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 June 30, 2010

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 (State or other jurisdiction of Incorporation or organization)	**38-1998421** (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 x 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 x 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 x	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 x

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 July 26, 2010: 176,319,342 shares

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COMERICA INCORPORATED AND SUBSIDIARIES

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Comerica Incorporated and Subsidiaries

(in millions, except share data)	June 30, 2010 (unaudited)	December 31, 2009	June 30, 2009 (unaudited)
ASSETS			
Cash and due from banks	$ 816	$ 774	$ 948
Federal funds sold and securities purchased under agreements to resell			650
Interest-bearing deposits with banks	3,409	4,843	3,542
Other short-term investments	134	138	129
Investment securities available-for-sale	7,188	7,416	7,757
Commercial loans	21,151	21,690	24,922
Real estate construction loans	2,774	3,461	4,152
Commercial mortgage loans	10,318	10,457	10,400
Residential mortgage loans	1,606	1,651	1,759
Consumer loans	2,443	2,511	2,562
Lease financing	1,084	1,139	1,234
International loans	1,226	1,252	1,523
Total loans	40,602	42,161	46,552
Less allowance for loan losses	(967)	(985)	(880)
Net loans	39,635	41,176	45,672
Premises and equipment	634	644	667
Customers liability on acceptances outstanding	24	11	7
Accrued income and other assets	4,045	4,247	4,258
Total assets	$ 55,885	$ 59,249	$ 63,630
LIABILITIES AND SHAREHOLDERS EQUITY			
Noninterest-bearing deposits	$ 15,769	$ 15,871	$ 13,558
Money market and NOW deposits	16,062	14,450	12,352
Savings deposits	1,407	1,342	1,348
Customer certificates of deposit	5,893	6,413	8,524
Other time deposits	165	1,047	4,593
Foreign office time deposits	484	542	616
Total interest-bearing deposits	24,011	23,794	27,433
Total deposits	39,780	39,665	40,991
Short-term borrowings	200	462	490
Acceptances outstanding	24	11	7
Accrued expenses and other liabilities	1,048	1,022	1,478
Medium- and long-term debt	9,041	11,060	13,571

Total liabilities		50,093		52,220		56,537
Fixed rate cumulative perpetual preferred stock, series F, no par value, $1,000 liquidation value per share:						
Authorized - 2,250,000 shares at 12/31/09 and 6/30/09						
Issued - 2,250,000 shares at 12/31/09 and 6/30/09				2,151		2,140
Common stock - $5 par value:						
Authorized - 325,000,000 shares						
Issued - 203,878,110 shares at 6/30/10 and 178,735,252 shares at 12/31/09 and 6/30/09		1,019		894		894
Capital surplus		1,467		740		731
Accumulated other comprehensive loss		(240)		(336)		(342)
Retained earnings		5,124		5,161		5,257
Less cost of common stock in treasury - 27,561,412 shares at 6/30/10, 27,555,623 shares at 12/31/09 and 27,620,471 shares at 6/30/09		(1,578)		(1,581)		(1,587)
Total shareholders equity		5,792		7,029		7,093
Total liabilities and shareholders equity	$	55,885	$	59,249	$	63,630

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Comerica Incorporated and Subsidiaries

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	**2010**	**2009**	**2010**	**2009**
INTEREST INCOME				
Interest and fees on loans	$ 412	$ 447	$ 824	$ 899
Interest on investment securities	61	103	122	212
Interest on short-term investments	3	2	6	4
Total interest income	476	552	952	1,115
INTEREST EXPENSE				
Interest on deposits	29	106	64	231
Interest on short-term borrowings				2
Interest on medium- and long-term debt	25	44	51	96
Total interest expense	54	150	115	329
Net interest income	422	402	837	786
Provision for loan losses	126	312	301	515
Net interest income after provision for loan losses	296	90	536	271
NONINTEREST INCOME				
Service charges on deposit accounts	52	55	108	113
Fiduciary income	38	41	77	83
Commercial lending fees	22	19	44	37
Letter of credit fees	19	16	37	32
Card fees	15	12	28	24
Foreign exchange income	10	11	20	20
Bank-owned life insurance	9	10	17	18
Brokerage fees	6	8	12	17
Net securities gains	1	113	3	126
Other noninterest income	22	13	42	51
Total noninterest income	194	298	388	521
NONINTEREST EXPENSES				
Salaries	179	171	348	342
Employee benefits	45	53	89	108
Total salaries and employee benefits	224	224	437	450
Net occupancy expense	40	38	81	79
Equipment expense	15	15	32	31
Outside processing fee expense	23	25	46	50
Software expense	22	20	44	40
FDIC insurance expense	16	45	33	60
Legal fees	9	10	18	17
Other real estate expense	5	9	17	16
Litigation and operational losses	2	2	3	4
Provision for credit losses on lending-related commitments		(4)	7	(5)
Other noninterest expenses	41	45	83	84
Total noninterest expenses	397	429	801	826
	93	(41)	123	(34)

Income (loss) from continuing operations before income taxes				
Provision (benefit) for income taxes	23	(59)	18	(60)
Income from continuing operations	70	18	105	26
Income from discontinued operations, net of tax			17	1
NET INCOME	70	18	122	27
Preferred stock dividends		34	123	67
Income allocated to participating securities	1			
Net income (loss) attributable to common shares	$ 69	$ (16)	$ (1)	$ (40)
Basic earnings per common share:				
Income (loss) from continuing operations	$ 0.40	$ (0.11)	$ (0.11)	$ (0.28)
Net income (loss)	0.40	(0.11)	(0.01)	(0.27)
Diluted earnings per common share:				
Income (loss) from continuing operations	0.39	(0.11)	(0.11)	(0.28)
Net income (loss)	0.39	(0.11)	(0.01)	(0.27)
Cash dividends declared on common stock	9	8	18	15
Cash dividends declared per common share	0.05	0.05	0.10	0.10

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)	Preferred Stock	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Shareholders Equity
BALANCE AT DECEMBER 31, 2008	$ 2,129	150.5	$ 894	$ 722	$ (309)	$ 5,345	$ (1,629)	$ 7,152
Net income						27		27
Other comprehensive loss, net of tax					(33)			(33)
Total comprehensive loss								(6)
Cash dividends declared on preferred stock						(57)		(57)
Cash dividends declared on common stock ($0.10 per share)						(15)		(15)
Purchase of common stock		(0.1)					(1)	(1)
Accretion of discount on preferred stock	11					(11)		
Net issuance of common stock under employee stock plans		0.7		(14)		(32)	43	(3)
Share-based compensation				18				18
Other				5				5
BALANCE AT JUNE 30, 2009	$ 2,140	151.1	$ 894	$ 731	$ (342)	$ 5,257	$ (1,587)	$ 7,093
BALANCE AT DECEMBER 31, 2009	$ 2,151	151.2	$ 894	$ 740	$ (336)	$ 5,161	$ (1,581)	$ 7,029
Net income						122		122
Other comprehensive income, net of tax					96			96
Total comprehensive income								218
Cash dividends declared on preferred stock						(38)		(38)
Cash dividends declared on common stock ($0.10 per share)						(18)		(18)
Purchase of common stock							(4)	(4)
Issuance of common stock		25.1	125	724				849
Redemption of preferred stock	(2,250)							(2,250)
Redemption discount accretion on preferred stock	94					(94)		
Accretion of discount on preferred stock	5					(5)		
Net issuance of common stock under employee stock				(5)		(4)	6	(3)

plans							
Share-based compensation			11				11
Other			(3)			1	(2)
BALANCE AT JUNE 30, 2010	$ 176.3	$ 1,019	$ 1,467	$ (240)	$ 5,124	$ (1,578)	$ 5,792

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Comerica Incorporated and Subsidiaries

	Six Months Ended June 30,	
(in millions)	**2010**	**2009**
OPERATING ACTIVITIES		
Net income	$ 122	$ 27
Income from discontinued operations, net of tax	17	1
Income from continuing operations, net of tax	105	26
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	301	515
Provision for credit losses on lending-related commitments	7	(5)
Provision (benefit) for deferred income taxes	1	(114)
Depreciation and software amortization	62	61
Net gain on early termination of leveraged leases		(8)
Share-based compensation expense	11	18
Net amortization (accretion) of securities	8	(5)
Net securities gains	(3)	(126)
Net gain on sales of businesses		(6)
Contribution to qualified pension plan		(100)
Excess tax benefits from share-based compensation arrangements	(1)	
Net decrease in trading securities	5	32
Net increase in loans held-for-sale	(1)	(3)
Net decrease (increase) in accrued income receivable	9	(44)
Net decrease in accrued expenses	(9)	(122)
Other, net	228	(177)
Discontinued operations, net	17	1
Net cash provided by (used in) operating activities	740	(57)
INVESTING ACTIVITIES		
Proceeds from sales of investment securities available-for-sale	209	2,671
Proceeds from maturities of investment securities available-for-sale	681	1,473
Purchases of investment securities available-for-sale	(521)	(2,493)
Sales of Federal Home Loan Bank stock	41	
Net decrease in loans	1,200	3,451
Proceeds from early termination of leveraged leases		107
Net increase in fixed assets	(36)	(37)
Net (increase) decrease in customers liability on acceptances outstanding	(13)	7
Proceeds from sale of business		7
Discontinued operations, net		
Net cash provided by investing activities	1,561	5,186
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	126	(631)
Net decrease in short-term borrowings	(262)	(1,259)
Net increase (decrease) in acceptances outstanding	13	(7)
Repayments of medium- and long-term debt	(1,951)	(1,400)
Repurchases of medium- and long-term debt	(165)	
Proceeds from issuance of common stock	849	
Redemption of preferred stock	(2,250)	
Proceeds from issuance of common stock under employee stock plans	4	
Excess tax benefits from share-based compensation arrangements	1	
Purchase of common stock for treasury	(4)	(1)

Dividends paid on common stock		(16)		(57)
Dividends paid on preferred stock		(38)		(57)
Discontinued operations, net				
Net cash used in financing activities		(3,693)		(3,412)
Net (decrease) increase in cash and cash equivalents		(1,392)		1,717
Cash and cash equivalents at beginning of period		5,617		3,423
Cash and cash equivalents at end of period	$	4,225	$	5,140
Interest paid	$	125	$	338
Income taxes, tax deposits and tax-related interest paid	$	19	$	217
Noncash investing and financing activities:				
Loans transferred to other real estate	$	41	$	54

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

The accompanying unaudited consolidated financial statements were prepared in accordance with 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 six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. 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, 2009.

Recently Adopted Accounting Changes

Consolidation

On January 1, 2010, the Corporation adopted Accounting Standards Update (ASU) No. 2009-17, Improvements in Financial Reporting by Enterprises Involved with Variable Interest Entities, (ASU 2009-17). ASU 2009-17 amends consolidation guidance related to variable interest entities (VIEs) by replacing a quantitative approach for determining which enterprise, if any, is the primary beneficiary and required to consolidate a VIE with a qualitative approach. The qualitative approach is focused on identifying which enterprise has both the power to direct the activities of the VIE that most significantly impact the entity s economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. ASU 2009-17 requires reconsideration of the primary beneficiary whenever circumstances change and eliminates the exception for qualifying special-purpose entities from consolidation guidance.

In February 2010, the Financial Accounting Standards Board (FASB) issued ASU No. 2010-10, Amendments for Certain Investment Funds, (ASU 2010-10). ASU 2010-10 indefinitely defers the requirements of ASU 2009-17 for certain investment funds with attributes of an investment company specified in the accounting guidance, including, but not limited to, venture capital funds, private equity funds and mutual funds. The deferral is also applicable to a reporting enterprise s interest in an entity that is required to comply with or operates in accordance with requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. For funds that qualify for the deferral, the Corporation will continue to analyze whether such funds should be consolidated under authoritative guidance that existed prior to the issuance of ASU 2009-17.

The Corporation was not required to consolidate any additional VIEs with which the Corporation is involved as a result of implementing the guidance in ASU 2009-17, as amended by ASU 2010-10. See Note 6 for additional information about the Corporation s involvement with VIEs.

Transfers of Financial Assets

On January 1, 2010, the Corporation adopted ASU No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets, (ASU 2009-16). ASU 2009-16 eliminates the concept of qualifying special-purpose entities and establishes conditions for reporting the transfer of a portion of a financial asset as a sale. If the transfer does not meet these established conditions, the transferor and transferee must account for the transfer as a secured borrowing. An enterprise that continues to transfer portions of a financial asset that do not meet these established conditions is eligible to record a sale only after it has transferred all of its interest in that asset. The adoption of ASU 2009-16 was not material to the Corporation s financial condition and results of operations.

Fair Value Measurements

In the first quarter 2010, the Corporation fully adopted ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, (ASU 2010-06). ASU 2010-06 requires separate disclosures of significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers and requires disclosure of purchases, sales, issuances and settlements activity on a gross (rather than net) basis in the Level 3 reconciliation of fair value measurements for assets and liabilities measured at fair value on a recurring basis. In addition, ASU 2010-6 clarifies that fair value measurement disclosures should be provided for each class of assets and liabilities and that disclosures of inputs and valuation techniques should be provided for both recurring and nonrecurring Level 2 and Level 3 fair value measurements. For further information concerning fair value measurements, refer to Note 2.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 1 - Basis of Presentation and Accounting Policies (continued)

Pending Accounting Pronouncements

In July 2010, the FASB issued ASU No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, (ASU 2010-20). ASU 2010-20 requires enhanced disclosures about an entity s credit quality of financing receivables and the related allowance for credit losses. The Corporation will adopt the period-end provisions of ASU 2010-20 in its consolidated financial statements for the year ended December 31, 2010 and the activity-related provisions of ASU 2010-20 in the first quarter 2011. While the provisions of ASU 2010-20 will require significant expansion of the Corporation s disclosures on the credit quality of financing receivables and the allowance for credit losses, the Corporation does not expect the adoption of ASU 2010-20 to have a material effect on the Corporation s financial condition and results of operations.

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. 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.

The Corporation categorizes assets and liabilities recorded at fair value into a three-level hierarchy, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description 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. For financial assets and liabilities recorded at fair value, the description includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified. Transfers of assets or liabilities between levels of the fair value hierarchy are recognized at the beginning of the reporting period, when applicable.

Cash and due from banks, federal funds sold and securities purchased under agreements to resell, and interest-bearing deposits with banks

Due to the short-term nature, the carrying amount of these instruments approximates the estimated fair value.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

Trading securities and associated deferred compensation plan liabilities

Securities held for trading purposes and associated deferred compensation plan liabilities are recorded at fair value and included in other short-term investments and accrued expenses and other liabilities, respectively, on the consolidated balance sheets. Level 1 securities held for trading purposes include assets related to employee deferred compensation plans, which are invested in mutual funds, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and other securities traded on an active exchange, such as the New York Stock Exchange. Deferred compensation plan liabilities represent the fair value of the obligation to the employee, which corresponds to the fair value of the invested assets. Level 2 trading securities include municipal bonds and mortgage-backed securities issued by U.S. government-sponsored entities and corporate debt securities. Securities classified as Level 3 include securities in less liquid markets and securities not rated by a credit agency. The methods used to value trading securities are the same as the methods used to value investment securities available-for-sale, discussed below.

Loans held-for-sale

Loans held-for-sale, included in other short-term investments on the consolidated balance sheets, are recorded at the lower of cost or fair value. The fair value of loans held-for-sale is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, the Corporation classifies loans held-for-sale subjected to nonrecurring fair value adjustments as Level 2.

Investment securities available-for-sale

Investment securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available or the market is deemed to be inactive at the measurement date, an adjustment to the quoted prices may be necessary. In some circumstances, the Corporation may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate to estimate an instrument s fair value. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds. Level 2 securities include residential mortgage-backed securities issued by U.S. government-sponsored enterprises, corporate debt securities and state and municipal securities. The fair value of Level 2 securities was determined using quoted prices of securities with similar characteristics or pricing models based on observable market data inputs, primarily interest rates, spreads and prepayment information. Securities classified as Level 3, of which the substantial majority are auction-rate securities, represent securities in less liquid markets requiring significant management assumptions when determining fair value. Due to the lack of a robust secondary auction-rate securities market with active fair value indicators, fair value at June 30, 2010, December 31, 2009 and June 30, 2009 was determined using an income approach based on a discounted cash flow model utilizing two significant assumptions: discount rate (including a liquidity risk premium) and workout period. The discount rate was calculated using credit spreads of the underlying collateral or similar securities plus a liquidity risk premium. The liquidity risk premium was based on observed industry auction-rate securities valuations by third parties and incorporated the rate at which the various types of ARS had been redeemed or sold since acquisition in 2008. As of June 30, 2010, approximately 34% of the aggregate ARS portfolio had been redeemed or sold at par since acquisition. The workout period was based on an assessment of publicly available information on efforts to re-establish functioning markets for these securities and the Corporation s redemption experience.

Loans

The Corporation does not record loans at fair value on a recurring basis. However, periodically, the Corporation records nonrecurring adjustments to the carrying value of loans based on fair value measurements. Loans for which it is probable that payment of interest or principal will not be made in accordance with the contractual terms of the original loan agreement are considered impaired. Impaired loans are reported as nonrecurring fair value measurements when an allowance is established based on the fair value of collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation classifies the impaired loan as nonrecurring Level 2. When management determines that the fair value of the collateral requires additional adjustments, either as a result of non-current appraisal value or when there is no observable market price, the Corporation classifies the impaired loan as nonrecurring Level 3.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

Business loans consist of commercial, real estate construction, commercial mortgage, lease financing and international loans. The estimated fair value for variable rate business loans that reprice frequently is based on carrying values adjusted for estimated credit losses and other adjustments that would be expected to be made by a market participant in an active market. The fair value for other business loans, consumer loans and residential mortgage loans are estimated using a discounted cash flow model that employs interest rates currently offered on the loans, adjusted by an amount for estimated credit losses and other adjustments that would be expected to be made by a market participant in an active market. The rates take into account the expected yield curve, as well as an adjustment for prepayment risk, when applicable.

Customers liability on acceptances outstanding and acceptances outstanding

The carrying amount of these instruments approximates the estimated fair value, due to their short-term nature.

Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in accrued income and other assets and accrued expenses and other liabilities, respectively, on the consolidated balance sheets. Derivative instruments held or issued for risk management or customer-initiated activities are traded in over-the-counter markets where quoted market prices are not readily available. Fair value for over-the-counter derivative instruments is measured using internally developed models that use primarily market observable inputs, such as yield curves and option volatilities. Included in the fair value of over-the-counter derivative instruments are credit valuation adjustments reflecting counterparty credit risk and credit risk of the Corporation. 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 after considering collateral and other master netting arrangements. These adjustments, which are considered Level 3 inputs, are based on estimates of current credit spreads to evaluate the likelihood of default. The Corporation assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and determined that the credit valuation adjustments were not significant to the overall valuation of its derivatives. As a result, the Corporation classified its over-the-counter derivative valuations in Level 2 of the fair value hierarchy. Examples of Level 2 derivative instruments are interest rate swaps and energy derivative and foreign exchange contracts.

The Corporation also holds a portfolio of warrants for generally nonmarketable equity securities. These warrants are primarily from high technology, non-public companies obtained as part of the loan origination process. Warrants which contain a net exercise provision or a non-contingent put right embedded in the warrant agreement are accounted for as derivatives and recorded at fair value using a Black-Scholes valuation model with five inputs: risk-free rate, expected life, volatility, exercise price, and the per share market value of the underlying company. The Corporation classifies warrants accounted for as derivatives as recurring Level 3.

The Corporation holds a derivative contract associated with the 2008 sale of its remaining ownership of Visa Inc. (Visa) Class B shares. Under the terms of the derivative contract, the Corporation will compensate the counterparty primarily for dilutive adjustments made to the conversion factor of the Visa Class B to Class A shares based on the ultimate outcome of litigation involving Visa. Conversely, the Corporation will be compensated by the counterparty for any increase in the conversion factor from anti-dilutive adjustments. The fair value of the derivative contract was based on unobservable inputs consisting of management s estimate of the litigation outcome, timing of litigation settlements and payments related to the derivative. The Corporation classifies the derivative liability as recurring Level 3.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

Nonmarketable equity securities

The Corporation has a portfolio of indirect (through funds) private equity and venture capital investments. These funds generally cannot be redeemed and the majority are not readily marketable. Distributions from these funds are received by the Corporation as a result of the liquidation of underlying investments of the funds and/or as income distributions. It is estimated that the underlying assets of the funds will be liquidated over a period of up to 15 years. The value of these investments is at risk to changes in equity markets, general economic conditions and a variety of other factors. The investments are accounted for on the cost or equity method and are individually reviewed for impairment on a quarterly basis by comparing the carrying value to the estimated fair value. Fair value measurement guidance permits the measurement of investments of this type on the basis of net asset value, provided the net asset value is calculated by the fund in compliance with fair value measurement guidance applicable to investment companies. Where there is not a readily determinable fair value, the Corporation estimates fair value for indirect private equity and venture capital investments based on the Corporation s percentage ownership in the net asset value of the entire fund, as reported by the fund, after indication that the fund adheres to applicable fair value measurement guidance. For those funds where the net asset value is not reported by the fund, the Corporation derives the fair value of the fund by estimating the fair value of each underlying investment in the fund. In addition to using qualitative information about each underlying investment, as provided by the fund, the Corporation gives consideration to information pertinent to the specific nature of the debt or equity investment, such as relevant market conditions, offering prices, operating results, financial conditions, exit strategy and other qualitative information, as available. The lack of an independent source to validate fair value estimates, including the impact of future capital calls and transfer restrictions, is an inherent limitation in the valuation process.

The Corporation also holds restricted equity investments, primarily Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock. Restricted equity securities are not readily marketable and are recorded at cost (par value) and evaluated for impairment based on the ultimate recoverability of the par value. No significant observable market data for these instruments is available. The Corporation considers the profitability and asset quality of the issuer, dividend payment history and recent redemption experience, when determining the ultimate recoverability of the par value. The Corporation s investment in FHLB stock totaled $230 million and $271 million at June 30, 2010 and December 31, 2009, respectively, and its investment in FRB stock totaled $60 million and $59 million at June 30, 2010 and December 31, 2009, respectively. The Corporation believes its investments in FHLB and FRB stock are ultimately recoverable at par.

The Corporation classifies nonmarketable equity securities subjected to nonrecurring fair value adjustments as Level 3.

Other real estate

Other real estate is included in accrued income and other assets on the consolidated balance sheets and includes primarily foreclosed property. Upon transfer from the loan portfolio, foreclosed property is adjusted to and subsequently carried at the lower of carrying value or fair value, less estimated costs to sell. Fair value is based upon independent market prices, appraised value or management s estimation of the value. When the fair value of the property is based on an observable market price or a current appraised value, the Corporation classifies the foreclosed property as nonrecurring Level 2. When management determines that the fair value of the foreclosed property requires additional adjustments, either as a result of non-current appraisal value or when there is no observable market price, the Corporation classifies the foreclosed property as nonrecurring Level 3.

Loan servicing rights

Loan servicing rights, included in accrued income and other assets on the consolidated balance sheets, are subject to impairment testing. A valuation model is used for impairment testing, which utilizes a discounted cash flow analysis using interest rates and prepayment speed assumptions currently quoted for comparable instruments and a discount rate determined by management. If the valuation model reflects a value less than the carrying value, loan servicing rights are adjusted to fair value through a valuation allowance as determined by the model. As such, the Corporation classifies loan servicing rights subjected to nonrecurring fair value adjustments as Level 3.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

Goodwill

Goodwill, included in accrued income and other assets on the consolidated balance sheets, is subject to impairment testing that requires an estimate of the fair value of the Corporation s reporting units. Estimating the fair value of reporting units is a subjective process involving the use of estimates and judgments, particularly related to future cash flows, discount rates (including market risk premiums) and market multiples. The fair values of the reporting units are determined using a blend of two commonly used valuation techniques: the market approach and the income approach. The Corporation gives consideration to two valuation techniques, as either technique can be an indicator of value. For the market approach, valuations of reporting units are based on an analysis of relevant price multiples in market trades in industries similar to the reporting unit. Market trades do not consider a control premium associated with an acquisition or a sale transaction. For the income approach, estimated future cash flows and terminal value (value at the end of the cash flow period, based on price multiples) were discounted. The discount rate was based on the imputed cost of equity capital appropriate for each reporting unit. Material assumptions used in the valuation models include the comparable public company price multiples used in the terminal value, future cash flows and the market risk premium component of the discount rate. Due to the general uncertainty and depressed earning capacity in the financial services industry as of the measurement date, the Corporation concluded that the valuation under the income approach more clearly reflected the long-term future earning capacity of the reporting units, rather than the valuation under the market approach, and thus gave greater weight to the income approach.

If goodwill impairment testing resulted in impairment, the Corporation would classify goodwill subjected to nonrecurring fair value adjustments as Level 3.

Deposit liabilities

The estimated fair value of checking, savings and certain money market deposit accounts is represented by the amounts payable on demand. The estimated fair value of term deposits is calculated by discounting the scheduled cash flows using the period-end rates offered on these instruments.

Short-term borrowings

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

Medium- and long-term debt

The carrying value of variable-rate FHLB advances approximates the estimated fair value. The estimated fair value of the Corporation s remaining variable- and fixed-rate medium- and long-term debt is based on quoted market values. If quoted market values are not available, the estimated fair value is based on the market values of debt with similar characteristics.

Credit-related financial instruments

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

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

Assets and Liabilities 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 June 30, 2010 and December 31, 2009.

(in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
June 30, 2010				
Trading securities:				
Deferred compensation plan assets	$ 83	$ 83	$	$
U.S. Treasury and other U.S. government agency securities	1	1		
Government-sponsored enterprise residential mortgage-backed securities	5		5	
State and municipal securities	12		9	3
Corporate debt securities	2		2	
Total trading securities	103	84	16	3
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	121	121		
Government-sponsored enterprise residential mortgage-backed securities	6,265		6,265	
State and municipal securities (a)	42			42
Corporate debt securities:				
Auction-rate debt securities	52			52
Other corporate debt securities	1			1
Equity and other non-debt securities:				
Auction-rate preferred securities	609			609
Money market and other mutual funds	98	98		
Total investment securities available-for-sale	7,188	219	6,265	704
Derivative assets (b):				
Interest rate contracts	623		623	
Energy derivative contracts	89		89	
Foreign exchange contracts	58		58	
Warrants	7			7
Total derivative assets	777		770	7
Total assets at fair value	$ 8,068	$ 303	$ 7,051	$ 714
Derivative liabilities (c):				

Interest rate contracts	$ 285	$	$ 285	$
Energy derivative contracts	88		88	
Foreign exchange contracts	52		52	
Other	2			2
Total derivative liabilities	427		425	2
Deferred compensation plan liabilities (c)	83	83		
Total liabilities at fair value	$ 510	$ 83	$ 425	$ 2

(a) Primarily auction-rate securities.

(b) Recorded in accrued income and other assets on the consolidated balance sheets.

(c) Recorded in accrued expenses and other liabilities on the consolidated balance sheets.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

(in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
December 31, 2009				
Trading securities:				
Deferred compensation plan assets	$ 86	$ 86	$	$
Government-sponsored enterprise residential mortgage-backed securities	3		3	
State and municipal securities	15		15	
Corporate debt securities	3		3	
Total trading securities	107	86	21	
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agency securities	103	103		
Government-sponsored enterprise residential mortgage-backed securities	6,261		6,261	
State and municipal securities (a)	47		1	46
Corporate debt securities:				
Auction-rate debt securities	150			150
Other corporate debt securities	50		43	7
Equity and other non-debt securities:				
Auction-rate preferred securities	706			706
Money market and other mutual funds	99	99		
Total investment securities available-for-sale	7,416	202	6,305	909
Derivative assets (b):				
Interest rate contracts	492		492	
Energy derivative contracts	137		137	
Foreign exchange contracts	35		35	
Warrants	7			7
Total derivative assets	671		664	7
Total assets at fair value	$ 8,194	$ 288	$ 6,990	$ 916
Derivative liabilities (c):				
Interest rate contracts	$ 240	$	$ 240	$
Energy derivative contracts	136		136	
Foreign exchange contracts	34		34	
Total derivative liabilities	410		410	
Deferred compensation plan liabilities (c)	86	86		
Total liabilities at fair value	$ 496	$ 86	$ 410	$

(a) Primarily auction-rate securities.

(b) Recorded in accrued income and other assets on the consolidated balance sheets.

(c) Recorded in accrued expenses and other liabilities on the consolidated balance sheets.

There were no significant transfers of assets or liabilities recorded at fair value on a recurring basis into or out of Level 1 and Level 2 fair value measurements during the three- and six-month periods ended June 30, 2010 and 2009.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three- and six-month periods ended June 30, 2010 and 2009.

		Net Realized/Unrealized Gains (Losses)						
	Balance at Beginning of Period	Recorded in Earnings		Recorded in Other Comprehensive Income (Pre-tax)				Balance at End of Period
(in millions)		Realized	Unrealized		Purchases	Sales	Settlements	
Three months ended June 30, 2010								
Trading securities:								
State and municipal securities	$	$	$	$	$ 3	$	$	$ 3
Investment securities available-for-sale:								
State and municipal securities (a)	45			(3)				42
Auction-rate debt securities	144	2		9		(103)		52
Other corporate debt securities	1							1
Auction-rate preferred securities	663	3		(9)		(48)		609
Total investment securities available-for-sale	853	5		(3)		(151)		704
Derivative assets:								
Warrants	7		1			(1)		7
Derivative liabilities:								
Other		(1)	(2)				(1)	2
Three months ended June 30, 2009								
Trading securities:								
Corporate debt securities	$ 3	$	$	$	$	$ (3)	$	$
Investment securities available-for-sale:								
State and municipal securities (a)	55			(1)				54
Auction-rate debt securities	146							146
Other corporate debt securities	7							7
Auction-rate preferred securities	888	3		(7)		(64)		820
Total investment securities available-for-sale	1,096	3		(8)		(64)		1,027
Derivative assets:								
Warrants	8		1			(1)		8
Other assets			1					1
Derivative liabilities:								
Other	1		(2)					3
Six months ended June 30, 2010								
Trading securities:								
State and municipal securities	$	$	$	$	$ 3	$	$	$ 3
Investment securities available-for-sale:								
State and municipal securities (a)	46			(4)				42
Auction-rate debt securities	150	2		4		(104)		52
Other corporate debt securities	7	27					(33)	1

Auction-rate preferred securities	706	5		(8)		(94)		609
Total investment securities available-for-sale	909	34		(8)		(198)	(33)	704
Derivative assets:								
Warrants	7		1			(1)		7
Derivative liabilities:								
Other		(1)	(2)				(1)	2
Six months ended June 30, 2009								
Trading securities:								
State and municipal securities	$ 29	$	$	$	$	$ (29)	$	$
Corporate debt securities	5					(5)		
Total trading securities	34					(34)		
Investment securities available-for-sale:								
State and municipal securities (a)	65			2		(13)		54
Auction-rate debt securities	147					(1)		146
Other corporate debt securities	5		2					7
Auction-rate preferred securities	936	8		26		(150)		820
Total investment securities available-for-sale	1,153	8	2	28		(164)		1,027
Derivative assets:								
Warrants	8		1			(1)		8
Other assets			1					1
Derivative liabilities:								
Other	5		(2)				(4)	3

(a) Primarily auction-rate securities

There were no transfers of assets or liabilities recorded at fair value on a recurring basis into or out of Level 3 fair value measurements during the three- and six-month periods ended June 30, 2010 and 2009.

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Notes to Consolidated Financial Statements (unaudited)

Comerica Incorporated and Subsidiaries

Note 2 Fair Value Measurements (continued)

The following table presents the income statement classification of realized and unrealized gains and losses due to changes in fair value recorded in earnings for the three- and six-month periods ended June 30, 2010 and 2009 for recurring Level 3 assets and liabilities, as shown in the previous table.

	Net Securities Gains (Losses)		Other Noninterest Income		Discontinued Operations		Total	
(in millions)	**Realized**	**Unrealized**	**Realized**	**Unrealized**	**Realized**	**Unrealized**	**Realized**	**Unrealized**
Three months ended June 30, 2010								
Investment securities available-for-sale:								
Auction-rate debt securities	$ 2	$	$	$	$	$	$ 2	$
Auction-rate preferred securities	3						3	
Total investment securities available-for-sale	5						5	
Derivative assets:								
Warrants				1				1
Derivative liabilities:								