

# **Third Quarter 2004 Financial Review**

**Comerica Incorporated**

**October 19, 2004**

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# Safe Harbor Statement

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The logo for Comerica, featuring the word "Comerica" in a serif font, enclosed within a dark blue rounded rectangular border.

# Agenda

This presentation provides an overview of the third quarter 2004 financial performance for Comerica Incorporated.

All information contained herein has been made public. Please refer to our press release and financial statements for additional detail.

- Highlights
- Income Statement
- Loan Growth
- Credit Quality
- Deposit Growth
- Capital Management
- Outlook
- Questions & Answers
- Appendix

# Highlights

	<u>3Q04</u>	<u>2Q04</u>	<u>Q - Q%</u> <u>Change</u>	<u>3Q03</u>	<u>Y - Y%</u> <u>Change</u>
Net Income	\$196	\$192	2%	\$157	25%
Diluted EPS	\$1.13	\$1.10	3%	\$0.89	27%
Return on Equity	15.68%	15.35%		12.55%	
Net Interest Income	\$451	\$448	1%	\$465	-3%
Net Interest Margin	3.86%	3.77%		3.70%	
Provision for Loan Losses	\$0	\$20	-100%	\$83	-100%
Non-interest Income	\$206	\$228	-10%	\$221	-7%
Non-interest Expense	\$372	\$372	0%	\$377	-1%

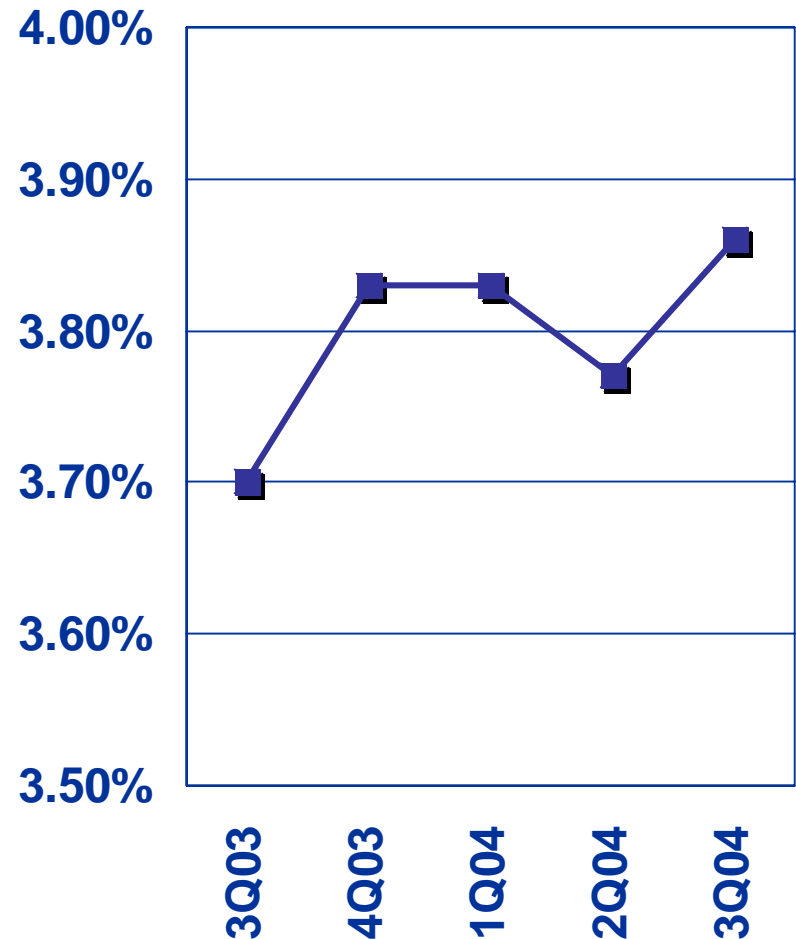
\$ in millions



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# Net Interest Income & Margin

- Net Interest Income up \$3 MM from 2Q04 to \$451 MM
- Net Interest Margin of 3.86% up 9 bps from 2Q04 due to an increasing rate environment and lower levels of short-term liquidity



# Non-Interest Income

	<u>3Q04</u>	<u>2Q04</u>	<u>Q-Q % Change</u>	<u>3Q03</u>	<u>Y-Y % Change</u>
Service Charges on Deposit Accounts	\$57	\$59	-5%	\$60	-6%
Fiduciary Income	43	41	3%	42	0%
Commercial Lending Fees	14	13	15%	16	-7%
Letter of Credit Fees	17	17	1%	17	0%
Foreign Exchange Income	9	10	-21%	11	-25%
Brokerage Fees	9	8	N/M	8	5%
Investment Advisory Rev, Net	8	9	-2%	8	5%
Bank-owned Life Insurance	10	9	13%	12	-15%
Equity in Earnings of Unconsolidated Subsidiaries	3	5	-39%	2	39%
Warrant Income	1	4	-63%	1	132%
Net Securities Gains / (Losses)	(6)	1	N/M	4	N/M
Net Gain on Sales of Businesses	0	7	N/M	0	N/M
Other Non-interest Income	41	45	-8%	40	5%
<b>Non-Interest Income</b>	<b>\$206</b>	<b>\$228</b>	<b>-10%</b>	<b>\$221</b>	<b>-7%</b>

N/M = Not Meaningful

% change based on full dollar amounts



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# Non-Interest Expenses

	<u>3Q04</u>	<u>2Q04</u>	<u>Q-Q % Change</u>	<u>3Q03</u>	<u>Y-Y % Change</u>
Salaries & Employee Benefits	\$225	\$235	-4%	\$229	-2%
Net Occupancy Expense	32	31	3%	34	-6%
Equipment Expense	14	14	-4%	16	-13%
Outside Processing Fees	16	18	-9%	18	-11%
Software Expense	11	9	8%	10	9%
Customer Services	8	7	31%	6	40%
Litigation and Operational Losses	16	3	475%	6	176%
Other Non-Interest Expenses	50	55	-10%	58	-14%
<b>Non-Interest Expenses</b>	<b>\$372</b>	<b>\$372</b>	<b>0%</b>	<b>\$377</b>	<b>-1%</b>
Memo: Severance Expense	\$ 1	\$ 4		\$ 0	

% change based on full dollar amounts



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# Geographic Loan Growth

	<u>3Q04</u>	<u>2Q04</u>	<u>Q-Q % Change</u>	<u>3Q03</u>	<u>Y-Y % Change</u>
Midwest & Other	\$22.7	\$23.0	-1%	\$24.6	-7%
Western Region	12.1	12.0	1%	11.8	2%
Texas	4.5	4.4	1%	4.4	1%
Florida	1.3	1.3	3%	1.1	17%
<b>TOTAL</b>	<b>\$40.6</b>	<b>\$40.7</b>	<b>0%</b>	<b>\$41.9</b>	<b>-3%</b>

Avg loans in \$billions; % change based on full dollar amounts.  
 Geography based on location of loan office.  
 Western Region includes: CA, AZ, NV, CO, WA



# Line of Business Loan Growth<sup>9</sup>

	<u>3Q04</u>	<u>2Q04</u>	<u>% Chg</u>	<u>3Q03</u>	<u>% Chg</u>
Middle Market	\$13.6	\$13.7	-1%	\$14.1	-4%
Commercial Real Estate	5.5	5.7	-4%	6.3	-12%
Global Corporate Banking	4.7	4.7	0%	5.7	-18%
National Dealer Services	3.9	4.2	-8%	3.7	6%
Specialty Businesses*	4.1	3.6	14%	3.7	11%
<b>SUBTOTAL – BUSINESS BANK</b>	<b>\$31.8</b>	<b>\$31.9</b>	<b>-1%</b>	<b>\$33.5</b>	<b>-5%</b>
Small Business	3.3	3.3	0%	3.2	2%
Personal Financial Services	2.2	2.4	-5%	2.3	-2%
<b>SUBTOTAL – SMALL BUSINESS &amp; PERSONAL FINANCIAL SERVICES</b>	<b>\$ 5.5</b>	<b>\$ 5.7</b>	<b>-2%</b>	<b>\$ 5.5</b>	<b>1%</b>
Private Banking	3.3	3.1	7%	2.9	12%
<b>SUBTOTAL – WEALTH &amp; INSTITUTIONAL MANAGEMENT</b>	<b>\$ 3.3</b>	<b>\$ 3.1</b>	<b>7%</b>	<b>\$ 2.9</b>	<b>12%</b>
<b>TOTAL</b>	<b>\$40.6</b>	<b>\$40.7</b>	<b>0%</b>	<b>\$41.9</b>	<b>-3%</b>

Average loans outstanding in \$billions; % change based on full dollar value.

\*Specialty Businesses includes: Entertainment, Energy, FSG, Leasing & TLS

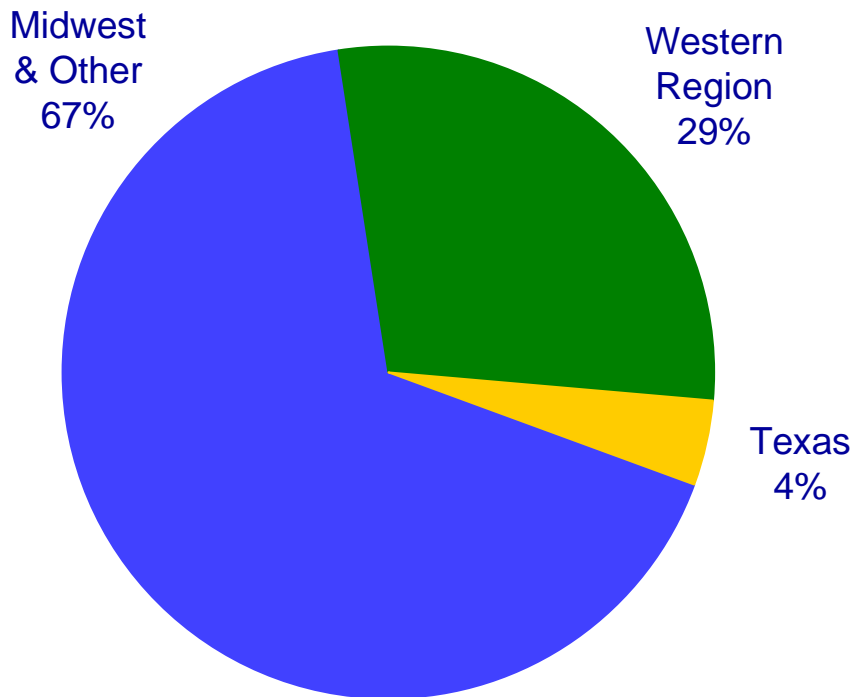


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# Third Quarter Credit Quality

## Non-Accrual Loans

### Geography (\$361 million)



### Line of Business:

- Middle Market 50%
- Global Corporate 14%
- Small Business 12%

### Industry:

- Automotive 26%
- Real Estate 14%
- Services 11%

Geography based on location of loan office.  
Western Region includes: CA, AZ, NV, CO, WA

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# Credit Quality

## Non-Accrual Loans

	Three Months Ended				
	<u>09/30/04</u>	<u>06/30/04</u>	<u>03/31/04</u>	<u>12/31/03</u>	<u>09/30/03</u>
<b>Balance at beginning of period</b>	<b>\$404</b>	<b>\$489</b>	<b>\$507</b>	<b>\$598</b>	<b>\$559</b>
Transfers to nonaccrual	106	63	92	114	211
Nonaccrual business loan gross charge-offs	(48)	(71)	(80)	(93)	(91)
Transfers to accrual status	--	--	--	--	--
Nonaccrual business loans sold	(16)	(33)	(14)	(48)	(37)
Payments / Other	(85)	(44)	(16)	(64)	(44)
<b>Balance at end of period</b>	<b>\$361</b>	<b>\$404</b>	<b>\$489</b>	<b>\$507</b>	<b>\$598</b>

Dollar amounts in millions.

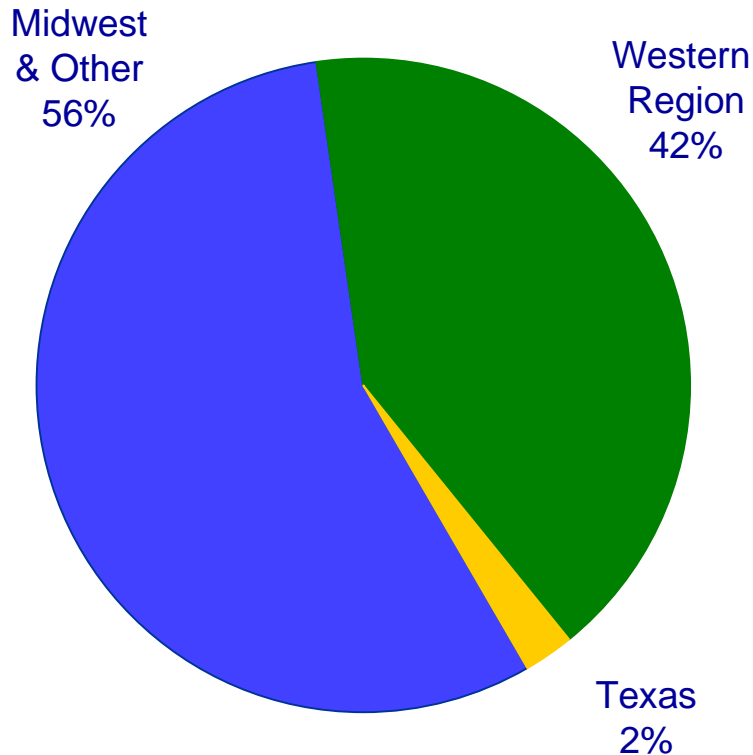
Net change for balances <\$2 MM, other than business loan charge-offs and loans sold, included in Payments / Other.



# Third Quarter Credit Quality

## Net Charge Offs

### Geography (\$33 million)



### Line of Business:

- Middle Market 92%

### Industry:

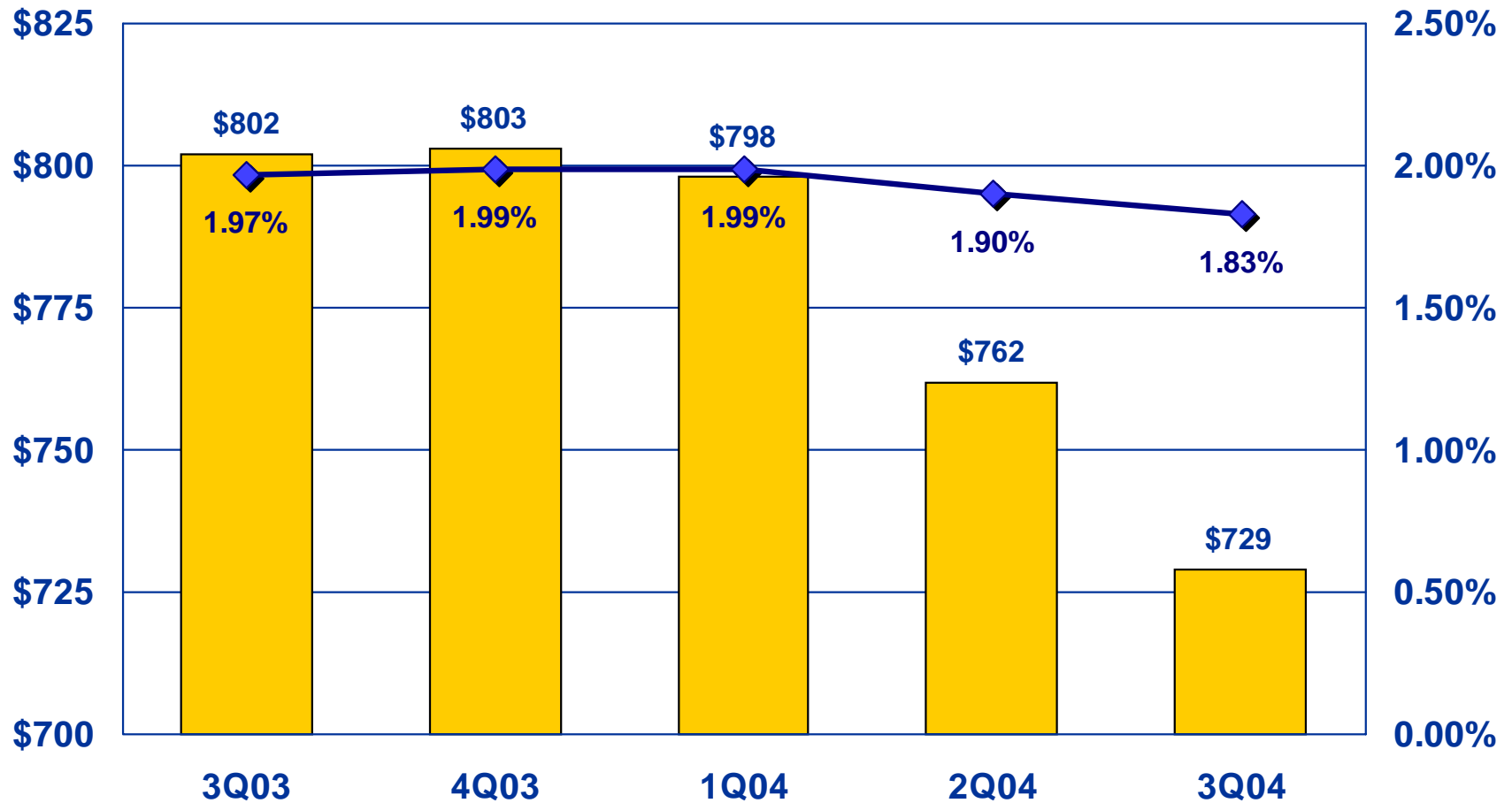
- Automotive 32%
- Contractors\* 27%
- Consumer Non-Durables 11%

Geography based on location of loan office. Western Region includes: CA, AZ, NV, CO, WA

\*Loans classified as commercial, not real estate related.

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# Credit Quality - Reserves



■ Allowance for loan losses (\$millions)  
◆ Allowance for Loan Losses/Total Loans

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# Line of Business Deposit Growth

	<u>3Q04</u>	<u>2Q04</u>	<u>% Chg</u>	<u>3Q03</u>	<u>% Chg</u>
Middle Market	\$ 4.2	\$ 4.2	0%	\$ 4.2	1%
Commercial Real Estate	1.2	1.1	12%	1.2	0%
Global Corporate Banking	3.0	3.1	-2%	3.1	-2%
National Dealer Services	0.2	0.2	-3%	0.2	-6%
Specialty Businesses <sup>1</sup>	10.6	11.4	-7%	12.0	-12%
<b>SUBTOTAL – BUSINESS BANK</b>	<b>\$19.2</b>	<b>\$20.0</b>	<b>-4%</b>	<b>\$20.7</b>	<b>-7%</b>
Small Business	3.8	3.8	1%	3.9	0%
Personal Financial Services	13.0	13.2	-1%	13.3	-2%
<b>SUBTOTAL – SMALL BUSINESS &amp; PERSONAL FINANCIAL SERVICES</b>	<b>\$16.8</b>	<b>\$17.0</b>	<b>-1%</b>	<b>\$17.2</b>	<b>-2%</b>
Private Banking	2.5	2.5	-1%	2.3	8%
<b>SUBTOTAL – WEALTH &amp; INSTITUTIONAL MANAGEMENT</b>	<b>\$2.5</b>	<b>\$2.5</b>	<b>-1%</b>	<b>\$2.3</b>	<b>8%</b>
Finance/Other <sup>2</sup>	1.2	1.4	-16%	2.3	-50%
<b>TOTAL</b>	<b>\$39.7</b>	<b>\$40.9</b>	<b>-3%</b>	<b>\$42.5</b>	<b>-7%</b>

Average deposits in \$billions; % change based on full dollar value.

<sup>1</sup>Specialty Businesses includes: Entertainment, Energy, FSG, Leasing & TLS

<sup>2</sup>Finance/Other includes Institutional CD's: 3Q04 - \$0.8B; 2Q04 - \$1.0B; 3Q03 - \$1.8B



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# Capital Management

- Estimated capital ratios:
  - Tier 1 common 8.16%
  - Tier 1 8.81%
  - Total risk-based 13.06%
- Common shareholders' equity: \$5.0 billion
- Approximately 1.5 million shares (\$89 million) repurchased in the third quarter 2004.  
Remaining authorization: 8.8 million shares

# 2004 Trends

- Mid-single digit decrease in average loans, with flat end of period loan volumes
- Low-single digit non-interest income growth, excluding securities gains
- Average net interest margin of about 3.85%
- \$5 to \$10 million reduction in non-interest expenses, excluding severance expense
- Average net charge-offs of approximately 50 basis points



# Questions & Answers

Ralph Babb, Chairman, President & CEO

Beth Acton, EVP & Chief Financial Officer

Dale Greene, EVP & Chief Credit Officer

&

Helen Arsenault, Director of Investor Relations

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# Appendix

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# 3Q 2004 Average Loans

	<u>Midwest &amp; Other</u>	<u>Western</u>	<u>Texas</u>	<u>Florida</u>	<u>TOTAL</u>
Middle Market	\$ 8.5	\$ 3.7	\$ 1.2	\$ 0.2	\$13.6
Commercial Real Estate	2.6	1.8	0.8	0.3	5.5
Global Corporate Banking	4.1	0.5	0.1	0.0	4.7
National Dealer Services	0.7	2.5	0.2	0.5	3.9
Specialty Businesses*	1.3	2.0	0.8	0.0	4.1
<b>SUBTOTAL – BUSINESS BANK</b>	<b>\$17.2</b>	<b>\$10.5</b>	<b>\$ 3.1</b>	<b>\$ 1.0</b>	<b>\$31.8</b>
Small Business	1.8	0.7	0.8	0.0	3.3
Personal Financial Services	2.1	0.0	0.1	0.0	2.2
<b>SUBTOTAL – SMALL BUSINESS &amp; PERSONAL FINANCIAL SERVICES</b>	<b>\$ 3.9</b>	<b>\$ 0.7</b>	<b>\$ 0.9</b>	<b>\$ 0.0</b>	<b>\$ 5.5</b>
Private Banking	1.6	0.9	0.5	0.3	3.3
<b>SUBTOTAL – WEALTH &amp; INSTITUTIONAL MANAGEMENT</b>	<b>\$ 1.6</b>	<b>\$ 0.9</b>	<b>\$ 0.5</b>	<b>\$ 0.3</b>	<b>\$ 3.3</b>
<b>TOTAL</b>	<b>\$22.7</b>	<b>\$12.1</b>	<b>\$ 4.5</b>	<b>\$ 1.3</b>	<b>\$40.6</b>

\$ in billions

\*Specialty Businesses includes: Entertainment, Energy, FSG, Leasing & TLS



# 3Q 2004 Average Deposits

20

	<u>Midwest &amp; Other</u>	<u>Western</u>	<u>Texas</u>	<u>Florida</u>	<u>TOTAL</u>
Middle Market	\$ 0.9	\$ 3.1	\$ 0.2	\$ 0.0	\$ 4.2
Commercial Real Estate	0.7	0.3	0.1	0.1	1.2
Global Corporate Banking	2.9	0.0	0.1	0.0	3.0
National Dealer Services	0.1	0.1	0.0	0.0	0.2
Specialty Businesses <sup>1</sup>	0.7	9.4	0.5	0.0	10.6
<b>SUBTOTAL – BUSINESS BANK</b>	<b>\$ 5.3</b>	<b>\$12.9</b>	<b>\$ 0.9</b>	<b>\$ 0.1</b>	<b>\$19.2</b>
Small Business	2.2	0.8	0.8	0.0	3.8
Personal Financial Services	10.8	0.6	1.6	0.0	13.0
<b>SUBTOTAL – SMALL BUSINESS &amp; PERSONAL FINANCIAL SERVICES</b>	<b>\$13.0</b>	<b>\$ 1.4</b>	<b>\$ 2.4</b>	<b>\$ 0.0</b>	<b>\$16.8</b>
Private Banking	0.7	1.2	0.4	0.2	2.5
<b>SUBTOTAL – WEALTH &amp; INSTITUTIONAL MANAGEMENT</b>	<b>\$ 0.7</b>	<b>\$ 1.2</b>	<b>\$ 0.4</b>	<b>\$ 0.2</b>	<b>\$2.5</b>
Finance/Other <sup>2</sup>	1.2	0.0	0.0	0.0	1.2
<b>TOTAL</b>	<b>\$20.2</b>	<b>\$15.5</b>	<b>\$ 3.7</b>	<b>\$ 0.3</b>	<b>\$39.7</b>

\$ in billions

<sup>1</sup> Specialty Businesses includes: Entertainment, Energy, FSG, Leasing & TLS

<sup>2</sup> Finance/Other includes \$0.8 B in Institutional CD's



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