FINANCIAL REVIEW AND REPORTS

1999 Financial Highlights 22
Earnings Performance 22
Strategic Lines of Business 29
Balance Sheet and Capital Funds Analysis 31
Risk Management 32
Consolidated Financial Statements 40
Notes to Consolidated Financial Statements 44
Report of Management 65
Report of Independent Auditors 65
Historical Review 66

TABLE 1: SELECTED FINANCIAL DATA

Year Ended December 31 (dollar amounts in millions, except per share data)	1999	1998	1997	1996	1995
EARNINGS SUMMARY					
Total interest income	$ 2,673	$ 2,617	$ 2,648	$ 2,563	$ 2,614
Net interest income	1,547	1,461	1,443	1,412	1,300
Provision for credit losses	114	113	146	114	87
Securities gains	5	6	5	14	12
Noninterest income (excluding securities gains)	712	597	523	493	487
Restructuring charge	—	(7)	—	90	—
Noninterest expenses (excluding restructuring charge)	1,117	1,027	1,008	1,069	1,086
Net income	673	607	530	417	413
PER SHARE OF COMMON STOCK					
Basic net income	$ 4.20	$ 3.79	$ 3.24	$ 2.41	$ 2.38
Diluted net income	4.14	3.72	3.19	2.38	2.37
Cash dividends declared	1.44	1.28	1.15	1.01	0.91
Common shareholders' equity	20.60	17.94	16.02	14.70	15.17
Market value	46.69	68.19	60.17	34.92	26.67
YEAR-END BALANCES					
Total assets	$38,653	$36,601	$36,292	$34,206	$35,470
Total earning assets	36,046	33,427	33,104	31,110	32,051
Total loans	32,693	30,605	28,895	26,207	24,442
Total deposits	23,291	24,313	22,586	22,367	23,167
Total borrowings	11,348	8,862	10,479	8,731	9,319
Medium- and long-term debt	8,580	5,282	7,286	4,242	4,644
Common shareholders' equity	3,225	2,797	2,512	2,366	2,608
DAILY AVERAGE BALANCES					
Total assets	$36,960	$34,987	$34,869	$34,195	$34,129
Total earning assets	34,079	32,113	32,025	31,370	31,537
Total loans	31,560	28,599	27,209	25,352	23,561
Total deposits	22,519	22,253	21,946	22,258	21,655
Total borrowings	10,771	9,452	9,798	8,850	9,639
Medium- and long-term debt	7,289	6,032	5,980	4,745	4,510
Common shareholders' equity	2,999	2,617	2,408	2,554	2,511
RATIOS					
Return on average assets	1.82%	1.74%	1.52%	1.22%	1.21%
Return on average common shareholders' equity	21.86	22.54	21.32	15.98	16.46
Efficiency ratio	49.35	49.39	51.04	60.36	60.09
Dividend payout ratio	35	34	36	42	38
Average common shareholders' equity as a percent of average assets	8.11	7.48	6.91	7.47	7.36

1999 FINANCIAL HIGHLIGHTS

Centered on Performance

- Earned 21.86 percent on average common shareholders' equity, compared to 22.54 percent in 1998.
- Returned 1.82 percent on average assets, compared to 1.74 percent in 1998.

Reported Record Earnings

- Reported net income of $673 million, or $4.14 per share, compared with $607 million, or $3.72 per share in 1998.

Sustained Growth

- Generated a 17 percent increase in business loans, averaging $29 billion.
- Experienced growth in noninterest income of $114 million, or 19 percent.
- Averaged $37 billion in total assets in 1999, a 6 percent increase from 1998.
- Increased average shareholders' equity to $3.2 billion.

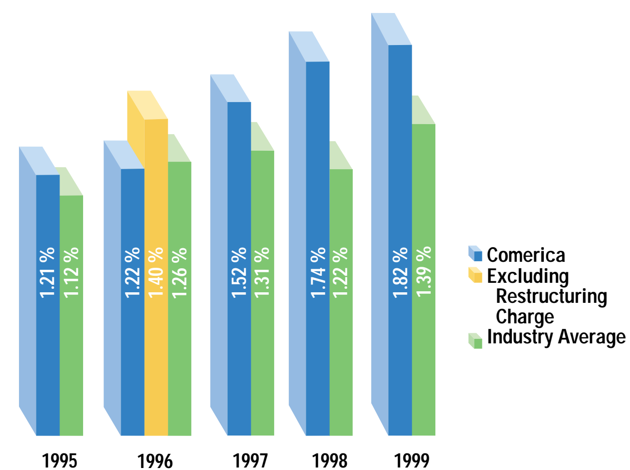
Enhanced Shareholders' Return

- Raised the quarterly cash dividend 12.5 percent to $0.36 per share, an annual rate of $1.44 per share.

Implemented Key Strategies

- Formed relationship with Trammel Crow Corporate Services to reduce real estate operating costs.
- Opened new loan production offices in Atlanta, Chicago and Stamford, Connecticut.
- Opened new international finance offices in Hong Kong and Sao Paulo.
- Opened a new personal trust office in Phoenix.

Return on Average Assets
(in percentages)



EARNINGS PERFORMANCE

Net Interest Income

Net interest income, on a fully taxable equivalent (FTE) basis, 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 (FTE) comprised 68 percent of net revenues in 1999, compared to 71 percent in 1998 and 73 percent in 1997.

Net Interest Income

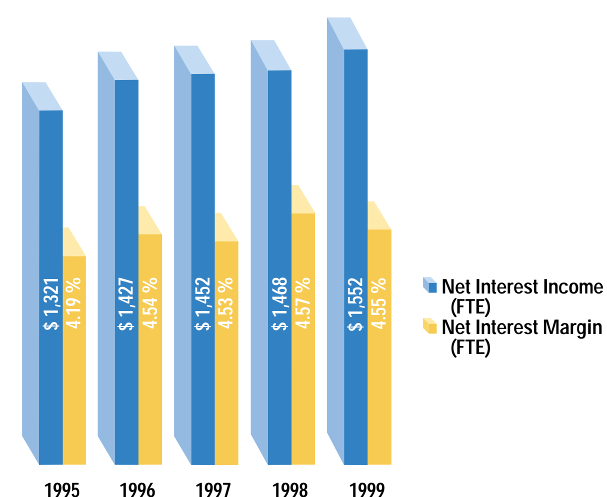


TABLE 2: ANALYSIS OF NET INTEREST INCOME – FULLY TAXABLE EQUIVALENT

(dollar amounts in millions)	1999 Average Balance	1999 Interest	1999 Average Rate	1998 Average Balance	1998 Interest	1998 Average Rate	1997 Average Balance	1997 Interest	1997 Average Rate
Commercial loans	$19,681	$1,516	7.70%	$16,973	$1,365	8.04%	$14,234	$1,174	8.25%
International loans	2,627	206	7.86	2,342	187	7.97	1,953	138	7.07
Real estate construction loans	1,364	116	8.48	989	91	9.24	866	81	9.38
Commercial mortgage loans	4,461	368	8.25	3,819	334	8.74	3,547	322	9.08
Residential mortgage loans	929	69	7.47	1,325	102	7.69	1,676	133	7.90
Consumer loans	1,816	181	9.98	2,575	263	10.20	4,486	440	9.81
Lease financing	682	47	6.84	576	44	7.65	447	33	7.48
Total loans (1)	31,560	2,503	7.93	28,599	2,386	8.34	27,209	2,321	8.53
Taxable securities	2,309	156	6.67	3,232	217	6.72	4,490	309	6.84
Securities exempt from federal income taxes	94	8	9.09	139	12	9.16	197	18	9.32
Total investment securities	2,403	164	6.76	3,371	229	6.81	4,687	327	6.94
Short-term investments	116	11	8.85	143	9	6.25	129	9	6.59
Total earning assets	34,079	2,678	7.85	32,113	2,624	8.17	32,025	2,657	8.29
Cash and due from banks	1,518			1,622			1,686		
Allowance for credit losses	(463)			(440)			(402)		
Accrued income and other assets	1,826			1,692			1,560		
Total assets	$36,960			$34,987			$34,869		
Money market and NOW accounts	$ 7,664	208	2.71	$ 7,346	231	3.15	$ 6,926	232	3.35
Savings deposits	1,513	24	1.59	1,584	28	1.79	1,701	34	2.02
Certificates of deposit	6,399	310	4.84	6,521	345	5.29	6,699	361	5.39
Foreign office deposits (2)	688	48	7.05	651	44	6.71	805	46	5.68
Total interest-bearing deposits	16,264	590	3.63	16,102	648	4.02	16,131	673	4.17
Federal funds purchased and securities sold under agreements to repurchase	2,823	146	5.16	2,510	137	5.44	2,017	111	5.49
Other borrowed funds	659	33	5.07	910	49	5.40	1,801	98	5.45
Medium- and long-term debt	7,289	411	5.63	6,032	368	6.10	5,980	374	6.26
Other (3)	—	(54)	—	—	(46)	—	—	(51)	—
Total interest-bearing sources	27,035	1,126	4.16	25,554	1,156	4.52	25,929	1,205	4.65
Noninterest-bearing deposits	6,255			6,151			5,815		
Accrued expenses and other liabilities	421			415			467		
Preferred stock	250			250			250		
Common shareholders' equity	2,999			2,617			2,408		
Total liabilities and shareholders' equity	$36,960			$34,987			$34,869		
Net interest income/rate spread (FTE)		$1,552	3.69		$1,468	3.65		$1,452	3.64
FTE adjustment (4)		$ 5			$ 7			$ 9	
Impact of net noninterest-bearing sources of funds			0.86			0.92			0.89
Net interest margin (as a percent of average earning assets) (FTE)			4.55%			4.57%			4.53%

(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. If swap income were allocated, average rates on total loans would have been 8.05% in 1999, 8.43% in 1998 and 8.63% in 1997; average rates on medium- and long-term debt would have been 5.38% in 1999, 5.76% in 1998 and 5.85% in 1997.
(4) The FTE adjustment is computed using a federal income tax rate of 35%.

TABLE 3: RATE-VOLUME ANALYSIS – FULLY TAXABLE EQUIVALENT

	1999 / 1998			1998 / 1997		
(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	$ (58)	$209	$151	$(29)	$220	$191
International loans	(3)	22	19	17	32	49
Real estate construction loans	(7)	32	25	(1)	11	10
Commercial mortgage loans	(19)	53	34	(12)	24	12
Residential mortgage loans	(3)	(30)	(33)	(4)	(27)	(31)
Consumer loans	(6)	(76)	(82)	18	(195)	(177)
Lease financing	(4)	7	3	1	10	11
Total loans	(100)	217	117	(10)	75	65
Taxable securities	1	(62)	(61)	(7)	(85)	(92)
Securities exempt from federal income taxes	—	(4)	(4)	(1)	(5)	(6)
Total investment securities	1	(66)	(65)	(8)	(90)	(98)
Short-term investments	5	(3)	2	—	—	—
Total interest income (FTE)	(94)	148	54	(18)	(15)	(33)
Interest expense						
Money market and NOW accounts	(32)	9	(23)	(14)	13	(1)
Savings deposits	(3)	(1)	(4)	(4)	(2)	(6)
Certificates of deposit	(29)	(6)	(35)	(6)	(10)	(16)
Foreign office deposits	2	2	4	8	(10)	(2)
Total interest-bearing deposits	(62)	4	(58)	(16)	(9)	(25)
Federal funds purchased and securities sold under agreements to repurchase	(7)	16	9	(1)	27	26
Other borrowed funds	(3)	(13)	(16)	(1)	(48)	(49)
Medium- and long-term debt	(28)	71	43	(9)	3	(6)
Other (1)	(8)	—	(8)	5	—	5
Total interest expense	(108)	78	(30)	(22)	(27)	(49)
Net interest income (FTE)	$ 14	$ 70	$ 84	$ 4	$ 12	$ 16

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

Net interest income (FTE) rose 6 percent to $1,552 million in 1999. Contributing to this increase was a 10 percent increase in average total loans and an increase in noninterest-bearing sources of funds, primarily shareholders' equity. A significant increase of 16 percent 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 average by a combined $1.2 billion from the prior year.

The net interest margin remained relatively stable in 1999, decreasing 2 basis points to 4.55 percent from 4.57 percent last year. The decrease in the net interest margin was partially due to a 6 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 which occurred within the earning assets portfolio, whereby investment securities and residential mortgage loans were replaced with commercial loans. With the repositioning effectively completed and deposit balances growing at rates slower than earning assets, a greater reliance on purchased funds is expected, which will gradually reduce the margin.

Comerica (the "Corporation") applied 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 included the tactical management of earning assets, funding and capital. In addition, off-balance sheet interest rate swap contracts were 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 34 of this financial review for additional information regarding the Corporation's asset and liability management policies.

In 1998, net interest income (FTE) increased 1 percent over 1997, benefitting from strong growth in average earning assets, primarily commercial loans. The growth in average commercial loans was offset by the sale of $2.0 billion of indirect consumer loans and non-relationship credit card receivables in the second quarter of 1998. The net interest margin for 1998 was 4.57 percent, an increase of 4 basis points from 1997. The increase in the net interest margin was primarily due to an increase in the impact of noninterest-bearing sources of funds, the consumer loan divestitures and a reduced emphasis on investment securities in the mix of earning assets.

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 credit 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 corporate loan at the time of approval and are subject to subsequent periodic reviews by the senior management of the Credit Policy Group. Corporate 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 corporate 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 corporate 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. The allocated reserve was $271 million at December 31, 1999, an increase of $44 million from 1998. Allocations to corporate loans, as shown in Table 8, increased from loan growth and changing credit characteristics of the portfolio. Consumer loan allocations declined as credit quality improved and loan outstandings declined.

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 reserve reflects

Net Loans Charged Off To Average Loans (in percentages)

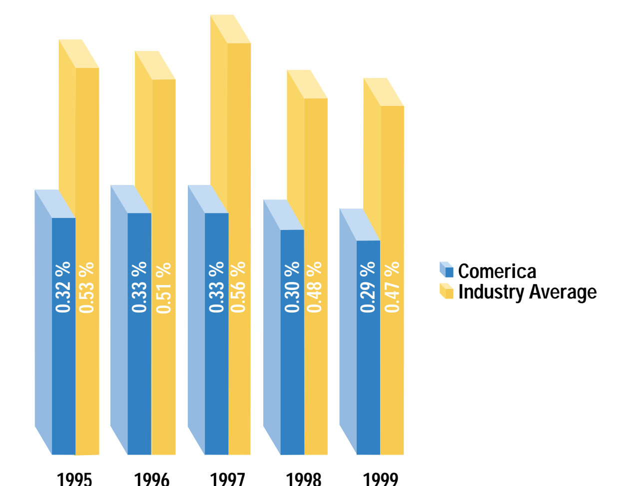


TABLE 4: ANALYSIS OF THE ALLOWANCE FOR CREDIT LOSSES

Year Ended December 31 (dollar amounts in millions)	1999	1998	1997	1996	1995
Balance at beginning of period	$452	$424	$367	$341	$326
Allowance of institutions purchased/sold	—	—	—	(3)	4
Loans charged off					
Domestic					
Commercial	78	49	33	33	33
Real estate construction	—	—	1	1	3
Commercial mortgage	2	1	4	5	8
Residential mortgage	—	—	—	1	2
Consumer	31	65	92	86	73
Lease financing	—	4	—	—	—
International	10	7	1	—	—
Total loans charged off	121	126	131	126	119
Recoveries					
Domestic					
Commercial	17	19	19	18	19
Real estate construction	—	—	1	1	3
Commercial mortgage	3	9	10	9	8
Consumer	10	13	12	13	13
Lease financing	1	—	—	—	—
Total recoveries	31	41	42	41	43
Net loans charged off	90	85	89	85	76
Provision for credit losses	114	113	146	114	87
Balance at end of period	$476	$452	$424	$367	$341
Ratio of allowance for credit losses to total loans at end of period	1.46%	1.48%	1.47%	1.40%	1.40%
Ratio of net loans charged off during the period to average loans outstanding during the period	0.29%	0.30%	0.33%	0.33%	0.32%

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 allocated methodology discussed above, involves the exercise of judgement. 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, hedge funds and customers engaged in sub-prime lending, as well as Indonesian and Latin American transfer risks and the risk associated with new customer relationships. The unallocated allowance was $205 million at December 31, 1999, a decrease of $20 million from December 31, 1998. This decrease in the unallocated allowance was primarily due to a managed reduction in loans to customers in the sub-prime and hedge fund portfolios, partially offset by an increase in healthcare loans.

Management also considers industry norms and the expectations from rating 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 of the portfolio.

The provision for credit losses was $114 million in 1999, compared to $113 million in 1998 and $146 million in 1997. The provision in 1999 was virtually unchanged from 1998, while the decrease in 1998 from 1997 was primarily due to the consumer loan sale in the second quarter of 1998.

Total net charge-offs remained in the same relative range, at $90 million in 1999, compared to $85 million in 1998 and $89 million in 1997. The ratio of net loans charged off to average total loans was 0.29 percent in 1999 and 0.30 percent in 1998. Commercial loan net charge-offs as a percentage of average commercial loans were 0.31 percent for 1999 and 0.18 percent for 1998. Commercial net charge-offs in 1999 were primarily related to mortgage banking customers and long-term health care providers. Consumer loan net charge-offs as a percentage of average consumer loans were 1.16 percent for 1999 and 2.03 percent for 1998.

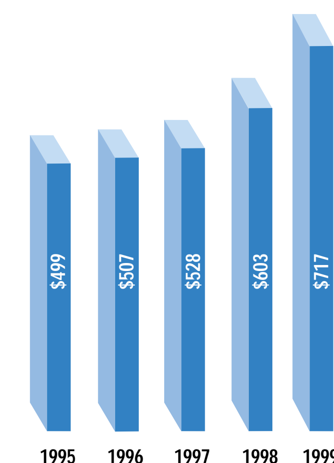
At December 31, 1999, the allowance for credit losses was $476 million, an increase of $24 million since year-end 1998. The allowance as a percentage of total loans decreased to 1.46 percent from 1.48 percent at December 31, 1998. The allowance as a percentage of total nonperforming assets decreased to 262 percent at December 31, 1999, from 375 percent at year-end 1998.

Noninterest Income

Year Ended December 31 (in millions)	1999	1998	1997
Fiduciary and investment management income	$241	$184	$147
Service charges on deposit accounts	169	158	141
Commercial lending fees	49	43	32
Letter of credit fees	39	31	26
Securities gains	5	6	5
Other	184	167	150
Subtotal	687	589	501
Consumer businesses sold	—	14	4
Bond indenture business sold	—	—	23
Other significant nonrecurring items	30	—	—
Total noninterest income	$717	$603	$528

Noninterest income increased $114 million, or 19 percent, to $717 million in 1999, compared to $603 million in 1998 and $528 million in 1997. Comparisons between 1999 and 1998 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, in July 1998 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. After adjusting for acquisitions, divestitures, securities gains and the significant nonrecurring items discussed below, noninterest income increased $78 million, or 13 percent, in 1999.

Noninterest Income
(in millions)



Fiduciary and investment management income increased $57 million, or 30 percent, in 1999 compared to an increase of $37 million, or 25 percent, in 1998. After adjusting for the Munder consolidation, the increase over 1998 was 19 percent. Investment management income increased $43 million, or 240 percent, in 1999, principally due to the consolidation of Munder and the growth of assets in Munder's NetNet Fund, a mutual fund comprised primarily of Internet-related stocks. Personal trust income increased 10 percent in 1999 and reflects strong overall growth from new business and market performance of assets under management.

Service charges on deposit accounts increased $11 million, or 7 percent, in 1999 compared to an increase of $17 million, or 12 percent, in 1998. This increase was primarily attributable to continued strong growth in the sale of new and existing electronic cash management services to commercial customers during 1999.

Commercial lending fees increased $6 million, or 13 percent, in 1999 compared to an increase of $11 million, or 38 percent, in 1998. Continued strong corporate lending activities to new and existing customers contributed to this increase.

Letter of credit fees increased $8 million, or 24 percent, in 1999 compared to an increase of $5 million, or 20 percent, in 1998. These increases were primarily related to the growth in middle-market commercial lending and additional investment in international trade services.

Income from securities gains totaled $5 million in 1999, a decrease of $1 million from 1998.

Other noninterest income increased $33 million, or 19 percent, in 1999. Excluding the impact of acquisitions, divestitures and significant nonrecurring items in both periods, other noninterest income increased 9 percent. Higher levels of foreign exchange income, bankcard fees, brokerage service fees and investment banking fees accounted for the majority of this increase. Significant nonrecurring items in other noninterest income in 1999 include a $21 million gain on the sale of the Corporation's ownership in an automated teller machine network provider and a $9 million gain on the sale of a warrant obtained from an equity ownership in a joint venture. Significant nonrecurring items in 1998 include an $11 million net gain on the sale of the mortgage servicing business and consumer loans, while 1997 includes a $23 million gain on the sale of the Corporation's bond indenture services business.

Noninterest Expenses

Year Ended December 31 (in millions)	1999	1998	1997
Salaries	$ 559	$ 500	$ 464
Employee benefits	81	65	75
Total salaries and employee benefits	640	565	539
Net occupancy expense	94	90	89
Equipment expense	61	60	62
Outside processing fee expense	48	43	42
Other	269	269	271
Subtotal	1,112	1,027	1,003
Restructuring charge	—	(7)	—
Other significant nonrecurring items	5	—	5
Total noninterest expenses	$1,117	$1,020	$1,008

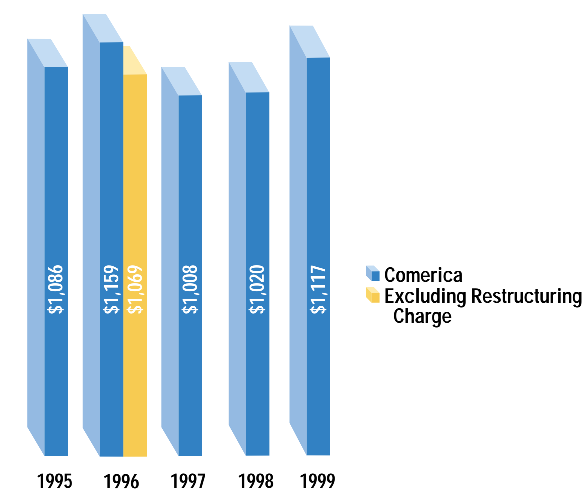
Noninterest expenses increased 10 percent to $1,117 million in 1999, compared to $1,020 million in 1998 and $1,008 million in 1997. Excluding the effect of the acquisitions, divestitures and the significant nonrecurring items discussed below, noninterest expenses increased $64 million, or 6 percent, in 1999.

Total salaries expense increased $59 million, or 12 percent, in 1999 versus an increase of $36 million, or 8 percent, in 1998. The increase in 1999 was primarily from the consolidation of Munder, annual merit increases and higher levels of revenue-related incentives. The number of full-time equivalent employees increased 100, or 1 percent, from year-end 1998, primarily due to investments in strategic businesses.

Employee benefits expense increased $16 million, or 24 percent, in 1999 versus a decrease of $10 million, or 13 percent, in 1998. The increase in 1999 was primarily due to reduced pension expense in 1998 as a result of benefits from reduced staff levels related to the Direction 2000 program and the consumer and mortgage servicing divestitures. The consolidation of Munder and an increase in health insurance expense also contributed to the increase.

Net occupancy and equipment expenses, on a combined basis, increased $5 million, or 3 percent, in 1999 versus a decrease of $1 million, or 1 percent, in 1998. The majority of the 1999 increase was attributable to the consolidation of Munder. During 1999, the Corporation formed a relationship with Trammell Crow Corporate Services to provide property and real estate management services. Occupancy expense also increased in 1999 due to fees paid to Trammell Crow which replaced salaries and employee benefits expense associated with real estate staff.

NONINTEREST EXPENSES
(in millions)



Outside processing fees totaled $48 million in 1999 and $43 million in 1998. The increase of $5 million from the prior year is primarily due to the outsourcing of certain consumer loan processing functions in 1999.

The Corporation recorded a restructuring charge in 1996 in connection with a major program (Direction 2000) to improve efficiency, revenue and customer service. A reduction of $7 million, netted against other noninterest expenses, was made to eliminate the restructuring liability in 1998.

Other noninterest expenses increased $5 million in 1999, compared to a $7 million decrease in 1998. Other noninterest expenses in 1999 included a $5 million contribution to Comerica's charitable foundation. Other noninterest expenses included $5 million of litigation accruals in 1997. Excluding acquisitions, divestitures and the significant nonrecurring items described above, other noninterest expenses increased $3 million, or 1 percent. The minimal increase reflects management's continued efforts to contain expenses.

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 was 49.35 percent in 1999, compared to 49.39 percent in 1998 and 51.04 percent in 1997.

Income Taxes

The provision for income taxes was $360 million in 1999, compared to $324 million in 1998 and $287 million in 1997. The effective tax rate, computed by dividing the provision for income taxes by income before taxes, was 34.9 percent in 1999, 34.8 percent in 1998 and 35.0 percent in 1997.

TABLE 5: ANALYSIS OF INVESTMENT SECURITIES AND LOANS

December 31 (in millions)	1999	1998	1997	1996	1995
Investment securities available for sale					
U.S. government and agency securities	$ 2,275	$ 2,206	$ 3,239	$ 3,968	$ 6,038
State and municipal securities	74	115	170	228	371
Other securities	390	391	597	604	450
Total investment securities available for sale	$ 2,739	$ 2,712	$ 4,006	$ 4,800	$ 6,859
Commercial loans	$20,655	$19,086	$15,805	$13,520	$12,041
International loans					
Government and official institutions	10	12	6	11	6
Banks and other financial institutions	391	433	339	323	583
Other	2,172	2,268	1,740	1,372	796
Total international loans	2,573	2,713	2,085	1,706	1,385
Real estate construction loans	1,709	1,080	941	751	641
Commercial mortgage loans	4,774	4,179	3,634	3,446	3,254
Residential mortgage loans	870	1,038	1,565	1,744	2,221
Consumer loans	1,351	1,862	4,348	4,634	4,570
Lease financing	761	647	517	406	330
Total loans	$32,693	$30,605	$28,895	$26,207	$24,442

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 on 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 60 describes how these segments were identified and presents financial results of these business lines for the years ended December 31, 1999, 1998 and 1997.

Business Bank net income increased $28 million, or 8 percent, in 1999, principally due to additional net interest income resulting from 16 percent average loan growth and a $39 million increase in noninterest income. This was partially offset by a higher provision for credit losses resulting from loan growth, higher charge-offs and changing credit characteristics of the portfolio.

Individual Bank net income decreased $4 million, or 1 percent, in 1999. Comparisons with 1998 were affected by the sale of the mortgage servicing business and $2.0 billion of consumer assets in 1998. Net interest income increased $20 million, or 3 percent, from 1998, generated principally from retail deposits. The provision for credit losses in 1999 reflects the reduction of the allowance which was allocated to the bankcard and revolving check credit loans transferred to loans held for sale and a decline in net charge-offs resulting from a decrease in average loans and improved credit quality. The provision in 1998 reflects the reduction in the allowance resulting from the sale of $2.0 billion of indirect consumer loans and credit card receivables. Noninterest income in 1998 includes an $11 million net gain on the sale of the mortgage servicing business and consumer loans.

Net income for the Investment Bank was $3 million in 1999, compared to $4 million in 1998.

Net income for Finance decreased $25 million in 1999, primarily due to a decrease in net interest income of $39 million. The net interest income of the Finance Division is mostly the result of hedging interest rate risk generated in the other segments. While net interest income attributed to assets with maturities can be specifically hedged, the net interest income attributed to most deposit liabilities, which have no maturity, can fluctuate if market rates and market spreads vary from year to year. In 1999, the net interest margin attributed to deposits benefitted from the level of market rates compared to the prior year, with the offsetting decline recognized in the Finance Division, where the risk was hedged.

Net income for Other increased $68 million in 1999, primarily due to a decline in the allowance for credit losses not assigned to specific business lines. Included in noninterest income for 1999 is a $21 million gain on the sale of the Corporation's ownership in an ATM network provider. Noninterest income and expenses include the full year results for Munder in 1999 and the third and fourth quarter results for Munder in 1998. An adjustment of $7 million was made in 1998, to eliminate the remaining restructuring liability associated with the Corporation's Direction 2000 restructuring charge recorded in 1996. The adjustment was netted against noninterest expenses. Noninterest income in 1997 includes a $23 million gain on the sale of the Corporation's bond indenture services business.

TABLE 6: INTERNATIONAL CROSS-BORDER RISK

December 31 (in millions)		Governments and Official Institutions	Banks and Other Financial Institutions	Commercial and Industrial	Total
Mexico	**1999**	**$15**	**$150**	**$426**	**$591**
	1998	15	214	347	576
	1997	41	78	295	414
Canada	1998	—	—	380	380

TABLE 7: LOAN MATURITIES AND INTEREST RATE SENSITIVITY

December 31, 1999 (in millions)	Within One Year*	After One But Within Five Years	After Five Years	Total
Commercial loans	**$15,658**	**$3,999**	**$ 998**	**$20,655**
Commercial mortgage loans	**1,368**	**2,261**	**1,145**	**4,774**
International loans	**2,329**	**215**	**29**	**2,573**
Real estate construction loans	**1,153**	**436**	**120**	**1,709**
Total	**$20,508**	**$6,911**	**$2,292**	**$29,711**
Loans maturing after one year				
Predetermined interest rates		**$3,013**	**$1,904**	
Floating interest rates		**3,898**	**388**	
Total		**$6,911**	**$2,292**	

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

TABLE 8: ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	1999		1998		1997		1996		1995	
December 31 (in millions)	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Commercial	**$169**	**63%**	$131	62%	$ 94	55%	$ 98	52%	$118	49%
Real estate construction	**6**	**5**	4	4	7	3	6	3	5	3
Commercial mortgage	**35**	**15**	21	14	18	13	27	13	33	13
Residential mortgage	**—**	**3**	—	3	1	5	2	7	2	9
Consumer	**18**	**4**	48	6	116	15	120	18	84	19
Lease financing	**8**	**2**	6	2	1	2	1	1	1	1
International	**35**	**8**	17	9	5	7	3	6	2	6
Unallocated	**205**	**—**	225	—	182	—	110	—	96	—
Total	**$476**	**100%**	$452	100%	$424	100%	$367	100%	$341	100%

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

BALANCE SHEET AND CAPITAL FUNDS ANALYSIS

Total assets were $38.7 billion at year-end 1999, representing a $2.1 billion increase from $36.6 billion on December 31, 1998. On an average basis, total assets increased to $37.0 billion in 1999 from $35.0 billion in 1998. This increase was funded primarily by purchased funds, which rose on average $1.3 billion and shareholders' equity, which increased on average $382 million.

Earning Assets

Total earning assets were $36.0 billion at year-end 1999, representing a $2.6 billion increase from $33.4 billion at December 31, 1998. On an average basis, total earning assets were $34.1 billion in 1999, compared to $32.1 billion in 1998. The average balance of commercial and commercial mortgage loans increased $3.3 billion, or 16 percent, from 1998. Real estate construction loans also rose an average $375 million, or 38 percent, in 1999. The corporate portfolio continues to grow in all of the Corporation's markets, especially in loans to companies with sales over $5 million. This growth is attributable to effective marketing efforts, strong customer relationships and continued economic strength in the commercial loan markets.

International loans averaged $2.6 billion in 1999, an increase of $285 million from 1998. Approximately 17 percent of this increase was attributable to loan growth in the Corporation's Canadian commercial banking subsidiary, much of which was funded locally and does not cause cross-border risk. The remaining growth reflects the increasing global activity of the Corporation's traditional customer base. Risk management practices are undertaken to minimize risk inherent in international lending arrangements. These practices include structuring bilateral arrangements 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 $591 million, or 1.53 percent of assets, was the only country with exposure exceeding 1.00 percent of assets at December 31, 1999. There were no countries with exposure between 0.75 percent and 1.00 percent of total assets at year-end 1999. Additional information on the Corporation's Mexican cross-border risk is provided in Table 6 on page 30.

Average residential mortgage loans decreased $396 million primarily due to management's decision to sell the majority of mortgage originations. Average consumer loans, comprised of installment, revolving credit and bankcard loans, declined $759 million in 1999. The decline in consumer loans is a result of the 1998 sale of $2.0 billion of indirect consumer loans and non-relationship bankcard receivables. Average installment, revolving credit and bankcard loans decreased $592 million, $83 million and $84 million, respectively, during the period. Consumer loans at December 31, 1999, reflect the reclassification of $493 million of revolving check credit and bankcard loans to loans held for sale, pending sale in 2000.

Average investment securities declined to $2.4 billion in 1999, compared to $3.4 billion in 1998. As part of repositioning the Corporation's balance sheet, investment securities were allowed to runoff during the first three quarters of 1999 to fund growth in higher-yielding loans and to divest lower earning variable rate assets. With this repositioning effectively complete, the Corporation began purchasing investment securities in the fourth quarter of 1999 with the intent of aligning investment security growth with expected growth in earning assets. Average U.S. government and agency securities decreased $818 million and average state and municipal securities decreased $44 million, while average other securities decreased $106 million. Declines in U.S. government and agency securities have primarily resulted from sales and pay downs, while the tax exempt portfolio of state and municipal securities continued to decrease as reduced tax advantages for these types of securities deterred additional investment. Other securities 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 the 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 earnings opportunities and serve correspondent banks. Included in loans held for sale at December 31, 1999, are $493 million of revolving check credit and bankcard loans pending sale in 2000. Average short-term investments decreased slightly to $116 million during 1999, from $143 million during 1998.

TABLE 9: MATURITY DISTRIBUTION OF DOMESTIC CERTIFICATES OF DEPOSIT OF $100,000 AND OVER

December 31 (in millions)	**1999**
Three months or less	**$1,623**
Over three months to six months	**365**
Over six months to twelve months	**366**
Over twelve months	**186**
Total	**$2,540**

Deposits and Borrowed Funds

Average deposits increased $266 million, or 1 percent, from 1998. Average noninterest-bearing deposits grew $104 million, or 2 percent, from 1998, largely due to the growth in commercial loan relationships. Average interest-bearing transaction, savings and money market deposits increased 3 percent during 1999, to $9.2 billion. Certificates of deposit decreased $85 million, or 1 percent, on an average basis from 1998.

Average federal funds purchased and securities sold under agreements to repurchase increased $313 million, or 12 percent, from 1998. The majority of this increase was offset by a net decrease in average other borrowed funds, which declined $251 million, or 28 percent, from 1998. Other borrowed funds include term federal funds purchased and treasury tax and loan notes. The decline in other borrowed funds was attributable to lower levels of available collateral to secure treasury tax and loan notes.

The Corporation uses medium-term debt (both domestic and European) and long-term debt to provide the necessary funding to support expanding earning assets. These notes assist the Corporation in providing liquidity which mirrors the estimated duration of our 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 $3.4 billion representing the net result of the issuance of $6.3 billion and the maturity of $2.9 billion of notes during 1999. Long-term debt decreased $77 million during 1999, primarily due to the maturity of $75 million of subordinated notes. Further information on medium- and long-term debt is included in Note 9 of the consolidated financial statements on page 49.

Capital

Shareholders' equity was $3.5 billion at December 31, 1999, up $428 million, or 14 percent from December 31, 1998. This increase was primarily due to the net effect of increases from retained earnings of $431 million and $26 million of common stock issued for employee stock plans and a decrease of $25 million in nonowner equity. At December 31, 1999, the Corporation had remaining authorization to purchase 20 million shares of common stock. Further information on the change in nonowner equity is provided in Note 11 on page 50.

The Corporation declared common dividends totaling $225 million on net income applicable to common stock of $655 million, representing a dividend payout ratio of 35 percent. The payout ratio in 1998 was 34 percent.

At December 31, 1999, 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 of the consolidated financial statements on page 54 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 credit, interest rate, liquidity and operational risk. 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 risk 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 or customer, selling participations to third parties and requiring collateral.

Nonperforming Assets

The Corporation's policies regarding nonaccrual loans reflect the importance of identifying troubled loans early. Consumer loans are directly 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 when the loan is 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

Nonperforming Assets To Loans And Other Real Estate
(in percentages)

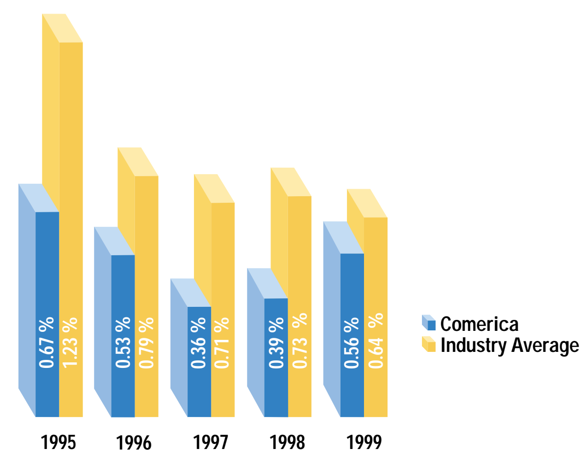


TABLE 10: ANALYSIS OF INVESTMENT SECURITIES PORTFOLIO – FULLY TAXABLE EQUIVALENT

December 31, 1999 (dollar amounts in millions)	Maturity†										Weighted Average Maturity
	Within 1 Year		1 - 5 Years		5 - 10 Years		After 10 Years		Total		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Yrs./Mos.
Available for sale											
U.S. Treasury	$ 59	5.43%	$ —	—%	$ —	—%	$ —	—%	$ 59	5.43%	0/10
U.S. government and agency	4	5.26	120	7.27	1,441	6.40	651	7.08	2,216	6.64	10/1
State and municipal securities	25	6.85	33	6.15	14	6.04	2	6.53	74	6.38	2/11
Other bonds, notes and debentures	22	8.43	180	8.87	43	8.42	43	8.47	288	8.71	5/5
Federal Reserve Bank stock and other investments*	—	—	—	—	—	—	—	—	102	—	—
Total investment securities available for sale	$110	6.35%	$333	8.03%	$1,498	6.45%	$696	7.17%	$2,739	6.84%	9/2

*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)	1999	1998	1997	1996	1995
Nonperforming assets					
Nonaccrual loans					
Commercial loans	$110	$ 77	$ 59	$ 72	$ 87
International loans	44	20	1	—	—
Real estate construction loans	—	1	3	3	7
Commercial mortgage loans	10	7	11	23	31
Residential mortgage loans	1	3	4	5	6
Total nonaccrual loans	165	108	78	103	131
Reduced-rate loans	7	8	8	8	3
Total nonperforming loans	172	116	86	111	134
Other real estate	10	5	17	29	29
Total nonperforming assets	$182	$121	$103	$140	$163
Nonperforming loans as a percentage of total loans	0.53%	0.38%	0.30%	0.42%	0.55%
Nonperforming assets as a percentage of total loans and other real estate	0.56%	0.39%	0.36%	0.53%	0.67%
Allowance for credit losses as a percentage of total nonperforming assets	262%	375%	413%	263%	209%
Loans past due 90 days or more and still accruing	$ 48	$ 40	$ 53	$ 52	$ 57

cash collections are charged off to an amount that represents management's assessment of the ultimate collectibility of the loan. 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.

Nonperforming assets as a percent of total loans and other real estate were 0.56 percent and 0.39 percent at year-end 1999 and 1998, respectively.

Nonaccrual loans at December 31, 1999, increased 53 percent to $165 million from $108 million at year-end 1998. Table 11 on page 33 provides additional detail on nonperforming assets. Loans to customers in the healthcare and mortgage banking industries accounted for $34 million of the increase in commercial nonaccrual loans. The increase in international nonaccrual loans from year-end 1998, was primarily related to Indonesian and two Canadian customers. Loans past due 90 days or more increased $8 million from year-end 1998 and was primarily attributable to customers related to the energy industry.

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) increased to $10 million.

Nonaccrual Loans

December 31 (dollar amounts in millions)	1999	1998
Carrying value	$165	$108
Contractual value	244	159
Carrying value as a percentage of contractual value	68%	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, 1999. These loans totaled $4.8 billion, or 15 percent of total loans at December 31, 1999, versus $4.6 billion, or 15 percent, at December 31, 1998. These totals include floor plan loans to automobile dealers of $1,653 million and $1,454 million at December 31, 1999 and 1998, respectively. All other industry concentrations individually represented less than 5 percent of total loans at year-end 1999.

The Corporation has successfully operated in the Michigan economy in spite of a loan concentration and several downturns in the auto industry. The largest automotive industry loan on nonaccrual status at December 31, 1999, was $8 million. There were no other automotive industry loans larger than $1 million on nonaccrual status as of year-end 1999. In addition, there were no significant automotive industry-related charge-offs during the year.

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 1,128 loans, of which 66 percent have balances of less than $1 million. The largest real estate construction loan has a balance of approximately $23 million.

The commercial mortgage loan portfolio, 57 percent of which relates to owner-occupied properties, also consists primarily of loans to long-time customers. Of the approximately 7,041 loans in the portfolio, 85 percent have balances under $1 million and the largest loan has a balance of approximately $18 million. 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, 1999 (in millions)	Real Estate Construction	Commercial Mortgage
Michigan	$ 823	$3,109
California	291	836
Texas	378	373
Florida	118	154
Other	99	302
Total	$1,709	$4,774

INTEREST RATE RISK

Interest rate risk arises primarily through the Corporation's core business activities of extending loans and taking 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 as well as 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 the pace of 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 are taken up and down 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 and other financial instruments used for purposes other than trading are included in these analyses. The measurement of risk exposure at year-end 1999 for a 200-basis-point decline in short-term interest rates identified approximately $52 million, or 3 percent, of net interest income at risk during 2000. If short-term interest rates rise 200 basis points, net interest income at risk during 2000 would be approximately $30 million, or 2 percent. Corresponding measurements of risk exposure at year-end 1998 were $72 million of net interest income at risk for a 200-basis-point decline in interest rates and a net interest benefit of $49 million for a 200-basis-point rise in interest rates. Corporate policy limits adverse change to no more than 5 percent of management's most likely net interest income forecast. The Corporation is within the 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 36 shows the interest sensitivity gap as of year-end 1999 and 1998. 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 $605 million of rate sensitivity to the 1999 year-end gap. In addition, the schedule includes an adjustment for the price elasticity on certain core deposits.

The Corporation was slightly asset sensitive throughout most of 1999. The Corporation had a one-year asset sensitive gap of $487 million, or 1 percent of earning assets, as of December 31, 1999. This compares to a $2,111 million asset sensitive gap, or 6 percent of earning assets, on December 31, 1998. Management anticipates continued growth in asset sensitivity throughout 2000, and will analyze both on- and off-balance sheet alternatives to hedge this increased asset sensitivity and 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 dampening adverse impacts 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, a fixed rate to a floating rate, or from one floating rate index to another). This strategy assists management in achieving interest rate risk objectives.

TABLE 12: SCHEDULE OF RATE SENSITIVE ASSETS AND LIABILITIES

	December 31, 1999 Interest Sensitivity Period			December 31, 1998 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	$ —	$ 1,202	$ 1,202	$ —	$ 1,773	$ 1,773
Short-term investments	612	1	613	103	7	110
Investment securities	843	1,896	2,739	881	1,831	2,712
Commercial loans (including lease financing)	19,573	1,843	21,416	17,555	2,178	19,733
International loans	2,523	50	2,573	2,713	—	2,713
Real estate related loans	4,502	2,851	7,353	3,856	2,441	6,297
Consumer loans	858	493	1,351	1,044	818	1,862
Total loans	27,456	5,237	32,693	25,168	5,437	30,605
Other assets	647	759	1,406	618	783	1,401
Total assets	$29,558	$ 9,095	$38,653	$26,770	$ 9,831	$36,601
LIABILITIES						
Deposits						
Noninterest-bearing	$ 959	$ 5,177	$ 6,136	$ 1,451	$ 5,548	$ 6,999
Savings	—	1,420	1,420	—	1,533	1,533
Money market and NOW	5,966	1,845	7,811	5,991	1,901	7,892
Certificates of deposit	5,546	1,031	6,577	5,275	1,232	6,507
Foreign office	1,347	—	1,347	1,382	—	1,382
Total deposits	13,818	9,473	23,291	14,099	10,214	24,313
Short-term borrowings	2,768	—	2,768	3,580	—	3,580
Medium- and long-term debt	7,269	1,311	8,580	3,771	1,511	5,282
Other liabilities	224	315	539	64	315	379
Total liabilities	24,079	11,099	35,178	21,514	12,040	33,554
Shareholders' equity	(31)	3,506	3,475	(8)	3,055	3,047
Total liabilities and shareholders' equity	$24,048	$14,605	$38,653	$21,506	$15,095	$36,601
Sensitivity impact of interest rate swaps	(7,409)	7,409	—	(5,549)	5,549	—
Interest sensitivity gap	(1,899)	1,899	—	(285)	285	—
Gap as a percentage of earning assets	(5)%	5%	—	(1)%	1%	—
Sensitivity impact from elasticity adjustments (1)	2,386	(2,386)	—	2,396	(2,396)	—
Interest sensitivity gap with elasticity adjustments (1)	$ 487	$ (487)	—	$ 2,111	$ (2,111)	—
Gap as a percentage of earning assets	1%	(1)%	—	6%	(6)%	—

(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)	2000	2001	2002	2003	2004	2005-2026	Total	Dec. 31 1998
VARIABLE RATE ASSET DESIGNATION:								
Receive fixed swaps								
Generic	$ 700	$3,250	$2,850	$ —	$ —	$ —	$6,800	$3,950
Index amortizing	149	—	—	—	—	—	149	2,169
Weighted average: (1)								
Receive rate	6.34%	5.68%	7.14%	—%	—%	—%	6.36%	6.01%
Pay rate	6.18%	6.15%	7.50%	—%	—%	—%	6.71%	5.30%
FIXED RATE ASSET DESIGNATION:								
Pay fixed swaps								
Generic	$ 13	$ —	$ —	$ —	$ —	$ —	$ 13	$ 2
Index amortizing	7	—	—	—	—	—	7	11
Amortizing	—	—	2	—	—	—	2	—
Weighted average: (1)								
Receive rate	6.48%	—%	5.09%	—%	—%	—%	6.37%	5.54%
Pay rate	5.92%	—%	6.05%	—%	—%	—%	5.93%	5.88%
FIXED RATE DEPOSIT DESIGNATION:								
Generic receive fixed swaps	$ 10	$ —	$ —	$ —	$ —	$ —	$ 10	$ —
Weighted average: (3)								
Receive rate	5.16%	—%	—%	—%	—%	—%	5.16%	—%
Pay rate	5.01%	—%	—%	—%	—%	—%	5.01%	—%
MEDIUM- AND LONG-TERM DEBT DESIGNATION:								
Generic receive fixed swaps	$ 200	$ —	$ 150	$ —	$ —	$1,150	$1,500	$ 700
Weighted average: (1)								
Receive rate	6.91%	—%	7.37%	—%	—%	6.79%	6.86%	7.33%
Pay rate	6.11%	—%	6.09%	—%	—%	5.90%	5.95%	5.28%
Floating/floating swaps	$ 37	$ —	$ —	$ —	$ —	$ —	$ 37	$ 37
Weighted average: (2)								
Receive rate	5.93%	—%	—%	—%	—%	—%	5.93%	4.98%
Pay rate	6.19%	—%	—%	—%	—%	—%	6.19%	5.19%
Total notional amount	$1,116	$3,250	$3,002	$ —	$ —	$1,150	$8,518	$6,869

(1) Variable rates paid on receive fixed swaps are based on one-month and three-month LIBOR rates in effect at December 31, 1999. Variable rates received on pay fixed swaps are based on prime.
(2) Variable rates paid are based on LIBOR at December 31, 1999, while variable rates received are based on the two-year Constant Treasury Maturity Rate.
(3) Variable rate paid is based on one-month CDOR at December 31, 1999.

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, 1997	$ 8,567	$ 599	$ 9,166
Additions	3,402	7,218	10,620
Maturities/amortizations	(4,330)	(6,904)	(11,234)
Terminations	(755)	—	(755)
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**

The notional amount of risk management interest rate swaps totaled $8,518 million at December 31, 1999, and $6,869 million at December 31, 1998. The fair value of risk management interest rate swaps at December 31, 1999, was a negative $155 million, compared to a positive $146 million at December 31, 1998. For the year ended December 31, 1999, risk management interest rate swaps generated $54 million in net interest income, compared to $46 million in net interest income for the year ended December 31, 1998. These off-balance sheet instruments represented 78 percent of total derivative financial instruments and foreign exchange contracts, including commitments to purchase and sell investment securities, at year-end 1999 and 75 percent at year-end 1998.

Table 13 on page 37 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, 1999. 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 and mortgages held for sale). Such instruments include interest rate caps and floors, purchased put options, foreign exchange forward contracts, foreign exchange generic swap agreements and cross-currency swaps. The aggregate notional amounts of these risk management derivative and foreign exchange contracts at December 31, 1999 and 1998, were $1,213 million and $928 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, 1997	$ 496	$ 1,837	$ 2,333
Additions	417	36,171	36,588
Maturities/amortizations	(232)	(37,335)	(37,567)
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**

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. At December 31, 1999 and 1998, customer-initiated activity represented 10 percent and 15 percent, respectively, of total derivative and foreign exchange contracts, including commitments to purchase and sell securities. Refer to Note 18 on page 55 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 $7.5 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 1999, unissued debt related to the two programs totaled $2.3 billion. In addition, liquid assets totaled $4.1 billion at December 31, 1999. The Corporation also had available $20.4 billion from a collateralized borrowing account with the Federal Reserve Bank at year-end 1999. Purchased funds at December 31, 1999, excluding certificates of deposit with maturities beyond one year and medium- and long-term debt, approximated $6.5 billion.

The parent company had available a $250 million commercial paper facility at December 31, 1999, $175 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 54, subsidiary banks are subject to regulation and may be limited in their ability to pay dividends or transfer funds to the holding company. During 2000, the subsidiary banks can pay dividends up to $879 million plus current 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, 1999, the ratio was 106 percent.

OPERATIONAL RISK

Operational risk is the risk of unexpected losses attributable to human error, system failures, fraud, unauthorized transactions and inadequate internal 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.

Comerica has established an Operational Risk Committee comprised of executives from several disciplines. This group is charged with surfacing significant operational risks which may impact customer service, reputation or result in financial loss if not adequately addressed.

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 operational risks.

OTHER MATTERS

The Corporation initiated an extensive enterprise-wide and centrally managed project to prepare its computer systems, applications and infrastructure for year 2000 readiness. The year 2000 team included the active involvement of senior executives as well as seasoned project managers and business unit liaisons from throughout the Corporation. To date, the Corporation has experienced no known significant system, supplier or customer failures attributable to the year 2000 date change. The cost of the Corporation's year 2000 project includes internal and external development costs, asset impairment write-offs and the cost of software and hardware for systems that were not ready or would not have been ready by the year 2000. The year 2000 project cost, both internal and external, will total approximately $50 million, of which the Corporation incurred approximately $48 million through December 31, 1999. The remaining year 2000 costs yet to be incurred relate to retention incentives for key year 2000 program employees. Of the $48 million incurred to date, $12 million was for capital assets which the Corporation is expensing over their useful lives. The project was staffed with external resources as well as internal staff redeployed from less time-sensitive assignments. The redeployment of existing staff did not have a material adverse effect on the Corporation's business, results of operations or financial position.

This annual report to shareholders includes forward-looking statements based on management's current expectations and/or the assumptions made in the earnings simulation analyses, but numerous factors could cause variances in these projections and their underlying assumptions, such as interest rate changes, changes in industries where the Corporation has a concentration of loans, changes in the level of fee income, changing economic conditions and continuing consolidations in the banking industry.

CONSOLIDATED BALANCE SHEETS
COMERICA INCORPORATED AND SUBSIDIARIES

December 31 (in thousands, except share data)	1999	1998
ASSETS		
Cash and due from banks	$ 1,201,990	$ 1,773,100
Short-term investments	612,959	109,640
Investment securities available for sale	2,739,464	2,712,165
Commercial loans	20,654,658	19,086,541
International loans	2,573,003	2,713,259
Real estate construction loans	1,709,261	1,079,614
Commercial mortgage loans	4,774,052	4,179,271
Residential mortgage loans	870,029	1,037,941
Consumer loans	1,350,725	1,861,630
Lease financing	761,550	646,607
Total loans	32,693,278	30,604,863
Less allowance for credit losses	(476,470)	(452,409)
Net loans	32,216,808	30,152,454
Premises and equipment	330,728	352,650
Customers' liability on acceptances outstanding	43,810	12,335
Accrued income and other assets	1,507,573	1,488,487
Total assets	$38,653,332	$36,600,831
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest-bearing deposits	$ 6,136,038	$ 6,999,337
Interest-bearing deposits	17,155,365	17,313,796
Total deposits	23,291,403	24,313,133
Federal funds purchased and securities sold under agreements to repurchase	1,332,397	3,108,985
Other borrowed funds	1,435,634	471,168
Acceptances outstanding	43,810	12,335
Accrued expenses and other liabilities	495,587	366,338
Medium- and long-term debt	8,579,857	5,282,259
Total liabilities	35,178,688	33,554,218
Nonredeemable preferred stock—$50 stated value		
Authorized—5,000,000 shares		
Issued—5,000,000 shares in 1999 and 1998	250,000	250,000
Common stock—$5 par value		
Authorized—325,000,000 shares		
Issued—157,233,107 shares in 1999 and 157,233,088 shares in 1998	786,166	786,165
Capital surplus	35,092	24,649
Accumulated nonowner changes in equity	(31,702)	(6,455)
Retained earnings	2,485,204	2,086,589
Deferred compensation	(2,955)	(5,202)
Less cost of common stock in treasury—715,496 shares in 1999 and 1,351,997 shares in 1998	(47,161)	(89,133)
Total shareholders' equity	3,474,644	3,046,613
Total liabilities and shareholders' equity	$38,653,332	$36,600,831

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
COMERICA INCORPORATED AND SUBSIDIARIES

Year Ended December 31 (in thousands, except per share data)	1999	1998	1997
INTEREST INCOME			
Interest and fees on loans	$2,500,978	$2,382,329	$2,317,844
Interest on investment securities			
Taxable	156,933	218,378	310,399
Exempt from federal income tax	4,647	7,252	10,797
Total interest on investment securities	161,580	225,630	321,196
Interest on short-term investments	10,152	8,815	8,363
Total interest income	2,672,710	2,616,774	2,647,403
INTEREST EXPENSE			
Interest on deposits	590,335	647,825	673,265
Interest on short-term borrowings	179,133	185,711	209,010
Interest on medium- and long-term debt	410,367	367,777	374,022
Net interest rate swap income	(54,266)	(45,810)	(51,670)
Total interest expense	1,125,569	1,155,503	1,204,627
Net interest income	1,547,141	1,461,271	1,442,776
Provision for credit losses	114,000	113,000	146,000
Net interest income after provision for credit losses	1,433,141	1,348,271	1,296,776
NONINTEREST INCOME			
Fiduciary and investment management income	240,574	184,354	147,336
Service charges on deposit accounts	169,173	157,416	141,078
Commercial lending fees	48,887	43,326	31,342
Letter of credit fees	38,468	31,127	26,047
Securities gains	5,453	6,116	5,195
Other noninterest income	214,333	180,809	176,954
Total noninterest income	716,888	603,148	527,952
NONINTEREST EXPENSES			
Salaries and employee benefits	640,357	565,303	538,926
Net occupancy expense	93,728	89,911	89,380
Equipment expense	61,092	60,147	61,759
Outside processing fee expense	47,754	42,785	41,683
Restructuring charge	—	(6,840)	—
Other noninterest expenses	274,026	268,738	276,238
Total noninterest expenses	1,116,957	1,020,044	1,007,986
Income before income taxes	1,033,072	931,375	816,742
Provision for income taxes	360,483	324,299	286,266
Net Income	$ 672,589	$ 607,076	$ 530,476
Net income applicable to common stock	$ 655,489	$ 589,976	$ 513,376
Basic net income per common share	$4.20	$3.79	$3.24
Diluted net income per common share	4.14	3.72	3.19
Cash dividends declared on common stock	$ 224,837	$ 199,403	$ 181,272
Dividends per common share	$1.44	$1.28	$1.15

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
COMERICA INCORPORATED AND SUBSIDIARIES

(in thousands, except share data)	Nonredeemable Preferred Stock	Common Stock	Capital Surplus	Accumulated Nonowner Changes In Equity	Retained Earnings	Deferred Compensation	Treasury Stock	Total Shareholders' Equity
Balances at January 1, 1997	$250,000	$536,487	$ —	$(22,789)	$1,854,116	$(2,245)	$ —	$2,615,569
Net income for 1997	—	—	—	—	530,476	—	—	530,476
Nonowner changes in equity, net of tax	—	—	—	20,852	—	—	—	20,852
Net income and nonowner changes in equity	—	—	—	—	—	—	—	551,328
Cash dividends declared:								
Preferred stock	—	—	—	—	(17,100)	—	—	(17,100)
Common stock	—	—	—	—	(181,272)	—	—	(181,272)
Purchase and retirement of 3,618,479 shares of common stock	—	(18,092)	(30,750)	—	(193,451)	—	—	(242,293)
Issuance of common stock under employee stock plans	—	4,323	30,750	—	9	(531)	—	34,551
Amortization of deferred compensation	—	—	—	—	—	993	—	993
Stock split (three-for-two)	—	261,359	—	—	(261,359)	—	—	—
Balances at December 31, 1997	250,000	784,077	—	(1,937)	1,731,419	(1,783)	—	2,761,776
Net income for 1998	—	—	—	—	607,076	—	—	607,076
Nonowner changes in equity, net of tax	—	—	—	(4,518)	—	—	—	(4,518)
Net income and nonowner changes in equity	—	—	—	—	—	—	—	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
Nonowner changes in equity, net of tax	—	—	—	(25,247)	—	—	—	(25,247)
Net income and nonowner changes in equity	—	—	—	—	—	—	—	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

( ) Indicates deduction.

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
COMERICA INCORPORATED AND SUBSIDIARIES

Year Ended December 31 (in thousands)	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 672,589	$ 607,076	$ 530,476
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	114,000	113,000	146,000
Depreciation	56,893	57,633	58,529
Restructuring charge	—	(21,923)	(61,237)
Net (increase) decrease in trading account securities	(10,063)	2,796	(3,093)
Net (increase) decrease in loans held for sale	36,371	(5,236)	(2,666)
Net (increase) decrease in accrued income receivable	(44,716)	19,487	(23,730)
Net increase in accrued expenses	138,459	2,973	54,330
Net amortization of intangibles	33,921	30,414	28,375
Other, net	39,096	(116,295)	(134,982)
Total adjustments	363,961	82,849	61,526
Net cash provided by operating activities	1,036,550	689,925	592,002
INVESTING ACTIVITIES			
Net (increase) decrease in interest-bearing deposits with banks	(9,418)	(1,184)	24,010
Net (increase) decrease in federal funds sold and securities purchased under agreements to resell	(25,094)	96,941	(117,601)
Proceeds from sale of investment securities available for sale	335,611	111,511	238,506
Proceeds from maturity of investment securities available for sale	724,555	1,209,291	1,456,447
Purchases of investment securities available for sale	(1,175,726)	(126,239)	(924,509)
Net increase in loans (other than loans purchased)	(2,671,100)	(3,768,220)	(2,615,226)
Purchase of loans	—	(1,115)	(162,128)
Fixed assets, net	(34,971)	(35,609)	(31,023)
Net (increase) decrease in customers' liability on acceptances outstanding	(31,475)	6,057	14,710
Proceeds from sale of consumer businesses	—	1,878,907	—
Net cash used in investing activities	(2,887,618)	(629,660)	(2,116,814)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	(1,021,730)	1,726,816	219,144
Net increase (decrease) in short-term borrowings	(812,122)	387,252	(1,296,290)
Net increase (decrease) in acceptances outstanding	31,475	(6,057)	(14,710)
Proceeds from issuance of medium- and long-term debt	6,275,000	3,200,000	5,600,000
Repayments and purchases of medium- and long-term debt	(2,977,402)	(5,212,498)	(2,555,382)
Proceeds from issuance of common stock	23,268	50,885	35,082
Purchase of common stock for treasury and retirement	(2,885)	(148,684)	(242,293)
Dividends paid	(235,646)	(211,966)	(195,412)
Net cash provided by (used in) financing activities	1,279,958	(214,252)	1,550,139
Net increase (decrease) in cash and due from banks	(571,110)	(153,987)	25,327
Cash and due from banks at beginning of year	1,773,100	1,927,087	1,901,760
Cash and due from banks at end of year	$1,201,990	$1,773,100	$1,927,087
Interest paid	$1,101,993	$1,188,599	$1,161,812
Income taxes paid	$ 266,835	$ 256,880	$ 266,428
Noncash investing and financing activities			
Transfer from loans to loans held for sale	$ 492,746	$ —	$ —
Loan transfers to other real estate	11,036	5,084	7,076

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
COMERICA INCORPORATED AND SUBSIDIARIES

1 ACCOUNTING POLICIES

Organization

Comerica Incorporated is a registered bank 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 generally accepted accounting principles 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 30 years (weighted average of 19 years). Core deposit intangible assets are amortized on an accelerated method over 10 years.

The Corporation periodically evaluates long-lived assets, certain identifiable intangibles and goodwill for indication of impairment in value.

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 corporate loan at the time of approval and are subject to subsequent periodic reviews by the senior management of the Credit Policy Group. Corporate 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 corporate 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 corporate 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.

Consumer loans are generally not placed on nonaccrual status and are directly 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. 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 Accounting Principles Board opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in measuring and recognizing compensation expense for its stock-based compensation plans, and to disclose the pro forma effect of applying the fair value method contained in Statement on Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-based Compensation." 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."

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.

Nonowner Changes in Equity

Statement on Financial Accounting Standards No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of net income and nonowner changes in equity and its components in a full set of general-purpose financial statements. The Corporation has elected to present information regarding this statement in the Consolidated Statements of Changes in Shareholders' Equity on page 42 and in Note 11. The caption "Net income and nonowner changes in equity," represents total comprehensive income as defined in the statement.

2 ACQUISITIONS

During 1998, Comerica obtained a majority interest in Munder Capital Management, an investment advisory firm. Net income for the third and fourth quarter of 1998 includes 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.

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, 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
December 31, 1998				
U.S. government and agency securities	$2,196,736	$13,463	$ 3,993	$2,206,206
State and municipal securities	110,711	4,587	48	115,250
Other securities	415,901	2,129	27,321	390,709
Total securities available for sale	$2,723,348	$20,179	$31,362	$2,712,165

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, 1999 (in thousands)	Cost	Estimated Fair Value
Contractual maturity		
Within one year	$ 106,837	$ 106,756
Over one year to five years	204,838	204,844
Over five years to ten years	60,063	56,965
Over ten years	44,717	39,227
Subtotal securities	416,455	407,792
Mortgage-backed securities	2,271,352	2,229,523
Equity and other nondebt securities	102,037	102,149
Total securities available for sale	$2,789,844	$2,739,464

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

Year Ended December 31 (in thousands)	1999	1998
Securities gains	$5,535	$7,629
Securities losses	(82)	(1,513)
Total	$5,453	$6,116

Assets, principally securities, carried at approximately $1.8 billion at December 31, 1999, were pledged to secure public deposits (including State of Michigan deposits of $48 million at December 31, 1999) 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)	1999	1998
Nonaccrual loans		
Commercial loans	$110,606	$ 77,175
International loans	44,046	20,350
Real estate construction loans	249	452
Commercial mortgage loans	9,620	6,788
Residential mortgage loans	572	3,468
Total	165,093	108,233
Reduced-rate loans	7,347	7,464
Total nonperforming loans	172,440	115,697
Other real estate	9,595	4,956
Total nonperforming assets	$182,035	$120,653
Loans past due 90 days and still accruing	$ 47,676	$ 40,209
Gross interest income that would have been recorded had the nonaccrual and reduced-rate loans performed in accordance with original terms	$ 17,309	$ 13,674
Interest income recognized	$ 2,158	$ 3,899

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.

December 31 (in thousands)	1999	1998	1997
Average impaired loans for the year	$146,070	$ 85,500	$73,502
Total period-end impaired loans	159,165	101,417	70,470
Period-end impaired loans requiring an allowance	155,828	87,494	60,376
Impairment allowance	51,753	21,951	20,358

Those impaired loans not requiring an allowance represent loans for which the fair value exceeded the recorded investment in the loan. Twenty-four percent of the total impaired loans at December 31, 1999, 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)	1999	1998	1997
Balance at January 1	$452,409	$424,147	$367,165
Loans charged off	(120,976)	(125,627)	(131,140)
Recoveries on loans previously charged off	31,004	40,889	42,122
Net loans charged off	(89,972)	(84,738)	(89,018)
Provision for credit losses	114,000	113,000	146,000
Foreign currency translation adjustment	33	—	—
Balance at December 31	$476,470	$452,409	$424,147
As a percent of total loans	1.46%	1.48%	1.47%

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 bank 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, 1999 and 1998, exposure from loan commitments and guarantees to companies related to the automotive industry totaled $8.9 billion and $9.0 billion, respectively.

Additionally, commercial real estate loans, including commercial mortgages and construction loans, totaled $6.5 billion in 1999 and $5.3 billion in 1998. Approximately $2.7 billion of commercial real estate loans at December 31, 1999, involved mortgages on 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 NONCANCELABLE OBLIGATIONS

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

(in thousands)	1999	1998
Land	$ 49,464	$ 49,356
Buildings and improvements	351,458	341,260
Furniture and equipment	320,565	327,498
Total cost	721,487	718,114
Less accumulated depreciation and amortization	(390,759)	(365,464)
Net book value	$330,728	$352,650

Rental expense for leased properties and equipment amounted to $42 million in 1999 and $41 million in 1998 and 1997. Future minimum payments under noncancelable obligations are as follows:

(in thousands)	
2000	$ 45,638
2001	41,859
2002	36,811
2003	32,789
2004	28,779
2005 and later	254,842

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, 1999 and 1998:

(in thousands)	Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	Other Borrowed Funds
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%
December 31, 1998		
Amount outstanding at year-end	$3,108,985	$ 471,168
Weighted average interest rate at year-end	4.83%	3.91%

At December 31, 1999, the parent company had available a $250 million commercial paper facility of which $75 million was outstanding. This facility is supported by a $210 million line of credit agreement. Under the current agreement the line will expire in May of 2000.

At December 31, 1999, the Corporation's subsidiary banks had pledged loans totaling $27.3 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)	1999	1998
Parent Company		
7.25% subordinated notes due 2007	$ 158,543	$ 159,669
9.75% subordinated notes due 1999	—	74,970
Total parent company	158,543	234,639
Subsidiaries		
Subordinated notes:		
7.25% subordinated notes due 2007	198,502	198,301
8.375% subordinated notes due 2024	155,287	155,502
7.25% subordinated notes due 2002	149,561	149,404
6.875% subordinated notes due 2008	103,729	104,186
7.125% subordinated notes due 2013	154,834	155,181
7.875% subordinated notes due 2026	173,217	174,086
6.00% subordinated notes due 2008	248,010	247,798
Total subordinated notes	1,183,140	1,184,458
Medium-term notes:		
Floating rate based on LIBOR indices	5,762,320	3,612,076
Floating rate based on Treasury indices	37,000	37,000
Floating rate based on Prime indices	1,224,993	—
Fixed rate notes with interest rate of 6.65%	199,944	199,810
Total medium-term notes	7,224,257	3,848,886
Notes payable	13,917	14,276
Total subsidiaries	8,421,314	5,047,620
Total medium- and long-term debt	$8,579,857	$5,282,259

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 12/31/99
Subsidiaries			
Subordinated notes:			
7.25% subordinated notes	$200,000	6-month LIBOR	6.13%
7.25% subordinated notes	150,000	6-month LIBOR	6.13%
6.88% subordinated notes	100,000	6-month LIBOR	6.13%
6.00% subordinated notes	250,000	6-month LIBOR	6.13%
7.13% subordinated notes	150,000	6-month LIBOR	6.13%
7.88% subordinated notes	150,000	6-month LIBOR	6.13%
Medium-term notes:			
Floating rate based on LIBOR indices	108,000	3-month LIBOR	6.00%
Floating rate based on Treasury indices	37,000	3-month LIBOR	6.00%
Fixed rate notes with interest rate of 6.65%	200,000	3-month LIBOR	6.00%

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 $9.5 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 one-month LIBOR minus 0.10% to three-month LIBOR plus 0.17%. The notes are due from 2000 to 2002. The interest rate on the floating rate medium-term notes based on U.S. Treasury indices is equal to the two-year Constant Treasury Maturity Rate plus 0.01%. The notes are due in 2000. The fixed rate notes mature in 2000. 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)	
2000	$6,593,933
2001	316,148
2002	485,416
2003	2,585
2004	2,592
2005 and later	1,179,183

10 SHAREHOLDERS' EQUITY

The board of directors authorized the repurchase of up to 40.5 million shares of Comerica Incorporated common stock for general corporate purposes, acquisitions and employee benefit plans. At December 31, 1999, 20.6 million shares had been repurchased under this program.

At December 31, 1999, the Corporation had reserved 9.7 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, may redeem all or part of the outstanding shares on or after July 1, 2001.

11 NONOWNER CHANGES IN EQUITY

Nonowner changes in equity 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 include only the combined, net of tax, nonowner changes in equity. The following presents reconciliations of the components of accumulated nonowner changes in equity for the years ended December 31, 1999, 1998 and 1997.

	Year Ended December 31		
(in thousands)	**1999**	1998	1997
Net unrealized gains (losses) on investment securities available for sale:			
Balance at beginning of year	**$ (7,688)**	$ (970)	$(22,789)
Net unrealized holding gains (losses) arising during the period	**(33,815)**	(3,835)	39,038
Less: Reclassification adjustment for gains (losses) included in net income	**5,453**	6,116	5,195
Change in net unrealized gains (losses) before income taxes	**(39,268)**	(9,951)	33,843
Provision for income taxes	**(14,239)**	(3,233)	12,024
Change in net unrealized gains (losses) on investment securities available for sale, net of tax	**(25,029)**	(6,718)	21,819
Balance at December 31	**$(32,717)**	$(7,688)	$ (970)
Accumulated foreign currency translation adjustment:			
Balance at beginning of year	**$ 1,233**	$ (967)	$ —
Net translation gains (losses) arising during the period	**(218)**	2,200	(967)
Less: Reclassification adjustment for gains (losses) included in net income	**—**	—	—
Change in translation adjustment before income taxes	**(218)**	2,200	(967)
Provision for income taxes	**—**	—	—
Change in foreign currency translation adjustment, net of tax	**(218)**	2,200	(967)
Balance at December 31	**$ 1,015**	$ 1,233	$ (967)
Total accumulated nonowner changes in equity, net of taxes, at December 31	**$(31,702)**	$(6,455)	$ (1,937)

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)	**1999**	1998	1997
Basic			
Average shares outstanding	**156,094**	155,859	158,333
Net income	**$672,589**	$607,076	$530,476
Less preferred stock dividends	**17,100**	17,100	17,100
Net income applicable to common stock	**$655,489**	$589,976	$513,376
Basic net income per common share	**$4.20**	$3.79	$3.24
Diluted			
Average shares outstanding	**156,094**	155,859	158,333
Nonvested stock	**167**	191	204
Common stock equivalents			
Net effect of the assumed exercise of stock options	**2,136**	2,707	2,503
Diluted average shares	**158,397**	158,757	161,040
Net income	**$672,589**	$607,076	$530,476
Less preferred stock dividends	**17,100**	17,100	17,100
Net income applicable to common stock	**$655,489**	$589,976	$513,376
Diluted net income per common share	**$4.14**	$3.72	$3.19

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 Accounting Principles Board opinion No. 25, "Accounting For Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee and director stock options. Under APB 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.

Pro forma information regarding net income and earnings per share is required under SFAS No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Corporation had accounted for its employee and director stock options under the fair value method of that Statement. 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:

	1999	1998	1997
Risk-free interest rate	**5.15%**	5.54%	6.49%
Expected dividend yield	**3.24%**	3.45%	3.77%
Expected volatility factors of the market price of Comerica common stock	**24%**	21%	20%
Expected option life (in years)	**4.8**	4.3	4.4

For purposes of pro forma disclosures, the estimated fair value of the options granted in 1995 and thereafter is amortized to expense over the options' vesting period. A majority of the Corporation's options vest over a four-year period.

Had compensation cost for the Corporation's stock-based compensation plans been determined in accordance with the fair value provisions of SFAS No. 123, net income and earnings per share would have been as follows:

(in thousands, except per share data)	**1999**	1998	1997
Pro forma net income	**$639,169**	$578,335	$506,875
Pro forma earnings per share:			
Basic	**$4.09**	$3.71	$3.20
Diluted	**4.04**	3.64	3.15

		Average per Share	
	Number	Exercise Price	Market Price
Outstanding—December 31, 1996	7,161,626	$18.95	$34.92
Granted	1,994,182	40.28	40.28
Cancelled	(266,295)	26.00	43.07
Exercised	(1,252,170)	15.93	44.81
Expired	—		
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**
Exercisable— December 31, 1999	**5,352,198**		
Available for grant— December 31, 1999	**103,246**		

The following table summarizes information about stock options outstanding at December 31, 1999:

	Outstanding			Exercisable	
Exercise Price Range	Shares	Average Life (a)	Average Exercise Price	Shares	Average Exercise Price
$ 8.59 - $18.00	**946,488**	**2.8**	**$14.43**	**946,488**	**$14.43**
18.59 - 21.00	**1,292,130**	**4.5**	**19.02**	**1,292,130**	**19.02**
21.59 - 25.42	**1,686,724**	**5.4**	**24.46**	**1,327,145**	**24.20**
28.33 - 65.13	**1,751,145**	**7.3**	**41.73**	**1,009,539**	**41.19**
65.56 - 66.81	**2,085,441**	**9.2**	**66.81**	**—**	**—**
68.44 - 71.58	**1,842,220**	**8.2**	**71.58**	**776,896**	**71.58**
Total	**9,604,148**	**6.7**	**$44.12**	**5,352,198**	**$31.30**

(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 $0.8 million in 1999, $3.0 million in 1998 and $0.3 million in 1997 for the plan. Benefits under the plan are based primarily on years of service and the levels of 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 and substantially reduces all benefits for remaining employees. The Corporation has funded the plan with a company-owned life insurance contract.

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

	Defined Benefit Pension Plan		Postretirement Benefit Plan	
(in thousands)	1999	1998	1999	1998
Change in benefit obligation:				
Benefit obligation at January 1	$542,941	$525,329	$80,710	$81,584
Service cost	15,387	13,924	256	262
Interest cost	38,118	36,039	5,308	5,509
Curtailment	—	(5,518)	—	—
Actuarial gain	(63,598)	(3,631)	(4,995)	(423)
Benefits paid	(23,162)	(23,202)	(6,717)	(6,222)
Benefit obligation at December 31	$509,686	$542,941	$74,562	$80,710
Change in plan assets:				
Fair value of plan assets at January 1	$628,194	$585,215	$88,312	$86,727
Actual return on plan assets	46,750	66,181	(1,475)	4,226
Employer contributions	—	—	4,271	3,581
Benefits paid	(23,162)	(23,202)	(6,717)	(6,222)
Fair value of plan assets at December 31	$651,782	$628,194	$84,391	$88,312

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)	1999	1998	1999	1998
Funded status at December 31	$142,096	$ 85,253	$ 9,829	$ 7,602
Unrecognized net gain	(106,068)	(44,829)	(4,701)	(7,115)
Unrecognized net transition (asset)/obligation	(5,690)	(10,524)	59,850	64,477
Unrecognized prior service cost	(2,072)	(2,394)	—	—
Prepaid benefit cost	$ 28,266	$ 27,506	$64,978	$64,964

Components of net periodic benefit cost/(income):

Defined Benefit Pension Plan (in thousands)	1999	1998	1997
Service cost	$ 15,387	$ 13,924	$ 12,400
Interest cost	38,118	36,039	33,823
Expected return on plan assets	(51,241)	(48,887)	(42,313)
Amortization of unrecognized transition asset	(4,834)	(4,834)	(4,834)
Amortization of unrecognized prior service cost	(322)	(331)	(353)
Amortization of unrecognized net loss	2,132	1,071	978
Net periodic benefit income	$ (760)	$ (3,018)	$ (299)

Postretirement Benefit Plan (in thousands)	1999	1998	1997
Service cost	$ 256	$ 262	$ 273
Interest cost	5,308	5,509	5,710
Expected return on plan assets	(5,935)	(5,829)	(5,413)
Amortization of unrecognized transition obligation	4,628	4,628	4,628
Amortization of unrecognized net gain	—	—	(56)
Net periodic benefit cost	$ 4,257	$ 4,570	$ 5,142

Actuarial assumptions were as follows:

Defined Benefit Pension Plan	1999	1998	1997
Discount rate used in determining benefit obligation	8.0%	7.0%	7.0%
Long-term rate of return on assets	9.3%	9.0%	9.0%
Rate of compensation increase	5.0%	5.0%	5.0%

Postretirement Benefit Plan	1999	1998	1997
Discount rate used in determining benefit obligation	8.0%	7.0%	7.0%
Long-term rate of return on assets	6.7%	6.7%	6.7%

The health care cost trend rate projected for 1999 was 5 percent and is assumed to remain constant. Increasing each health care rate by one percentage point would increase the accumulated postretirement benefit obligation by $5 million at December 31, 1999, and the aggregate of the service and interest cost components by $353 thousand for the year ended December 31, 1999. Decreasing each health care rate by one percentage point would decrease the accumulated postretirement benefit obligation by $4 million at December 31, 1999, and the aggregate of the service and interest cost components by $315 thousand for the year ended December 31, 1999.

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 $11.7 million in 1999, $11.1 million in 1998 and $9.7 million in 1997 for the plans.

15 INCOME TAXES

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

(in thousands)	1999	1998	1997
Currently payable			
Federal	$287,776	$245,486	$239,680
Foreign	22,797	27,263	30,723
State and local	10,174	13,847	15,584
	320,747	286,596	285,987
Deferred federal, state and local	39,736	37,703	279
Total	$360,483	$324,299	$286,266

There were $1.9 million, $2.1 million and $1.8 million of income taxes provided on securities transactions in 1999, 1998 and 1997, respectively.

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

(in thousands)	1999	1998
Allowance for credit losses	$(150,025)	$(142,889)
Lease financing transactions	229,086	165,974
Allowance for depreciation	2,871	10,899
Deferred loan origination fees and costs	(31,424)	(25,554)
Investment securities available for sale	(17,458)	(3,507)
Employee benefits	(8,259)	(6,824)
Other temporary differences, net	(37,442)	(35,563)
Total	$ (12,651)	$ (37,464)

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)	1999	1998	1997
Tax based on federal statutory rate	$361,575	$325,981	$285,860
Effect of tax-exempt interest income	(2,737)	(4,039)	(5,687)
Other	1,645	2,357	6,093
Provision for income taxes	$360,483	$324,299	$286,266

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, 1999, approximated $327 million at the beginning and $347 million at the end of 1999. During 1999, new loans to related parties aggregated $559 million and repayments totaled $539 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 $879 million at January 1, 2000, 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 $261 million in 1999, $442 million in 1998 and $354 million in 1997.

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, 1999 and 1998, 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:

(in thousands)	Comerica Inc. (Consolidated)	Comerica Bank	Comerica Bank-Texas	Comerica Bank-California
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
December 31, 1998				
Tier 1 capital	$2,699,143	$2,263,522	$310,743	$330,998
Total capital	4,435,977	3,740,843	407,268	453,387
Tier 1 capital to average assets (minimum–3.0%)	7.68%	8.02%	8.12%	8.04%
Tier 1 capital to risk–weighted assets (minimum–4.0%)	6.26	6.42	8.07	7.35
Total capital to risk–weighted assets (minimum–8.0%)	10.28	10.60	10.58	10.07

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.

18 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

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 38 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, 1999 and 1998.

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.

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. In 1998, the Corporation terminated its portfolio of zero-coupon interest rate swaps. The notional amount of these swaps totaled $700 million. A portion of these swaps were replaced with paying swaps. The Corporation also terminated its portfolio of principal only total return swaps in conjunction with divesting the mortgage servicing business. The notional amount of these swaps was $55 million.

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.

(in millions)	Notional/ Contract Amount	Unrealized Gains	Unrealized Losses	Fair Value
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)
December 31, 1998				
Risk management				
Interest rate contracts:				
Swaps	$6,869	$152	$ (6)	$146
Options, caps and floors purchased	15	—	—	—
Total interest rate contracts	6,884	152	(6)	146
Foreign exchange contracts:				
Spot and forwards	782	32	(29)	3
Swaps	131	12	—	12
Total foreign exchange contracts	913	44	(29)	15
Total risk management	$7,797	$196	$ (35)	$ 161

Bilateral collateral agreements with counterparties covered 95 percent and 94 percent of the notional amount of interest rate derivative contracts at December 31, 1999 and 1998, respectively. 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, 1999, 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.

18 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

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, 1999, unrealized gains and unrealized losses on customer-initiated and other foreign exchange contracts averaged $19 million and $15 million, respectively. For the year ended December 31, 1998, unrealized gains and unrealized losses averaged $14 million and $9 million, respectively. These contracts also generated noninterest income of $10 million in 1999 and $9 million in 1998. Average positive and negative fair values and income related to customer-initiated and other interest rate contracts were not material for 1999 and 1998.

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, 1999 and 1998.

(in millions)	Notional/ Contract Amount	Unrealized Gains	Unrealized Losses	Fair Value
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
December 31, 1998				
Customer-initiated and other				
Interest rate contracts:				
Caps and floors written	$ 241	$ —	$ (1)	$(1)
Caps and floors purchased	176	1	—	1
Swaps	264	7	(6)	1
Total interest rate contracts	681	8	(7)	1
Foreign exchange contracts:				
Spot, forwards, futures and options	673	20	(13)	7
Total customer-initiated and other	$1,354	$ 28	$(20)	$ 8

Detailed discussions of each class of derivative financial instrument and foreign exchange contract held or issued by the Corporation for both risk management and customer-initiated and other activities are provided below.

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.

18 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (CONTINUED)

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, 1999 and 1998. Commitments to purchase and sell U.S. Treasury and municipal bond securities related to the Corporation's trading account totaled $4 million and $17 million at December 31, 1999 and 1998, respectively. Outstanding commitments expose the Corporation to both credit and market risk.

Available credit lines on fixed rate credit card and check product accounts, which have characteristics similar to option contracts, totaled $1.2 billion and $1.6 billion at December 31, 1999 and 1998, respectively. These commitments expose the Corporation to the risk of a reduction in net interest income as interest rates increase. Market risk exposure arising from fixed rate revolving credit commitments is very limited, however, since it is unlikely that a significant number of customers with these accounts will simultaneously borrow up to their maximum available credit lines. Additional information concerning unused commitments to extend credit is provided in the "Credit-Related Financial Instruments" section below.

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)	1999	1998
Unused commitments to extend credit	$24,230	$28,393
Standby letters of credit and financial guarantees	4,064	3,632
Commercial letters of credit	232	328
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 at December 31, 1999 and 1998, included $3 billion of variable and fixed rate revolving credit commitments. Other unused loan commitments, primarily variable rate, totaled $21 billion at December 31, 1999, and $25 billion at December 31, 1998.

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 $1,475 million and $1,432 million at December 31, 1999 and 1998, respectively. The remaining standby letters of credit and financial guarantees, which mature within one year, totaled $2,589 million and $2,200 million at December 31, 1999 and 1998, 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, 1999 and 1998.

19 CONTINGENT LIABILITIES

The Corporation and its subsidiaries are parties to litigation and claims arising in the normal course of their activities. Although the amount of ultimate liability, if any, with respect to such matters 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.

In addition, management cannot predict with reasonable certainty the likelihood, or the impact, of any future claims that may be brought against the Corporation. For example, although the Corporation is not currently a named defendant in any lawsuits involving year 2000 readiness, it is impossible to know whether any claims in connection with the year 2000 will be asserted in the future, and the potential liability, if any, that may arise from such claims.

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 $103 million and $129 million for the years ended December 31, 1999 and 1998, 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 commercial 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 represents those servicing rights recorded under SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Fair value is computed using discounted cash flow analyses, using interest rates and prepayment speed assumptions currently quoted for comparable instruments.

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.

21 ESTIMATED FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 1999 and 1998 are as follows:

	1999		1998	
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and short-term investments	$ 1,294	$ 1,294	$ 1,830	$ 1,830
Trading account securities	16	16	6	6
Loans held for sale	505	535	46	46
Investment securities available for sale	2,739	2,739	2,712	2,712
Commercial loans	20,655	20,444	19,086	19,016
International loans	2,573	2,538	2,713	2,696
Real estate construction loans	1,709	1,710	1,080	1,075
Commercial mortgage loans	4,774	4,674	4,179	4,216
Residential mortgage loans	870	866	1,038	1,071
Consumer loans	1,351	1,321	1,862	1,807
Lease financing	761	753	647	648
Total loans	32,693	32,306	30,605	30,529
Less allowance for credit losses	(476)	—	(452)	—
Net loans	32,217	32,306	30,153	30,529
Customers' liability on acceptances outstanding	44	44	12	12
Loan servicing rights	5	5	4	4
Liabilities				
Demand deposits (noninterest-bearing)	6,136	6,136	6,999	6,999
Interest-bearing deposits	17,155	17,137	17,314	17,340
Total deposits	23,291	23,273	24,313	24,339
Short-term borrowings	2,768	2,768	3,580	3,580
Acceptances outstanding	44	44	12	12
Medium- and long-term debt	8,580	8,490	5,282	5,355
Off-balance Sheet Financial Instruments				
Derivative financial instruments and foreign exchange contracts				
Risk management:				
Unrealized gains	—	50	—	196
Unrealized losses	(1)	(200)	—	(35)
Customer-initiated and other:				
Unrealized gains	17	17	28	28
Unrealized losses	(14)	(14)	(20)	(20)
Credit-related financial instruments	—	(15)	—	(13)

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, 1999. 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 1999 performance can be found in the section entitled "Strategic Lines of Business" in the financial review on page 29.

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, 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. The other category also includes the financial results of Munder on a consolidated basis since July 1998, during which time management considered strategic options for its majority interest. In 2000, results for Munder will be included in the Investment Bank.

22 BUSINESS SEGMENT INFORMATION (CONTINUED)

Lines of business/segment financial results were as follows:

	Business Bank			Individual Bank			Investment Bank*		
(dollar amounts in millions)	**1999**	1998	1997	**1999**	1998	1997	**1999**	1998	1997
Earnings Summary									
Net interest income (FTE)	**$ 853**	$ 746	$ 658	**$ 699**	$ 679	$ 754	**$ (4)**	$ (3)	$ (2)
Provision for credit losses	**149**	79	(11)	**(6)**	(14)	82	**—**	—	—
Noninterest income	**193**	154	128	**294**	300	269	**135**	122	107
Noninterest expenses	**339**	308	299	**599**	586	598	**126**	113	101
Restructuring charge	**—**	—	—	**—**	—	—	**—**	—	—
Provision for income taxes (FTE)	**202**	185	181	**139**	142	120	**2**	2	1
Net income (loss)	**356**	328	317	**261**	265	223	**3**	4	3
Selected Average Balances									
Assets	**$26,121**	$22,908	$19,884	**$ 7,042**	$ 7,651	$ 9,534	**$ 29**	$ 33	$ 28
Loans	**25,021**	21,555	18,276	**6,584**	7,076	8,936	**—**	1	—
Deposits	**4,529**	4,332	3,929	**17,332**	17,213	17,055	**24**	34	41
Common equity	**1,604**	1,340	1,062	**715**	736	769	**27**	27	23
Statistical Data									
Return on average assets	**1.36%**	1.43%	1.60%	**1.44%**	1.47%	1.24%	**5.83%**	5.63%	4.15%
Return on average common equity	**22.16**	24.49	29.92	**36.50**	35.96	28.94	**12.15**	14.17	12.63
Efficiency ratio	**32.60**	34.51	38.35	**60.22**	59.82	58.39	**n/m**	n/m	n/m

	Finance			Other			Total		
	1999	1998	1997	**1999**	1998	1997	**1999**	1998	1997
Earnings Summary									
Net interest income (FTE)	**$ 7**	$ 46	$ 40	**$ (3)**	$ —	$ 2	**$ 1,552**	$ 1,468	$ 1,452
Provision for credit losses	**—**	—	—	**(29)**	48	75	**114**	113	146
Noninterest income	**8**	8	4	**87**	19	20	**717**	603	528
Noninterest expenses	**3**	3	3	**50**	17	7	**1,117**	1,027	1,008
Restructuring charge	**—**	—	—	**—**	(7)	—	**—**	(7)	—
Provision for income taxes (FTE)	**4**	18	15	**18**	(16)	(21)	**365**	331	296
Net income (loss)	**8**	33	26	**45**	(23)	(39)	**673**	607	530
Selected Average Balances									
Assets	**$3,730**	$4,320	$5,152	**$ 38**	$ 75	$271	**$36,960**	$34,987	$34,869
Loans	**481**	280	70	**(526)**	(313)	(73)	**31,560**	28,599	27,209
Deposits	**569**	704	902	**65**	(30)	19	**22,519**	22,253	21,946
Common equity	**315**	333	294	**338**	181	260	**2,999**	2,617	2,408
Statistical Data									
Return on average assets	**0.06%**	0.28%	0.22%	**n/m%**	n/m%	n/m%	**1.82%**	1.74%	1.52%
Return on average common equity	**2.41**	10.00	8.98	**n/m**	n/m	n/m	**21.86**	22.54	21.32
Efficiency ratio	**n/m**	n/m	n/m	**n/m**	n/m	n/m	**49.35**	49.39	51.04

*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 $12 million in 1999, $9 million in 1998 and $6 million in 1997. Return on average common equity would have been 45.27% in 1999, 33.65% in 1998 and 27.49% in 1997.

n/m - not meaningful

23 PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEETS—Comerica Incorporated

December 31 (in thousands, except share data)	1999	1998
Assets		
Cash and due from banks	$ 80	$ 2,728
Time deposits with banks	69,900	22,600
Investment securities available for sale	27,505	22,392
Investment in subsidiaries, principally banks	3,669,435	3,280,384
Premises and equipment	4,335	5,855
Other assets	55,900	57,235
Total assets	$3,827,155	$3,391,194
Liabilities and Shareholders' Equity		
Commercial paper	$ 74,877	$ —
Long-term debt	158,543	234,639
Advances from nonbanking subsidiaries	3,882	—
Other liabilities	115,209	109,942
Total liabilities	352,511	344,581
Nonredeemable preferred stock—$50 stated value		
Authorized—5,000,000 shares		
Issued—5,000,000 shares in 1999 and 1998	250,000	250,000
Common stock—$5 par value		
Authorized—325,000,000 shares		
Issued—157,233,107 shares in 1999 and 157,233,088 shares in 1998	786,166	786,165
Capital surplus	35,092	24,649
Accumulated nonowner changes in equity	(31,702)	(6,455)
Retained earnings	2,485,204	2,086,589
Deferred compensation	(2,955)	(5,202)
Less cost of common stock in treasury—715,496 shares in 1999 and 1,351,997 shares in 1998	(47,161)	(89,133)
Total shareholders' equity	3,474,644	3,046,613
Total liabilities and shareholders' equity	$3,827,155	$3,391,194

STATEMENTS OF INCOME—Comerica Incorporated

Year Ended December 31 (in thousands)	1999	1998	1997
Income			
Income from subsidiaries			
Dividends from subsidiaries	$260,603	$442,495	$353,500
Other interest income	808	3,899	3,626
Intercompany management fees	93,414	157,393	166,952
Other interest income	347	545	559
Other noninterest income	24,354	2,628	2,070
Total income	379,526	606,960	526,707
Expenses			
Interest on long-term debt and other borrowed funds	17,193	22,214	26,129
Net interest rate swap income	(682)	(1,648)	(2,818)
Salaries and employee benefits	64,580	61,583	65,766
Occupancy expense	5,840	6,630	9,373
Equipment expense	1,572	1,873	2,053
Restructuring charge	—	100	—
Other noninterest expenses	29,730	36,002	54,262
Total expenses	118,233	126,754	154,765
Income before income taxes and equity in undistributed net income of subsidiaries	261,293	480,206	371,942
Income tax expense	349	13,279	6,111
	260,944	466,927	365,831
Equity in undistributed net income of subsidiaries, principally banks	411,645	140,149	164,645
Net Income	$672,589	$607,076	$530,476

23 PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CASH FLOWS — Comerica Incorporated

Year Ended December 31 (in thousands)	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 672,589	$ 607,076	$ 530,476
Adjustments to reconcile net income to net cash provided by operating activities			
Undistributed earnings of subsidiaries, principally banks	(411,645)	(140,149)	(164,645)
Depreciation	1,404	1,755	1,800
Restructuring charge	—	(6,008)	(20,992)
Other, net	5,822	4,908	7,465
Total adjustments	(404,419)	(139,494)	(176,372)
Net cash provided by operating activities	268,170	467,582	354,104
INVESTING ACTIVITIES			
Purchase of investment securities available for sale	(7,687)	(11,640)	(4,092)
Proceeds from sale of investment securities available for sale	2,580	1,983	427
Proceeds from sales of fixed assets and other real estate	115	136	28,958
Purchases of fixed assets	(316)	(1,222)	(1,424)
Net (increase) decrease in bank time deposits	(47,300)	57,800	25,300
Net increase in receivables from subsidiaries	—	—	(375)
Capital transactions with subsidiaries	(5,610)	(134,752)	(3,283)
Net cash provided by (used in) investing activities	(58,218)	(87,695)	45,511
FINANCING ACTIVITIES			
Net increase (decrease) in advances from subsidiaries	3,882	(4,054)	3,818
Repayments and purchases of long-term debt	(76,096)	(63,712)	141
Net increase (decrease) in short-term borrowings	74,877	—	(842)
Proceeds from issuance of common stock	23,268	50,885	35,082
Purchase of common stock for treasury and retirement	(2,885)	(148,684)	(242,293)
Dividends paid	(235,646)	(211,966)	(195,412)
Net cash used in financing activities	(212,600)	(377,531)	(399,506)
Net increase (decrease) in cash on deposit at bank subsidiary	(2,648)	2,356	109
Cash on deposit at bank subsidiary at beginning of year	2,728	372	263
Cash on deposit at bank subsidiary at end of year	$ 80	$ 2,728	$ 372
Interest paid	$ 19,184	$ 15,290	$ 25,799
Income taxes recovered (paid)	$ 9,807	$ 975	$ (1,145)

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.

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

1998 (in thousands, except per share data)	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	$652,121	$639,562	$651,230	$673,861
Interest expense	281,371	279,127	286,752	308,253
Net interest income	370,750	360,435	364,478	365,608
Provision for credit losses	36,000	21,000	28,000	28,000
Securities gains/(losses)	6,081	174	11	(150)
Noninterest income (excluding securities gains)	161,306	151,940	148,784	135,002
Noninterest expenses	263,051	253,821	253,299	249,873
Net income	157,820	154,490	150,383	144,383
Basic net income per common share	$ 0.99	$ 0.97	$ 0.94	$ 0.89
Diluted net income per common share	0.97	0.95	0.92	0.88

25 PENDING ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement, as amended by Statement No. 137, 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 through income. If the derivative is a hedge, depending on the nature of the hedge, changes in fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Statement 133, as amended, is effective for fiscal years beginning after September 15, 2000. The statement permits adoption as of the beginning of any fiscal quarter. The Corporation expects to adopt SFAS No. 133 effective January 1, 2001. The Corporation has not yet determined what the effect of SFAS No. 133 will be on the earnings and financial position of the Corporation. The FASB has not yet finalized several significant implementation issues which affect the Corporation.

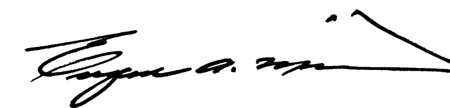
REPORT OF MANAGEMENT

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 generally accepted accounting principles 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.

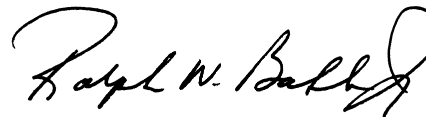
In meeting its responsibility for the reliability of the financial statements, management develops and maintains systems of internal accounting controls. These controls are designed to provide reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with 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 generally accepted auditing standards.

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.
Vice Chairman and Chief Financial Officer

Marvin J. Elenbaas
Senior Vice President and Controller

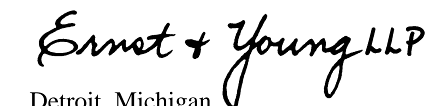
REPORT OF INDEPENDENT AUDITORS

Board of Directors,
Comerica Incorporated

We have audited the accompanying consolidated balance sheets of Comerica Incorporated and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.



Detroit, Michigan
January 18, 2000

HISTORICAL REVIEW–AVERAGE BALANCE SHEETS
COMERICA INCORPORATED AND SUBSIDIARIES

Consolidated Financial Information (in millions)	1999	1998	1997	1996	1995
ASSETS					
Cash and due from banks	$ 1,518	$ 1,622	$ 1,686	$ 1,576	$ 1,500
Short-term investments	116	143	129	195	351
Investment securities	2,403	3,371	4,687	5,823	7,625
Commercial loans	19,681	16,973	14,234	12,686	11,302
International loans	2,627	2,342	1,953	1,541	1,257
Real estate construction loans	1,364	989	866	707	541
Commercial mortgage loans	4,461	3,819	3,547	3,483	3,157
Residential mortgage loans	929	1,325	1,676	1,960	2,450
Consumer loans	1,816	2,575	4,486	4,624	4,569
Lease financing	682	576	447	351	285
Total loans	31,560	28,599	27,209	25,352	23,561
Less allowance for credit losses	(463)	(440)	(402)	(361)	(340)
Net loans	31,097	28,159	26,807	24,991	23,221
Accrued income and other assets	1,826	1,692	1,560	1,610	1,432
Total assets	$36,960	$34,987	$34,869	$34,195	$34,129
LIABILITIES AND SHAREHOLDERS' EQUITY					
Noninterest-bearing deposits	$ 6,255	$ 6,151	$ 5,815	$ 5,589	$ 4,767
Interest-bearing deposits	16,264	16,102	16,131	16,669	16,888
Total deposits	22,519	22,253	21,946	22,258	21,655
Federal funds purchased and securities sold under agreements to repurchase	2,823	2,510	2,017	2,106	2,816
Other borrowed funds	659	910	1,801	1,999	2,313
Accrued expenses and other liabilities	421	415	467	400	324
Medium- and long-term debt	7,289	6,032	5,980	4,745	4,510
Total liabilities	33,711	32,120	32,211	31,508	31,618
Shareholders' equity	3,249	2,867	2,658	2,687	2,511
Total liabilities and shareholders' equity	$36,960	$34,987	$34,869	$34,195	$34,129

HISTORICAL REVIEW–STATEMENTS OF INCOME
COMERICA INCORPORATED AND SUBSIDIARIES

Consolidated Financial Information (in millions, except per share data)	1999	1998	1997	1996	1995
INTEREST INCOME					
Interest and fees on loans	$2,501	$2,382	$2,318	$2,161	$2,091
Interest on investment securities					
Taxable	157	219	310	372	474
Exempt from federal income tax	5	7	11	18	26
Total interest on investment securities	162	226	321	390	500
Interest on short-term investments	10	9	9	12	23
Total interest income	2,673	2,617	2,648	2,563	2,614
INTEREST EXPENSE					
Interest on deposits	590	648	673	686	721
Interest on short-term borrowings	179	186	209	219	302
Interest on medium- and long-term debt	411	368	374	295	289
Net interest rate swap (income)/expense	(54)	(46)	(51)	(49)	2
Total interest expense	1,126	1,156	1,205	1,151	1,314
Net interest income	1,547	1,461	1,443	1,412	1,300
Provision for credit losses	114	113	146	114	87
Net interest income after provision for credit losses	1,433	1,348	1,297	1,298	1,213
NONINTEREST INCOME					
Fiduciary and investment management income	241	184	147	133	125
Service charges on deposit accounts	169	158	141	140	130
Commercial lending fees	49	43	32	23	21
Letter of credit fees	39	31	26	22	20
Securities gains	5	6	5	14	12
Other noninterest income	214	181	177	175	191
Total noninterest income	717	603	528	507	499
NONINTEREST EXPENSES					
Salaries and employee benefits	640	565	539	561	562
Net occupancy expense	94	90	89	99	99
Equipment expense	61	60	62	69	68
Outside processing fee expense	48	43	42	42	49
Restructuring charge	—	(7)	—	90	—
Other noninterest expenses	274	269	276	298	308
Total noninterest expenses	1,117	1,020	1,008	1,159	1,086
Income before income taxes	1,033	931	817	646	626
Provision for income taxes	360	324	287	229	213
Net Income	$ 673	$ 607	$ 530	$ 417	$ 413
Net income applicable to common stock	$ 655	$ 590	$ 513	$ 408	$ 413
Basic net income per common share	$ 4.20	$ 3.79	$ 3.24	$ 2.41	$ 2.38
Diluted net income per common share	4.14	3.72	3.19	2.38	2.37
Cash dividends declared on common stock	$ 225	$ 199	$ 181	$ 170	$ 158
Dividends per common share	$ 1.44	$ 1.28	$ 1.15	$ 1.01	$ 0.91

HISTORICAL REVIEW—STATISTICAL DATA
COMERICA INCORPORATED AND SUBSIDIARIES

Consolidated Financial Information	1999	1998	1997	1996	1995
AVERAGE RATES (FULLY TAXABLE EQUIVALENT BASIS)					
Short-term investments	8.85%	6.25%	6.59%	6.23%	6.61%
Investment securities	6.76	6.81	6.94	6.79	6.72
Commercial loans	7.70	8.04	8.25	8.21	8.75
International loans	7.86	7.97	7.07	6.64	7.06
Real estate construction loans	8.48	9.24	9.38	9.22	9.52
Commercial mortgage loans	8.25	8.74	9.08	9.29	9.40
Residential mortgage loans	7.47	7.69	7.90	7.83	7.80
Consumer loans	9.98	10.20	9.81	9.88	10.10
Lease financing	6.84	7.65	7.48	6.82	6.65
Total loans	7.93	8.34	8.53	8.54	8.90
Interest income as a percent of earning assets	7.85	8.17	8.29	8.20	8.35
Domestic deposits	3.48	3.91	4.09	4.04	4.05
Deposits in foreign offices	7.05	6.71	5.68	5.46	6.07
Total interest-bearing deposits	3.63	4.02	4.17	4.11	4.27
Federal funds purchased and securities sold under agreements to repurchase	5.16	5.44	5.49	5.31	5.88
Other borrowed funds	5.07	5.40	5.45	5.36	5.87
Medium- and long-term debt	5.63	6.10	6.26	6.22	6.41
Interest expense as a percent of interest-bearing sources	4.16	4.52	4.65	4.51	4.95
Interest rate spread	3.69	3.65	3.64	3.69	3.40
Impact of net noninterest-bearing sources of funds	0.86	0.92	0.89	0.85	0.79
Net interest margin as a percent of earning assets	4.55	4.57	4.53	4.54	4.19
Return on Average Common Shareholders' Equity	21.86	22.54	21.32	15.98	16.46
Return on Average Assets	1.82	1.74	1.52	1.22	1.21
Efficiency Ratio	49.35	49.39	51.04	60.36	60.09
Per Share Data					
Book value at year-end	$20.60	$17.94	$16.02	$14.70	$15.17
Market value at year-end	46.69	68.19	60.17	34.92	26.67
Market value—high and low for year	70-44	73-47	62-34	39-24	29-16
Other Data					
Number of banking offices	332	334	350	358	395
Number of employees (full-time equivalent)	10,234	10,134	9,960	11,079	12,876

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:

Norwest Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
(800) 468-9716

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 Friday, May 19, 2000, 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 on page 70.

Stock Prices, Dividends and Yields

Quarter	High	Low	Dividend Per Share	Dividend* Yield
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
1998				
Fourth	$69.00	$46.50	$0.32	2.2%
Third	71.94	51.00	0.32	2.1
Second	73.00	61.94	0.32	1.9
First	72.13	54.33	0.32	2.0

*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, 2000, there were approximately 17,227 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.

"Although we are 150 years old as a bank, we are also a brand new company, which is evolving and continuously reinventing itself."

Eugene A. Miller
Chairman, President and Chief Executive Officer

Comerica Incorporated
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