Financial Review and Reports

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Table 1: Selected Financial Data

Year Ended December 31 (dollar amounts in millions, except per share data)	2000	1999	1998	1997	1996
Earnings Summary					
Total interest income	$ 3,262	$ 2,673	$ 2,617	$ 2,648	$ 2,563
Net interest income	1,659	1,547	1,461	1,443	1,412
Provision for credit losses	145	114	113	146	114
Securities gains/(losses)	(1)	5	6	5	14
Noninterest income (excluding securities gains/(losses))	827	712	597	523	493
Noninterest expenses	1,189	1,117	1,020	1,008	1,159
Net income	749	673	607	530	417
Per Share of Common Stock					
Basic net income	$ 4.68	$ 4.20	$ 3.79	$ 3.24	$ 2.41
Diluted net income	4.63	4.14	3.72	3.19	2.38
Cash dividends declared	1.60	1.44	1.28	1.15	1.01
Common shareholders' equity	23.94	20.60	17.94	16.02	14.70
Market value	59.38	46.69	68.19	60.17	34.92
Year-End Balances					
Total assets	$41,985	$38,653	$36,601	$36,292	$34,206
Total earning assets	38,903	36,046	33,427	33,104	31,110
Total loans	36,060	32,693	30,605	28,895	26,207
Total deposits	27,168	23,291	24,313	22,586	22,367
Total borrowings	10,166	11,348	8,862	10,479	8,731
Medium- and long-term debt	8,089	8,580	5,282	7,286	4,242
Common shareholders' equity	3,757	3,225	2,797	2,512	2,366
Daily Average Balances					
Total assets	$40,320	$36,960	$34,987	$34,869	$34,195
Total earning assets	37,344	34,079	32,113	32,025	31,370
Total loans	34,376	31,560	28,599	27,209	25,352
Total deposits	24,692	22,519	22,253	21,946	22,258
Total borrowings	11,388	10,771	9,452	9,798	8,850
Medium- and long-term debt	8,125	7,289	6,032	5,980	4,745
Common shareholders' equity	3,460	2,999	2,617	2,408	2,554
Ratios					
Return on average assets	1.86%	1.82%	1.74%	1.52%	1.22%
Return on average common shareholders' equity	21.16	21.86	22.54	21.32	15.98
Efficiency ratio	47.74	49.35	49.39	51.04	60.36
Dividend payout ratio	35	35	34	36	42
Average common shareholders' equity as a percent of average assets	8.58	8.11	7.48	6.91	7.47

2000 Financial Highlights

Centered on Performance

- Earned 21.16 percent on average common shareholders' equity, compared to 21.86 percent in 1999.
- Returned 1.86 percent on average assets, compared to 1.82 percent in 1999.
- Improved the efficiency ratio to 47.74 percent in 2000, solidifying Comerica as one of the top performing commercial banks in terms of efficiency.

Reported Record Earnings

- Reported net income of $749 million, or $4.63 per common share, compared with $673 million, or $4.14 per common share, in 1999.

Sustained Growth

- Generated a 12 percent increase in average business loans.
- Averaged $40 billion in total assets, a nine percent increase from 1999.
- Increased average shareholders' equity to $3.7 billion.

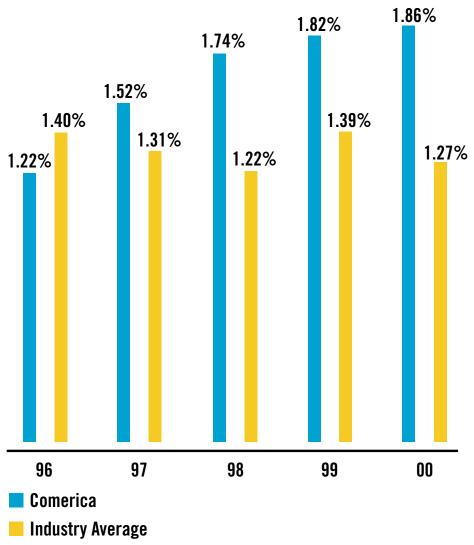
Enhanced Shareholders' Return

- Raised the quarterly cash dividend 11 percent to $0.40 per share, an annual rate of $1.60.

Implemented Key Strategies

- Announced the acquisition of Imperial Bancorp, a $7.4 billion banking company in California, for $1.3 billion of common stock.
- Announced an alliance to provide third party bankcard and revolving check credit services to Comerica's customers and sold $457 million of loans in connection with forming the alliance, recognizing a net gain of $48 million.
- Formed alliances to provide personal trust services to alliance partner clients across the United States.
- Opened a new SBA lending office in New Orleans.

Return on Average Assets
(In Percentages)



Earnings Performance

Net Interest Income

Net interest income is the difference between interest earned on assets, including certain yield related fees, and interest paid on liabilities. Interest expense includes the net interest income or expense associated with risk management interest rate swaps. Adjustments are made to the yields on tax-exempt assets in order to present tax-exempt income and fully taxable income on a comparable basis. Net interest income on a fully taxable equivalent basis (FTE) comprised 67 percent of net revenues in 2000, compared to 68 percent in 1999 and 71 percent in 1998.

Net Interest Income

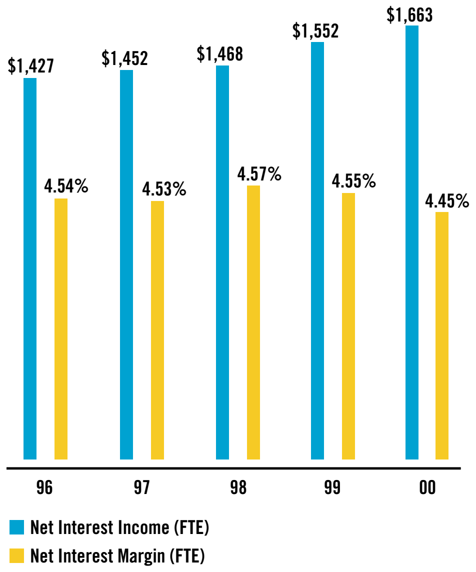


Table 2: Analysis of Net Interest Income — Fully Taxable Equivalent

	2000			1999			1998		
(dollar amounts in millions)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Commercial loans	$21,738	$1,934	8.90%	$19,681	$1,516	7.70%	$16,973	$1,365	8.04%
International loans	2,552	235	9.21	2,627	206	7.86	2,342	187	7.97
Real estate construction loans	2,009	188	9.37	1,364	116	8.48	989	91	9.24
Commercial mortgage loans	5,051	444	8.78	4,461	368	8.25	3,819	334	8.74
Residential mortgage loans	832	64	7.64	929	69	7.47	1,325	102	7.69
Consumer loans	1,395	127	9.08	1,816	181	9.98	2,575	263	10.20
Lease financing	799	47	5.95	682	47	6.84	576	44	7.65
Total loans (1)	34,376	3,039	8.84	31,560	2,503	7.93	28,599	2,386	8.34
Taxable securities	2,613	188	7.06	2,309	156	6.67	3,232	217	6.72
Securities exempt from federal income taxes	57	5	8.91	94	8	9.09	139	12	9.16
Total investment securities	2,670	193	7.10	2,403	164	6.76	3,371	229	6.81
Short-term investments	298	34	11.20	116	11	8.85	143	9	6.25
Total earning assets	37,344	3,266	8.73	34,079	2,678	7.85	32,113	2,624	8.17
Cash and due from banks	1,484			1,518			1,622		
Allowance for credit losses	(514)			(463)			(440)		
Accrued income and other assets	2,006			1,826			1,692		
Total assets	$40,320			$36,960			$34,987		
Money market and NOW accounts	$ 7,928	253	3.20	$ 7,664	208	2.71	$ 7,346	231	3.15
Savings deposits	1,380	23	1.65	1,513	24	1.59	1,584	28	1.79
Certificates of deposit	8,165	470	5.76	6,399	310	4.84	6,521	345	5.29
Foreign office deposits (2)	814	63	7.75	688	48	7.05	651	44	6.71
Total interest-bearing deposits	18,287	809	4.43	16,264	590	3.63	16,102	648	4.02
Short-term borrowings	3,263	212	6.49	3,482	179	5.14	3,420	186	5.43
Medium- and long-term debt	8,125	534	6.57	7,289	411	5.63	6,032	368	6.10
Other (3)	—	48	—	—	(54)	—	—	(46)	—
Total interest-bearing sources	29,675	1,603	5.40	27,035	1,126	4.16	25,554	1,156	4.52
Noninterest-bearing deposits	6,405			6,255			6,151		
Accrued expenses and other liabilities	530			421			415		
Preferred stock	250			250			250		
Common shareholders' equity	3,460			2,999			2,617		
Total liabilities and shareholders' equity	$40,320			$36,960			$34,987		
Net interest income/rate spread (FTE)		$1,663	3.33		$1,552	3.69		$1,468	3.65
FTE adjustment (4)		$ 4			$ 5			$ 7	
Impact of net noninterest-bearing sources of funds			1.12			0.86			0.92
Net interest margin (as a percent of average earning assets) (FTE)			4.45%			4.55%			4.57%

(1) Nonaccrual loans are included in average balances reported and are used to calculate rates.
(2) Includes substantially all deposits by foreign depositors; deposits are primarily in excess of $100,000.
(3) Net interest rate swap (income)/expense. If swap (income)/expense were allocated, average rates on total loans would have been 8.68% in 2000, 8.05% in 1999 and 8.43% in 1998; average rates on medium- and long-term debt would have been 6.51% in 2000, 5.38% in 1999 and 5.76% in 1998; the average rate on certificates of deposit would have been 5.72% in 2000.
(4) The FTE adjustment is computed using a federal income tax rate of 35%.

Table 3: Rate-Volume Analysis — Fully Taxable Equivalent

	2000 / 1999			1999 / 1998		
(in millions)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume*	Net Increase (Decrease)	Increase (Decrease) Due to Rate	Increase (Decrease) Due to Volume*	Net Increase (Decrease)
Interest income (FTE)						
Commercial loans	$235	$183	$418	$ (58)	$209	$151
International loans	36	(7)	29	(3)	22	19
Real estate construction loans	12	60	72	(7)	32	25
Commercial mortgage loans	24	52	76	(19)	53	34
Residential mortgage loans	2	(7)	(5)	(3)	(30)	(33)
Consumer loans	(16)	(38)	(54)	(6)	(76)	(82)
Lease financing	(7)	7	—	(4)	7	3
Total loans	286	250	536	(100)	217	117
Taxable securities	10	22	32	1	(62)	(61)
Securities exempt from federal income taxes	—	(3)	(3)	—	(4)	(4)
Total investment securities	10	19	29	1	(66)	(65)
Short-term investments	1	22	23	5	(3)	2
Total interest income (FTE)	297	291	588	(94)	148	54
Interest expense						
Money market and NOW accounts	37	8	45	(32)	9	(23)
Savings deposits	1	(2)	(1)	(3)	(1)	(4)
Certificates of deposit	58	102	160	(29)	(6)	(35)
Foreign office deposits	5	10	15	2	2	4
Total interest-bearing deposits	101	118	219	(62)	4	(58)
Short-term borrowings	48	(15)	33	(10)	3	(7)
Medium- and long-term debt	68	55	123	(28)	71	43
Other (1)	102	—	102	(8)	—	(8)
Total interest expense	319	158	477	(108)	78	(30)
Net interest income (FTE)	$ (22)	$133	$111	$ 14	$ 70	$ 84

*Rate/volume variances are allocated to variances due to volume.
(1) Net interest rate swap (income)/expense.

Net interest income (FTE) increased seven percent to $1,663 million in 2000. Contributing to this increase was a 10 percent increase in average earning assets and an increase in noninterest-bearing sources of funds. Comerica (the "Corporation") continued to generate strong growth in business loans in 2000. Business loans averaged $32.1 billion in 2000, a significant increase of 12 percent from 1999. The increase in noninterest-bearing sources of funds was primarily due to a $461 million increase in average shareholders' equity and a $150 million increase in average noninterest-bearing deposits.

Net interest income (FTE) expressed as a percentage of average earning assets is referred to as the net interest margin. For 2000, the net interest margin was 4.45 percent, a decline of 10 basis points from 4.55 percent in 1999. The net interest margin was negatively impacted by slower growth in core deposit balances than that of earning assets, resulting in a greater reliance on higher cost certificates of deposits and medium- and long-term debt in the mix of interest-bearing liabilities. This was partially offset by an increase in the benefit to the net interest margin provided by interest-free sources of funds. A greater reliance on higher cost purchased funds to support expected loan growth will continue to put downward pressure on the net interest margin.

Comerica implements various asset and liability management tactics to minimize exposure to net interest income risk. This risk represents the potential reduction in net interest income that may result from a fluctuating economic environment including changes to interest rates and portfolio growth rates. Such actions include the management of earning assets, funding and capital. In addition, off-balance sheet interest rate swap contracts are employed, effectively fixing the yields on certain variable rate loans and altering the interest rate characteristics of debt issued throughout the year. Refer to page 37 of this financial review for additional information regarding the Corporation's asset and liability management policies.

In 1999, net interest income (FTE) increased six percent to $1,552 million. Contributing to the increase over 1998 was a 10 percent increase in average total loans and an increase in noninterest-bearing sources of funds, primarily shareholders' equity. A significant increase in average commercial loans was partially offset by planned reductions of investment securities, which decreased on average by $1.0 billion, or 29 percent, from 1998, and planned runoff of residential mortgage and consumer loans, which declined on an average basis by a combined $1.2 billion from 1998. The net interest margin was relatively stable in 1999, decreasing two basis points to 4.55 percent from 4.57 percent in 1998. The decrease in the net interest margin in 1999 was partially due to a six basis point decline in the impact of net noninterest-bearing sources of funds resulting from an average yield environment which was lower in 1999 than 1998, as well as changes in the mix of interest-bearing liabilities. This was offset by a strategic repositioning within the earning assets portfolio, whereby investment securities and residential mortgage and consumer loans were replaced with commercial loans.

Provision and Allowance for Credit Losses

The provision for credit losses reflects management's evaluation of the adequacy of the allowance for credit losses. The allowance for credit losses represents management's assessment of probable losses inherent in the Corporation's loan portfolio, including all binding commitments to lend. The allowance provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent but that have not been specifically identified. The Corporation allocates the allowance for credit losses to each loan category based on a defined methodology which has been in use, without material change, for several years. Internal risk ratings are assigned to each business loan at the time of approval and are subject to subsequent periodic reviews by the senior management of the Credit Policy Group. Business loans are defined as those belonging to the commercial, international, real estate construction, commercial mortgage and lease financing categories. A detailed credit quality review is performed quarterly on large business loans which have deteriorated below certain levels of credit risk. A specific portion of the allowance is allocated to such loans based upon this review. The portion of the allowance allocated to the remaining business loans is determined by applying projected loss ratios to each risk rating based on numerous factors identified below. The portion of the allowance allocated to consumer loans is determined by applying projected loss ratios to various segments of the loan portfolio. Projected loss ratios incorporate factors such as recent charge-off experience, current economic conditions and trends, geographic dispersion of borrowers, and trends with respect to past due and nonaccrual amounts. The allocated reserve was $373 million at December 31, 2000, an increase of $102 million from year-end 1999. This increase was attributable to an increase in the specific portion of the allowance for certain large business loans with deteriorated credit risk at December 31, 2000. Allocations to business loans, as shown in Table 8, increased due to loan growth and changing credit characteristics of the portfolio.

Net Loans Charged Off To Average Loans
(In Percentages)

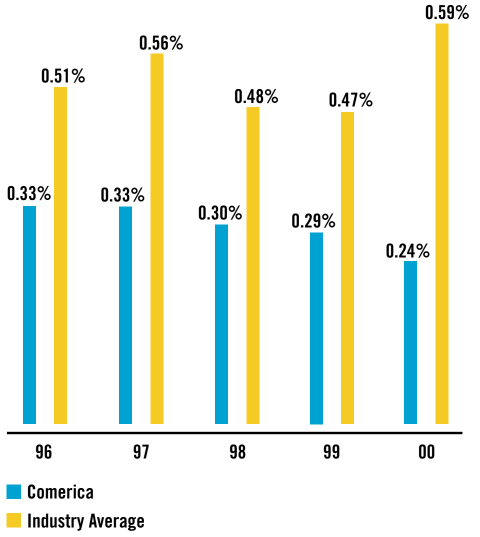


Table 4: Analysis of the Allowance for Credit Losses

Year Ended December 31 (dollar amounts in millions)	2000	1999	1998	1997	1996
Balance at beginning of period	$ 476	$ 452	$ 424	$ 367	$ 341
Allowance of institutions purchased/sold	—	—	—	—	(3)
Loans charged off					
Domestic					
Commercial	75	78	49	33	33
Real estate construction	—	—	—	1	1
Commercial mortgage	1	2	1	4	5
Residential mortgage	—	—	—	—	1
Consumer	11	31	65	92	86
Lease financing	1	—	4	—	—
International	11	10	7	1	—
Total loans charged off	99	121	126	131	126
Recoveries					
Domestic					
Commercial	8	17	19	19	18
Real estate construction	—	—	—	1	1
Commercial mortgage	1	3	9	10	9
Consumer	7	10	13	12	13
Lease financing	—	1	—	—	—
Total recoveries	16	31	41	42	41
Net loans charged off	83	90	85	89	85
Provision for credit losses	145	114	113	146	114
Balance at end of period	$ 538	$ 476	$ 452	$ 424	$ 367
Ratio of allowance for credit losses to total loans at end of period	1.49%	1.46%	1.48%	1.47%	1.40%
Ratio of net loans charged off during the period to average loans outstanding during the period	0.24%	0.29%	0.30%	0.33%	0.33%

Actual loss ratios experienced in the future could vary from those projected. This uncertainty occurs because other factors affecting the determination of probable losses inherent in the loan portfolio may exist which are not necessarily captured by the application of historical loss ratios. To ensure a higher degree of confidence, an unallocated allowance is also maintained. The unallocated portion of the loss reserve reflects management's view that the reserve should have a margin that recognizes the imprecision underlying the process of estimating expected credit losses. Determination of the probable losses inherent in the portfolio, which are not necessarily captured by the allocation methodology discussed above, involves the exercise of judgment. Factors which were considered in the evaluation of the adequacy of the Corporation's unallocated reserve include portfolio exposures to the healthcare, high technology and energy industries, customers engaged in sub-prime lending, as well as Latin American transfer risks and the risk associated with new customer relationships. The unallocated reserve was $165 million at December 31, 2000, a decrease of $40 million from 1999. An increase in allocated reserves for healthcare and Indonesian customers resulted in a lesser need for unallocated reserves for these customers and was the primary reason for the decline in the unallocated reserve.

Management also considers industry norms and the expectations from ratings agencies and banking regulators in determining the adequacy of the allowance. The total allowance, including the unallocated amount, is available to absorb losses from any segment within the portfolio.

The provision for credit losses was $145 million in 2000, compared to $114 million in 1999 and $113 million in 1998. Net charge-offs in 2000 were $83 million, or 0.24 percent of average total loans, compared to $90 million, or 0.29 percent, in 1999 and $85 million, or 0.30 percent, in 1998. An analysis of the changes in the allowance for credit losses, including charge-offs and recoveries by loan category, is presented in Table 4. Consumer net charge-offs decreased from 1999 levels, primarily due to the sale of $457 million of revolving check credit and bankcard loans in the first quarter of 2000. Net charge-offs on business loans increased due to a decline in recoveries.

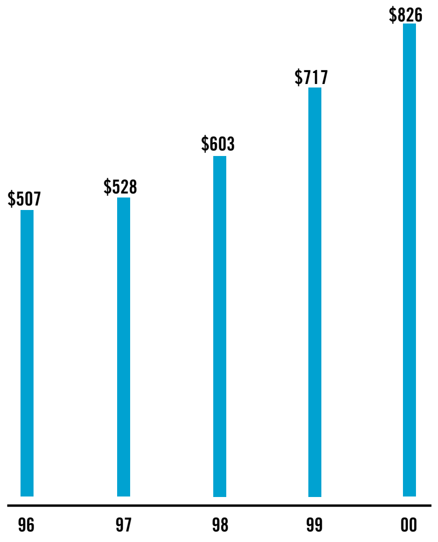
At December 31, 2000, the allowance for credit losses was $538 million, an increase of $62 million from year-end 1999. The allowance as a percentage of total loans increased to 1.49 percent from 1.46 percent at December 31, 1999. As a percentage of nonperforming assets, the allowance was 197 percent at December 31, 2000, versus 262 percent at year-end 1999.

Noninterest Income

Year Ended December 31 (in millions)	2000	1999	1998
Fiduciary and investment management income	$306	$241	$184
Service charges on deposit accounts	180	169	158
Commercial lending fees	56	49	43
Letter of credit fees	42	39	31
Securities gains/(losses)	(1)	5	6
Net gain on sales of businesses	48	21	11
Other	197	184	170
Subtotal	828	708	603
Other significant nonrecurring items	(2)	9	—
Total noninterest income	$826	$717	$603

Noninterest income increased $109 million, or 15 percent, to $826 million in 2000, compared to $717 million in 1999 and $603 million in 1998. In 2000, the Corporation announced an alliance to provide third party bankcard and revolving check credit services to the Corporation's customers and sold $457 million of loans in connection with forming the alliance. Comparisons between 2000 and 1999 for certain noninterest income and expense line items were impacted by the sale. After adjusting for the divestiture, securities gains/(losses) and the significant nonrecurring items discussed below, noninterest income increased 17 percent in 2000. Historical comparisons between 1999 and 1998 information for certain noninterest income and noninterest expense line items were impacted by the Corporation obtaining a majority interest in Munder Capital Management ("Munder"), an investment advisory subsidiary, and the sale of consumer loans and the mortgage servicing business in 1998. Prior to the third quarter of 1998, the Corporation accounted for its minority interest in Munder under the equity method, recording the Corporation's pro-rata share of Munder net income in other noninterest income.

Noninterest Income
(In Millions)



Fiduciary and investment management income, which includes investment advisory revenue generated by Munder, increased $65 million, or 27 percent, in 2000, compared to an increase of $57 million, or 30 percent, in 1999. After adjusting for the Munder consolidation, the increase in 1999 over 1998 was 19 percent. The increase in 2000 was primarily due to higher investment advisory fees at Munder, which increased $64 million, or 105 percent, over 1999. The increase in Munder revenue was principally due to growth, early in 2000, of average assets in Munder's Internet and technology focused mutual funds. Munder's investment advisory revenue in the fourth quarter 2000, was well below the amount recorded during each of the first three quarters of the year, primarily due to a decline in the technology sector of the stock market. Stock market performance resulted in a decrease in assets under management at Munder to $48 billion at December 31, 2000, from $56 billion at year-end 1999. Personal and institutional trust fees, on a combined basis, were stable when compared to 1999.

Service charges on deposit accounts increased $11 million, or six percent, in 2000 compared to an increase of $11 million, or seven percent, in 1999. This increase was primarily attributable to continued strong growth in the sale of new and existing cash management services to business customers during 2000. The increase in 2000 was net of the negative impact of higher earnings credit allowances provided to business customers.

Commercial lending fees increased $7 million, or 14 percent, in 2000 compared to an increase of $6 million, or 13 percent, in 1999. A continued strong business lending environment contributed to increases of $4 million, or 15 percent, in commitment fees and $3 million, or 26 percent, in loan syndication and participation agent fees.

Letter of credit fees increased $3 million, or nine percent, in 2000 compared to an increase of $8 million, or 24 percent, in 1999. These increases were primarily related to growth in middle-market commercial lending relationships and strong demand for international trade services from new and existing customers.

The Corporation recognized a net loss related to its investment securities portfolio of $1 million in 2000, versus a net gain of $5 million in 1999. Securities losses in 2000 included a $6 million write-down of low-income housing investments where the underlying investment is accounted for under the cost method.

Net gain on sales of businesses included a $48 million net gain on the sale of revolving check credit and bankcard loans in 2000, a gain of $21 million on the sale of ownership in an automated teller machine network provider in 1999 and an $11 million net gain on the sale of the mortgage servicing business and consumer loans in 1998.

Other noninterest income increased $2 million, or one percent, in 2000. Excluding the impact of divestitures and significant nonrecurring items from 2000 and 1999 results, other noninterest income increased 14 percent. Higher levels of income from Munder's equity investment in Framlington (a London, England based investment manager) and an increase in brokerage service fees and foreign exchange income accounted for the majority of this increase. Significant nonrecurring items in other noninterest income in 2000 included a $6 million gain from the demutualization of an insurance carrier and $6 million of warrant gain income. Offsetting these gains was a $7 million write-down of low-income housing investments which are being accounted for under the equity method and a $7 million impairment on technology-related mutual fund deferred distribution costs. Significant nonrecurring items in other noninterest income in 1999 included a $9 million gain on the sale of a warrant obtained from an equity ownership in a joint venture.

Noninterest Expenses

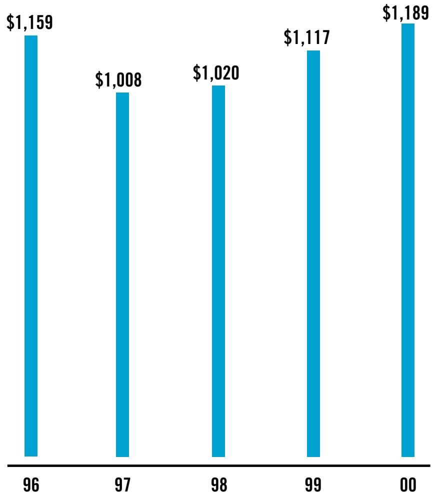
Year Ended December 31 (in millions)	2000	1999	1998
Salaries	$ 593	$ 559	$ 500
Employee benefits	75	81	65
Total salaries and employee benefits	668	640	565
Net occupancy expense	98	94	90
Equipment expense	59	61	60
Outside processing fee expense	49	48	43
Other	291	269	269
Subtotal	1,165	1,112	1,027
Restructuring charge/(credit)	—	—	(7)
Other significant nonrecurring items	24	5	—
Total noninterest expenses	$1,189	$1,117	$1,020

Noninterest expenses increased six percent to $1,189 million in 2000, compared to $1,117 million in 1999 and $1,020 million in 1998. Excluding the effect of divestitures and the significant nonrecurring items discussed below, noninterest expenses increased six percent in 2000.

Total salaries expense increased $34 million, or six percent, in 2000 versus an increase of $59 million, or 12 percent, in 1999. The increase in 2000 was primarily due to annual merit increases and higher levels of incentives which are tied to revenue growth. The number of full-time equivalent employees at December 31, 2000, decreased by 234, or two percent, from year-end 1999, primarily due to forming the bankcard and revolving check credit alliance.

Employee benefits expense decreased $6 million, or seven percent, in 2000 versus an increase of $16 million, or 24 percent, in 1999. The decrease in 2000 was primarily attributable to lower levels of pension expense due to favorable changes in defined benefit plan assumptions as well as a reduction in long-term disability expense. These decreases were partially offset by higher payroll tax expense.

Noninterest Expenses
(In Millions)



Net occupancy and equipment expenses, on a combined basis, increased slightly to $157 million in 2000, following an increase of $5 million, or three percent, in 1999.

Outside processing fees were virtually unchanged and totaled $49 million in 2000, $48 million in 1999 and $43 million in 1998.

Other noninterest expenses increased $41 million, or 15 percent, in 2000, compared to a $5 million increase in 1999. Other noninterest expenses in 2000 included $12 million of interest associated with a preliminary settlement of Federal tax years prior to 1993, a $6 million contribution to Comerica's charitable foundation and $6 million of marketing costs to launch a new closed-end fund. A $5 million contribution to Comerica's charitable foundation was included in 1999 other noninterest expenses. Excluding divestitures and the significant nonrecurring items described above, other noninterest expenses increased 12 percent in 2000. Higher levels of advertising expense, due principally to marketing costs for mutual funds was the primary contributor to this increase.

The Corporation's efficiency ratio is defined as total noninterest expenses divided by the sum of net interest revenue (FTE) and noninterest income, excluding securities gains. The ratio improved 161 basis points to 47.74 percent in 2000, compared to 49.35 percent in 1999 and 49.39 percent in 1998.

Income Taxes

The provision for income taxes was $402 million in 2000, compared to $360 million in 1999 and $324 million in 1998. The effective tax rate, computed by dividing the provision for income taxes by income before taxes, was 34.9 percent in 2000 and 1999. The effective tax rate in 1998 was 34.8 percent.

Table 5: Analysis of Investment Securities and Loans

December 31 (in millions)	2000	1999	1998	1997	1996
Investment securities available for sale					
U.S. government and agency securities	$ 2,226	$ 2,275	$ 2,206	$ 3,239	$ 3,968
State and municipal securities	47	74	115	170	228
Other securities	405	390	391	597	604
Total investment securities available for sale	$ 2,678	$ 2,739	$ 2,712	$ 4,006	$ 4,800
Commercial loans	$22,729	$20,655	$19,086	$15,805	$13,520
International loans					
Government and official institutions	2	10	12	6	11
Banks and other financial institutions	402	391	433	339	323
Other	2,167	2,172	2,268	1,740	1,372
Total international loans	2,571	2,573	2,713	2,085	1,706
Real estate construction loans	2,310	1,709	1,080	941	751
Commercial mortgage loans	5,271	4,774	4,179	3,634	3,446
Residential mortgage loans	807	870	1,038	1,565	1,744
Consumer loans	1,437	1,351	1,862	4,348	4,634
Lease financing	935	761	647	517	406
Total loans	$36,060	$32,693	$30,605	$28,895	$26,207

Strategic Lines of Business

The Corporation has strategically aligned its operations into three major lines of business: the Business Bank, the Individual Bank and the Investment Bank. These lines of business are differentiated based upon the products and services provided. In addition to the three major lines of business, the Finance Division is also reported as a segment. The Other category includes items not directly associated with these lines of business. Note 22 on page 62 describes how these segments were identified and presents financial results of these businesses for the years ended December 31, 2000, 1999 and 1998.

The Business Bank's net income increased $51 million, or 15 percent, in 2000. An increase in net interest income associated with strong loan growth of 12 percent and a 12 percent increase in noninterest income were largely responsible for the increase in net income. Loan growth was primarily in middle market lending, asset based/specialty lending, commercial real estate and national dealer services. Growth in average loans to large business customers was moderate, while average international loans were flat. The increase in noninterest income was primarily due to higher commercial deposit service charge income, commercial lending fees and letter of credit fees. Noninterest expenses increased five percent.

Individual Bank net income increased $53 million, or 20 percent, in 2000, a substantial increase over 1999. Comparisons with 1999 were affected by forming an alliance to offer bankcard and revolving check credit services to the Corporation's customers. Net interest income increased $34 million, or five percent, and was generated principally from a three percent growth in deposit balances coupled with smaller rate increases in core deposits compared to earning assets. Noninterest income increased $44 million, or 15 percent, and was primarily due to a $48 million gain on the sale of $457 million of revolving check credit and bankcard loans associated with forming the alliance mentioned above. Noninterest expenses decreased $5 million, or one percent, primarily due to reduced salaries expense also attributable to forming the alliance. Excluding the $48 million gain and the impact of forming the alliance, total revenues (FTE) in 2000 would have been $1,023 million, a three percent increase over 1999, while net income in 2000 would have increased eight percent to $287 million. Return on average assets and return on average common equity in 2000 would have been 1.61 percent and 38.57 percent, respectively.

Net income for the Investment Bank was $12 million in 2000, a decrease of 10 percent from 1999. Noninterest income rose $66 million, or 32 percent, from last year. Significant growth in investment advisory and brokerage fees was reduced by declines in institutional trust and retirement services fees. Noninterest expense growth from revenue-related incentives for investment advisory fees and inter-segment referrals, advertising and start-up expenses for new funds offset much of the revenue increase.

The Finance Division's net income decreased $20 million in 2000, primarily due to a $30 million decrease in net interest income. As interest rates increased throughout 2000, interest income declined from swaps Finance used to hedge interest rate risk in other business segments.

Net income for the Other category decreased $7 million in 2000. Noninterest income in 1999 included a $21 million gain on the sale of the Corporation's ownership in an ATM network provider. Partially offsetting the decline in noninterest income was an $8 million decrease in the allowance for credit losses not assigned to specific business lines.

Table 6: International Cross-Border Risk

December 31 (in millions)		Governments and Official Institutions	Banks and Other Financial Institutions	Commercial and Industrial	Total
Mexico	2000	$ 9	$114	$503	$626
	1999	15	150	426	591
	1998	15	214	347	576
Canada	1998	—	—	380	380

Table 7: Loan Maturities and Interest Rate Sensitivity

December 31, 2000 (in millions)	Within One Year*	After One But Within Five Years	After Five Years	Total
Commercial loans	$17,822	$3,917	$ 990	$22,729
Commercial mortgage loans	1,819	2,383	1,069	5,271
International loans	2,217	319	35	2,571
Real estate construction loans	1,718	479	113	2,310
Total	$23,576	$7,098	$2,207	$32,881
Loans maturing after one year				
Predetermined interest rates		$3,227	$1,864	
Floating interest rates		3,871	343	
Total		$7,098	$2,207	

*Includes demand loans, loans having no stated repayment schedule or maturity and overdrafts.

Table 8: Allocation of the Allowance for Credit Losses

	2000		1999		1998		1997		1996	
December 31 (in millions)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Commercial	$226	63%	$169	63%	$131	62%	$ 94	55%	$ 98	52%
Real estate construction	6	6	6	5	4	4	7	3	6	3
Commercial mortgage	59	15	35	15	21	14	18	13	27	13
Residential mortgage	—	2	—	3	—	3	1	5	2	7
Consumer	7	4	18	4	48	6	116	15	120	18
Lease financing	5	3	8	2	6	2	1	2	1	1
International	70	7	35	8	17	9	5	7	3	6
Unallocated	165	—	205	—	225	—	182	—	110	—
Total	$538	100%	$476	100%	$452	100%	$424	100%	$367	100%

Amount – allocated allowance
% – loans outstanding as a percent of total loans

Balance Sheet and Capital Funds Analysis

Total assets were $42.0 billion at year-end 2000, an increase of $3.3 billion from $38.7 billion at December 31, 1999. On an average basis, total assets increased to $40.3 billion in 2000 from $37.0 billion in 1999. This increase was funded primarily by deposits, which rose on average $2.2 billion and medium- and long-term debt, which grew on average $836 million.

Earning Assets

Total earning assets were $38.9 billion at December 31, 2000, representing a $2.9 billion increase from $36.0 billion at year-end 1999. On an average basis, total earning assets were $37.3 billion in 2000, compared to $34.1 billion in 1999. Commercial loans grew significantly in 2000, increasing on an average basis by $2.1 billion, or 10 percent, from 1999. Average real estate construction increased $645 million, or 47 percent, while average commercial mortgage loans increased $590 million, or 13 percent. These increases are attributable to successful execution of our core lending strategy, strong customer relationships and continued economic strength in the commercial loan markets.

International loans averaged $2.6 billion in 2000, a decline of $75 million, or three percent, from 1999, as international economies were generally weaker than the United States. Active risk management practices minimize 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 cross-border risk of that country. Mexican cross-border risk of $626 million, or 1.49 percent of total assets, was the only country with exposure exceeding 1.00 percent of total assets at December 31, 2000. Brazil was the only country with cross-border risk exposure between 0.75 and 1.00 percent of total assets at year-end 2000 with outstandings totaling $329 million at December 31, 2000. Additional information on the Corporation's Mexican cross-border risk is provided in Table 6 on page 32.

Average residential mortgage loans decreased $97 million, reflecting management's decision to sell the majority of mortgage originations. Excluding the decline in consumer loans attributable to the sale of $457 million of bankcard and revolving check credit loans mentioned earlier, consumer loans increased from growth in home equity lending.

Average investment securities rose to $2.7 billion in 2000, compared to $2.4 billion in 1999. Average U.S. government and agency securities increased $339 million, while average state and municipal securities decreased $37 million. Increases in U.S. government and agency securities resulted from purchasing investment securities to maintain the relative size of that portfolio, while the tax exempt portfolio of state and municipal securities continued to decrease as reduced tax advantages for these type of securities discouraged additional investment. Average other securities declined $35 million, and consist primarily of collateralized mortgage obligations (CMOs), Brady bonds and Eurobonds.

Other Earning Assets

Short-term investments include interest-bearing deposits with banks, federal funds sold and securities purchased under agreements to resell, trading securities and loans held for sale. These investments provide a range of maturities under one year to manage short-term investment requirements of the Corporation. Interest-bearing deposits with banks are investments with banks in developed countries or foreign banks' international banking facilities located in the United States. Federal funds sold offer supplemental earning opportunities and serve correspondent banks. Loans held for sale typically represent residential mortgage loans that have been originated and which management has decided to sell. Loans held for sale in 2000 also included the revolving credit and bankcard loans which were sold during the year. These loans had been reclassified to loans held for sale at the end of 1999 and remained there until the date of sale. Average short-term investments increased to $298 million during 2000, from $116 million in 1999, primarily due to this reclassification.

Table 9: Maturity Distribution of Domestic Certificates of Deposit of $100,000 and Over

December 31 (in millions)	2000
Three months or less	$1,895
Over three months to six months	1,810
Over six months to twelve months	1,716
Over twelve months	338
Total	$5,759

Deposits and Borrowed Funds

Average deposits increased $2.2 billion, or 10 percent, from 1999. Average noninterest-bearing deposits grew $150 million, or two percent, from 1999, primarily from the growth in commercial loan relationships. Average interest-bearing transaction, savings and money market deposits increased one percent during 2000, to $9.3 billion. Average certificates of deposit increased $1.8 billion, or 28 percent, from 1999 and were primarily issued in denominations in excess of $100,000 through brokers or to institutional investors. Average foreign office time deposits increased $126 million over the 1999 level, mostly from deposits at Mexican and Canadian subsidiaries.

Average short-term borrowings decreased $219 million as deposit growth reduced the need for these funding sources. Short-term borrowings include federal funds purchased, securities sold under agreements to repurchase, commercial paper and treasury tax and loan notes.

The Corporation uses medium-term debt (both domestic and European) and long-term debt to provide funding to support expanding earning assets while providing liquidity which mirrors the estimated duration of deposits. Long-term subordinated notes further help maintain the subsidiary banks' total capital ratio at a level that qualifies for the lowest FDIC risk-based insurance premium. Medium-term debt increased on an average basis by $766 million to fund earning asset growth. Average long-term debt increased $70 million during 2000, primarily due to the issuance of $250 million of subordinated notes during the year. Further information on medium- and long-term debt is included in Note 9 to the consolidated financial statements on page 51.

Capital

Shareholders' equity was $4.0 billion at December 31, 2000, up $533 million, or 15 percent from December 31, 1999. This increase was primarily due to $482 million of retained earnings, $23 million of common stock issued for employee stock plans and $42 million in other comprehensive income, offset by a reduction in equity of $14 million from the repurchase of common stock. In connection with the merger announcement with Imperial Bancorp during the fourth quarter of 2000, the board of directors of the Corporation rescinded its previous stock repurchase authorization. Further information on the change in other comprehensive income is provided in Note 11 on page 52.

The Corporation declared common dividends totaling $250 million, or $1.60 per share, on net income applicable to common stock of $732 million. The dividend payout ratio, calculated on a per share basis, was 35 percent in 2000 and 1999, versus 34 percent in 1998.

At December 31, 2000, the Corporation and all of its banking subsidiaries exceeded the capital ratios required for an institution to be considered "well capitalized" by the standards developed under the Federal Deposit Insurance Corporation Improvement Act of 1991. See Note 17 to the consolidated financial statements on page 56 for the capital ratios.

Risk Management

The Corporation assumes various types of risk in the normal course of business. The most significant risk exposures are from credit, interest rate, liquidity and operations. The other commonly identified exposure, market risk, is not significant as trading activities are limited. Comerica employs risk management processes to identify, measure, monitor and control these risks.

Credit Risk

Credit represents the risk that a customer or counterparty may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities and entering into off-balance sheet financial derivative instruments. Policies and procedures for measuring and managing this risk are formulated, approved and communicated throughout the Corporation. Credit executives, independent from lending officers, are involved in the origination and underwriting process to ensure adherence to risk policies and underwriting standards. The Corporation also manages credit risk through diversification, limiting exposure to any single industry environment or customer, selling participations to third parties and requiring collateral.

Nonperforming Assets

Nonperforming assets include loans on nonaccrual status, loans which have been renegotiated to less than market rates due to a serious weakening of the borrowers financial condition and other real estate which has been acquired primarily through foreclosure and is awaiting disposition. The Corporation's policies regarding nonaccrual loans reflect the importance of identifying troubled loans early.

Nonperforming Assets To Loans And Other Real Estate
(In Percentages)

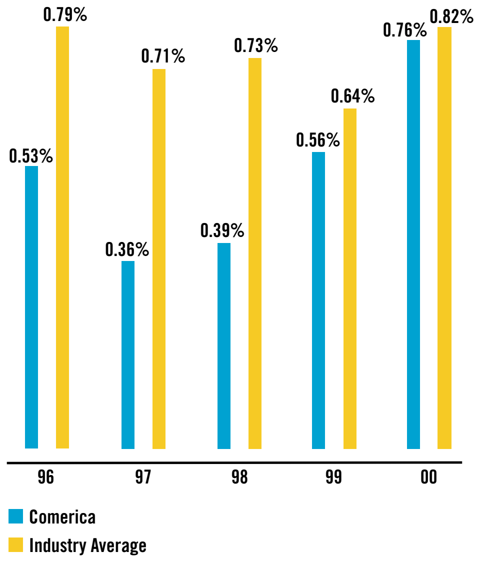


Table 10: Analysis of Investment Securities Portfolio — Fully Taxable Equivalent

December 31, 2000 (dollar amounts in millions)	Maturity[†] Within 1 Year Amount	Yield	1 - 5 Years Amount	Yield	5 - 10 Years Amount	Yield	After 10 Years Amount	Yield	Total Amount	Yield	Weighted Average Maturity Yrs./Mos.
Available for sale											
U.S. Treasury	$ 3	5.88%	$ 40	6.16%	$ —	—%	$ —	—%	$ 43	6.14%	1/1
U.S. government and agency	4	7.08	124	7.33	1,160	6.47	895	7.23	2,183	6.83	11/9
State and municipal securities	12	5.78	25	6.29	9	6.08	1	6.38	47	6.12	3/3
Other bonds, notes and debentures	8	6.44	183	9.41	40	8.54	33	8.21	264	9.04	5/0
Federal Reserve Bank stock and other investments*	—	—	—	—	—	—	—	—	141	—	—
Total investment securities available for sale	$27	6.16%	$372	8.16%	$1,209	6.53%	$929	7.27%	$2,678	7.04%	10/8

*Balances are excluded in the calculation of total yield.
†Based on final contractual maturity.

Table 11: Summary of Nonperforming Assets and Past Due Loans

December 31 (dollar amounts in millions)	2000	1999	1998	1997	1996
Nonperforming assets					
Nonaccrual loans					
Commercial loans	$ 182	$ 99	$ 67	$ 53	$ 67
International loans	58	44	20	1	—
Real estate construction loans	5	—	1	3	3
Commercial mortgage loans	15	10	7	11	23
Residential mortgage loans	—	1	3	4	5
Consumer loans	3	5	3	5	5
Lease financing	4	6	7	1	—
Total nonaccrual loans	267	165	108	78	103
Reduced-rate loans	1	7	8	8	8
Total nonperforming loans	268	172	116	86	111
Other real estate	5	10	5	17	29
Total nonperforming assets	$ 273	$ 182	$ 121	$ 103	$ 140
Nonperforming loans as a percentage of total loans	0.74%	0.53%	0.38%	0.30%	0.42%
Nonperforming assets as a percentage of total loans and other real estate	0.76%	0.56%	0.39%	0.36%	0.53%
Allowance for credit losses as a percentage of total nonperforming assets	197%	262%	375%	413%	263%
Loans past due 90 days or more and still accruing	$ 36	$ 48	$ 40	$ 53	$ 52

Consumer loans are charged off no later than 180 days past due, or earlier if deemed uncollectible. Loans other than consumer are generally placed on nonaccrual status when management determines that principal or interest may not be fully collectible, but no later than 90 days past due on principal or interest unless it is fully collateralized and in the process of collection. Loan amounts in excess of probable future cash collections are charged off to an amount that management ultimately expects to collect. Interest previously accrued but not collected on nonaccrual loans is charged against current income at the time the loan is placed on nonaccrual. Income on such loans is then recognized only to the extent that cash is received and where the future collection of principal is probable. Loans which have been restructured to yield a rate that was equal to or greater than the rate charged for new loans with comparable risk and have met the requirements for a return to accrual status are generally not included in nonperforming assets. However, such loans may be required to be evaluated for impairment under Financial Accounting Standards Board (FASB) Statement No. 114, "Accounting by Creditors for Impairment of a Loan."

Nonperforming assets as a percent of total loans and other real estate were 0.76 percent and 0.56 percent at year-end 2000 and 1999, respectively.

Nonaccrual loans at December 31, 2000, increased 62 percent to $267 million from $165 million at year-end 1999. Table 11 on page 35 provides additional detail on nonperforming assets. No industry represented more than 15 percent of total nonaccrual loans at December 31, 2000. The decline in reduced-rate loans, which consisted primarily of below-market yield bankcard loans, resulted from the sale of bankcard and revolving credit loans discussed previously. Loans past due 90 days or more and still on accrual status decreased $12 million from year-end 1999.

The nonaccrual loan table below indicates the percentage of nonaccrual loan value to original contractual value which exhibits the degree to which loans reported as nonaccrual have been charged off.

Other real estate owned (ORE) decreased $5 million.

Nonaccrual Loans

December 31 (dollar amounts in millions)	2000	1999
Carrying value	$267	$165
Contractual value	401	244
Carrying value as a percentage of contractual value	67%	68%

Concentration of Credit

Loans to companies and individuals involved with the automotive industry, including suppliers, manufacturers and dealers, represented the largest significant industry concentration at December 31, 2000. These loans totaled $5.7 billion, or 16 percent of total loans at December 31, 2000, compared to $4.8 billion, or 15 percent, at December 31, 1999. Included in these totals are floor plan loans to automotive dealers of $2,064 million and $1,653 million at December 31, 2000 and 1999, respectively. All other industry concentrations individually represented less than 10 percent of total loans at year-end 2000.

The Corporation has successfully operated in the Michigan economy despite a loan concentration and several downturns in the auto industry. The largest automotive industry loan on nonaccrual status at December 31, 2000, was $6 million. The largest automotive industry-related charge-off during the year was $5 million.

Commercial Real Estate Lending

The real estate construction loan portfolio contains loans primarily made to long-time customers with satisfactory project completion experience. The portfolio has approximately 1,375 loans, of which 63 percent have balances of less than $1 million. The largest real estate construction loan has a balance of approximately $34 million.

The commercial mortgage loan portfolio also consists primarily of loans to long-time customers. Of the approximately 7,285 loans in the portfolio, 84 percent have balances under $1 million and the largest loan has a balance of approximately $30 million. Of the $7.6 billion in total commercial mortgage and real estate construction loans at December 31, 2000, 46 percent involved owner-occupied properties. Additionally, the Corporation's policy requires a 75 percent or less loan-to-value ratio for all commercial mortgage and real estate construction loans.

The geographic distribution of the real estate construction and commercial mortgage loan portfolios is also an important factor in evaluating credit risk. The following table indicates the diversification of the portfolios throughout the markets served by the Corporation.

Geographic Distribution

December 31, 2000 (in millions)	Real Estate Construction	Commercial Mortgage
Michigan	$1,095	$3,349
California	569	935
Texas	401	423
Florida	149	187
Other	96	377
Total	$2,310	$5,271

Interest Rate Risk

Interest rate risk arises primarily through the Corporation's core business activities of extending loans and accepting deposits. The Corporation actively manages its material exposure to interest rate risk. The principal objective of asset and liability management is to maximize net interest income while operating within acceptable limits established for interest rate risk and maintaining adequate levels of funding and liquidity. The Corporation utilizes various on- and off-balance sheet financial instruments to manage the extent to which net interest income may be affected by fluctuations in interest rates. The board of directors authorizes the Asset Liability Policy Committee (ALPC) to establish policies and risk limits pertaining to asset and liability management activities. The ALPC, in addition to the board, monitors compliance with these policies. The ALPC meets regularly to discuss asset and liability management strategies and is comprised of executive and senior management from various areas of the Corporation, including finance, lending, investments and deposit gathering.

Interest Rate Sensitivity

Interest rate risk arises in the normal course of business due to differences in the repricing and maturity characteristics of assets and liabilities. Since no single measurement system satisfies all management objectives, a combination of techniques is used to manage interest rate risk, including simulation analysis, asset and liability repricing schedules and economic value of equity. The ALPC regularly reviews the results of these interest rate risk measurements.

The Corporation frequently evaluates net interest income under various balance sheet and interest rate scenarios. The results of these analyses provide the information needed to assess the proper balance sheet structure. An unexpected change in economic activity, whether domestically or internationally, could translate into a materially different interest rate environment than currently expected. Management evaluates "base" net interest income under what is believed to be the most likely balance sheet structure and interest rate environment. This "base" net interest income is then evaluated against interest rate scenarios that increase and decrease 200 basis points from the most likely rate environment. In addition, adjustments to asset prepayment levels, yield curves and overall balance sheet mix and growth assumptions are made to be consistent with each interest rate environment. These assumptions are inherently uncertain and, as a result, the model cannot precisely predict the impact of higher or lower interest rates on net interest income. Actual results may differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors. Derivative financial instruments entered into for risk management purposes are included in these analyses. The measurement of risk exposure at year-end 2000 for a 200-basis-point decline in short-term interest rates identified approximately $59 million, or three percent, of net interest income at risk during 2001. If short-term interest rates rise 200 basis points, net interest income at risk during 2001 would be approximately $10 million, or less than one percent. Corresponding measures of risk exposure at year-end 1999 were $52 million of net interest income at risk for a 200-basis-point decline in interest rates and $30 million at risk for a 200-basis-point rise in interest rates. Corporate policy limits adverse change to no more than five percent of management's most likely net interest income forecast and the Corporation is operating within this policy guideline.

Most assets and liabilities reprice either at maturity or in accordance with their contractual terms. However, several balance sheet components demonstrate characteristics that require adjustments to more accurately reflect repricing and cash flow behavior. Assumptions based on historical pricing relationships and anticipated market reactions are made to certain core deposit categories to reflect the elasticity of the changes in the related interest rates relative to changes in market interest rates. In addition, estimates are made concerning early loan and security repayments. Prepayment assumptions are based on the expertise of portfolio managers along with input from financial markets. Consideration is given to current and future interest rate levels. While management recognizes the limited ability of a traditional gap schedule to accurately portray interest rate risk, adjustments are made to provide a more accurate picture of the Corporation's interest rate risk profile. This additional interest rate risk measurement tool provides a directional outlook on the impact of changes in interest rates.

Interest rate sensitivity is measured as a percentage of earning assets. The operating range for interest rate sensitivity, on an elasticity-adjusted basis, is between an asset sensitive position of 10 percent of earning assets and a liability sensitive position of 10 percent of earning assets.

Table 12 on page 38 shows the interest sensitivity gap as of year-end 2000 and 1999. The report reflects the contractual repricing and payment schedules of assets and liabilities, including an estimate of all early loan and security repayments which adds $585 million of rate sensitivity to the 2000 year-end gap. In addition, the schedule includes an adjustment for the price elasticity on certain core deposits.

The Corporation was in an asset sensitive position throughout most of 2000. The Corporation had a one-year asset sensitive gap of $418 million, or one percent of earning assets, as of December 31, 2000. This compares to a $487 million asset sensitive gap, or one percent of earning assets, at December 31, 1999. Management anticipates continued growth in asset sensitivity throughout 2001, and will analyze both on- and off-balance sheet alternatives to hedge this increased asset sensitivity to achieve the desired interest rate risk profile for the Corporation.

The Corporation utilizes interest rate swaps predominantly as asset and liability management tools with the overall objective of mitigating adverse impact to net interest income from changes in interest rates. To accomplish this objective, the Corporation uses interest rate swaps primarily to modify the interest rate characteristics of certain assets and liabilities (e.g., from a floating rate to a fixed rate, from a fixed rate to a floating rate, or from one floating rate index to another). This strategy assists management in achieving interest rate objectives.

Table 12: Schedule of Rate Sensitive Assets and Liabilities

	December 31, 2000 Interest Sensitivity Period			December 31, 1999 Interest Sensitivity Period		
(dollar amounts in millions)	Within One Year	Over One Year	Total	Within One Year	Over One Year	Total
Assets						
Cash and due from banks	$ —	$ 1,497	$ 1,497	$ —	$ 1,202	$ 1,202
Short-term investments	162	3	165	612	1	613
Investment securities	789	1,889	2,678	843	1,896	2,739
Commercial loans (including lease financing)	21,802	1,862	23,664	19,573	1,843	21,416
International loans	2,440	131	2,571	2,523	50	2,573
Real estate related loans	5,563	2,825	8,388	4,502	2,851	7,353
Consumer loans	949	488	1,437	858	493	1,351
Total loans	30,754	5,306	36,060	27,456	5,237	32,693
Other assets	888	697	1,585	647	759	1,406
Total assets	$32,593	$ 9,392	$41,985	$29,558	$ 9,095	$38,653
Liabilities						
Deposits						
Noninterest-bearing	$ 1,343	$ 5,472	$ 6,815	$ 959	$ 5,177	$ 6,136
Savings	—	1,316	1,316	—	1,420	1,420
Money market and NOW	6,840	1,785	8,625	5,966	1,845	7,811
Certificates of deposit	8,718	1,270	9,988	5,546	1,031	6,577
Foreign office	424	—	424	1,347	—	1,347
Total deposits	17,325	9,843	27,168	13,818	9,473	23,291
Short-term borrowings	2,077	—	2,077	2,768	—	2,768
Medium- and long-term debt	6,539	1,550	8,089	7,269	1,311	8,580
Other liabilities	329	315	644	224	315	539
Total liabilities	26,270	11,708	37,978	24,079	11,099	35,178
Shareholders' equity	10	3,997	4,007	(31)	3,506	3,475
Total liabilities and shareholders' equity	$26,280	$15,705	$41,985	$24,048	$14,605	$38,653
Sensitivity impact of interest rate swaps	(7,630)	7,630	—	(7,409)	7,409	—
Interest sensitivity gap	(1,317)	1,317	—	(1,899)	1,899	—
Gap as a percentage of earning assets	(3)%	3%	—	(5)%	5%	—
Sensitivity impact from elasticity adjustments (1)	1,735	(1,735)	—	2,386	(2,386)	—
Interest sensitivity gap with elasticity adjustments (1)	$ 418	$ (418)	—	$ 487	$ (487)	—
Gap as a percentage of earning assets	1%	(1)%	—	1%	(1)%	—

(1) Elasticity adjustments for NOW, savings and money market deposit accounts are based on historical pricing relationships dating back to 1985 as well as expected future pricing relationships.

Table 13: Remaining Expected Maturity of Risk Management Interest Rate Swaps

(dollar amounts in millions)	2001	2002	2003	2004	2005	2006- 2026	Total	Dec. 31, 1999
Variable Rate Asset Designation:								
Receive fixed swaps								
Generic	$3,277	$2,850	$3,150	$ —	$ —	$ —	$ 9,277	$6,800
Index amortizing	—	—	—	—	—	—	—	149
Weighted average: (1)								
Receive rate	5.68%	7.14%	9.84%	—%	—%	—%	7.55%	6.36%
Pay rate	6.72%	8.28%	9.50%	—%	—%	—%	8.14%	6.71%
Fixed Rate Asset Designation:								
Pay fixed swaps								
Generic	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 13
Index amortizing	—	—	—	—	—	—	—	7
Amortizing	—	1	—	—	—	—	1	2
Weighted average: (2)								
Receive rate	—%	5.94%	—%	—%	—%	—%	5.94%	6.37%
Pay rate	—%	6.05%	—%	—%	—%	—%	6.05%	5.93%
Fixed Rate Deposit Designation:								
Generic receive fixed swaps	$ 980	$ 73	$ —	$ —	$ —	$ —	$ 1,053	$ 10
Weighted average: (1)								
Receive rate	7.18%	7.58%	—%	—%	—%	—%	7.21%	5.16%
Pay rate	6.68%	6.71%	—%	—%	—%	—%	6.68%	5.01%
Medium- and Long-term Debt Designation:								
Generic receive fixed swaps	$ —	$ 150	$ —	$ —	$250	$1,150	$ 1,550	$1,500
Weighted average: (1)								
Receive rate	—%	7.22%	—%	—%	7.04%	6.79%	6.87%	6.86%
Pay rate	—%	6.76%	—%	—%	6.76%	6.74%	6.75%	5.95%
Floating/floating swaps	$ 125	$ —	$ —	$ —	$ —	$ —	$ 125	$ 37
Weighted average: (3)								
Receive rate	6.72%	—%	—%	—%	—%	—%	6.72%	5.93%
Pay rate	6.59%	—%	—%	—%	—%	—%	6.59%	6.19%
Total notional amount	$4,382	$3,074	$3,150	$ —	$250	$1,150	$12,006	$8,518

(1) Variable rates paid on receive fixed swaps are based on one-month and three-month LIBOR or one-month CDOR rates in effect at December 31, 2000. Variable rates received on pay fixed swaps are based on prime.

(2) Variable rate received is based on one-month CDOR at December 31, 2000.

(3) Variable rate paid is based on LIBOR at December 31, 2000, while variable rate received is based on the three-month U.S. Treasury bill bond equivalent rate.

Risk Management Derivative Financial Instruments and Foreign Exchange Contracts

Risk Management Notional Activity

(in millions)	Interest Rate Contracts	Foreign Exchange Contracts	Totals
Balances at December 31, 1998	$ 6,884	$ 913	$ 7,797
Additions	3,677	10,491	14,168
Maturities/amortizations	(667)	(10,191)	(10,858)
Terminations	(1,376)	—	(1,376)
Balances at December 31, 1999	$ 8,518	$ 1,213	$ 9,731
Additions	4,679	6,296	10,975
Maturities/amortizations	(1,183)	(6,901)	(8,084)
Balances at December 31, 2000	$12,014	$ 608	$ 12,622

The notional amount of risk management interest rate swaps totaled $12,006 million at December 31, 2000, and $8,518 million at December 31, 1999. The fair value of risk management interest rate swaps at December 31, 2000, was an asset of $166 million, compared to a liability of $155 million at December 31, 1999. For the year ended December 31, 2000, risk management interest rate swaps generated $48 million of net interest expense, compared to $54 million of net interest income for the year ended December 31, 1999. These off-balance sheet instruments represented 79 percent of total derivative financial instruments and foreign exchange contracts, including commitments to purchase and sell investment securities, at year-end 2000 and 78 percent at year-end 1999.

Table 13 on page 39 summarizes the expected maturity distribution of the notional amount of risk management interest rate swaps and provides the weighted average interest rates associated with amounts to be received or paid as of December 31, 2000. The swaps have been grouped by the assets and liabilities to which they have been designated.

In addition to interest rate swaps, the Corporation employs various other types of off-balance sheet derivative and foreign exchange contracts to mitigate exposures to interest rate and foreign currency risks associated with specific assets and liabilities (e.g., loans or deposits denominated in foreign currencies). Such instruments include interest rate caps and floors, purchased put options, foreign exchange forward contracts and foreign exchange swap agreements. The aggregate notional amounts of these risk management derivative and foreign exchange contracts at December 31, 2000 and 1999, were $616 million and $1,213 million, respectively.

Further information regarding risk management financial instruments and foreign currency exchange contracts is provided in Notes 1, 9, 18 and 25.

Customer-Initiated and Other Derivative Financial Instruments and Foreign Exchange Contracts

Customer-Initiated and Other Notional Activity

(in millions)	Interest Rate Contracts	Foreign Exchange Contracts	Totals
Balances at December 31, 1998	$ 681	$ 673	$ 1,354
Additions	133	31,004	31,137
Maturities/amortizations	(251)	(31,098)	(31,349)
Balances at December 31, 1999	$ 563	$ 579	$ 1,142
Additions	421	48,089	48,510
Maturities/amortizations	(114)	(46,928)	(47,042)
Balances at December 31, 2000	$ 870	$ 1,740	$ 2,610

On a limited basis, the Corporation writes interest rate caps and enters into foreign exchange contracts and interest rate swaps to accommodate the needs of customers requesting such services. Customer-initiated activity represented 17 percent at December 31, 2000 and 10 percent at December 31, 1999, of total derivative and foreign exchange contracts, including commitments to purchase and sell securities. Refer to Note 18 on page 57 for further information regarding customer-initiated and other derivative financial instruments and foreign exchange contracts.

Liquidity Risk

Liquidity is the ability to meet financial obligations through the maturity or sale of existing assets or acquisition of additional funds. Liquidity requirements are satisfied with various funding sources, including a $15 billion medium-term note program which allows the Michigan, California and Texas banks to issue debt with maturities between one month and 15 years. The Michigan bank has an additional $2 billion European note program. At year-end 2000, unissued debt relating to the two programs totaled $10.5 billion. In addition, liquid assets totaled $4.3 billion at December 31, 2000. The Corporation also had available $23 billion from a collaterized borrowing account with the Federal Reserve bank at year-end 2000. Purchased funds at December 31, 2000, excluding certificates of deposit with maturities beyond one year and medium- and long-term debt, approximated $7.9 billion.

The parent company had available a $250 million commercial paper facility at December 31, 2000, $170 million of which was unused. Another source of liquidity for the parent company is dividends from its subsidiaries. As discussed in Note 17 on page 56, subsidiary banks are subject to regulation and may be limited in their ability to pay dividends or transfer funds to the holding company. During 2001, the subsidiary banks can pay dividends up to $1,045 million plus current year net profits without prior regulatory approval. One measure of current parent company liquidity is investment in subsidiaries as a percent of shareholders' equity. An amount over 100 percent represents the reliance on subsidiary dividends to repay liabilities. As of December 31, 2000, the ratio was 103 percent.

Operational Risk

Operational risk is the risk of unexpected losses attributable to human error, system failures, fraud, unauthorized transactions and inadequate controls and procedures. The Corporation mitigates this risk through a system of internal controls that are designed to keep operating risks at appropriate levels. The Corporation's internal audit and financial staff monitors and assesses the overall effectiveness of the system of internal controls on an ongoing basis and internal audit provides an opinion on the environment to management and the Audit Committee. Operational losses are experienced by all companies and are routinely incurred in business operations.

The internal audit staff independently supports an active Audit Committee oversight process. The Audit Committee serves as an independent extension of the Board of Directors. Routine and special meetings are scheduled periodically to provide more detail on relevant operations risks.

Other Matters

This annual report and other documents filed by Comerica with the Securities and Exchange Commission (SEC) include forward-looking statements as that term is used in the securities laws. All statements regarding Comerica'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", "estimates", "seeks", "plans", "intends" and similar expressions, as they relate to Comerica or its management, are intended to identify forward-looking statements. Although Comerica believes that the expectations reflected in these forward-looking statements are reasonable and has based these expectations on Comerica's beliefs and assumptions it has made, such expectations may prove incorrect. Numerous factors could cause variances in these projections and their underlying assumptions. Such factors are changes in interest rates, changes in industries where Comerica has a significant concentration of loans, changes in the level of fee income, the impact of Internet banking, the entry of new competitors into the banking industry as a result of the enactment of the Gramm-Leach-Bliley Act of 1999, changes in general economic conditions and related credit conditions and continuing consolidations in the banking industry. Forward-looking statements speak only as of the date they are made. Comerica does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

Consolidated Balance Sheets
Comerica Incorporated and Subsidiaries

December 31 (in thousands, except share data)	2000	1999
Assets		
Cash and due from banks	$ 1,496,705	$ 1,201,990
Short-term investments	165,364	612,959
Investment securities available for sale	2,677,762	2,739,464
Commercial loans	22,729,464	20,654,658
International loans	2,571,156	2,573,003
Real estate construction loans	2,310,399	1,709,261
Commercial mortgage loans	5,271,078	4,774,052
Residential mortgage loans	806,561	870,029
Consumer loans	1,436,773	1,350,725
Lease financing	934,914	761,550
Total loans	36,060,345	32,693,278
Less allowance for credit losses	(538,110)	(476,470)
Net loans	35,522,235	32,216,808
Premises and equipment	306,753	330,728
Customers' liability on acceptances outstanding	26,668	43,810
Accrued income and other assets	1,789,698	1,507,573
Total assets	$41,985,185	$38,653,332
Liabilities and Shareholders' Equity		
Noninterest-bearing deposits	$ 6,814,935	$ 6,136,038
Interest-bearing deposits	20,353,077	17,155,365
Total deposits	27,168,012	23,291,403
Short-term borrowings	2,077,518	2,768,031
Acceptances outstanding	26,668	43,810
Accrued expenses and other liabilities	617,060	495,587
Medium- and long-term debt	8,088,661	8,579,857
Total liabilities	37,977,919	35,178,688
Nonredeemable preferred stock—$50 stated value Authorized—5,000,000 shares Issued—5,000,000 shares in 2000 and 1999	250,000	250,000
Common stock—$5 par value Authorized—325,000,000 shares Issued—157,233,107 shares in 2000 and 1999	786,166	786,166
Capital surplus	43,354	35,092
Accumulated other comprehensive income	10,565	(31,702)
Retained earnings	2,937,296	2,485,204
Deferred compensation	(3,704)	(2,955)
Less cost of common stock in treasury—289,397 shares in 2000 and 715,496 shares in 1999	(16,411)	(47,161)
Total shareholders' equity	4,007,266	3,474,644
Total liabilities and shareholders' equity	$41,985,185	$38,653,332

See notes to consolidated financial statements.

Consolidated Statements of Income
Comerica Incorporated and Subsidiaries

Year Ended December 31 (in thousands, except per share data)	2000	1999	1998
Interest Income			
Interest and fees on loans	$3,037,176	$2,500,978	$2,382,329
Interest on investment securities			
Taxable	188,370	156,933	218,378
Exempt from federal income tax	2,864	4,647	7,252
Total interest on investment securities	191,234	161,580	225,630
Interest on short-term investments	33,226	10,152	8,815
Total interest income	3,261,636	2,672,710	2,616,774
Interest Expense			
Interest on deposits	809,585	590,335	647,825
Interest on short-term borrowings	211,686	179,133	185,711
Interest on medium- and long-term debt	533,853	410,367	367,777
Net interest rate swap (income)/expense	47,661	(54,266)	(45,810)
Total interest expense	1,602,785	1,125,569	1,155,503
Net interest income	1,658,851	1,547,141	1,461,271
Provision for credit losses	145,000	114,000	113,000
Net interest income after provision for credit losses	1,513,851	1,433,141	1,348,271
Noninterest Income			
Fiduciary and investment management income	306,119	240,574	184,354
Service charges on deposit accounts	180,018	169,173	157,416
Commercial lending fees	55,918	48,887	43,326
Letter of credit fees	41,847	38,468	31,127
Securities gains/(losses)	(810)	5,453	6,116
Net gain on sales of businesses	47,584	21,339	10,705
Other noninterest income	195,214	192,994	170,104
Total noninterest income	825,890	716,888	603,148
Noninterest Expenses			
Salaries and employee benefits	668,037	640,357	565,303
Net occupancy expense	97,750	93,728	89,911
Equipment expense	59,108	61,092	60,147
Outside processing fee expense	49,142	47,754	42,785
Restructuring charge/(credit)	—	—	(6,840)
Other noninterest expenses	314,333	274,026	268,738
Total noninterest expenses	1,188,370	1,116,957	1,020,044
Income before income taxes	1,151,371	1,033,072	931,375
Provision for income taxes	402,045	360,483	324,299
Net Income	$ 749,326	$ 672,589	$ 607,076
Net income applicable to common stock	$ 732,226	$ 655,489	$ 589,976
Basic net income per common share	$4.68	$4.20	$3.79
Diluted net income per common share	4.63	4.14	3.72
Cash dividends declared on common stock	$ 250,277	$ 224,837	$ 199,403
Dividends per common share	$1.60	$1.44	$1.28

See notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity
Comerica Incorporated and Subsidiaries

(in thousands, except share data)	Non-redeemable Preferred Stock	Common Stock	Capital Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Deferred Compensation	Treasury Stock	Total Shareholders' Equity
Balances at January 1, 1998	$250,000	$784,077	$ —	$ (1,937)	$1,731,419	$(1,783)	$ —	$2,761,776
Net income for 1998	—	—	—	—	607,076	—	—	607,076
Other comprehensive income, net of tax	—	—	—	(4,518)	—	—	—	(4,518)
Total comprehensive income	—	—	—	—	—	—	—	602,558
Cash dividends declared:								
Preferred stock	—	—	—	—	(17,100)	—	—	(17,100)
Common stock	—	—	—	—	(199,403)	—	—	(199,403)
Purchase and retirement of 60,000 shares of common stock	—	(300)	(3,182)	—	—	—	—	(3,482)
Purchase of 2,199,650 shares of common stock	—	—	—	—	—	—	(145,202)	(145,202)
Issuance of common stock under employee stock plans	—	2,388	27,831	—	(35,403)	(4,604)	56,069	46,281
Amortization of deferred compensation	—	—	—	—	—	1,185	—	1,185
Balances at December 31, 1998	250,000	786,165	24,649	(6,455)	2,086,589	(5,202)	(89,133)	3,046,613
Net income for 1999	—	—	—	—	672,589	—	—	672,589
Other comprehensive income, net of tax	—	—	—	(25,247)	—	—	—	(25,247)
Total comprehensive income	—	—	—	—	—	—	—	647,342
Cash dividends declared:								
Preferred stock	—	—	—	—	(17,100)	—	—	(17,100)
Common stock	—	—	—	—	(224,837)	—	—	(224,837)
Purchase of 44,082 shares of common stock	—	—	—	—	—	—	(2,885)	(2,885)
Issuance of common stock under employee stock plans	—	1	10,443	—	(32,037)	4	44,857	23,268
Amortization of deferred compensation	—	—	—	—	—	2,243	—	2,243
Balances at December 31, 1999	250,000	786,166	35,092	(31,702)	2,485,204	(2,955)	(47,161)	3,474,644
Net income for 2000	—	—	—	—	749,326	—	—	749,326
Other comprehensive income, net of tax	—	—	—	42,267	—	—	—	42,267
Total comprehensive income	—	—	—	—	—	—	—	791,593
Cash dividends declared:								
Preferred stock	—	—	—	—	(17,100)	—	—	(17,100)
Common stock	—	—	—	—	(250,277)	—	—	(250,277)
Purchase of 353,547 shares of common stock	—	—	—	—	—	—	(14,108)	(14,108)
Issuance of common stock under employee stock plans	—	—	8,262	—	(29,857)	(2,645)	44,858	20,618
Amortization of deferred compensation	—	—	—	—	—	1,896	—	1,896
Balances at December 31, 2000	$250,000	$786,166	$43,354	$ 10,565	$2,937,296	$(3,704)	$ (16,411)	$4,007,266

( ) Indicates deduction.

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Comerica Incorporated and Subsidiaries

Year Ended December 31 (in thousands)	2000	1999	1998
Operating Activities			
Net income	$ 749,326	$ 672,589	$ 607,076
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	145,000	114,000	113,000
Depreciation	54,229	56,893	57,633
Restructuring charge	—	—	(21,923)
Net (increase) decrease in trading account securities	(45,246)	(10,063)	2,796
Net (increase) decrease in assets held for sale	18,373	36,371	(5,236)
Net (increase) decrease in accrued income receivable	(65,730)	(44,716)	19,487
Net increase in accrued expenses	110,273	138,459	2,973
Net amortization of intangibles	36,643	33,921	30,414
Other, net	(207,615)	39,096	(116,295)
Total adjustments	45,927	363,961	82,849
Net cash provided by operating activities	795,253	1,036,550	689,925
Investing Activities			
Net increase in interest-bearing deposits with banks	(2,846)	(9,418)	(1,184)
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	8,527	(25,094)	96,941
Proceeds from sale of investment securities available for sale	326,726	335,611	111,511
Proceeds from maturity of investment securities available for sale	563,547	724,555	1,209,291
Purchases of investment securities available for sale	(795,836)	(1,175,726)	(126,239)
Net increase in loans (other than loans purchased)	(3,450,427)	(2,671,100)	(3,768,220)
Purchase of loans	—	—	(1,115)
Fixed assets, net	(30,254)	(34,971)	(35,609)
Net (increase) decrease in customers' liability on acceptances outstanding	17,142	(31,475)	6,057
Net cash provided by acquisitions/sales of businesses	439,711	—	1,878,907
Net cash used in investing activities	(2,923,710)	(2,887,618)	(629,660)
Financing Activities			
Net increase (decrease) in deposits	3,876,609	(1,021,730)	1,726,816
Net increase (decrease) in short-term borrowings	(690,513)	(812,122)	387,252
Net increase (decrease) in acceptances outstanding	(17,142)	31,475	(6,057)
Proceeds from issuance of medium- and long-term debt	6,103,664	6,275,000	3,200,000
Repayments and purchases of medium- and long-term debt	(6,594,860)	(2,977,402)	(5,212,498)
Proceeds from issuance of common stock	20,618	23,268	50,885
Purchase of common stock for treasury and retirement	(14,108)	(2,885)	(148,684)
Dividends paid	(261,096)	(235,646)	(211,966)
Net cash provided by (used in) financing activities	2,423,172	1,279,958	(214,252)
Net increase (decrease) in cash and due from banks	294,715	(571,110)	(153,987)
Cash and due from banks at beginning of year	1,201,990	1,773,100	1,927,087
Cash and due from banks at end of year	$ 1,496,705	$ 1,201,990	$ 1,773,100
Interest paid	$ 1,560,229	$ 1,101,993	$ 1,188,599
Income taxes paid	$ 366,365	$ 266,835	$ 256,880
Noncash investing and financing activities			
Transfer from loans to loans held for sale	$ —	$ 492,746	$ —
Loan transfers to other real estate	6,870	11,036	5,084

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Comerica Incorporated and Subsidiaries

1 Accounting Policies

Organization

Comerica Incorporated is a registered financial holding company headquartered in Detroit, Michigan. The Corporation's principal lines of business are the Business Bank, the Individual Bank and the Investment Bank. The core businesses are tailored to each of the Corporation's four primary geographic markets: Michigan, Texas, California and Florida.

The accounting and reporting policies of Comerica Incorporated and its subsidiaries conform to accounting principles generally accepted in the United States and prevailing practices within the banking industry. Management makes estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from these estimates.

The following is a summary of the more significant accounting and reporting policies.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries after elimination of all significant intercompany accounts and transactions. Prior years' financial statements are reclassified to conform with current financial statement presentation.

For acquisitions accounted for as pooling-of-interests combinations, the historical consolidated financial statements are restated to include the accounts and results of operations. For acquisitions using the purchase method of accounting, the assets acquired and liabilities assumed are adjusted to fair market values at the date of acquisition, and the resulting net discount or premium is accreted or amortized into income over the remaining lives of the relevant assets and liabilities. Goodwill representing the excess of cost over the net book value of identifiable assets acquired is amortized on a straight-line basis over periods ranging from 10 to 25 years (weighted average of 19 years). Core deposit intangible assets are amortized on an accelerated method over 10 years.

Impairment

The Corporation periodically evaluates long-lived assets, certain identifiable intangibles, deferred costs and goodwill for indication of impairment in value. When required, asset impairment is recorded.

Loans Held for Sale

Loans held for sale, normally mortgages, are carried at the lower of cost or market. Market value is determined in the aggregate.

Securities

Investment securities held to maturity are those securities which management has the ability and positive intent to hold to maturity. Investment securities held to maturity are stated at cost, adjusted for amortization of premium and accretion of discount.

Investment securities that fail to meet the ability and positive intent criteria are accounted for as securities available for sale, and stated at fair value with unrealized gains and losses, net of income taxes, reported as a component of shareholders' equity.

Trading account securities are carried at market value. Realized and unrealized gains or losses on trading securities are included in noninterest income.

Gains or losses on the sale of securities are computed based on the adjusted cost of the specific security.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation, computed on the straight-line method, is charged to operations over the estimated useful lives of the assets. The estimated useful lives are generally 10-33 years for premises that the company owns and 3-8 years for furniture and equipment. Leasehold improvements are amortized over the terms of their respective leases or 10 years, whichever is shorter.

Allowance for Credit Losses

The allowance for credit losses represents management's assessment of probable losses inherent in the Corporation's on- and off-balance sheet credit portfolio. The allowance provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent but that have not been specifically identified. The Corporation allocates the allowance for credit losses to each loan category based on a defined methodology, which has been in use, without material change, for several years. Internal risk ratings are assigned to each business loan at the time of approval and are subject to subsequent periodic reviews by the senior management of the Credit Policy Group. Business loans are defined as those belonging to the commercial, international, real estate construction, commercial mortgage and lease financing categories. A detailed credit quality review is performed quarterly on large business loans which have deteriorated below certain levels of credit risk. A specific portion of the allowance is allocated to such loans based upon this review. The portion of the allowance allocated to the remaining business loans is determined by applying projected loss ratios to each risk rating based on numerous factors identified below. The portion of the allowance allocated to consumer loans is determined by applying projected loss ratios to various segments of the loan portfolio. Projected loss ratios incorporate factors such as recent loan loss experience, current economic conditions and trends, geographic dispersion of borrowers, and trends with respect to past due and nonaccrual amounts.

Management maintains an unallocated allowance to recognize the uncertainty and imprecision underlying the process of estimating expected credit losses. This uncertainty occurs because other factors affecting the determination of probable losses inherent in the loan portfolio may exist which are not necessarily captured by the application of historical loss ratios. Loans which are deemed uncollectible are charged off and deducted from the allowance. The provision for credit losses and recoveries on loans previously charged off are added to the allowance.

1 Accounting Policies (continued)

Nonperforming Assets

Nonperforming assets are comprised of loans for which the accrual of interest has been discontinued, loans for which the terms have been renegotiated to less than market rates due to a serious weakening of the borrower's financial condition and other real estate which has been acquired primarily through foreclosure and is awaiting disposition.

Loans which were restructured, but yield a rate equal to or greater than the rate charged for new loans with comparable risk and have met the requirements for accrual status, are generally not reported as nonperforming assets. Such loans are evaluated for impairment in the calendar year of the modifications. These loans may be excluded from the impairment assessment in the calendar years subsequent to the restructuring if not impaired based on the modified terms. See Note 4 on page 49 for additional information on loan impairment.

Consumer loans are generally not placed on nonaccrual status and are charged off no later than 180 days past due, or earlier if deemed uncollectible. Loans other than consumer are generally placed on nonaccrual status when principal or interest is past due 90 days or more and/or when, in the opinion of management, full collection of principal or interest is unlikely. At the time a loan is placed on nonaccrual status, interest previously accrued but not collected is charged against current income. Income on such loans is then recognized only to the extent that cash is received and where future collection of principal is probable. Generally, a loan may be returned to accrual status when all delinquent principal and interest become current and the Corporation expects repayment of the remaining contractual principal and interest or when the loan is both well secured and in the process of collection. A nonaccrual loan that is restructured will generally remain on nonaccrual for a period of six months to demonstrate that the borrower can meet the restructured terms. However, sustained payment performance prior to the restructuring, or significant events that coincide with the restructuring, are included in assessing whether the borrower can meet the restructured terms. These factors may result in the loan being returned to an accrual basis at the time of restructuring or upon satisfaction of a shorter performance period. If management is uncertain whether the borrower has the ability to meet the revised payment schedule, the loan remains classified as nonaccrual. Other real estate acquired is carried at the lower of cost or fair value, minus estimated costs to sell. When the property is acquired through foreclosure, any excess of the related loan balance over fair value is charged to the allowance for credit losses. Subsequent write-downs, operating expenses and losses upon sale, if any, are charged to noninterest expenses.

Stock-Based Compensation

The Corporation elected to continue to apply the disclosure only method in accounting for its stock-based compensation plans. Information on the Corporation's stock-based compensation plans is included in Note 13.

Pension Costs

Pension costs are charged to salaries and employee benefits expense and funded consistent with the requirements of federal law and regulations.

Postretirement Benefits

Postretirement benefits are recognized in the financial statements during the employee's active service period.

Derivative Financial Instruments and Foreign Exchange Contracts

Interest rate and foreign exchange swaps, interest rate caps and floors, and futures and forward contracts may be used to manage the Corporation's exposure to interest rate and foreign currency risks. These instruments, with the exception of futures and forwards, are accounted for on an accrual basis since there is a high correlation with the on-balance sheet instrument being hedged. If this correlation ceases to exist, the existing unrealized gain or loss is amortized over the remaining term of the instrument, and future changes in fair value are accounted for in noninterest income or expense. Net interest income or expense, including premiums paid or received, is recognized over the life of the contract and reported as an adjustment to interest expense. Realized gains and losses on futures and forwards are generally deferred and amortized over the life of the contract as an adjustment to net interest income. Gains or losses on early termination of risk management derivative financial instruments are deferred and amortized as an adjustment to the yields of the related assets or liabilities over their remaining contractual life. If the designated asset or liability matures, or is disposed of or extinguished, any unrealized gains or losses on the related derivative instrument are recognized currently and reported as an adjustment to interest expense.

Foreign exchange futures and forward contracts, foreign currency options, interest rate caps and interest rate swap agreements executed as a service to customers are accounted for on a fair value basis. As a result, the fair values of these instruments are recorded in the consolidated balance sheet with both realized and unrealized gains and losses recognized currently in noninterest income.

Income Taxes

Provisions for income taxes are based on amounts reported in the statements of income (after exclusion of nontaxable income such as interest on state and municipal securities) and include deferred income taxes on temporary differences between the tax basis and financial reporting basis of assets and liabilities.

Statements of Cash Flows

For the purpose of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption, "Cash and due from banks."

Deferred Costs

Certain mutual fund costs are capitalized when paid and amortized over the period that fees contractually recoup the deferred costs. The net of fees and amortization is recorded in noninterest income.

Loan Origination Fees and Costs

Loan origination and commitment fees are deferred and recognized over the life of the related loan or over the commitment period as a yield adjustment. Loan fees on unused commitments and fees related to loans sold are recognized currently as noninterest income.

2 Acquisitions

On November 1, 2000, the Corporation and Imperial Bancorp announced a definitive agreement to merge through an exchange of shares. Under the terms of the agreement, Imperial shareholders received 0.46 shares of Comerica common stock for each share of Imperial common stock. The combined company will have assets of approximately $50 billion. The merger was completed in January 2001 and was accounted for as a pooling of interests. The Corporation anticipates incurring a pre-tax, merger-related and restructuring charge of approximately $169 million ($119 million after-tax) in 2001 in connection with the acquisition.

The financial information presented in this annual report is for Comerica Incorporated only. A summary of unaudited pro forma financial information for Comerica Incorporated and Imperial Bancorp is shown at right. The unaudited financial information is not indicative of the results that would have been realized had the entities been a single company during these periods, nor is it indicative of the actual results the combined company will report in the future.

3 Investment Securities

Information concerning investment securities as shown in the consolidated balance sheets of the Corporation was as follows:

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2000				
U.S. government and agency securities	$2,209,623	$22,476	$ 6,019	$2,226,080
State and municipal securities	44,920	1,417	40	46,297
Other securities	413,244	2,033	9,892	405,385
Total securities available for sale	$2,667,787	$25,926	$15,951	$2,677,762
December 31, 1999				
U.S. government and agency securities	$2,317,530	$ 1,458	$43,459	$2,275,529
State and municipal securities	72,054	1,764	122	73,696
Other securities	400,260	2,580	12,601	390,239
Total securities available for sale	$2,789,844	$ 5,802	$56,182	$2,739,464

Other Comprehensive Income

The Corporation has elected to present information on comprehensive income in the Consolidated Statements of Changes in Shareholders' Equity on page 44 and in Note 11.

(in millions, except per share data) Year Ended December 31,	2000	1999	1998
Total average assets	$46,877	$42,662	$39,969
Net interest income	2,004	1,817	1,720
Noninterest income	958	867	667
Noninterest expenses	1,486	1,359	1,237
Net income	791	759	651
Diluted earnings per share	$4.31	$4.13	$3.51

During 1998, Comerica purchased a majority interest in Munder Capital Management, an investment advisory firm. Net income for the third and fourth quarter of 1998 included the consolidated financial results of Munder. The Corporation's minority interest in periods prior to the third quarter of 1998 was accounted for under the equity method. Intangible assets increased $133 million as a result of the consolidation. The fair market value of total assets acquired and total liabilities assumed was not material.

The cost and estimated fair values of debt securities by contractual maturity were as follows (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.

December 31, 2000 (in thousands)	Cost	Estimated Fair Value
Contractual maturity		
Within one year	$ 16,731	$ 17,605
Over one year to five years	246,078	246,443
Over five years to ten years	51,775	49,615
Over ten years	36,657	31,315
Subtotal securities	351,241	344,978
Mortgage-backed securities	2,175,568	2,191,673
Equity and other nondebt securities	140,978	141,111
Total securities available for sale	$2,667,787	$2,677,762

3 Investment Securities (continued)

Sales, calls and write-downs of investment securities available for sale resulted in realized gains and losses as follows:

Year Ended December 31 (in thousands)	2000	1999
Securities gains	$6,482	$5,535
Securities losses	(826)	(82)
Write-down of low income housing investments	(6,466)	—
Total	$ (810)	$5,453

Assets, principally securities, carried at approximately $1.5 billion at December 31, 2000, were pledged to secure public deposits (including State of Michigan deposits of $73 million at December 31, 2000) and for other purposes as required by law.

4 Nonperforming Assets

The following table summarizes nonperforming assets and loans which are contractually past due 90 days or more as to interest or principal payments. Nonperforming assets consist of nonaccrual loans, reduced-rate loans and other real estate. Nonaccrual loans are those on which interest is not being recognized. Reduced-rate loans are those on which interest has been renegotiated to lower than market rates because of the weakened financial condition of the borrower.

Nonaccrual and reduced-rate loans are included in loans on the consolidated balance sheet.

December 31 (in thousands)	2000	1999
Nonaccrual loans		
Commercial loans	$182,153	$ 99,620
International loans	57,929	44,046
Real estate construction loans	4,542	249
Commercial mortgage loans	15,528	9,620
Residential mortgage loans	166	572
Consumer loans	3,080	5,356
Lease financing	3,837	5,630
Total	267,235	165,093
Reduced-rate loans	348	7,347
Total nonperforming loans	267,583	172,440
Other real estate	5,052	9,595
Total nonperforming assets	$272,635	$182,035
Loans past due 90 days and still accruing	$ 35,820	$ 47,676
Gross interest income that would have been recorded had the nonaccrual and reduced-rate loans performed in accordance with original terms	$ 35,954	$ 19,467
Interest income recognized	$ 7,330	$ 2,158

A loan is impaired when it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. Consistent with this definition, all nonaccrual and reduced-rate loans (with the exception of residential mortgage and consumer loans) are impaired.

Impaired loans at December 31, 2000, were $284 million, $20 million of which were formerly on nonaccrual status, but were restructured and met the requirements to be restored to an accrual basis. These loans are performing in accordance with their modified terms, but, in accordance with impaired loan disclosures must continue to be disclosed as impaired for the remainder of the calendar year of the restructuring.

December 31 (in thousands)	2000	1999	1998
Average impaired loans for the year	$229,419	$146,070	$ 85,500
Total period-end impaired loans	284,442	159,165	101,417
Period-end impaired loans requiring an allowance	250,522	155,828	87,494
Impairment allowance	99,420	51,753	21,951

Those impaired loans not requiring an allowance represent loans for which the fair value exceeded the recorded investment in the loan. Forty-two percent of the total impaired loans at December 31, 2000, are evaluated based on fair value of related collateral. Remaining loan impairment is based on the present value of expected future cash flows discounted at the loan's effective interest rate.

5 Allowance for Credit Losses

An analysis of changes in the allowance for credit losses follows:

(in thousands)	2000	1999	1998
Balance at January 1	$476,470	$ 452,409	$ 424,147
Loans charged off	(99,537)	(120,976)	(125,627)
Recoveries on loans previously charged off	16,232	31,004	40,889
Net loans charged off	(83,305)	(89,972)	(84,738)
Provision for credit losses	145,000	114,000	113,000
Foreign currency translation adjustment	(55)	33	—
Balance at December 31	$538,110	$ 476,470	$ 452,409
As a percent of total loans	1.49%	1.46%	1.48%

6 Significant Group Concentrations of Credit Risk

Concentrations of both on-balance sheet and off-balance sheet credit risk are controlled and monitored as part of credit policies. The Corporation is a regional financial holding company with a geographic concentration of its on-balance sheet and off-balance sheet activities centered in Michigan. In addition, the Corporation has an industry concentration with the automotive industry, which includes manufacturers and their finance subsidiaries, suppliers, dealers and company executives.

At December 31, 2000 and 1999, exposure from loan commitments and guarantees to companies related to the automotive industry totaled $10.6 billion and $8.9 billion, respectively.

Additionally, commercial real estate loans, including commercial mortgages and construction loans, totaled $7.6 billion in 2000 and $6.5 billion in 1999. Approximately $3.5 billion of commercial real estate and real estate construction loans at December 31, 2000, involved owner-occupied properties. Those borrowers are involved in business activities other than real estate, and the sources of repayment are not dependent on the performance of the real estate market.

7 Premises and Equipment and Other Noncancellable Obligations

A summary of premises and equipment at December 31 by major category follows:

(in thousands)	2000	1999
Land	$ 53,113	$ 49,464
Buildings and improvements	351,987	351,458
Furniture and equipment	310,058	320,565
Total cost	715,158	721,487
Less accumulated depreciation and amortization	(408,405)	(390,759)
Net book value	$ 306,753	$ 330,728

Rental expense for leased properties and equipment amounted to $41 million in 2000, $42 million in 1999 and $41 million in 1998. Future minimum payments under noncancellable obligations are as follows:

(in thousands)	
2001	$ 49,239
2002	43,209
2003	41,685
2004	37,411
2005	33,058
2006 and later	265,866

8 Short-Term Borrowings

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date. Other borrowed funds, consisting of commercial paper, borrowed securities, term federal funds purchased, short-term notes and treasury tax and loan deposits, generally mature within one to 120 days from the transaction date. The following is a summary of short-term borrowings at December 31, 2000 and 1999.

8 Short-Term Borrowings (continued)

(in thousands)	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	Other Borrowed Funds
December 31, 2000		
Amount outstanding at year-end	$1,638,591	$ 438,927
Weighted average interest rate at year-end	6.37%	5.51%
December 31, 1999		
Amount outstanding at year-end	$1,332,397	$1,435,634
Weighted average interest rate at year-end	4.40%	4.50%

At December 31, 2000, the parent company had available a $250 million commercial paper facility of which $80 million was outstanding. This facility is supported by a $200 million line of credit agreement. Under the current agreement the line will expire in May of 2001.

At December 31, 2000, the Corporation's subsidiary banks had pledged loans totaling $30.6 billion to secure a collateralized borrowing account with the Federal Reserve Bank.

9 Medium- and Long-Term Debt

Medium- and long-term debt consisted of the following at December 31:

(in thousands)	2000	1999
Parent Company		
7.25% subordinated notes due 2007	$ 157,414	$ 158,543
Subsidiaries		
Subordinated notes:		
7.25% subordinated notes due 2007	198,703	198,502
8.375% subordinated notes due 2024	155,071	155,287
7.25% subordinated notes due 2002	149,719	149,561
6.875% subordinated notes due 2008	103,272	103,729
7.125% subordinated notes due 2013	154,486	154,834
7.875% subordinated notes due 2026	172,346	173,217
6.00% subordinated notes due 2008	248,238	248,010
7.65% subordinated notes due 2010	248,385	—
Total subordinated notes	1,430,220	1,183,140
Medium-term notes:		
Floating rate based on LIBOR indices	5,042,222	5,762,320
Floating rate based on Treasury indices	125,000	37,000
Floating rate based on Prime indices	1,320,964	1,224,993
Fixed rate notes with interest rate of 6.65%	—	199,944
Total medium-term notes	6,488,186	7,224,257
Notes payable	12,841	13,917
Total subsidiaries	7,931,247	8,421,314
Total medium- and long-term debt	$8,088,661	$8,579,857

Concurrent with the issuance of certain of the medium- and long-term debt presented above, the Corporation entered into interest rate swap agreements to convert the stated rate of the debt to a rate based on the indices identified in the following table.

(in thousands)	Principal Amount of Debt Converted	Base Rate	Base Rate at 12/31/00
Parent company			
7.25% subordinated notes	$150,000	6-month LIBOR	6.21%
Subsidiaries			
Subordinated notes:			
7.25% subordinated notes	$200,000	6-month LIBOR	6.21%
8.375% subordinated notes	150,000	6-month LIBOR	6.21%
7.25% subordinated notes	150,000	6-month LIBOR	6.21%
6.875% subordinated notes	100,000	6-month LIBOR	6.21%
6.00% subordinated notes	250,000	6-month LIBOR	6.21%
7.125% subordinated notes	150,000	6-month LIBOR	6.21%
7.875% subordinated notes	150,000	6-month LIBOR	6.21%
7.65% subordinated notes	250,000	3-month LIBOR	6.44%
Medium-term notes:			
Floating rate based on Treasury indices	125,000	1-month LIBOR	6.64%

All subordinated notes and debentures with maturities greater than one year qualify as Tier 2 capital.

The Corporation currently has two medium-term note programs: a senior note program and a European note program. Under these programs, certain bank subsidiaries may offer an aggregate principal amount of up to $17.0 billion. The notes can be issued as fixed or floating rate notes and with terms from one month to 15 years. The interest rates on the floating rate medium-term notes based on LIBOR ranged from three-month LIBOR plus 0.07% to one-month LIBOR plus 0.20%. The notes are due from 2001 to 2005. The interest rate on the floating rate medium-term notes based on U.S. Treasury indices is equal to the three-month U.S. Treasury bill bond equivalent rate plus 0.67%. The notes are due in 2001. The medium-term notes do not qualify as Tier 2 capital and are not insured by the FDIC. The principal maturities of medium- and long-term debt are as follows:

(in thousands)	
2001	$5,255,697
2002	985,137
2003	132,309
2004	102,330
2005	187,366
2006 and later	1,425,822

10 Shareholders' Equity

The board of directors had authorized the repurchase of up to 40.5 million shares of Comerica Incorporated common stock for general corporate purposes, acquisitions and employee benefit plans. In connection with the Imperial Bancorp acquisition, the board of directors of the Corporation rescinded its previous authorization.

At December 31, 2000, the Corporation had reserved 11.3 million shares of common stock for issuance to employees and directors under the long-term incentive plans.

The Corporation issued 5 million shares of Fixed/Adjustable Rate Noncumulative Preferred Stock, Series E, with a stated value of $50 per share in 1996. Dividends are payable quarterly, at a rate of 6.84% per annum through July 1, 2001. Thereafter, the rate will be equal to 0.625% plus an effective rate, but not less than 7.34% nor greater than 13.34%. The effective rate will be equal to the highest of the Treasury Bill Rate, the Ten Year Constant Treasury Maturity Rate and the Thirty Year Constant Treasury Maturity Rate (as defined in the prospectus). The Corporation, at its option after regulatory approval, may redeem all or part of the outstanding shares on or after July 1, 2001.

11 Other Comprehensive Income

Other comprehensive income includes the change in unrealized gains and losses on investment securities available for sale and the change in the accumulated foreign currency translation adjustment. The Consolidated Statements of Changes in Shareholders' Equity includes only combined, net of tax, other comprehensive income. The following presents reconciliations of the components of accumulated other comprehensive income for the years ended December 31, 2000, 1999 and 1998.

	Year Ended December 31		
(in thousands)	2000	1999	1998
Net unrealized gains (losses) on investment securities available for sale:			
Balance at beginning of year	$(32,717)	$ (7,688)	$ (970)
Net unrealized holding gains (losses) arising during the period	59,499	(33,815)	(3,835)
Less: Reclassification adjustment for gains (losses) included in net income	(810)	5,453	6,116
Change in net unrealized gains (losses) before income taxes	60,309	(39,268)	(9,951)
Provision for income taxes	21,108	(14,239)	(3,233)
Change in net unrealized gains (losses) on investment securities available for sale, net of tax	39,201	(25,029)	(6,718)
Balance at December 31	$ 6,484	$(32,717)	$(7,688)
Accumulated foreign currency translation adjustment:			
Balance at beginning of year	$ 1,015	$ 1,233	$ (967)
Net translation gains (losses) arising during the period	3,066	(218)	2,200
Less: Reclassification adjustment for gains (losses) included in net income	—	—	—
Change in translation adjustment before income taxes	3,066	(218)	2,200
Provision for income taxes	—	—	—
Change in foreign currency translation adjustment, net of tax	3,066	(218)	2,200
Balance at December 31	$ 4,081	$ 1,015	$ 1,233
Total accumulated other comprehensive income, net of taxes, at December 31	$ 10,565	$(31,702)	$(6,455)

12 Net Income per Common Share

Basic net income per common share is computed by dividing net income applicable to common stock by the weighted average number of shares of common stock outstanding during the period. Diluted net income per common share is computed by dividing net income applicable to common stock by the weighted average number of shares, nonvested stock and dilutive common stock equivalents outstanding during the period. Common stock equivalents consist of common stock issuable under the assumed exercise of stock options granted under the Corporation's stock plans, using the treasury stock method. A computation of earnings per share follows:

Year Ended December 31 (in thousands, except per share data)	2000	1999	1998
Basic			
Average shares outstanding	156,398	156,094	155,859
Net income	$749,326	$672,589	$607,076
Less preferred stock dividends	17,100	17,100	17,100
Net income applicable to common stock	$732,226	$655,489	$589,976
Basic net income per common share	$4.68	$4.20	$3.79
Diluted			
Average shares outstanding	156,398	156,094	155,859
Nonvested stock	159	167	191
Common stock equivalents			
Net effect of the assumed exercise of stock options	1,718	2,136	2,707
Diluted average shares	158,275	158,397	158,757
Net income	$749,326	$672,589	$607,076
Less preferred stock dividends	17,100	17,100	17,100
Net income applicable to common stock	$732,226	$655,489	$589,976
Diluted net income per common share	$4.63	$4.14	$3.72

13 Long-Term Incentive Plans

The Corporation has long-term incentive plans under which it has awarded both shares of restricted stock to key executive officers and stock options to executive officers, directors and key personnel of the Corporation and its subsidiaries. The Corporation has elected to follow the disclosure only method in accounting for its employee and director stock options. Under Accounting Principles Board (APB) Opinion No. 25, no compensation expense is recognized because the exercise price of the Corporation's employee and director stock options equals the market price of the underlying stock on the date of grant. The maturity of each option is determined at the date of grant; however, no options may be exercised later than ten years from the date of grant. The options may have restrictions regarding exercisability. A majority of the Corporation's options vest over a four-year period.

Pro forma information regarding net income and earnings per share was determined as if the Corporation had accounted for its employee and director stock options under the fair value method. The fair value of options was estimated at the date of grant using a Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The model may not necessarily provide a reliable single measure of the fair value of employee and director stock options. The Corporation's employee and director stock options have characteristics significantly different from those of traded options and changes in the subjective input assumptions can materially affect the fair value estimate.

The fair value of the options was estimated using an option valuation model with the following weighted-average assumptions:

	2000	1999	1998
Risk-free interest rate	6.46%	5.15%	5.54%
Expected dividend yield	2.84%	3.24%	3.45%
Expected volatility factors of the market price of Comerica common stock	28%	24%	21%
Expected option life (in years)	4.8	4.8	4.3

Had compensation cost for the Corporation's stock-based compensation plans been determined in accordance with the fair value provisions, net income and earnings per share would have been as follows:

(in thousands, except per share data)	2000	1999	1998
Pro forma net income	$715,336	$639,169	$578,335
Pro forma earnings per share:			
Basic	$4.57	$4.09	$3.71
Diluted	4.52	4.04	3.64

13 Long-Term Incentive Plans (continued)

		Average per Share	
	Number	Exercise Price	Market Price
Outstanding—December 31, 1997	7,637,343	$24.77	$60.17
Granted	2,058,542	71.37	71.37
Cancelled	(232,617)	42.92	64.33
Exercised	(1,213,818)	21.33	64.07
Expired	—		
Outstanding—December 31, 1998	8,249,450	$36.39	$68.19
Granted	2,237,754	66.63	66.63
Cancelled	(202,392)	63.00	58.69
Exercised	(680,664)	18.86	62.76
Expired	—		
Outstanding—December 31, 1999	9,604,148	$44.12	$46.69
Granted	2,437,684	41.95	41.95
Cancelled	(179,781)	60.36	49.58
Exercised	(715,104)	17.31	49.99
Expired	—		
Outstanding—December 31, 2000	11,146,947	$45.11	$59.38
Exercisable—December 31, 2000	6,613,643		
Available for grant— December 31, 2000	142,316		

The following table summarizes information about stock options outstanding at December 31, 2000:

	Outstanding			Exercisable	
Exercise Price Range	Shares	Average Life (a)	Average Exercise Price	Shares	Average Exercise Price
$ 9.83 - $19.00	1,359,931	3.8	$18.23	1,359,931	$18.23
19.83 - 35.33	1,992,364	4.0	23.77	1,988,614	23.75
40.09 - 58.44	3,854,534	8.1	41.33	1,213,527	40.98
60.31 - 66.81	2,155,613	8.2	66.61	959,260	66.41
68.44 - 71.58	1,784,505	7.2	71.58	1,092,311	71.58
Total	11,146,947	6.7	$45.11	6,613,643	$39.86

(a) Average contractual life remaining in years.

14 Employee Benefit Plans

The Corporation has a defined benefit pension plan in effect for substantially all full-time employees. Staff expense includes income of $7.9 million in 2000, $0.8 million in 1999 and $3.0 million in 1998 for the plan. Benefits under the plan are based primarily on years of service, age and compensation during the five highest paid consecutive calendar years occurring during the last ten years before retirement. The plan's assets primarily consist of units of certain collective investment funds administered by Munder Capital Management, equity securities, U.S. government and agency securities and corporate bonds and notes.

The Corporation's postretirement benefits plan continues postretirement health care and life insurance benefits for retirees as of December 31, 1992, provides a phase-out for employees over 50 as of that date. The Corporation has funded the plan with a company-owned life insurance contract.

The tables below set forth reconciliations of the Corporation's pension and postretirement plan obligations and plan assets:

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
(in thousands)	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at January 1	$509,686	$542,941	$74,562	$80,710
Service cost	13,531	15,387	79	256
Interest cost	42,839	38,118	5,541	5,308
Amendments	25,696	—	—	—
Actuarial (gain)/loss	22,294	(63,598)	2,892	(4,995)
Benefits paid	(23,419)	(23,162)	(7,122)	(6,717)
Benefit obligation at December 31	$590,627	$509,686	$75,952	$74,562
Change in plan assets:				
Fair value of plan assets at January 1	$651,782	$628,194	$84,391	$88,312
Actual return on plan assets	2,656	46,750	5,136	(1,475)
Employer contributions	—	—	3,306	4,271
Benefits paid	(23,419)	(23,162)	(7,122)	(6,717)
Fair value of plan assets at December 31	$631,019	$651,782	$85,711	$84,391

14 Employee Benefit Plans (continued)

The following table sets forth the funded status of the defined benefit pension and postretirement plan and amounts recognized on the Corporation's balance sheet:

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
(in thousands)	2000	1999	2000	1999
Funded status at December 31	$40,393	$ 142,096	$ 9,758	$ 9,829
Unrecognized net (gain)/loss	(24,927)	(106,068)	3,282	(4,701)
Unrecognized net transition (asset)/obligation	(856)	(5,690)	51,388	59,850
Unrecognized prior service cost	21,597	(2,072)	—	—
Prepaid benefit cost	$36,207	$ 28,266	$64,428	$64,978

Components of net periodic benefit cost/(income):

Defined Benefit Pension Plan (in thousands)	2000	1999	1998
Service cost	$ 13,531	$ 15,387	$ 13,924
Interest cost	42,839	38,118	36,039
Expected return on plan assets	(60,920)	(51,241)	(48,887)
Amortization of unrecognized transition asset	(4,834)	(4,834)	(4,834)
Amortization of unrecognized prior service cost	2,026	(322)	(331)
Amortization of unrecognized net (gain)/loss	(584)	2,132	1,071
Net periodic benefit income	$ (7,942)	$ (760)	$ (3,018)

Postretirement Benefit Plan (in thousands)	2000	1999	1998
Service cost	$ 79	$ 256	$ 262
Interest cost	5,541	5,308	5,509
Expected return on plan assets	(6,069)	(5,935)	(5,829)
Amortization of unrecognized transition obligation	4,305	4,628	4,628
Net periodic benefit cost	$ 3,856	$ 4,257	$ 4,570

Actuarial assumptions were as follows:

Defined Benefit Pension Plan	2000	1999	1998
Discount rate used in determining benefit obligation	7.9%	8.0%	7.0%
Long-term rate of return on assets	10.0%	9.3%	9.0%
Rate of compensation increase	5.0%	5.0%	5.0%

Postretirement Benefit Plan	2000	1999	1998
Discount rate used in determining benefit obligation	7.9%	8.0%	7.0%
Long-term rate of return on assets	6.7%	6.7%	6.7%

The health care and prescription drug cost trend rates projected for 2000 were nine percent and eleven percent, respectively. Each health care cost trend rate is assumed to gradually decrease to five precent by the year 2007. Increasing each health care rate by one percentage point would increase the accumulated postretirement benefit obligation by $5 million at December 31, 2000, and the aggregate of the service and interest cost components by $359 thousand for the year ended December 31, 2000. Decreasing each health care rate by one percentage point would decrease the accumulated postretirement benefit obligation by $5 million at December 31, 2000, and the aggregate of the service and interest cost components by $317 thousand for the year ended December 31, 2000.

The Corporation also maintains defined contribution plans (including 401(k) plans) for various groups of its employees. All of the Corporation's salaried and regular part-time employees are eligible to participate in one or more of the plans. The Corporation makes matching contributions, most of which are based on a declining percentage of employee contributions (currently, maximum per employee is $1,000) as well as a performance-based matching contribution based on the Corporation's financial performance. Staff expense includes expense of $14.2 million in 2000, $11.7 million in 1999 and $11.1 million in 1998 for the plans.

15 Income Taxes

The current and deferred components of income taxes were as follows:

(in thousands)	2000	1999	1998
Currently payable			
Federal	$339,683	$287,776	$245,486
Foreign	16,120	22,797	27,263
State and local	20,464	10,174	13,847
	376,267	320,747	286,596
Deferred federal, state and local	25,778	39,736	37,703
Total	$402,045	$360,483	$324,299

There were $(0.3) million, $1.9 million and $2.1 million of income tax provision/(benefit) on securities transactions in 2000, 1999 and 1998, respectively.

15 Income Taxes (continued)

The principal components of deferred tax (assets)/liabilities at December 31 were as follows:

(in thousands)	2000	1999
Deferred tax assets:		
Allowance for credit losses	$(170,110)	$(150,025)
Allowance for depreciation	(3,302)	—
Deferred loan origination fees and costs	(34,959)	(31,424)
Investment securities available for sale	—	(17,458)
Employee benefits	(13,743)	(8,259)
Other deferred tax assets	(104,791)	(88,885)
Total deferred tax assets	$(326,905)	$(296,051)
Deferred tax liabilities:		
Lease financing transactions	$ 306,639	$ 229,086
Allowance for depreciation	—	2,871
Investment securities available for sale	3,492	—
Other deferred tax liabilities	50,789	51,443
Total deferred tax liabilities	360,920	283,400
Net deferred tax (asset)/liability	$ 34,015	$ (12,651)

The provision for income taxes differs from that computed by applying the federal statutory rate of 35 percent for the reasons in the following analysis:

(in thousands)	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
Tax based on federal statutory rate	$402,980	35.0%	$361,575	35.0%	$325,981	35.0%
Effect of tax-exempt interest income	(1,619)	(0.1)	(2,737)	(0.3)	(4,039)	(0.4)
Bank owned life insurance	(11,553)	(1.0)	(11,054)	(1.1)	(10,651)	(1.2)
Goodwill	7,557	0.6	7,584	0.8	7,559	0.8
Other	4,680	0.4	5,115	0.5	5,449	0.6
Provision for income taxes	$402,045	34.9%	$360,483	34.9%	$324,299	34.8%

16 Transactions with Related Parties

The bank subsidiaries have had, and expect to have in the future, transactions with the Corporation's directors and their affiliates. Such transactions were made in the ordinary course of business and included extensions of credit, all of which were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in management's opinion, involve more than normal risk of collectibility or present other unfavorable features. The aggregate amount of loans attributable to persons who were related parties at December 31, 2000, approximated $368 million at the beginning and $450 million at the end of 2000. During 2000, new loans to related parties aggregated $710 million and repayments totaled $628 million.

17 Regulatory Capital and Banking Subsidiaries

Banking regulations limit the transfer of assets in the form of dividends, loans or advances from the bank subsidiaries to the Corporation. Under the most restrictive of these regulations, the aggregate amount of dividends which can be paid to the Corporation without obtaining prior approval from bank regulatory agencies approximated $1,045 million at January 1, 2001, plus current year's earnings. Substantially all the assets of the Corporation's subsidiaries are restricted from transfer to the Corporation in the form of loans or advances.

Dividends paid to the Corporation by its banking subsidiaries amounted to $339 million in 2000, $261 million in 1999 and $442 million in 1998.

The Corporation and its banking subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios of Tier 1 and total capital (as defined in the regulations) to average and risk-weighted assets. At December 31, 2000 and 1999, the Corporation and all of its banking subsidiaries exceeded the ratios required for an institution to be considered "well capitalized" (total capital ratio greater than 10 percent). The following is a summary of the capital position of the Corporation and its significant banking subsidiaries.

17 Regulatory Capital and Banking Subsidiaries (continued)

(in thousands)	Comerica Inc. (Consolidated)	Comerica Bank	Comerica Bank-Texas	Comerica Bank-California
December 31, 2000				
Tier 1 capital	$3,649,809	$2,923,331	$370,520	$482,292
Total capital	5,649,080	4,600,732	519,976	695,433
Tier 1 capital to average assets (minimum–3.0%)	8.90%	8.91%	9.95%	8.95%
Tier 1 capital to risk–weighted assets (minimum–4.0%)	7.11	7.09	9.43	7.26
Total capital to risk–weighted assets (minimum–8.0%)	11.00	11.16	13.23	10.46
December 31, 1999				
Tier 1 capital	$3,179,790	$2,614,284	$358,200	$382,339
Total capital	4,903,202	4,046,166	452,678	576,282
Tier 1 capital to average assets (minimum–3.0%)	8.39%	8.53%	9.59%	8.60%
Tier 1 capital to risk–weighted assets (minimum–4.0%)	6.95	7.00	10.12	7.48
Total capital to risk–weighted assets (minimum–8.0%)	10.72	10.83	12.79	11.27

18 Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Corporation enters into various off-balance sheet transactions involving derivative financial instruments, foreign exchange contracts and credit-related financial instruments to manage exposure to fluctuations in interest rate, foreign currency and other market risks and to meet the financing needs of customers. These financial instruments involve, to varying degrees, elements of credit and market risk in excess of the amount reflected in the consolidated balance sheets.

Credit risk is the possible loss that may occur in the event of nonperformance by the counterparty to a financial instrument. The Corporation attempts to minimize credit risk arising from off-balance sheet financial instruments by evaluating the creditworthiness of each counterparty, adhering to the same credit approval process used for traditional lending activities. Counterparty risk limits and monitoring procedures have also been established to facilitate the management of credit risk. Collateral is obtained, if deemed necessary, based on the results of management's credit evaluation. Collateral varies, but may include cash, investment securities, accounts receivable, inventory, property, plant and equipment or real estate.

Derivative financial instruments and foreign exchange contracts are traded over an organized exchange or negotiated over-the-counter. Credit risk associated with exchange-traded contracts is typically assumed by the organized exchange. Over-the-counter contracts are tailored to meet the needs of the counterparties involved and, therefore, contain a greater degree of credit risk and liquidity risk than exchange-traded contracts which have standardized terms and readily available price information. The Corporation reduces exposure to credit and liquidity risks from over-the-counter derivative and foreign exchange contracts by conducting such transactions with investment-grade domestic and foreign investment banks or commercial banks.

Market risk is the potential loss that may result from movements in interest or foreign currency rates which cause an unfavorable change in the value of a financial instrument. The Corporation manages this risk by establishing monetary exposure limits and monitoring compliance with those limits. Market risk arising from derivative and foreign exchange positions entered into on behalf of customers is reflected in the consolidated financial statements and may be mitigated by entering into offsetting transactions. Market risk inherent in off-balance sheet derivative and foreign exchange contracts held or issued for risk management purposes is generally offset by changes in the value of rate sensitive on-balance sheet assets or liabilities.

Derivative Financial Instruments and Foreign Exchange Contracts

The Corporation, as an end-user, employs a variety of off-balance sheet financial instruments for risk management purposes. Activity related to these instruments is centered predominantly in the interest rate markets and mainly involves interest rate swaps. Various other types of instruments are also used to manage exposures to market risks, including interest rate caps and floors, total return swaps, foreign exchange forward contracts and foreign exchange swap agreements. Refer to the section entitled "Risk Management Derivative Financial Instruments and Foreign Exchange Contracts" in the financial review on page 40 for further information about the Corporation's objectives for using such instruments.

The following table presents the composition of off-balance sheet derivative financial instruments and foreign exchange contracts, excluding commitments, held or issued for risk management purposes at December 31, 2000 and 1999.

Notional amounts, which represent the extent of involvement in the derivatives market, are generally used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk and are not reflected in the consolidated balance sheets.

18 Financial Instruments with Off-Balance Sheet Risk (continued)

(in millions)	Notional/ Contract Amount	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2000				
Risk management				
Interest rate contracts:				
Swaps	$12,006	$197	$ (31)	$ 166
Floors purchased	8	—	—	—
Foreign exchange contracts:				
Spot and forwards	493	18	(6)	12
Swaps	115	1	(13)	(12)
Total foreign exchange contracts	608	19	(19)	—
Total risk management	$12,622	$216	$ (50)	$ 166
December 31, 1999				
Risk management				
Interest rate swaps	$ 8,518	$ 17	$(172)	$(155)
Foreign exchange contracts:				
Spot and forwards	1,098	33	(23)	10
Swaps	115	—	(5)	(5)
Total foreign exchange contracts	1,213	33	(28)	5
Total risk management	$ 9,731	$ 50	$(200)	$(150)

During 1999, the Corporation terminated a portion of its portfolio of index amortizing interest rate swaps. The notional amount of these swaps totaled $1,376 million. The gain resulting from early termination was deferred and is being amortized over the remaining expected life of the swaps at time of termination.

Credit risk, which excludes the effects of any collateral or netting arrangements, is measured as the cost to replace, at current market rates, contracts in a profitable position. The amount of this exposure is represented by the gross unrealized gains on derivative and foreign exchange contracts.

Bilateral collateral agreements with counterparties covered 95 percent of the notional amount of interest rate derivative contracts at December 31, 2000 and 1999. These agreements reduce credit risk by providing for the exchange of marketable investment securities to secure amounts due on contracts in an unrealized gain position. In addition, at December 31, 2000, master netting arrangements had been established with all interest rate swap counterparties and certain foreign exchange counterparties. These arrangements effectively reduce credit risk by permitting settlement, on a net basis, of contracts entered into with the same counterparty. The Corporation has not experienced any material credit losses associated with derivative or foreign exchange contracts.

On a limited scale, fee income is earned from entering into various transactions, principally foreign exchange contracts and interest rate caps, at the request of customers. The Corporation does not speculate in derivative financial instruments for the purpose of profiting in the short-term from favorable movements in market rates.

Fair values for customer-initiated and other derivative and foreign exchange contracts represent the net unrealized gains or losses on such contracts and are recorded in the consolidated balance sheets. Changes in fair value are recognized in the consolidated income statements. For the year ended December 31, 2000, unrealized gains and unrealized losses on customer-initiated and other foreign exchange contracts averaged $26 million and $19 million, respectively. For the year ended December 31, 1999, unrealized gains and unrealized losses averaged $19 million and $15 million, respectively. These contracts also generated noninterest income of $9 million in 2000 and $10 million in 1999. Average positive and negative fair values and income related to customer-initiated and other interest rate contracts were not material for 2000 and 1999.

The following table presents the composition of off-balance sheet derivative financial instruments and foreign exchange contracts held or issued in connection with customer-initiated and other activities at December 31, 2000 and 1999.

(in millions)	Notional/ Contract Amount	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2000				
Customer-initiated and other				
Interest rate contracts:				
Caps and floors written	$ 198	$—	$ (1)	$(1)
Caps and floors purchased	179	1	—	1
Swaps	493	5	(4)	1
Total interest rate contracts	870	6	(5)	1
Foreign exchange contracts:				
Spot, forwards, futures and options	1,690	26	(18)	8
Swaps	50	—	—	—
Total customer-initiated and other	$2,610	$32	$(23)	$9
December 31, 1999				
Customer-initiated and other				
Interest rate contracts:				
Caps and floors written	$ 166	$—	$ (1)	$(1)
Caps and floors purchased	141	1	—	1
Swaps	256	2	(2)	—
Total interest rate contracts	563	3	(3)	—
Foreign exchange contracts:				
Spot, forwards, futures and options	579	14	(11)	3
Total customer-initiated and other	$1,142	$17	$(14)	$ 3

Detailed discussions of each class of derivative financial instruments and foreign exchange contracts held or issued by the Corporation for both risk management and customer-initiated and other activities are as follows.

18 Financial Instruments with Off-Balance Sheet Risk (continued)

Interest Rate Swaps

Interest rate swaps are agreements in which two parties periodically exchange fixed cash payments for variable payments based on a designated market rate or index (or variable payments based on two different rates or indices for basis swaps), applied to a specified notional amount until a stated maturity. The Corporation's swap agreements are structured such that variable payments are primarily based on prime, one-month LIBOR or three-month LIBOR. These instruments are principally negotiated over-the-counter and are subject to credit risk, market risk and liquidity risk.

Interest Rate Options, Including Caps and Floors

Option contracts grant the option holder the right to buy or sell an underlying financial instrument for a predetermined price before the contract expires. Interest rate caps and floors are option-based contracts which entitle the buyer to receive cash payments based on the difference between a designated reference rate and the strike price, applied to a notional amount. Written options, primarily caps, expose the Corporation to market risk but not credit risk. A fee is received at inception for assuming the risk of unfavorable changes in interest rates. Purchased options contain both credit and market risk; however, market risk is limited to the fee paid. Options are either exchange-traded or negotiated over-the-counter. All interest rate caps and floors are over-the-counter agreements.

Foreign Exchange Contracts

The Corporation uses foreign exchange rate swaps, including generic receive variable swaps and cross-currency swaps, for risk management purposes. Generic receive variable swaps involve payment, in a foreign currency, of the difference between a contractually fixed exchange rate and an average exchange rate determined at settlement, applied to a notional amount. Cross-currency swaps involve the exchange of both interest and principal amounts in two different currencies. Other foreign exchange contracts such as futures, forwards and options are primarily entered into as a service to customers and to offset market risk arising from such positions. Futures and forward contracts require the delivery or receipt of foreign currency at a specified date and exchange rate. Foreign currency options allow the holder to purchase or sell a foreign currency at a specified date and price. Foreign exchange futures are exchange-traded, while forwards, swaps and most options are negotiated over-the-counter. Foreign exchange contracts expose the Corporation to both market risk and credit risk.

Commitments

The Corporation also enters into commitments to purchase or sell earning assets for risk management purposes. These transactions, which are similar in nature to forward contracts, did not have a material impact on the consolidated financial statements for the years ended December 31, 2000 and 1999. Commitments to purchase and sell investment securities for the Corporation's trading account totaled $3 million and $4 million at December 31, 2000 and 1999, respectively. Outstanding commitments expose the Corporation to both credit and market risk.

Credit-Related Financial Instruments

The Corporation issues off-balance sheet financial instruments in connection with commercial and consumer lending activities.

Credit risk associated with these instruments is represented by the contractual amounts indicated in the following table:

(in millions)	2000	1999
Unused commitments to extend credit	$24,695	$24,230
Standby letters of credit and financial guarantees	4,335	4,064
Commercial letters of credit	255	232
Credit default swaps	44	44

Unused Commitments to Extend Credit

Commitments to extend credit are legally binding agreements to lend to a customer, provided there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments expire without being drawn upon, the total contractual amount of commitments does not necessarily represent future cash requirements of the Corporation. Total unused commitments to extend credit included variable- and fixed-rate bankcard, revolving check credit and equity access loan commitments of $1 billion at December 31, 2000 and $3 billion at December 31, 1999. The decline in these commitments was attributable to forming the bankcard and revolving check credit alliance as discussed in the financial review on page 29. Other unused commitments, primarily variable rate, totaled $24 billion at December 31, 2000 and $21 billion at December 31, 1999.

Standby and Commercial Letters of Credit and Financial Guarantees

Standby and commercial letters of credit and financial guarantees represent conditional obligations of the Corporation which guarantee the performance of a customer to a third party. Standby letters of credit and financial guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Long-term standby letters of credit and financial guarantees, defined as those maturing beyond one year, expire in decreasing amounts through the year 2012, and were $1,338 million and $1,475 million at December 31, 2000 and 1999, respectively. The remaining standby letters of credit and financial guarantees, which mature within one year, totaled $2,997 million and $2,589 million at December 31, 2000 and 1999, respectively. Commercial letters of credit are issued to finance foreign or domestic trade transactions.

Credit Default Swaps

Credit default swaps allow the Corporation to diversify its loan portfolio by assuming credit exposure from different borrowers or industries without actually extending credit in the form of a loan. Credit risk associated with credit default swaps was $44 million at December 31, 2000 and 1999.

19 Contingent Liabilities

The Corporation and its subsidiaries are parties to litigation and claims arising in the normal course of their activities. The amount of ultimate liability, if any, with respect to such matters, or the likelihood or impact of future claims that may be brought against the Corporation, cannot be determined with reasonable certainty. Management, after consultation with legal counsel, believes that the litigation and claims, some of which are substantial, will not have a material adverse effect on the Corporation's consolidated financial position.

20 Usage Restrictions

Cash and due from banks may include amounts required to be deposited with the Federal Reserve Bank. These reserve balances vary, depending on the level of customer deposits in the Corporation's subsidiary banks. The average amount of these reserves was $162 million and $203 million for the years ended December 31, 2000 and 1999, respectively.

21 Estimated Fair Values of Financial Instruments

Disclosure of the estimated fair values of financial instruments, which differ from carrying values, often requires the use of estimates. In cases where quoted market values 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. Accordingly, the estimates provided herein do not necessarily indicate amounts which could be realized in a current exchange. Furthermore, as the Corporation normally intends to hold the majority of its financial instruments until maturity, it does not expect to realize many of the estimated amounts disclosed. The disclosures also do not include estimated fair value amounts for items which 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 does not believe that it would be practicable to estimate a representational fair value for these types of items.

The Corporation used the following methods and assumptions:

Cash and short-term investments: The carrying amount approximates the estimated fair value of these instruments, which consist of cash and due from banks, interest-bearing deposits with banks and federal funds sold.

Trading account securities: These securities are carried at quoted market value or the market value for comparable securities, which represents estimated fair value.

Loans held for sale: The market value of these loans represents estimated fair value or estimated net selling price. The market value is determined on the basis of existing forward commitments or the market values of similar loans.

Investment securities: The market value of investment securities, which is based on quoted market values or the market values for comparable securities, represents estimated fair value.

Domestic business loans: These consist of commercial, real estate construction, commercial mortgage and equipment lease financing loans. The estimated fair value of the Corporation's variable rate commercial loans is represented by their carrying value, adjusted by an amount which estimates the change in fair value caused by changes in the credit quality of borrowers since the loans were originated. The estimated fair value of fixed rate commercial loans is calculated by discounting the contractual cash flows of the loans using year-end origination rates derived from the Treasury yield curve or other representative bases. The resulting amounts are adjusted to estimate the effect of changes in the credit quality of borrowers since the loans were originated.

International loans: The estimated fair value of the Corporation's short-term international loans which consist of trade-related loans, or loans which have no cross-border risk due to the existence of domestic guarantors or liquid collateral, is represented by their carrying value, adjusted by an amount which estimates the effect on fair value of changes in the credit quality of borrowers or guarantors. The estimated fair value of long-term international loans is based on the quoted market values of these loans or on the market values of international loans with similar characteristics.

Retail loans: This category consists of residential mortgage, consumer and auto lease financing loans. The estimated fair value of residential mortgage loans is based on discounted contractual cash flows or market values of similar loans sold in conjunction with securitized transactions. For consumer loans, the estimated fair values are calculated by discounting the contractual cash flows of the loans using rates representative of year-end origination rates. The resulting amounts are adjusted to estimate the effect of changes in the credit quality of borrowers since the loans were originated.

Customers' liability on acceptances outstanding: The carrying amount approximates the estimated fair value.

Loan servicing rights: The estimated fair value is a discounted cash flow analyses, using interest rates and prepayment speed assumptions currently quoted for comparable instruments.

21 Estimated Fair Values of Financial Instruments (continued)

Deposit liabilities: The estimated fair value of demand deposits, consisting of checking, savings and certain money market deposit accounts, is represented by the amounts payable on demand. The carrying amount of deposits in foreign offices approximates their estimated fair value, while the estimated fair value of term deposits is calculated by discounting the scheduled cash flows using the year-end rates offered on these instruments.

Short-term borrowings: The carrying amount of federal funds purchased, securities sold under agreements to repurchase and other borrowings approximates estimated fair value.

Acceptances outstanding: The carrying amount approximates the estimated fair value.

Medium- and long-term debt: The estimated fair value of the Corporation's variable rate medium- and long-term debt is represented by its carrying value. The estimated fair value of the fixed rate medium- and long-term debt is based on quoted market values. If quoted market values are not available, the estimated fair value is based on the market values of debt with similar characteristics.

Derivative financial instruments and foreign exchange contracts: The estimated fair value of interest rate swaps represents the amount the Corporation would receive or pay to terminate or otherwise settle the contracts at the balance sheet date, taking into consideration current unrealized gains and losses on open contracts. The estimated fair value of foreign exchange futures and forward contracts and commitments to purchase or sell financial instruments is based on quoted market prices. The estimated fair value of interest rate and foreign currency options (including interest rate caps and floors) is determined using option pricing models.

Credit-related financial instruments: The estimated fair value of unused commitments to extend credit and standby and commercial letters of credit is represented by the estimated cost to terminate or otherwise settle the obligations with the counterparties. This amount is approximated by the fees currently charged to enter into similar arrangements, considering the remaining terms of the agreements and any changes in the credit quality of counterparties since the agreements were entered into. This estimate of fair value does not take into account the significant value of the customer relationships and the future earnings potential involved in such arrangements as the Corporation does not believe that it would be practicable to estimate a representational fair value for these items.

The estimated fair values of the Corporation's financial instruments at December 31, 2000 and 1999 are as follows:

	2000		1999	
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and short-term investments	$ 1,583	$ 1,583	$ 1,294	$ 1,294
Trading account securities	62	62	16	16
Loans held for sale	17	18	505	535
Investment securities available for sale	2,678	2,678	2,739	2,739
Commercial loans	22,729	22,575	20,655	20,444
International loans	2,571	2,501	2,573	2,538
Real estate construction loans	2,310	2,321	1,709	1,710
Commercial mortgage loans	5,271	5,239	4,774	4,674
Residential mortgage loans	807	818	870	866
Consumer loans	1,437	1,460	1,351	1,321
Lease financing	935	992	761	753
Total loans	36,060	35,906	32,693	32,306
Less allowance for credit losses	(538)	—	(476)	—
Net loans	35,522	35,906	32,217	32,306
Customers' liability on acceptances outstanding	27	27	44	44
Loan servicing rights	4	4	5	5
Liabilities				
Demand deposits (noninterest-bearing)	6,815	6,815	6,136	6,136
Interest-bearing deposits	20,353	20,444	17,155	17,137
Total deposits	27,168	27,259	23,291	23,273
Short-term borrowings	2,078	2,078	2,768	2,768
Acceptances outstanding	27	27	44	44
Medium- and long-term debt	8,089	8,020	8,580	8,490
Off-Balance Sheet Financial Instruments				
Derivative financial instruments and foreign exchange contracts				
Risk management:				
Unrealized gains	3	216	—	50
Unrealized losses	—	(50)	(1)	(200)
Customer-initiated and other:				
Unrealized gains	32	32	17	17
Unrealized losses	(23)	(23)	(14)	(14)
Credit-related financial instruments	—	(24)	—	(15)

22 Business Segment Information

The Corporation has strategically aligned its operations into three major lines of business: the Business Bank, the Individual Bank and the Investment Bank. These lines of business are differentiated based on the products and services provided. Lines of business results are produced by the Corporation's internal management accounting system. This system measures financial results based on the internal organizational structure of the Corporation. Information presented is not necessarily comparable with similar information for any other financial institution. The management accounting system assigns balance sheet and income statement items to each line of business using certain methodologies which are constantly being refined. For comparability purposes, amounts in all periods are based on methodologies in effect at December 31, 2000. These methodologies, which are briefly summarized in the following paragraph, may be modified as management accounting systems are enhanced and changes occur in the organizational structure or product lines. In addition to the three major lines of business, the Finance Division is also reported as a segment.

The Corporation's internal funds transfer pricing system records cost of funds or credit for funds using a combination of matched maturity funding for certain assets and liabilities and a blended rate based on various maturities for the remaining assets and liabilities. The credit loss provision is assigned based on the amount necessary to maintain an allowance for credit losses adequate for that line of business. Noninterest income and expenses directly attributable to a line of business are assigned to that business. Direct expenses incurred by areas whose services support the overall Corporation are allocated to the business lines as follows: Product processing expenditures are allocated based on standard unit costs applied to actual volume measurements; administrative expenses are allocated based on estimated time expended; and corporate overhead is assigned based on the ratio of a line of business' noninterest expenses to total noninterest expenses incurred by all business lines. Common equity is allocated based on credit, operational and business risks.

The following discussion provides information about the activities of each line of business. A discussion of the financial results and the factors impacting 2000 performance can be found in the section entitled "Strategic Lines of Business" in the financial review on page 31.

The Business Bank is comprised of middle market lending, asset-based lending, large corporate banking and international financial services. This line of business meets the needs of medium-size 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 Individual Bank includes consumer lending, consumer deposit gathering, mortgage loan origination and servicing, small business banking (annual sales under $5 million) and private banking. This line of business offers a variety of consumer products, including deposit accounts, direct and indirect installment loans, credit cards, home equity lines of credit and residential mortgage loans. In addition, a full range of financial services is provided to small businesses and municipalities. Private lending and personal trust services are also provided to meet the personal financial needs of affluent individuals (as defined by individual net income or wealth).

The Investment Bank is responsible for the sale of mutual fund and annuity products, as well as life, disability and long-term care insurance products. This line of business also offers institutional trust products, retirement services and provides investment management and advisory services (including Munder), investment banking and discount securities brokerage services.

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 gap and earnings simulation analysis and executing various strategies to manage the Corporation's exposure to interest rate risk.

The Other category includes divested business lines, the income and expense impact of cash and credit loss reserves not assigned to specific business lines, miscellaneous other items of a corporate nature and certain direct expenses not allocated to business lines.

22 Business Segment Information (continued)

Lines of business/segment financial results were as follows:

	Business Bank			Individual Bank			Investment Bank*		
(dollar amounts in millions)	2000	1999	1998	2000	1999	1998	2000	1999	1998
Earnings Summary									
Net interest income (FTE)	$ 961	$ 853	$ 746	$ 734	$ 699	$ 679	$ (10)	$ (5)	$ (3)
Provision for credit losses	181	149	79	1	(6)	(14)	—	—	—
Noninterest income	216	193	154	338	294	300	267	201	146
Noninterest expenses	356	339	308	588	593	586	234	176	128
Provision for income taxes (FTE)	233	202	185	165	141	142	11	7	5
Net income (loss)	407	356	328	318	265	265	12	13	10
Selected Average Balances									
Assets	$29,011	$26,120	$22,908	$ 6,938	$ 7,042	$ 7,651	$ 408	$ 247	$ 141
Loans	27,996	25,021	21,555	6,466	6,584	7,076	52	—	1
Deposits	5,087	4,529	4,332	17,808	17,332	17,213	37	24	34
Common equity	2,068	1,604	1,340	742	715	736	282	197	121
Statistical Data									
Return on average assets	1.40%	1.36%	1.43%	1.71%	1.47%	1.47%	2.70%	5.43%	6.68%
Return on average common equity	19.71	22.16	24.49	42.78	37.08	35.98	4.26	6.80	7.79
Efficiency ratio	30.30	32.47	34.32	54.53	59.74	59.89	90.95	89.37	89.38

	Finance			Other			Total		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Earnings Summary									
Net interest income (FTE)	$ (23)	$ 7	$ 47	$ 1	$ (2)	$ —	$ 1,663	$ 1,552	$ 1,469
Provision for credit losses	—	—	—	(37)	(29)	48	145	114	113
Noninterest income	6	8	7	(1)	21	(4)	826	717	603
Noninterest expenses	2	3	3	9	6	(5)	1,189	1,117	1,020
Provision for income taxes (FTE)	(7)	4	18	4	11	(18)	406	365	332
Net income (loss)	(12)	8	33	24	31	(29)	749	673	607
Selected Average Balances									
Assets	$3,898	$3,730	$4,320	$ 65	$(179)	$ (33)	$40,320	$36,960	$34,987
Loans	544	481	280	(682)	(526)	(313)	34,376	31,560	28,599
Deposits	1,706	569	704	54	65	(30)	24,692	22,519	22,253
Common equity	372	315	333	(4)	168	87	3,460	2,999	2,617
Statistical Data									
Return on average assets	(0.08)%	0.06%	0.28%	n/m%	n/m%	n/m%	1.86%	1.82%	1.74%
Return on average common equity	(3.32)	2.41	10.01	n/m	n/m	n/m	21.16	21.86	22.54
Efficiency ratio	(12.43)	24.17	5.73	n/m	n/m	n/m	47.74	49.35	49.39

* Included in noninterest expenses are fees internally transferred to other lines of business for referrals to the Investment Bank. If excluded, Investment Bank net income would have been $26 million in 2000, $22 million in 1999 and $15 million in 1998. Return on average common equity would have been 9.32% in 2000, 11.38% in 1999 and 11.99% in 1998.

n/m - not meaningful

23 Parent Company Financial Statements

BALANCE SHEETS—Comerica Incorporated December 31 (in thousands, except share data)	2000	1999
Assets		
Cash and due from banks	$ 9,918	$ 80
Time deposits with banks	112,100	69,900
Investment securities available for sale	47,262	27,505
Investment in subsidiaries, principally banks	4,141,686	3,669,435
Premises and equipment	3,391	4,335
Other assets	66,009	55,900
Total assets	$4,380,366	$3,827,155
Liabilities and Shareholders' Equity		
Commercial paper	$ 79,985	$ 74,877
Long-term debt	157,414	158,543
Advances from nonbanking subsidiaries	4,453	3,882
Other liabilities	131,248	115,209
Total liabilities	373,100	352,511
Nonredeemable preferred stock—$50 stated value		
Authorized—5,000,000 shares		
Issued—5,000,000 shares in 2000 and 1999	250,000	250,000
Common stock—$5 par value		
Authorized—325,000,000 shares		
Issued—157,233,107 shares in 2000 and 1999	786,166	786,166
Capital surplus	43,354	35,092
Accumulated other comprehensive income	10,565	(31,702)
Retained earnings	2,937,296	2,485,204
Deferred compensation	(3,704)	(2,955)
Less cost of common stock in treasury—289,397 shares in 2000 and 715,496 shares in 1999	(16,411)	(47,161)
Total shareholders' equity	4,007,266	3,474,644
Total liabilities and shareholders' equity	$4,380,366	$3,827,155

STATEMENTS OF INCOME—Comerica Incorporated Year Ended December 31 (in thousands)	2000	1999	1998
Income			
Income from subsidiaries			
Dividends from subsidiaries	$339,060	$260,603	$442,495
Other interest income	6,464	808	3,899
Intercompany management fees	97,865	93,414	157,393
Other interest income	123	347	545
Other noninterest income	1,572	24,354	2,628
Total income	445,084	379,526	606,960
Expenses			
Interest on long-term debt and other borrowed funds	15,178	17,193	22,214
Net interest rate swap (income)/expense	394	(682)	(1,648)
Salaries and employee benefits	63,258	64,580	61,583
Occupancy expense	4,238	5,840	6,630
Equipment expense	1,721	1,572	1,873
Other noninterest expenses	35,131	29,730	36,102
Total expenses	119,920	118,233	126,754
Income before income taxes and equity in undistributed net income of subsidiaries	325,164	261,293	480,206
Income tax expense/(credit)	(4,528)	349	13,279
	329,692	260,944	466,927
Equity in undistributed net income of subsidiaries, principally banks	419,634	411,645	140,149
Net Income	$749,326	$672,589	$607,076

23 Parent Company Financial Statements (continued)

STATEMENTS OF CASH FLOWS—Comerica Incorporated Year Ended December 31 (in thousands)	2000	1999	1998
Operating Activities			
Net income	$ 749,326	$ 672,589	$ 607,076
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed earnings of subsidiaries, principally banks	(419,634)	(411,645)	(140,149)
Depreciation	1,458	1,404	1,755
Restructuring charge	—	—	(6,008)
Other, net	4,513	5,822	4,908
Total adjustments	(413,663)	(404,419)	(139,494)
Net cash provided by operating activities	335,663	268,170	467,582
Investing Activities			
Purchase of investment securities available for sale	(24,432)	(7,687)	(11,640)
Proceeds from sale of investment securities available for sale	2,176	2,580	1,983
Proceeds from sales of fixed assets and other real estate	30	115	136
Purchases of fixed assets	(614)	(316)	(1,222)
Net (increase) decrease in bank time deposits	(42,200)	(47,300)	57,800
Capital transactions with subsidiaries	(10,750)	(5,610)	(134,752)
Net cash used in investing activities	(75,790)	(58,218)	(87,695)
Financing Activities			
Net increase (decrease) in advances from subsidiaries	571	3,882	(4,054)
Repayments and purchases of long-term debt	(1,129)	(76,096)	(63,712)
Net increase in short-term borrowings	5,109	74,877	—
Proceeds from issuance of common stock	20,618	23,268	50,885
Purchase of common stock for treasury and retirement	(14,108)	(2,885)	(148,684)
Dividends paid	(261,096)	(235,646)	(211,966)
Net cash used in financing activities	(250,035)	(212,600)	(377,531)
Net increase (decrease) in cash on deposit at bank subsidiary	9,838	(2,648)	2,356
Cash on deposit at bank subsidiary at beginning of year	80	2,728	372
Cash on deposit at bank subsidiary at end of year	$ 9,918	$ 80	$ 2,728
Interest paid	$ 16,251	$ 19,184	$ 15,290
Income taxes recovered	$ 5,990	$ 9,807	$ 975

24 Summary of Quarterly Financial Information

The following quarterly information is unaudited. However, in the opinion of management, the information reflects all adjustments which are necessary for the fair presentation of the results of operations for the periods presented.

	2000			
(in thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$866,693	$835,403	$799,675	$759,865
Interest expense	438,910	421,248	387,705	354,922
Net interest income	427,783	414,155	411,970	404,943
Provision for credit losses	32,000	24,000	34,000	55,000
Securities gains/(losses)	(1,431)	(742)	1,110	253
Noninterest income (excluding securities gains/(losses))	199,295	205,538	201,423	220,444
Noninterest expenses	294,945	301,539	295,863	296,023
Net income	194,218	191,841	185,551	177,716
Basic net income per common share	$ 1.21	$ 1.20	$ 1.16	$ 1.11
Diluted net income per common share	1.20	1.18	1.15	1.10

	1999			
(in thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$729,838	$671,936	$641,501	$629,435
Interest expense	321,563	281,544	261,859	260,603
Net interest income	408,275	390,392	379,642	368,832
Provision for credit losses	45,000	21,000	28,000	20,000
Securities gains	3,512	49	690	1,202
Noninterest income (excluding securities gains)	191,356	170,426	193,961	155,692
Noninterest expenses	287,813	276,850	288,880	263,414
Net income	175,681	170,414	167,382	159,112
Basic net income per common share	$ 1.10	$ 1.06	$ 1.04	$ 0.99
Diluted net income per common share	1.08	1.05	1.03	0.98

25 Pending Accounting Pronouncements

In June 1998, The Financial Accounting Standards Board issued Statement No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," as amended by Statements No. 137 and 138, which the Corporation adopted effective January 1, 2001. The Statement will require the Corporation to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value in net income. If the derivative is a hedge, depending on the nature of the hedge, the change in the fair value of the derivative will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through net income or recognized in other comprehensive income until the hedged item is recognized in net income. The ineffective portion of a derivative's change in fair value will be immediately recognized in net income.

The Corporation utilizes interest rate swaps predominantly as asset and liability management tools with the overall objective of mitigating adverse impacts to net interest income from changes in interest rates. Interest rate swaps that are used to hedge the variable cash flows from loans will be accounted for as cash flow hedges upon adoption of SFAS 133. The Corporation also utilizes interest rate swaps to hedge fixed rate deposits and medium- and long-term debt. These swaps will be accounted for as fair value hedges upon adoption of SFAS 133.

The Corporation utilizes foreign exchange forward contracts and foreign exchange swap agreements to manage risk associated with foreign denominated assets and liabilities. The gains or losses recognized on foreign exchange contracts related to foreign denominated assets and liabilities provide an offset to the transaction gain or loss recognized from remeasurement of the asset or liability in the Corporation's functional currency. The Corporation has foreign exchange contracts hedging the foreign currency exposure of its net investment in foreign operations. These qualify for hedge accounting treatment under SFAS 133 and the effective portion of these hedges will continue to be recorded in other comprehensive income as an offset to the currency translation adjustment that arises upon consolidation of the foreign operation.

Based on the Corporation's derivative positions at the January 1, 2001 adoption date, the Corporation will report a loss from the cumulative effect of adoption of approximately $1 million and an increase in other comprehensive income of $42 million.

Report of Management

Management is responsible for the accompanying financial statements and all other financial information in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and include amounts which of necessity are based on management's best estimates and judgments and give due consideration to materiality. The other financial information herein is consistent with that in the financial statements.

In meeting its responsibility for the reliability of the financial statements, management develops and maintains systems of internal accounting controls. These controls are designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with management's authorization. The concept of reasonable assurance is based on the recognition that the cost of internal accounting control systems should not exceed the related benefits. The systems of control are continually monitored by the internal auditors whose work is closely coordinated with and supplements in many instances the work of independent auditors.

The financial statements have been audited by independent auditors Ernst & Young LLP. Their role is to render an independent professional opinion on management's financial statements based upon performance of procedures they deem appropriate under auditing standards generally accepted in the United States.

The Corporation's Board of Directors oversees management's internal control and financial reporting responsibilities through its Audit & Legal Committee as well as various other committees. The Audit & Legal Committee, which consists of directors who are not officers or employees of the Corporation, meets periodically with management and internal and independent auditors to assure that they and the Committee are carrying out their responsibilities, and to review auditing, internal control and financial reporting matters.

Eugene A. Miller
Chairman, President and Chief Executive Officer

Ralph W. Babb Jr.

Ralph W. Babb Jr.
Vice Chairman and Chief Financial Officer

Marvin J. Elenbaas

Marvin J. Elenbaas
Senior Vice President and Controller

Report of Independent Auditors

Board of Directors,
Comerica Incorporated

We have audited the accompanying consolidated balance sheets of Comerica Incorporated and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Comerica Incorporated and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Detroit, Michigan
January 22, 2001

Historical Review — Average Balance Sheets
Comerica Incorporated and Subsidiaries

Consolidated Financial Information (in millions)	2000	1999	1998	1997	1996
Assets					
Cash and due from banks	$ 1,484	$ 1,518	$ 1,622	$ 1,686	$ 1,576
Short-term investments	298	116	143	129	195
Investment securities	2,670	2,403	3,371	4,687	5,823
Commercial loans	21,738	19,681	16,973	14,234	12,686
International loans	2,552	2,627	2,342	1,953	1,541
Real estate construction loans	2,009	1,364	989	866	707
Commercial mortgage loans	5,051	4,461	3,819	3,547	3,483
Residential mortgage loans	832	929	1,325	1,676	1,960
Consumer loans	1,395	1,816	2,575	4,486	4,624
Lease financing	799	682	576	447	351
Total loans	34,376	31,560	28,599	27,209	25,352
Less allowance for credit losses	(514)	(463)	(440)	(402)	(361)
Net loans	33,862	31,097	28,159	26,807	24,991
Accrued income and other assets	2,006	1,826	1,692	1,560	1,610
Total assets	$40,320	$36,960	$34,987	$34,869	$34,195
Liabilities and Shareholders' Equity					
Noninterest-bearing deposits	$ 6,405	$ 6,255	$ 6,151	$ 5,815	$ 5,589
Interest-bearing deposits	18,287	16,264	16,102	16,131	16,669
Total deposits	24,692	22,519	22,253	21,946	22,258
Short-term borrowings	3,263	3,482	3,420	3,818	4,105
Accrued expenses and other liabilities	530	421	415	467	400
Medium- and long-term debt	8,125	7,289	6,032	5,980	4,745
Total liabilities	36,610	33,711	32,120	32,211	31,508
Shareholders' equity	3,710	3,249	2,867	2,658	2,687
Total liabilities and shareholders' equity	$40,320	$36,960	$34,987	$34,869	$34,195

Historical Review — Statements of Income
Comerica Incorporated and Subsidiaries

Consolidated Financial Information (in millions, except per share data)	2000	1999	1998	1997	1996
Interest Income					
Interest and fees on loans	$3,037	$2,501	$2,382	$2,318	$2,161
Interest on investment securities					
Taxable	189	157	219	310	372
Exempt from federal income tax	3	5	7	11	18
Total interest on investment securities	192	162	226	321	390
Interest on short-term investments	33	10	9	9	12
Total interest income	3,262	2,673	2,617	2,648	2,563
Interest Expense					
Interest on deposits	809	590	648	673	686
Interest on short-term borrowings	212	179	186	209	219
Interest on medium- and long-term debt	534	411	368	374	295
Net interest rate swap (income)/expense	48	(54)	(46)	(51)	(49)
Total interest expense	1,603	1,126	1,156	1,205	1,151
Net interest income	1,659	1,547	1,461	1,443	1,412
Provision for credit losses	145	114	113	146	114
Net interest income after provision for credit losses	1,514	1,433	1,348	1,297	1,298
Noninterest Income					
Fiduciary and investment management income	306	241	184	147	133
Service charges on deposit accounts	180	169	158	141	140
Commercial lending fees	56	49	43	32	23
Letter of credit fees	42	39	31	26	22
Securities gains/(losses)	(1)	5	6	5	14
Net gain on sales of businesses	48	21	11	20	10
Other noninterest income	195	193	170	157	165
Total noninterest income	826	717	603	528	507
Noninterest Expenses					
Salaries and employee benefits	668	640	565	539	561
Net occupancy expense	98	94	90	89	99
Equipment expense	59	61	60	62	69
Outside processing fee expense	49	48	43	42	42
Restructuring charge	—	—	(7)	—	90
Other noninterest expenses	315	274	269	276	298
Total noninterest expenses	1,189	1,117	1,020	1,008	1,159
Income before income taxes	1,151	1,033	931	817	646
Provision for income taxes	402	360	324	287	229
Net Income	$ 749	$ 673	$ 607	$ 530	$ 417
Net income applicable to common stock	$ 732	$ 655	$ 590	$ 513	$ 408
Basic net income per common share	$ 4.68	$ 4.20	$ 3.79	$ 3.24	$ 2.41
Diluted net income per common share	4.63	4.14	3.72	3.19	2.38
Cash dividends declared on common stock	$ 250	$ 225	$ 199	$ 181	$ 170
Dividends per common share	$ 1.60	$ 1.44	$ 1.28	$ 1.15	$ 1.01

Historical Review — Statistical Data
Comerica Incorporated and Subsidiaries

Consolidated Financial Information	2000	1999	1998	1997	1996
Average Rates (Fully Taxable Equivalent Basis)					
Short-term investments	11.20%	8.85%	6.25%	6.59%	6.23%
Investment securities	7.10	6.76	6.81	6.94	6.79
Commercial loans	8.90	7.70	8.04	8.25	8.21
International loans	9.21	7.86	7.97	7.07	6.64
Real estate construction loans	9.37	8.48	9.24	9.38	9.22
Commercial mortgage loans	8.78	8.25	8.74	9.08	9.29
Residential mortgage loans	7.64	7.47	7.69	7.90	7.83
Consumer loans	9.08	9.98	10.20	9.81	9.88
Lease financing	5.95	6.84	7.65	7.48	6.82
Total loans	8.84	7.93	8.34	8.53	8.54
Interest income as a percent of earning assets	8.73	7.85	8.17	8.29	8.20
Domestic deposits	4.27	3.48	3.91	4.09	4.04
Deposits in foreign offices	7.75	7.05	6.71	5.68	5.46
Total interest-bearing deposits	4.43	3.63	4.02	4.17	4.11
Short-term borrowings	6.49	5.14	5.43	5.47	5.33
Medium- and long-term debt	6.57	5.63	6.10	6.26	6.22
Interest expense as a percent of interest-bearing sources	5.40	4.16	4.52	4.65	4.51
Interest rate spread	3.33	3.69	3.65	3.64	3.69
Impact of net noninterest-bearing sources of funds	1.12	0.86	0.92	0.89	0.85
Net interest margin as a percent of earning assets	4.45	4.55	4.57	4.53	4.54
Return on Average Common Shareholders' Equity	21.16	21.86	22.54	21.32	15.98
Return on Average Assets	1.86	1.82	1.74	1.52	1.22
Efficiency Ratio	47.74	49.35	49.39	51.04	60.36
Per Share Data					
Book value at year-end	$ 23.94	$ 20.60	$ 17.94	$16.02	$ 14.70
Market value at year-end	59.38	46.69	68.19	60.17	34.92
Market value—high and low for year	61-33	70-44	73-47	62-34	39-24
Other Data					
Number of banking offices	338	332	334	350	358
Number of employees (full-time equivalent)	10,000	10,234	10,134	9,960	11,079

Shareholder Information

Stock

Comerica's stock trades on the New York Stock Exchange (NYSE) under the symbol CMA.

Shareholder Assistance

Inquiries related to shareholder records, change of name, address or ownership of stock, and lost or stolen stock certificates should be directed to the transfer agent and registrar:

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
(800) 468-9716
stocktransfer@wellsfargo.com

Elimination of Duplicate Materials

If you receive duplicate mailings at one address, you may have multiple shareholder accounts. You can consolidate your multiple accounts into a single, more convenient account by contacting the transfer agent shown above. In addition, if more than one member of your household is receiving shareholder materials, you can eliminate the duplicate mailings by contacting the transfer agent.

Dividend Reinvestment Plan

Comerica offers a dividend reinvestment plan which permits participating shareholders of record to reinvest dividends in Comerica common stock without paying brokerage commissions or service charges. Participating shareholders also may invest up to $3,000 in additional funds each quarter for the purchase of additional shares. A brochure describing the plan in detail and an authorization form can be requested from the transfer agent shown above.

Dividend Direct Deposit

Common shareholders of Comerica may have their dividends deposited into their savings or checking account at any bank that is a member of the National Automated Clearing House (ACH) system. Information describing this service and an authorization form can be requested from the transfer agent shown above.

Dividend Payments

Subject to approval of the board of directors, dividends customarily are paid on Comerica's common stock on or about January 1, April 1, July 1 and October 1.

Annual Meeting

The Annual Meeting of Shareholders of Comerica Incorporated will be held on Tuesday, May 22, 2001, at 9:30 a.m. at the Detroit Institute of Arts, 5200 Woodward Avenue, Detroit, Michigan.

Form 10-K

A copy of the Corporation's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained without charge upon written request to the Secretary of the Corporation at the address listed at the bottom of this page.

Stock Prices, Dividends and Yields

Quarter	High	Low	Dividend Per Share	Dividend* Yield
2000				
Fourth	$61.13	$47.19	$0.40	2.9%
Third	59.44	45.00	0.40	3.0
Second	54.38	39.88	0.40	3.4
First	46.25	32.94	0.40	4.1
1999				
Fourth	$61.38	$44.00	$0.36	2.7%
Third	61.63	47.63	0.36	2.6
Second	66.63	57.31	0.36	2.3
First	70.00	58.94	0.36	2.2

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

At January 31, 2001, there were 18,639 holders of record of the Corporation's common stock.

Investor Relations on the Internet

Go to www.comerica.com to find the latest investor relations information about Comerica, including stock quotes, news releases and customized financial data.

Community Reinvestment Act (CRA) Performance

Comerica is committed to meeting the credit needs of the communities it serves. Following are the most recent CRA ratings for Comerica subsidiaries:

Comerica Bank (Michigan)	Outstanding
Comerica Bank–Texas	Satisfactory
Comerica Bank–California	Satisfactory
Comerica Bank, N.A.	Outstanding

Equal Employment Opportunity

Comerica is committed to its affirmative action program and practices which ensure uniform treatment of employees without regard to race, creed, color, age, national origin, religion, handicap, marital status, veteran status, weight, height or sex.

Product Information Center

If you have any questions about Comerica's products and services, please contact our Product Information Center at (800) 292-1300.

Career Opportunities

Go to www.comericajobs.com to find the latest information about career opportunities at Comerica.

Comerica Incorporated, Comerica Tower at Detroit Center, 500 Woodward Avenue, MC 3391, Detroit, Michigan 48226
(248) 371-5000 (metro Detroit) • (800) 521-1190 (outside Detroit area) • www.comerica.com

Media Contact: Sharon R. McMurray, (313) 222-4881 **Investor Contact:** Judith S. Love, (313) 222-2840

TIGERS
Comerica
Comerica

Opening Day, April 11, 2000, Comerica Park