

COMERICA INC /NEW/
Form 10-Q
April 29, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-10706

Comerica Incorporated
(Exact name of registrant as specified in its charter)

Delaware 38-1998421
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
Comerica Bank Tower
1717 Main Street, MC 6404
Dallas, Texas 75201
(Address of principal executive offices)
(Zip Code)
(214) 462-6831
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
---	--	---	--

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

\$5 par value common stock:

Outstanding as of April 25, 2016: 175,133,972 shares

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COMERICA INCORPORATED AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Comerica Incorporated and Subsidiaries

(in millions, except share data)

	March 31, 2016	December 31, 2015
	(unaudited)	
ASSETS		
Cash and due from banks	\$ 977	\$ 1,157
Interest-bearing deposits with banks	2,025	4,990
Other short-term investments	94	113
Investment securities available-for-sale	10,607	10,519
Investment securities held-to-maturity	1,907	1,981
Commercial loans	31,562	31,659
Real estate construction loans	2,290	2,001
Commercial mortgage loans	8,982	8,977
Lease financing	731	724
International loans	1,455	1,368
Residential mortgage loans	1,874	1,870
Consumer loans	2,483	2,485
Total loans	49,377	49,084
Less allowance for loan losses	(724)	(634)
Net loans	48,653	48,450
Premises and equipment	541	550
Accrued income and other assets	4,203	4,117
Total assets	\$ 69,007	\$ 71,877
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest-bearing deposits	\$ 28,025	\$ 30,839
Money market and interest-bearing checking deposits	22,872	23,532
Savings deposits	2,006	1,898
Customer certificates of deposit	3,401	3,552
Foreign office time deposits	47	32
Total interest-bearing deposits	28,326	29,014
Total deposits	56,351	59,853
Short-term borrowings	514	23
Accrued expenses and other liabilities	1,389	1,383
Medium- and long-term debt	3,109	3,058
Total liabilities	61,363	64,317
Common stock - \$5 par value:		
Authorized - 325,000,000 shares		
Issued - 228,164,824 shares	1,141	1,141
Capital surplus	2,158	2,173

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Accumulated other comprehensive loss	(328)	(429)
Retained earnings	7,097		7,084	
Less cost of common stock in treasury - 53,086,733 shares at 3/31/16 and 52,457,113 shares at 12/31/15	(2,424	)	(2,409)
Total shareholders' equity	7,644		7,560	
Total liabilities and shareholders' equity	\$ 69,007		\$ 71,877	

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

Comerica Incorporated and Subsidiaries

	Three Months Ended March 31,	
(in millions, except per share data)	2016	2015
INTEREST INCOME		
Interest and fees on loans	\$406	\$378
Interest on investment securities	62	53
Interest on short-term investments	4	4
Total interest income	472	435
INTEREST EXPENSE		
Interest on deposits	10	11
Interest on medium- and long-term debt	15	11
Total interest expense	25	22
Net interest income	447	413
Provision for credit losses	148	14
Net interest income after provision for credit losses	299	399
NONINTEREST INCOME		
Card fees	74	64
Service charges on deposit accounts	55	55
Fiduciary income	46	47
Commercial lending fees	20	25
Letter of credit fees	13	13
Bank-owned life insurance	9	9
Foreign exchange income	10	10
Brokerage fees	4	4
Net securities losses	(2)	(2)
Other noninterest income	17	27
Total noninterest income	246	252
NONINTEREST EXPENSES		
Salaries and benefits expense	248	253
Outside processing fee expense	79	74
Net occupancy expense	38	38
Equipment expense	13	13
Software expense	29	23
FDIC insurance expense	11	9
Advertising expense	4	6
Litigation-related expense	—	1
Other noninterest expenses	38	39
Total noninterest expenses	460	456
Income before income taxes	85	195
Provision for income taxes	25	61
NET INCOME	60	134
Less income allocated to participating securities	1	2
Net income attributable to common shares	\$59	\$132
Earnings per common share:		
Basic	\$0.34	\$0.75

Diluted	0.34	0.73
Comprehensive income	161	176
Cash dividends declared on common stock	37	36
Cash dividends declared per common share	0.21	0.20
See notes to consolidated financial statements.		

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

Comerica Incorporated and Subsidiaries

(in millions, except per share data)	Common Stock		Capital Surplus	Accumulated Other Comprehensive Loss		Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares Outstanding	Amount						
BALANCE AT DECEMBER 31, 2014	179.0	\$ 1,141	\$ 2,188	\$ (412	)	\$ 6,744	\$(2,259)	\$ 7,402
Net income	—	—	—	—		134	—	134
Other comprehensive income, net of tax	—	—	—	42		—	—	42
Cash dividends declared on common stock (\$0.20 per share)	—	—	—	—		(36	)	(36
Purchase of common stock	(1.5	)	—	—		—	(66)
Net issuance of common stock under employee stock plans	0.6	—	(16	)	—	(2	)	25
Share-based compensation	—	—	16	—		—	—	16
Other	—	—	—	—		1	—	1
BALANCE AT MARCH 31, 2015	178.1	\$ 1,141	\$ 2,188	\$ (370	)	\$ 6,841	\$(2,300)	\$ 7,500
BALANCE AT DECEMBER 31, 2015	175.7	\$ 1,141	\$ 2,173	\$ (429	)	\$ 7,084	\$(2,409)	\$ 7,560
Net income	—	—	—	—		60	—	60
Other comprehensive income, net of tax	—	—	—	101		—	—	101
Cash dividends declared on common stock (\$0.21 per share)	—	—	—	—		(37	)	(37
Purchase of common stock	(1.4	)	—	—		—	(49)
Net issuance of common stock under employee stock plans	0.8	—	(35	)	—	(10	)	34
Share-based compensation	—	—	20	—		—	—	20
BALANCE AT MARCH 31, 2016	175.1	\$ 1,141	\$ 2,158	\$ (328)	\$ 7,097	\$(2,424)	\$ 7,644

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Comerica Incorporated and Subsidiaries

(in millions)	Three Months Ended March 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income	\$60	\$134
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	148	14
Benefit for deferred income taxes	(39)	(21)
Depreciation and amortization	30	30
Net periodic defined benefit cost	3	11
Share-based compensation expense	20	16
Net amortization of securities	2	4
Accretion of loan purchase discount	(2)	(3)
Net securities losses	2	2
Net gains on sales of foreclosed property	(1)	—
Excess tax benefits from share-based compensation arrangements	—	(2)
Net change in:		
Accrued income receivable	(4)	(6)
Accrued expenses payable	10	(31)
Other, net	16	190
Net cash provided by operating activities	245	338
INVESTING ACTIVITIES		
Investment securities available-for-sale:		
Maturities and redemptions	336	393
Sales	14	37
Purchases	(291)	(487)
Investment securities held-to-maturity:		
Maturities and redemptions	75	66
Net change in loans	(352)	(487)
Proceeds from sales of foreclosed property	5	2
Net increase in premises and equipment	(27)	(25)
Purchases of Federal Home Loan Bank stock	(21)	—
Other, net	3	—
Net cash used in investing activities	(258)	(501)
FINANCING ACTIVITIES		
Net change in:		
Deposits	(3,537)	184
Short-term borrowings	491	(36)
Common stock:		
Repurchases	(49)	(66)
Cash dividends paid	(37)	(36)
Issuances under employee stock plans	1	6
Excess tax benefits from share-based compensation arrangements	—	2
Other, net	(1)	—
Net cash (used in) provided by financing activities	(3,132)	54
Net decrease in cash and cash equivalents	(3,145)	(109)

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Cash and cash equivalents at beginning of period	6,147	6,071
Cash and cash equivalents at end of period	\$3,002	\$5,962
Interest paid	\$19	\$19
Income taxes paid (refunds received)	2	(103)
Noncash investing and financing activities:		
Loans transferred to other real estate	17	2
See notes to consolidated financial statements.		

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Notes to Consolidated Financial Statements (unaudited)
Comerica Incorporated and Subsidiaries

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

The accompanying unaudited consolidated financial statements were prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation were included. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. Certain items in prior periods were reclassified to conform to the current presentation. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report of Comerica Incorporated and Subsidiaries (the Corporation) on Form 10-K for the year ended December 31, 2015.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)," (ASU 2016-02), to increase the transparency and comparability of lease recognition and disclosure. The update requires lessees to recognize lease contracts with a term greater than one year on the balance sheet, while recognizing expenses on the income statement in a manner similar to current guidance. For lessors, the update makes targeted changes to the classification criteria and the lessor accounting model to align the guidance with the new lessee model and revenue guidance. ASU 2016-02 is effective for the Corporation on January 1, 2019 and must be applied using the modified retrospective approach. Early adoption is permitted. The Corporation is currently evaluating the impact of adopting ASU 2016-02.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payments Accounting," (ASU 2016-09), which intends to simplify accounting for share based payment transactions, including the income tax consequences and classification of awards. Among other items, the update requires excess tax benefits and deficiencies to be recognized as a component of income taxes within the income statement rather than other comprehensive income as required in current guidance. ASU 2016-09 is effective for the Corporation on January 1, 2017. The recognition of excess tax benefits and deficiencies in the income statement must be adopted prospectively. The method of transition required will differ for other items being amended. Early adoption is permitted. The impact to the Corporation upon adoption is dependent on the market value per share of the Corporation's common stock at option expiration dates and restricted stock vesting dates.

NOTE 2 – FAIR VALUE MEASUREMENTS

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

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

Refer to Note 1 to the consolidated financial statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 for further information about the fair value hierarchy, descriptions of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments

not recorded at fair value in their entirety on a recurring basis.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

The following tables present the recorded amount of assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015.

(in millions)	Total	Level 1	Level 2	Level 3
March 31, 2016				
Trading securities:				
Deferred compensation plan assets	\$83	\$83	\$—	\$ —
Equity and other non-debt securities	3	3	—	—
Total trading securities	86	86	—	—
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	2,823	2,823	—	—
Residential mortgage-backed securities (a)	7,591	—	7,591	—
State and municipal securities	9	—	—	9 (b)
Corporate debt securities	1	—	—	1 (b)
Equity and other non-debt securities	183	132	—	51 (b)
Total investment securities available-for-sale	10,607	2,955	7,591	61
Derivative assets:				
Interest rate contracts	407	—	387	20
Energy derivative contracts	393	—	393	—
Foreign exchange contracts	53	—	53	—
Warrants	2	—	—	2
Total derivative assets	855	—	833	22
Total assets at fair value	\$11,548	\$3,041	\$8,424	\$ 83
Derivative liabilities:				
Interest rate contracts	\$169	\$—	\$169	\$ —
Energy derivative contracts	391	—	391	—
Foreign exchange contracts	48	—	48	—
Total derivative liabilities	608	—	608	—
Deferred compensation plan liabilities	83	83	—	—
Total liabilities at fair value	\$691	\$83	\$608	\$ —

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

(b) Auction-rate securities.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

(in millions)	Total	Level 1	Level 2	Level 3
December 31, 2015				
Trading securities:				
Deferred compensation plan assets	\$89	\$89	\$—	\$—
Equity and other non-debt securities	3	3	—	—
Total trading securities	92	92	—	—
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	2,763	2,763	—	—
Residential mortgage-backed securities (a)	7,545	—	7,545	—
State and municipal securities	9	—	—	9 (b)
Corporate debt securities	1	—	—	1 (b)
Equity and other non-debt securities	201	134	—	67 (b)
Total investment securities available-for-sale	10,519	2,897	7,545	77
Derivative assets:				
Interest rate contracts	286	—	277	9
Energy derivative contracts	475	—	475	—
Foreign exchange contracts	57	—	57	—
Warrants	2	—	—	2
Total derivative assets	820	—	809	11
Total assets at fair value	\$11,431	\$2,989	\$8,354	\$ 88
Derivative liabilities:				
Interest rate contracts	\$92	\$—	\$92	\$—
Energy derivative contracts	472	—	472	—
Foreign exchange contracts	46	—	46	—
Total derivative liabilities	610	—	610	—
Deferred compensation plan liabilities	89	89	—	—
Total liabilities at fair value	\$699	\$89	\$610	\$—

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

(b) Auction-rate securities.

There were no transfers of assets or liabilities recorded at fair value on a recurring basis into or out of Level 1, Level 2 and Level 3 fair value measurements during each of the three-month periods ended March 31, 2016 and 2015.

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Notes to Consolidated Financial Statements (unaudited)
Comerica Incorporated and Subsidiaries

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three-month periods ended March 31, 2016 and 2015.

(in millions)	Balance at Beginning of Period	Net Realized/Unrealized Gains (Losses) (Pretax)			Recorded in Other Comprehensive Income (Loss)	Recorded in Sales	Balance at End of Period	
		Realized	Unrealized	Recorded in Earnings				
Three Months Ended March 31, 2016								
Investment securities available-for-sale:								
State and municipal securities (a)	\$ 9	\$ —	\$ —	\$ —		\$ —	\$ 9	
Corporate debt securities (a)	1	—	—	—		—	1	
Equity and other non-debt securities (a)	67	—	—	(1)	(b)	(15)	51	
Total investment securities available-for-sale	77	—	—	(1)	(b)	(15)	61	
Derivative assets:								
Interest rate contracts	9	—	11	(c)	—	—	20	
Warrants	2	—	—	—		—	2	
Three Months Ended March 31, 2015								
Investment securities available-for-sale:								
State and municipal securities (a)	\$ 23	\$ —	\$ —	\$ —		\$ —	\$ 23	
Corporate debt securities (a)	1	—	—	—		—	1	
Equity and other non-debt securities (a)	112	(2)	(d)	—	1	(b)	(40)	71
Total investment securities available-for-sale	136	(2)	(d)	—	1	(b)	(40)	95
Derivative assets:								
Interest rate contracts	—	—	11	(c)	—	—	11	
Warrants	4	—	(1)	(c)	—	—	3	

(a) Auction-rate securities.

(b) Recorded in "net unrealized gains (losses) on investment securities available-for-sale" in other comprehensive income (loss).

(c) Realized and unrealized gains and losses due to changes in fair value recorded in "other noninterest income" on the consolidated statements of comprehensive income.

(d) Realized and unrealized gains and losses due to changes in fair value recorded in "net securities losses" on the consolidated statements of comprehensive income.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A NONRECURRING BASIS

The Corporation may be required, from time to time, to record certain assets and liabilities at fair value on a nonrecurring basis. These include assets that are recorded at the lower of cost or fair value that were recognized at fair value below cost at the end of the period. The following table presents assets recorded at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015. No liabilities were recorded at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015.

(in millions)	Total	Level 2	Level 3
March 31, 2016			
Loans held-for-sale:			
Commercial	\$7	\$ 7	\$ —
Loans:			
Commercial	346	—	346
Commercial mortgage	11	—	11
International	27	—	27
Total loans	384	—	384
Other real estate	1	—	1
Total assets at fair value	\$392	\$ 7	\$ 385
December 31, 2015			
Loans held-for-sale:			
Commercial	\$8	\$ 8	\$ —
Loans:			
Commercial	134	—	134
Commercial mortgage	11	—	11
International	8	—	8
Total loans	153	—	153
Other real estate	2	—	2
Total assets at fair value excluding investments recorded at net asset value	163	8	155
Other investments recorded at net asset value:			
Nonmarketable equity securities (a)	1		
Total assets at fair value	\$164		

Certain investments that are measured at fair value using the net asset value have not been classified in the fair (a) value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Level 3 assets recorded at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015 included loans for which a specific allowance was established based on the fair value of collateral and other real estate for which fair value of the properties was less than the cost basis. For both asset classes, the unobservable inputs were the additional adjustments applied by management to the appraised values to reflect such factors as non-current appraisals and revisions to estimated time to sell. These adjustments are determined based on qualitative judgments made by management on a case-by-case basis and are not quantifiable inputs, although they are used in the determination of fair value.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

The Corporation's Level 3 recurring fair value measurements primarily include auction-rate securities where fair value is determined using an income approach based on a discounted cash flow model and certain interest rate derivative contracts where credit valuation adjustments are significant to the overall fair value of the derivative. The inputs in the table below reflect management's expectation of continued illiquidity in the secondary auction-rate securities market due to a lack of market activity for the issuers remaining in the portfolio, a lack of market incentives for issuer redemptions, and the expectation for a continuing low interest rate environment. The March 31, 2016 workout periods reflect the view that short-term interest rates could rise at a slower pace in 2016 than was expected at December 31, 2015.

	Fair Value (in millions)	Discounted Cash Flow Model Unobservable Input	
		Discount Rate	Workout Period (in years)
March 31, 2016			
State and municipal securities (a)	\$ 9	5% - 6%	1 - 3
Equity and other non-debt securities (a)	51	6% - 9%	1 - 2
December 31, 2015			
State and municipal securities (a)	\$ 9	3% - 8%	1 - 2
Equity and other non-debt securities (a)	67	4% - 9%	1

(a) Auction-rate securities.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS NOT RECORDED AT FAIR VALUE ON A RECURRING BASIS

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

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

(in millions)	Carrying Amount	Estimated Fair Value			
		Total	Level 1	Level 2	Level 3
March 31, 2016					
Assets					
Cash and due from banks	\$ 977	\$ 977	\$ 977	\$ —	\$ —
Interest-bearing deposits with banks	2,025	2,025	2,025	—	—
Investment securities held-to-maturity	1,907	1,927	—	1,927	—
Loans held-for-sale (a)	8	8	—	8	—
Total loans, net of allowance for loan losses (b)	48,653	48,588	—	—	48,588
Customers' liability on acceptances outstanding	4	4	4	—	—
Restricted equity investments	113	113	113	—	—
Nonmarketable equity securities (c) (d)	10	18	—	—	—
Liabilities					
Demand deposits (noninterest-bearing)	28,025	28,025	—	28,025	—
Interest-bearing deposits	24,925	24,925	—	24,925	—
Customer certificates of deposit	3,401	3,390	—	3,390	—
Total deposits	56,351	56,340	—	56,340	—
Short-term borrowings	514	514	514	—	—
Acceptances outstanding	4	4	4	—	—
Medium- and long-term debt	3,109	3,029	—	3,029	—
Credit-related financial instruments	(83)	(83)	—	—	(83)
December 31, 2015					
Assets					
Cash and due from banks	\$ 1,157	\$ 1,157	\$ 1,157	\$ —	\$ —
Interest-bearing deposits with banks	4,990	4,990	4,990	—	—
Investment securities held-to-maturity	1,981	1,973	—	1,973	—
Loans held-for-sale (a)	21	21	—	21	—
Total loans, net of allowance for loan losses (b)	48,450	48,269	—	—	48,269
Customers' liability on acceptances outstanding	5	5	5	—	—
Restricted equity investments	92	92	92	—	—
Nonmarketable equity securities (c) (d)	10	18	—	—	—
Liabilities					
Demand deposits (noninterest-bearing)	30,839	30,839	—	30,839	—
Interest-bearing deposits	25,462	25,462	—	25,462	—
Customer certificates of deposit	3,552	3,536	—	3,536	—
Total deposits	59,853	59,837	—	59,837	—

Short-term borrowings	23	23	23	—	—
Acceptances outstanding	5	5	5	—	—
Medium- and long-term debt	3,058	3,032	—	3,032	—
Credit-related financial instruments	(83)	(83)	—	—	(83)

(a) Included \$7 million and \$8 million impaired loans held-for-sale recorded at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015, respectively.

(b) Included \$384 million and \$153 million of impaired loans recorded at fair value on a nonrecurring basis at March 31, 2016 and December 31, 2015, respectively.

(c) Included \$1 million of nonmarketable equity securities recorded at fair value on a nonrecurring basis at December 31, 2015.

(d) Certain investments that are measured at fair value using the net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

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Comerica Incorporated and Subsidiaries

NOTE 3 - INVESTMENT SECURITIES

A summary of the Corporation's investment securities follows:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	\$ 2,769	\$ 54	\$ —	\$ 2,823
Residential mortgage-backed securities (a)	7,468	135	12	7,591
State and municipal securities	9	—	—	9
Corporate debt securities	1	—	—	1
Equity and other non-debt securities	183	1	1	183
Total investment securities available-for-sale (b)	\$ 10,430	\$ 190	\$ 13	\$ 10,607
Investment securities held-to-maturity (c):				
Residential mortgage-backed securities (a)	\$ 1,907	\$ 20	\$ —	\$ 1,927

December 31, 2015

Investment securities available-for-sale:

U.S. Treasury and other U.S. government agency securities	\$ 2,769	\$ 1	\$ 7	\$ 2,763
Residential mortgage-backed securities (a)	7,513	76	44	7,545
State and municipal securities	9	—	—	9
Corporate debt securities	1	—	—	1
Equity and other non-debt securities	199	2	—	201
Total investment securities available-for-sale (b)	\$ 10,491	\$ 79	\$ 51	\$ 10,519
Investment securities held-to-maturity (c):				
Residential mortgage-backed securities (a)	\$ 1,981	\$ 2	\$ 10	\$ 1,973

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

(b) Included auction-rate securities at amortized cost and fair value of \$61 million and \$60 million, respectively as of March 31, 2016 and \$76 million and \$77 million, respectively, as of December 31, 2015.

The amortized cost of investment securities held-to-maturity included net unrealized losses of \$14 million at (c) March 31, 2016 and \$15 million at December 31, 2015 related to securities transferred from available-for-sale, which are included in accumulated other comprehensive loss.

A summary of the Corporation's investment securities in an unrealized loss position as of March 31, 2016 and December 31, 2015 follows:

(in millions)	Temporarily Impaired					
	Less than 12 Months		2 Months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
Residential mortgage-backed securities (a)	\$ 137	\$ —	\$ 1,989	\$ 25	\$ 2,126	\$ 25
State and municipal securities (b)	—	—	9	— (c)	9	— (c)
Corporate debt securities (b)	—	—	1	— (c)	1	— (c)
Equity and other non-debt securities (b)	51	1	—	—	51	1
Total temporarily impaired securities	\$ 188	\$ 1	\$ 1,999	\$ 25	\$ 2,187	\$ 26
December 31, 2015						
	\$ 2,265	\$ 7	\$ —	\$ —	\$ 2,265	\$ 7

U.S. Treasury and other U.S. government agency securities

Residential mortgage-backed securities (a)	2,665	21	1,976	51	4,641	72
State and municipal securities (b)	—	—	9	—	(c) 9	— (c)
Corporate debt securities (b)	—	—	1	—	(c) 1	— (c)
Equity and other non-debt securities (b)	14	—	(c) —	—	14	— (c)
Total temporarily impaired securities	\$4,944	\$ 28	\$ 1,986	\$ 51	\$6,930	\$ 79

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

(b) Primarily auction-rate securities.

(c) Unrealized losses less than \$0.5 million.

At March 31, 2016, the Corporation had 109 securities in an unrealized loss position with no credit impairment, including 63 residential mortgage-backed securities, 16 state and municipal auction-rate securities, one corporate auction-rate debt security

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and 29 equity and other non-debt auction-rate preferred securities. As of March 31, 2016, approximately 95 percent of the aggregate par value of auction-rate securities have been redeemed or sold since acquisition, of which approximately 90 percent were redeemed at or above cost. The unrealized losses for these securities resulted from changes in market interest rates and liquidity. The Corporation ultimately expects full collection of the carrying amount of these securities, does not intend to sell the securities in an unrealized loss position, and it is not more-likely-than-not that the Corporation will be required to sell the securities in an unrealized loss position prior to recovery of amortized cost. The Corporation does not consider these securities to be other-than-temporarily impaired at March 31, 2016.

Sales, calls and write-downs of investment securities available-for-sale resulted in no securities gains and \$2 million of securities losses in each of the three-month periods ended March 31, 2016, and 2015, recorded in “net securities losses” on the consolidated statements of comprehensive income, computed based on the adjusted cost of the specific security.

The following table summarizes the amortized cost and fair values of debt securities by contractual maturity.

Securities with multiple maturity dates are classified in the period of final maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in millions)

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
March 31, 2016				
Contractual maturity				
Within one year	\$ 10	\$ 10	\$ —	\$ —
After one year through five years	3,002	3,058	—	—
After five years through ten years	1,438	1,490	—	—
After ten years	5,797	5,866	1,907	1,927
Subtotal	10,247	10,424	1,907	1,927
Equity and other non-debt securities	183	183	—	—
Total investment securities	\$ 10,430	\$ 10,607	\$ 1,907	\$ 1,927

Included in the contractual maturity distribution in the table above were residential mortgage-backed securities available-for-sale with total amortized cost and fair value of \$7.5 billion and \$7.6 billion, respectively, and residential mortgage-backed securities held-to-maturity with a total amortized cost and fair value of \$1.9 billion. The actual cash flows of mortgage-backed securities may differ from contractual maturity as the borrowers of the underlying loans may exercise prepayment options.

At March 31, 2016, investment securities with a carrying value of \$1.8 billion were pledged where permitted or required by law to secure \$1.2 billion of liabilities, primarily public and other deposits of state and local government agencies and derivative instruments.

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NOTE 4 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES

The following table presents an aging analysis of the recorded balance of loans.

(in millions)	Loans Past Due and Still Accruing				Nonaccrual Loans	Current Loans	Total Loans
	30-59 Days	60-89 Days	90 Days or More	Total			
March 31, 2016							
Business loans:							
Commercial	\$ 44	\$ 19	\$ 2	\$ 65	\$ 547	\$30,950	\$31,562
Real estate construction:							
Commercial Real Estate business line (a)	—	—	—	—	—	1,947	1,947
Other business lines (b)	—	3	—	3	—	340	343
Total real estate construction	—	3	—	3	—	2,287	2,290
Commercial mortgage:							
Commercial Real Estate business line (a)	18	13	—	31	8	2,129	2,168
Other business lines (b)	7	5	2	14	39	6,761	6,814
Total commercial mortgage	25	18	2	45	47	8,890	8,982
Lease financing	—	—	—	—	6	725	731
International	10	12	—	22	27	1,406	1,455
Total business loans	79	52	4	135	627	44,258	45,020
Retail loans:							
Residential mortgage	6	1	9	16	26	1,832	1,874
Consumer:							
Home equity	5	2	—	7	27	1,704	1,738
Other consumer	1	1	—	2	1	742	745
Total consumer	6	3	—	9	28	2,446	2,483
Total retail loans	12	4	9	25	54	4,278	4,357
Total loans	\$ 91	\$ 56	\$ 13	\$ 160	\$ 681	\$48,536	\$49,377
December 31, 2015							
Business loans:							
Commercial	\$ 46	\$ 12	\$ 13	\$ 71	\$ 238	\$31,350	\$31,659
Real estate construction:							
Commercial Real Estate business line (a)	5	—	—	5	—	1,676	1,681
Other business lines (b)	3	—	—	3	1	316	320
Total real estate construction	8	—	—	8	1	1,992	2,001
Commercial mortgage:							
Commercial Real Estate business line (a)	7	—	1	8	16	2,080	2,104
Other business lines (b)	7	5	3	15	44	6,814	6,873
Total commercial mortgage	14	5	4	23	60	8,894	8,977
Lease financing	—	—	—	—	6	718	724
International	2	—	—	2	8	1,358	1,368
Total business loans	70	17	17	104	313	44,312	44,729
Retail loans:							
Residential mortgage	26	1	—	27	27	1,816	1,870
Consumer:							
Home equity	5	3	—	8	27	1,685	1,720
Other consumer	7	—	—	7	—	758	765
Total consumer	12	3	—	15	27	2,443	2,485

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Total retail loans	38	4	—	42	54	4,259	4,355
Total loans	\$ 108	\$ 21	\$ 17	\$ 146	\$ 367	\$	