

STERLING BANCSHARES INC
Form 425
January 18, 2011

Filed by Comerica Incorporated

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Sterling Bancshares, Inc.

(Commission File No. 1-34768)

Any statements in this presentation that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as anticipates, believes, feels, expects, estimates, seeks, strives, plans, intends, outlook, target, mission, assume, achievable, potential, strategy, goal, aspiration, outcome, continue, remain, maintain, trend, such words and similar expressions, or future or conditional verbs such as will, would, should, could, might, can, may or similar expressions they relate to Comerica, Sterling, the proposed transaction or the combined company following the transaction often identify forward-looking statements. These forward-looking statements are predicated on the beliefs and assumptions of management based on information known to management as of the date of this presentation and do not purport to speak as of any other date. Forward-looking statements may include descriptions of the expected benefits and costs of the transaction; forecasts of revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries; management plans relating to the transaction; the expected timing of the completion of the transaction; the ability to complete the transaction; the ability to obtain any required regulatory, shareholder or other approvals; any statements of the plans and objectives of management for future or past operations, products or services, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Such statements reflect the view of 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, actual results could differ materially from those anticipated by the forward-looking statements or historical results. Factors that could cause or contribute to such differences include, but are not limited to, the possibility that expected benefits may not materialize in the timeframe expected or at all, or may be more costly to achieve; that the transaction may not be timely completed, if at all; that prior to the completion of the transaction or thereafter, Comerica's and Sterling's respective businesses may not perform as expected due to transaction-related uncertainty or other factors; that the parties are unable to successfully implement integration strategies; that required regulatory, shareholder or other approvals are not obtained or other closing conditions are not satisfied in a timely manner or at all; reputational risks and the reaction of the companies' customers to the transaction; diversion of management time on merger-related issues; and those factors referenced in Comerica's and Sterling's filings with the Securities and Exchange Commission (the "SEC"). Forward-looking statements speak only as of the date they are made. Comerica and Sterling do 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 presentation or in any documents, Comerica and Sterling claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

In connection with the proposed merger transaction, Comerica will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement of Sterling, and a Prospectus of Comerica, as well as other relevant documents concerning the proposed transaction. **SHAREHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS REGARDING THE MERGER WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.**

A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about Comerica and Sterling, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents, free of charge, from Comerica at www.comerica.com under the tab "Investor Relations" and then under the heading "SEC Filings" or from Sterling by accessing Sterling's website at www.banksterling.com under the tab "Investor Relations" and then under the heading "SEC Filings".

Comerica and Sterling and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Sterling in connection with the proposed merger. Information about the directors and executive officers of Comerica is set forth in the proxy statement for Comerica's 2010 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 19, 2010. Information about the directors and executive officers of Sterling is set forth in the proxy statement for Sterling's 2010 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 5, 2010. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

Combination with Sterling Bancshares
January 18, 2011
Accelerating Growth in Texas,
One of the Most Attractive Markets in the U.S.
Comerica Incorporated

2
Safe Harbor Statement; Disclaimer
Any
statements
in
this
presentation

that
are
not
historical
facts
are
forward-looking
statements
as
defined
in
the
Private
Securities
Litigation
Reform
Act
of
1995.
Words
such
as
"anticipates,"
"believes,"
"feels,"
"expects,"
"estimates,"
"seeks,"
"strives,"
"plans,"
"intends,"
"outlook,"
"forecast,"
"position,"
"target,"
"mission,"
"assume,"
"achievable,"
"potential,"
"strategy,"
"goal,"
"aspiration,"
"outcome,"
"continue,"
"remain,"
"maintain,"
"trend,"
"objective"
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
Comerica,
Sterling,
the
proposed
transaction
or
the
combined
company
following
the
transaction
often
identify
forward-looking
statements.
These
forward-looking
statements
are
predicated
on
the

beliefs
and
assumptions
of
management
based
on
information
known
to
management
as
of
the
date
of
this
presentation
and
do
not
purport
to
speak
as
of
any
other
date.
Forward-looking
statements
may
include
descriptions
of
the
expected
benefits
and
costs
of
the
transaction;
forecasts
of
revenue,
earnings
or
other
measures

of
economic
performance,
including
statements
of
profitability,
business
segments
and
subsidiaries;
management
plans
relating
to
the
transaction;
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expected
timing
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the
transaction;
the
ability
to
obtain
any
required
regulatory,
shareholder
or
other
approvals;
any
statements
of
the
plans
and
objectives

of
management
for
future
or
past
operations,
products
or
services,
including
the
execution
of
integration
plans;
any
statements
of
expectation
or
belief;
and
any
statements
of
assumptions
underlying
any
of
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foregoing.
Such
statements
reflect
the
view
of
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as
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date
with
respect
to
future
events
and
are

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to
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and
uncertainties.
Should
one
or
more
of
these
risks
materialize
or
should
underlying
beliefs
or
assumptions
prove
incorrect,
actual
results
could
differ
materially
from
those
anticipated
by
the
forward-looking
statements
or
historical
results.
Factors
that
could
cause
or
contribute
to
such
differences
include,
but
are
not
limited

to,
the
possibility
that
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benefits
may
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materialize
in
the
timeframe
expected
or
at
all,
or
may
be
more
costly
to
achieve;
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transaction
may
not
be
timely
completed,
if
at
all;
that
prior
to
the
completion
of
the
transaction
or
thereafter,
Comerica's
and
Sterling's
respective
businesses
may

not
perform
as
expected
due
to
transaction-related
uncertainty
or
other
factors;
that
the
parties
are
unable
to
successfully
implement
integration
strategies;
that
required
regulatory,
shareholder
or
other
approvals
are
not
obtained
or
other
closing
conditions
are
not
satisfied
in
a
timely
manner
or
at
all;
reputational
risks
and
the
reaction

of
the
companies
customers
to
the
transaction;
diversion
of
management
time
on
merger-related
issues;
and
those
factors
referenced
in
Comerica's
and
Sterling's
filings
with
the
Securities
and
Exchange
Commission.
Forward-looking
statements
speak
only
as
of
the
date
they
are
made.
Comerica
and
Sterling
do
not
undertake
to
update
forward-looking
statements

to
reflect
facts,
circumstances,
assumptions
or
events
that
occur
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date
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statements
are
made.
For
any
forward-looking
statements
made
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or
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any
documents,
Comerica
and
Sterling
claim
the
protection
of
the
safe
harbor
for
forward-looking
statements
contained
in
the
Private
Securities
Litigation
Reform
Act

of
1995.
Annualized,
pro
forma,
projected
and
estimated
numbers
are
used
for
illustrative
purposes
only,
are
not
forecasts
and
may
not
reflect
actual results.

3

Strategically Compelling

A Unique Opportunity

Accelerates Comerica's growth strategy in Texas

Significantly boosts Texas presence with solid deposit base and well located branch network

Houston deposit market share triples

Entry into San Antonio market

Complements Dallas-Fort Worth locations

Enhances growth opportunities with focus on Middle Market and Small Business

Leverages additional marketing capacity to offer a wide array of products and services through a larger distribution channel

Timely: economic, regulatory and market environment

Maintains strong pro forma capital position

Expect seamless integration: Manageable size within footprint

4
Transaction Summary
Purchase Price and Structure
\$10.00 per Sterling Bancshares (SBIB) share
100%
common
stock

at
fixed
0.2365
exchange
ratio
1
Transaction value
\$1,027 million
Estimated Deal Economics
Break
even
in
first
full
fiscal
year
2
and
increasingly
accretive thereafter; Attractive valuation multiples
Estimated Synergies
\$56 million or 35% of SBIB expenses (run rate
realized by year-end 2012)
No revenue synergies assumed
Estimated merger-related charges
\$80 million after-tax (~75% to be incurred in 2011)
Deal protection
~\$40 million termination fee, in certain circumstances
Approval requirements
SBIB shareholders
Customary regulatory approvals
Expected completion
By mid-year 2011
Pro forma ownership
Current CMA shareholders ~90%;
SBIB shareholders ~10%

1
Price and exchange ratio based on the 15-day average share price through January 11, 2011 of Comerica common stock
on the NYSE of \$42.28

2
First full-year assumed to be fiscal year 2012; Break even analysis excludes merger and integration costs.
Additional detail can be found in the appendix of this presentation.

5

Founded: 1974 in Houston, TX

Operating in key Texas metropolitan markets

Houston, Dallas-Fort Worth and San Antonio

Total Assets: \$5.2 billion

Loans: \$2.8 billion

Total Deposits: \$4.3 billion

Noninterest bearing: \$1.3 billion

Employees: 946

Branches: 57

Sterling Bank Highlights

At December 31, 2010

Source: Company Reports and SNL Financial

1

Based on Deposits at 6/30/10

6th

largest

U.S.

bank

with

headquarters

in

Texas

1

C&D \$2.3B
6%
Residential
Mortgage &
Consumer
\$3.9B 10%
C&I \$24.3B

60%
CRE-Owner
Occupied
\$7.8B 19%
CRE \$1.9B
5%
6
Opportunity to Leverage C&I Expertise
As of December 31, 2010; \$Billions
CRE: Non-owner occupied Commercial Real Estate; C&I: Commercial and Industrial includes Lease Financing and International Loans; C&D: Construction and Development
Residential
Mortgage &
Consumer
\$0.4B 15%
C&I \$0.6B
23%
C&D \$0.2B 8%
CRE- Owner
Occupied
\$0.6B 22%
CRE \$1.0B
32%
Sterling Bank
\$2.8B Loans
Comerica Bank
\$40.2B Loans
Comerica Bank
Texas Market
\$6.8B Loans
C&D \$1.0B
14%
Residential
Mortgage &
Consumer
\$0.4B 7%
C&I \$4.3B
63%
CRE-Owner
Occupied
\$0.8B 12%
CRE \$0.3B 4%

7
Attractive Deposit Mix
Time
\$0.7B 17%
Non-
interest
bearing

\$1.3B 31%

Money

Market,

NOW &

Savings

\$2.2B 50%

Brokered

CD

\$0.1B 2%

Sterling Bank

\$4.3B Deposits

As of 12/31/2010; \$Billions

Money

Market,

NOW &

Savings

\$2.3B 40%

Time \$1.2B

22%

Non-

interest

bearing

\$2.2B 38%

Money

Market,

NOW

&Savings

\$19.0B 47%

Time \$5.9B

15%

Non-interest

bearing

\$15.6B 38%

Comerica Bank

\$40.5B Deposits

Comerica Bank

Texas Market

\$5.7B Deposits

4Q10 Interest-bearing deposit costs:

40 basis points

54 basis points

76 basis points

S&P Case Shiller Existing Home Prices

0

50

100

150

200

Comp-20

Dallas

8

Among the strongest economies in U.S.

Ranked

#2

in

the

U.S.

by

State

GDP

1

More Fortune 1000 companies than any other
state

Moderate taxes and business-friendly
environment attracts companies

Shorter and shallower downturn and
recovering faster than the nation

Unemployment

rate

of

8.3%

2

;

U.S.

9.4%

2

Texas job growth rate for 2010 is 2.3%,

national

average

is

0.9%

2

Home prices relatively stable

Population growth (2000 -

2010) provides

excellent opportunities for economic

expansion

Houston

+

27.6%

3

Dallas-Fort
Worth

+
26.7%
3

San
Antonio

+
23.4%
3

Texas Highlights

1
Source: Bureau of Economic Analysis
2

Source: Bureau of Labor Statistics as of 11/30/2010 for Texas and 12/31/2010 for U.S.
3

Source: SNL

Ten-Year Population Growth: Texas vs the U.S.

0%
5%
10%
15%
20%
25%
30%

1920
1930
1940
1950
1960
1970
1980
1990
2000
2010

Texas
U.S.

9
Expanding in Attractive Markets
Houston
San Antonio
Austin
Fort Worth
Dallas

Sterling Bank Branch

Comerica Banking Center

Source: SNL Financial as of 06/30/2010

Rank and share % data not provided for San Antonio Market as it includes branches in Kerrville. San Antonio and Kerrville are not listed in SNL Financial as a combined MSA

2

Deposits

Branches

\$mm

Rank

Share %

Texas Market

CMA

94

5,230

10

1.18

SBIB

60

4,142

13

0.94

Pro forma

154

9,372

6

2.12

Houston MSA

CMA

34

1,389

12

1.15

SBIB

33

3,269

6

2.70

Pro forma

67

4,658

6

3.85

Dallas -

Fort Worth MSA

CMA

49

3,460

5

2.31

SBIB

13

266

45

0.18

Pro forma

62

3,726

5

2.49

Entry into San Antonio Market

CMA

0

0

SBIB

14

607

Pro forma

14

607

Austin MSA

CMA

11

381

11

1.66

10
Accelerating Geographic Balance
As of December 31, 2010
Pro forma
Combined
CMA
SBIB

Assets
\$53.7B
\$5.2B
\$58.9B
Loans
40.2
2.8
43.0
Deposits
40.5
4.3
44.8
Revenue (4Q10)
\$620M
\$48M
\$668M
Branches
444
57
501
Texas Branches
95
57
152
Employees
9,001
946
9,947
Florida
\$57M
2%
Int'l
\$108M
4%
Other Markets
\$227M
8%
Texas
\$611M
20%
Western
\$774M
26%
Midwest
\$1,213M
40%
2010 Year-to-Date
Pro Forma Revenue
By
Market

Segment

1

Source: Company reports

1

As of December 31, 2010: CMA YTD revenues (FTE) of the major geographic markets of \$2.8 billion (\$2.4B including Financial Businesses); Geography based on office of origination; Midwest includes: MI, OH, IL; Western includes: CA, AZ, NV, CO, WY; include markets not separately identified above in addition to businesses with a national perspective

11
Thorough Due Diligence
Conservative
Gross
1
Loan
Marks

\$ in Millions; CRE Wholesale includes CRE mortgages referred by other financial institutions; CRE Other includes office, retail, hospitality, multifamily, warehouse, 1-4 family.

1

Excludes

\$77

million

allowance

for

loan

losses;

2

Estimated

losses

and

portfolio

breakdown

is

based

on

Comerica

credit

due

diligence and may not reconcile to the 4Q10 data on slide 6

3

SBIB

cumulative

losses

based

on

total

net

charge-offs

as

a

percentage

of

average

loans

1/1/08

through

12/31/10

of

\$3,267

million

Assisted by local market insight

into customers and competitors

Loan Review

25 person CMA evaluation team

Reviewed 96%
of nonperforming
loan outstandings; 92%
of special
mention and substandard; and 43%
of pass credits

CMA has extensive credit quality
review experience
In-depth review of:

Investment portfolio

Deposit composition

Branch locations
Extensive Review Process

As
of
12/31/10
2

SBIB

Est.
Loss %

Est.
Loss \$

C&I

\$623

4.0%

\$24

CRE Owner occupied

335

7.6

26

CRE Wholesale

366

16.3

60

CRE Construction (C&D)

220

28.4

63

CRE Other

811

13.7

111

Consumer/Resi

Mortgage

397

11.6

46

Total

\$2,752

12.0%

\$330

Cumulative credit losses taken

1/1/08

through

12/31/10

3

3.7%

120

Total estimated credit losses 15.7%

through the cycle

\$450

12
Continued Capital Strength
Tier I Common Capital Ratio at
September 30, 2010
1
On a pro forma basis:
Remain among the best

capitalized in peer group
Quality of capital is solid
with Tier 1 consisting of
99% common equity
Strong capital supports
future growth
Pro forma 12/31/10 Tier 1
Capital
Ratio
10.0%
Source: SNL Financial

1
See Supplemental Financial Data slide for reconcilements of non-GAAP financial measures

Peer Median = 7.83%

5%

6%

7%

8%

9%

10%

MTB

MI

FITB

HBAN

USB

RF

STI

KEY

ZION

BBT

PNC

CMA

13

Integration Plan: Expect Seamless Transition

Familiar markets and business lines

Preserve customer relationship capabilities

Experienced credit workout group to manage
nonperforming portfolio

Risk management and pricing governance convert to

Comerica standards

Plan to convert systems to common technology and operations platform in 4Q11

14

Fits Comerica's Main Street Bank Strategy
Accelerates growth in Texas urban markets

Nearly doubles branch presence in Houston

Entry into San Antonio market

#6 largest deposit market share in state
Financially attractive

Expect
to
be
break
even
in
first
full
year
1
and
increasingly
accretive
thereafter

Conservative assumptions (synergies and credit marks)

Price/Tangible Book Value of about 2.3x and deposit premium of about
17% --
fair value consistent with recent Texas healthy bank transactions
Expect seamless integration

Size: Manageable

Location: Within footprint

Culture: Business banking
Maintains strong capital position

Pro
forma
12/31/10
Tier
1
Capital
Ratio
10.0%
1

First full-year assumed to be fiscal year 2012; Break even analysis excludes merger and integration costs

Appendix

Transaction Economics

2.3x

Price/Tangible Book Value

\$276

Adjusted Tangible Book Value

3.7x

Price/Adjusted Tangible Book Value

(89)
Tax Impact @ 35%
(77)
Sterling
Allowance
for
Loan
Losses
1
164
Net Loan Mark Adjustment
\$440
Sterling Tangible Book Value
\$330
Estimated
Future
Loan
Losses
2
(182)
Less:
Goodwill
&
Intangibles
1
\$622
Sterling
Total
Shareholder
Equity
1
\$1,027
Purchase Price
Purchase price reflects:

Scarcity value
only two unassisted
acquisitions of banks with >\$5 billion
assets in Texas in the past 7 years and
only 4 other public Texas headquartered
U.S. banks with assets >\$5 billion
remaining

Texas economy
one of the strongest
and largest economies in the U.S.
Price to adjusted tangible book multiple
reflects low book value resulting from the
conservative credit marks
Estimated goodwill of \$745MM reflects

purchase price less tangible book value at
close, as well as additional accounting
adjustments to fair value all assets and
liabilities

\$ in Millions (MM); This analysis is based on estimates at the time of transaction announcement (January 18, 2011).

1

At December 31, 2010

2

Estimated losses based on Comerica credit due diligence

16

Sterling Bancshares Financial Highlights

2006 FY

2007 FY

2008 FY

2009 FY

2010 FY

Period Ended

12/31/2006
12/31/2007
12/31/2008
12/31/2009
12/31/2010
Total Assets
4,118
4,536
5,080
4,937
5,192
Total Net Loans
3,101
3,384
3,745
3,170
2,678
Total Deposits
3,335
3,674
3,819
4,095
4,257
Revenue
203.0
221.8
239.1
227.6
202.1
Noninterest Expense
130.3
138.4
152.6
160.9
159.0
Net Income
45.8
53.0
38.6
(13.0)
0.7
ROAA (%)
1.18
1.22
0.80
(0.26)
0.01
ROAE (%)
12.66
11.77

7.58
(2.18)
0.11
Net Interest Margin (%)
4.90
4.77
4.55
4.22
3.70
Tier 1 Capital (%)
8.64
9.05
12.14
11.61
15.44
Asset Quality (%)
NAL&90+PD&OREO/Assets
0.39
0.56
2.00
2.42
3.28
NCOs/ Avg Loans
0.20
0.09
0.40
1.72
1.48
Loan Loss Reserves/ Gross Loans
1.02
1.01
1.30
2.30
2.80

Source: SNL Financial and company report

\$ in millions

NAL&90+PD&OREO: Nonaccrual Loans & Past Due Loans & Other Real Estate Owned

17

Supplemental Financial Data
Reconciliation
of
non-GAAP
financial
measures
with

financial
measures
defined
by
GAAP
(\$
in
millions)

The
Tier
1
common
capital
ratio
removes
preferred
stock
and
qualifying
trust
preferred
securities
from
Tier
1
capital
as
defined
by

and calculated in conformity with bank regulations.

The Corporation believes these measurements are meaningful measures of capital adequacy used by investors, regulators, management and others to evaluate the adequacy of common equity and to compare against other companies in the industry.

1
Regulatory Capital, Tier 1 Capital and risk-weighted assets as defined and calculated in accordance with regulation.

Comerica
9/30/10

Total Regulatory Capital

\$8,566

Tier

1

capital

1

Less: Fixed rate cumulative perpetual preferred stock

Less: Trust preferred securities

\$5,940

--

--

Tier 1 common capital

Risk-weighted

assets

1
Tier 1 common capital ratio
5,940
59,608
9.96%
18

19

Additional Information For Shareholders

In connection with the proposed merger transaction, Comerica will file with the Securities and Exchange Commission (the "SEC") a Registration Statement on Form S-4 that will include a Proxy Statement of Sterling, and a Prospectus of Comerica, as well as other relevant documents concerning the proposed transaction. **SHAREHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS REGARDING**

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Comerica

and

Sterling,

may

be

obtained

at

the

SEC's

Internet

site

(<http://www.sec.gov>).

You

will

also

be

able

to

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Comerica and Sterling and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Sterling in connection with the

proposed merger. Information about the directors and executive officers of Comerica is set forth in the proxy statement for Comerica's 2010 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 19, 2010. Information about the directors and executive officers of Sterling is set forth in the proxy statement for Sterling's 2010 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 5, 2010. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

