 million for the nine months ended September 30, 2014 compared to $2 million for the same period in 2013. The $3 million increase in the provision for credit losses on lending-related commitments in the three months ended September 30, 2014 compared to the same period in 2013, primarily reflected an increase in the provision for letters of credit. The $5 million increase in the provision for credit losses on lending-related commitments in the nine months ended September 30, 2014 compared to the same period in 2013 primarily reflected the impact of a second quarter 2013 reduction of specific reserves on unfunded lending commitments. Lending-related commitment charge-offs were insignificant for the three- and nine-month periods ended September 30, 2014.

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

Noninterest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2014	2013	2014	2013
Customer-driven income:				
Service charges on deposit accounts	$54	$53	$162	$161
Fiduciary income	44	41	133	128
Commercial lending fees	26	28	69	71
Card fees	20	20	59	55
Letter of credit fees	14	17	43	49
Foreign exchange income	9	9	30	27
Brokerage fees	4	4	13	14
Other customer-driven income (a)	19	23	59	67
Total customer-driven noninterest income	190	195	568	572
Noncustomer-driven income:				
Bank-owned life insurance	11	12	31	31
Net securities (losses) gains	(1)	1	—	(1)
Other noncustomer-driven income (a)	15	20	44	61
Total noninterest income	$215	$228	$643	$663

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

Noninterest income was $215 million for the three months ended September 30, 2014, a decrease of $13 million compared to $228 million for the same period in 2013. The decrease reflected a $5 million decrease in customer-driven income and an $8 million decrease in noncustomer-driven income. The $5 million decrease in customer-driven income primarily reflected a $4 million decrease in customer derivative income, a $3 million decrease in letter of credit fees and small decreases in several other categories, partially offset by a $3 million increase in fiduciary income. The $8 million decrease in noncustomer-driven income primarily reflected a $5 million decrease in warrant income and small decreases in most other categories, partially offset by a $3 million increase in deferred compensation asset returns.

Noninterest income was $643 million for the nine months ended September 30, 2014, a decrease of $20 million compared to $663 million for the same period in 2013, reflecting a $4 million decrease in customer-driven income and

a $16 million decrease in noncustomer-driven income. The decrease in customer-driven income primarily reflected decreases of $7 million in customer derivative income and $6 million in letter of credit fees, partially offset by increases of $5 million in fiduciary income and $4 million in card fees. The $16 million decrease in noncustomer-driven income primarily reflected decreases of $7 million in income from the Corporation's third-party credit card provider, $4 million in securities trading income, $3 million in income from principal investing and warrants and small decreases in most other categories. The decrease in income from the Corporation's third-party credit card provider in part reflects a change in the timing of the recognition of incentives from annually to quarterly in the third quarter of 2013.

The following table illustrates certain categories included in "other noninterest income" on the consolidated statements of comprehensive income.

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(in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Other noninterest income:				
Other customer-driven income:				
Investment banking fees	$4	$5	$14	$15
Customer derivative income	4	8	12	19
All other customer-driven income	11	10	33	33
Total other customer-driven income	19	23	59	67
Other noncustomer-driven income:				
Securities trading income	3	3	7	11
Deferred compensation asset returns (a)	3	—	6	7
Income from principal investing and warrants	3	8	9	12
All other noncustomer-driven income	6	9	22	31
Total other noncustomer-driven income	15	20	44	61
Total other noninterest income	$34	$43	$103	$128

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

Noninterest Expenses

(in millions)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Salaries and benefits expense	$248	$255	$735	$751
Net occupancy expense	46	41	125	119
Equipment expense	14	15	43	45
Outside processing fee expense	31	31	89	89
Software expense	25	22	72	66
Litigation-related expense	(2)	(4)	4	—
FDIC insurance expense	9	9	25	26
Advertising expense	5	6	16	18
Gain on debt redemption	(32)	—	(32)	(1)
Other noninterest expenses	53	42	130	136
Total noninterest expenses	$397	$417	$1,207	$1,249

Noninterest expenses were $397 million for the three months ended September 30, 2014, a decrease of $20 million compared to $417 million for the three months ended September 30, 2013. Third quarter 2014 included certain actions that resulted in a net benefit to noninterest expenses of $8 million. These actions primarily included a $9 million contribution to the Comerica Charitable Foundation (in other noninterest expenses), a $32 million gain on the early redemption of debt, $6 million of severance-related expenses (in salaries and benefits expense) and $5 million of lease termination charges associated with real estate optimization (in net occupancy expense). Excluding these actions, noninterest expenses decreased $12 million, primarily due to a decrease in salaries and benefits expense, largely the result of decreases in pension and incentive expense, partially offset by the impact of merit increases.

Noninterest expenses were $1.2 billion for the nine months ended September 30, 2014, a decrease of $42 million compared to the same period in the prior year. Excluding the impact of the third quarter 2014 actions described above, noninterest expenses decreased $34 million, primarily reflecting a decrease in salaries and benefits expense, decreased expenses related to foreclosed properties (in other noninterest expenses) and small decreases in several other categories, partially offset by increases in software and litigation-related expenses. The decrease in salaries and benefits expense was primarily for the same reasons noted in the quarterly discussion above, as well as an increase in payroll tax expenses.

Provision for Income Taxes

The provision for income taxes was $73 million for the three months ended September 30, 2014 compared to $68 million for the three months ended September 30, 2013, and $207 million for the nine months ended September 30, 2014 compared to $195 million for the same period in the prior year. The increases in the provision for income taxes in both comparative periods were primarily due to increases in pretax income.

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STRATEGIC LINES OF BUSINESS

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

In the second quarter 2014, the Corporation enhanced the approach used to determine the standard reserve factors used in estimating the allowance for credit losses, which had the effect of capturing certain elements in the standard reserve component that had formerly been included in the qualitative assessment. The impact of the change was largely neutral to the total allowance for loan losses at June 30, 2014. However, because standard reserves are allocated to the segments at the loan level, while qualitative reserves are allocated at the portfolio level, the impact of the methodology change on the allowance of each segment reflected the characteristics of the individual loans within each segment's portfolio, causing segment reserves to increase or decrease accordingly. As a result, the current year provision for credit losses within each segment is not comparable to prior year amounts.

Business Segments

The 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 13 to the consolidated financial statements describes the business activities of each business segment and presents financial results of these business segments for the nine months ended September 30, 2014 and 2013.

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

	Nine Months Ended September 30,					
(dollar amounts in millions)	2014			2013		
Business Bank	$602	86	%	$615	87	%
Retail Bank	31	4		27	4	
Wealth Management	68	10		64	9	
	701	100	%	706	100	%
Finance	(257	)		(284	)	
Other (a)	—			2		
Total	$444			$424		

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

The Business Bank's net income of $602 million for the nine months ended September 30, 2014 decreased $13 million compared to the nine months ended September 30, 2013. Net interest income (FTE) of $1.1 billion for the nine months ended September 30, 2014 increased $9 million compared to the same period in the prior year, primarily the result of the benefit from an increase in average loans of $1.5 billion, an increase in accretion of the purchase discount on the acquired loan portfolio and lower deposit costs, partially offset by lower loan yields. Average deposits increased $1.8 billion. The provision for credit losses increased $16 million to $45 million for the nine months ended September 30, 2014, compared to the same period in the prior year. Net credit-related charge-offs of $16 million decreased $21 million in the nine months ended September 30, 2014, compared to the nine months ended September 30, 2013, primarily reflecting decreases in general Middle Market, Commercial Real Estate, Corporate Banking and Environmental Services, partially offset by an increase in Technology and Life Sciences. Noninterest income of $275 million for the nine months ended September 30, 2014 decreased $12 million from the comparable period in the prior year, primarily reflecting a decrease of $6 million in letter of credit fees and small decreases in most other categories of noninterest income, partially offset by a $5 million increase in card fees. Noninterest expenses of $441 million for the nine months ended September 30, 2014 decreased $5 million compared to the same period in the prior year, primarily due to a $9 million decrease in salaries and benefits expense and a $7 million decrease in expenses related to

foreclosed properties, partially offset by a $9 million increase in corporate overhead expense. The increase in overhead expenses was primarily related to certain actions taken in the third quarter 2014 including a contribution to the Comerica Charitable Foundation, charges associated with real estate optimization and several other efficiency-related actions.

Net income for the Retail Bank of $31 million for the nine months ended September 30, 2014 increased $4 million, compared to $27 million for the nine months ended September 30, 2013. Net interest income (FTE) of $446 million decreased $14 million in the nine months ended September 30, 2014, primarily due to lower loan yields, a decrease in accretion of the purchase discount on the acquired loan portfolio and a decrease in net funds transfer pricing (FTP) credits, partially offset by the benefit provided by a $128 million increase in average loans and lower deposit rates. Average deposits increased $417 million.

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The provision for credit losses was a benefit of $2 million for the nine months ended September 30, 2014, a decrease of $23 million from the comparable period in the prior year. Net credit-related charge-offs of $7 million for the nine months ended September 30, 2014 decreased $11 million from the comparable period in the prior year, reflecting decreases in both Small Business and Retail Banking. Noninterest income of $123 million for the nine months ended September 30, 2014 decreased $9 million compared to the nine months ended September 30, 2013, primarily due to a $7 million decrease in income from the Corporation's third-party credit card provider, largely reflecting a change in the timing of the recognition of incentives from annually to quarterly in the third quarter of 2013. Noninterest expenses of $524 million for the nine months ended September 30, 2014 decreased $6 million from the comparable period in the prior year, primarily due to a $4 million decrease in salaries and benefits expense and small decreases in several other noninterest expense categories, partially offset by a $5 million increase in corporate overhead expense, for the same reasons as described above in the Business Bank discussion.

Wealth Management's net income of $68 million for the nine months ended September 30, 2014 increased $4 million, compared to $64 million for the nine months ended September 30, 2013. Net interest income (FTE) of $139 million for the nine months ended September 30, 2014 remained relatively stable compared to $138 million for the nine months ended September 30, 2013, as the benefit provided by a $168 million increase in average loans was largely offset by a decline in loan yields. Average deposits increased $212 million. The provision for credit losses was a benefit of $11 million for the nine months ended September 30, 2014, compared to a benefit of $8 million for the nine months ended September 30, 2013. Net credit-related charge-offs were $1 million for the nine months ended September 30, 2014, compared to $5 million for the nine months ended September 30, 2013. Noninterest income of $195 million increased $4 million from the comparable period in the prior year, primarily reflecting an $6 million increase in fiduciary income, partially offset by a $2 million decrease in securities trading income. Noninterest expenses of $239 million for the nine months ended September 30, 2014 increased $1 million primarily due to a $3 million increase in corporate overhead expense, partially offset by small decreases in several other noninterest expense categories. See the Business Bank discussion, above, for an explanation of the increase in corporate overhead expense.

The net loss in the Finance segment was $257 million for the nine months ended September 30, 2014, compared to a net loss of $284 million for the nine months ended September 30, 2013. Net interest expense (FTE) of $485 million for the nine months ended September 30, 2014 decreased $7 million, compared to the nine months ended September 30, 2013, 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. A $31 million decrease in noninterest expenses was primarily the result of the third quarter 2014 gain of $32 million on the early redemption of debt.

Market Segments

Market segment results are provided for the Corporation's three largest geographic markets: Michigan, California and Texas. In addition to the three largest 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. Note 13 to these consolidated financial statements presents a description of each of these market segments as well as the financial results for the nine months ended September 30, 2014 and 2013.

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

	Nine Months Ended September 30,					
(dollar amounts in millions)	2014			2013		
Michigan	$216	31	%	$227	32	%
California	189	27		194	27	
Texas	122	17		124	18	
Other Markets	174	25		161	23	
	701	100	%	706	100	%
Finance & Other (a)	(257	)		(282	)	
Total	$444			$424		

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

The Michigan market's net income of $216 million for the nine months ended September 30, 2014 decreased $11 million, compared to $227 million for the nine months ended September 30, 2013. Net interest income (FTE) of $544 million for the nine months ended September 30, 2014 decreased $20 million from the comparable period in the prior year, primarily due to lower loan yields, the impact of a $108 million decrease in average loans and a decrease in net FTP credits, partially offset by lower deposit rates. Average deposits increased $559 million. The provision for credit losses was a benefit of $13 million for the nine months ended September 30, 2014, a decrease of $3 million compared to the same period in the prior year. Net credit-related charge-offs were $13 million for the nine months ended September 30, 2014, compared to $10 million for the comparable period in the prior year, primarily reflecting an increase in Commercial Real Estate, partially offset by decreases in almost all other lines of business. Noninterest income of $268 million for the nine months ended September 30, 2014 was unchanged from the comparable period in 2013. Noninterest expenses of $487 million for the nine months ended September 30, 2014 decreased $9 million from

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the comparable period in the prior year, primarily reflecting a $7 million decrease in salaries and benefits expense and small decreases in several noninterest expense categories, partially offset by a $5 million increase in corporate overhead expenses. See the Business Bank discussion, above, for an explanation of the increase in corporate overhead expense.

The California market's net income of $189 million decreased $5 million in the nine months ended September 30, 2014, compared to $194 million for the nine months ended September 30, 2013. Net interest income (FTE) of $531 million for the nine months ended September 30, 2014 increased $15 million from the comparable period in the prior year, primarily due to the benefit provided by a $1.4 billion increase in average loans and an increase in FTP credits, partially offset by lower loan yields. Average deposits increased $974 million. The provision for credit losses of $39 million in the nine months ended September 30, 2014 increased $17 million from the comparable period in the prior year. Net credit-related charge-offs of $21 million in the nine months ended September 30, 2014 decreased $9 million compared to the nine months ended September 30, 2013, primarily reflecting decreases in most lines of business, partially offset by an increase in Technology and Life Sciences. Noninterest income of $109 million for the nine months ended September 30, 2014 decreased $4 million compared to the nine months ended September 30, 2013, primarily due to a $3 million decrease in warrant income. Noninterest expenses of $299 million for the nine months ended September 30, 2014 increased $1 million from the comparable period in the prior year, primarily reflecting a $5 million increase in corporate overhead expenses and small increases in several other noninterest expense categories, partially offset by a $6 million decrease in salaries and benefits and a $5 million decrease in expenses related to foreclosed property. See the Business Bank discussion, above, for an explanation of the increase in corporate overhead expense.

The Texas market's net income of $122 million for the nine months ended September 30, 2014 decreased $2 million from $124 million for the nine months ended September 30, 2013. Net interest income (FTE) of $403 million for the nine months ended September 30, 2014 increased $9 million from the comparable period in the prior year, primarily due to the benefit provided by a $765 million increase in average loans, a decrease in net FTP charges and lower deposit rates, partially offset by lower loan yields. Average deposits increased $594 million. The provision for credit losses of $32 million for the nine months ended September 30, 2014 increased $1 million from the comparable period in the prior year. Net credit-related charge-offs of $8 million for the nine months ended September 30, 2014 increased $1 million from the comparable period in the prior year, primarily due to an increase in general Middle Market, partially offset by decreases in almost all other lines of business. Noninterest income of $95 million for the nine months ended September 30, 2014 decreased $5 million compared to the comparable period in the prior year, primarily due to a decrease in syndication agent fees, a component of commercial lending fees. Noninterest expenses of $274 million for the nine months ended September 30, 2014 increased $2 million compared to the nine months ended September 30, 2013, primarily due to a $6 million increase in corporate overhead expenses, partially offset by small decreases in several other categories of noninterest expenses. See the Business Bank discussion, above, for an explanation of the increase in corporate overhead expense.

Net income in Other Markets of $174 million for the nine months ended September 30, 2014 increased $13 million from the nine months ended September 30, 2013. Net interest income (FTE) of $231 million for the nine months ended September 30, 2014 decreased $8 million from the comparable period in the prior year, primarily due to the impact of a decrease in average loans of $296 million and lower loan yields, partially offset by an increase in net FTP credits. Average deposits increased $326 million. The provision for credit losses decreased $31 million in the nine months ended September 30, 2014, compared to the same period in the prior year. Net credit-related recoveries were $18 million for the nine months ended September 30, 2014 compared to net charge-offs of $13 million for the comparable period in the prior year, primarily reflecting decreases in general Middle Market, Commercial Real Estate and Environmental Services. Noninterest income of $121 million for the nine months ended September 30, 2014 decreased $8 million from the comparable period in the prior year, primarily reflecting a $7 million decrease in income from the Corporation's third-party credit card provider, largely due to a change in the timing of the recognition of incentives from annually to quarterly in the third quarter of 2013, and small decreases in several noninterest income categories. Noninterest expenses of $144 million for the nine months ended September 30, 2014 decreased $4 million compared to the same period in the prior year, primarily due to a $4 million decrease in salaries and benefits expense

and smaller decreases in several other noninterest expense categories, partially offset by a $2 million increase in corporate overhead expenses. See the Business Banking discussion, above, for an explanation of the increase in corporate overhead expense.
The net loss for the Finance & Other category of $257 million in the nine months ended September 30, 2014 decreased $25 million compared to the nine months ended September 30, 2013, primarily reflecting a $27 million decrease in net loss in the Finance segment, largely due to the third quarter 2014 gain of $32 million on the early redemption of debt as previously discussed under the "Business Segments" subheading above.

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

	September 30,	
	2014	2013
Michigan	214	215
Texas	135	136
California	104	105
Other Markets:		
Arizona	18	18
Florida	9	9
Canada	1	1
Total	481	484

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FINANCIAL CONDITION

Total assets were $68.9 billion at September 30, 2014, an increase of $3.7 billion from $65.2 billion at December 31, 2013, primarily reflecting increases of $2.2 billion in total loans and $1.4 billion in interest-bearing deposits with banks. On an average basis, total assets increased $1.8 billion to $66.4 billion in the third quarter 2014, compared to $64.6 billion in the fourth quarter 2013, resulting primarily from an increase of $3.1 billion in average loans, partially offset by a decrease of $1.4 billion in average interest-bearing deposits with banks.

The following tables provide information about the change in the Corporation's average loan portfolio in the third quarter 2014, compared to the fourth quarter 2013.

(dollar amounts in millions)	Three Months Ended September 30, 2014	December 31, 2013	Change	Percent Change
Average Loans:				
Commercial loans by business line:				
General Middle Market	$10,354	$9,954	$400	4 %
National Dealer Services	3,919	3,777	142	4
Energy	3,268	2,725	543	20
Technology and Life Sciences	2,467	1,988	479	24
Environmental Services	884	791	93	12
Entertainment	552	617	(65)	(11)
Total Middle Market	21,444	19,852	1,592	8
Corporate Banking	3,370	3,130	240	8
Mortgage Banker Finance	1,595	1,109	486	44
Commercial Real Estate	805	760	45	6
Total Business Bank commercial loans	27,214	24,851	2,363	10
Total Retail Bank commercial loans	1,592	1,431	161	11
Total Wealth Management commercial loans	1,382	1,401	(19)	(1)
Total commercial loans	30,188	27,683	2,505	10
Real estate construction loans	1,973	1,652	321	19
Commercial mortgage loans	8,698	8,714	(16)	—
Lease financing	823	838	(15)	(2)
International loans	1,417	1,303	114	9
Residential mortgage loans	1,792	1,679	113	7
Consumer loans	2,268	2,185	83	4
Total loans	$47,159	$44,054	$3,105	7 %
Average Loans By Geographic Market:				
Michigan	$13,248	$13,323	$(75)	(1)%
California	15,509	14,431	1,078	7
Texas	11,147	9,766	1,381	14
Other Markets	7,255	6,534	721	11
Total loans	$47,159	$44,054	$3,105	7 %

Average loans for the three months ended September 30, 2014 increased $3.1 billion, compared to the three months ended December 31, 2013, led by increases of $2.5 billion, or 10 percent in average commercial loans and $305 million, or 3 percent in average combined commercial mortgage and real estate construction loans. The $2.5 billion increase in average commercial loans primarily reflected an increase in Middle Market ($1.6 billion), Mortgage Banker Finance ($486 million) and Corporate Banking ($240 million). The increase in Middle Market primarily reflected increases in Energy ($543 million), Technology and Life Sciences ($479 million) and general Middle Market ($400 million). In general, Middle Market serves customers with annual revenue between $20 million and $500 million; while Corporate serves customers with revenue over $500 million. Changes in average total loans by geographic market is provided in the table above.

Investment securities available-for-sale increased $161 million to $9.5 billion at September 30, 2014, from $9.3 billion at December 31, 2013, primarily reflecting purchases slightly out-pacing paydowns on residential mortgage-backed investment securities (RMBS) as well as an $84 million decrease in net unrealized losses, to a net unrealized loss of $23 million at September 30, 2014, compared to a net unrealized loss of $107 million at December 31, 2013. On an average basis, investment securities available-for-sale increased $23 million in the third quarter 2014, compared to the fourth quarter 2013.

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The Corporation has been purchasing Government National Mortgage Association (GNMA) RMBS to replace paydowns on RMBS issued by government-sponsored enterprises, as GNMA securities receive more favorable treatment under the liquidity rules recently issued by U.S. banking regulators. Further information about the rule is provided later in this section under the "Capital" subheading. The following table provides a summary of the composition of the Corporation's RMBS portfolio.

	September 30, 2014			December 31, 2013		
(dollar amounts in millions)	Amount	Percent of Total		Amount	Percent of Total	
RMBS issued by GNMA	$1,755	19	%	$672	8	%
RMBS issued by government-sponsored enterprises	7,354	81		8,254	92	
Total RMBS	$9,109	100	%	$8,926	100	%

Total liabilities increased $3.4 billion to $61.5 billion at September 30, 2014, compared to $58.1 billion at December 31, 2013, primarily reflecting an increase of $4.3 billion in total deposits, partially offset by a decrease of $874 million in medium- and long-term debt. On an average basis, total liabilities increased $1.4 billion in the third quarter 2014, compared to the fourth quarter 2013, primarily due to increases of $1.7 billion in noninterest-bearing deposits and $651 million in interest-bearing deposits, partially offset by a decrease of $911 million in medium- and long-term debt. The decrease in average medium- and long-term debt resulted primarily from the maturities of $1 billion of floating-rate FHLB advances and $250 million of subordinated notes, as well as the early redemption of $150 million of subordinated notes, partially offset by issuances of $350 million of medium-term senior notes and $250 million of subordinated notes, during the second and third quarters of 2014. The increase in average total deposits of $2.4 billion primarily reflected increases in general Middle Market ($1.4 billion), Technology and Life Sciences ($701 million), Retail Banking ($305 million) and Private Banking ($248 million), partially offset by a decrease in Corporate Banking ($123 million). Average total deposits increased in all geographic markets.

Capital

Total shareholders' equity increased $283 million to $7.4 billion at September 30, 2014, compared to December 31, 2013. The following table presents a summary of changes in total shareholders' equity in the nine months ended September 30, 2014.

(in millions)			
Balance at January 1, 2014		$7,150	
Net income		444	
Cash dividends declared on common stock		(107	)
Purchase of common stock		(200	)
Other comprehensive income:			
Investment securities available-for-sale	$54		
Defined benefit and other postretirement plans	20		
Total other comprehensive income		74	
Issuance of common stock under employee stock plans		41	
Share-based compensation		31	
Balance at September 30, 2014		$7,433	

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

The Federal Reserve completed its 2014 CCAR review in March 2014 and did not object to the Corporation's capital plan and capital distributions contemplated in the plan. The plan provides for up to $236 million in share repurchases for the four-quarter period ending March 31, 2015. At September 30, 2014, up to $118 million remained available for share repurchases under the plan. The plan also provided the authority to fully redeem $150 million par value of 8.375% subordinated notes due 2024. The notes were called at par on July 15, 2014, resulting in a gain of

approximately $32 million.

On April 22, 2014, the Board of Directors of the Corporation (the Board) approved a 1-cent increase in the quarterly dividend to $0.20 per common share. The Board also authorized the repurchase of up to an additional 2.0 million shares of Comerica Incorporated outstanding common stock, in addition to the 5.1 million shares remaining at March 31, 2014 under the Board's prior authorizations for the share repurchase program initially approved in November 2010. Including the April 22, 2014 authorization, a total of 30.3 million shares has been authorized for repurchase under the share repurchase program since its inception in 2010. In November 2010, the Board authorized the purchase of up to all 11.5 million of the Corporation's original outstanding warrants. There is no expiration date for the Corporation's share repurchase program.

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The following table summarizes the Corporation's repurchase activity during the nine months ended September 30, 2014.

(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 2014	1,523	16,591		1,703	$47.21	$—
Total second quarter 2014	1,236	16,697	(d)	1,273	$47.73	—
July 2014	502	16,145		505	50.14	—
August 2014	566	15,579		566	49.42	—
September 2014	115	15,334		115	50.48	—
Total third quarter 2014	1,183	15,334		1,186	49.83	—
Total 2014	3,942	15,334		4,162	$48.11	$—

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

(b) Includes approximately 220,000 shares purchased pursuant to deferred compensation plans and shares purchased from employees to pay for taxes related to restricted stock vesting under the terms of an employee share-based compensation plan during the nine months ended September 30, 2014. These transactions are not considered part of the Corporation's repurchase program.

(c) The Corporation made no repurchases of warrants under the repurchase program during the nine months ended September 30, 2014. Upon exercise of a warrant, the number of shares with a value equal to the aggregate exercise price is withheld from an exercising warrant holder as payment (known as a "net exercise provision"). During the nine months ended September 30, 2014, the Corporation withheld the equivalent of approximately 492,000 shares to cover an aggregate of $14.4 million in exercise price and issued approximately 361,000 shares to the exercising warrant holders. Shares withheld in connection with the net exercise provision are not included in the total number of shares or warrants purchased in the above table.

(d) Includes April 22, 2014 share repurchase authorization for up to an additional 2.0 million shares.

Risk-based regulatory capital standards are designed to make regulatory capital requirements more sensitive to differences in credit risk profiles among banking institutions and to account for off-balance sheet exposure. Assets and off-balance sheet items are assigned to broad risk categories, each with specified risk-weighting factors. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

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

	September 30, 2014			December 31, 2013		
(dollar amounts in millions)	Capital	Ratio		Capital	Ratio	
Tier 1 common (a) (b)	$7,105	10.69	%	$6,895	10.64	%
Tier 1 risk-based (4.00% - minimum) (b)	7,105	10.69		6,895	10.64	
Total risk-based (8.00% - minimum) (b)	8,608	12.95		8,491	13.10	
Leverage (3.00% - minimum) (b)	7,105	10.80		6,895	10.77	
Tangible common equity (a)	6,783	9.94		6,498	10.07	

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

(b) September 30, 2014 capital and ratios are estimated.

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 the Corporation on January 1, 2015, with certain transition provisions fully phased in on January 1, 2018.

According to the rule, the Corporation 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 the Corporation to the capital countercyclical buffer of up to 2.5 percent or the supplemental leverage ratio. The Corporation estimates the September 30, 2014 common equity Tier 1 and Tier 1 risk-based ratio would be 10.4 percent if calculated under the final rule, excluding most elements of accumulated other comprehensive income from regulatory capital. The Corporation's September 30, 2014 estimated common equity Tier 1 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 reconcilement of these non-GAAP financial measures, refer to the "Supplemental Financial Data" section of this financial review.

The Corporation 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"). If designated as a D-SIB by the U.S. banking regulators, the Corporation would be subject to the additional buffer. While the level and timing of a D-SIB buffer is not currently known, the Corporation expects to exceed all required capital levels within regulatory timelines.

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In September 2014, U.S. banking regulators issued a final rule implementing a quantitative liquidity requirement in the U.S. generally consistent with the Liquidity Coverage Ratio (LCR) minimum liquidity measure established under the Basel III liquidity framework. Under the rule, the Corporation is subject to a modified LCR standard, which requires a financial institution to hold a minimum level of high-quality, liquid assets (HQLA) to fully cover modified net cash outflows under a 30-day systematic liquidity stress scenario. The rule is effective for the Corporation on January 1, 2016. During the transition year, 2016, the Corporation will be required to maintain a minimum LCR of 90 percent. Beginning January 1, 2017, and thereafter, the minimum required LCR will be 100 percent. The Corporation continues to evaluate the impact of the rule; however, we expect to meet the final requirements adopted by U.S. banking regulators within the required timetable. To reach full compliance and provide a buffer for normal volatility in balance sheet dynamics, the Corporation expects to add additional HQLA, funded with additional debt, in the future. The Corporation does not expect compliance with the LCR rule will have a significant impact on net interest income.

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 the Corporation will be subject to the full requirements, the Corporation is closely monitoring the development of the rule.

RISK MANAGEMENT

The following updated information should be read in conjunction with the "Risk Management" section on pages F-23 through F-40 in the Corporation's 2013 Annual Report.

Credit Risk

Allowance for Credit Losses

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

The Corporation disaggregates the loan portfolio into segments for purposes of determining the allowance for credit losses. These segments are based on the level at which the Corporation develops, documents and applies a systematic methodology to determine the allowance for credit losses. The Corporation's portfolio segments are business loans and retail loans. Business loans are defined as those belonging to the commercial, real estate construction, commercial mortgage, lease financing and international loan portfolios. Retail loans consist of traditional residential mortgage, home equity and other consumer loans. The allowance for loan losses includes specific allowances, based on individual evaluations of certain loans, and allowances for homogeneous pools of loans with similar risk characteristics.

The Corporation regularly reviews and refines its methodology for determining the allowance for credit losses. In the second quarter 2014, the approach used to determine standard reserve factors was enhanced, which had the effect of capturing certain elements in the standard reserve component that had formerly been included in the qualitative assessment. The impact of the change was largely neutral to the total allowance for loan losses at June 30, 2014. However, because standard reserves are allocated to the business segments at the loan level, while qualitative reserves are allocated at the portfolio level, the impact of the methodology change on the allowance of each business segment reflected the characteristics of the individual loans within each segment's portfolio, causing segment reserves to increase or decrease accordingly.

The U.S. economy rebounded from a first quarter 2014 in which real Gross Domestic Product declined at a 2.9% annual rate. The second quarter 2014 saw real GDP growth of 4.6% and third quarter growth was about 2.1%.

Unemployment claims have fallen in recent reporting periods while housing related metrics have started to moderate. While the U.S economy continues to show moderate growth overall, European and Asian economies appear to be slowing, with heightened risk of Europe falling into recession. Improvement in overall credit portfolio metrics has abated, as the Corporation believes it has reached near cycle-low levels of criticized loans and loan charge-offs. This is balanced by continued loan growth at the Corporation and industry-wide. While the overall credit quality of the loan portfolio remained strong in the third quarter of 2014, economic complexity and uncertainty continued to be a consideration when determining the appropriateness of the allowance for loan losses.

The allowance for loan losses was $592 million at September 30, 2014, compared to $598 million at December 31, 2013, a decrease of $6 million, or 1 percent. The decrease resulted primarily from improved credit quality in the loan portfolio, partially offset by higher loan balances.

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The total allowance for loan losses is sufficient to absorb incurred losses inherent in the total loan portfolio. Unanticipated economic events, including political, economic and regulatory instability could cause changes in the credit characteristics of the portfolio and result in a currently unanticipated increase in the allowance. Loss emergence periods, which are used to determine the most appropriate default horizon associated with the calculation of probabilities of default, tend to lengthen during benign economic periods and shorten during periods of economic distress. Considered in isolation, lengthening the loss emergence period assumption would result in an increase to the allowance for loan losses. In addition, inclusion of other industry-specific portfolio exposures in the allowance, as well as significant increases in the current portfolio exposures, could also increase the amount of the allowance. Any of these events, or some combination thereof, may result in a future need for additional provision for loan losses in order to maintain an allowance that complies with credit risk and accounting policies.

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

The allowance for credit losses on lending-related commitments was $43 million at September 30, 2014 compared to $36 million at December 31, 2013. The $7 million increase in the allowance for credit losses on lending-related commitments resulted primarily from an increase of $7 million in reserves for standby letters of credit, primarily as a result of an increase in criticized standby letters of credit.

Nonperforming Assets

Nonperforming assets include loans on nonaccrual status, troubled debt restructured loans (TDRs) which have been renegotiated to less than the original contractual rates (reduced-rate loans) and foreclosed property. TDRs include performing and nonperforming loans. Nonperforming TDRs are either on nonaccrual or reduced-rate status. Nonperforming assets do not include purchased credit impaired (PCI) loans.

The following table presents a summary of nonperforming assets and past due loans.

(dollar amounts in millions)	September 30, 2014		December 31, 2013	
Nonaccrual loans:				
Business loans:				
Commercial	$93		$81	
Real estate construction	18		21	
Commercial mortgage	144		156	
International	—		4	
Total nonaccrual business loans	255		262	
Retail loans:				
Residential mortgage	42		53	
Consumer:				
Home equity	31		33	
Other consumer	1		2	
Total consumer	32		35	
Total nonaccrual retail loans	74		88	
Total nonaccrual loans	329		350	
Reduced-rate loans	17		24	
Total nonperforming loans	346		374	
Foreclosed property	11		9	
Total nonperforming assets	$357		$383	
Nonperforming loans as a percentage of total loans	0.73	%	0.82	%
Nonperforming assets as a percentage of total loans and foreclosed property	0.75		0.84	
Allowance for loan losses as a percentage of total nonperforming loans	171		160	
Loans past due 90 days or more and still accruing	$13		$16	
	0.03	%	0.03	%

Loans past due 90 days or more and still accruing as a percentage of total
loans

Nonperforming assets decreased $26 million to $357 million at September 30, 2014, from $383 million at December 31, 2013. The decrease in nonperforming assets reflected decreases in almost all categories, with the exception of increases in commercial loans ($12 million) and foreclosed property ($2 million). Nonperforming assets as a percentage of total loans and foreclosed property was 0.75 percent at September 30, 2014, compared to 0.84 percent at December 31, 2013.

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

	Three Months Ended		
(in millions)	September 30, 2014	June 30, 2014	December 31, 2013
Balance at beginning of period	$326	$317	$437
Loans transferred to nonaccrual (a)	54	53	23
Nonaccrual business loan gross charge-offs (b)	(20)	(24)	(33)
Nonaccrual business loans sold (c)	(3)	(6)	(14)
Payments/other (d)	(28)	(14)	(63)
Balance at end of period	$329	$326	$350
(a) Based on an analysis of nonaccrual loans with book balances greater than $2 million.			
(b) Analysis of gross loan charge-offs:			
Nonaccrual business loans	$20	$24	$33
Performing criticized loans	—	—	3
Retail loans	4	4	5
Total gross loan charge-offs	$24	$28	$41
(c) Analysis of loans sold:			
Nonaccrual business loans	$3	$6	$14
Performing criticized loans	—	8	22
Total criticized loans sold	$3	$14	$36

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

There were four borrowers with balances greater than $2 million, totaling $54 million, transferred to nonaccrual status in the third quarter 2014, an increase of $1 million when compared to $53 million in the second quarter 2014. The transfers to nonaccrual greater than $2 million in the third quarter 2014, included two borrowers from Technology and Life Sciences and one each from general Middle Market and Private Banking.

The following table presents the composition of nonaccrual loans by balance and the related number of borrowers at September 30, 2014 and December 31, 2013.

	September 30, 2014		December 31, 2013	
(dollar amounts in millions)	Number of Borrowers	Balance	Number of Borrowers	Balance
Under $2 million	1,549	$173	1,756	$211
$2 million - $5 million	15	46	23	71
$5 million - $10 million	4	32	3	23
$10 million - $25 million	4	51	3	45
Greater than $25 million	1	27	—	—
Total	1,573	$329	1,785	$350

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The following table presents a summary of nonaccrual loans at September 30, 2014 and loans transferred to nonaccrual and net loan charge-offs for the three months ended September 30, 2014, based primarily on North American Industry Classification System (NAICS) categories.

	September 30, 2014		Three Months Ended September 30, 2014			
(dollar amounts in millions) Industry Category	Nonaccrual Loans		Loans Transferred to Nonaccrual (a)		Net Loan Charge-Offs (Recoveries)	
Real Estate	$89	27 %	$12	22 %	$(4)	(125)%
Services	42	13	—	—	1	22
Residential Mortgage	41	12	—	—	—	—
Contractors	30	9	27	50	—	—
Retail	21	6	15	28	7	224
Holding and Other Investment Companies	18	6	—	—	(2)	(57)
Transportation and Warehousing	16	5	—	—	2	61
Hotels	9	3	—	—	—	—
Health Care and Social Assistance	6	2	—	—	—	—
Natural Resources	6	2	—	—	(1)	(20)
Restaurants and Food Service	5	2	—	—	—	—
Manufacturing	5	1	—	—	(2)	(74)
Wholesale Trade	5	1	—	—	1	15
Other (b)	36	11	—	—	1	54
Total	$329	100 %	$54	100 %	$3	100 %

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

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

The following table presents a summary of TDRs at September 30, 2014 and December 31, 2013.

(in millions)	September 30, 2014	December 31, 2013
Nonperforming TDRs:		
Nonaccrual TDRs	$77	$100
Reduced-rate TDRs	17	24
Total nonperforming TDRs	94	124
Performing TDRs (a)	32	57
Total TDRs	$126	$181

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

Performing TDRs primarily included $23 million in Small Business Banking, $7 million in Middle Market, and $1 million each in Corporate Banking and in Private Banking at September 30, 2014.

Loans past due 90 days or more and still accruing interest generally represent loans that are well collateralized and in a continuing process of collection. Loans past due 90 days or more and still accruing interest decreased $3 million to $13 million at September 30, 2014, compared to $16 million at December 31, 2013. Loans past due 30-89 days increased $1 million to $128 million at September 30, 2014, compared to $127 million at December 31, 2013.

The following table presents a summary of total criticized loans. Criticized loans with balances of $2 million or more on nonaccrual status or whose terms have been modified in a TDR are individually subjected to quarterly credit quality reviews, and the Corporation may establish specific allowances for such loans.

(dollar amounts in millions)	September 30, 2014	June 30, 2014	December 31, 2013
Total criticized loans	$2,094	$2,188	$2,260
As a percentage of total loans	4.6 %	4.6 %	5.0 %

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

(in millions)	September 30, 2014	June 30, 2014	December 31, 2013
Single family residential properties	$9	$9	$5
Construction, land development and other land	—	—	2
Other non-land, nonresidential properties	2	4	2
Total foreclosed property	$11	$13	$9

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At September 30, 2014, foreclosed property totaled $11 million and consisted of approximately 91 properties, compared to $9 million and approximately 89 properties at December 31, 2013.
The following table presents a summary of changes in foreclosed property.

	Three Months Ended		
(in millions)	September 30, 2014	June 30, 2014	December 31, 2013
Balance at beginning of period	$13	$14	$19
Acquired in foreclosure	2	4	4
Write-downs	—	(1)	(1)
Foreclosed property sold (a)	(4)	(4)	(13)
Balance at end of period	$11	$13	$9
(a) Net gain on foreclosed property sold	$1	$2	$2

Commercial and Residential Real Estate Lending
The following table summarizes the Corporation's commercial real estate loan portfolio by loan category.

(in millions)	September 30, 2014	December 31, 2013
Real estate construction loans:		
Commercial Real Estate business line (a)	$1,683	$1,447
Other business lines (b)	309	315
Total real estate construction loans	$1,992	$1,762
Commercial mortgage loans:		
Commercial Real Estate business line (a)	$1,743	$1,678
Other business lines (b)	6,860	7,109
Total commercial mortgage loans	$8,603	$8,787

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

The Corporation limits risk inherent in its commercial real estate lending activities by limiting exposure to those borrowers directly involved in the commercial real estate markets and adhering to conservative policies on loan-to-value ratios for such loans. Commercial real estate loans, consisting of real estate construction and commercial mortgage loans, totaled $10.6 billion at September 30, 2014, of which $3.4 billion, or 32 percent, were to borrowers in the Commercial Real Estate business line, which includes loans to real estate developers. The remaining $7.2 billion, or 68 percent, of commercial real estate loans in other business lines consisted primarily of owner-occupied commercial mortgages, which bear credit characteristics similar to non-commercial real estate business loans.
The real estate construction loan portfolio primarily contains loans made to long-time customers with satisfactory completion experience. Real estate construction loans in the Commercial Real Estate business line totaled $1.7 billion with $17 million on nonaccrual status at September 30, 2014, compared to $1.4 billion with $20 million on nonaccrual status at December 31, 2013. In other business lines, $1 million of real estate construction loans were on nonaccrual status at both September 30, 2014 and December 31, 2013.
Loans in the commercial mortgage portfolio generally mature within three to five years. Of the $1.7 billion of commercial mortgage loans in the Commercial Real Estate business line outstanding at both September 30, 2014 and December 31, 2013, $49 million and $51 million were on nonaccrual status at September 30, 2014 and December 31, 2013, respectively. Commercial mortgage loan net recoveries in the Commercial Real Estate business line were $2 million for the nine months ended September 30, 2014, compared to net charge-offs of $7 million for the nine months ended September 30, 2013. In other business lines, $95 million and $105 million of commercial mortgage loans were on nonaccrual status at September 30, 2014 and December 31, 2013, respectively. Net charge-offs were $4 million and $9 million for the nine-month periods ended September 30, 2014 and 2013, respectively.

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

	September 30, 2014						December 31, 2013	
	Location of Property							
(dollar amounts in millions)	California	Michigan	Texas	Other	Total	% of Total	Total	% of Total
Project Type:								
Real estate construction loans:								
Commercial Real Estate business line:								
Residential	185	20	53	10	268	17	228	16
Multi-family	499	1	466	81	1,047	62	830	57
Office	84	—	32	4	120	7	162	11
Retail	41	8	35	18	102	6	102	7
Commercial	6	—	60	2	68	4	46	3
Other	3	37	14	24	78	4	79	6
Total	$818	$66	$660	$139	$1,683	100 %	$1,447	100 %
Commercial mortgage loans:								
Commercial Real Estate business line:								
Residential	61	12	23	27	123	7	136	8
Multi-family	264	33	72	61	430	25	378	22
Retail	110	87	101	64	362	21	337	20
Office	162	14	45	12	233	13	235	14
Commercial	105	33	24	25	187	11	178	11
Other	260	15	45	88	408	23	414	25
Total	$962	$194	$310	$277	$1,743	100 %	$1,678	100 %

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

	September 30, 2014				December 31, 2013			
(dollar amounts in millions)	Residential Mortgage Loans	% of Total	Home Equity Loans	% of Total	Residential Mortgage Loans	% of Total	Home Equity Loans	% of Total
Geographic market:								
Michigan	$416	23 %	$805	49 %	$422	25 %	$808	53 %
California	805	45	536	33	705	41	436	29
Texas	339	19	243	15	340	20	228	15
Other Markets	237	13	50	3	230	14	45	3
Total	$1,797	100 %	$1,634	100 %	$1,697	100 %	$1,517	100 %

Residential real estate loans consist of traditional residential mortgages and home equity loans and lines of credit. Residential mortgages totaled $1.8 billion at September 30, 2014, and were primarily larger, variable-rate mortgages originated and retained for certain private banking relationship customers. Of the $1.8 billion of residential mortgage loans outstanding, $42 million were on nonaccrual status at September 30, 2014. The home equity portfolio totaled $1.6 billion at September 30, 2014, of which $1.5 billion was outstanding under primarily variable-rate, interest-only home equity lines of credit and $83 million were closed-end home equity loans. Of the $1.6 billion of home equity loans outstanding, $31 million were on nonaccrual status at September 30, 2014. A majority of the home equity portfolio was secured by junior liens at September 30, 2014. The residential real estate portfolio is principally located within the Corporation's primary geographic markets. Substantially all residential real estate loans past due 90 days or more are placed on nonaccrual status. Even if current or less than 90 days past due, substantially all junior lien home

equity loans are placed on nonaccrual status if full collection of the senior position is in doubt. Such loans are charged off to current appraised values less costs to sell no later than 180 days past due.

Shared National Credits

Shared National Credits (SNCs) are defined by banking regulators as facilities of more than $20 million shared by three or more federally supervised financial institutions that are selectively reviewed on an annual basis by regulatory authorities at the agent bank level. The Corporation generally seeks to obtain ancillary business at the origination of a SNC relationship. Loans classified as SNC loans totaled $10.4 billion at September 30, 2014 (approximately 865 borrowers), compared to $9.4 billion (approximately 860 borrowers) at December 31, 2013. SNC loans are held to the same credit underwriting and pricing standards as the remainder of the loan portfolio. The Bank was the agent for $1.9 billion and $1.5 billion of the SNC loans outstanding at

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September 30, 2014 and December 31, 2013, respectively. Nonaccrual SNC loans increased $5 million to $16 million at September 30, 2014, compared to $11 million at December 31, 2013. SNC net loan charge-offs totaled $2 million for both the three- and nine-month periods ended September 30, 2014, respectively, compared to zero and $8 million for the three- and nine-month periods ended September 30, 2013, respectively.

Energy Lending

The Corporation has a portfolio of energy-related loans that are included primarily in "commercial loans" in the consolidated balance sheets. The Corporation has over 30 years of experience in energy lending, with a focus on middle market companies. Loans in the Middle Market - Energy business line were $3.4 billion, or approximately 7 percent of total loans, at September 30, 2014, compared to $2.8 billion, or approximately 6 percent of total loans, at December 31, 2013. Nonaccrual Middle Market - Energy loans were zero at September 30, 2014, compared to $1 million at December 31, 2013. There were no Middle Market - Energy net loan charge-offs for both the three- and nine-month periods ended September 30, 2014, compared to net loan charge-offs of zero and $2 million for the three- and nine-month periods ended September 30, 2013, respectively. Energy loans are diverse in nature, with outstanding balances by customer market segment distributed approximately as follows at September 30, 2014: 70 percent exploration and production (EP) (comprised of approximately 59 percent oil, 23 percent mixed and 18 percent natural gas), 17 percent energy services and 13 percent midstream. Approximately 95 percent of the outstanding loans in the EP and midstream market segments were secured at September 30, 2014.

State and Local Municipalities

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

The following table summarizes the Corporation's direct exposure to state and local municipalities as of September 30, 2014 and December 31, 2013.

(in millions)	September 30, 2014	December 31, 2013
Loans outstanding	$35	$39
Lease financing	309	330
Investment securities available-for-sale	23	22
Trading account securities	1	3
Standby letters of credit	96	97
Unused commitments to extend credit	19	20
Total direct exposure to state and local municipalities	$483	$511

Indirect exposure comprised $98 million in auction-rate preferred securities collateralized by municipal securities at September 30, 2014, compared to $109 million at December 31, 2013. Additionally, the Corporation is exposed to Automated Clearing House (ACH) transaction risk for those municipalities utilizing this electronic payment and/or deposit method and similar products in their cash flow management. The Corporation sets limits on ACH activity during the underwriting process.

Extensions of credit to state and local municipalities are subjected to the same underwriting standards as other business loans. At both September 30, 2014 and December 31, 2013, all outstanding municipal loans and leases were performing according to contractual terms, and one municipal lease was included in the Corporation's criticized loan list. Municipal leases are secured by the underlying equipment, and a substantial majority of the leases are fully defeased with AAA-rated U.S. government securities. Substantially all municipal investment securities available-for sale are auction-rate securities. All auction-rate securities are reviewed quarterly for other-than-temporary impairment. All auction-rate municipal securities were rated investment grade, and all auction-rate preferred securities collateralized by municipal securities were rated investment grade and were adequately collateralized at both September 30, 2014 and December 31, 2013. Municipal securities are held in the trading account for resale to customers. In addition, Comerica Securities, a broker-dealer subsidiary of the Bank, underwrites bonds issued by municipalities. All bonds underwritten by Comerica Securities are sold to third party investors.

On July 18, 2013, the city of Detroit filed for Chapter 9 bankruptcy protection in federal court. The Corporation's direct exposure to the city of Detroit is insignificant.

Automotive Lending

Substantially all dealer loans are in the National Dealer Services business line. Loans in the National Dealer Services business line include floor plan financing and other loans to automotive dealerships. Floor plan loans, included in “commercial loans” in the consolidated balance sheets, totaled $3.2 billion at September 30, 2014, a decrease of $321 million compared to $3.5 billion at December 31, 2013. At September 30, 2014, other loans to automotive dealers in the National Dealer Services business line totaled $2.3 billion, including $1.5 billion of owner-occupied commercial real estate mortgage loans, compared to $2.1 billion of other loans to automotive dealers in the National Dealer Service line, including $1.4 billion of owner-occupied commercial real

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estate mortgage loans, at December 31, 2013. Automotive lending also includes loans to borrowers involved with automotive production, primarily Tier 1 and Tier 2 suppliers. Loans to borrowers involved with automotive production totaled approximately $1.2 billion at both September 30, 2014 and December 31, 2013.

International Exposure

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

The Corporation does not hold any sovereign exposure to Europe. The Corporation's international strategy as it pertains to Europe is to focus on European companies doing business in North America, with an emphasis on the Corporation's primary geographic markets. The following table summarizes cross-border exposure to entities domiciled in European countries.

	September 30, 2014			December 31, 2013		
(in millions)	Outstanding (a)	Unfunded Commitments and Guarantees	Total Exposure	Outstanding (a)	Unfunded Commitments and Guarantees	Total Exposure
United Kingdom	$71	$208	$279	$99	$242	$341
Netherlands	55	39	94	61	89	150
Luxembourg	27	33	60	17	7	24
Germany	6	43	49	7	47	54
Switzerland	15	6	21	18	1	19
Sweden	1	18	19	4	15	19
Italy	10	5	15	5	2	7
Belgium	7	1	8	7	4	11
Other	1	1	2	3	1	4
Total Europe	$193	$354	$547	$221	$408	$629

(a) Includes funded loans, bankers acceptances and net counterparty derivative exposure.

For further discussion of credit risk, see the "Credit Risk" section of pages F-23 through F-35 in the Corporation's 2013 Annual Report.

Market and Liquidity Risk

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

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

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

monitoring the interest rate risk economic capital estimate.
Interest Rate Risk
Net interest income is the primary source of revenue for the Corporation. Interest rate risk arises in the normal course of business due to differences in the repricing and cash flow characteristics of assets and liabilities, primarily through the Corporation's core business activities of extending loans and acquiring deposits. The Corporation's balance sheet is predominantly characterized by floating-rate loans funded by a combination of core deposits and wholesale borrowings. Approximately 85 percent of the Corporation's loans were floating at September 30, 2014, of which approximately 75 percent were based on LIBOR and 25 percent were based on Prime. This creates sensitivity to interest rate movements due to the imbalance between the floating-rate loan

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portfolio and the more slowly repricing deposit products. In addition, growth and/or contraction in the Corporation's loans and deposits may lead to changes in sensitivity to interest rate movements in the absence of mitigating actions. Examples of such actions are purchasing investment securities, primarily fixed-rate, which provide liquidity to the balance sheet and act to mitigate the inherent interest sensitivity, and hedging the sensitivity with interest rate swaps. The Corporation actively manages its exposure to interest rate risk, with the principal objective of optimizing net interest income and the economic value of equity while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity.

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

Sensitivity of Net Interest Income to Changes in Interest Rates

The analysis of the impact of changes in interest rates on net interest income under various interest rate scenarios is management's principal risk management technique. Management models a base case net interest income under an unchanged interest rate environment and what is believed to be the most likely balance sheet structure. Existing derivative instruments entered into for risk management purposes are included in the analysis, but no additional hedging is currently forecasted. These derivative instruments currently comprise interest rate swaps that convert fixed-rate long-term debt to variable rates. This base case net interest income is then compared against interest rate scenarios in which rates rise or decline in a linear, non-parallel fashion from the base case over 12 months. In the scenarios presented, short-term interest rates increase 200 basis points, resulting in an average increase in short-term interest rates of 100 basis points over the period (+200 scenario). Due to the current low level of interest rates, the analysis reflects a declining interest rate scenario of a 25 basis point drop in short-term interest rates, to zero percent. Each scenario includes assumptions such as loan growth, investment security prepayment levels, depositor behavior, yield curve changes, loan and deposit pricing, and overall balance sheet mix and growth. In the +200 scenario, assumptions related to loan growth and deposit run-off are based on historical experience, resulting in a modest increase in loans and a modest decrease in deposits from the base case. No changes are modeled to investment securities beyond the replacement of prepayments, and expected funding maturities are included. As a result of the modeled balance sheet movement, excess reserves diminish. In addition, the model reflects deposit pricing based on historical price movements with short-term interest rates and loan spreads held at current levels. The analysis also does not capture possible regulatory impacts, including impacts of the recently finalized LCR requirements, which could impact balance sheet structure, product offerings and pricing as well as how interest rate risk is managed. How the Corporation chooses to make additional investments in HQLA and fund such investments may have an impact on sensitivity. Changes in economic activity may result in a balance sheet structure that is different from the changes management included in its simulation analysis and may translate into a materially different interest rate environment than those presented. For example, deposit balances have grown significantly over the past several years, creating uncertainty regarding future deposit balance levels. A decline in deposit balances beyond historical experience would reduce the estimated increase in net interest income in the +200 scenario.

The table below, as of September 30, 2014 and December 31, 2013, displays the estimated impact on net interest income during the next 12 months by relating the base case scenario results to those from the rising and declining rate scenarios described above.

	Estimated Annual Change			
	September 30, 2014		December 31, 2013	
(in millions)	Amount	%	Amount	%
Change in Interest Rates:				
+200 basis points	$227	14 %	$210	13 %
-25 basis points (to zero percent)	(32)	(2)	(30)	(2)

Sensitivity increased slightly from December 31, 2013 to September 30, 2014 primarily due to changes in the current balance sheet mix driving a revised forecast. The risk to declining interest rates is limited as a result of the inability of the current low level of rates to fall significantly.

The table below, as of September 30, 2014, illustrates the estimated sensitivity of the above results to a change in deposit balance assumptions in the +200 scenario, with all other assumptions held constant. In this analysis, average noninterest-bearing deposit run-off in the 12-month period has been increased by $1 billion and $3 billion from the historical run-off experience included in the standard +200 scenario presented above and assumes the deposit run-off reduces excess reserves and increases purchased funds. The analysis is provided as an indicator of the sensitivity of net interest income to the modeled deposit run-off assumption. It is not meant to reflect management's expectation or best estimate. Actual run-off results may vary from those reflected.

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(in millions)	+200 Basis Points Estimated Annual Change		
June 30, 2014	Amount	%	
Incremental Average Decrease in Noninterest-bearing Deposit Balances:			
$1 billion	$216	13	%
$3 billion	194	12	

Sensitivity of Economic Value of Equity to Changes in Interest Rates

In addition to the simulation analysis on net interest income, an economic value of equity analysis provides an alternative view of the interest rate risk position. The economic value of equity is the difference between the estimate of the economic value of the Corporation's financial assets, liabilities and off-balance sheet instruments, derived through discounting cash flows based on actual rates at the end of the period and the estimated economic value after applying the estimated impact of rate movements. The economic value of equity analysis is based on an immediate parallel 200 basis point increase and 25 basis point decrease in interest rates.

The table below, as of September 30, 2014 and December 31, 2013, displays the estimated impact on the economic value of equity from the interest rate scenario described above.

(in millions)	September 30, 2014				December 31, 2013			
	Amount		%		Amount		%	
Change in Interest Rates:								
+200 basis points	$940		8	%	$670		6	%
-25 basis points (to zero percent)	(233	)	(2	)	(164	)	(1	)

The change in the sensitivity of the economic value of equity to a 200 basis point parallel increase in rates between December 31, 2013 and September 30, 2014 was primarily driven by changes in market interest rates at the middle to long end of the curve, which most significantly impact the value of deposits without a stated maturity, as well as growth in deposits without a stated maturity.

Wholesale Funding

The Corporation may access the purchased funds market when necessary, which includes foreign office time deposits and short-term borrowings. Capacity for incremental purchased funds at September 30, 2014 included the ability to purchase federal funds, sell securities under agreements to repurchase, as well as issue deposits to institutional investors and issue certificates of deposit through brokers. Purchased funds totaled $319 million at September 30, 2014, compared to $602 million at December 31, 2013. At September 30, 2014, the Bank had pledged loans totaling $25 billion which provided for up to $19 billion of available collateralized borrowing with the FRB.

The Bank is a member of the FHLB of Dallas, Texas, which provides short- and long-term funding to its members through advances collateralized by real estate-related assets. Actual borrowing capacity is contingent on the amount of collateral available to be pledged to the FHLB. At September 30, 2014, real estate-related loans pledged to the FHLB as blanket collateral provided for potential future borrowings of approximately $6 billion. Additionally, the Bank had the ability to issue up to $15.0 billion of debt at September 30, 2014 under an existing $15 billion medium-term senior note program which allows the issuance of debt with maturities between three months and 30 years.

The Corporation maintains a shelf registration statement with the Securities and Exchange Commission from which it may issue debt and/or equity securities. Under the shelf registration, on May 23, 2014, the Corporation issued $350 million of 2.125% medium-term senior notes due in 2019 and on July 22, 2014 issued $250 million of 3.80% subordinated notes due in 2026. Both issuances were swapped to floating rates based on 6-month LIBOR indices.

The FRB completed its 2014 CCAR review in March 2014 and did not object to Comerica's capital plan and capital distributions contemplated in the plan. Comerica's capital plan includes the authority to fully redeem $150 million par value of 8.375% subordinated notes due 2024. The notes were called at par on July 15, 2014, resulting in a pretax gain of approximately $32 million.

Further information regarding the Corporation's medium- and long-term debt is provided in Note 7 to these unaudited financial statements.

Explanation of Responses:

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The ability of the Corporation and the Bank to raise funds at competitive rates is impacted by rating agencies' views of the credit quality, liquidity, capital and earnings of the Corporation and the Bank. As of September 30, 2014, the four major rating agencies had assigned the following ratings to long-term senior unsecured obligations of the Corporation and the Bank. A security rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

	Comerica Incorporated		Comerica Bank	
September 30, 2014	Rating	Outlook	Rating	Outlook
Standard and Poor’s	A-	Stable	A	Stable
Moody’s Investors Service	A3	Stable	A2	Stable
Fitch Ratings	A	Stable	A	Stable
DBRS	A	Stable	A (High)	Stable

The Corporation satisfies liquidity requirements with either liquid assets or various funding sources. Liquid assets, which totaled $14.3 billion at September 30, 2014, compared to $12.6 billion at December 31, 2013, before any applicable regulatory haircuts, provide a reservoir of liquidity. Liquid assets include cash and due from banks, federal funds sold, interest-bearing deposits with banks, other short-term investments and unencumbered investment securities available-for-sale. At September 30, 2014, the Corporation held deposits at the FRB of $6.6 billion, compared to $5.2 billion at December 31, 2013.

CRITICAL ACCOUNTING POLICIES

The Corporation’s consolidated financial statements are prepared based on the application of accounting policies, the most significant of which are described in Note 1 to the consolidated financial statements included in the Corporation's 2013 Annual Report. These policies require numerous estimates and strategic or economic assumptions, which may prove inaccurate or subject to variations. Changes in underlying factors, assumptions or estimates could have a material impact on the Corporation’s future financial condition and results of operations. At December 31, 2013, the most critical of these significant accounting policies were the policies related to the allowance for credit losses, valuation methodologies, goodwill, pension plan accounting and income taxes. These policies were reviewed with the Audit Committee of the Corporation’s Board of Directors and are discussed more fully on pages F-41 through F-46 in the Corporation's 2013 Annual Report. As of the date of this report, there have been no significant changes to the Corporation's critical accounting policies or estimates, except as discussed below.

Allowance for Credit Losses

In the second quarter 2014, the Corporation enhanced the approach used to determine the standard reserve factors used in estimating the allowance for credit losses, which had the effect of capturing certain elements in the standard reserve component that had formerly been included in the qualitative assessment. The impact of the change was largely neutral to the total allowance for loan losses at June 30, 2014. However, because standard reserves are allocated to the segments at the loan level, while qualitative reserves are allocated at the portfolio level, the impact of the methodology change on the allowance of each segment reflected the characteristics of the individual loans within each segment's portfolio, causing segment reserves to increase or decrease accordingly.

For further discussion of the methodology used in the determination of the allowance for credit losses, refer to the "Allowance for Credit Losses" section in this financial review and Note 1 to the unaudited consolidated financial statements.

Goodwill

Goodwill is initially recorded as the excess of the purchase price over the fair value of net assets acquired in a business combination and is subsequently evaluated at least annually for impairment. Goodwill impairment testing is performed at the reporting unit level, equivalent to a business segment or one level below. The Corporation has three reporting units: the Business Bank, the Retail Bank and Wealth Management. At September 30, 2014 and December 31, 2013, goodwill totaled $635 million, including $380 million allocated to the Business Bank, $194 million allocated to the Retail Bank and $61 million allocated to Wealth Management.

The Corporation performs its annual evaluation of goodwill impairment in the third quarter of each year and on an interim basis if events or changes in circumstances between annual tests suggest additional testing may be warranted

to determine if goodwill might be impaired. The goodwill impairment test is a two-step test. The first step of the goodwill impairment test compares the estimated fair value of identified reporting units with their carrying amount, including goodwill. If the estimated fair value of the reporting unit is less than the carrying value, the second step must be performed to determine the implied fair value of the reporting unit's goodwill and the amount of goodwill impairment, if any. The implied fair value of goodwill is determined as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess.

In performing the annual impairment test, the carrying value of each reporting unit is the greater of economic or regulatory capital. The Corporation assigns economic capital using internal management methodologies on the basis of each reporting unit's

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credit, operational and interest rate risks, as well as goodwill. To determine regulatory capital, each reporting unit is assigned sufficient capital such that their respective Tier 1 ratio, based on allocated risk-weighted assets, is the same as that of the Corporation. Using this two-pronged approach, the Corporation's equity is fully allocated to its reporting units except for capital held primarily for the risk associated with the securities portfolio which is assigned to the Finance segment of the Corporation.

Determining the fair value of reporting units is a subjective process involving the use of estimates and judgments related to the selection of inputs such as future cash flows, discount rates, comparable public company multiples, applicable control premiums and economic expectations used in determining the interest rate environment. The estimated fair values of the reporting units are determined using a blend of two commonly used valuation techniques: the market approach and the income approach. For the market approach, valuations of reporting units consider a combination of earnings, equity and other multiples from companies with characteristics similar to the reporting unit. Since the fair values determined under the market approach are representative of noncontrolling interests, the valuations accordingly incorporate a control premium. For the income approach, estimated future cash flows and terminal value are discounted. Estimated future cash flows are derived from internal forecasts and economic expectations for each reporting unit which incorporate uncertainty factors inherent to long-term projections. The applicable discount rate is based on the imputed cost of equity capital appropriate for each reporting unit, which incorporates the risk-free rate of return, the level of non-diversified risk associated with companies with characteristics similar to the reporting unit, a size risk premium and a market equity risk premium.

The annual test of goodwill impairment was performed as of the beginning of the third quarter 2014. The Corporation's assumptions included maintaining the low Federal funds target rate through mid-2015 with modest increases thereafter until eventually reaching a normal interest rate environment. At the conclusion of the first step of the annual goodwill impairment tests performed in the third quarter 2014, the estimated fair values of all reporting units substantially exceeded their carrying amounts, including goodwill. The results of the annual test of the goodwill impairment test for each reporting unit were subjected to stress testing as appropriate.

Economic conditions impact the assumptions related to interest and growth rates, loss rates and imputed cost of equity capital. The fair value estimates for each reporting unit incorporated current economic and market conditions, including the recent Federal Reserve announcements and the impact of legislative and regulatory changes, to the extent known and as described above. However, further weakening in the economic environment, such as adverse changes in interest rates, a decline in the performance of the reporting units or other factors could cause the fair value of one or more of the reporting units to fall below their carrying value, resulting in a goodwill impairment charge. Additionally, new legislative or regulatory changes not anticipated in management's expectations may cause the fair value of one or more of the reporting units to fall below the carrying value, resulting in a goodwill impairment charge. Any impairment charge would not affect the Corporation's regulatory capital ratios, tangible common equity ratio or liquidity position.

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SUPPLEMENTAL FINANCIAL DATA

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

(dollar amounts in millions)	September 30, 2014		December 31, 2013	
Tier 1 Common Capital Ratio:				
Tier 1 and Tier 1 common capital (a) (b)	$7,105		$6,895	
Risk-weighted assets (a) (b)	66,481		64,825	
Tier 1 and Tier 1 common risk-based capital ratio (b)	10.69	%	10.64	%
Basel III Common Equity Tier 1 Capital Ratio:				
Tier 1 common capital (b)	$7,105		$6,895	
Basel III adjustments (c)	(1	)	(6	)
Basel III common equity Tier 1 capital (c)	$7,104		$6,889	
Risk-weighted assets (a) (b)	$66,481		$64,825	
Basel III adjustments (c)	1,627		1,754	
Basel III risk-weighted assets (c)	$68,108		$66,579	
Tier 1 common capital ratio (b)	10.7	%	10.6	%
Basel III common equity Tier 1 capital ratio (c)	10.4		10.3	
Tangible Common Equity Ratio:				
Common shareholders' equity	$7,433		$7,150	
Less:				
Goodwill	635		635	
Other intangible assets	15		17	
Tangible common equity	$6,783		$6,498	
Total assets	$68,887		$65,224	
Less:				
Goodwill	635		635	
Other intangible assets	15		17	
Tangible assets	$68,237		$64,572	
Common equity ratio	10.79	%	10.97	%
Tangible common equity ratio	9.94		10.07	
Tangible Common Equity per Share of Common Stock:				
Common shareholders' equity	$7,433		$7,150	
Tangible common equity	6,783		6,498	
Shares of common stock outstanding (in millions)	180		182	
Common shareholders' equity per share of common stock	$41.26		$39.22	
Tangible common equity per share of common stock	37.65		35.64	

(a) Tier 1 capital and risk-weighted assets as defined by regulation.

(b) September 30, 2014 Tier 1 capital and risk-weighted-assets are estimated.

(c) Estimated ratios based on the standardized approach in the final rule for the U.S. adoption of the Basel III regulatory capital framework, excluding most elements of AOCI.

The Tier 1 common capital ratio removes preferred stock and qualifying trust preferred securities from Tier 1 capital as defined by and calculated in conformity with bank regulations. The Basel III common equity Tier 1 capital ratio further adjusts Tier 1 common capital and risk-weighted assets to account for the final rule approved by U.S. banking regulators in July 2013 for the U.S. adoption of the Basel III regulatory capital framework. The final Basel III capital rules are effective January 1, 2015 for banking organizations subject to the standardized approach. The tangible common equity ratio removes preferred stock and the effect of intangible assets from capital and the effect of intangible assets from total assets and tangible common equity per share of common stock removes the effect of intangible assets from common shareholders' equity per share of common stock. The Corporation believes these measurements are meaningful measures of capital adequacy used by investors, regulators, management and others to

evaluate the adequacy of common equity and to compare against other companies in the industry.

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

ITEM 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. The Corporation maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management has evaluated, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Corporation's disclosure controls and procedures as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on the evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Corporation's disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting. During the period to which this report relates, there have not been any changes in the Corporation's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or that are reasonably likely to materially affect, such controls.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

For information regarding the Corporation's legal proceedings, see "Part I. Item 1. Note 12 – Contingent Liabilities," which is incorporated herein by reference.

ITEM 1A. Risk Factors

There has been no material change in the Corporation’s risk factors as previously disclosed in our Form 10-K for the fiscal year ended December 31, 2013 in response to Part I, Item 1A. of such Form 10-K. Such risk factors are incorporated herein by reference.

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

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

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ITEM 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Comerica Incorporated (filed as Exhibit 3.2 to Registrant's Current Report on Form 8-K dated August 4, 2010, and incorporated herein by reference).
3.2	Certificate of Amendment to Restated Certificate of Incorporation of Comerica Incorporated (filed as Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
3.3	Amended and Restated Bylaws of Comerica Incorporated (filed as Exhibit 3.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and incorporated herein by reference).
4	[In accordance with Regulation S-K Item No. 601(b)(4)(iii), the Registrant is not filing copies of instruments defining the rights of holders of long-term debt because none of those instruments authorizes debt in excess of 10% of the total assets of the registrant and its subsidiaries on a consolidated basis. The Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.]
10.1†	Form of Standard Comerica Incorporated Non-Qualified Stock Option Agreement under the Comerica Incorporated Amended and Restated 2006 Long-Term Incentive Plan (2014 version 2) (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K dated July 22, 2014, and incorporated herein by reference).
10.2†	Form of Standard Comerica Incorporated Restricted Stock Award Agreement (non-cliff vesting) under the Amended and Restated Comerica Incorporated 2006 Long-Term Incentive Plan (2014 version 2) (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K dated July 22, 2014, and incorporated herein by reference).
10.3†	Form of Standard Comerica Incorporated Senior Executive Long-Term Performance Restricted Stock Unit Award Agreement under the Amended and Restated Comerica Incorporated 2006 Long-Term Incentive Plan (2014 version 2) (filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K dated July 22, 2014, and incorporated herein by reference).
31.1	Chairman, President and CEO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	Vice Chairman and CFO Rule 13a-14(a)/15d-14(a) Certification of Periodic Report (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).
32	Section 1350 Certification of Periodic Report (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).
101	Financial statements from Quarterly Report on Form 10-Q of the Registrant for the quarter ended September 30, 2014, formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Changes in Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements.

† Management contract or compensatory plan or arrangement.

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Explanation of Responses:

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SIGNATURE

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

COMERICA INCORPORATED
(Registrant)

/s/ Muneera S. Carr
Muneera S. Carr
Executive Vice President and
Chief Accounting Officer and
Duly Authorized Officer

Date: October 28, 2014

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