

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

COMERICA INC /NEW/  
Form 10-Q/A  
December 27, 2002

FORM 10-Q/A  
Amendment No. 2  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002  
-----

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10706  
-----

Comerica Incorporated  
-----

(Exact name of registrant as specified in its charter)

Delaware  
-----

38-1998421  
-----

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

Comerica Tower at Detroit Center  
Detroit, Michigan  
48226  
-----

(Address of principal executive offices)  
(Zip Code)

(800) 521-1190  
-----

(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  
-----

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

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 31, 2002: 174,824,000 shares

-2-

COMERICA INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Consolidated Balance Sheets at June 30, 2002 (restated and unaudited), December 31, 2001 and June 30, 2001 (unaudited).....	4
Consolidated Statements of Income for the six months and three months ended June 30, 2002 (restated) and 2001 (unaudited).....	5
Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2002 (restated) and 2001 (unaudited).....	7
Consolidated Statements of Cash Flows for the six months ended June 30, 2002 (restated) and 2001 (unaudited).....	9
Notes to Consolidated Financial Statements (unaudited).....	10

ITEM 2. Management's Discussion and Analysis of Results of Operations

and Financial Condition.....	30
------------------------------	----

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.....44

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.....	46
---	----

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Signatures.....47

-3-

CONSOLIDATED BALANCE SHEETS  
Comerica Incorporated and Subsidiaries

(in millions, except share data)	June 30, 2002 ----- (unaudited) (As restated- see Note 13)	December 31, 2001 -----	June 30, 2001 ----- (unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 1,748	\$ 1,925	\$ 1,764
Short-term investments	851	1,079	257
Investment securities available for sale	4,463	4,291	4,026
Commercial loans	24,381	25,176	26,155
International loans	3,073	3,015	2,751
Real estate construction loans	3,397	3,258	3,118
Commercial mortgage loans	6,821	6,267	5,681
Residential mortgage loans	742	779	794
Consumer loans	1,499	1,484	1,491
Lease financing	1,239	1,217	1,123
	-----	-----	-----
Total loans	41,152	41,196	41,113
Less allowance for credit losses	(762)	(655)	(645)
	-----	-----	-----
Net loans	40,390	40,541	40,468
Premises and equipment	354	353	356
Customers' liability on acceptances outstanding	31	29	28
Accrued income and other assets	2,725	2,514	2,389
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 50,562</b> =====	<b>\$ 50,732</b> =====	<b>\$ 49,288</b> =====

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

LIABILITIES AND SHAREHOLDERS' EQUITY			
Noninterest-bearing deposits	\$ 13,028	\$ 12,596	\$ 11,798
Interest-bearing deposits	25,154	24,974	25,248
	-----	-----	-----
Total deposits	38,182	37,570	37,046
Short-term borrowings	755	1,986	1,427
Acceptances outstanding	31	29	27
Accrued expenses and other liabilities	781	837	730
Medium- and long-term debt	5,921	5,503	5,307
	-----	-----	-----
Total liabilities	45,670	45,925	44,537
Nonredeemable preferred stock			
- \$50 stated value:			
Authorized - 5,000,000 shares			
Issued - 5,000,000 shares at 6/30/01	-	-	250
Common stock - \$5 par value:			
Authorized - 325,000,000 shares			
Issued - 178,749,198 shares at 6/30/02, 12/31/01 and 6/30/01	894	894	894
Capital surplus	356	345	340
Unearned employee stock ownership plan - 131,954 shares at 12/31/01 and 167,566 shares at 6/30/01	-	(5)	(6)
Accumulated other comprehensive income	243	225	119
Retained earnings	3,631	3,448	3,211
Deferred compensation	(14)	(9)	(11)
Less cost of common stock in treasury - 3,699,038 shares at 6/30/02, 1,674,659 shares at 12/31/01 and 855,492 shares at 6/30/01	(218)	(91)	(46)
	-----	-----	-----
Total shareholders' equity	4,892	4,807	4,751
	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 50,562	\$ 50,732	\$ 49,288
	=====	=====	=====

See notes to consolidated financial statements.

-4-

CONSOLIDATED STATEMENTS OF INCOME (unaudited)  
Comerica Incorporated and Subsidiaries

Three Months Ended  
June 30,  
-----

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

(in millions, except per share data)	2002 ----- (As restated- see Note 13)	2001 -----
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$ 634	\$ 814
Interest on investment securities	64	55
Interest on short-term investments	7	6
	-----	-----
Total interest income	705	875
<b>INTEREST EXPENSE</b>		
Interest on deposits	122	243
Interest on short-term borrowings	11	25
Interest on medium- and long-term debt	41	79
	-----	-----
Total interest expense	174	347
	-----	-----
Net interest income	531	528
Provision for credit losses	173	37
	-----	-----
Net interest income after provision for credit losses	358	491
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	57	52
Fiduciary income	44	46
Commercial lending fees	21	14
Letter of credit fees	15	15
Brokerage fees	10	12
Investment advisory revenue, net	9	14
Bank-owned life insurance	18	9
Equity in earnings of unconsolidated subsidiaries	1	3
Warrant income	2	1
Securities gains/(losses)	(9)	(1)
Other noninterest income	54	47
	-----	-----
Total noninterest income	222	212
<b>NONINTEREST EXPENSES</b>		
Salaries and employee benefits	203	212
Net occupancy expense	31	30
Equipment expense	17	17
Outside processing fee expense	15	14
Customer services	4	11
Restructuring charge	-	15
Other noninterest expenses	73	83
	-----	-----
Total noninterest expenses	343	382
	-----	-----
Income before income taxes	237	321
Provision for income taxes	76	113
	-----	-----
<b>NET INCOME</b>	<b>\$ 161</b>	<b>\$ 208</b>
	=====	=====
Net income applicable to common stock	\$ 161	\$ 205
	=====	=====
Basic net income per common share	\$0.92	\$1.15
Diluted net income per common share	\$0.90	\$1.13

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Cash dividends declared on common stock	\$ 84	\$ 78
Dividends per common share	\$0.48	\$0.44

See notes to consolidated financial statements.

-5-

CONSOLIDATED STATEMENTS OF INCOME (unaudited)  
Comerica Incorporated and Subsidiaries

(in millions, except per share data)	Six Months Ended June 30,	
	2002	2001
	(As restated- see Note 13)	
INTEREST INCOME		
Interest and fees on loans	\$ 1,279	\$ 1,679
Interest on investment securities	125	120
Interest on short-term investments	13	16
	-----	-----
Total interest income	1,417	1,815
INTEREST EXPENSE		
Interest on deposits	244	515
Interest on short-term borrowings	22	64
Interest on medium- and long-term debt	80	196
	-----	-----
Total interest expense	346	775
	-----	-----
Net interest income	1,071	1,040
Provision for credit losses	248	109
	-----	-----
Net interest income after provision for credit losses	823	931
NONINTEREST INCOME		
Service charges on deposit accounts	113	102
Fiduciary income	88	91
Commercial lending fees	34	28
Letter of credit fees	29	28
Brokerage fees	20	22

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Investment advisory revenue, net	19	4
Bank-owned life insurance	29	16
Equity in earnings of unconsolidated subsidiaries	4	(50)
Warrant income	4	4
Securities gains/(losses)	(10)	23
Other noninterest income	100	121
	-----	-----
Total noninterest income	430	389
NONINTEREST EXPENSES		
Salaries and employee benefits	411	426
Net occupancy expense	61	58
Equipment expense	33	37
Outside processing fee expense	30	30
Customer services	15	20
Restructuring charge	-	109
Other noninterest expenses	140	159
	-----	-----
Total noninterest expenses	690	839
	-----	-----
Income before income taxes	563	481
Provision for income taxes	188	179
	-----	-----
NET INCOME	\$ 375	\$ 302
	=====	=====
Net income applicable to common stock	\$ 375	\$ 294
	=====	=====
Basic net income per common share	\$ 2.13	\$ 1.65
Diluted net income per common share	\$ 2.10	\$ 1.63
Cash dividends declared on common stock	\$ 168	\$ 157
Dividends per common share	\$ 0.96	\$ 0.88

See notes to consolidated financial statements.

-6-

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

Nonredeem-	Employee	Unearned Accumulated
------------	----------	-------------------------

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

(in millions, except share data)	able Preferred Stock	Common Stock	Capital Surplus	Stock Ownership Plan Shares	Other Comprehensive Income
	-----	-----	-----	-----	-----
BALANCE AT JANUARY 1, 2001	\$ 250	\$ 888	\$ 301	\$ (7)	\$ 12
Net income	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	107
Total comprehensive income	-	-	-	-	-
Cash dividends declared:					
Preferred stock	-	-	-	-	-
Common stock	-	-	-	-	-
Purchase of 958,200 shares of common stock	-	-	-	-	-
Net issuance of common stock under employee stock plans	-	6	39	1	-
Amortization of deferred compensation	-	-	-	-	-
	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2001	\$ 250	\$ 894	\$ 340	\$ (6)	\$ 119
	=====	=====	=====	=====	=====
BALANCE AT JANUARY 1, 2002	\$ -	\$ 894	\$ 345	\$ (5)	\$ 225
Net income	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	18
Total comprehensive income	-	-	-	-	-
Cash dividends declared on common stock	-	-	-	-	-
Purchase of 3,091,500 shares of common stock	-	-	-	-	-
Net issuance of common stock under employee stock plans	-	-	11	5	-
Amortization of deferred compensation	-	-	-	-	-
	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2002 (As restated-see Note 13)	\$ -	\$ 894	\$ 356	\$ -	\$ 243
	=====	=====	=====	=====	=====

See notes to consolidated financial statements.



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

(in millions, except share data)	Retained Earnings	Deferred Compensation	Treasury Stock	Total Shareholders' Equity
	-----	-----	-----	-----
BALANCE AT JANUARY 1, 2001	\$ 3,086	\$ (14)	\$ (16)	\$ 4,500
Net income	302	-	-	302
Other comprehensive income, net of tax	-	-	-	107
Total comprehensive income	-	-	-	409
Cash dividends declared:				
Preferred stock	(9)	-	-	(9)
Common stock	(157)	-	-	(157)
Purchase of 958,200 shares of common stock	-	-	(53)	(53)
Net issuance of common stock under employee stock plans	(11)	(9)	23	49
Amortization of deferred compensation	-	12	-	12
BALANCE AT JUNE 30, 2001	\$ 3,211	\$ (11)	\$ (46)	\$ 4,751
	=====	=====	=====	=====
BALANCE AT JANUARY 1, 2002	\$ 3,448	\$ (9)	\$ (91)	\$ 4,807
Net income	375	-	-	375
Other comprehensive income, net of tax	-	-	-	18
Total comprehensive income	-	-	-	393
Cash dividends declared on common stock	(168)	-	-	(168)
Purchase of 3,091,500 shares of common stock	-	-	(186)	(186)
Net issuance of common stock under employee stock plans	(24)	(8)	59	43
Amortization of deferred compensation	-	3	-	3
BALANCE AT JUNE 30, 2002	-----	-----	-----	-----
(As restated-see Note 13)	\$ 3,631	\$ (14)	\$ (218)	\$ 4,892
	=====	=====	=====	=====

See notes to consolidated financial statements.

-8-

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

(in millions)	Six Months Ended June 30,	
	2002	2001
	(As restated- see Note 13)	
OPERATING ACTIVITIES:		
Net income	\$ 375	\$ 302
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	248	109
Depreciation	29	33
Net amortization of intangibles	2	17
Merger-related and restructuring charges	-	55
(Gain)loss on investment securities available for sale	10	(23)
Net (increase) decrease in trading account securities	(18)	40
Net decrease in assets held for sale	41	31
Net decrease in accrued income receivable	20	64
Net decrease in accrued expenses	(18)	(130)
Other, net	(294)	(20)
	-----	-----
Total adjustments	20	176
	-----	-----
Net cash provided by operating activities	395	478
INVESTING ACTIVITIES:		
Net increase in interest-bearing deposits with banks	(35)	(29)
Net decrease in federal funds sold and securities purchased under agreements to resell	240	1,431
Proceeds from sale of investment securities available for sale	265	2,231
Proceeds from maturity of investment securities available for sale	806	612
Purchases of investment securities available for sale	(1,196)	(3,099)
Net increase in loans	(67)	(1,023)
Fixed assets, net	(30)	(25)

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Purchase of bank-owned life insurance	(8)	(107)
Net increase in customers' liability on acceptances outstanding	(2)	(1)
	-----	-----
Net cash used in investing activities	(27)	(10)
FINANCING ACTIVITIES:		
Net increase in deposits	619	3,181
Net decrease in short-term borrowings	(1,231)	(666)
Net increase in acceptances outstanding	2	1
Proceeds from issuance of medium- and long-term debt	971	225
Repayments and purchases of medium- and long-term debt	(600)	(3,222)
Proceeds from issuance of common stock and other capital transactions	43	49
Purchase of common stock	(186)	(53)
Dividends paid	(163)	(150)
	-----	-----
Net cash used in financing activities	(545)	(635)
	-----	-----
Net decrease in cash and due from banks	(177)	(167)
Cash and due from banks at beginning of period	1,925	1,931
	-----	-----
Cash and due from banks at end of period	\$ 1,748	\$ 1,764
	=====	=====
Interest paid	\$ 352	\$ 852
	=====	=====
Income taxes paid	\$ 155	\$ 210
	=====	=====
Noncash investing and financing activities:		
Loans transferred to other real estate	\$ 6	\$ 6
	=====	=====

See notes to consolidated financial statements.

-9-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the six months ended June 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. Certain items in prior periods have been reclassified to conform to the current presentation. For further

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

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, 2001.

Comerica merged with Imperial Bancorp (Imperial), a \$7 billion (assets) bank holding company, in the first quarter of 2001, in a transaction accounted for as a pooling of interests.

The Corporation uses derivative financial instruments, including foreign exchange contracts, to manage the Corporation's exposure to interest rate and foreign currency risks. All derivative instruments are carried at fair value as either assets or liabilities on the balance sheet. The accounting for changes in the fair value (i.e. gains or losses) of a derivative instrument is determined by whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the

-10-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) COMERICA INCORPORATED AND SUBSIDIARIES

#### NOTE 1 - BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

Corporation designates the hedging instrument, based upon the exposure being hedged, as either a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation. For further information, see Note 10.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". The Corporation adopted SFAS No. 142 on January 1, 2002. Under SFAS No. 142, goodwill is no longer amortized, but is subject to annual impairment tests. Other intangible assets that do not have an indefinite life continue to be amortized over their useful lives. For further information on the adoption of SFAS No. 142, see Note 4.

As discussed in Note 13, certain financial data in this Form 10-Q/A has been restated. All financial data in this Form 10-Q/A reflects the impact of the restatement.

#### NOTE 2 - INVESTMENT SECURITIES

At June 30, 2002, investment securities having a carrying value of \$1.8 billion were pledged, primarily with the Federal Reserve Bank and state and local government agencies. Securities are pledged where permitted or required by law to secure liabilities and public and other deposits, including deposits of the State of Michigan of \$98 million.

#### NOTE 3 - ALLOWANCE FOR CREDIT LOSSES

The following summarizes the changes in the allowance for credit losses:

	SIX MONTHS ENDED JUNE 30,	
(IN MILLIONS)	2002	2001
	-----	-----
	2002	2001
	-----	-----

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Balance at beginning of period	\$ 655	\$ 608
Charge-offs	(156)	(92)
Recoveries	15	20
	-----	-----
Net charge-offs	(141)	(72)
Provision for credit losses	248	109
	-----	-----
Balance at end of period	\$ 762	\$ 645
	=====	=====

-11-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 3 - ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan," considers a loan impaired when it is probable that interest and principal payments will not be made in accordance with the contractual terms of the loan agreements. Consistent with this definition, all nonaccrual and reduced-rate loans (with the exception of residential mortgage and consumer loans) are impaired. Impaired loans include \$9 million of loans which were formerly on nonaccrual status, but were restructured and met the requirements to be restored to an accrual basis. These restructured loans are performing in accordance with their modified terms, but, in accordance with impaired loan disclosures, must continue to be disclosed as impaired for the remainder of the calendar year of the restructuring. Impaired loans averaged \$632 million and \$643 million for the quarter and six months ended June 30, 2002, respectively, compared to \$471 million and \$439 million for the comparable periods last year. The following presents information regarding the period-end balances of impaired loans:

(IN MILLIONS)	JUNE 30, 2002	DECEMBER 31, 2001
	-----	-----
Total period-end impaired loans	\$629	\$674
Less: Loans returned to accrual status during the period	9	62
	----	----
Total period-end nonaccrual business loans	\$620	\$612
Impaired loans requiring an allowance	\$597	\$562
Allowance allocated to impaired loans	\$209	\$228

Those impaired loans not requiring an allowance represent loans for which the fair value exceeded the recorded investment in the loan.

-12-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS - ADOPTION OF SFAS NO. 142

In accordance with the Corporation's adoption of SFAS No. 142, the Corporation performed the first required impairment test of goodwill and indefinite-lived intangible assets as of January 1, 2002. Based on this test, the Corporation was not required to record a transition adjustment upon adoption. Goodwill will again be evaluated for impairment as of July 1, 2002. A majority of the Corporation's goodwill is assigned to the Corporation's investment advisory reporting unit (Munder), and equity markets (which declined significantly in the first half of 2002) impact the valuation of this unit.

(IN MILLIONS,  EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED JUNE 30,	
	2002	2001
Reported net income applicable to common stock	\$ 161	\$ 205
Add back: Goodwill amortization, net of tax	--	7
Adjusted net income applicable to common stock	\$ 161	\$ 212
Basic net income per common share		
Reported net income applicable to common stock	\$ 0.92	\$ 1.15
Goodwill amortization, net of tax	--	0.04
Adjusted net income applicable to common stock	\$ 0.92	\$ 1.19
Diluted net income per common share		
Reported net income applicable to common stock	\$ 0.90	\$ 1.13
Goodwill amortization, net of tax	--	0.04
Adjusted net income applicable to common stock	\$ 0.90	\$ 1.17

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

-13-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS - ADOPTION OF SFAS NO. 142  
(CONTINUED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	SIX MONTHS ENDED JUNE 30,	
	2002	2001
Reported net income applicable to common stock	\$ 375	\$ 294
Add back: Goodwill amortization, net of tax	--	14
Adjusted net income applicable to common stock	\$ 375	\$ 308
Basic net income per common share		
Reported net income applicable to common stock	\$ 2.13	\$ 1.65
Goodwill amortization, net of tax	--	0.08
Adjusted net income applicable to common stock	\$ 2.13	\$ 1.73
Diluted net income per common share		
Reported net income applicable to common stock	\$ 2.10	\$ 1.63
Goodwill amortization, net of tax	--	0.08
Adjusted net income applicable to common stock	\$ 2.10	\$ 1.71

The carrying amount of goodwill at June 30, 2002 was \$333 million and was allocated to the Corporation's business segments as follows:

(in millions)

Business Bank	\$ 90
Individual Bank	54
Investment Bank	189
	----

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Total                   \$333  
=====

There were no changes in the carrying amount of goodwill during the six months ended June 30, 2002.

-14-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 5 - ACQUIRED INTANGIBLE ASSETS

(IN MILLIONS)	JUNE 30, 2002		DECEMBER 31, 2001		JUNE 30, 2001	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
AMORTIZED INTANGIBLE ASSETS						
Core deposit intangibles	\$28	\$24	\$27	\$22	\$27	\$21
Other	6	5	6	5	6	5
Total	\$34	\$29	\$33	\$27	\$33	\$26

Aggregate amortization expense for the:

Three months ended June 30, 2002	\$ 1
	=====
Six months ended June 30, 2002	\$ 2
	=====
Year ended December 31, 2001	\$ 3
	=====
Three months ended June 30, 2001	\$ 1
	=====
Six months ended June 30, 2001	\$ 2
	=====



Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Estimated amortization expense for the:

Year ending December 31, 2002	\$ 4
Year ending December 31, 2003	2
Year ending December 31, 2004	1
Year ending December 31, 2005	-
Year ending December 31, 2006	-

-15-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 6 - MEDIUM- AND LONG-TERM DEBT

Medium- and long-term debt consisted of the following at June 30, 2002 and December 31, 2001:

(DOLLAR AMOUNTS IN MILLIONS)	JUNE 30, 2002 -----	DECEMBER 31, 2001 -----
Parent Company		
7.25% subordinated notes due 2007	\$ 167	\$ 157
Subsidiaries		
Subordinated notes:		
7.25% subordinated notes due 2007	220	216
8.375% subordinated notes due 2024	189	187
7.25% subordinated notes due 2002	152	155
6.875% subordinated notes due 2008	110	108
7.125% subordinated notes due 2013	167	168
7.875% subordinated notes due 2026	185	179
6.00% subordinated notes due 2008	265	256
7.65% subordinated notes due 2010	272	268
8.50% subordinated notes due 2009	105	102
	-----	-----
Total subordinated notes	1,665	1,639
Medium-term notes:		
Floating rate based on LIBOR indices	2,725	2,356
Variable rate secured debt financings		
due 2007	967	956
9.98% trust preferred securities due 2026	56	56
7.60% trust preferred securities due 2050	341	339

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Total subsidiaries	----- 5,754 -----	----- 5,346 -----
Total medium- and long-term debt	----- \$5,921 =====	----- \$5,503 =====

The carrying value of medium- and long-term debt has been adjusted to reflect the gain or loss attributable to the risk hedged by risk management interest rate swaps that qualify as fair value hedges.

NOTE 7 - INCOME TAXES

The provision for income taxes is computed by applying statutory federal income tax rates to income before income taxes as reported in the financial statements after deducting non-taxable items, principally income on bank-owned life insurance and interest income on state and municipal securities. State and foreign taxes are then added to the federal provision. The effective tax rate for the six months ended June 30, 2001 was affected by adjustments in the first

-16-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 7 - INCOME TAXES (CONTINUED)

quarter 2001 to Imperial's tax liabilities at merger date, partially offset by a \$7 million tax benefit related to the Imperial acquisition that was recognizable immediately, but only after Imperial became part of Comerica.

NOTE 8 - ACCUMULATED OTHER COMPREHENSIVE INCOME

Other comprehensive income includes the change in net unrealized gains and losses on investment securities available for sale, the change in the accumulated foreign currency translation adjustment, the change in accumulated gains and losses on cash flow hedges and the change in accumulated minimum pension liability. The Consolidated Statements of Changes in Shareholders' Equity include only combined, net of tax, other comprehensive income. The following presents reconciliations of the components of accumulated other comprehensive income for the six months ended June 30, 2002 and 2001. Total comprehensive income totaled \$390 million and \$409 million, for the six months ended June 30, 2002 and 2001, respectively, and \$259 million and \$200 million for the three months ended June 30, 2002 and 2001, respectively.

(IN MILLIONS)	SIX MONTHS ENDED JUNE 30,	
	----- 2002 -----	----- 2001 -----
Net unrealized gains/(losses) on investment securities available for sale:		
Balance at beginning of period	\$ 16	\$ 8
Net unrealized holding gains/(losses) arising during the period	53	21

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Less: Reclassification adjustment for gains/(losses) included in net income	(10)	23
	----	----
Change in net unrealized gains/(losses) before income taxes	63	(2)
Less: Provision for income taxes	22	(1)
	----	----
Change in net unrealized gains/(losses) on investment securities available for sale, net of tax	41	(1)
	----	----
Balance at end of period	\$ 57	\$ 7
	----	----

-17-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 8 - ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED)

(IN MILLIONS)	SIX MONTHS ENDED JUNE 30,	
	2002	2001
	-----	-----
Accumulated foreign currency translation adjustment:		
Balance at beginning of period	\$ --	\$ 4
Net translation gains/(losses) arising during the period	4	(4)
Less: Reclassification adjustment for gains/(losses) included in net income	--	--
	----	----
Change in translation adjustment before income taxes	4	(4)
Less: Provision for income taxes	--	--
	----	----
Change in foreign currency translation adjustment, net of tax	4	(4)
	----	----
Balance at end of period	\$ 4	\$ --
	----	----
Accumulated net gains/(losses) on cash flow hedges:		
Balance at beginning of period	\$ 210	\$ --
Transition adjustment upon adoption of accounting standard	--	65
Net cash flow hedge gains/(losses)		

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

arising during the period	163	144
Less: Reclassification adjustment for gains/(losses) included in net income	189	36
	-----	-----
Change in cash flow hedges before income taxes	(26)	173
Less: Provision for income taxes	(9)	61
	-----	-----
Change in cash flow hedges, net of tax	(17)	112
	-----	-----
Balance at end of period	\$ 193	\$ 112
	-----	-----
Accumulated minimum pension liability adjustment:		
Balance at beginning of period	\$ --	\$ --
Minimum pension liability adjustment arising during the period	(17)	--
	-----	-----
Minimum pension liability before taxes	(17)	--
Less: Provision for income taxes	(6)	--
	-----	-----
Change in minimum pension liability, net of tax	(11)	--
	-----	-----
Balance at end of period	\$ (11)	\$ --
	-----	-----
Accumulated other comprehensive income, net of taxes, at end of period	\$ 243	\$ 119
	=====	=====

-18-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 9 - MERGER-RELATED AND RESTRUCTURING CHARGES

The Corporation recorded merger-related and restructuring charges of \$173 million in 2001 related to the acquisition of Imperial, of which \$25 million was recorded in the provision for credit losses. The remaining \$148 million of charges were recorded in noninterest expenses. The Corporation also recorded a 2001 restructuring charge of \$4 million related to its subsidiary, Official Payments Corporation (OPAY). The OPAY restructuring charge was recorded net of the portion of the charge attributable to the minority shareholders in OPAY.

2001 Imperial Bancorp Restructuring

The 2001 Imperial restructuring charge included employee termination costs, other employee related costs, a charge related to conforming policies, facilities and operations and other charges. Employee termination costs included the cost of severance, outplacement and other benefits associated with the involuntary termination of employees, primarily senior management and employees

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

in corporate support and data processing functions. A total of 352 employees were terminated in 2001 as part of the restructuring plan. Other employee-related costs included cash payments related to change in control provisions in employment contracts and retention bonuses. Charges related to conforming policies represented costs associated with conforming the credit and accounting policies of Imperial with those of the Corporation. The Corporation also incurred facilities and operations charges associated with closing excess facilities and replacing signage. Other merger-related restructuring costs were primarily comprised of investment banking, accounting, consulting and legal fees. As a result of the Imperial restructuring, the Corporation's annual savings on operating expenses are estimated to be \$60 million, beginning in 2002.

2001 OPAY Restructuring

The OPAY restructuring charge included employee termination costs which

-19-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 9 - MERGER-RELATED AND RESTRUCTURING CHARGES (CONTINUED)

covered the cost of severance, outplacement and other benefits associated with the involuntary termination of employees, primarily in corporate support and product development areas. A total of 44 employees are expected to be severed as part of the restructuring plan, 33 of which occurred during 2001 with the remainder expected to be severed in the third quarter of 2002. The charge also included facilities and operations charges associated with asset write-downs and lease terminations for excess facilities and equipment disposed of as part of the restructuring effort. The OPAY restructuring is expected to result in a decrease in OPAY's annual operating expenses of \$9 million, beginning in 2002.

The remaining liability related to the Imperial and OPAY charges is shown in the table below. No additional Imperial or OPAY related restructuring charges are expected.

(IN MILLIONS)	IMPERIAL	OPAY	TOTAL
	-----	-----	-----
Balance at December 31, 2001	\$ 8	\$ 2	\$ 10
Cash outlays	(7)	-	(7)
	-----	-----	-----
Balance at June 30, 2002	\$ 1	\$ 2	\$ 3
	=====	=====	=====

-20-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

NOTE 10 - DERIVATIVES AND FOREIGN EXCHANGE CONTRACTS

(IN MILLIONS)	JUNE 30, 2002				DECEMBER 31, 2001	
	NOTIONAL/ CONTRACT AMOUNT	UNREALIZED		FAIR VALUE	NOTIONAL/ CONTRACT AMOUNT	UNREALIZED GAINS
	(1)	GAINS (2)	LOSSES (2)	(3)	(1)	(2)
<b>RISK MANAGEMENT</b>						
Interest rate contracts:						
Swaps	\$12,765	\$546	\$ (2)	\$ 544	\$14,497	\$573
Foreign exchange contracts:						
Spot, forward and options	444	26	(3)	23	535	10
Swaps	262	6	(7)	(1)	285	2
Total foreign exchange contracts	706	32	(10)	22	820	12
Total risk management	13,471	578	(12)	566	15,317	585
<b>CUSTOMER-INITIATED AND OTHER</b>						
Interest rate contracts:						
Caps and floors written	342	-	(3)	(3)	365	-
Caps and floors purchased	328	3	-	3	352	4
Swaps	1,068	17	(16)	1	981	14
Total interest rate contracts	1,738	20	(19)	1	1,698	18
Foreign exchange contracts:						
Spot, forward and options	1,959	40	(44)	(4)	2,323	35
Swaps	303	2	(5)	(3)	366	2
Total foreign exchange contracts	2,262	42	(49)	(7)	2,689	37
Total customer-initiated and other	4,000	62	(68)	(6)	4,387	55
Total derivatives and foreign exchange contracts	\$17,471	\$640	\$ (80)	\$ 560	\$19,704	\$640

(1) Notional or contract amounts, which represent the extent of involvement in the derivatives market, are generally used to determine the contractual cash flows required in accordance with the terms of the agreement. These amounts are typically not exchanged, significantly exceed amounts subject to credit or market risk, and are not reflected in the consolidated balance sheets.

(2) Represents credit risk, which is measured as the cost to replace, at current market rates, contracts in a profitable position. Credit risk is calculated before consideration is given to bilateral collateral agreements or master

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

netting arrangements that effectively reduce credit risk.

(3) The fair values of derivatives and foreign exchange contracts generally represent the estimated amounts the Corporation would receive or pay to terminate or otherwise settle the contracts at the balance sheet date. The fair values of all derivatives and foreign exchange contracts are reflected in the consolidated balance sheets.

-21-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 10 - DERIVATIVES AND FOREIGN EXCHANGE CONTRACTS (CONTINUED)

### Risk Management

Fluctuations in net interest income due to interest rate risk result from the composition of assets and liabilities and the mismatches in the timing of the repricing of these assets and liabilities. In addition, external factors such as interest rates, and the dynamics of yield curve and spread relationships can affect net interest income. The Corporation utilizes simulation analyses to project the sensitivity of the Corporation's net interest income to changes in interest rates. Foreign exchange rate risk arises from changes in the value of certain assets and liabilities denominated in foreign currencies. The Corporation employs cash instruments, such as investment securities, as well as derivative financial instruments and foreign exchange contracts, to manage exposure to these and other risks, including liquidity risk.

As an end-user, the Corporation accesses the interest rate markets to obtain derivative instruments for use principally in connection with asset and liability management activities. As part of a fair value hedging strategy, the Corporation has entered into interest rate swap agreements for interest rate risk management purposes. The interest rate swap agreements effectively modify the Corporation's exposure to interest rate risk by converting fixed-rate deposits and debt to a floating rate. These agreements involve the receipt of fixed rate of interest amounts in exchange for floating rate interest payments over the life of the agreement, without an exchange of the underlying principal amount. For instruments that support a fair value hedging strategy, no ineffectiveness was required to be recorded in the statement of income.

As part of a cash flow hedging strategy, the Corporation has entered into predominantly 3-year interest rate swap agreements that effectively convert a portion of its existing and forecasted floating-rate loans to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest income over

-22-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 10 - DERIVATIVES AND FOREIGN EXCHANGE CONTRACTS (CONTINUED)





Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Generic	\$ 4	\$ 7	\$ -	\$ -	\$ -	\$
Amortizing	1	-	-	-	-	
Weighted average: (2)						
Receive rate	2.12%	3.56%	-%	-%	-%	
Pay rate	3.07%	2.88%	-%	-%	-%	
FIXED RATE DEPOSIT						
DESIGNATION:						
Generic receive						
fixed swaps	\$ 630	\$1,467	\$ -	\$ -	\$ -	\$
Weighted average: (1)						
Receive rate	4.00%	4.22%	-%	-%	-%	-%
Pay rate	1.84%	3.58%	-%	-%	-%	-%
MEDIUM- AND LONG-TERM						
DEBT DESIGNATION:						
Generic receive						
fixed swaps	\$ 150	\$ -	\$ -	\$ 250	\$ -	\$ 1,
Weighted average: (1)						
Receive rate	7.22%	-%	-%	7.04%	-%	6
Pay rate	2.24%	-%	-%	1.90%	-%	2
Total notional amount	\$ 841	\$6,224	\$2,000	\$1,950	\$ 500	\$ 1,

(1) Variable rates paid on receive fixed swaps are based on one-month and three-month LIBOR or one-month Canadian Dollar Offered Rate (CDOR) rates in effect at June 30, 2002. Variable rates received on pay fixed swaps are based on prime at June 30, 2002.

(2) Variable rates received are based on one-month CDOR rates in effect at June 30, 2002.

-24-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 10 - DERIVATIVES AND FOREIGN EXCHANGE CONTRACTS (CONTINUED)

Commitments to purchase and sell investment securities for the Corporation's trading account and available for sale portfolio totaled \$456 million and \$92 million, respectively, at June 30, 2002, and \$67 million and \$10 million, respectively, at December 31, 2001. Outstanding commitments expose the Corporation to both credit and market risk.

Customer-Initiated and Other

The Corporation earns additional income by executing various derivative transactions, primarily foreign exchange contracts and interest rate contracts, at the request of customers. Market risk inherent in customer-initiated

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

contracts is often mitigated by taking offsetting positions. The Corporation generally does not speculate in derivative financial instruments for the purpose of profiting in the short-term from favorable movements in market rates. Average fair values and income from customer-initiated and other foreign exchange contracts and interest rate contracts were not material for the six-month periods ended June 30, 2002 and 2001 and for the year ended December 31, 2001.

### Derivative and Foreign Exchange Activity

The following table provides a reconciliation of the beginning and ending notional amounts for interest rate derivatives and foreign exchange contracts for the six months ended June 30, 2002.

(IN MILLIONS)	RISK MANAGEMENT		CUSTOMER-INITIATED AND OTHER	
	INTEREST RATE CONTRACTS	FOREIGN EXCHANGE CONTRACTS	INTEREST RATE CONTRACTS	FOREIGN EXCHANGE CONTRACTS
	-----	-----	-----	-----
Balance at December 31, 2001	\$ 14,497	\$ 820	\$ 1,698	\$ 2,689
Additions	2,339	8,529	241	24,186
Maturities/amortizations	(4,071)	(8,643)	(201)	(24,613)
	-----	-----	-----	-----
Balance at June 30, 2002	\$ 12,765	\$ 706	\$ 1,738	\$ 2,262
	=====	=====	=====	=====

-25-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) COMERICA INCORPORATED AND SUBSIDIARIES

#### NOTE 10 - DERIVATIVE AND FOREIGN EXCHANGE CONTRACTS (CONTINUED)

Additional information regarding the nature, terms and associated risks of the above derivatives and foreign exchange contracts, can be found in the Corporation's 2001 annual report on page 40 and in Notes 1 and 20 to the consolidated financial statements.

#### NOTE 11 - BUSINESS SEGMENT INFORMATION

The Corporation has strategically aligned its operations into three major lines of business: the Business Bank, the Individual Bank and the Investment Bank. These lines of business are differentiated based on the products and services provided. In addition to the three major lines of business, the Finance Division is also reported as a segment. Lines of business

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

results are produced by the Corporation's internal management accounting system. This system measures financial results based on the internal organizational structure of the Corporation; information presented is not necessarily comparable with any other financial institution. Lines of business/segment financial results for the six months ended June 30, 2002 and 2001 are presented below.

-26-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 11 - BUSINESS SEGMENT INFORMATION (CONTINUED)

Six Months Ended June 30,

(DOLLAR AMOUNTS IN MILLIONS)	BUSINESS BANK		INDIVIDUAL BANK		INVESTMENT BANK*	
	2002	2001	2002	2001	2002	2001**
	Average assets	\$ 35,081	\$35,815	\$ 8,389	\$7,780	\$ 301
Total revenues (FTE)	891	811	537	536	93	21
Net income (loss)	245	261	140	139	1	(55)
Return on average assets	1.40%	1.46%	1.42%	1.45%	0.79%	(25.16)%
Return on average common equity	16.17%	20.17%	28.51%	30.85%	1.25%	(39.70)%
	FINANCE		OTHER		TOTAL	
	2002	2001	2002	2001	2002	2001
Average assets	\$ 4,691	\$3,916	\$ 1,846	\$ 1,439	\$50,308	\$49,359
Total revenues (FTE)	(24)	55	4	6	1,501	1,429
Net income (loss)	(17)	29	6	(72)	375	302
Return on average assets	(0.19)%	0.36%	N/M	N/M	1.49%	1.22%
Return on average common equity	(3.84)%	9.19%	N/M	N/M	15.45%	13.20%

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

N/M - Not Meaningful

- \* Net income was reduced by charges for fees internally transferred to other lines of business for referrals to the Investment Bank. If excluded, Investment Bank net income/(loss) would have been \$8 million and (\$49) million, and return on average common equity would have been 7.56% and (35.44)%, in 2002 and 2001, respectively.
- \*\* Net income in 2001 was reduced by a \$26 million pre-tax deferred distribution costs impairment charge and a \$53 million pre-tax charge related to long-term incentive plans at an unconsolidated subsidiary. Excluding these charges, Investment Bank total revenues (FTE) and net loss in 2001 would have been \$94 million and (\$6) million, respectively, while return on average assets and return on common equity would have been (2.54)% and (4.01)%, respectively.

For a description of the business activities of each line of business and the methodologies, which form the basis for these results, refer to Note 24 to the consolidated financial statements in the Corporation's 2001 annual report.

### NOTE 12 - SUBSEQUENT EVENTS

On July 24, 2002, the Corporation sold its interest in its OPAY subsidiary for \$36 million, which will result in a pre-tax gain of approximately \$11 million in the third quarter 2002.

-27-

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) COMERICA INCORPORATED AND SUBSIDIARIES

#### NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

The Corporation announced on August 6, 2002 that it will adopt, in the third quarter of 2002, the fair value method of accounting for stock options, as outlined in Statement of Financial Standards No. 123, "Accounting for Stock-Based Compensation". Accounting rules covering adoption of the fair value method require application only to current year grants, substantially all of which were in the second quarter 2002. Adoption of the fair value method is expected to reduce 2002 quarterly net income and diluted earnings per share by approximately \$4 million (after-tax) and \$0.02, respectively, beginning in the second quarter of 2002. The full year 2002 financial impact on net income and diluted earnings per share is estimated to be \$11 million (after-tax) and \$0.06, respectively. When fully transitioned in 2006, the estimated diluted earnings per share impact will be approximately \$0.20, assuming the grants in future years will have a similar size and value.

#### NOTE 13 - RESTATEMENT OF PREVIOUSLY REPORTED RESULTS OF OPERATIONS

The Corporation restated earnings to reflect additional provision for credit losses of \$40 million (\$26 million after-tax) and \$22 million of additional net charge-offs. Including the related effect of lower incentive compensation of \$5 million (\$3 million after-tax), second quarter 2002 earnings are reduced to \$161 million, or \$0.90 per diluted share, compared to previously reported earnings of \$184 million, or \$1.03 per diluted share. This incremental provision followed a

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

regularly scheduled examination by the Federal Reserve Bank of San Francisco and the California Department of Financial Institutions of the Comerica Bank-California subsidiary. After discussions with the regulators in late August through late September 2002, the Corporation determined that the California subsidiary's second quarter 2002 credit loss reserves should be increased. These additional net charge-offs relate to 11 loans in the Corporation's entertainment division, 5 loans in the commercial middle market area and one over-draft relating to a commercial middle market loan.

The components of the incremental provision were (in millions):

Provision, net of specific reserves, to cover \$22 million in additional charge-offs relating to 15 non-accruing loans, 1 substandard accruing loan and 1 overdraft	\$ 6
Additional reserve amounts on approximately 50 loans in the California subsidiary's portfolio with various risk ratings, but primarily watch list in nature	20
An increase of the unallocated reserve for performing loans	14 -----
Total incremental provision	\$ 40 =====

The Corporation has a longstanding policy of taking charge-offs as soon as a loan is considered partially or fully uncollectible based on careful evaluation of a number of risk factors. The Corporation applied this policy in good faith in its initial determination of the level of charge-offs it would take in the second quarter of 2002. The precise timing of when to take a charge-off, however, involves some element of judgment as to the potential collectibility of the loan in question. On further review in the course of the regulatory examination process, the Corporation subsequently concluded that the 16 loans and one over-draft referenced above should properly be reflected as second quarter (as opposed to third quarter) charge-offs. Similarly, loan classifications involve a degree of judgment between the various levels of classification. The Corporation has a comprehensive program for reviewing loan classifications throughout its portfolio of approximately 11,000 commercial loans on a regular ongoing basis. The reclassification of approximately 50 loans in the second quarter reflects the further review and adjustment of the credit risk associated with the Corporation's California portfolio which the Corporation implemented following the input it received in the course of the above-referenced regulatory examination. Similarly, the increase in the unallocated reserve reflects an additional weighting of risk based on the general characteristics of the California loan portfolio which stems in large part from the general migration of loans to higher risk categories and the corresponding impact on the assessment of the overall character of the portfolio. The Corporation uses quantitative metrics and qualitative factors to validate its loan loss reserves and allowances for credit risks, including loan categories, industry, economic factors and trends, transfer risks, risks associated with new customers, historical loss ratios, industry norms and expectations from banking regulators. As part of its on-going evaluation of its allowance for credit loss methodology, including following the recent regulatory examination, the Corporation has refined the factors which comprise the allocated and unallocated portions of its allowances and examined its credit quality processes to help ensure timely and appropriate charge-offs and risk analyses, ratings and profiles. The Corporation has recently increased the amount of senior staff supporting its credit process, is improving the

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

documentation and technology tools used as part of the credit process, and has increased its focus on factors particular to the California market.

The table below provides a reconciliation reflecting adjustments, net of tax, of net income and earnings per share for the three and six month periods ended June 30, 2002. Accordingly, capital has been adjusted for the adjustment to net income. The table also indicates the additional charge-offs during the period and selected pertinent balances, both as reported and as restated.

-28-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
COMERICA INCORPORATED AND SUBSIDIARIES

NOTE 13 - RESTATEMENT OF PREVIOUSLY REPORTED RESULTS OF OPERATIONS (CONTINUED)

(IN MILLIONS, EXCEPT PER SHARE DATA)	THREE MONTHS ENDED JUNE 30, 2002 ----	SIX MONTHS ENDED JUNE 30, 2002 ----
Net income, as reported	\$ 184	\$ 398
Increase to the provision for credit losses, net of tax	(26)	(26)
Reduction in salaries and benefits, net of tax	3	3
	-----	-----
Net income, as restated	\$ 161 =====	\$ 375 =====
 Earnings per share - basic		
As reported	\$1.05	\$2.26
As restated	\$0.92	\$2.13
 Earnings per share - diluted		
As reported	\$1.03	\$2.23
As restated	\$0.90	\$2.10
 Loan charge-offs, net of recoveries		
As reported	\$ 59	\$ 119
As restated	\$ 81	\$ 141

(IN MILLIONS)	AT JUNE 30, 2002 ----
Total loans	
As reported	\$41,174
As restated	\$41,152

Allowance for credit losses

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

As reported	\$ 744
As restated	\$ 762
Net loans	
As reported	\$40,430
As restated	\$40,390
Liabilities	
As reported	\$45,687
As restated	\$45,670
Shareholders' equity	
As reported	\$ 4,915
As restated	\$ 4,892

-29-

ITEM 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Restatement of Operating Results

The Corporation restated earnings to reflect additional provision for credit losses of \$40 million (\$26 million after-tax) and \$22 million of additional net charge-offs. Including the related effect of lower incentive compensation of \$5 million (\$3 million after-tax), second quarter 2002 earnings are reduced to \$161 million, or \$0.90 per diluted share, compared to previously reported earnings of \$184 million, or \$1.03 per diluted share. This incremental provision followed a regularly scheduled examination by the Federal Reserve Bank of San Francisco and the California Department of Financial Institutions of the Comerica Bank-California subsidiary. After discussions with the regulators in late August through late September 2002, the Corporation determined that the California subsidiary's second quarter 2002 credit loss reserves should be increased. These additional net charge-offs relate to 11 loans in the Corporation's entertainment division, 5 loans in the commercial middle market area and one over-draft relating to a commercial middle market loan.

The components of the incremental provision were (in millions):

Provision, net of specific reserves, to cover \$22 million in additional charge-offs relating to 15 non-accruing loans, 1 substandard accruing loan and 1 overdraft

Additional reserve amounts on approximately 50 loans in the California subsidiary's portfolio with various risk ratings, but primarily watch list in nature

An increase of the unallocated reserve for performing loans

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Total incremental provision

The Corporation has a longstanding policy of taking charge-offs as soon as a loan is considered partially or fully uncollectible based on careful evaluation of a number of risk factors. The Corporation applied this policy in good faith in its initial determination of the level of charge-offs it would take in the second quarter of 2002. The precise timing of when to take a charge-off, however, involves some element of judgment as to the potential collectibility of the loan in question. On further review in the course of the regulatory examination process, the Corporation subsequently concluded that the 16 loans and one over-draft referenced above should properly be reflected as second quarter (as opposed to third quarter) charge-offs. Similarly, loan classifications involve a degree of judgment between the various levels of classification. The Corporation has a comprehensive program for reviewing loan classifications throughout its portfolio of approximately 11,000 commercial loans on a regular ongoing basis. The reclassification of approximately 50 loans in the second quarter reflects the further review and adjustment of the credit risk associated with the Corporation's California portfolio which the Corporation implemented following the input it received in the course of the above-referenced regulatory examination. Similarly, the increase in the unallocated reserve reflects an additional weighting of risk based on the general characteristics of the California loan portfolio which stems in large part from the general migration of loans to higher risk categories and the corresponding impact on the assessment of the overall character of the portfolio. The Corporation uses quantitative metrics and qualitative factors to validate its loan loss reserves and allowances for credit risks, including loan categories, industry, economic factors and trends, transfer risks, risks associated with new customers, historical loss ratios, industry norms and expectations from banking regulators. As part of its on-going evaluation of its allowance for credit loss methodology, including following the recent regulatory examination, the Corporation has refined the factors which comprise the allocated and unallocated portions of its allowances and examined its credit quality processes to help ensure timely and appropriate charge-offs and risk analyses, ratings and profiles. The Corporation has recently increased the amount of senior staff supporting its credit process, is improving the documentation and technology tools used as part of the credit process, and has increased its focus on factors particular to the California market.

### Results of Operations

Net income for the quarter ended June 30, 2002, was \$161 million, down \$47 million, or 23 percent, from \$208 million reported for the second quarter of 2001. Quarterly diluted net income per share decreased to \$0.90 from \$1.13 a year ago. Return on average common shareholders' equity was 13.11 percent and return on average assets was 1.26 percent, compared to 18.21 percent and 1.69 percent, respectively, for the comparable quarter last year. Included in second quarter 2002 earnings is an incremental charge of \$55 million (\$36 million after-tax, or \$0.20 per diluted share) related to the Corporation's Argentine exposure. Of this charge, \$45 million was recorded as provision for credit losses, with the remainder recorded as a write-down of securities. Excluding this charge, net income was \$197 million in the second quarter, or \$1.10 per diluted share, while return on average common equity and return on average assets were 16.05 percent and 1.55 percent, respectively. Excluding Imperial restructuring charges in the second quarter of 2001, net income was \$216 million, or \$1.18 per diluted share. Return on average common equity and return on average assets for the quarter ended June 30, 2001, excluding these charges, were 18.94 percent and 1.75 percent, respectively.



-30-

Net income for the first six months of 2002 was \$2.10 per diluted share, or \$375 million, compared to \$1.63 per diluted share, or \$302 million, for the same period in 2001, increases of 29 percent and 24 percent, respectively. Return on average common shareholders' equity was 15.45 percent and return on average assets was 1.49 percent for the first six months of 2002, compared to 13.20 percent and 1.22 percent, respectively, for the first six months of 2001. Excluding the effects of the Argentine charge, net income for the six months ended June 30, 2002 was \$411 million, or \$2.30 per diluted share, while return on average common equity and return on average assets were 16.94 percent and 1.63 percent, respectively. Excluding the Imperial restructuring charges and the effect of a one-time charge related to long-term incentive plans at an unconsolidated subsidiary in the first half of 2001, net income was \$2.39 per diluted share, or \$439 million. Excluding these charges, Comerica's return on average common equity was 19.39 percent and return on average assets was 1.78 percent, for the first six months of 2001.

#### Net Interest Income

The rate-volume analysis in Table I details the components of the change in net interest income on a fully taxable equivalent (FTE) basis for the quarter ended June 30, 2002. On a FTE basis, net interest income increased to \$532 million for the three months ended June 30, 2002, from \$529 million for the comparable quarter in 2001. Average earnings assets increased three percent when compared to the second quarter of last year, while the net interest margin decreased to 4.56 percent for the three months ended June 30, 2002, from 4.65 percent for the comparable three months of 2001. Four basis points of this margin decline was related to nonaccrual loans.

Table II provides an analysis of net interest income for the first six months of 2002. On a FTE basis, net interest income for the six months ended

-31-

June 30, 2002, was \$1,073 million compared to \$1,042 million for the same period in 2001. The net interest margin for the first six months ended June 30, 2002, increased to 4.66 percent, from 4.60 percent for the same period in 2001. The margin increased, despite a three basis point decline related to nonaccrual loans, and reflects a favorable interest rate environment and the impact of the Corporation's interest rate risk management efforts. Also contributing to the increase in margin was strong growth in average noninterest-bearing deposits, up nine percent when compared to the first six months of 2001. This increase is primarily attributed to strong growth in title and escrow deposits in the California-based Financial Services business.

-32-

TABLE I - QUARTERLY ANALYSIS OF NET INTEREST INCOME & RATE/VOLUME (FTE)

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

(DOLLAR AMOUNTS IN MILLIONS)	THREE MONTHS ENDED					
	JUNE 30, 2002			JUNE 30, 2001		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
Loans	\$42,037	\$634	6.05%	\$41,751	\$815	7.82%
Investment securities (1)	4,419	65	5.91	3,490	55	6.41
Short-term investments	446	7	5.74	299	6	6.71
<b>Total earning assets</b>	<b>46,902</b>	<b>706</b>	<b>6.04</b>	<b>45,540</b>	<b>876</b>	<b>7.71</b>
Interest-bearing deposits	25,874	122	1.88	25,008	243	3.91
Short-term borrowings	2,319	11	1.96	2,213	25	4.41
Medium- and long-term debt	6,249	41	2.59	6,449	79	4.94
<b>Total interest-bearing sources</b>	<b>\$34,442</b>	<b>174</b>	<b>2.01</b>	<b>\$33,670</b>	<b>347</b>	<b>4.14</b>
Net interest income/ rate spread (FTE)		\$532	4.03		\$529	3.57
FTE adjustment		\$ 1			\$ 1	
Impact of net interest-free sources of funds			0.53			1.08
Net interest margin as a percent of average earning assets (FTE)			4.56%			4.65%

(1) The average rate for investment securities was computed using average historical cost.

(IN MILLIONS)	THREE MONTHS ENDED		
	JUNE 30, 2002/JUNE 30, 2001		
	INCREASE (DECREASE) DUE TO RATE	INCREASE (DECREASE) DUE TO VOLUME*	NET INCREASE (DECREASE)
Loans	\$ (184)	\$ 3	\$ (181)
Investment securities	(4)	14	10
Short-term investments	(2)	3	1
<b>Total earning assets</b>	<b>(190)</b>	<b>20</b>	<b>(170)</b>

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Interest-bearing deposits	(120)	(1)	(121)
Short-term borrowings	(14)	-	(14)
Medium- and long-term debt	(37)	(1)	(38)
	-----		
Total interest-bearing sources	(171)	(2)	(173)
	-----		
Net interest income/rate spread (FTE)	\$ (19)	\$ 22	\$ 3
	=====		

\* Rate/Volume variances are allocated to variances due to volume.

-33-

TABLE II - YEAR-TO-DATE ANALYSIS OF NET INTEREST INCOME & RATE/VOLUME (FTE)

(DOLLAR AMOUNTS IN MILLIONS)	SIX MONTHS ENDED					
	JUNE 30, 2002			JUNE 30, 2001		
	AVERAGE BALANCE	INTEREST	AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE RATE
Loans	\$41,641	\$1,280	6.20%	\$41,427	\$1,680	8.18%
Investment securities (1)	4,309	126	5.90	3,685	121	6.59
Short-term investments	454	13	5.68	465	16	6.73
	-----					
Total earning assets	46,404	1,419	6.16	45,577	1,817	8.03
Interest-bearing deposits	25,514	244	1.92	24,590	515	4.23
Short-term borrowings	2,414	22	1.91	2,392	64	5.37
Medium- and long-term debt	5,987	80	2.66	7,085	196	5.59
	-----					
Total interest-bearing sources	\$33,915	346	2.05	\$34,067	775	4.59
	-----					
Net interest income/ rate spread (FTE)		\$1,073	4.11		\$1,042	3.44
		=====			=====	
FTE adjustment		\$ 2			\$ 2	
		=====			=====	
Impact of net interest-free sources of funds			0.55			1.16
			-----			-----
Net interest margin as a percent of average earning assets (FTE)			4.66%			4.60%
			=====			=====

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

(1) The average rate for investment securities was computed using average historical cost.

(IN MILLIONS)	SIX MONTHS ENDED JUNE 30, 2002/JUNE 30, 2001		
	INCREASE (DECREASE) DUE TO RATE	INCREASE (DECREASE) DUE TO VOLUME*	NET INCREASE (DECREASE)
Loans	\$ (402)	\$ 2	\$ (400)
Investment securities	(13)	18	5
Short-term investments	(6)	3	(3)
<b>Total earning assets</b>	<b>(421)</b>	<b>23</b>	<b>(398)</b>
Interest-bearing deposits	(270)	(1)	(271)
Short-term borrowings	(42)	-	(42)
Medium- and long-term debt	(102)	(14)	(116)
<b>Total interest-bearing sources</b>	<b>(414)</b>	<b>(15)</b>	<b>(429)</b>
Net interest income/rate spread (FTE)	\$ (7)	\$ 38	\$ 31

\* Rate/Volume variances are allocated to variances due to volume.

-34-

Provision for Credit Losses

The provision for credit losses was \$173 million for the second quarter of 2002, compared to \$37 million for the same period in 2001. The provision for the first six months of 2002 was \$248 million compared to \$109 million for the same period in 2001. The Corporation establishes this provision to maintain an adequate allowance for credit losses, which is discussed in the section entitled "Allowance for Credit Losses and Nonperforming Assets." Included in the second quarter 2002 provision is \$45 million to increase reserves recorded in response to a U.S. bank regulatory directive related to Argentina. Included in the provision for the first six months of 2001 is a \$25 million merger-related charge to conform the credit policies of Imperial with Comerica.

Noninterest Income

Noninterest income was \$222 million for the three months ended June 30, 2002, an increase of \$10 million, or five percent, over the same period in 2001. Included in second quarter 2002 noninterest income is a loss on securities of \$10 million related to the write-down of Argentine securities. The Corporation also recognized an incremental \$9 million of non-taxable proceeds from bank-owned life insurance policies in the second quarter of 2002 from the death

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

of an executive. Excluding the effects of the large unusual items noted above, other gains and losses on securities, warrant income and divestitures, noninterest income increased \$10 million, or five percent, over the same period last year. Non-investment market-related fees, consisting of service charges, commercial lending fees and letter of credit fees, increased \$12 million, or 14 percent, on a combined basis when compared with the second quarter of 2001. Investment advisory revenue from the Corporation's Munder subsidiary decreased \$5 million from the comparable quarter last year. This decrease was a result of the decline in equity markets, particularly technology-related stocks, from the second quarter of last year.

-35-

For the first six months of 2002, noninterest income was \$430 million, an increase of \$41 million, or 10 percent, from the first six months of 2001. Noninterest income in the first half of 2001 was reduced by a \$26 million deferred distribution costs impairment charge and a one-time \$57 million charge related to long-term incentive plans at an unconsolidated subsidiary. Noninterest income in the first six months of 2001 also included \$11 million in net gains resulting from the purchase and subsequent sale, all within the first quarter, of interest rate derivative contracts which failed to meet the Corporation's risk-reduction criteria. Excluding the effect of large unusual items noted above, gains and losses on securities, warrant income and divestitures, noninterest income in the first half of 2002 decreased \$4 million, or one percent, over the same period in 2001.

The Corporation's deferred distribution cost asset associated with B share mutual fund sales was \$28 million at June 30, 2002. Given net asset values at June 30, 2002, it would take a decline of approximately 13 percent in the assets under management at Munder associated with those costs to trigger further impairment, which at that level would be approximately \$4 million. Each additional five percent decline results in a further impairment of \$1 million. Declines in the equity market subsequent to June 30, 2002 have approached levels which could require an impairment charge in the third quarter of 2002 if those equity values still exist at September 30, 2002.

### Noninterest Expenses

Noninterest expenses were \$343 million for the quarter ended June 30, 2002, a decrease of \$39 million, or 10 percent, from the comparable quarter in 2001. Noninterest expenses in the second quarter of 2001 included merger-related and restructuring costs related to the Imperial Bancorp acquisition of \$15 million and goodwill amortization of \$8 million. Goodwill amortization was discontinued January 1, 2002, as a result of new accounting rules. Excluding these items and

-36-

the impact of divestitures, noninterest expenses in the second quarter of 2002 decreased by \$14 million, or four percent, over the same period in 2001. Contributing to this decline was savings in salaries and benefits of \$9 million, primarily from reduced revenue-related incentives.

For the six months ended June 30, 2002, noninterest expenses were \$690 million, a decrease of \$149 million, or 18 percent, from the comparable period of 2001. Included in the first six months of 2001 were restructuring charges of \$109 million and \$5 million of minority interest that resulted from recording the minority interest holders' share of the long-term incentive plan charge discussed in noninterest income above. Also affecting the first six months of 2001 was \$16 million in goodwill amortization. Excluding these items and the

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

impact of divestitures, noninterest expenses in the first half of 2002 decreased by \$22 million, or three percent, over the same period in 2001. This decrease is primarily attributed to the same factors cited in the quarterly discussion with savings in salaries and benefits of \$14 million.

### Provision for Income Taxes

The provision for income taxes for the second quarter of 2002 totaled \$76 million, compared to \$113 million reported for the same period a year ago. The effective tax rate was 32 percent for the second quarter of 2002, compared to 35 percent for the same quarter of 2001. The provision for the first six months of 2002 was \$188 million compared to \$179 million for the same period of 2001. The effective tax rate was 33 percent for the first six months of 2002 and 37 percent for the first six months of 2001. The effective tax rate in the first six months of 2002 was impacted by increased non-taxable revenue on bank-owned life insurance policies. The effective tax rate in the first six months of 2001 was affected by adjustments in the first quarter to Imperial's tax liabilities at the merger date, partially offset by a \$7 million tax benefit related to the Imperial acquisition that was immediately recognizable, but only after Imperial became part of Comerica.

-37-

### Financial Condition

Total assets were \$50.6 billion at June 30, 2002, compared with \$50.7 billion at year-end 2001 and \$49.3 billion at June 30, 2001. The Corporation has experienced a decline (less than one percent) in total loans since December 31, 2001. Management believes that this decline reflects the cautiousness of borrowers in an uncertain economy.

Total liabilities decreased \$255 million, or one percent, since December 31, 2001, to \$45.7 billion. Total deposits increased two percent to \$38.2 billion at June 30, 2002, from \$37.6 billion at year-end 2001 due to growth in noninterest-bearing deposits. Medium- and long-term debt increased \$418 million to \$5.9 billion at June 30, 2002. These increases were offset in short-term borrowings, which decreased \$1.2 billion since December 31, 2001, to \$755 million at June 30, 2002.

The international portfolio contains both the risk that the customer cannot repay and that the customer cannot obtain U.S. dollars to service their debt. Due to this transfer risk, bank holding companies must report cross-border outstandings in regulatory filings. Active risk management practices can minimize risk inherent in lending arrangements, including securing repayment from sources external to the borrower's country. While these practices have proven to be effective, bank regulatory filings and regulatory directives on transfer risk reserves exclude the risk minimizing effects of these practices. While evaluating the Argentine transfer risk in the second quarter of 2002, the Corporation elected to include bank regulatory defined cross-border risks in all international cross-border risk disclosures. International cross-border risk at December 31, 2001 for countries representing risk exceeding 1.00 percent of total assets is noted in the table below. There were no countries with risk between 0.75 percent and 1.00 percent of total assets.

-38-

### INTERNATIONAL CROSS-BORDER RISK

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

(IN MILLIONS)	OUTSTANDINGS				
	GOVERNMENTS AND OFFICIAL INSTITUTIONS	BANKS AND OTHER FINANCIAL INSTITUTIONS	COMMERCIAL AND INDUSTRIAL	TOTAL	AFTER RISK MITIGATING PRACTICES
Mexico					
June 30, 2002	\$17	\$ 9	\$1,230	\$1,256	\$940
December 31, 2001	17	25	1,207	1,249	858
December 31, 2000	11	40	1,032	1,083	626
December 31, 1999	5	69	1,149	1,223	591
Brazil					
June 30, 2002	\$37	\$307	\$ 239	\$ 583	\$427
December 31, 2001	31	322	236	589	443

TOTAL EXPOSURE (INCLUDING UNFUNDED COMMITMENTS AND LETTERS OF CREDIT)

(IN MILLIONS)	TOTAL	AFTER RISK MITIGATING PRACTICES
Mexico		
June 30, 2002	\$1,333	\$1,017
December 31, 2001	1,329	938
Brazil		
June 30, 2002	\$ 686	\$ 530
December 31, 2001	712	566

Allowance for Credit Losses and Nonperforming Assets

The allowance for credit losses represents management's assessment of probable losses inherent in the Corporation's loan portfolio, including all binding commitments to lend. The allowance provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent but that have not been specifically identified. The Corporation allocates the allowance for credit losses to each loan category based on a defined methodology which has been in use, without material change, for several years. Internal risk ratings are assigned to each business loan at the time of approval and are subject to subsequent periodic reviews by the senior management of the Credit Policy Group. The Corporation defines business loans as those belonging to the commercial, international, real estate construction, commercial mortgage and lease financing categories. The Corporation performs a detailed credit quality review quarterly on large business loans which have

deteriorated below certain levels of credit risk and allocates a specific portion of the allowance to such loans based upon this review. The portion of the allowance allocated to the remaining business loans is determined by applying projected loss ratios to each risk rating based on numerous factors identified below. The portion of the allowance allocated to consumer loans is determined by applying projected loss ratios to various segments of the loan portfolio. Projected loss ratios incorporate factors such as recent charge-off experience, current economic conditions and trends, and trends with respect to past due and nonaccrual amounts. The allocated allowance was \$621 million at June 30, 2002, an increase of \$75 million from year-end 2001. This increase was primarily attributable to the \$45 million of reserves provided during the second quarter of 2002 in response to a U.S. bank regulatory directive related to the Corporation's Argentine exposure and an increase in allocation to business loans, which were not individually evaluated for impairment at June 30, 2002.

Actual loss ratios experienced in the future could vary from those projected. This uncertainty occurs because other factors affecting the determination of probable losses inherent in the loan portfolio may exist which are not necessarily captured by the application of historical loss ratios. An unallocated allowance is maintained to capture these probable losses. The unallocated portion of the loss reserve reflects management's view that the reserve should have a margin that recognizes the imprecision underlying the process of estimating expected credit losses. Determination of the probable losses inherent in the portfolio, which are not necessarily captured by the allocated methodology discussed above, involves the exercise of judgement. Factors which were considered in the evaluation of the adequacy of the Corporation's unallocated reserve include portfolio exposures to the healthcare, high technology and energy industries, as well as Latin American transfer risks and the risk associated with new customer relationships. The unallocated allowance was \$141 million at June 30, 2002, an increase of \$32 million from

-40-

December 31, 2001.

The Corporation is closely monitoring its Argentine exposure as a result of recent political and economic events in that country. The total Argentine exposure at June 30, 2002, was \$115 million and consisted of \$90 million of loans, \$16 million of securities and \$9 million of unfunded commitments. This represents a decrease of \$104 million from total Argentine exposure of \$219 million at December 31, 2001. At June 30, 2002, the Corporation had \$24 million of loans and \$4 million in securities related to Argentina that were reported in nonperforming assets.

Management also considers industry norms and the expectations from rating agencies and banking regulators in determining the adequacy of the allowance. The total allowance, including the unallocated amount, is available to absorb losses from any segment of the portfolio. Unanticipated economic events, including political, economic and regulatory stability in countries where the Corporation has a concentration of loans, could cause changes in the credit characteristics of the portfolio and result in an unanticipated increase in the allocated allowance. Inclusion of other portfolio exposures in the unallocated allowance, as well as significant increases in the current portfolio exposures, could increase the amount of the unallocated allowance. Either of



## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

these events, or some combination, may result in the need for additional provision for credit losses in order to maintain an allowance that complies with credit risk and accounting policies.

At June 30, 2002, the allowance for credit losses was \$762 million, an increase of \$107 million since December 31, 2001. The allowance as a percentage of total loans was 1.85 percent, compared to 1.59 percent at December 31, 2001. As a percentage of nonperforming assets, the allowance was 119 percent at June 30, 2002, versus 105 percent at year-end 2001.

Net charge-offs for the second quarter of 2002 were \$81 million, or 0.78 percent of average total loans, compared with \$37 million, or 0.35 percent, for

-41-

the second quarter of 2001. Nonperforming assets increased \$11 million, or two percent, since December 31, 2001, and were categorized as follows:

(IN MILLIONS)	JUNE 30, 2002	DECEMBER 31, 2001
	-----	-----
Nonaccrual loans:		
Commercial	\$467	\$467
International	118	118
Real estate construction	18	18
Commercial mortgage	14	14
Residential mortgage	-	-
Consumer	3	3
Lease financing	3	3
	----	----
Total nonaccrual loans	623	623
Reduced-rate loans	--	--
	----	----
Total nonperforming loans	623	623
Other real estate	11	11
Nonaccrual debt securities	4	4
	----	----
Total nonperforming assets	\$638	\$638
	=====	=====
Loans past due 90 days or more	\$ 66	\$ 66
	=====	=====

Loans to customers in the entertainment industry comprised 10 percent of nonperforming loans at June 30, 2002, and was the only industry classification comprising more than 10 percent of nonperforming loans. Five credits in excess of \$10 million were added to nonperforming loans during the second quarter 2002, the largest of which was an automotive industry loan totaling \$16 million. Approximately 34 percent of total nonperforming loans at June 30, 2002 were Shared National Credit Program (SNC) loans. SNC loans are large credits shared by multiple financial institutions and reviewed by regulatory authorities at the lead or agent bank level. These loans comprised

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

approximately 20 percent of total loans at June 30, 2002. Nonperforming assets as a percentage of total loans and other real estate were 1.55 percent at June 30, 2002 and 1.52 percent at December 31, 2001.

-42-

### Capital

Common shareholders' equity increased \$67 million from December 31, 2001 to June 30, 2002, excluding other comprehensive income. The increase was primarily due to the retention of \$207 million of current year earnings. The effect of employee stock plan activity, which increased common shareholders' equity \$43 million, partially offset the decrease in equity of \$186 million that resulted from repurchasing approximately 3.1 million shares of common stock during the first six months of 2002.

Capital ratios exceed minimum regulatory requirements as follows:

	JUNE 30, 2002	DECEMBER 31, 2001
	-----	-----
Tier 1 common capital ratio	7.46%	7.30%
Tier 1 risk-based capital ratio (4.00% - minimum)	8.14	7.98
Total risk-based capital ratio (8.00% - minimum)	11.93	11.70
Leverage ratio (3.00% - minimum)	9.40	9.36

At June 30, 2002, the capital ratios of all the Corporation's banking subsidiaries exceeded the minimum ratios required of "well capitalized" institutions as defined in the final rule under FDICIA.

### Other Matters

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The Statement covers legal obligations that are identifiable by the entity upon acquisition and construction, and during the operating life of a long-lived asset. Identified retirement obligations would be recorded as a liability with a corresponding amount capitalized as part of the asset's carrying amount. The capitalized retirement cost asset would be amortized to expense over the asset's useful life. The Statement is effective January 1, 2003 for calendar year companies. The Corporation does not believe that the impact of adoption of SFAS No. 143 will have a material impact on the Corporation's financial position or results of operations.

-43-

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

## Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

Net interest income is the predominant source of revenue for the Corporation. Interest rate risk arises primarily through the Corporation's core business activities of extending loans and accepting deposits. The Corporation actively manages its material exposure to interest rate risk. Management attempts to evaluate the effect of movements in interest rates on net interest income and uses interest rate swaps and other instruments to manage its interest rate risk exposure. Interest rate swaps permit management to manage the sensitivity of net interest income to fluctuations in interest rates in a manner similar to investment securities, but without significant impact to capital or liquidity. The primary tool used by the Corporation in determining its exposure to interest rate risk is net interest income simulation analysis. The net interest income simulation analysis performed at the end of each quarter reflects changes to both interest rates and loan, investment and deposit volumes. The measurement of risk exposure at June 30, 2002 for a 200 basis point decline in short-term interest rates identified approximately \$42 million, or two percent, of forecasted net interest income at risk over the next 12 months. If short-term interest rates rise 200 basis points, forecasted net interest income would be unaffected by this change.

Secondarily, the Corporation utilizes a traditional interest sensitivity gap measure and economic value of equity analysis to help identify interest rate risk exposure. At June 30, 2002, all three measures of interest rate risk were within established corporate policy guidelines, which limits adverse changes to no more than five percent of management's most likely net interest income forecast. For further discussion of interest rate risk, and other market risks, see Note 10 and pages 37-41 of the Corporation's 2001 annual report.

-44-

### Forward-looking statements

This report includes forward-looking statements as that term is used in securities laws. All statements regarding Comerica's expected financial position, strategies and growth prospects and general economic conditions expected to exist in the future are forward-looking statements. The words, "anticipates", "believes", "estimates", "seeks", "plans", "intends" and similar expressions, as they relate to Comerica or its management, are intended to identify forward-looking statements. Although Comerica believes that the expectations reflected in these forward-looking statements are reasonable and has based these expectations on the beliefs and assumptions Comerica has made, such expectations may prove incorrect. Numerous factors, including unknown risks and uncertainties, could cause variances in these projections and their underlying assumptions. Such factors are changes in interest rates, changes in the accounting or tax treatment of any particular item, changes in industries in which Comerica has a concentration of loans, or the political, economic and regulatory stability in countries where Comerica operates, changes in the level of fee income, changes in general economic conditions and related credit and market conditions and the impact of regulatory responses to any of the foregoing. Forward-looking statements speak only as of the date they are made. Comerica does not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made.

-45-

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Statement re: Computation of Net Income Per Common Share

(99.1) CEO Certification of Periodic Report

(99.2) CFO Certification of Periodic Report

(b) Reports on Form 8-K

The Corporation did not file any reports on Form 8-K during the three months ended June 30, 2002.

-46-

CERTIFICATION

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ralph W. Babb, Jr., Chairman, President and Chief Executive Officer of Comerica Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A for the period ended June 30, 2002 of Comerica Incorporated;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
  - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

the filing date of this Quarterly Report (the "Evaluation Date"); and

- c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

December 27, 2002

/s/ Ralph W. Babb, Jr.

-----  
Ralph W. Babb, Jr.  
Chairman, President and Chief Executive Officer

-47-

CERTIFICATION

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Elizabeth S. Acton, Chief Financial Officer of Comerica Incorporated, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q/A for the period ended June 30, 2002 of Comerica Incorporated;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
- 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
  - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and
  - c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and
6. The Registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

December 27, 2002

/s/ Elizabeth S. Acton

-----  
Elizabeth S. Acton  
Chief Financial Officer

Edgar Filing: COMERICA INC /NEW/ - Form 10-Q/A

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMERICA INCORPORATED  
(Registrant)

/s/ Elizabeth S. Acton  
-----

Elizabeth S. Acton  
Chief Financial Officer

/s/ Marvin J. Elenbaas  
-----

Marvin J. Elenbaas  
Senior Vice President and Controller  
(Principal Accounting Officer)

Date: December 27, 2002

-49-

Exhibit No. -----	Exhibit Description -----
(11)	Statement re: Computation of Net Income Per Common Share
(99.1)	CEO Certification of Periodic Report
(99.2)	CFO Certification of Periodic Report