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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
Or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-10706

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

Delaware	38-1998421
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Comerica Bank Tower
1717 Main Street, MC 6404
Dallas, Texas 75201
(Address of principal executive offices)
(Zip Code)
(214) 462-6831
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
$5 par value common stock:
Outstanding as of April 25, 2016: 175,133,972 shares

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS
Comerica Incorporated and Subsidiaries

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

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

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

Comerica Incorporated and Subsidiaries

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

Diluted	0.34	0.73
Comprehensive income	161	176
Cash dividends declared on common stock	37	36
Cash dividends declared per common share	0.21	0.20

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
Comerica Incorporated and Subsidiaries

(in millions, except per share data)	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2014	179.0	$ 1,141	$ 2,188	$ (412)	$ 6,744	$ (2,259)	$ 7,402
Net income	—	—	—	—	134	—	134
Other comprehensive income, net of tax	—	—	—	42	—	—	42
Cash dividends declared on common stock ($0.20 per share)	—	—	—	—	(36)	—	(36)
Purchase of common stock	(1.5)	—	—	—	—	(66)	(66)
Net issuance of common stock under employee stock plans	0.6	—	(16)	—	(2)	25	7
Share-based compensation	—	—	16	—	—	—	16
Other	—	—	—	—	1	—	1
BALANCE AT MARCH 31, 2015	178.1	$ 1,141	$ 2,188	$ (370)	$ 6,841	$ (2,300)	$ 7,500
BALANCE AT DECEMBER 31, 2015	175.7	$ 1,141	$ 2,173	$ (429)	$ 7,084	$ (2,409)	$ 7,560
Net income	—	—	—	—	60	—	60
Other comprehensive income, net of tax	—	—	—	101	—	—	101
Cash dividends declared on common stock ($0.21 per share)	—	—	—	—	(37)	—	(37)
Purchase of common stock	(1.4)	—	—	—	—	(49)	(49)
Net issuance of common stock under employee stock plans	0.8	—	(35)	—	(10)	34	(11)
Share-based compensation	—	—	20	—	—	—	20
BALANCE AT MARCH 31, 2016	175.1	$ 1,141	$ 2,158	$ (328)	$ 7,097	$ (2,424)	$ 7,644

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
Comerica Incorporated and Subsidiaries

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

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

See notes to consolidated financial statements.

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

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Organization

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

Pending Accounting Pronouncements

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

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

NOTE 2 – FAIR VALUE MEASUREMENTS

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

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

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

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

ASSETS AND LIABLILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

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

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

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

(b) Auction-rate securities.

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

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

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

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

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

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

(a) Auction-rate securities.
(b) Recorded in "net unrealized gains (losses) on investment securities available-for-sale" in other comprehensive income (loss).
(c) Realized and unrealized gains and losses due to changes in fair value recorded in "other noninterest income" on the consolidated statements of comprehensive income.
(d) Realized and unrealized gains and losses due to changes in fair value recorded in "net securities losses" on the consolidated statements of comprehensive income.

ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A NONRECURRING BASIS

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

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

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

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

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

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

(a) Auction-rate securities.

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

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

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

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

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

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

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

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

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

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

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NOTE 3 - INVESTMENT SECURITIES

A summary of the Corporation's investment securities follows:

(in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	$ 2,769	$ 54	$ —	$ 2,823
Residential mortgage-backed securities (a)	7,468	135	12	7,591
State and municipal securities	9	—	—	9
Corporate debt securities	1	—	—	1
Equity and other non-debt securities	183	1	1	183
Total investment securities available-for-sale (b)	$ 10,430	$ 190	$ 13	$ 10,607
Investment securities held-to-maturity (c):				
Residential mortgage-backed securities (a)	$ 1,907	$ 20	$ —	$ 1,927
December 31, 2015				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	$ 2,769	$ 1	$ 7	$ 2,763
Residential mortgage-backed securities (a)	7,513	76	44	7,545
State and municipal securities	9	—	—	9
Corporate debt securities	1	—	—	1
Equity and other non-debt securities	199	2	—	201
Total investment securities available-for-sale (b)	$ 10,491	$ 79	$ 51	$ 10,519
Investment securities held-to-maturity (c):				
Residential mortgage-backed securities (a)	$ 1,981	$ 2	$ 10	$ 1,973

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

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

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

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

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

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

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

(b) Primarily auction-rate securities.

(c) Unrealized losses less than $0.5 million.

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

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

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

The following table summarizes the amortized cost and fair values of debt securities by contractual maturity. Securities with multiple maturity dates are classified in the period of final maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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

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

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

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NOTE 4 – CREDIT QUALITY AND ALLOWANCE FOR CREDIT LOSSES
The following table presents an aging analysis of the recorded balance of loans.

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

Total retail loans	38	4	—	42	54	4,259	4,355
Total loans	$ 108	$ 21	$ 17	$ 146	$ 367	$48,571	$49,084

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

The following table presents loans by credit quality indicator, based on internal risk ratings assigned to each business loan at the time of approval and subjected to subsequent reviews, generally at least annually, and to pools of retail loans with similar risk characteristics.

	Internally Assigned Rating				
(in millions)	Pass (a)	Special Mention (b)	Substandard (c)	Nonaccrual (d)	Total
March 31, 2016					
Business loans:					
Commercial	$28,295	$ 1,227	$ 1,493	$ 547	$31,562
Real estate construction:					
Commercial Real Estate business line (e)	1,947	—	—	—	1,947
Other business lines (f)	334	8	1	—	343
Total real estate construction	2,281	8	1	—	2,290
Commercial mortgage:					
Commercial Real Estate business line (e)	2,104	32	24	8	2,168
Other business lines (f)	6,451	189	135	39	6,814
Total commercial mortgage	8,555	221	159	47	8,982
Lease financing	704	14	7	6	731
International	1,334	41	53	27	1,455
Total business loans	41,169	1,511	1,713	627	45,020
Retail loans:					
Residential mortgage	1,837	1	10	26	1,874
Consumer:					
Home equity	1,706	2	3	27	1,738
Other consumer	737	3	4	1	745
Total consumer	2,443	5	7	28	2,483
Total retail loans	4,280	6	17	54	4,357
Total loans	$45,449	$ 1,517	$ 1,730	$ 681	$49,377
December 31, 2015					
Business loans:					
Commercial	$29,117	$ 1,293	$ 1,011	$ 238	$31,659
Real estate construction:					
Commercial Real Estate business line (e)	1,681	—	—	—	1,681
Other business lines (f)	318	1	—	1	320
Total real estate construction	1,999	1	—	1	2,001
Commercial mortgage:					
Commercial Real Estate business line (e)	2,031	31	26	16	2,104
Other business lines (f)	6,536	172	121	44	6,873
Total commercial mortgage	8,567	203	147	60	8,977
Lease financing	693	17	8	6	724
International	1,245	59	56	8	1,368
Total business loans	41,621	1,573	1,222	313	44,729
Retail loans:					
Residential mortgage	1,828	2	13	27	1,870
Consumer:					
Home equity	1,687	1	5	27	1,720
Other consumer	755	3	7	—	765

Total consumer	2,442	4	12	27	2,485
Total retail loans	4,270	6	25	54	4,355
Total loans	$45,891	$ 1,579	$ 1,247	$ 367	$49,084

(a) Includes all loans not included in the categories of special mention, substandard or nonaccrual.

(b) Special mention loans are accruing loans that have potential credit weaknesses that deserve management's close attention, such as loans to borrowers who may be experiencing financial difficulties that may result in deterioration of repayment prospects from the borrower at some future date.

(c) Substandard loans are accruing loans that have a well-defined weakness, or weaknesses, such as loans to borrowers who may be experiencing losses from operations or inadequate liquidity of a degree and duration that jeopardizes the orderly repayment of the loan. Substandard loans also are distinguished by the distinct possibility of loss in the future if these weaknesses are not corrected. This category is generally consistent with the "substandard" category as defined by regulatory authorities.

(d) Nonaccrual loans are loans for which the accrual of interest has been discontinued. For further information regarding nonaccrual loans, refer to the Nonperforming Assets subheading in Note 1 - Basis of Presentation and Accounting Policies - on page F-58 in the Corporation's 2015 Annual Report. A significant majority of nonaccrual loans are generally consistent with the "substandard" category and the remainder are generally consistent with the "doubtful" category as defined by regulatory authorities.

(e) Primarily loans to real estate developers.

(f) Primarily loans secured by owner-occupied real estate.

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The following table summarizes nonperforming assets.

(in millions)	March 31, 2016	December 31, 2015
Nonaccrual loans	$ 681	$ 367
Reduced-rate loans (a)	8	12
Total nonperforming loans	689	379
Foreclosed property (b)	25	12
Total nonperforming assets	$ 714	$ 391

(a) There were no reduced-rate business loans at both March 31, 2016 and December 31, 2015. Reduced-rate retail loans were $8 million and $12 million at March 31, 2016 and December 31, 2015, respectively.
(b) Included $8 million and $9 million of foreclosed residential real estate properties at March 31, 2016 and December 31, 2015, respectively.

There were no retail loans secured by residential real estate properties in process of foreclosure included in nonaccrual loans at March 31, 2016 compared to $1 million at December 31, 2015.

Allowance for Credit Losses

The following table details the changes in the allowance for loan losses and related loan amounts.

(in millions)	2016 Business Loans	2016 Retail Loans	2016 Total	2015 Business Loans	2015 Retail Loans	2015 Total
Three Months Ended March 31						
Allowance for loan losses:						
Balance at beginning of period	$579	$55	$634	$534	$60	$594
Loan charge-offs	(75)	(2)	(77)	(21)	(2)	(23)
Recoveries on loans previously charged-off	24	1	25	12	3	15
Net loan (charge-offs) recoveries	(51)	(1)	(52)	(9)	1	(8)
Provision for loan losses	145	(4)	141	17	(1)	16
Foreign currency translation adjustment	1	—	1	(1)	—	(1)
Balance at end of period	$674	$50	$724	$541	$60	$601
As a percentage of total loans	1.50 %	1.14 %	1.47 %	1.21 %	1.39 %	1.22 %
March 31						
Allowance for loan losses:						
Individually evaluated for impairment	$88	$—	$88	$31	$—	$31
Collectively evaluated for impairment	586	50	636	510	60	570
Total allowance for loan losses	$674	$50	$724	$541	$60	$601
Loans:						
Individually evaluated for impairment	$755	$27	$782	$169	$37	$206
Collectively evaluated for impairment	44,265	4,330	48,595	44,622	4,242	48,864
Purchased credit impaired (PCI) loans (a)	—	—	—	—	2	2
Total loans evaluated for impairment	$45,020	$4,357	$49,377	$44,791	$4,281	$49,072

(a) No allowance for loan losses was required for PCI loans at March 31, 2016 and 2015.

Changes in the allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, are summarized in the following table.

Three Months Ended

	March 31,	
(in millions)	2016	2015
Balance at beginning of period	$45	$41
Charge-offs on lending related commitments (a)	(6)	—
Provision for credit losses on lending-related commitments	7	(2)
Balance at end of period	$46	$39

(a) Charge-offs result from the sale of unfunded lending-related commitments.

Individually Evaluated Impaired Loans
The following table presents additional information regarding individually evaluated impaired loans.

(in millions)	Recorded Investment In: Impaired Loans with No Related Allowance	Impaired Loans with Related Allowance	Total Impaired Loans	Unpaid Principal Balance	Related Allowance for Loan Losses
March 31, 2016					
Business loans:					
Commercial	$106	$ 583	$ 689	$ 778	$ 80
Commercial mortgage:					
Commercial Real Estate business line (a)	—	8	8	15	1
Other business lines (b)	—	31	31	46	5
Total commercial mortgage	—	39	39	61	6
International	—	27	27	35	2
Total business loans	106	649	755	874	88
Retail loans:					
Residential mortgage	12	—	12	12	—
Consumer:					
Home equity	12	—	12	12	—
Other consumer	3	—	3	3	—
Total consumer	15	—	15	15	—
Total retail loans (c)	27	—	27	27	—
Total individually evaluated impaired loans	$133	$ 649	$ 782	$ 901	$ 88
December 31, 2015					
Business loans:					
Commercial	$82	$ 252	$ 334	$ 398	$ 45
Commercial mortgage:					
Commercial Real Estate business line (a)	7	8	15	38	1
Other business lines (b)	2	32	34	55	5
Total commercial mortgage	9	40	49	93	6
International	—	10	10	17	2
Total business loans	91	302	393	508	53
Retail loans:					
Residential mortgage	13	—	13	13	—
Consumer:					
Home equity	12	—	12	16	—
Other consumer	6	—	6	10	—
Total consumer	18	—	18	26	—
Total retail loans (c)	31	—	31	39	—
Total individually evaluated impaired loans	$122	$ 302	$ 424	$ 547	$ 53

(a) Primarily loans to real estate developers.
(b) Primarily loans secured by owner-occupied real estate.
(c) Individually evaluated retail loans had no related allowance for loan losses, primarily due to policy which results in direct write-downs of restructured retail loans.

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The following table presents information regarding average individually evaluated impaired loans and the related interest recognized. Interest income recognized for the period primarily related to performing restructured loans.

(in millions)	Individually Evaluated Impaired Loans			
	2016		2015	
	Average Balance for the Period	Interest Income Recognized for the Period	Average Balance for the Period	Interest Income Recognized for the Period
Three Months Ended March 31				
Business loans:				
Commercial	$511	$ 4	$109	$ 1
Commercial mortgage:				
Commercial Real Estate business line (a)	11	—	19	—
Other business lines (b)	33	—	44	—
Total commercial mortgage	44	—	63	—
International	19	—	1	—
Total business loans	574	4	173	1
Retail loans:				
Residential mortgage	12	—	23	—
Consumer loans:				
Home equity	12	—	12	—
Other consumer	5	—	4	—
Total consumer	17	—	16	—
Total retail loans	29	—	39	—
Total individually evaluated impaired loans	$603	$ 4	$212	$ 1

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

Troubled Debt Restructurings

The following tables detail the recorded balance at March 31, 2016 and 2015 of loans considered to be TDRs that were restructured during the three-month periods ended March 31, 2016 and 2015, by type of modification. In cases of loans with more than one type of modification, the loans were categorized based on the most significant modification.

(in millions)	2016				2015
	Type of Modification				
	Principal Deferrals (a)	Interest Rate Reductions	AB Note Restructures (b)	Total Modifications	Principal Deferrals (a)
Three Months Ended March 31					
Business loans:					
Commercial	$144	$ —	$ 16	$ 160	$ —
Commercial mortgage:					
Other business lines (c)	1	—	—	1	3
International	—	—	11	11	—
Total business loans	145	—	27	172	3
Retail loans:					
Residential mortgage	—	2	—	2	—

Total loans	$145	$ 2	$ 27	$ 174	$ 3

(a) Primarily represents loan balances where terms were extended 90 days or more at or above contractual interest rates.

(b) Loan restructurings whereby the original loan is restructured into two notes: an "A" note, which generally reflects the portion of the modified loan which is expected to be collected; and a "B" note, which is either fully charged off or exchanged for an equity interest.

(c) Primarily loans secured by owner-occupied real estate.

Commitments to lend additional funds to borrowers whose terms have been modified in TDRs were $14 million at March 31, 2016 and $6 million at December 31, 2015.

The majority of the modifications considered to be TDRs that occurred during the three months ended March 31, 2016 and 2015 were principal deferrals. The Corporation charges interest on principal balances outstanding during deferral periods. Additionally, none of the modifications involved forgiveness of principal. As a result, the current and future financial effects of

the recorded balance of loans considered to be TDRs that were restructured during the three months ended March 31, 2016 and 2015 were insignificant.

On an ongoing basis, the Corporation monitors the performance of modified loans to their restructured terms. In the event of a subsequent default, the allowance for loan losses continues to be reassessed on the basis of an individual evaluation of the loan.

The following table presents information regarding the recorded balance at March 31, 2016 and 2015 of loans modified by principal deferral during the twelve-month periods ended March 31, 2016 and 2015, and those principal deferrals which experienced a subsequent default during the three-month periods ended March 31, 2016 and 2015. For principal deferrals, incremental deterioration in the credit quality of the loan, represented by a downgrade in the risk rating of the loan, for example, due to missed interest payments or a reduction of collateral value, is considered a subsequent default.

(in millions)	2016		2015	
	Balance at March 31	Subsequent Default in the Three Months Ended March 31	Balance at March 31	Subsequent Default in the Three Months Ended March 31
Principal deferrals:				
Business loans:				
Commercial	$281	$ 1	$20	$ 15
Commercial mortgage:				
Commercial Real Estate business line (a)	8	6	—	—
Other business lines (b)	3	—	9	1
Total commercial mortgage	11	6	9	1
International	1	—	—	—
Total business loans	293	7	29	16
Retail loans:				
Residential mortgage	—	—	1 (c)	—
Consumer:				
Home equity	1 (c)	—	1 (c)	—
Total retail loans	1	—	2	—
Total principal deferrals	$294	$ 7	$31	$ 16

(a) Primarily loans to real estate developers.
(b) Primarily loans secured by owner-occupied real estate.
(c) Includes bankruptcy loans for which the court has discharged the borrower's obligation and the borrower has not reaffirmed the debt.

During the twelve-month periods ended March 31, 2016 and 2015, loans with a carrying value of $4 million and $3 million, respectively, were modified by interest rate reduction. During the twelve month period ended March 31, 2016, loans with a carrying value of $27 million were restructured into two notes (AB note restructures). For reduced-rate loans and AB Note restructures, a subsequent payment default is defined in terms of delinquency, when a principal or interest payment is 90 days past due. There were no subsequent payment defaults of reduced-rate loans or AB note restructures during the three-month periods ended March 31, 2016 and 2015.

NOTE 5 - DERIVATIVE AND CREDIT-RELATED FINANCIAL INSTRUMENTS

In the normal course of business, the Corporation enters into various transactions involving derivative 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 (customer-initiated derivatives). These financial

instruments involve, to varying degrees, elements of market and credit risk. Market and credit risk are included in the determination of fair value.

Market risk is the potential loss that may result from movements in interest rates, foreign currency exchange rates or energy commodity prices that 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 inherent in interest rate and energy contracts entered into on behalf of customers is mitigated by taking offsetting positions, except in those circumstances when the amount, tenor and/or contract rate level results in negligible economic risk, whereby the cost of purchasing an offsetting contract is not economically justifiable. The Corporation mitigates most of the inherent market risk in foreign exchange contracts entered into on behalf of customers by taking offsetting positions and manages the remainder through individual foreign currency position limits and aggregate value-at-risk limits. These limits are established annually and reviewed quarterly. Market risk inherent in derivative instruments held or issued for risk management purposes is typically offset by changes in the fair value of the assets or liabilities being hedged.

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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 customer-initiated derivatives by evaluating the creditworthiness of each customer, adhering to the same credit approval process used for traditional lending activities and obtaining collateral as deemed necessary. Derivatives with dealer counterparties are either cleared through a clearinghouse or settled directly with a single counterparty. For derivatives settled directly with dealer counterparties, the Corporation utilizes counterparty risk limits and monitoring procedures as well as master netting arrangements and bilateral collateral agreements to facilitate the management of credit risk. Master netting arrangements effectively reduce credit risk by permitting settlement of positive and negative positions and offset cash collateral held with the same counterparty on a net basis. Bilateral collateral agreements require daily exchange of cash or highly rated securities issued by the U.S. Treasury or other U.S. government entities to collateralize amounts due to either party beyond certain risk limits. At March 31, 2016, counterparties with bilateral collateral agreements had pledged $93 million of marketable investment securities and deposited $319 million of cash with the Corporation to secure the fair value of contracts in an unrealized gain position, and the Corporation had pledged $29 million of marketable investment securities and posted $6 million of cash as collateral for contracts in an unrealized loss position. For those counterparties not covered under bilateral collateral agreements, collateral is obtained, if deemed necessary, based on the results of management’s credit evaluation of the counterparty. Collateral varies, but may include cash, investment securities, accounts receivable, equipment or real estate. Included in the fair value of derivative instruments are credit valuation adjustments reflecting counterparty credit risk. These adjustments are determined by applying a credit spread for the counterparty or the Corporation, as appropriate, to the total expected exposure of the derivative.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at March 31, 2016 was $5 million, for which the Corporation had pledged no collateral. The credit-risk-related contingent features require the Corporation's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the Corporation's debt were to fall below investment grade, the counterparties to the derivative instruments could require additional overnight collateral on derivative instruments in net liability positions. If the credit-risk-related contingent features underlying these agreements had been triggered on March 31, 2016, the Corporation would have been required to assign an additional $5 million of collateral to its counterparties.

Derivative Instruments

Derivative instruments utilized by the Corporation are negotiated over-the-counter and primarily include swaps, caps and floors, forward contracts and options, each of which may relate to interest rates, energy commodity prices or foreign currency exchange rates. Swaps are agreements in which two parties periodically exchange cash payments based on specified indices applied to a specified notional amount until a stated maturity. Caps and floors are agreements which entitle the buyer to receive cash payments based on the difference between a specified reference rate or price and an agreed strike rate or price, applied to a specified notional amount until a stated maturity. Forward contracts are over-the-counter agreements to buy or sell an asset at a specified future date and price. Options are similar to forward contracts except the purchaser has the right, but not the obligation, to buy or sell the asset during a specified period or at a specified future date.

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 market and liquidity risks from over-the-counter derivative instruments entered into for risk management purposes, and transactions entered into to mitigate the market risk associated with customer-initiated transactions, by conducting hedging transactions with investment grade domestic and foreign financial institutions and subjecting counterparties to credit approvals, limits and collateral monitoring procedures similar to those used in making other extensions of credit. In addition, certain derivative contracts executed bilaterally with a dealer counterparty in the over-the-counter market are cleared through a clearinghouse, whereby the clearinghouse becomes the counterparty to the transaction.

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The following table presents the composition of the Corporation's derivative instruments held or issued for risk management purposes or in connection with customer-initiated and other activities at March 31, 2016 and December 31, 2015. The table excludes commitments and warrants accounted for as derivatives.

(in millions)	March 31, 2016			December 31, 2015		
		Fair Value			Fair Value	
	Notional/Contract Amount (a)	Gross Derivative Assets	Gross Derivative Liabilities	Notional/Contract Amount (a)	Gross Derivative Assets	Gross Derivative Liabilities
Risk management purposes						
Derivatives designated as hedging instruments						
Interest rate contracts:						
Swaps - fair value - receive fixed/pay floating	$2,525	$193	$ —	$2,525	$147	$ —
Derivatives used as economic hedges						
Foreign exchange contracts:						
Spot, forwards and swaps	785	1	5	593	3	—
Total risk management purposes	3,310	194	5	3,118	150	—
Customer-initiated and other activities						
Interest rate contracts:						
Caps and floors written	273	—	—	253	—	—
Caps and floors purchased	273	—	—	253	—	—
Swaps	12,286	214	169	11,722	139	92
Total interest rate contracts	12,832	214	169	12,228	139	92
Energy contracts:						
Caps and floors written	417	—	57	536	—	85
Caps and floors purchased	417	57	—	536	85	—
Swaps	1,786	336	334	2,055	390	387
Total energy contracts	2,620	393	391	3,127	475	472
Foreign exchange contracts:						
Spot, forwards, options and swaps	2,444	52	43	2,291	54	46
Total customer-initiated and other activities	17,896	659	603	17,646	668	610
Total gross derivatives	$21,206	853	608	$20,764	818	610
Amounts offset in the consolidated balance sheets:						
Netting adjustment - Offsetting derivative assets/liabilities		(118)	(118)		(127)	(127)
Netting adjustment - Cash collateral received/posted		(256)	(6)		(291)	(3)
Net derivatives included in the consolidated balance sheets (b)		479	484		400	480
Amounts not offset in the consolidated balance sheets:						
Marketable securities pledged under bilateral collateral agreements		(90)	(28)		(137)	(3)
Net derivatives after deducting amounts not offset in the consolidated balance sheets		$389	$ 456		$263	$ 477

(a) Notional or contractual amounts, which represent the extent of involvement in the derivatives market, are 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.

(b) Net derivative assets are included in "accrued income and other assets" and net derivative liabilities are included in "accrued expenses and other liabilities" on the consolidated balance sheets. Included in the fair value of net derivative assets and net derivative liabilities are credit valuation adjustments reflecting

counterparty credit risk and credit risk of the Corporation. The fair value of net derivative assets included credit valuation adjustments for counterparty credit risk of $10 million and $5 million at March 31, 2016 and December 31, 2015, respectively.

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Risk Management
As an end-user, the Corporation employs a variety of financial instruments for risk management purposes, including cash instruments, such as investment securities, as well as derivative instruments. Activity related to these instruments is centered predominantly in the interest rate markets and mainly involves interest rate swaps. Various other types of instruments also may be 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.
The Corporation entered into interest rate swap agreements related to medium- and long-term debt for interest rate risk management purposes. These interest rate swap agreements effectively modify the Corporation's exposure to interest rate risk by converting fixed-rate debt to a floating rate. These agreements involve the receipt of fixed-rate interest amounts in exchange for floating-rate interest payments over the life of the agreement, without an exchange of the underlying principal amount. Risk management fair value interest rate swaps generated net interest income of $17 million and $18 million for the three months ended March 31, 2016 and 2015, respectively. The Corporation recognized net gains of $3 million and $1 million for the three months ended March 31, 2016 and 2015, respectively, in "other noninterest income" in the consolidated statements of income for the ineffective portion of risk management derivative instruments designated as fair value hedges of fixed-rate debt.
Foreign exchange rate risk arises from changes in the value of certain assets and liabilities denominated in foreign currencies. The Corporation employs spot and forward contracts in addition to swap contracts to manage exposure to these and other risks. The Corporation recognized an insignificant amount of net gains and losses for each of the three-month periods ended March 31, 2016 and 2015 on risk management derivative instruments used as economic hedges, included in "other noninterest income" in the consolidated statements of income.
The following table summarizes the expected weighted average remaining maturity of the notional amount of risk management interest rate swaps and the weighted average interest rates associated with amounts expected to be received or paid on interest rate swap agreements as of March 31, 2016 and December 31, 2015.

(dollar amounts in millions)	Notional Amount	Weighted Average Remaining Maturity (in years)	Receive Rate		Pay Rate (a)	
March 31, 2016						
Swaps - fair value - receive fixed/pay floating rate						
Medium- and long-term debt designation	$ 2,525	4.8	3.89	%	1.29	%
December 31, 2015						
Swaps - fair value - receive fixed/pay floating rate						
Medium- and long-term debt designation	2,525	5.1	3.89		1.11	

(a) Variable rates paid on receive fixed swaps are based on six-month LIBOR rates in effect at March 31, 2016 and December 31, 2015.

Management believes these hedging strategies achieve the desired relationship between the rate maturities of assets and funding sources which, in turn, reduce the overall exposure of net interest income to interest rate risk, although there can be no assurance that such strategies will be successful.
Customer-Initiated and Other
The Corporation enters into derivative transactions at the request of customers and generally takes offsetting positions with dealer counterparties to mitigate the inherent market risk. Income primarily results from the spread between the customer derivative and the offsetting dealer position.
For customer-initiated foreign exchange contracts where offsetting positions have not been taken, the Corporation manages the remaining inherent market risk through individual foreign currency position limits and aggregate value-at-risk limits. These limits are established annually and reviewed quarterly. For those customer-initiated derivative contracts which were not offset or where the Corporation holds a position within the limits described above, the Corporation recognized an insignificant amount of net gains in "other noninterest income" in the consolidated

statements of comprehensive income for each of the three-month periods ended March 31, 2016 and 2015.

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Fair values of customer-initiated and other derivative instruments 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 statements of comprehensive income. The net gains recognized in income on customer-initiated derivative instruments, net of the impact of offsetting positions, were as follows.

		Three Months Ended March 31,	
(in millions)	Location of Gain	2016	2015
Interest rate contracts	Other noninterest income	$2	$ 2
Energy contracts	Other noninterest income	—	1
Foreign exchange contracts	Foreign exchange income	10	10
Total		$12	$ 13

Credit-Related Financial Instruments
The Corporation issues off-balance sheet financial instruments in connection with commercial and consumer lending activities. The Corporation's credit risk associated with these instruments is represented by the contractual amounts indicated in the following table.

(in millions)	March 31, 2016	December 31, 2015
Unused commitments to extend credit:		
Commercial and other	$ 25,032	$ 26,115
Bankcard, revolving check credit and home equity loan commitments	2,468	2,414
Total unused commitments to extend credit	$ 27,500	$ 28,529
Standby letters of credit	$ 3,949	$ 3,985
Commercial letters of credit	61	41

The Corporation maintains an allowance to cover probable credit losses inherent in lending-related commitments, including unused commitments to extend credit, letters of credit and financial guarantees. At March 31, 2016 and December 31, 2015, the allowance for credit losses on lending-related commitments, included in "accrued expenses and other liabilities" on the consolidated balance sheets, was $46 million and $45 million, respectively.
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. Commercial and other unused commitments are primarily variable rate commitments. The allowance for credit losses on lending-related commitments included $35 million and $33 million at March 31, 2016 and December 31, 2015, respectively, for probable credit losses inherent in the Corporation's unused commitments to extend credit.
Standby and Commercial Letters of Credit
Standby letters of credit represent conditional obligations of the Corporation which guarantee the performance of a customer to a third party. Standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Commercial letters of credit are issued to finance foreign or domestic trade transactions. These contracts expire in decreasing amounts through the year 2022. The Corporation may enter into participation arrangements with third parties that effectively reduce the maximum amount of future payments which may be required under standby and commercial letters of credit. These risk participations covered $319 million and $287 million at March 31, 2016 and December 31, 2015, respectively, of the $4.0 billion of standby and commercial letters of credit outstanding at both March 31, 2016 and December 31,

2015.

The carrying value of the Corporation's standby and commercial letters of credit, included in "accrued expenses and other liabilities" on the consolidated balance sheets, totaled $47 million at March 31, 2016, including $36 million in deferred fees and $11 million in the allowance for credit losses on lending-related commitments. At December 31, 2015, the comparable amounts were $49 million, $37 million and $12 million, respectively.

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The following table presents a summary of criticized standby and commercial letters of credit at March 31, 2016 and December 31, 2015. The Corporation's criticized list is generally consistent with the Special mention, Substandard and Doubtful categories defined by regulatory authorities. The Corporation manages credit risk through underwriting, periodically reviewing and approving its credit exposures using Board committee approved credit policies and guidelines.

(dollar amounts in millions)	March 31, 2016	December 31, 2015
Total criticized standby and commercial letters of credit	$ 135	$ 110
As a percentage of total outstanding standby and commercial letters of credit	3.4 %	2.7 %

Other Credit-Related Financial Instruments

The Corporation enters into credit risk participation agreements, under which the Corporation assumes credit exposure associated with a borrower’s performance related to certain interest rate derivative contracts. The Corporation is not a party to the interest rate derivative contracts and only enters into these credit risk participation agreements in instances in which the Corporation is also a party to the related loan participation agreement for such borrowers. The Corporation manages its credit risk on the credit risk participation agreements by monitoring the creditworthiness of the borrowers, which is based on the normal credit review process had it entered into the derivative instruments directly with the borrower. The notional amount of such credit risk participation agreement reflects the pro-rata share of the derivative instrument, consistent with its share of the related participated loan. As of March 31, 2016 and December 31, 2015, the total notional amount of the credit risk participation agreements was approximately $523 million and $559 million, respectively, and the fair value, included in customer-initiated interest rate contracts recorded in "accrued expenses and other liabilities" on the consolidated balance sheets, was insignificant at both March 31, 2016 and December 31, 2015. The maximum estimated exposure to these agreements, as measured by projecting a maximum value of the guaranteed derivative instruments, assuming 100 percent default by all obligors on the maximum values, was approximately $10 million and $5 million at March 31, 2016 and December 31, 2015, respectively. In the event of default, the lead bank has the ability to liquidate the assets of the borrower, in which case the lead bank would be required to return a percentage of the recouped assets to the participating banks. As of March 31, 2016, the weighted average remaining maturity of outstanding credit risk participation agreements was 2.3 years.

NOTE 6 - VARIABLE INTEREST ENTITIES (VIEs)

The Corporation evaluates its interest in certain entities to determine if these entities meet the definition of a VIE and whether the Corporation is the primary beneficiary and should consolidate the entity based on the variable interests it held both at inception and when there is a change in circumstances that requires a reconsideration.

The Corporation holds ownership interests in funds in the form of limited partnerships or limited liability companies (LLCs) investing in affordable housing projects that qualify for the low-income housing tax credit (LIHTC). The Corporation also directly invests in limited partnerships and LLCs which invest in community development projects which generate similar tax credits to investors. As an investor, the Corporation obtains income tax credits and deductions from the operating losses of these tax credit entities. These tax credit entities meet the definition of a VIE; however, the Corporation is not the primary beneficiary of the entities, as it does not have both the power to direct the activities that most significantly impact the economic performance of the entities and the obligation to absorb losses or the right to receive benefits that could be significant to the entities. While the partnership/LLC agreements allow the limited partners/investor members, through a majority vote, to remove the general partner/managing member, this right is not deemed to be substantive.

The Corporation accounts for its interests in LIHTC entities using the proportional amortization method. Exposure to loss as a result of the Corporation’s involvement with LIHTC entities at March 31, 2016 was limited to approximately $411 million. Ownership interests in other community development projects which generate similar tax credits to investors (other tax credit entities) are accounted for under either the cost or equity method. Exposure to loss as a result of the Corporation's involvement in other tax credit entities at March 31, 2016 was limited to approximately $9

million.

Investment balances, including all legally binding commitments to fund future investments, are included in “accrued income and other assets” on the consolidated balance sheets. A liability is recognized in “accrued expenses and other liabilities” on the consolidated balance sheets for all legally binding unfunded commitments to fund tax credit entities ($156 million at March 31, 2016). Amortization and other write-downs of LIHTC investments are presented on a net basis as a component of the "provision for income taxes" on the consolidated statements of comprehensive income, while amortization and write-downs of other tax credit investments are recorded in “other noninterest income." The income tax credits and deductions are recorded as a reduction of income tax expense and a reduction of federal income taxes payable.

The Corporation provided no financial or other support that was not contractually required to any of the above VIEs during the three months ended March 31, 2016 and 2015.

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

(in millions)	Three Months Ended March 31, 2016	2015
Other noninterest income:		
Amortization of other tax credit investments	$—	$ 1
Provision for income taxes:		
Amortization of LIHTC investments	16	15
Low income housing tax credits	(16)	(15)
Other tax benefits related to tax credit entities	(6)	(5)
Total provision for income taxes	$ (6)	$ (5)

For further information on the Corporation's consolidation policy, see Note 1 to the consolidated financial statements in the Corporation's 2015 Annual Report.

NOTE 7 - MEDIUM- AND LONG-TERM DEBT

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

(in millions)	March 31, 2016	December 31, 2015
Parent company		
Subordinated notes:		
3.80% subordinated notes due 2026 (a)	272	259
Medium-term notes:		
2.125% notes due 2019 (a)	354	349
Total parent company	626	608
Subsidiaries		
Subordinated notes:		
5.75% subordinated notes due 2016 (a) (b)	657	659
5.20% subordinated notes due 2017 (a)	527	530
4.00% subordinated notes due 2025 (a)	367	351
7.875% subordinated notes due 2026 (a)	231	223
Total subordinated notes	1,782	1,763
Medium-term notes:		
2.50% notes due 2020 (a)	685	671
Other notes:		
6.0% - 6.4% fixed-rate notes due 2020	16	16
Total subsidiaries	2,483	2,450
Total medium- and long-term debt	$ 3,109	$ 3,058

(a) The fixed interest rates on these notes have been swapped to a variable rate and designated in a hedging relationship. Accordingly, carrying value has been adjusted to reflect the change in the fair value of the debt as a result of changes in the benchmark rate.

(b) The fixed interest rate on $250 million of $600 million total par value of these notes have been swapped to a variable rate.

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

Unamortized debt issuance costs deducted from the carrying amount of medium- and long-term debt totaled $8 million at both March 31, 2016 and December 31, 2015.

Comerica Bank (the Bank), a wholly-owned subsidiary of the Corporation, is a member of the FHLB, which provides short- and long-term funding to its members through advances collateralized by real estate-related assets. Actual borrowing capacity is contingent on the amount of collateral available to be pledged to the FHLB. At March 31, 2016, $15 billion of real estate-related loans were pledged to the FHLB as blanket collateral for potential future borrowings of approximately $5.6 billion.

In early April 2016, the Bank issued a total of $1.6 billion of 10-year, floating-rate FHLB advances, with an initial interest rate of 0.399%, due March 4, 2026. The interest rate on each of four notes resets every four weeks, based on the FHLB auction rate, with the reset date of each note scheduled at one-week intervals. Each note may be prepaid in full, without penalty, at each scheduled reset date. Proceeds were used for general corporate purposes.

NOTE 8 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents a reconciliation of the changes in the components of accumulated other comprehensive loss and details the components of other comprehensive income (loss) for the three months ended March 31, 2016 and 2015, including the amount of income tax expense (benefit) allocated to each component of other comprehensive income (loss).

	Three Months Ended March 31,	
(in millions)	2016	2015
Accumulated net unrealized gains on investment securities:		
Balance at beginning of period, net of tax	$9	$37
Net unrealized holding gains arising during the period	149	45
Less: Provision for income taxes	55	16
Net unrealized holding gains arising during the period, net of tax	94	29
Less:		
Net realized losses included in net securities losses	—	(2)
Less: Benefit for income taxes	—	(1)
Reclassification adjustment for net securities losses included in net income, net of tax	—	(1)
Less:		
Net losses realized as a yield adjustment in interest on investment securities	(1)	(2)
Less: Benefit for income taxes	—	(1)
Reclassification adjustment for net losses realized as a yield adjustment included in net income, net of tax	(1)	(1)
Change in net unrealized gains on investment securities, net of tax	95	31
Balance at end of period, net of tax	$104	$68
Accumulated defined benefit pension and other postretirement plans adjustment:		
Balance at beginning of period, net of tax	$(438)	$(449)
Amortization of actuarial net loss	10	17
Less: Provision for income taxes	4	6
Change in defined benefit pension and other postretirement plans adjustment, net of tax	6	11
Balance at end of period, net of tax	$(432)	$(438)
Total accumulated other comprehensive loss at end of period, net of tax	$(328)	$(370)

NOTE 9 - NET INCOME PER COMMON SHARE

Basic and diluted net income per common share are presented in the following table.

	Three Months Ended March 31,	
(in millions, except per share data)	2016	2015
Basic and diluted		
Net income	$60	$134
Less:		
Income allocated to participating securities	1	2
Net income attributable to common shares	$59	$132

Basic average common shares	173	176
Basic net income per common share	$0.34	$0.75
Basic average common shares	173	176
Dilutive common stock equivalents:		
Net effect of the assumed exercise of stock options	1	2
Net effect of the assumed exercise of warrants	2	4
Diluted average common shares	176	182
Diluted net income per common share	$0.34	$0.73

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The following average shares related to outstanding options to purchase shares of common stock were not included in the computation of diluted net income per common share because the options were anti-dilutive for the period.

	Three Months Ended March 31,	
(shares in millions)	2016	2015
Average outstanding options	6.9	6.8
Range of exercise prices	$37.26 - $59.86	$46.68 - $60.82

NOTE 10 - EMPLOYEE BENEFIT PLANS

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

Qualified Defined Benefit Pension Plan	Three Months Ended March 31,	
(in millions)	2016	2015
Service cost	$8	$ 9
Interest cost	23	22
Expected return on plan assets	(41)	(40)
Amortization of prior service cost	1	1
Amortization of net loss	8	14
Net periodic defined benefit cost	$(1)	$ 6

Non-Qualified Defined Benefit Pension Plan	Three Months Ended March 31,	
(in millions)	2016	2015
Service cost	$1	$ 1
Interest cost	2	2
Amortization of prior service credit	(1)	(1)
Amortization of net loss	2	3
Net periodic defined benefit cost	$4	$ 5

Postretirement Benefit Plan	Three Months Ended March 31,	
(in millions)	2016	2015
Interest cost	$1	$ 1
Expected return on plan assets	(1)	(1)
Net periodic postretirement benefit cost	$—	$ —

For further information on the Corporation's employee benefit plans, refer to Note 17 to the consolidated financial statements in the Corporation's 2015 Annual Report.

NOTE 11 - INCOME TAXES AND TAX-RELATED ITEMS

At March 31, 2016, net unrecognized tax benefits were $15 million, compared to $22 million at December 31, 2015. The decrease in unrecognized tax benefits of $7 million was primarily due to the recognition of federal settlements. The Corporation anticipates that it is reasonably possible that final settlement of federal and state tax issues will result

in a decrease in net unrecognized tax benefits of $1 million within the next twelve months. Included in "accrued expense and other liabilities" on the consolidated balance sheets was a $3 million liability for tax-related interest and penalties at both March 31, 2016 and December 31, 2015.

Net deferred tax assets were $173 million at March 31, 2016, compared to $199 million at December 31, 2015. The decrease of $26 million in net deferred tax assets resulted primarily from an increase in unrealized gains on investment securities available-for-sale recognized in other comprehensive income and a reversal of deferred tax assets related to expired stock options, partially offset by an increase in the allowance for loan loss. Included in deferred tax assets at both March 31, 2016 and December 31, 2015 were $5 million of state net operating loss carryforwards, which expire between 2016 and 2026. The Corporation believes that it is more likely than not that the benefit from certain of these state net operating loss carryforwards will not be realized and, accordingly, maintained a valuation allowance of $3 million at both March 31, 2016 and December 31, 2015. The determination regarding valuation allowance was based on evidence of loss carryback capacity, projected future reversals of existing taxable temporary differences to absorb the deferred tax assets and assumptions made regarding future events.

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

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

NOTE 12 - CONTINGENT LIABILITIES

Legal Proceedings

As previously reported in the Corporation's Form 10-K for the year ended December 31, 2015, Comerica Bank, a wholly owned subsidiary of the Corporation, was named in November 2011 as a third-party defendant in Butte Local Development v. Masters Group v. Comerica Bank (“the case”), for lender liability. The case was tried in January 2014, in the Montana Second District Judicial Court for Silver Bow County in Butte, Montana. On January 17, 2014, a jury awarded Masters $52 million against the Bank. On July 1, 2015, after an appeal filed by the Corporation, the Montana Supreme Court ("the court") reversed the judgment against the Corporation and remanded the case for a new trial with instructions that Michigan law should apply. The court also reversed punitive and consequential damages previously awarded by the jury. The Corporation believes it has meritorious defenses to the remaining claims in this case and intends to continue to defend itself vigorously. Management believes that current reserves related to this case are adequate in the event of a negative outcome.

The Corporation and certain of its subsidiaries are subject to various other pending or threatened legal proceedings arising out of the normal course of business or operations. The Corporation believes it has meritorious defenses to the claims asserted against it in its other currently outstanding legal proceedings and, with respect to such legal proceedings, intends to continue to defend itself vigorously, litigating or settling cases according to management’s judgment as to what is in the best interests of the Corporation and its shareholders. Settlement may result from the Corporation's determination that it may be more prudent financially to settle, rather than litigate, and should not be regarded as an admission of liability. On at least a quarterly basis, the Corporation assesses its potential liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. On a case-by-case basis, reserves are established for those legal claims for which it is probable that a loss will be incurred either as a result of a settlement or judgment, and the amount of such loss can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved. Based on current knowledge, and after consultation with legal counsel, management believes that current reserves are adequate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the Corporation’s consolidated financial condition, consolidated results of operations or consolidated cash flows. Legal fees of $5 million were included in "other noninterest expenses" on the consolidated statements of income for both the three-month periods ended March 31, 2016 and 2015.

For matters where a loss is not probable, the Corporation has not established legal reserves. The Corporation believes the estimate of the aggregate range of reasonably possible losses, in excess of reserves established, for all legal proceedings in which it is involved is from zero to approximately $31 million at March 31, 2016. This estimated aggregate range of reasonably possible losses is based upon currently available information for those proceedings in which the Corporation is involved, taking into account the Corporation’s best estimate of such losses for those cases for which such estimate can be made. For certain cases, the Corporation does not believe that an estimate can currently be made. The Corporation’s estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the existence in certain proceedings of multiple defendants (including the Corporation) whose share of liability has yet to be determined, the numerous

yet-unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims) and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Corporation’s estimate will change from time to time, and actual losses may be more or less than the current estimate. In the event of unexpected future developments, it is possible that the ultimate resolution of these matters may be material to the Corporation's consolidated financial condition, consolidated results of operations or consolidated cash flows.

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

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NOTE 13 - BUSINESS SEGMENT INFORMATION

The Corporation has strategically aligned its operations into three major business segments: the Business Bank, the Retail Bank and Wealth Management. These business segments are differentiated based on the type of customer and the related products and services provided. In addition to the three major business segments, the Finance Division is also reported as a segment. Business segment results are produced by the Corporation’s internal management accounting system. This system measures financial results based on the internal business unit structure of the Corporation. The performance of the business segments is not comparable with the Corporation's consolidated results and is not necessarily comparable with similar information for any other financial institution. Additionally, because of the interrelationships of the various segments, the information presented is not indicative of how the segments would perform if they operated as independent entities. The management accounting system assigns balance sheet and income statement items to each business segment using certain methodologies, which are regularly reviewed and refined. From time to time, the Corporation may make reclassifications among the segments to more appropriately reflect management's current view of the segments, and methodologies may be modified as the management accounting system is enhanced and changes occur in the organizational structure and/or product lines. For comparability purposes, amounts in all periods are based on business unit structure and methodologies in effect at March 31, 2016.

Effective January 1, 2016, in conjunction with the effective date for regulatory Liquidity Coverage Ratio (LCR) requirements, the Corporation prospectively implemented an additional funds transfer pricing (FTP) charge, primarily for the cost of maintaining liquid assets to support potential draws on unfunded loan commitments and for the long-term economic cost of holding collateral for secured deposits. For further information about the Corporation's FTP methodology, refer to Note 22 to the consolidated financial statements in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015.

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

The Business Bank meets the needs of middle market businesses, multinational corporations and governmental entities by offering various products and services, including commercial loans and lines of credit, deposits, cash management, capital market products, international trade finance, letters of credit, foreign exchange management services and loan syndication services.

The Retail Bank includes small business banking and personal financial services, consisting of consumer lending, consumer deposit gathering and mortgage loan origination. In addition to a full range of financial services pro