

**COMERICA INCORPORATED**  
**REGULATORY CAPITAL DISCLOSURES**

**For the Quarter Ended December 31, 2023**



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## OVERVIEW

### Organization

Comerica Incorporated (“Comerica”) is a financial services company, incorporated under the laws of the State of Delaware, and headquartered in Dallas, Texas. Comerica has strategically aligned its operations into three major business segments: the Commercial Bank, the Retail Bank, and Wealth Management. Comerica operates in five primary geographic markets - Texas, California, Michigan, Arizona and Florida - and secondarily in several mountain, southeastern, and other states, and in Canada and Mexico. Comerica operates two U.S. banking subsidiaries: Comerica Bank, a Texas banking association, and Comerica Bank & Trust, National Association, a limited purpose trust bank. At December 31, 2023, Comerica had total assets of approximately \$85.8 billion, total deposits of approximately \$66.8 billion, total loans of approximately \$52.1 billion and shareholders’ equity of approximately \$6.4 billion.

### Regulatory Capital Standards and Disclosures

Comerica and its U.S. banking subsidiaries are subject to various regulatory capital requirements administered by federal and state banking agencies under the Basel III<sup>(1)</sup> 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, Comerica 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.

#### *Risk-weighted assets*

Comerica 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 risk 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 risk 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 Comerica’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 Comerica's regulatory disclosure policy, which has been approved by Comerica's Board of Directors.

This report should be read in conjunction with Comerica’s Annual Report on Form 10-K for the year ended December 31, 2023 (“2023 Form 10-K”), 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.

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<sup>(1)</sup>The final U.S. Basel III rules applicable to Comerica 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 Comerica's consolidated financial statements and off-balance sheet exposures. Comerica's basis of consolidation for both financial and regulatory reporting purposes is in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). Certain of Comerica'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 Comerica enterprise that are deconsolidated or whose capital is deducted for Basel III.

- For further information regarding Comerica's principles of consolidation, see Note 1 to the consolidated financial statements on page F-47 of Comerica's 2023 Form 10-K.

### *Capital in regulated subsidiaries*

At December 31, 2023, total capital for each of Comerica's regulated banking subsidiaries, Comerica Bank and Comerica Bank & Trust, National Association, exceeded their respective minimum required regulatory capital amount. Comerica's regulated broker-dealer subsidiary, Comerica Securities, Inc., was also in compliance with minimum net capital requirements at December 31, 2023.

### *Restrictions on funds and capital transfers*

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

- Refer to "Transactions with Affiliates" in Part I, Item 1 on page 6 of Comerica's 2023 Form 10-K for further information.

There are statutory and regulatory requirements restricting the payment of dividends by subsidiary banks to Comerica, as well as by Comerica 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-93 to F-94 of Comerica's 2023 Form 10-K.

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

- For additional information about capital and Comerica's share repurchase program, see "Capital" in Balance Sheet and Capital Funds Analysis on page F-16 of Comerica's 2023 Form 10-K.

## CAPITAL STRUCTURE

### *Regulatory capital instruments*

Comerica's currently qualifying regulatory capital instruments consist of common stock, preferred stock and subordinated debt. Each share of Comerica's common stock entitles the holder to one vote for the election of directors and for all other matters to be voted on by Comerica'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 Comerica through repurchases.

Each depositary share of Comerica'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 Comerica's share repurchase program, see "Capital" in Balance Sheet and Capital Funds Analysis on page F-16 of Comerica's 2023 Form 10-K.
- For additional information about the terms of the preferred stock and depositary shares, see Note 13 to the consolidated financial statements on page F-82 of Comerica's 2023 Form 10-K, as well as the Form 8-K filed by Comerica on May 26, 2020 and Exhibits 3.1 and 4.1 thereto.

Comerica'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 December 31, 2023, see Note 12 to the consolidated financial statements on page F-81 of Comerica's 2023 Form 10-K.

### *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>	<b>December 31, 2023</b>
Preferred stock	\$ 394
Common stock	1,141
Capital surplus	2,224
Accumulated other comprehensive loss	(3,048)
Retained earnings	11,727
Less cost of common stock in treasury	(6,032)
<b>Total shareholders' equity before adjustments and deductions</b>	<b>6,406</b>
Less: Preferred stock	394
<b>Total Common stockholders' equity</b>	<b>6,012</b>
Less adjustments and deductions:	
AOCI opt-out election related adjustments	(3,048)
Goodwill	635
Other adjustments and deductions	11
<b>Total CET1 capital</b>	<b>8,414</b>
Add: Preferred stock	394
<b>Total Tier 1 capital</b>	<b>8,808</b>
Qualifying subordinated debt	727
Allowance for credit losses includable in Tier 2 capital	728
<b>Tier 2 capital</b>	<b>1,455</b>
<b>Total capital</b>	<b>\$ 10,263</b>

Further details about Comerica's regulatory capital can be found in Schedule HC-R to the December 31, 2023 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

### **CAPITAL ADEQUACY**

#### *Capital adequacy assessment process*

Comerica 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. Comerica periodically conducts stress tests to evaluate potential impacts to Comerica's forecasted financial condition under various economic scenarios and business conditions. These stress tests are a normal part of Comerica's overall risk management and capital planning process and are part of the forecasting process used by Comerica to conduct enterprise-wide stress tests.

*Risk-weighted assets*

**Table 2: Risk-Weighted Assets by Exposure Type**

The following table presents components of Comerica's risk-weighted assets calculated in accordance with the Basel III standardized approach as of December 31, 2023.

<i>(in millions)</i>	<b>December 31, 2023</b>
Cash items in process of collection	\$ 204
Exposures conditionally guaranteed by U.S. government agencies	66
Claims on U.S. government-sponsored entities	2,187
Exposures to state and local governments in the U.S.	6
Claims on and exposures guaranteed by U.S. depository institutions and foreign banks	87
Corporate exposures	47,141
High volatility commercial real estate loans	492
Residential mortgage loans <sup>1</sup>	2,848
Consumer loans	503
Past due loans	269
Equity exposures	1,821
Other assets	4,364
Off-balance sheet commitments with original maturity greater than 1 year	11,986
Off-balance sheet commitments with original maturity of 1 year or less	752
Other off-balance sheet exposures	2,105
Over-the-counter derivative contracts	936
Standardized market risk-weighted assets	134
<b>Total standardized risk-weighted assets</b>	<b>\$ 75,901</b>

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

- Further details about Comerica's risk-weighted assets can be found in Schedule HC-R to the December 31, 2023 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

*Risk-based capital ratios*

Comerica 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 Comerica's financial condition and results of operations.

### Table 3: Minimum Required Capital Ratios

The following table presents the minimum ratios that Comerica and its U.S. banking subsidiaries are subject to as of December 31, 2023.

December 31, 2023	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 Comerica'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, Comerica 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 Comerica, Comerica Bank and Comerica Bank & Trust, National Association under the Basel III standardized approach at December 31, 2023.

December 31, 2023 <i>(dollar amounts in millions)</i>	Comerica	Comerica Bank	Comerica Bank & Trust, National Association
CET1 capital	\$ 8,414	\$ 8,007	\$ 94
Tier 1 capital	8,808	8,007	94
Total capital	10,263	9,362	94
Eligible retained income (a)	\$ 489	\$ 219	\$ 28
Risk-weighted assets	\$ 75,901	\$ 75,783	\$ 43
Adjusted average assets (b)	87,538	87,423	89
CET1 capital to risk-weighted assets	11.09 %	10.57 %	216.15 %
Tier 1 capital to risk-weighted assets	11.60	10.57	216.15
Total capital to risk-weighted assets	13.52	12.35	216.15
Capital conservation buffer (c)	5.52	4.35	208.15
Tier 1 capital to adjusted average assets (leverage ratio)	10.06	9.16	105.01

- (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) Comerica 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 December 31, 2023, Comerica and its U.S. banking subsidiaries exceeded the ratios required for an institution to be considered "well capitalized." There have been no events since December 31, 2023 that management believes have changed the capital adequacy classification of Comerica or its U.S. banking subsidiaries.

## RISK MANAGEMENT

As a result of conducting business in the normal course, Comerica assumes various types of risk. Comerica'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 Comerica's major risk elements, and a risk appetite statement that outlines the levels and types of risks Comerica accepts. Comerica continuously enhances its enterprise risk framework with additional processes, tools and systems designed to not only provide management with deeper insight into Comerica's various existing and emerging risks in accordance with its appetite for risk, but also to improve Comerica's ability to control those risks and ensure that appropriate consideration is received for the risks taken.

Comerica'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 Comerica'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 Comerica'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 Comerica's ability to manage and control risk to management and the Audit Committee of the Board.

The Enterprise Risk and Return 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 Comerica's aggregate risk position and reporting on the comprehensive portfolio of risks as well as the potential impact these risks can have on Comerica's risk profile and resulting capital level. Capital is the common denominator of risk. The Enterprise Risk and Return 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 Comerica.

The Board's Enterprise Risk Committee meets quarterly and is chartered to assist the Board in promoting the best interests of Comerica 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 Comerica 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 Comerica's aggregate risk position.

- For further information, refer to "Risk Management" on pages F-18 through F-34 of Comerica's 2023 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. Comerica assumes credit risk in the normal course of business, predominantly from the extension of credit to businesses and individuals. Additionally, Comerica 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, Comerica 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 Comerica'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 11 of Comerica's 2023 Form 10-K.
- See the "Credit Risk" subheading on pages F-18 through F-26 in the "Risk Management" section of Comerica's 2023 Form 10-K.
- See Note 1 to the consolidated financial statements on page F-47 of Comerica's 2023 Form 10-K.



*Credit risk exposures*

The following tables present certain of Comerica'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**

December 31, 2023	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	\$ 1,642	\$ 7,860	\$ —	\$ —	\$ —	\$ 9,502	\$ 9,289	\$ 213	\$ 9,502	\$ 7,788
Debt securities	—	16,869	—	—	—	16,869	16,869	—	16,869	16,289
Loans	5	208	47,716	4,184	—	52,113	50,716	1,397	52,113	52,796
Derivatives	808	—	210	—	(454)	564	158	406	564	282
<b>Total on-balance sheet</b>	<b>\$ 2,455</b>	<b>\$24,937</b>	<b>\$ 47,926</b>	<b>\$ 4,184</b>	<b>\$ (454)</b>	<b>\$79,048</b>	<b>\$77,032</b>	<b>\$2,016</b>	<b>\$79,048</b>	<b>\$ 77,155</b>
Unfunded commitments	\$ —	\$ 61	\$ 27,711	\$ 3,613	\$ —	\$31,385	\$30,705	\$ 680	\$31,385	\$ 31,955
Standby letters of credit	15	3	3,568	—	—	3,586	3,299	287	3,586	3,554
<b>Total off-balance sheet</b>	<b>\$ 15</b>	<b>\$ 64</b>	<b>\$ 31,279</b>	<b>\$ 3,613</b>	<b>\$ —</b>	<b>\$34,971</b>	<b>\$34,004</b>	<b>\$ 967</b>	<b>\$34,971</b>	<b>\$ 35,509</b>

- (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**

December 31, 2023	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	\$ 9,502	\$ —	\$ —	\$ —	\$ —	\$ 9,502
Debt securities	790	1,034	15,045	—	—	16,869
Loans	15,862	27,914	8,337	—	—	52,113
Derivatives	511	406	101	(454)	—	564
<b>Total on-balance sheet</b>	<b>\$ 26,665</b>	<b>\$ 29,354</b>	<b>\$ 23,483</b>	<b>\$ (454)</b>	<b>\$ —</b>	<b>\$ 79,048</b>
Unfunded commitments	\$ 8,091	\$ 19,483	\$ 3,811	\$ —	\$ —	\$ 31,385
Standby letters of credit	3,196	389	1	—	—	3,586
<b>Total off-balance sheet</b>	<b>\$ 11,287</b>	<b>\$ 19,872</b>	<b>\$ 3,812</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 34,971</b>

## 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.

December 31, 2023	Counterparty Type			Domicile (b)		
	Corporate	Other (a)	Total	U.S.	Non-U.S.	Total
<i>(in millions)</i>						
Nonaccrual loans	\$ 138	\$ 40	\$ 178	\$ 158	\$ 20	\$ 178
Loans past due 90 days or more and still accruing	20	—	20	19	1	20
Allowance for loan losses	620	68	688			
Gross charge-offs during the quarter	25	—	25			

(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 F-64 of Comerica's 2023 Form 10-K.

## 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. Comerica 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. Comerica 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 Comerica as appropriate, to the total expected exposure of the derivative.

Comerica 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.

Comerica may require collateral depending on the credit evaluation done for each of Comerica's counterparties. Where possible, Comerica 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-47 of Comerica's 2023 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 Comerica would have to provide given a credit rating downgrade, see Note 8 to the consolidated financial statements on page F-73 of Comerica's 2023 Form 10-K.

### Credit risk participations

Comerica 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). Comerica enters into credit risk participation agreements in instances in which Comerica is also a party to a related loan participation agreement for such borrowers. Comerica 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. Comerica 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 Comerica's December 31, 2023 Consolidated Financial Statements for Holding Companies - Form FR Y-9C.

## CREDIT RISK MITIGATION

Comerica 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 Comerica's credit risk. Additionally, Comerica mitigates credit risk through selling participations and/or syndicating credit exposures above those levels it deems prudent to third parties.

Comerica 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 Comerica's exposures that are covered by eligible financial collateral and guarantees.

December 31, 2023	Eligible Collateral (a)		Guarantees (b)	
	Covered Exposure	Associated RWA Amount	Covered Exposure	Associated RWA Amount
<i>(in millions)</i>				
Loans	\$ 70	\$ 4	\$ 379	\$ 75
Unfunded commitments and standby letters of credit	1,099	45	541	108

- (a) Eligible collateral recognized for purposes of reducing capital requirements under the Basel III standardized approach generally comprises cash on deposit with Comerica 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

Comerica'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. Comerica also has a small portfolio of indirect private equity and venture capital investments. Additionally, for purposes of Basel III capital requirements, Comerica'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 Comerica's 2023 Form 10-K as follows:

- For a discussion of the accounting for investments in tax credit entities, see "Principles of Consolidation" on page F-47.
- For a discussion of the accounting for restricted equity investments, see "Nonmarketable Equity Securities" on page F-54.

- For a discussion of valuation methodologies used, including key assumptions and practices affecting valuation, see "Fair Value Measurements" beginning on page F-48.

### *Risk-Weight Approaches Under Basel III*

Comerica applies the full look-through approach to its defined benefit pension net asset. For all other investment fund exposures, Comerica 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, Comerica 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 Comerica's equity investments not subject to the market risk rule as of December 31, 2023.

<i>(dollar amounts in millions)</i>	<b>Risk-Weight Category</b>	<b>Carrying Amount</b>	<b>RWA Amount</b>
Simple risk-weight approach:			
Equity exposures subject to a 0% risk weight	0 %	\$ 85	\$ —
Equity exposures subject to a 20% risk weight	20	317	63
Community development equity exposures	100	528	528
Non-significant equity exposures	100	33	33
<b>Total simple risk-weight approach</b>		<b>963</b>	<b>624</b>
Exposures to investment funds:			
Full look-through approach	n/a	1,056	1,088
Simple modified look-through approach	n/a	171	109
<b>Total equity investments not subject to market risk rule</b>		<b>\$ 2,190</b>	<b>\$ 1,821</b>

n/a - not applicable

<i>(in millions)</i>	<b>Carrying Amount</b>	<b>Fair Value</b>
Publicly traded equity investments	\$ 852	\$ 852
Non-publicly traded equity investments	1,338	1,345
<b>Total equity investments not subject to the market risk rule</b>	<b>\$ 2,190</b>	<b>\$ 2,197</b>

There were no significant gains/(losses) from sales and liquidations of equity securities for the three months ended December 31, 2023. Unrecognized gains related to investments carried at cost totaled \$5 million at December 31, 2023. There were no significant unrealized gains/(losses) included in Tier 1 or Tier 2 capital at December 31, 2023.

### **MARKET RISK**

Market risk represents the risk of loss due to adverse movements in market rates or prices, including interest rates, foreign exchange rates and commodity prices. Comerica's Asset and Liability Policy Committee (ALCO) establishes and monitors compliance with the policies and risk limits pertaining to market risk management activities.

For further discussion of market risk management objectives and policies, see the "Market and Liquidity Risk" subheading on pages F-27 in the "Risk Management" section of Comerica's 2023 Form 10-K.

*Measures included in market risk RWA*

**Table 10: Market Risk Measure**

The following table presents Comerica's market risk-based capital requirement and risk-weighted assets at December 31, 2023.

**December 31, 2023**

<b>Market Risk Measure</b>	<b>Risk-based Capital Requirement (a)</b>	<b>RWA (b)</b>
<i>(In thousands)</i>		
Value-at-Risk ("VaR") based measure .....	\$ 5,969	\$ 74,862
Stressed VaR-based measure .....	4,711	59,138
<b>Total market risk</b> .....	<b>\$ 10,680</b>	<b>\$ 134,000</b>

(a) The risk-based capital requirement reflects the greater of (i) the period-end VaR-based measure or (ii) the quarterly average VaR-based measure after the application of a regulatory multiplication factor that is set at a minimum of 3 (the multiplication factor used in this table) and can be increased up to 4, depending upon the number of backtesting exceptions.

(b) RWA is calculated by multiplying the risk-based capital requirement by 12.5.

*Portfolio of covered positions*

Comerica's covered positions for market risk RWA arise from customer-initiated derivative transactions. Comerica generally takes offsetting positions with dealer counterparties to mitigate the inherent market risk. For foreign exchange contracts where offsetting positions have not been taken, Comerica manages the inherent risk through individual foreign currency position limits and established aggregate VaR limits. Comerica's interest rate and energy positions are effectively offset, which greatly reduces the market exposure in these product portfolios. The VaR in the interest rate and energy portfolios generally reflect potential changes in the value of the embedded spreads between the customer-initiated positions and the offsetting dealer positions within each of these portfolios.

The market risk RWA applies to institutions with aggregate trading assets and liabilities equal to \$1 billion or more or 10 percent or more of quarter-end total assets. Once this reporting threshold has been met, market risk RWA must be applied at the end of the quarter following the quarter in which the institution triggered the criteria for market risk reporting. Comerica met the \$1 billion reporting threshold at both September 30, 2023 and December 31, 2023.

*Value-at-Risk*

VaR is a statistical measure used to estimate the potential loss from adverse market movements from the current market environment. Comerica calculates a daily VaR for the portfolio to monitor and measure the aggregate market risk. The VaR is calculated using a 99 percent confidence level and a one-day holding period to manage the day-to-day risks of the portfolio. Comerica also calculates a VaR assuming a 10-day holding period and a 99 percent confidence level for regulatory capital purposes. The stressed VaR-based measure will use the same regulatory VaR models as are used to calculate the VaR-based measure, but the models are calibrated to reflect historical data from a continuous 12-month period that reflects significant financial stress appropriate to Comerica's portfolio.

**Table 11: VaR-based Measure by Risk Type**

The table below presents the 10-day VaR-based measures by portfolio and the total 10-day stressed VaR-based measures for the three months ended December 31, 2023.

10-day VaR-based Measure by Risk Type	Three Months Ending December 31, 2023			December 31, 2023
	Minimum	Maximum	Average	
<i>(in thousands)</i>				
Interest rate .....	\$ 1,089	\$ 1,590	\$ 1,302	\$ 1,169
Energy .....	195	233	213	198
Foreign exchange .....	43	120	77	78
<b>Total 10-day VaR-based measure .....</b>	<b>\$ 1,327</b>	<b>\$ 1,943</b>	<b>\$ 1,592</b>	<b>\$ 1,445</b>
<b>Total 10-day stressed VaR-based measure .....</b>	<b>\$ 897</b>	<b>\$ 1,702</b>	<b>\$ 1,256</b>	<b>\$ 1,347</b>

**Backtesting**

Comerica back-tests VaR methodology by comparing daily market risk-related profits and losses on covered positions to the one-day VaR results. There were no instances during the three months ended December 31, 2023 where market risk-related losses were greater than the estimate predicted by the VaR-based methodology for the corresponding day. Comerica posted market risk-related gains on 38 of the 62 trading days in the fourth quarter 2023.

**INTEREST RATE RISK FOR NON-TRADING ACTIVITIES**

For information about Comerica's interest rate risk, see the "Interest Rate Risk" subheading on pages F-27 through F-30 in the "Risk Management" section of Comerica's 2023 Form 10-K.

## **FORWARD-LOOKING STATEMENTS**

The forward-looking statements in this report, such as confidence, exposure, must, risk, seeks, will, would, and their derivative forms and similar words, as well as any projections of future results, are based on assumptions and expectations that involve risks and uncertainties, including the "Risk Factors" the Corporation describes in its U.S. Securities and Exchange Commission filings. The Corporation's future results could differ, and it has no obligation to correct or update any of these statements.

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