

**COMERICA INCORPORATED
REGULATORY CAPITAL DISCLOSURES**

For the Quarter Ended March 31, 2021



Table of Contents

Overview	1
Scope of Application	2
Capital Structure	2
Capital Adequacy	3
Risk Management	5
General Credit Risk	6
Counterparty Credit Risk	8
Credit Risk Mitigation	8
Equities Not Subject to Market Risk Rule	9
Interest Rate Risk for Non-Trading Activities	10
Forward-Looking Statements	11
Disclosure Index	Appendix A

OVERVIEW

Organization

Comerica Incorporated (“the Corporation”) is a financial services company, incorporated under the laws of the State of Delaware, and headquartered in Dallas, Texas. The Corporation has strategically aligned its operations into three major business segments: the Commercial Bank, the Retail Bank, and Wealth Management and operates in three primary geographic markets: Texas, California and Michigan, as well as in the states of Arizona and Florida, with select businesses operating in several other states, and in Canada and Mexico. The Corporation operates two U.S. banking subsidiaries: Comerica Bank, a Texas banking association, and Comerica Bank and Trust, National Association, a limited purpose trust bank. At March 31, 2021, the Corporation had total assets of approximately \$86.3 billion, total deposits of approximately \$73.8 billion, total loans of approximately \$50.6 billion and shareholders’ equity of approximately \$8.2 billion.

Regulatory Capital Standards and Disclosures

The Corporation and its U.S. banking subsidiaries are subject to various regulatory capital requirements administered by federal and state banking agencies under the Basel III regulatory framework (Basel III). This regulatory framework establishes comprehensive methodologies for calculating regulatory capital and risk-weighted assets (RWA). Basel III also set minimum capital ratios as well as overall capital adequacy standards.

Definition of capital

Under Basel III, regulatory capital comprises common equity Tier 1 (CET1) capital, additional Tier 1 capital and Tier 2 capital. CET1 capital predominantly includes common shareholders’ equity, less certain deductions for goodwill, intangible assets and deferred tax assets that arise from net operating losses and tax credit carry-forwards. Additionally, the Corporation has elected to permanently exclude capital in accumulated other comprehensive income (AOCI) related to debt and equity securities classified as available-for-sale as well as for cash flow hedges and defined benefit postretirement plans from CET1, an option available to standardized approach entities under Basel III. Tier 1 capital incrementally includes noncumulative perpetual preferred stock. Tier 2 capital includes Tier 1 capital as well as subordinated debt qualifying as Tier 2 and qualifying allowance for credit losses. In 2020, the Corporation elected regulatory relief to defer over 5 years the impact of adopting the current expected credit loss (CECL) accounting standard on regulatory capital. At March 31, 2021, \$26 million was deferred.

Risk-weighted assets

The Corporation computes RWA using the standardized approach. Under the standardized approach, RWA is generally based on supervisory risk-weightings which vary by counterparty type and asset class. Under the Basel III standardized approach, capital is required for credit RWA to cover the risk of unexpected losses due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. If trading assets and liabilities exceed certain thresholds, an entity is also subject to the market risk provisions of Basel III (“market risk rule”) and capital is also required for market RWA to cover the risk of losses due to adverse market movements or from position-specific factors.

Disclosures

The qualitative and quantitative disclosures in this report regarding the Corporation’s capital structure, capital adequacy, risk exposures, RWA and market risk (if applicable) are based on management’s current understanding of Basel III and other factors, which may be subject to change as additional clarification and implementation guidance is received from regulators and the interpretation of the rule evolves over time. The disclosures were reviewed and approved in accordance with the Corporation’s regulatory disclosure policy, which has been approved by the Corporation’s Board of Directors.

This report should be read in conjunction with the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K”), and Quarterly Report on Form 10-Q for the period ended March 31, 2021 (“First Quarter 2021 Form 10-Q”), which includes important information on risk management policies and practices. A disclosure index is provided in Appendix A of this report and specific references have been included herein.

⁽¹⁾The final U.S. Basel III rules applicable to the Corporation and Comerica Bank are codified in 12 C.F.R. Part 217 (Federal Reserve Board).

SCOPE OF APPLICATION

Basis of consolidation

The standardized approach to risk-weighted assets under Basel III applies to the Corporation's consolidated financial statements and off-balance sheet exposures. The Corporation's basis of consolidation for both financial and regulatory reporting purposes is in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Certain of the Corporation's equity investments accounted for under either the proportional method, equity method or cost method are neither consolidated nor deducted from regulatory capital under Basel III, but instead are assigned an appropriate risk weight. There are no entities within the Corporation enterprise that are deconsolidated or whose capital is deducted for Basel III.

- For further information regarding the Corporation's principles of consolidation, see Note 1 to the consolidated financial statements on page F-52 of the Corporation's 2020 Form 10-K.

Capital in regulated subsidiaries

At March 31, 2021, total capital for each of the Corporation's regulated banking subsidiaries, Comerica Bank and Comerica Bank & Trust, National Association, exceeded their respective minimum required regulatory capital amount. The Corporation's regulated broker-dealer subsidiary, Comerica Securities, Inc., was also in compliance with minimum net capital requirements at March 31, 2021.

Restrictions on funds and capital transfers

Various federal laws limit borrowings by the Corporation and its nonbank subsidiaries from its affiliate insured banking subsidiaries, and also limit various other transactions between the Corporation and its nonbank subsidiaries, on the one hand, and the Corporation's affiliate insured banking subsidiaries, on the other.

- Refer to "Transactions with Affiliates" in Part I, Item 1 on page 6 of the Corporation's 2020 Form 10-K for further information.

There are statutory and regulatory requirements restricting the payment of dividends by subsidiary banks to the Corporation, as well as by the Corporation to its shareholders.

- For further information, see "Dividends" on page 5 in Part I, Item 1 and Note 20 to the consolidated financial statements on page F-96 of the Corporation's 2020 Form 10-K.

Shares of common stock can only be redeemed by the Corporation through repurchases.

- For additional information about capital and the Corporation's share repurchase program, see "Capital" in Part I, Item 2 on page 44 of the Corporation's First Quarter 2021 Form 10-Q.

The Federal Reserve requires depository institutions to maintain a stated ratio in cash reserves with a Federal Reserve Bank. In 2020 the Federal Reserve Board reduced this ratio to zero, eliminating reserve requirements for all depository institutions.

- See Note 20 to the consolidated financial statements on page F-96 of the Corporation's 2020 Form 10-K for further information.

CAPITAL STRUCTURE

Regulatory capital instruments

The Corporation's currently qualifying regulatory capital instruments consist of common stock, preferred stock and subordinated debt. Each share of the Corporation's common stock entitles the holder to one vote for the election of directors and for all other matters to be voted on by the Corporation's shareholders. Upon a liquidation, dissolution or similar proceeding, the holders of common stock would share proportionally in the residual assets remaining after all claims have been satisfied. Shares of common stock can only be redeemed by the Corporation through repurchases. Each depository share of the Corporation's preferred stock entitles the holder to proportional rights and preferences (including dividend, voting, redemption and liquidation rights). The terms of the preferred stock have been established to satisfy the criteria for "additional Tier 1 capital" instruments consistent with Basel III as set forth in the joint final rulemaking issued in July 2013 by the Federal Reserve, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.

- For additional information about capital and the Corporation's share repurchase program, see "Capital" in Part I, Item 2 on page 44 of the Corporation's First Quarter 2021 Form 10-Q.
- For additional information about the terms of the preferred stock and depository shares, see Note 13 to the consolidated financial statements on page F-85 of the Corporation's 2020 Form 10-K, as well as the Form 8-K filed by the Corporation on May 26, 2020 and Exhibits 3.1 and 4.1 thereto.

The Corporation's subordinated debt contains no financial covenants. The subordinated debt is subject to standard events of default, including those related to payment of principal and interest, bankruptcy, insolvency, receivership and other similar actions and compliance with typical legal covenants.

- For further details regarding subordinated debt as of March 31, 2021, see Note 7 to the consolidated financial statements on page 23 of the Corporation's First Quarter 2021 Form 10-Q.

Regulatory capital components

Table 1: Reconciliation of Shareholders' Equity to Total Capital

A reconciliation of total shareholders' equity to CET1 capital, Tier 1 capital and Total capital is presented below.

<i>(in millions)</i>	March 31, 2021
Preferred stock	\$ 394
Common stock	1,141
Capital surplus	2,183
Accumulated other comprehensive loss	(105)
Retained earnings	9,975
Less cost of common stock in treasury	(5,436)
Total shareholders' equity before adjustments and deductions	8,152
Less: Preferred Stock	394
Total Common stockholders' equity	7,758
Add: CECL transition adjustment	26
Less adjustments and deductions:	
AOCI opt-out election related adjustments	(105)
Goodwill	635
Other adjustments and deductions	18
Total CET1 capital	7,236
Add: Preferred stock	394
Total Tier 1 capital	7,630
Qualifying subordinated debt	682
Allowance for credit losses includable in Tier 2 capital	785
Tier 2 capital	1,467
Total capital	\$ 9,097

Further details about the Corporation's regulatory capital can be found in Schedule HC-R to the March 31, 2021 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

CAPITAL ADEQUACY

Capital adequacy assessment process

The Corporation assesses capital adequacy against the risk inherent in the balance sheet, recognizing that unexpected loss is the common denominator of risk and that common equity has the greatest capacity to absorb unexpected loss. The Corporation periodically conducts stress tests to evaluate potential impacts to the Corporation's forecasted financial condition under various economic scenarios and business conditions. These stress tests are a normal part of the Corporation's overall risk management and capital planning process and are part of the forecasting process used by the Corporation to conduct enterprise-wide stress tests.

Risk-weighted assets

Table 2: Risk-Weighted Assets by Exposure Type

The following table presents components of the Corporation's risk-weighted assets calculated in accordance with the Basel III standardized approach as of March 31, 2021.

<i>(in millions)</i>	March 31, 2021
Cash items in process of collection	\$ 106
Exposures conditionally guaranteed by U.S. government agencies	74
Claims on U.S. government-sponsored entities	991
Exposures to state and local governments in the U.S.	9
Claims on and exposures guaranteed by U.S. depository institutions and foreign banks	110
Corporate exposures	41,647
High volatility commercial real estate loans	492
Residential mortgage loans ¹	2,689
Consumer loans	527
Past due loans	512
Equity exposures	1,646
Other assets	3,034
Off-balance sheet commitments with original maturity greater than 1 year	9,943
Off-balance sheet commitments with original maturity of 1 year or less	970
Other off-balance sheet exposures	1,996
Over-the-counter derivative contracts	903
Total standardized risk-weighted assets	65,649

¹ Loans collateralized by one-to-four family residential properties, including consumer home equity loans.

- Further details about the Corporation's risk-weighted assets can be found in Schedule HC-R to the March 31, 2021 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

Risk-based capital ratios

The Corporation and its U.S. banking subsidiaries are required to maintain minimum ratios of CET1, Tier 1 and Total capital to risk-weighted assets, as well as minimum leverage ratios (defined as Tier 1 capital divided by adjusted average assets) to be considered "adequately capitalized." Failure to meet minimum capital requirements could initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial condition and results of operations.

Table 3: Minimum Required Capital Ratios

The following table presents the minimum ratios that the Corporation and its U.S. banking subsidiaries are subject to as of March 31, 2021.

March 31, 2021	Minimum Capital Ratios	Well Capitalized Ratios for Bank Holding Companies (a)
CET1 capital to risk-weighted assets	7.0 % (b)	— %
Tier 1 capital to risk-weighted assets	8.5 (b)	6.0
Total capital to risk-weighted assets	10.5 (b)	10.0
Tier 1 capital to adjusted average assets (leverage ratio)	4.0	—

- (a) The requirements for the Corporation's bank subsidiaries to be considered "well capitalized" are 6.5% for CET1 capital, 8.0% for Tier 1 capital, 10.0% for total capital and a leverage ratio of at least 5.0%.
- (b) In addition to the minimum risk-based capital requirements, the Corporation is required to maintain a minimum capital conservation buffer of 2.5%, in the form of common equity, in order to avoid restrictions on capital distributions and discretionary bonuses.

Table 4: Summary of Capital Positions and Ratios

The following table presents a summary of the capital positions of the Corporation, Comerica Bank and Comerica Bank & Trust, National Association under the Basel III standardized approach at March 31, 2021.

March 31, 2021 <i>(dollar amounts in millions)</i>	The Corporation	Comerica Bank	Comerica Bank & Trust, National Association
CET1 capital	\$ 7,236	\$ 7,686	\$ 56
Tier 1 capital	7,630	7,686	56
Total capital	9,097	8,904	56
Eligible retained income (a)	\$ 504	\$ 222	\$ 12
Risk-weighted assets	\$ 65,649	\$ 65,474	\$ 38
Adjusted average assets (b)	84,029	83,813	57
CET1 capital to risk-weighted assets	11.02 %	11.74 %	145.97 %
Tier 1 capital to risk-weighted assets	11.62	11.74	145.97
Total capital to risk-weighted assets	13.86	13.60	145.97
Capital conservation buffer (c)	5.62	5.60	137.97
Tier 1 capital to adjusted average assets (leverage ratio)	9.08	9.17	98.06

- (a) Represents the amount to which restrictions on capital distributions and discretionary bonuses would apply if the capital conservation buffer falls below the required minimum. Eligible retained income is the greater of the sum of net income for the four preceding calendar quarters, net of any distributions not already reflected in net income (e.g., dividend payments and share repurchases) and the average net income over the four preceding calendar quarters.
- (b) Adjusted average assets include total quarterly average assets (reflecting available-for-sale securities at amortized cost), less amounts deducted from CET1 capital and additional tier 1 capital, plus assets derecognized as an adjustment to AOCI as part of the incremental effect of applying certain provisions in accounting for defined benefit postretirement plans.
- (c) The Corporation and its U.S. bank subsidiaries are required to maintain a capital conservation buffer of 2.5% in order to avoid restrictions on capital distributions and discretionary bonuses. The capital conservation buffer is the lowest of (i) CET1 ratio less minimum CET1 requirement, (ii) Tier 1 ratio less minimum Tier 1 requirement and (iii) Total capital ratio less minimum Total capital requirement.

At March 31, 2021, the Corporation and its U.S. banking subsidiaries exceeded the ratios required for an institution to be considered "well capitalized." There have been no events since March 31, 2021 that management believes have changed the capital adequacy classification of the Corporation or its U.S. banking subsidiaries.

RISK MANAGEMENT

As a result of conducting business in the normal course, the Corporation assumes various types of risk. The Corporation's enterprise risk framework provides a process for identifying, measuring, controlling and managing these risks. This framework incorporates a risk assessment process, a collection of risk committees that manage the Corporation's major risk elements, and a risk appetite statement that outlines the levels and types of risks the Corporation accepts. The Corporation continuously enhances its enterprise risk framework with additional processes, tools and systems designed to not only provide management with deeper insight into the Corporation's various existing and emerging risks in accordance with its appetite for risk, but also to improve the Corporation's ability to control those risks and ensure that appropriate consideration is received for the risks taken.

The Corporation's front line employees, the first line of defense, are responsible for the day-to-day management of risks including the identification, assessment, measurement and control of risks encountered as a part of the normal course of business. Risks are further monitored, measured and controlled by the second line of defense, comprised of specialized risk managers for each of the major risk categories, who reside in the Enterprise Risk Division and provide oversight, independent and effective challenge and guidance for the risk management activities of the organization. The Enterprise Risk Division, led by the Chief Risk Officer, is responsible for designing and managing the Corporation's enterprise risk framework and ensures effective risk management oversight. Risk management committees serve as a point of review and escalation for those risks which may have risk interdependencies or where risk levels may be nearing the limits outlined in the Corporation's risk appetite statement. These committees comprise senior and executive management that represent views from both the lines of business and risk management. Internal Audit, the third line of defense, monitors and assesses the overall effectiveness of the risk management framework on an ongoing basis and provides an independent, objective assessment of the Corporation's ability to manage and control risk to management and the Audit Committee of the Board.

The Enterprise-Wide Risk Management Committee, chaired by the Chief Risk Officer, is established by the Enterprise Risk Committee of the Board, and is responsible for governance over the risk management framework, providing oversight in managing the Corporation's aggregate risk position and reporting on the comprehensive portfolio of risks as well as the potential impact these risks can have on the Corporation's risk profile and resulting capital level. Capital is the common denominator of risk. The Enterprise-Wide Risk Management Committee is principally composed of senior officers and executives representing the different risk areas and business units who are appointed by the Chairman and Chief Executive Officer of the Corporation.

The Board's Enterprise Risk Committee meets quarterly and is chartered to assist the Board in promoting the best interests of the Corporation by overseeing policies and risk practices relating to enterprise-wide risk and ensuring compliance with bank regulatory obligations. Members of the Enterprise Risk Committee are selected such that the committee comprises individuals whose experiences and qualifications can lead to broad and informed views on risk matters facing the Corporation and the financial services industry. These include, but are not limited to, existing and emerging risk matters related to credit, market, liquidity, operational, technology, compliance and strategic conditions. A comprehensive risk report is submitted to the Enterprise Risk Committee each quarter providing management's view of the Corporation's aggregate risk position.

- For further information, refer to "Risk Management" on pages F-22 through F-38 of the Corporation's 2020 Form 10-K.

CREDIT RISK

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. The Corporation assumes credit risk in the normal course of business, predominantly from the extension of credit to businesses and individuals. Additionally, the Corporation enters into transactions which give rise to counterparty credit risk involving derivative and credit-related financial instruments that meet the financing needs of customers.

Credit risk in the loan portfolio is managed through underwriting and periodically reviewing and approving its credit exposures using approved credit policies and guidelines. Additionally, the Corporation manages credit risk through loan portfolio diversification, limiting exposure to any single industry, customer or guarantor, and selling participations and/or syndicating credit exposures above those levels it deems prudent to third parties. Refer to the "Counterparty Credit Risk" section of this report for a discussion of the Corporation's management of counterparty credit risk.

For further discussion of credit risk, risk management objectives and policies and accounting policies related to these exposures:

- Refer to "Underwriting Approach" in Part I, Item 1 on page 10 of the Corporation's 2020 Form 10-K.
- See the "Credit Risk" subheading on pages F-22 through F-32 in the "Risk Management" section of the Corporation's 2020 Form 10-K.
- See Note 1 to the consolidated financial statements on page F-52 of the Corporation's 2020 Form 10-K.

Credit risk exposures

The following tables present certain of the Corporation's positions which give rise to credit risk. The amounts do not include the effects of certain credit risk mitigation techniques, such as collateral and netting not permitted under GAAP.

Table 5: Credit Risk Exposures by Exposure Type, Counterparty Type and Domicile

March 31, 2021	Counterparty Type						Domicile (c)			Quarterly Average (d)
	Banks	U.S. Public Sector (a)	Corporate	Other (b)	Netting	Total	U.S.	Non-U.S.	Total	
<i>(in millions)</i>										
Cash and cash equivalents	\$ 1,396	\$13,475	\$ —	\$ —	\$ —	\$14,871	\$14,518	\$ 353	\$14,871	\$ 13,839
Debt securities	—	15,595	—	—	—	15,595	15,595	—	15,595	14,894
Loans	—	167	46,523	3,892	—	50,582	49,564	1,018	50,582	50,589
Derivatives	34	—	587	—	(61)	560	560	—	560	580
Total on-balance sheet	\$ 1,430	\$29,237	\$ 47,110	\$ 3,892	\$ (61)	\$81,608	\$80,237	\$1,371	\$81,608	\$ 79,902
Unfunded commitments	\$ —	\$ 12	\$ 24,659	\$ 3,249	\$ —	\$27,920	\$27,176	\$ 744	\$27,920	\$ 27,330
Standby letters of credit	19	6	3,253	—	—	3,278	3,048	230	3,278	3,276
Total off-balance sheet	\$ 19	\$ 18	\$ 27,912	\$ 3,249	\$ —	\$31,198	\$30,224	\$ 974	\$31,198	\$ 30,606

(a) Includes balances with Federal Reserve Banks, the U.S. government and its agencies, government-sponsored entities and states and municipalities.

(b) Includes residential mortgage and consumer loans.

(c) Based on legal domicile of the counterparty.

(d) Average of daily or month-end balances where available; otherwise average of quarter-end balances.

Contractual maturities

Table 6: Remaining Contractual Maturity by Exposure Type

March 31, 2021	Maturing					Total
	Within 1 Year	After 1 Year But Within 5 Years	After 5 Years	Netting	Total	
<i>(in millions)</i>						
Cash and cash equivalents	\$ 14,871	\$ —	\$ —	\$ —	\$ —	\$ 14,871
Debt securities	1,634	3,208	10,753	—	—	15,595
Loans	16,376	26,225	7,981	—	—	50,582
Derivatives	159	301	161	(61)	—	560
Total on-balance sheet	\$ 33,040	\$ 29,734	\$ 18,895	\$ (61)	\$ —	\$ 81,608
Unfunded commitments	\$ 7,763	\$ 16,891	\$ 3,266	\$ —	\$ —	\$ 27,920
Standby letters of credit	2,874	334	70	—	—	3,278
Total off-balance sheet	\$ 10,637	\$ 17,225	\$ 3,336	\$ —	\$ —	\$ 31,198

Nonaccrual and past due loans

Table 7: Nonaccrual and Past Due Loans

The following table provides details on nonaccrual and past due loans, the allowance for loan losses and charge-offs by counterparty type and domicile.

March 31, 2021	Counterparty Type			Domicile (b)		
	Corporate	Other (a)	Total	U.S.	Non-U.S.	Total
<i>(in millions)</i>						
Nonaccrual loans	266	48	314	314	—	314
Loans past due 90 days or more and still accruing	41	19	60	60	—	60
Allowance for loan losses	709	68	777	—	—	—
Gross charge-offs during the quarter	15	1	16	—	—	—

(a) Includes residential mortgage and consumer loans.

(b) Based on legal domicile of the counterparty.

Allowance for credit losses

- For a reconciliation of changes in the allowance for credit losses, see Note 4 to the consolidated financial statements on page 15 of the Corporation's First Quarter 2021 Form 10-Q.

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk that the counterparty to an over-the-counter ("OTC") derivative contract will be unable to meet their payment obligation. Exposure to counterparty credit risk on OTC derivative contracts is impacted by market volatility, which could increase or decrease potential future counterparty credit exposure. The Corporation mitigates counterparty credit risk through the use of limits and monitoring procedures, as well as master netting arrangements, centrally clearing derivatives through a clearinghouse and bilateral collateral agreements. The Corporation determines credit risk exposure limits by evaluating the creditworthiness of each counterparty, adhering to the same credit approval process used for traditional lending activities and obtaining collateral as deemed necessary. 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 Corporation generally uses the International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreement to document derivative transactions. Master netting arrangements effectively reduce credit valuation adjustments by permitting settlement of positive and negative positions and offset cash collateral held with the same counterparty on a net basis.

The Corporation may require collateral depending on the credit evaluation done for each of the Corporation's counterparties. Where possible, the Corporation makes use of bilateral collateral agreements, which 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 specified thresholds.

- For information about valuation approaches, including for collateral, see Note 1 to the consolidated financial statements on page F-52 of the Corporation's 2020 Form 10-K.

Counterparty credit risk exposures

- For information about OTC derivative counterparty risk exposure, including the impact of netting and collateral held and current credit exposure by exposure type, as well as information about the amount of collateral the Corporation would have to provide given a credit rating downgrade, see Note 5 to the consolidated financial statements on page 17 of the Corporation's First Quarter 2021 Form 10-Q.

Credit risk participations

The Corporation enters into credit risk participation agreements to share the credit exposure related to certain derivative contracts with other counterparties (risk participations purchased) or to assume counterparty credit exposure related to certain derivative contracts (risk participations sold). The Corporation enters into credit risk participation agreements in instances in which the Corporation is also a party to a related loan participation agreement for such borrowers. The Corporation will receive or make payments under these agreements if the borrower defaults on the derivative contract. 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. The Corporation manages credit risk on credit risk participation agreements sold 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 credit risk participation agreements reflects the pro-rata share of the derivative contract, consistent with its share of the related participated loan, which significantly exceeds potential credit exposure.

- For the notional amounts of purchased and sold risk participation agreements, see Schedule HC-L to the Corporation's March 31, 2021 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

CREDIT RISK MITIGATION

The Corporation seeks to mitigate credit risk in various ways. For counterparty credit risk, centralized clearing through a clearinghouse, master netting arrangements and bilateral collateral agreements are the primary risk mitigation techniques, along with credit risk participations purchased, as discussed in the previous section. For lending-related transactions, guarantees from third parties as well as collateral such as cash, securities, accounts receivable, real estate, equipment and inventories can significantly reduce the Corporation's credit risk. Additionally, the Corporation mitigates credit risk through selling participations and/or syndicating credit exposures above those levels it deems prudent to third parties.

The Corporation recognizes the benefit of certain financial collateral and eligible guarantees for the purpose of reducing capital requirements under the Basel III standardized approach by substituting the risk weight applicable to the collateral or the guarantor for the risk weight assigned to the exposure.

Table 8: Exposures Covered by Collateral and Guarantees

The following table presents the amount of the Corporation's exposures that are covered by eligible financial collateral and guarantees.

March 31, 2021 Exposure Type <i>(in millions)</i>	Eligible Collateral (a)		Guarantees (b)	
	Covered Exposure	Associated RWA Amount	Covered Exposure	Associated RWA Amount
Loans	\$ 74	\$ 2	\$ 411	\$ 84
Unfunded commitments and standby letters of credit	848	47	434	87

- (a) Eligible collateral recognized for purposes of reducing capital requirements under the Basel III standardized approach generally comprises cash on deposit with the Corporation and investment securities issued by the U.S. government, U.S. government agencies or government-sponsored enterprises.
- (b) Guarantees recognized for purposes of reducing capital requirements under the Basel III standardized approach generally comprises guarantees by U.S. government agencies or U.S. depository institutions and foreign banks.

EQUITIES NOT SUBJECT TO MARKET RISK RULE

The Corporation's equity investments not subject to the market risk rule include investments in tax credit entities (community development equity exposures), investment funds, restricted equity investments and equity investments classified as other short-term investments that do not meet the definition of a covered position (including investments made in connection with certain employee deferred compensation plans). These investments are typically strategic investments undertaken to facilitate core business activities. The Corporation also has a small portfolio of indirect private equity and venture capital investments. Additionally, for purposes of Basel III capital requirements, the Corporation's defined benefit pension net asset is treated as an exposure to an investment fund.

Investments in marketable equity securities are recorded at fair value. Nonmarketable equity investments are carried at cost or accounted for under the equity method. The proportional method is used for investments in tax credit entities that qualify for the low-income housing tax credit (LIHTC).

Accounting and Valuation Policies for Equity Investments

Refer to Note 1 to the consolidated financial statements of the Corporation's 2020 Form 10-K as follows:

- For a discussion of the accounting for investments in tax credit entities, see "Principles of Consolidation" on page F-52.
- For a discussion of the accounting for restricted equity investments, see "Nonmarketable Equity Securities" on page F-55.
- For a discussion of valuation methodologies used, including key assumptions and practices affecting valuation, see "Fair Value Measurements" beginning on page F-53.

Risk-Weight Approaches Under Basel III

The Corporation applies the full look-through approach to its defined benefit pension net asset. For all other investment fund exposures, the Corporation applies the simple modified look-through approach, under which the highest risk weight applicable to any exposure the investment fund is permitted to hold under its prospectus, partnership agreement, or similar agreement is applied to the adjusted carrying amount of the equity exposure to derive the associated RWA amount. For all other equity exposures, the Corporation applies the simple risk-weight approach, under which a prescribed risk weight is applied to the adjusted carrying value for each type of equity exposure.

Table 9: Equity Exposures

The following tables present information about the Corporation's equity investments not subject to the market risk rule as of March 31, 2021.

<i>(dollar amounts in millions)</i>	Risk-Weight Category	Carrying Amount	RWA Amount
Simple risk-weight approach:			
Equity exposures subject to a 0% risk weight	0 %	\$ 85	\$ —
Equity exposures subject to a 20% risk weight	20	7	2
Community development equity exposures	100	467	467
Non-significant equity exposures	100	17	17
Total simple risk-weight approach		576	486
Exposures to investment funds:			
Full look-through approach	n/a	1,050	1,046
Simple modified look-through approach	n/a	176	114
Total equity investments not subject to market risk rule		\$ 1,802	\$ 1,646

n/a - not applicable.

<i>(in millions)</i>	Carrying Amount	Fair Value
Publicly traded equity investments	\$ 730	\$ 730
Non-publicly traded equity investments	1,072	1,076
Total equity investments not subject to the market risk rule	\$ 1,802	\$ 1,806

There were no significant gains/(losses) from sales and liquidations of equity securities for the three months ended March 31, 2021. Unrecognized gains related to investments carried at cost totaled \$4 million at March 31, 2021. There were no significant unrealized gains/(losses) included in Tier 1 or Tier 2 capital at March 31, 2021.

INTEREST RATE RISK FOR NON-TRADING ACTIVITIES

For information about the Corporation's interest rate risk, see the "Interest Rate Risk" subheading on pages 53 through 55 in the "Risk Management" section of the Corporation's First Quarter 2021 Form 10-Q.

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. In addition, the Corporation may make other written and oral communications from time to time that contain such statements. All statements regarding the Corporation's expected financial position, strategies and growth prospects and general economic conditions expected to exist in the future are forward-looking statements. The words, "anticipates," "believes," "contemplates," "feels," "expects," "estimates," "seeks," "strives," "plans," "intends," "outlook," "forecast," "position," "target," "mission," "assume," "achievable," "potential," "strategy," "goal," "aspiration," "opportunity," "initiative," "outcome," "continue," "remain," "maintain," "on track," "trend," "objective," "looks forward," "projects," "models," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. These forward-looking statements are predicated on the beliefs and assumptions of the Corporation's management based on information known to the Corporation's management as of the date of this report and do not purport to speak as of any other date. Forward-looking statements may include descriptions of plans and objectives of the Corporation's management for future or past operations, products or services and forecasts of the Corporation's revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries as well as estimates of credit trends and global stability. Such statements reflect the view of the Corporation's management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, the Corporation's actual results could differ materially from those discussed. Factors that could cause or contribute to such differences include credit risks (unfavorable developments concerning credit quality; declines or other changes in the businesses or industries of the Corporation's customers, in particular the energy industry; and changes in customer behavior); market risks (changes in monetary and fiscal policies; fluctuations in interest rates and their impact on deposit pricing; and transitions away from LIBOR towards new interest rate benchmarks); liquidity risks (the Corporation's ability to maintain adequate sources of funding and liquidity; reductions in the Corporation's credit rating; and the interdependence of financial service companies); technology risks (cybersecurity risks and heightened legislative and regulatory focus on cybersecurity and data privacy); operational risks (operational, systems or infrastructure failures; reliance on other companies to provide certain key components of business infrastructure; the impact of legal and regulatory proceedings or determinations; losses due to fraud; and controls and procedures failures); compliance risks (changes in regulation or oversight; the effects of stringent capital requirements; and the impacts of future legislative, administrative or judicial changes to tax regulations); strategic risks (damage to the Corporation's reputation; the Corporation's ability to utilize technology to efficiently and effectively develop, market and deliver new products and services; competitive product and pricing pressures among financial institutions within the Corporation's markets; the implementation of the Corporation's strategies and business initiatives; management's ability to maintain and expand customer relationships; management's ability to retain key officers and employees; and any future strategic acquisitions or divestitures); and other general risks (impacts from the COVID-19 global pandemic; changes in general economic, political or industry conditions; the effectiveness of methods of reducing risk exposures; the effects of catastrophic events; changes in accounting standards and the critical nature of the Corporation's accounting policies; and the volatility of the Corporation's stock price). The Corporation cautions that the foregoing list of factors is not all-inclusive. For discussion of factors that may cause actual results to differ from expectations, please refer to our filings with the Securities and Exchange Commission. In particular, please refer to "Item 1A. Risk Factors" beginning on page 13 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2020. Forward-looking statements speak only as of the date they are made. The Corporation does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. For any forward-looking statements made in this report or in any documents, the Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

DISCLOSURE INDEX

	Page Reference(s)		
	Regulatory Capital Disclosures	First Quarter 2021 Form 10-Q	2020 Form 10-K
Scope of Application	2		
Basis of consolidation	2		F-52
Capital in regulated subsidiaries	2		F-96
Restrictions on funds and capital transfers	2	44-45	3-6, F-96
Capital Structure	2		
Regulatory capital instruments	2	23, 44-45	F-19 to F-21, F-84, F-96
Regulatory capital components	3		
Capital Adequacy	3		
Capital adequacy assessment process	3		F-19 to F-21
Risk-weighted assets	4	44-45	F-21, F-98
Risk-based capital ratios	4-5	44-45	F-3, F-21, F-44, F-98
Risk Management	5		
Risk management objectives and policies	5-6		F-22 to F-38
Credit Risk - General	6		
Risk management objectives and policies	6		10-11, F-22 to F-38, F-57 to F-58
Credit risk exposures	7	12-17, 45-55	F-22 to F-32, F-71 to F-75
Contractual maturities	7	11	F-18, F-35 to F-36, F-70
Nonperforming loans	8	12-17, 45-55	F-26 to F-29, F-71 to F-75
Allowance for credit losses	8	15	F-25 to F-26, F-39, F-73
Counterparty Credit Risk	8		
Policies and practices	8	17-18	F-77 to F-78
Counterparty credit risk exposures	8	19	F-79
Credit risk participations	8-9	22	F-81 to F-82
Credit Risk Mitigation	9		
Policies and practices	9		
Exposures covered by collateral and guarantees	9		
Equities Not Subject to Market Risk Rule	9		
Overview	9		
Accounting and valuation policies	9		F-53 to F-55, F-61
Risk weight approaches under Basel III	10		F-97
Equity exposures	10	10-11, 22-23	F-69 to F-70, F-82 to F-83
Interest Rate Risk for Non-Trading Activities	10	53-55	F-33 to F-34