PUBLIC DISCLOSURE

August 13, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Comerica Bank
RSSD # 60143

1717 Main Street
Dallas, Texas 75201

Federal Reserve Bank of Dallas
2200 North Pearl Street
Dallas, Texas 75201

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Institution Rating

Institution's CRA Rating: Comerica Bank is rated Satisfactory.

The following table indicates the performance level of Comerica Bank with respect to the lending, investment, and service tests.

Table of Performance Ratings

Performance Levels	Comerica Bank Performance Tests		
	Lending Test*	**Investment Test**	**Service Test**
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Non-Compliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects adequate responsiveness to assessment areas' credit needs.
- A substantial majority of loans are made in the bank's assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of Home Mortgage Disclosure Act (HMDA) lending reflects adequate penetration among customers of different income levels.
- The distribution of small business lending reflects adequate penetration among business of different revenue sizes.
- An adequate record of servicing the credit needs of low-income individuals and areas and small businesses.
- Makes an adequate level of community development loans.
- Makes limited use of innovative and/or flexible lending practices in serving assessment area needs.
- Has an excellent level of qualified community development investments and grants, particularly those not routinely provided by private investors.
- Exhibits adequate responsiveness to credit and community development needs.

- Delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment areas.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income (LMI) geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

Institution

Description of the Institution

Business Structure

Comerica Bank (Comerica or bank), a wholly owned subsidiary of Comerica Incorporated (CMA), is a multistate commercial bank headquartered in Dallas, Texas. CMA is one of the top 40 largest bank holding companies in the United States (U.S.) and has offices throughout the country, with select businesses operating in several states, as well as in Canada and Mexico. Its banking centers are located throughout nine of the 20 most populous cities in the U.S.

As of December 31, 2017, Comerica operated 438 branch offices, 100 non-deposit taking ATMs, and 529 full-service ATMs throughout its five-state footprint. The bank's branches are located in Arizona, California, Florida, Michigan, and Texas, with approximately 94.5% of branches located in California, Michigan, and Texas. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment areas.

Comerica relies on a relationship-banking strategy. It is strategically aligned into three major business segments: the Business Bank, the Retail Bank, and Wealth Management.

- Business Bank meets the needs of middle-market businesses, multinational corporations, and governmental entities by offering various products and services, including commercial loans, deposits, treasury management, capital market products, international trade finance, letters of credit, foreign exchange, and loan syndication services.
- The Retail Bank consists of consumer lending, consumer deposit gathering, and mortgage loan origination. In addition to a full range of financial services provided to small business customers, the business segment offers a variety of consumer products, including deposit accounts, installment loans, credit cards, student loans, home equity lines of credit (HELOCs) and residential mortgage loans. Community Reinvestment Act relevant products and activities generally originate within the Retail Bank.
- Wealth Management offers products and services consisting of fiduciary services, private banking, retirement services, investment management and advisory services, and investment banking and brokerage services. This business segment also offers the sale of annuity products, as well as life, disability, and long-term care insurance products.

At the previous performance evaluation, dated June 22, 2015, the bank operated 482 branch offices and 637 ATMs inside its assessment areas. While the assessment areas have not changed in number, composition of individual assessment areas has experienced some small changes. For this review, the bank designated the 32 assessment areas listed below. Total deposits for the assessment areas as of June 30, 2017, were $57.3 billion. Descriptions of the assessment areas listed below are found in the applicable assessment area sections of this report.

Arizona

- Phoenix
  - Maricopa County (portion) – part of the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA)

California

- Fresno MSA
- Greater Los Angeles
  - Los Angeles County (portion) and Orange County – part of the Los Angeles-Long Beach-Anaheim MSA
    - Since previous evaluation, census tract 9304.01 has been removed from the assessment area.
- Inland Empire
  - Riverside County (portion) and San Bernardino County (portion) – part of the Riverside-San Bernardino-Ontario MSA
- Sacramento
  - Sacramento County; portions of Yolo and Placer Counties – part of the Sacramento-Arden Arcade-Roseville MSA
- Salinas
  - Monterey County (portion) – part of the Salinas MSA
- San Diego
  - San Diego County (portion) – part of the San Diego-Carlsbad-San Marcos MSA
    - As of January 1, 2018, the assessment area was expanded to include additional census tracts of 0099.01 and 0099.02.
- San Francisco Bay
  - San Francisco County; portions of San Mateo, Alameda, Contra Costa Counties – part of the San Francisco-Oakland-Hayward MSA
- San Jose
  - Santa Clara County (portion) – part of the San Jose-Sunnyvale-Santa Clara MSA
    - As of January 1, 2018, the entire county is included in the assessment area.
- Santa Cruz
  - Santa Cruz County (portion) – part of the Santa Cruz-Watsonville MSA
    - As of January 1, 2018, the entire county is included in the assessment area.
- Ventura
  - Ventura County (portion) – part of the Oxnard-Thousand Oaks-Ventura MSA

Florida

- Fort Lauderdale-West Palm Beach
    - Broward County, Palm Beach County (portion) – part of the Miami-Fort Lauderdale-Pompano Beach MSA
        - As of January 1, 2018, the assessment area was adjusted to remove census tract 9800.00 from Broward County.
- Naples-Immokalee-Marco Island MSA
- Sarasota
    - Sarasota County (portion) – part of the North Port-Bradenton-Sarasota MSA
- Stuart
    - Martin County (portion) – part of the Port St. Lucie MSA

Michigan

- Ann Arbor MSA
- Battle Creek MSA
- Fenton
    - Genesee County (portion) – part of the Flint MSA
- Gladwin County – non-MSA
- Grand Rapids-Wyoming
    - Kent and Ottawa Counties – part of the Grand Rapids-Wyoming MSA
- Jackson MSA
- Kalamazoo-Portage
    - Kalamazoo County – part of the Kalamazoo-Portage MSA
- Lansing-East Lansing
    - Portions of Clinton, Eaton, and Ingham Counties – part of the Lansing-East Lansing MSA
        - As of January 1, 2018, the entire counties are included in the assessment area.
- Lenawee County (portion) – non-MSA
- Midland MSA
- Muskegon MSA
- Southeast Michigan
    - Lapeer County (portion); Livingston, Macomb, Oakland, and Wayne Counties – part of the Detroit-Warren-Dearborn MSA
        - As of January 1, 2018, portions of Lapeer County are no longer included in the assessment area.

Texas

- Dallas-Fort Worth (DFW) Metroplex
    - Dallas, Ellis, Rockwall, and Tarrant Counties; portions of Collin and Denton Counties – part of the Dallas-Fort Worth-Arlington MSA
- Austin

  - Travis County, Williamson County (portion) – part of the Austin-Round Rock MSA
- Houston
  - Harris and Montgomery Counties; portions of Brazoria, Fort Bend, Galveston Counties – part of the Houston-The Woodlands-Sugar Land MSA
- Kerr County – non-MSA
- San Antonio
  - Bexar and Kendall Counties – part of the San Antonio-New Braunfels MSA

Loan Portfolio

As of March 31, 2018, the bank reported total assets of approximately $72.3 billion, gross loans of $49.2 billion, and a net loan-to-deposit ratio of 82.6%. The following table reflects the loan portfolio mix.

Product	3/31/2018 $(000's)	% of Loans	3/31/2015 $(000's)	% of Loans
Real Estate				
1-4 Family Residential Construction Loans	309,527	0.6	222,404	0.5
Other Construction Loans & Land Development & Other	3,161,820	6.4	2,040,367	4.2
Farm Land	9,821	0.0	44,735	0.1
1-4 Family – Revolving	1,802,487	3.7	1,620,904	3.3
1-4 Family Residential Secured by First Liens	2,150,228	4.4	1,994,019	4.1
1-4 Family Residential Secured by Junior Liens	50,890	0.1	81,735	0.2
Multifamily	602,986	1.2	649,533	1.3
Nonfarm Nonresidential				
Loans Secured Owner-Occupied Nonfarm Nonresidential	5,288,147	10.7	5,161,543	10.5
Loans Secured by Other Nonfarm Nonresidential	2,659,672	5.4	2,170,723	4.4
Total Real Estate	16,056,651	32.6	14,000,935	28.5
Depository Institutions	13,783	0.0	3,005	0.0
Agricultural	39,304	0.1	48,613	0.1
Commercial and Industrial	26,433,049	53.8	28,626,947	58.3
Consumer	594,458	1.2	646,750	1.3
State and Political Subdivisions	166,532	0.3	12,825	0.0
Other	5,473,647	11.2	4,937,061	10.1
Lease Financing	463,778	0.9	791,817	1.6
Gross Loans	49,241,202	100.0	49,077,953	100.0

Product Offerings

A majority of the bank's business comes from its operations in California, Michigan, and Texas. Comerica offers a wide array of traditional consumer and commercial products and services. As indicated in the table above, commercial and industrial loans comprised the greatest percentage of the loan portfolio by dollar volume during the review period, followed by commercial real estate. All retail and loan products are offered in all markets.

Commercial loan products include business term loans for various purposes such as equipment purchases, facility expansion, asset acquisition, leasehold improvements, commercial real estate loans, Small Business Administration (SBA) loans, small business lines of credit, and equipment lease financing. This category also includes business credit cards; however, Comerica does not directly offer this product. Credit cards tend to be for smaller dollar amounts and are often needed by small businesses to meet day-to-day operating expenses. To meet this credit need, the bank has partnered with Elan Financial Services, Minneapolis, Minnesota (Elan) to provide a credit product for their customers. These loans are not reported by Comerica and are not reflected in their CRA reportable loans. Additionally, as the chart depicts, Comerica did not originate a significant volume of small farm loans during the review period; therefore, these loans are not discussed in this report.

Loans secured by residential real estate are typically reported under the HMDA. The table on page six indicates residential real estate loans represent approximately 10.0% percent of the bank's lending as of March 31, 2018. The bank's primary residential real estate loan products consist of home purchase and refinance home mortgage loans. Home improvement and multi-family loans are not primary products for the bank, even though they are offered in all markets across the bank's footprint.

Comerica also offers a variety of consumer loan products including automobile loans, installment loans, recreational vehicle loans, motorhome loans, and open-end HELOCs. The HELOCs tend to have competitive rates and flexible loan terms, which many customers find more attractive than the traditional home improvement loan. It also represents a significant percentage of the bank's overall lending activity by number of originations. In 2017, for example, Comerica originated 5,571 HELOCs compared to 1,493 HMDA loans and 8,328 CRA-reportable small business loans.

Previous Performance Evaluation

Comerica received a Satisfactory rating on its previous CRA performance evaluation dated June 22, 2015 performed by the Federal Reserve Bank of Dallas. The lending test was rated High Satisfactory, the investment test was rated Outstanding, and the service test was rated High Satisfactory.

Scope of Examination

The bank was evaluated using the Interagency Examination Procedures for Large Retail Institutions, developed by the Federal Financial Institution's Examination Council (FFIEC). All assessment areas were evaluated for lending, investment, and service performance. Full-scope reviews using the FFIEC procedures were conducted for eight of the bank's 32 assessment areas. The assessment areas were selected for full-scope reviews based on factors identified in the FFIEC procedures. These include, but are not limited to, the level of the institution's lending, investment, and service activity as well as opportunities for such in the assessment areas; comments received from community groups and the public regarding the institution's CRA performance; population density; the number of other institutions in the assessment areas; and the length of time since the most recent full-scope review. Overall, approximately 72.7% of lending activity (by number of loans), 74.0% of the total deposits, and 71.0% of total branches were evaluated through the full-scope reviews. Descriptions of the assessment areas, listed below, can be found in the applicable assessment area sections of this report.

- Arizona
    - Phoenix
- California
    - Greater Los Angeles
    - Santa Cruz
- Florida
    - Naples-Immokalee-Marco Island MSA
- Michigan
    - Kalamazoo-Portage
    - Southeast Michigan
- Texas
    - Dallas-Fort Worth Metroplex
    - Houston

The ratings for California, Michigan, and Texas were weighted more heavily in determining the overall ratings, as they contain the vast majority of the bank's lending, investment, and service activity as well as Comerica's branch locations.

Examination Review Period and Products Reviewed

Comerica opted to collect information on its HELOC loans as part of its consumer loan portfolio and optional data collected under the CRA. The bank's effectiveness in meeting the credit needs of the residents it serves is not immediately evident from a review limited to HMDA-reportable data. Therefore, an evaluation of the bank's HELOC lending was conducted in conjunction with the HMDA reportable loan activity to give a more accurate representation of Comerica's efforts in meeting the needs of its communities.

HMDA, small business, and HELOC lending data for the period January 1, 2015, through December 31, 2017, was evaluated for consistency with the years of data presented in this evaluation. Due to volume, small business lending received greater weighting than HMDA lending in determining conclusions. Unless otherwise addressed in the discussion, the bank's performance for this period was consistent with performance for the years presented.

Community development loans, investments, and service activities from January 1, 2015, through March 31, 2018, were considered during this evaluation. In addition, the evaluation also considered prior period investments.

Examination Analysis

The evaluation of the bank's record of lending in the individual assessment areas includes the use of, and comparison to, demographic characteristics. The primary sources for the demographic information are the 2010 U.S. Census, 2015 U.S. Census estimates, and Dun & Bradstreet (D&B) data.[1] Demographic characteristics of a particular assessment area are useful in analyzing the bank's record of lending as they provide a means of estimating loan demand and identifying lending opportunities. To understand small business and small farm loan demand, self-reported data of revenue size and geographical location from business and farm entities is collected and published by D&B. The demographic data should not be construed as defining an expected level of lending in a particular area or to a particular group of borrowers. The information is used to understand the bank's performance context and evaluate the bank. Note that percentages may not total 100.0% due to rounding.

In conjunction with the assessment, contact was made outside the bank with individuals, groups, and/or organizations. Community contacts were located throughout the assessment areas and included representatives of community-based organizations and municipalities.

Conclusions With Respect to Performance Tests

Lending Test

The bank's overall Lending Test rating is Low Satisfactory. Lending activity reflects adequate responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes an adequate level of community development loans.

The bank is both a small business and HMDA lender. During the review period, the bank reported 28,214 small business loans compared to 3,257 HMDA loans. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment areas.

References are made to the bank's lending distribution by geography and borrower income throughout this report. Detailed information about the bank's HMDA- and CRA-reportable loans can be found in tables in Appendices G, H, and I.

[1] For all data sets within the report, the most recent publicly-available information was utilized. Based on the public release date for data, 2015 and 2016 lending activity were compared to 2010 census data, and 2017 lending activity was compared to 2015 census data.

Lending Activity

The bank's lending levels reflect adequate responsiveness to assessment areas' credit needs. The following table summarizes the lending activity from January 1, 2015, through December 31, 2017. As the data indicates, the bank makes more small business loans than other types of loans.

Summary of Lending Activity January 1, 2015 through December 31, 2017				
Loan Type	#	%	$000s	%
Home Equity	19,136	--	2,918,637	--
Total Consumer-Related	**19,136**	**37.8**	**2,918,637**	**25.2**
Home Purchase	1,572	--	633,850	--
Refinancing	1,597	--	827,413	--
Home Improvement	41	--	15,028	--
Multifamily	47	--	240,453	--
Total HMDA-Related	**3,257**	**6.4**	**1,716,744**	**14.8**
Total Small Business	**28,214**	**55.7**	**6,939,846**	**59.9**
Total Small Farm	**82**	**0.1**	**16,350**	**0.1**
Total Loans	**50,689**	**100.0**	**11,591,577**	**100.0**

The table below shows the distribution of loans inside and outside the bank's assessment areas. A substantial majority of loans are made in the bank's assessment areas.

Assessment Area Concentration								
Loan Type	**Inside Assessment Area**				**Outside Assessment Area**			
	#	**%**	**$000's**	**% of $**	**#**	**%**	**$000's**	**% of $**
Home Equity	18,093	94.5	2,735,267	93.7	1,043	5.5	183,370	6.3
Total Consumer-Related	**18,093**	**94.5**	**2,735,267**	**93.7**	**1,043**	**5.5**	**183,370**	**6.3**
Home Purchase – Conventional	1,198	83.4	481,938	77.9	239	16.6	136,383	22.1
Home Purchase – FHA	124	93.9	14,028	93.3	8	6.1	1,002	6.7
Home Purchase – VA	3	100.0	499	100.0	0	0.0	0	0.0
Home Improvement	39	95.1	13,879	92.4	2	4.9	1,149	7.6
Refinancing	1,439	90.1	678,189	82.0	158	9.9	149,224	18.0
Multifamily	30	63.8	121,413	50.5	17	36.2	119,040	49.5
Total HMDA-Related	**2,833**	**87.0**	**1,309,946**	**76.3**	**424**	**13.0**	**406,798**	**23.7**
Total Small Business	**24,833**	**88.0**	**5,955,362**	**85.8**	**3,381**	**12.0**	**984,484**	**14.2**
Total Small Farm	**62**	**75.6**	**11,237**	**68.7**	**20**	**24.4**	**5,113**	**31.3**
Total Loans	**45,821**	**90.4**	**10,011,812**	**86.4**	**4,868**	**9.6**	**1,579,765**	**13.6**

Geographic Distribution and Distribution by Borrower Income and Business Revenue Size

Consistent with the performance standards for a large bank, conclusions about the bank's distribution of lending within its assessment areas considers the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; home mortgage loans and consumer loans to low-, moderate-, middle-, and upper-income individuals; small-business and small-farm loans to businesses and farms with gross annual revenues of $1 million or less; and, small-business and small-farm loans by loan amount at origination.

The CRA emphasizes the importance of banks serving the credit needs of their assessment areas, including LMI borrowers and areas. The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. Of the eight full-scope assessment areas, five are considered adequate, two are considered good, and one is considered poor. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. Of the eight full-scope assessment areas, four are considered adequate, three are considered good, and one is considered poor. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

While not innovative, the bank makes some limited use of flexible lending activities in its assessment areas including mortgage lending (the Home Affordable Refinance Program [HARP], high balance GSEs, and HomeReady), Small Business Micro Lending, the Ex-Im Bank Working Capital Guarantee, and Government Insured Loan Programs.

- Mortgage Lending – The following table exhibits the details of Comerica's participation in for the review period.
    - HARP – This program was created by the Federal Housing Finance Agency specifically to help homeowners who are current on their mortgage payments, but have little to no equity in their homes, refinance their mortgage.
    - High Balance GSE – The high-balance loan requirements apply to mortgage loans with original loan amounts meeting the high-cost area loan limits established by the Federal Housing Finance Agency. These loans must meet most standard Fannie Mae eligibility and underwriting requirements but contain a few exceptions.
    - HomeReady – This is a loan product from Fannie Mae to support affordable housing by providing low down payment options.

State	HARP		High Balance GSE		HomeReady		# in LMI Tracts	$ in LMI Tracts	% in LMI Tracts by #	% in LMI Tracts by $
	#	$ (000s)	#	$ (000s)	#	$ (000s)	#	$ (000s)	#	$ (000s)
California	-	-	8	4,297	-	-	2	1,125	25.0%	26.2%
Michigan	24	2,629	-	-	1	78	3	227	12.0%	8.4%
Texas	2	177	-	-	-	-	-	-	-	-
Total	**26**	**2,806**	**8**	**4,297**	**1**	**78**	**5**	**1,352**	**14.3%**	**18.8%**

In addition, the bank offers the following loan programs with the specific purpose of supporting alternative business needs.

- Ex-Im Bank Working Capital Guarantee Program - The bank participates in this government-sponsored credit support program to provide trade financing to companies that cannot use traditional sources. During this review period, the bank originated 32 loans totaling approximately $115.5 million. The following table summarizes the loan originations by state.

State	#	$ (000s)
California	10	56,401
Florida	1	2,500
Michigan	4	15,500
Texas	17	41,125
Total Loans	32	115,526

- Micro Business Loans - The bank offers secured business lines of credit and term loans in amounts from $10,000 to $250,000. The loan product uses flexible lending practices to better serve the credit needs within the bank's assessment areas. These loans address the credit needs of small business customers who bank and/or have small businesses located in low- and moderate-income geographies. The following table illustrates the micro loans extended by state during the evaluation period.

State	#	$ (000s)	# in LMI Census Tracts	$ in LMI Census Tracts (000s)	% in LMI Census Tracts by #	% in LMI Census Tracts by $
Arizona	93	10,564	30	4,772	32.3%	45.2%
California	568	80,394	195	30,261	34.3%	37.6%
Florida	34	4,423	9	1,224	26.5%	27.7%
Michigan	1,442	172,623	486	92,930	33.7%	53.8%
Texas	1,016	117,503	411	48,008	40.5%	40.9%
Total	**3,153**	**385,507**	**1,131**	**177,195**	**35.9%**	**46.0%**

- Government-Insured Loan Programs - The bank offers a variety of government-insured loan programs to help meet the credit needs of low- and moderate-income borrowers and small businesses. The following table represents the bank's participation by state in the three primary federal loan programs in which the bank participates.

State	FHA & VA		SBA	
	#	$ (000s)	#	$ (000s)
Arizona	-	-	66	7,713
California	-	-	399	102,083
Florida	14	2,081	15	1,740
Michigan	115	12,567	292	123,158
Texas	19	2,547	276	93,143
Total Loans	148	17,195	1,048	327,837

Detailed information about the bank's lending activity can be found in the individual assessment area sections of this report.

Community Development Lending

The bank makes an adequate level of community development loans. During the review period, the bank originated or renewed 401 community development loans totaling approximately $1.2 billion. In addition, Comerica's assessment areas benefitted from $816,680 in consortia lending.

The community development loans originated during the evaluation period were for a variety of purposes. The table below summarizes the bank's community development lending.

Community Development Lending		
Purpose	Number	$(000s)
Affordable Housing	63	120,861
Community Services Benefitting LMI Individuals	221	409,770
Economic Development	49	144,148
Revitalize and Stabilize	68	509,723
Total	401	1,184,502

Investment Test

The bank's overall Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants, and exhibits adequate responsiveness to credit and community development needs. The table below summarizes the bank's community development investments and grants by assessment area within the state. Specific details regarding investments and donations can be found in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Assessment Area	#	$000s	#	$000s	#	$000s	#	$000s
Full Review:								
Phoenix	28	11,277	3	5,493	72	603	103	17,373
Greater Los Angeles	9	6,051	7	5,842	369	2,157	385	14,050
Santa Cruz	-	-	1	4,261	33	221	34	4,482
Naples-Immokalee-Marco Island MSA	2	374	-	-	17	89	19	463
Kalamazoo-Portage	2	231	-	-	41	133	43	364
Southeast Michigan	30	22,314	6	15,673	830	4,532	866	42,519
Dallas-Fort Worth Metroplex	26	8,392	1	956	183	1,325	210	10,673
Houston	16	15,653	4	10,248	131	779	151	26,680
Limited Review:								
Fresno MSA	2	274	2	1,742	21	201	25	2,217
Inland Empire	14	1,943	-	-	31	164	45	2,107
Sacramento	6	964	-	-	27	312	33	1,276
Salinas	3	586	1	126	22	57	26	769
San Diego	4	590	2	2,764	87	413	93	3,767
San Francisco Bay	2	9,979	4	6,548	238	2,551	244	19,078
San Jose	3	10,182	-	-	84	414	87	10,596
Ventura	4	510	-	-	28	125	32	635
Fort Lauderdale-West Palm Beach	18	10,492	1	5,824	98	429	117	16,745
Sarasota	-	-	-	-	2	8	2	8
Stuart	-	-	-	-	1	1	1	1
Ann Arbor	6	937	1	4,004	47	125	54	5,066
Battle Creek	1	122	-	-	25	38	26	160
Fenton	-	-	-	-	8	24	8	24
Grand Rapids-Wyoming	8	3,230	1	1,955	113	300	122	5,485
Jackson MSA	2	247	-	-	24	73	26	320

Lansing-East Lansing	2	173	5	14,791	62	152	69	15,116
Midland MSA	1	101	-	-	22	27	23	128
Muskegon MSA	1	137	-	-	33	48	34	185
Gladwin County	-	-	-	-	-	-	-	-
Lenawee County	-	-	-	-	-	-	-	-
Austin	10	1,214	-	-	28	300	38	1,514
San Antonio	7	14,398	2	4,902	22	264	31	19,564
Kerr County	-	-	-	-	13	61	13	61
Total	207	120,371	41	85,129	2,712	15,926	2,960	221,426

In addition, a total of 15 investments benefited the statewide areas, which included the bank's assessment areas, and 81 benefited multiple assessment areas which included those of the bank. These investments totaled $3.3 million and $282.5 million, respectively.

Furthermore, a total of 33 donations benefited the statewide areas, which included the bank's assessment areas. These donations totaled $357,500.

Service Test

The bank's overall Service Test rating is Low Satisfactory. Comerica's performance is considered Low Satisfactory in Arizona, California, Florida, and Michigan, and High Satisfactory in Texas. Specific details of the service performance are discussed in the respective assessment area sections of this report.

Retail Services

Overall, delivery systems, including ATMs and branch office locations, are reasonably accessible to the bank's assessment areas and individuals of different income levels. Banking services and hours of operations do not vary in a way that inconveniences the assessment areas, including low- and moderate-income geographies or to low- and moderate-income individuals. The record of opening and closing offices has not adversely affected the accessibility of its delivery systems, including to low- and moderate-income geographies and/or low- and moderate-income individuals.

In most assessment areas, the bank offers extended morning and evening hours as well as Saturday hours, and offers no- or low-cost deposit accounts. The bank also uses the following alternative delivery systems:

- **Online Banking** – This delivery system includes Web Banking, Quicken® Banking with Comerica, Quicken® for Business, QuickBooks®, Comerica Web Bill Pay, and Telephone Bill Pay.

- **Mobile Banking** – Comerica also offers mobile banking, which includes an application for smartphone and iPad® devices. Through the application, customers can access online banking accounts to view balances, make account transfers, pay bills, deposit checks, and locate Comerica ATM and banking center locations.
- **On-the-Job Banking** – The bank enters into agreements with businesses to offer the business employees no- or low-cost personal banking products and services. Employees of these businesses receive benefits such as direct deposit of pay checks, waivers or discounts on fees, and discounted installment loans if automated payments are made from the On-the-Job Banking Checking account. Many of the businesses that choose to offer this program as a benefit to their employees are located in low- and moderate-income census tracts and/or consist of lower wage positions, qualifying their employees as low- or moderate-income individuals.
- **Credit Card Partnership** – Although Comerica does not originate consumer credit card loans, the bank partners with Elan, which originates small dollar credit card loans to small businesses on behalf of Comerica. These loans are not included in the bank's reportable small business loans for CRA purposes.

Community Development Services

The bank provides a relatively high level of community development services. Comerica's staff participated in more than 6,870 events/meetings during the review period. Approximately 4,350 of those were in the full-scope assessment areas. The level of community development services was considered relatively high in each of the five states where the bank operates.

The bank's directors, officers, and staff members are involved in numerous organizations and activities that promote affordable housing for low- and moderate-income individuals, community services for low- and moderate-income individuals, economic development, and revitalization of low- and moderate-income areas. Additionally, the bank participates in numerous financial literacy initiatives to help provide financial education to low- and moderate-income school children throughout its assessment areas.

These initiatives are particularly responsive and were often stated by community contacts as a need throughout Comerica's footprint.

Fair Lending or Other Illegal Credit Practices Review

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB). In general, the Dodd-Frank Act gives the BCFP, among other things, primary supervisory authority over insured depository institutions with total assets of more than $10 billion when assessing compliance with the requirements of Federal consumer financial laws. The Federal Reserve System retains authority to enforce compliance with the CRA and certain other consumer compliance laws and regulations. During the review period of this evaluation, the Federal

Reserve Bank of Dallas did not cite violations involving illegal discrimination or other illegal credit practices that adversely affected the evaluation of the bank's CRA performance. As of the date of this evaluation, the Federal Reserve Bank of Dallas is unaware of any violations of the Equal Credit Opportunity Act or Regulation B, or any unfair, deceptive, or abusive acts or practices identified by the CFPB.

State of Arizona

CRA Rating for Arizona: Satisfactory

The Lending Test is Rated: Low Satisfactory
The Investment Test is Rated: High Satisfactory
The Service Test is Rated: Low Satisfactory

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects adequate responsiveness to the assessment area's credit needs.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of HMDA lending reflects adequate penetration among customers of different income levels.
- The distribution of small business lending reflects good penetration among businesses of different revenue sizes.
- Makes an adequate level of community development loans.
- Has an excellent level of qualified community development investments.
- Exhibits good responsiveness to credit and community development needs.
- Delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment area.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment area, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

Scope

The bank designates a single assessment area in Arizona. According to FFIEC procedures, a minimum of one assessment area from each state must be reviewed using full-scope examination procedures for interstate institutions. Therefore, the single assessment area delineated by the bank in the State of Arizona was selected for full-scope review. As Phoenix constitutes the one assessment area in Arizona, the statewide rating will be based on the CRA activity within that assessment area and any other investment or services that are provided on a broader, statewide basis. The time period and products evaluated for this state are consistent with the scope discussed in the Institution section of this report.

Description of Institution's Operations in Arizona

The bank operates 17 branch offices in Arizona, representing 3.9% of total branches. As of June 30, 2017, the bank had $354.4 million in deposits in the state, representing 0.6% of total deposits. According to the June 30, 2017, FDIC Summary of Deposits, the bank had a deposit market share of 0.4% and ranked 20th out of 59 FDIC-insured financial institutions across the state. Of the 3,257 HMDA loans originated and purchased by the bank, 63 (1.9%) were in Arizona. Of the 28,214 small business loans originated and purchased by the bank, 527 (1.9%) were in Arizona.

For a more detailed summary of the bank's operations in Arizona, see "Description of Operations in Phoenix," below.

METROPOLITAN AREAS (Full Scope Review)

Description of Operations in Phoenix

The Phoenix Assessment Area includes a portion of Maricopa County. This county, along with Pinal County, which is excluded from the assessment area, make up the Phoenix-Mesa-Scottsdale MSA.

According to the 2010 census, the assessment area population was 3,817,117, which accounted for 54.4% of the population in the state. Based on the 2017 population of 4,307,033, the assessment area has experienced an increase of 12.8% since 2010. Phoenix, the largest city within the assessment area, accounts for 37.8% of the population in the assessment area. Other notable cities in the assessment area are Glendale, Mesa, and Scottsdale.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Maricopa	4,307,033	12.8	Phoenix*, Glendale, Mesa, Scottsdale

*Denotes county seat

As of December 31, 2017, the bank operated 17 branches in the assessment area representing 3.9% of its branches. There are nine branches located in middle-income census tracts, and eight branches in upper-income census tracts. Additionally, Comerica operates one loan production office (LPO) in an upper-income tract.

According to the FDIC, as of June 30, 2017, the bank had $354.4 million in deposits in this assessment area representing 0.6% of the bank's total deposits. It also represents a deposit market share of 0.4%, which includes all other FDIC-insured deposits that are located in the assessment area. JPMorgan Chase Bank holds the largest deposit share at 26.1%, followed by Wells Fargo Bank, at 23.1%, and Bank of America, at 19.4%.

For 2016, there were 805 financial institutions that reported HMDA data in the assessment area. The bank ranked 220th in HMDA market share with less than 0.1%. Wells Fargo Bank and U S Bank dominated the market with 10.2% and 5.5% of the market share, respectively. For 2017, there were 820 financial institutions that reported HMDA data in the assessment area. The bank ranked 223rd in HMDA market share with less than 0.1%. Wells Fargo Bank and U S Bank once again dominated the market with 9.1% and 6.3% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, and it appears competition could have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending. However, this is not a major product for Comerica.

For 2016, there were 203 financial institutions that reported CRA small business data in the assessment area. The bank ranked 31st in market share with 0.1%. Citibank and American Express Bank dominated the market with 31.4% and 16.1% of the market share, respectively. For 2017, there were 207 financial institutions that reported CRA small business data in the assessment area. The bank ranked 34th in market share with 0.2%. American Express Bank and Chase Bank USA dominated the market with 17.1% and 15.2% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Phoenix-Mesa-Scottsdale MSA as a whole but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 88.9% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Phoenix assessment area was made up of 893 distinct census tracts. Of the total number of tracts, 84 (9.4%) were designated as low-income, 218 (24.4%) were designated moderate-income, 281 (31.5%) were middle-income, 302 (33.8%) were upper-income, and eight (0.9%) were designated as having an unknown-income level. As of the 2015 census estimates, 104 (11.6%) were designated as low-income, 202 (22.6%) were designated moderate-income, 279 (31.2%) were middle-income, 299 (33.5%) were upper-income, and nine (1.0%) were unknown-income.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; and the U.S. Department of Housing and Urban Development (HUD); D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Phoenix-Mesa-Scottsdale MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 10.1% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 12.7% of the families in the assessment area lived below the poverty level.

Income Level	2010	2015
Median Income	$64,868	$64,257
Low-income	< $32,434	< $32,129
Moderate-income	$32,434 - $51,894	$32,129 - $51,406
Middle-income	$51,895 - $77,841	$51,407 - $77,108
Upper-income	≥ $77,842	≥ $77,109

Housing Characteristics

2010 Census

According to 2010 census data, there were 1,559,022 housing units in the Phoenix Assessment Area. Of total housing in the assessment area, 57.2% of the units were classified as owner-occupied, while 29.6% were classified as rental units and 13.2% of the available housing was vacant. Overall, 7.7% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 27.1% of the housing units were owner-occupied, 54.4% were rental units, and 18.5% were vacant.

The median age of housing stock in these tracts was 36 years and the median housing value in low-income tracts for the assessment area in 2010 was $122,998. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $712, which is less affordable than the monthly mortgage payment of $450 for a $122,998 home for 30 years at 3.65% interest rate. However, 37.3% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 26.5% of the housing stock in the assessment area. In these census tracts, 46.0% of the housing units were owner-occupied, 38.4% were rental units, and 15.7% were vacant. The median age of housing stock in these tracts was 33 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $153,387. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $816, which is less affordable than the monthly mortgage payment of $561 for a $153,387 home for 30 years at 3.65% interest rate. However, 17.1% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 33.1%, is in middle-income tracts. In these census tracts, 60.5% of the housing units were owner-occupied, 27.7% were rental units, and 11.8% were vacant. The median age of housing stock in these tracts was 22 years, and 6.9% of families in middle-income tracts had incomes below the poverty level. The median housing value in middle-income tracts for the assessment area was $217,655.

Approximately 32.7% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 70.1% of the housing units were owner-occupied, 18.4% were rental units, and 11.5% were vacant. The median age of housing stock in these tracts was 17 years, and 3.3% of families in middle-income tracts had incomes below the poverty level. The median housing value in upper-income tracts for the assessment area was $369,528.

2015 Census Estimates

According to 2015 census estimates, there are 1,622,387 housing units in the Phoenix Assessment Area. Of total housing in the assessment area, 52.2% of the units are classified as owner-occupied while 34.5% are classified as rental units and 13.3% of the available housing is vacant. Overall, 10.0% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 24.3% of the housing units are owner-occupied, 59.5% are rental units, and 16.2% are vacant.

The median age of housing stock in these tracts is 45 years and the median housing value in low-income tracts for the assessment area in 2015 was $76,484. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $738, which is less affordable than the monthly mortgage payment of $292 for a $76,484 home for 30 years at 3.99% interest rate. However, 42.7% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 23.5% of the housing stock in the assessment area. In these census tracts, 42.1% of the housing units are owner-occupied, 43.2% are rental units, and 14.7% are vacant. The median age of housing stock in these tracts is 43 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $107,111. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $855, which is less affordable than the monthly mortgage payment of $409 for a $107,111 home for 30 years at 3.99% interest rate. However, 21.0% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 33.2%, is in middle-income tracts. In these census tracts, 54.2% of the housing units are owner-occupied, 32.5% are rental units, and 13.2% are vacant. The median age of housing stock in these tracts is 32 years, and 9.0% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area was $162,368.

Approximately 33.2% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 66.0% of the housing units are owner-occupied, 22.7% are rental units, and 11.3% are vacant. The median age of housing stock in these tracts is 26 years, and 4.0% of families in upper-income tracts have incomes below the poverty level. The median housing value in upper-income tracts for the assessment area was $293,299.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for the assessment area were lower than the annual unemployment rates for Arizona and the nation, and similar to those of the entire MSA. According to the 2010 census, the unemployment rate was 10.3% in low-income tracts and 9.3% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had increased to 12.5% and 10.3% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Maricopa County	5.1%	4.6%	4.2%
MSA	5.2%	4.6%	4.2%
State of Arizona	6.1%	5.4%	4.9%
United States	5.3%	4.9%	4.4%

The Phoenix-Mesa-Scottsdale MSA is the economic and population center of Arizona; 66.4% of the state's population resides within the MSA. Commonly known as "the Valley of the Sun", the MSA had a real gross domestic product of $243.0 billion in 2017, making it the 16th largest metropolitan economy in the U.S.[2] The MSA is also home to several Fortune 500 and Fortune 1000 companies, including PetSmart, Republic Services, and Sprouts Farmers Market.[3] Banner Health, the state's largest private employer, maintains a

[2] U.S. Bureau of Economic Analysis. "Gross Domestic Product by Metropolitan Area, 2017." BEA.gov. https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf (accessed January 10, 2019)
[3] Arizona Central. "Arizona Republic 100: State's largest employers." AZCentral.com https://www.azcentral.com/story/money/business/2015/04/19/arizona-republic-100-largest-employers/25462291/ (accessed October 14, 2018)

significant presence in the area, and due to the merger with US Airways, American Airlines employs many in the Phoenix area as well.

Community Contacts and Community Development Opportunities

As part of the evaluation of the Phoenix assessment area, two community contacts involved in community development were made. The two contacts highlighted needs for affordable housing, small dollar loans to small businesses, grants for organizations providing technical assistance, and innovative lending practices.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

Combined Demographics Report

Assessment Area: AZ - Phoenix

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	84	9.4	61,688	6.9	22,989	37.3	187,573	21
Moderate-income	218	24.4	206,040	23.1	35,187	17.1	155,705	17.5
Middle-income	281	31.5	298,452	33.5	20,682	6.9	179,085	20.1
Upper-income	302	33.8	325,066	36.5	10,803	3.3	368,886	41.4
Unknown-income	8	0.9	3	0	0	0	0	0
Total Assessment Area	**893**	**100.0**	**891,249**	**100.0**	**89,661**	**10.1**	**891,249**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	120,172	32,615	3.7	27.1	65,363	54.4	22,194	18.5
Moderate-income	413,021	189,833	21.3	46	158,493	38.4	64,695	15.7
Middle-income	515,885	312,069	35	60.5	142,847	27.7	60,969	11.8
Upper-income	509,463	357,186	40.1	70.1	93,863	18.4	58,414	11.5
Unknown-income	481	131	0	27.2	226	47	124	25.8
Total Assessment Area	**1,559,022**	**891,834**	**100.0**	**57.2**	**460,792**	**29.6**	**206,396**	**13.2**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	12,714	7	10,225	6.1	2,337	17.1	152	8.3
Moderate-income	28,976	15.9	25,961	15.6	2,801	20.5	214	11.6
Middle-income	52,875	29.1	49,152	29.5	3,313	24.3	410	22.3
Upper-income	86,370	47.5	80,363	48.3	4,949	36.3	1,058	57.4
Unknown-income	987	0.5	736	0.4	243	1.8	8	0.4
Total Assessment Area	**181,922**	**100.0**	**166,437**	**100.0**	**13,643**	**100.0**	**1,842**	**100.0**
	Percentage of Total Businesses:			**91.5**		**7.5**		**1.0**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	43	3.4	41	3.4	2	2.6	0	0
Moderate-income	157	12.4	144	12.1	13	16.7	0	0
Middle-income	364	28.7	337	28.3	27	34.6	0	0
Upper-income	697	54.9	661	55.5	36	46.2	0	0
Unknown-income	8	0.6	8	0.7	0	0	0	0
Total Assessment Area	**1,269**	**100.0**	**1,191**	**100.0**	**78**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**93.9**		**6.1**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Phoenix

Combined Demographics Report

Assessment Area: AZ - Phoenix

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	104	11.6	84,543	9.2	36,093	42.7	201,508	21.9
Moderate-income	202	22.6	191,843	20.9	40,277	21	154,644	16.8
Middle-income	279	31.2	293,933	32	26,334	9	175,673	19.1
Upper-income	299	33.5	347,669	37.9	13,963	4	386,376	42.1
Unknown-income	9	1	213	0	40	18.8	0	0
Total Assessment Area	**893**	**100.0**	**918,201**	**100.0**	**116,707**	**12.7**	**918,201**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	162,646	39,453	4.7	24.3	96,806	59.5	26,387	16.2
Moderate-income	380,773	160,335	18.9	42.1	164,490	43.2	55,948	14.7
Middle-income	538,452	291,923	34.5	54.2	175,190	32.5	71,339	13.2
Upper-income	538,616	355,360	41.9	66	122,158	22.7	61,098	11.3
Unknown-income	1,900	135	0	7.1	1,480	77.9	285	15
Total Assessment Area	**1,622,387**	**847,206**	**100.0**	**52.2**	**560,124**	**34.5**	**215,057**	**13.3**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	11,604	7.1	9,530	6.4	1,917	14.1	157	9.8
Moderate-income	27,420	16.8	24,119	16.3	3,113	22.9	188	11.7
Middle-income	46,017	28.1	42,260	28.5	3,395	25	362	22.5
Upper-income	77,627	47.5	71,810	48.4	4,926	36.3	891	55.4
Unknown-income	902	0.6	662	0.4	231	1.7	9	0.6
Total Assessment Area	**163,570**	**100.0**	**148,381**	**100.0**	**13,582**	**100.0**	**1,607**	**100.0**
	Percentage of Total Businesses:			**90.7**		**8.3**		**1.0**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	37	3.2	31	2.9	6	8.1	0	0
Moderate-income	156	13.6	143	13.3	13	17.6	0	0
Middle-income	344	29.9	316	29.4	28	37.8	0	0
Upper-income	608	52.9	581	54	27	36.5	0	0
Unknown-income	4	0.3	4	0.4	0	0	0	0
Total Assessment Area	**1,149**	**100.0**	**1,075**	**100.0**	**74**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**93.6**		**6.4**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is Low Satisfactory. Lending activity reflects adequate responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects good penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes an adequate level of community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 527 (89.3%) small business loans compared to 63 (10.7%) HMDA loans in the Phoenix assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

<u>Lending to Borrowers of Different Income Levels and Businesses of Different Sizes</u>

The bank's distribution of lending to borrowers reflects a good penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is good. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market, which is experiencing economic growth and increased loan demand.

In 2016, the bank originated 30.8% of its loans, representing 14.3% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 41.4% (29.2% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 31.3% of loans (18.9% by dollar) to small business while aggregate lenders originated 50.4% (33.1% by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which reports 91.5% and 90.7% of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a majority of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 52.3% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 95.9% for the aggregate. In 2017, 54.6% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 94.7% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered adequate when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is good. In 2016, the bank originated 12.5% (4.1% by dollar volume) of its total HMDA loans to low-income borrowers, which was greater than the 4.1% (2.0% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers fell to 5.9% (0.7% by dollar), but remained similar to aggregate lending to low-income borrowers, which represented 5.1% of total HMDA loans and 2.5% of the total dollar volume. Low-income families made up 21.0% of total families in the assessment area in 2016 and 21.9% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is adequate. In 2016, the bank originated 20.8% (7.9% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which was greater than the 13.3% of HMDA-related loans (8.5% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank was below aggregate, originating 5.9% of HMDA-related loans (0.6% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 14.7% of HMDA loans (9.5% by dollar) to moderate-income borrowers. Both the bank and the aggregate HMDA lenders fell below the demographics, with 17.5% and 16.8% of families in 2016 and 2017 (respectively) in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered adequate when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is adequate. In 2015 and 2016, Comerica originated 4.8% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at

21.0%. However, 37.3% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 7.4% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 21.9%. However, 42.7% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is adequate. In 2015 and 2016, Comerica originated 12.1% of its HELOCs to moderate-income borrowers. The bank's performance was below the percentage of moderate-income families in the assessment area, at 17.5%. However, 17.1% of moderate-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 14.9% of its HELOCs to moderate-income borrowers. The bank's performance was slightly below the percentage of moderate-income families in the assessment area, at 16.8%. However, 21.0% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects adequate penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects good penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is excellent. The bank's small business lending by number in low-income tracts during the review period exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 16.3% of small business loans (22.4% by dollar) were originated in low-income tracts, compared to 6.1% of businesses located in those tracts and 6.5% of aggregate loans (11.8% by dollar). In 2017, 9.2% of small business loans (9.8% by dollar) were originated in low-income tracts, compared to 6.4% of businesses located in those tracts and 7.3% of aggregate loans (10.8% by dollar).

The bank's small business lending in moderate-income census tracts is adequate. In 2016, 12.2% of small business loans (12.9% by dollar) were originated in moderate-income tracts, compared to 15.6% of businesses located in those tracts and 14.5% of aggregate loans (16.3% by dollar). In 2017, the bank's performance improved, as 15.3% of small business loans (14.6% by dollar) were originated in moderate-income tracts, compared to 16.3% of businesses located in those tracts and 16.8% of aggregate loans (19.6% by dollar).

The bank's small business lending in middle-income tracts was higher than the percentage of small businesses in these tracts in 2017, and slightly lower than the percentage of small businesses in these tracts in 2015 and 2016; the bank originated more loans in those tracts than aggregate lenders. The bank's small business lending in upper-income tracts was slightly lower than the percentage of small businesses in these tracts, and the bank originated fewer loans in those tracts than aggregate lenders.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects a poor penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is poor. The bank originated no home purchase loans in these tracts during the review period. While aggregate lending overall was somewhat low, lenders were able to originate loans in these tract types. In 2016, aggregate lenders originated 2.3% of home purchase loans (1.5% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 4.4% of loans (2.7% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, 3.7% and 4.7% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home purchase lending in moderate-income tracts is adequate. In 2016, the bank originated 20.0% of its home purchase loans in moderate-income census tracts (6.2% by dollar); in 2017, Comerica originated no loans. Aggregate lenders originated 16.4% of home purchase loans each year (11.0% and 11.6% by dollar in 2016 and 2017, respectively). Additionally, in 2016 and 2017, 21.3% and 18.9% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts. Although it appears that the bank exceeded the aggregate in 2016, the bank only originated two loans in a moderate-income tract.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts during the review period, aggregate lenders also struggled to originate loans in 2016 before slightly improving performance in 2017. In 2016, aggregate lenders originated only 1.3% of loans in low-income areas; in 2017, aggregate lenders originated 3.1% of loans in low-income areas. Additionally, in 2016 and 2017, 3.7% and 4.7% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home refinance lending in moderate-income tracts is poor. Bank performance was below both the percentage of owner-occupied units (21.3% in 2016 and 18.9% in 2017) as well as aggregate lending levels. In both 2016 and 2017, Comerica originated only one home refinance loan in a moderate-income census tract, representing 7.1% and 8.3% by number and 1.2% and 0.7% by dollar, respectively. In contrast, aggregate lenders originated 11.7% of refinance loans in moderate-income tracts in 2016 and 14.8% in 2017.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is adequate.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank originated 1.1% of its HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 3.7%. In 2017, the bank originated 2.7% of its HELOCs in low-income tracts, which was comparable to the percentage of owner-occupied units in these tracts, at 4.7%.

Comerica's HELOC lending in moderate-income census tracts is poor. In 2015 and 2016, the bank originated 9.9% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 21.3%. In 2017, the bank originated 10.8% of its HELOCs in moderate-income tracts, which was below the percentage of owner-occupied units in these tracts, at 18.9%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank makes an adequate level of community development loans in the assessment area given its low deposit and lending market shares. The amount of community development loans totaled $8.6 million. The bank's commitment to making qualified community development loans demonstrates an adequate responsiveness to meeting community needs.

The table below provides a breakdown of the types of community development loans the bank originated during the review period. All community development loans were for the purpose of community services directed to assist LMI individuals.

Community Development Lending		
Purpose	**#**	**$000s**
Community Services	7	8,633
Totals	7	8,633

A large portion of the loans ($3.6 million) was to Take Charge America, a nonprofit that provides credit counseling, housing counseling, and financial education to help address financial hardships. Another $1.1 million loan financed low-cost healthcare to underserved, LMI areas in central Phoenix.

Further, Comerica provided $58,746 in consortia loans through Community or Economic Development Corporations in the assessment area. These loans provide financing to qualified businesses, some of which are also located in low- and moderate-income census tracts.

Investment Test

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants and exhibits good responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $17.4 million, has increased 81.3% from the previous evaluation.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**
Affordable Housing	28	11,277	3	5,493	4	19	35	16,789
Community Services	-	-	-	-	61	464	61	464
Economic Development	-	-	-	-	7	120	7	120
Total	28	11,277	3	5,493	72	603	103	17,373

One way the bank demonstrated its responsiveness to needs in the assessment area was through its grants to ACCION. Comerica provided approximately $120,000 in grants to this nonprofit organization, which is dedicated to providing the tools entrepreneurs need to operate, grow, or start their businesses. Technical assistance of this type was mentioned as a need by a contact in the assessment area.

In addition, seven investments benefitting multiple assessment areas provided $10.8 million to affordable housing efforts in Phoenix.

Service Test

The bank's Service Test performance is Low Satisfactory. Its retail and community development services reflect adequate responsiveness to the needs of the Phoenix assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

Retail Services

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's 17 branch offices and 21 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. While no branches are located in low- or moderate-income tracts, 11 are in close proximity and can reasonably serve these tracts. The table below summarizes the bank's retail locations in the Phoenix assessment area.

Phoenix

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	11.7	11.3	-	-	-	-	-	-
Moderate	22.6	23.0	-	-	-	-	-	-
Middle	31.2	31.2	9	52.9	9	42.9	-	-
Upper	33.5	34.3	8	47.1	12	57.1	-	-
Unknown	1.0	0.2	-	-	-	-	-	-
Total	100.0	100.0	17	100.0	21	100.0	-	-

The bank opened one branch (in an upper-income census tract) and closed two branches (both in upper-income census tracts) in the assessment area. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in many various capacities, including boards of directors and in other leadership roles, for 18 community development financial organizations offering community development services that focused on community services targeting LMI individuals. The table below shows the number of events by type of involvement. Employees participated in 631 events or meetings during the review period.

Purpose	# Events / Meetings
Community Services Benefitting LMI Individuals/Geographies	631
Total	631

The bank actively supports LMI students in the area through involvement in Boys and Girls Clubs as well as Arizona Council on Economic Education, an organization dedicated to improving economic and personal financial literacy in Arizona. Bank personnel also serve extensively with Trellis, which promotes homeownership counseling, financial access, and neighborhood development.

State of California

CRA Rating for California: Satisfactory

The Lending Test is Rated: Low Satisfactory
The Investment Test is Rated: High Satisfactory
The Service Test is Rated: Low Satisfactory

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects adequate responsiveness to the assessment areas' credit needs.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of HMDA lending reflects poor penetration among customers of different income levels.
- The distribution of small business lending reflects adequate penetration among business of different revenue sizes.
- Makes an adequate level of community development loans.
- Has an excellent level of qualified community development investments.
- Exhibits adequate responsiveness to credit and community development needs.
- Delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment areas.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

Scope

The assessment areas were selected for full-scope reviews based on factors identified in the FFIEC procedures. These include, but are not limited to, the level of the institution's lending, investment, and service activity as well as opportunities for such in the assessment areas; population density; the number of other institutions in the assessment areas; and the length of time since the most recent full-scope review. Additionally, examiner knowledge of the assessment areas was considered when determining the full-scope assessment areas;

Los Angeles County and Santa Cruz County had the highest and second-highest poverty rates in the state when cost of living was taken into account.[4]

Overall, approximately 46.2% of lending activity (by number of loans), 40.5% of the total deposits, and 45.4% of total branches within California were evaluated through the full-scope reviews. Descriptions of the assessment areas, listed below, can be found in the applicable assessment area sections of this report.

- Greater Los Angeles
- Santa Cruz

In addition, limited scope reviews were conducted for the remaining eight assessment areas, including:

- Fresno MSA
- Inland Empire
- Sacramento
- Salinas
- San Diego
- San Francisco Bay
- San Jose
- Ventura

The time period, products, and affiliates evaluated for this state are consistent with the scope discussed in the Institution section of this report. The bank's performance in the Greater Los Angeles assessment area was given greater consideration due to the level of lending, branching, and deposit activity.

Description of Institution's Operations in California

The bank operates 97 branch offices in its assessment areas in California, representing 22.1% of total branches. As of June 30, 2017, the bank had $17.7 billion in deposits in the state, representing 30.8% of total deposits. According to the June 30, 2017, FDIC Summary of Deposits, the bank had a deposit market share of 1.3% and ranked 14th out of 217 FDIC-insured financial institutions across the state. Of the 3,257 HMDA loans originated and purchased by the bank, 416 (16.0%) were in the California assessment areas. Of the 28,214 small business loans originated and purchased by the bank, 5,433 (19.3%) were in the California assessment areas.

[4] KION 5/46 News Channel. "Study says Santa Cruz County has second highest poverty rate in the state." KION546.com.
https://www.kion546.com/news/study-says-santa-cruz-county-has-second-highest-poverty-rate-in-the-state/775692263

Conclusions with Respect to Performance Tests in California

Lending Test

In California, the bank's overall Lending Test rating is Low Satisfactory. Lending activity reflects adequate responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment areas. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes an adequate level of community development loans.

The bank is both a small business and HMDA lender. During the review period, the bank reported 5,433 (92.9%) small business loans compared to 416 (7.1%) HMDA loans in the state. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in California.

References are made to the bank's lending distribution by geography and borrower income throughout this report. Detailed information about the bank's HMDA- and CRA-reportable loans can be found in tables in Appendices G, H, and I.

Geographic Distribution and Distribution by Borrower Income and Business Revenue Size

Consistent with the performance standards for a large bank, conclusions about the bank's distribution of lending within its assessment areas consider the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; home mortgage loans and consumer loans to low-, moderate-, middle-, and upper-income individuals; small-business loans to businesses with gross annual revenues of $1 million or less; and, small-business loans by loan amount at origination.

The CRA emphasizes the importance of banks serving the credit needs of their assessment areas, including LMI borrowers and areas. The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. Of the two full-scope assessment areas, both are considered adequate. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. Of the two full-scope assessment areas, both are considered adequate. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Lending

In California, the bank makes an adequate level of community development loans. During the review period, the bank originated 140 community development loans for $364.1 million in California representing 34.9% of the bank's total community development loans by number and 30.7% by total dollar amount. Of the two full-scope assessment areas, Greater Los Angeles' performance exceeded that of Santa Cruz, as a low level of community development loans were originated within the Santa Cruz assessment area. Greater Los Angeles had the greatest impact in terms of community development lending.

The community development loans originated during the evaluation period were for a variety of purposes. The table below summarizes the bank's community development lending.

Community Development Lending		
Purpose	**Number**	**$('000s)**
Affordable Housing	44	65,098
Community Services Benefitting LMI Individuals	60	151,294
Economic Development	32	103,155
Revitalize and Stabilize	4	44,575
Total	140	364,122

Further, Comerica provided $554,814 in consortia loans through Community or Economic Development Corporations in the state. These loans provide financing to qualified businesses, some of which are also located in low- and moderate-income census tracts.

Investment Test

In California, the bank's overall Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants and exhibits adequate responsiveness to credit and community development needs. The table below summarizes the bank's community development investments and grants by assessment area within the state. Specific details regarding investments and donations can be found in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Assessment Area	#	$000s	#	$000s	#	$000s	#	$000s
Full Review:								
Greater Los Angeles	9	6,051	7	5,842	369	2,791	385	14,684
Santa Cruz	-	-	1	4,261	33	221	34	4,482
Limited Review:								
Fresno MSA	2	274	2	1,742	21	201	25	2,217
Inland Empire	14	1,943	-	-	31	164	45	2,107
Sacramento	6	964	-	-	27	312	33	1,276
Salinas	3	586	1	126	22	57	26	769
San Diego	4	590	2	2,764	87	413	93	3,767
San Francisco Bay	2	9,979	4	6,548	238	2,551	244	19,078
San Jose	3	10,182	-	-	84	414	87	10,596
Ventura	4	510	-	-	28	125	32	635
Total	47	31,079	17	21,283	940	7,249	1,004	59,611

In addition, a total of two investments benefited the statewide area, which included the bank's assessment areas, and 48 benefited multiple assessment areas which included those in California. These investments totaled $5,433 and $128.7 million, respectively.

Furthermore, a total of nine donations benefited the statewide area, which included the bank's assessment areas. These donations totaled $15,000.

Service Test

In California, the bank's overall Service Test rating is Low Satisfactory.

Retail Services

Overall, delivery systems, including ATMs and branch office locations, are reasonably accessible to the bank's assessment areas and individuals of different income levels. Banking services and hours of operations do not vary in a way that inconveniences the assessment areas, including low- and moderate-income geographies or to low- and moderate-income individuals. The record of opening and closing offices has not affected the accessibility of its delivery systems, including to low- and moderate-income geographies and/or low- and moderate-income individuals.

While delivery systems are reasonably accessible to the bank's assessment areas overall, two limited-scope assessment areas were deemed to have branches that were unreasonably inaccessible to portions of the bank's geographies and individuals of different income levels in its AAs. The ratings of both Inland Empire as well as Ventura were lowered to reflect this inaccessibility to all populations.

Community Development Services

Overall, the bank provides a relatively high level of community development services. In both full-scope assessment areas, Comerica provided a relatively high level of community development services. Staff provided community development services to approximately 118 organizations and participated in more than 1,600 events. Particularly noteworthy is the bank's participation in financial literacy initiatives. The bank participated in the following financial literacy initiatives throughout the state:

- Operation Hope - Comerica's California Market provides funding and volunteers for the Operation Hope program, specifically for schools with LMI children. During the review period, Comerica sponsored numerous schools.
- Junior Achievement - During the review period, Comerica sponsored and provided financial education to several schools across the state.

An analysis of the community development services delivered in each assessment area is provided in the following pages.

METROPOLITAN AREAS (Full Scope Review)

Description of Operations in Greater Los Angeles

The Greater Los Angeles Assessment Area includes Orange County and portions of Los Angeles County. These two counties make up the Los Angeles-Long Beach-Anaheim MSA.

According to the 2010 census, the assessment area population was 12,828,837, which accounts for 34.4% of the population in the state. Based on the 2017 population of 13,353,907, the assessment area has experienced an increase of 4.1% since 2010. Los Angeles, the largest city within the assessment area, accounts for 30.0% of the population in the assessment area. Other notable cities in the assessment area are Long Beach, Glendale, Santa Ana, Anaheim, and Irvine.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Los Angeles	10,163,507	3.5	Los Angeles*, Long Beach, Glendale
Orange	3,190,400	6.0	Santa Ana*, Anaheim, Irvine

*Denotes county seat

As of December 31, 2017, the bank operated 38 branches in the assessment area representing 8.7% of its branches. There is one branch located in a low-income census tract, six branches in moderate-income census tracts, four in middle-income census tracts, and 24 branches in upper-income census tracts. Additionally, there are three branches in unknown-income tracts.

According to the FDIC, as of June 30, 2017, the bank had $6.3 billion in deposits in this assessment area representing 10.9% of the bank's total deposits. It also represents a deposit market share of 1.2%, which includes all other FDIC-insured deposits that are located in the assessment area. Bank of America holds the largest deposit share at 18.6%, followed by Wells Fargo Bank, at 15.2%, and JPMorgan Chase Bank, at 12.0%.

For 2016, there were 932 financial institutions that reported HMDA data in the assessment area. The bank ranked 265th in HMDA market share with less than 0.1%. Wells Fargo Bank and JPMorgan Chase Bank dominated the market with 9.7% and 6.4% of the market share, respectively. For 2017, there were 866 financial institutions that reported HMDA data in the assessment area. The bank ranked 258th in HMDA market share with less than 0.1%. Once again, Wells Fargo Bank and JPMorgan Chase Bank dominated the market with 9.6% and 6.6% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, and it appears competition could have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending. However, this is not a major product for Comerica.

For 2016, there were 221 financial institutions that reported CRA small business data in the assessment area. The bank ranked 35th in market share with 0.1%. Citibank and American Express Bank dominated the market with 27.0% and 21.0% of the market share, respectively. For 2017, there were 245 financial institutions that reported CRA small business data in the assessment area. The bank ranked 36th in market share with 0.2%. American Express Bank and Chase Bank USA dominated the market with 23.8% and 14.3% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Los Angeles-Long Beach-Anaheim MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 94.9% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Greater Los Angeles assessment area was made up of 2,775 distinct census tracts. Of the total tracts, 239 (8.6%) were designated as low-income, 798 (28.8%) were designated moderate-income, 784 (28.3%) were middle-income, 921 (33.2%) were upper-income, and 33 (1.2%) were designated as having an unknown-income level. As of the 2015 census estimates, 257 (9.3%) were designated as low-income, 792 (28.5%) were designated moderate-income, 720 (25.9%) were middle-income, 960 (34.6%) were upper-income, and 46 (1.7%) were designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Los Angeles-Long Beach-Anaheim MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 11.3% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 13.0% of the families in the assessment area lived below the poverty level.

Income Level	2010	2015
Median Income	$65,791	$67,513
Low-income	< $32,896	< $33,757
Moderate-income	$32,896 - $52,632	$33,757 - $54,010
Middle-income	$52,633 - $78,949	$54,011 - $81,015
Upper-income	≥ $78,950	≥ $81,016

Housing Characteristics

2010 Census

According to 2010 census data, there were 4,257,906 housing units in the Greater Los Angeles Assessment Area. Of total housing in the assessment area, 47.3% of the units were classified as owner-occupied while 46.8% were classified as rental units and 5.8% of the available housing was vacant. Overall, 7.2% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 16.3% of the housing units were owner-occupied, 76.0% were rental units, and 7.7% were vacant.

The median age of housing stock in these tracts was 52 years and the median housing value in low-income tracts for the assessment area in 2010 was $362,964. Mortgage payments on homes in these areas might not be considered affordable for a low-income family. The median gross monthly rental payment in low-income tracts in 2010 was $898, which is more affordable than the monthly mortgage payment of $1,328 for a $362,964 home for 30 years at 3.65% interest rate. Additionally, 33.6% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 26.6% of the housing stock in the assessment area. In these census tracts, 31.3% of the housing units were owner-occupied, 62.7% were rental units, and 6.1% were vacant. The median age of housing stock in these tracts was 49 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $401,566. Mortgage payments on homes in these areas might not be considered affordable for a moderate-income family. The median gross monthly rental payment in moderate-income tracts in 2010 was $1,048, which is more affordable than the monthly mortgage payment of $1,470 for a $401,566 home for 30 years at 3.65% interest rate. Additionally, 18.6% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 28.7%, was in middle-income tracts. In these census tracts, 49.8% of the housing units were owner-occupied, 45.0% were rental units, and 5.2% were vacant. The median age of housing stock in these tracts was 47 years and 8.5% of families in middle-income tracts had incomes

below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $473,297.

The majority of the housing stock in the assessment area, at 37.5%, was in upper-income tracts. In these census tracts, 62.8% of the housing units were owner-occupied, 31.4% were rental units, and 5.8% were vacant. The median age of housing stock in these tracts was 44 years and only 3.7% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $691,000.

2015 Census Estimates

According to 2015 census estimates, there are 4,322,426 housing units in the Greater Los Angeles Assessment Area. Of total housing in the assessment area, 45.1% of the units are classified as owner-occupied while 49.0% are classified as rental units and 5.9% of the available housing is vacant. Overall, 7.6% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 16.3% of the housing units are owner-occupied, 77.7% are rental units, and 6.1% are vacant.

The median age of housing stock in these tracts is 60 years and the median housing value in low-income tracts for the assessment area in 2015 was $300,953. Mortgage payments on homes in these areas might not be considered affordable for a low-income family. The median gross monthly rental payment in low-income tracts in 2015 was $993, which is more affordable than the monthly mortgage payment of $1,148 for a $300,953 home for 30 years at 3.99% interest rate. Additionally, 35.1% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 26.0% of the housing stock in the assessment area. In these census tracts, 30.5% of the housing units are owner-occupied, 63.9% are rental units, and 5.5% are vacant. The median age of housing stock in these tracts is 58 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $337,198. Mortgage payments on homes in these areas might not be considered affordable for a moderate-income family. The median gross monthly rental payment in moderate-income tracts in 2015 was $1,147, which is more affordable than the monthly mortgage payment of $1,286 for a $337,198 home for 30 years at 3.99% interest rate. Additionally, 21.3% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 26.2%, is in middle-income tracts. In these census tracts, 47.6% of the housing units are owner-occupied, 47.0% are rental units, and 5.3% are vacant. The median age of housing stock in these tracts is 56 years and 10.3% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $402,304.

Approximately 39.8% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 58.9% of the housing units are owner-occupied, 34.8% are rental units, and 6.3% are vacant. The median age of housing stock in these tracts is 53 years and only 4.5% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $648,508.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for the Los Angeles County were similar to those of the MSA, California, and the nation. Orange County's unemployment rates were lower than the annual unemployment rates for the MSA, California, and the nation. According to the 2010 census, the unemployment rate was 11.2% in low-income tracts and 10.0% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had increased to 12.3% and 11.2% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Los Angeles County	6.6%	5.3%	4.7%
Orange County	4.5%	4.0%	3.5%
MSA	6.1%	5.0%	4.4%
State of California	6.2%	5.5%	4.8%
United States	5.3%	4.9%	4.4%

The Los Angeles-Long Beach-Anaheim MSA is one of the population centers of California; 34.2% of the state's population resides within the MSA, and Los Angeles County and Orange County are the 1st and 3rd most populous counties in the state, respectively. Further, Los Angeles County is the most populous in the U.S. The MSA had a real gross domestic product of $1.0 trillion in 2017, making it the 2nd largest metropolitan economy in the U.S.[5] and similar to the economic output of countries such as Indonesia[6]. The city of Los Angeles is the 3rd largest city by GDP in the world.

[5] U.S. Bureau of Economic Analysis. "Gross Domestic Product by Metropolitan Area, 2017." BEA.gov. https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf (accessed October 10, 2018)
[6] Country Economy. "GDP: Gross Domestic Product." CountryEconomy.com https://countryeconomy.com/gdp (accessed October 10, 2018)

The MSA is also home to several Fortune 500 companies, including real estate services firm CBRE Group Inc., Reliance Steel & Aluminum Co., and engineering firm AECOM.[7] Other notable companies headquartered in the area include American Apparel, 20th Century Fox, Univision, and Paramount Pictures. The economy of the metro area is famously based on the entertainment industry. The Port of Los Angeles is the largest seaport in the Western Hemisphere; about 40% of all containerized goods entering the U.S. pass through Los Angeles. Los Angeles County is the largest manufacturing center in the country, with more manufacturing jobs than the State of Michigan.[8]

Community Contacts and Community Development Opportunities

As part of the evaluation of the Greater Los Angeles assessment area, two community contacts involved in small business development and community services were made. The two contacts highlighted needs for small dollar loans for small business startups, grants for community programs, financial literacy, and affordable housing, specifically down payment assistance and closing cost assistance.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

[7] Fortune. "Fortune 500: Who made the list?" Fortune.com
http://fortune.com/fortune500/list/ (accessed October 12, 2018)
[8] Los Angeles Economic and Workforce Development Department. "L.A.'s Economy and Key Assets." EWDDLACity.com.
http://ewddlacity.com/index.php/the-l-a-economy (accessed October 10, 2018)

Greater Los Angeles

Combined Demographics Report

Assessment Area: CA - Greater Los Angeles

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	239	8.6	188,796	6.9	63,438	33.6	648,827	23.8
Moderate-income	798	28.8	757,160	27.8	140,520	18.6	456,655	16.8
Middle-income	784	28.3	793,078	29.1	67,404	8.5	493,022	18.1
Upper-income	921	33.2	981,717	36.1	36,382	3.7	1,122,329	41.2
Unknown-income	33	1.2	82	0	0	0	0	0
Total Assessment Area	**2,775**	**100.0**	**2,720,833**	**100.0**	**307,744**	**11.3**	**2,720,83**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	304,770	49,780	2.5	16.3	231,481	76	23,509	7.7
Moderate-income	1,132,703	354,309	17.6	31.3	709,831	62.7	68,563	6.1
Middle-income	1,221,441	608,605	30.2	49.8	549,109	45	63,727	5.2
Upper-income	1,596,783	1,002,712	49.7	62.8	501,359	31.4	92,712	5.8
Unknown-income	2,209	115	0	5.2	1,830	82.8	264	12
Total Assessment Area	**4,257,906**	**2,015,521**	**100.0**	**47.3**	**1,993,610**	**46.8**	**248,775**	**5.8**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	36,239	6	31,505	5.7	4,615	8.3	119	4.5
Moderate-income	125,152	20.6	111,842	20.4	12,867	23.2	443	16.7
Middle-income	169,289	27.9	151,664	27.7	16,936	30.5	689	26
Upper-income	269,037	44.4	248,497	45.3	19,203	34.6	1,337	50.4
Unknown-income	6,872	1.1	4,882	0.9	1,927	3.5	63	2.4
Total Assessment Area	**606,589**	**100.0**	**548,390**	**100.0**	**55,548**	**100.0**	**2,651**	**100.0**
	Percentage of Total Businesses:			**90.4**		**9.2**		**.4**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	61	3.7	57	3.7	4	5.1	0	0
Moderate-income	231	14.1	218	14	13	16.7	0	0
Middle-income	398	24.4	374	24.1	24	30.8	0	0
Upper-income	929	56.9	892	57.4	36	46.2	1	100
Unknown-income	15	0.9	14	0.9	1	1.3	0	0
Total Assessment Area	**1,634**	**100.0**	**1,555**	**100.0**	**78**	**100.0**	**1**	**100.0**
	Percentage of Total Farms:			**95.2**		**4.8**		**.1**

2016 FFIEC Census Data and 2016 D&B Information

Combined Demographics Report

Assessment Area: CA - Greater Los Angeles

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	257	9.3	215,097	7.8	75,605	35.1	678,977	24.6
Moderate-income	792	28.5	753,178	27.3	160,387	21.3	451,769	16.4
Middle-income	720	25.9	734,875	26.6	75,971	10.3	469,773	17
Upper-income	960	34.6	1,051,937	38.1	47,378	4.5	1,157,762	42
Unknown-income	46	1.7	3,194	0.1	605	18.9	0	0
Total Assessment Area	**2,775**	**100.0**	**2,758,281**	**100.0**	**359,946**	**13.0**	**2,758,28**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	327,904	53,390	2.7	16.3	254,632	77.7	19,882	6.1
Moderate-income	1,122,042	342,640	17.6	30.5	717,233	63.9	62,169	5.5
Middle-income	1,131,161	538,963	27.6	47.6	532,134	47	60,064	5.3
Upper-income	1,722,181	1,013,949	52	58.9	599,432	34.8	108,800	6.3
Unknown-income	19,138	1,398	0.1	7.3	15,572	81.4	2,168	11.3
Total Assessment Area	**4,322,426**	**1,950,340**	**100.0**	**45.1**	**2,119,003**	**49.0**	**253,083**	**5.9**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	27,373	5	23,814	4.9	3,452	6.2	107	4.5
Moderate-income	107,952	19.8	95,157	19.5	12,428	22.5	367	15.3
Middle-income	140,948	25.9	124,089	25.5	16,297	29.5	562	23.4
Upper-income	258,849	47.5	236,905	48.6	20,671	37.4	1,273	53.1
Unknown-income	9,761	1.8	7,263	1.5	2,409	4.4	89	3.7
Total Assessment Area	**544,883**	**100.0**	**487,228**	**100.0**	**55,257**	**100.0**	**2,398**	**100.0**
	Percentage of Total Businesses:			**89.4**		**10.1**		**.4**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	25	1.7	24	1.7	1	1.3	0	0
Moderate-income	226	15.1	207	14.5	19	25	0	0
Middle-income	358	23.9	337	23.7	21	27.6	0	0
Upper-income	875	58.3	840	59	34	44.7	1	100
Unknown-income	16	1.1	15	1.1	1	1.3	0	0
Total Assessment Area	**1,500**	**100.0**	**1,423**	**100.0**	**76**	**100.0**	**1**	**100.0**
	Percentage of Total Farms:			**94.9**		**5.1**		**.1**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is Low Satisfactory. Lending activity reflects good responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes a relatively high level of community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 2,144 (91.4%) small business loans compared to 203 (8.6%) HMDA loans in the Greater Los Angeles assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

<u>Lending to Borrowers of Different Income Levels and Businesses of Different Sizes</u>

The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is adequate. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market, which is experiencing economic growth and increased loan demand.

In 2016, the bank originated 18.5% of its loans, representing 10.4% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 44.3% (30.5% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 17.4% of loans (11.5% by dollar) to small business while aggregate lenders originated 53.1% (33.7%)

to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which reported 90.4% and 89.4% of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 47.9% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 96.4% for the aggregate. In 2017, 44.1% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 95.8% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered poor when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is adequate. In 2016, the bank originated one loan to a low-income borrower, representing 1.4% of its home mortgage loans (0.1% by dollar). However, aggregate lenders also struggled to originate loans to low-income borrowers, which represented only 1.6% (0.7% by dollar) of total mortgage loans. In 2017, the bank originated no loans to low-income borrowers. However, once again, aggregate lending levels were minimal; only 2.2% of loans (0.8% by dollar volume) were originated to low-income borrowers, which may indicate limited loan demand. Low-income families made up 23.8% of total families in the assessment area in 2016 and 24.6% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is poor. Comerica originated no loans to moderate-income borrowers in either 2016 or 2017. In contrast, aggregate lenders originated 5.8% of home mortgage loans to moderate-income borrowers (2.6% by dollar) in 2016. In 2017, aggregate lenders originated 6.3% of loans (2.3% by dollar) to moderate-income borrowers. Both the bank and the aggregate HMDA lenders fell below the demographics, with 16.8% and 16.4% of families in 2016 and 2017 (respectively) in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered adequate when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is adequate. In 2015 and 2016, Comerica originated 1.7% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at

23.8%. However, 33.6% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 1.1% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 24.6%. However, 35.1% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is adequate. In 2015 and 2016, Comerica originated 2.7% of its HELOCs to moderate-income borrowers. The bank's performance was below the percentage of moderate-income families in the assessment area, at 16.8%. However, 18.6% of moderate-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 2.6% of its HELOCs to moderate-income borrowers. The bank's performance was below the percentage of moderate-income families in the assessment area, at 16.4%. However, 21.3% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

<u>Geographic Distribution of Loans</u>

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects adequate penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects good penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is good. The bank's small business lending by number in low-income tracts during the review period was comparable to or exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 6.8% of small business loans (8.2% by dollar) were originated in low-income tracts, compared to 5.7% of businesses located in those tracts and 5.2% of aggregate loans (7.0% by dollar). In 2017, 4.6% of small business loans (4.6% by dollar) were originated in low-income tracts, compared to 4.9% of businesses located in those tracts and 4.7% of aggregate loans (5.2% by dollar).

The bank's small business lending in moderate-income census tracts is adequate. In 2016, 20.7% of small business loans (21.2% by dollar) were originated in moderate-income tracts, compared to 20.4% of businesses located in those tracts and 18.8% of aggregate loans (20.4% by dollar). In 2017, 18.7% of small business loans (22.2% by dollar) were originated in moderate-income tracts, compared to 19.5% of businesses located in those tracts and 19.6% of aggregate loans (20.2% by dollar).

The bank's small business lending in middle- and upper-income tracts was comparable to the percentage of small businesses in these tracts. When compared to the aggregate by percentage, the bank originated a similar number of loans in middle- and upper-income tracts as the aggregate.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects a poor penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. While the bank originated no home purchase loans in these tracts during the review period, aggregate lenders struggled to lend as well. In 2016, aggregate lenders originated 2.7% of home purchase loans (1.9% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 3.3% of loans (2.7% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, only 2.5% and 2.7% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may indicate limited lending opportunities.

Home purchase lending in moderate-income tracts is poor. In 2016, the bank originated 14.3% of its home purchase loans in moderate-income census tracts (10.6% by dollar), compared to aggregate lending levels of 18.8% (13.1% by dollar); 17.6% of units were owner-occupied. In 2017, Comerica originated only 3.7% of home purchase loans (0.4% by dollar) in moderate-income census tracts, compared to aggregate lending levels of 18.5% (13.2% by dollar); 17.6% of units were owner-occupied.

Additionally, lending within middle- and upper-income tracts is skewed to the detriment of middle-income lending. In 2016, 76.2% of home purchase loans were originated in upper-income tracts, while only 9.5% were originated in middle-income tracts. This percentage is much lower than the percentage of owner-occupied units in middle-income tracts, at 30.2%. In 2017, 85.2% of home purchase loans were originated in upper-income tracts, while only 7.4% were originated in middle-income tracts. This percentage is much lower than the percentage of owner-occupied units in middle-income tracts, at 27.6%.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts during the review period, aggregate lenders also struggled to originate loans in 2016 before slightly improving performance in 2017. In 2016, aggregate lenders originated only 1.9% of loans in low-income areas; in 2017, aggregate lenders originated 2.9% of loans in low-income areas. Additionally, in 2016 and 2017, 2.5% and 2.7% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may indicate limited lending opportunities.

Home refinance lending in moderate-income tracts is poor. Bank performance was below both the percentage of owner-occupied units (17.6% in both 2016 and 2017) as well as aggregate lending levels. In 2016, Comerica originated 4.1% of home refinance loans (1.4% by dollar) in moderate-income census tracts; in 2017, this fell to 3.3% (0.2% by dollar). In contrast, aggregate lenders originated 16.1% of refinance loans in moderate-income tracts in 2016 and 18.8% in 2017.

Additionally, lending within middle- and upper-income tracts is skewed to the detriment of middle-income lending. In 2016, 81.6% of home refinance loans were originated in upper-income tracts, while only 14.3% were originated in middle-income tracts. This percentage is much lower than the percentage of owner-occupied units in middle-income tracts, at 30.2%. In 2017, 93.3% of home refinance loans were originated in upper-income tracts, while only 3.3% were originated in middle-income tracts. This percentage is much lower than the percentage of owner-occupied units in middle-income tracts, at 27.6%.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is adequate.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank originated 1.0% of its HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 2.5%. In 2017, the bank originated 1.1% of its HELOCs in low-income tracts, which was comparable to the percentage of owner-occupied units in these tracts, at 2.7%.

Comerica's HELOC lending in moderate-income census tracts is adequate, considering the relatively low owner-occupancy rates in this tract type. In 2015 and 2016, the bank originated 6.2% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 17.6%. In 2017, the bank originated 8.3% of its HELOCs in moderate-income tracts, which was below the percentage of owner-occupied units in these tracts, at 17.6%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank makes a relatively high level of community development loans in the assessment area. The bank originated 62 community development loans in the Greater Los Angeles Assessment Area totaling approximately $138.4 million during the review period. The bank's commitment to making qualified community development loans demonstrates a good responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Affordable Housing	36	59,281
Community Services	12	35,694
Economic Development	14	43,462
Totals	62	138,437

Of the total community development lending, $2.4 million was to construct 161 affordable housing units, and $43.5 million provided funds for SBA loans; both of these were identified by the contacts as needs within the assessment area. The majority of the community services loans served to address healthcare needs of the LMI population.

Funds totaling $9.8 million went to serve Think Together, an organization that provides after-school and tutoring programs to students K-12 from low-to-moderate income households. Think Together is one of the largest after-school program providers in Southern California., serving at over 400 locations in Los Angeles, Orange, Riverside, Sacramento, San Bernardino, and San Diego counties. Approximately 83% of the students served by the organization are from low-moderate-income households.

Investment Test

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants and exhibits good responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $14.7 million, has increased approximately 47.0% from the previous evaluation.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**
Affordable Housing	9	6,051	6	5,742	31	173	46	11,966
Community Services	-	-	-	-	323	2,157	323	2,157
Economic Development	-	-	1	100	9	393	10	493
Revitalization and Stabilization	-	-	-	-	6	68	6	68
Total	9	6,051	7	5,842	369	2,791	385	14,684

One way the bank demonstrated responsiveness to needs in the assessment area was through its economic development grants. These totaled $393,000 and supported small business and/or micro lending in the assessment area. This type of support was noted by contacts as a need within the assessment area, as was affordable housing.

In addition, 27 investments benefitting multiple assessment areas provided $40.6 million to affordable housing efforts in Greater Los Angeles.

Service Test

The bank's Service Test performance is Low Satisfactory. Its retail and community development services reflect adequate responsiveness to the needs of the Greater Los Angeles assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

Retail Services

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's 38 branch offices and 37 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Greater Los Angeles assessment area.

Greater Los Angeles

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	9.3	8.8	1	2.6	1	2.7	-	-
Moderate	28.5	29.2	6	15.8	6	16.2	-	-
Middle	25.9	27.0	4	10.5	4	10.8	-	-
Upper	34.6	34.5	24	63.2	23	62.2	-	-
Unknown	1.7	0.5	3	7.9	3	8.1	-	-
Total	100.0	100.0	38	100.0	37	100.0	-	-

The bank closed three branches (one in a middle-income and two in upper-income census tracts) in the assessment area, and did not open any during the review period. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in many various capacities, including boards of directors and in other leadership roles, for 42 community development organizations offering community development services that focused on community services targeting LMI individuals, as well as affordable housing and economic development. The table below shows the number of events by type of involvement. Employees participated in 834 events or meetings during the review period.

Purpose	# Events / Meetings
Affordable Housing	10
Community Services Benefitting LMI Individuals/Geographies	809
Economic Development	15
Total	834

The bank actively supports LMI students in the area through involvement in Boys and Girls Clubs as well as Junior Achievement of Southern California.

Description of Operations in Santa Cruz

The Santa Cruz Assessment Area includes portions of Santa Cruz County. This county comprises the Santa Cruz-Watsonville MSA.

According to the 2010 census, the assessment area population was 234,904 which accounted for 0.6% of the population in the state. Based on the 2017 population of 241,578, the assessment area has experienced an increase of 2.8% since 2010. Santa Cruz, the largest city within the assessment area, accounts for 23.6% of the population in the assessment area. Other notable cities in the assessment area are Watsonville and Live Oak.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Santa Cruz	1,938,153	8.8	Santa Cruz*, Watsonville, Live Oak

*Denotes county seat

As of December 31, 2017, the bank operated six branches in the assessment area representing 1.4% of its branches. There is one branch located in a low-income census tract, four in middle-income census tracts, and one branch located in an upper-income census tract. Additionally, Comerica operates one LPO in a middle-income tract.

According to the FDIC, as of June 30, 2017, the bank had $904.1 million in deposits in this assessment area representing 1.6% of the bank's total deposits. It also represents a deposit market share of 14.7%, which includes all other FDIC-insured deposits that are located in the assessment area. Wells Fargo Bank holds the largest deposit share at 25.6%, followed by Bank of America, at 16.0%, and Comerica Bank.

For 2016, there were 336 financial institutions that reported HMDA data in the assessment area. The bank ranked 56th in HMDA market share with 0.1%. Wells Fargo Bank and JPMorgan Chase dominated the market with 13.6% and 6.8% of the market share, respectively. For 2017, there were 314 financial institutions that reported HMDA data in the assessment area. The bank ranked 57th in HMDA market share with 0.1%. Wells Fargo Bank and JPMorgan Chase once again dominated the market with 13.6% and 7.2% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending.

For 2016, there were 64 financial institutions that reported CRA small business data in the assessment area. The bank ranked 9th in market share with 1.1%. Citibank and American Express Bank dominated the market with 44.2% and 14.0% of the market share, respectively. For 2017, there were 71 financial institutions that reported CRA small business data in the assessment area. The bank ranked 9th in market share with 2.0%. American Express Bank and Citibank again dominated the market with 15.5% and 15.5% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Santa Cruz-Watsonville MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 89.7% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Santa Cruz assessment area was made up of 46 distinct census tracts. Of the total tracts, one (2.2%) was designated as low-income, 15 (32.6%) were designated moderate-income, 18 (39.1%) were middle-income, and 12 (26.1%) were upper-income. As of the 2015 census estimates, two (4.3%) were designated as low-income, 11 (23.9%) were designated moderate-income, 19 (41.3%) were middle-income, and 14 (30.4%) were upper-income.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Santa Cruz-Watsonville MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 8.1% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 9.3% of the families in the assessment area lived below the poverty level.

Income Level	2010	2015
Median Income	$76,166	$78,423
Low-income	< $38,083	< $39,212
Moderate-income	$38,083 - 60,932	$39,212 - $62,738
Middle-income	$60,933 - $91,398	$62,739 - $94,107
Upper-income	≥ $91,399	≥ $94,108

<u>Housing Characteristics</u>

2010 Census

According to 2010 census data, there were 91,533 housing units in the Santa Cruz Assessment Area. Of total housing in the assessment area, 51.7% of the units were classified as owner-occupied while 38.4% were classified as rental units and 9.8% of the available housing was vacant. Overall, 2.0% of the housing stock in the assessment area were in low-income tracts. In these census tracts, 14.0% of the housing units were owner-occupied, 80.4% were rental units, and 5.5% were vacant.

The median age of housing stock in these tracts was 61 years and the median housing value in low-income tracts for the assessment area in 2010 was $463,889. Mortgage payments on homes in these areas might not be considered affordable for a low-income family. The median gross monthly rental payment in low-income tracts in 2010 was $1,032, which is more affordable than the monthly mortgage payment of $1,698 for a $463,889 home for 30 years at 3.65% interest rate. Additionally, 35.5% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 29.4% of the housing stock in the assessment area. In these census tracts, 46.4% of the housing units were owner-occupied, 47.5% were rental units, and 6.1% were vacant. The median age of housing stock in these tracts was 37 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $467,066. Mortgage payments on homes in these areas might not be considered affordable for a moderate-income family. The median gross monthly rental payment in moderate-income tracts in 2010 was $1,113, which is more affordable than the monthly mortgage payment of $1,709 for a $467,066 home for 30 years at 3.65% interest rate. Additionally, 12.7% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 43.3%, was in middle-income tracts. In these census tracts, 47.8% of the housing units were owner-occupied, 39.3% were rental units, and 12.9% were vacant. The median age of housing stock in these tracts was 42 years and 5.5% of families in middle-income tracts had incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $687,082.

Approximately 25.3% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 67.6% of the housing units were owner-occupied, 23.0% were rental units, and 9.3% were vacant. The median age of housing stock in these tracts was 38 years and only 3.3% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $789,007.

2015 Census Estimates

According to 2015 census estimates, there are 92,225 housing units in the Santa Cruz Assessment Area. Of total housing in the assessment area, 49.9% of the units are classified as owner-occupied while 40.7% are classified as rental units and 9.4% of the available housing is vacant. Overall, 6.6% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 22.8% of the housing units are owner-occupied, 70.1% are rental units, and 7.1% are vacant.

The median age of housing stock in these tracts is 47 years and the median housing value in low-income tracts for the assessment area in 2015 was $393,805. Mortgage payments on homes in these areas might not be considered affordable for a low-income family. The median gross monthly rental payment in low-income tracts in 2015 was $1,324, which is more affordable than the monthly mortgage payment of $1,502 for a $393,805 home for 30 years at 3.99% interest rate. Additionally, 25.7% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 22.8% of the housing stock in the assessment area. In these census tracts, 44.8% of the housing units are owner-occupied, 49.8% are rental units, and 5.4% are vacant. The median age of housing stock in these tracts is 48 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $370,630. Mortgage payments on homes in these areas might not be considered affordable for a moderate-income family. The median gross monthly rental payment in moderate-income tracts in 2015 was $1,259, which is more affordable than the monthly mortgage payment of $1,414 for a $370,630 home for 30 years at 3.99% interest rate. Additionally, 14.9% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 44.0%, is in middle-income tracts. In these census tracts, 46.7% of the housing units are owner-occupied, 40.0% are rental units, and 13.3% are vacant. The median age of housing stock in these tracts is 50 years and 7.7% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $596,011.

Approximately 26.6% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 66.2% of the housing units are owner-occupied, 26.9% are rental units, and 6.9% are vacant. The median age of housing stock in these tracts is 47 years and only 3.2% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $730,363.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for Santa Cruz County were higher than those of California and the nation. According to the 2010 census, the unemployment rate was 15.0% in low-income tracts and 11.8% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had decreased to 8.5% and 8.3% in low- and moderate-income tracts, respectively. However, these remain relatively high, and high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Santa Cruz County	7.5%	7.0%	5.7%
State of California	6.2%	5.5%	4.8%
United States	5.3%	4.9%	4.4%

For many years, Santa Cruz City and Watsonville have been named as surplus labor areas by the U.S. Department of Labor.[9] A surplus labor area is defined as an area with an unemployment rate 20.0% higher than national unemployment.[10] Agriculture plays an important role in the local economy; one of eight local workers is employed in agriculture.[11]

Major employment industries include office and administrative support, food preparation and serving, and sales. Food preparation and serving accounts for 12.1% of local area employment, which is significantly higher than the share nationally.[12] The top employers in the MSA are the University of California, Santa Cruz; the Pajaro Valley Unified School District; the County of Santa Cruz; the Dominican Hospital; and the Santa Cruz Beach Boardwalk.[13]

[9] United States Department of Labor. "2017 LSA List." DOLETA.gov. https://www.doleta.gov/programs/pdf/2017_LSA_List.xlsx (accessed September 30, 2018)
[10] Bureau of Labor Statistics. "Administrative Uses of Local Area Unemployment Statistics." BLS.gov. https://www.bls.gov/lau/lauadminuses.pdf (accessed September 30, 2018)
[11] Santa Cruz Chamber of Commerce. "Agriculture." SantaCruzChamber.org http://www.santacruzchamber.org/agriculture.html (accessed September 30, 2018)
[12] Santa Cruz Human Services. "Workforce Innovation and Opportunity Act Regional Plan." SantaCruzHumanServices.org. https://santacruzhumanservices.org/Portals/0/wib/wioa-plans/WIOA-4Yr-Regional-Planning-Unit-Related-Local-Plans-PY-2017-2020.pdf (accessed September 29, 2018)
[13] County of Santa Cruz. "Comprehensive Annual Financial Report 2017." co.santa-cruz.ca.us http://www.co.santa-cruz.ca.us/Portals/0/County/auditor/cafr17/CAFR_2017.pdf (accessed September 30, 2018)

Community Contacts and Community Development Opportunities

As part of the evaluation of the Santa Cruz assessment area, two community contacts involved in economic development and community services were made. The two contacts both highlighted needs for affordable housing.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

Santa Cruz

Combined Demographics Report

Assessment Area: CA - Santa Cruz

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	2.2	1,334	2.6	474	35.5	13,040	25.2
Moderate-income	15	32.6	17,447	33.7	2,222	12.7	9,138	17.6
Middle-income	18	39.1	19,002	36.7	1,045	5.5	9,416	18.2
Upper-income	12	26.1	14,000	27	459	3.3	20,189	39
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**46**	**100.0**	**51,783**	**100.0**	**4,200**	**8.1**	**51,783**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	1,859	261	0.6	14	1,495	80.4	103	5.5
Moderate-income	26,865	12,475	26.3	46.4	12,749	47.5	1,641	6.1
Middle-income	39,660	18,952	40	47.8	15,604	39.3	5,104	12.9
Upper-income	23,149	15,659	33.1	67.6	5,326	23	2,164	9.3
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**91,533**	**47,347**	**100.0**	**51.7**	**35,174**	**38.4**	**9,012**	**9.8**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	261	2	243	2	15	1.6	3	6.5
Moderate-income	2,876	22.2	2,575	21.5	292	31.4	9	19.6
Middle-income	6,249	48.3	5,815	48.6	414	44.6	20	43.5
Upper-income	3,564	27.5	3,342	27.9	208	22.4	14	30.4
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**12,950**	**100.0**	**11,975**	**100.0**	**929**	**100.0**	**46**	**100.0**
	Percentage of Total Businesses:			**92.5**		**7.2**		**.4**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	7	2.3	6	2.3	1	2.6	0	0
Moderate-income	107	35.9	84	32.3	23	60.5	0	0
Middle-income	113	37.9	100	38.5	13	34.2	0	0
Upper-income	71	23.8	70	26.9	1	2.6	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**298**	**100.0**	**260**	**100.0**	**38**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**87.2**		**12.8**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Santa Cruz

Combined Demographics Report

Assessment Area: CA - Santa Cruz

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	2	4.3	2,495	4.7	640	25.7	12,863	24.5
Moderate-income	11	23.9	14,713	28	2,199	14.9	9,035	17.2
Middle-income	19	41.3	20,264	38.5	1,563	7.7	9,403	17.9
Upper-income	14	30.4	15,131	28.8	480	3.2	21,302	40.5
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**46**	**100.0**	**52,603**	**100.0**	**4,882**	**9.3**	**52,603**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	6,113	1,393	3	22.8	4,288	70.1	432	7.1
Moderate-income	21,021	9,412	20.5	44.8	10,467	49.8	1,142	5.4
Middle-income	40,586	18,966	41.2	46.7	16,239	40	5,381	13.3
Upper-income	24,505	16,223	35.3	66.2	6,584	26.9	1,698	6.9
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**92,225**	**45,994**	**100.0**	**49.9**	**37,578**	**40.7**	**8,653**	**9.4**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	539	4.6	471	4.4	66	7	2	4.8
Moderate-income	1,984	16.9	1,777	16.5	200	21.3	7	16.7
Middle-income	5,648	48	5,194	48.1	434	46.3	20	47.6
Upper-income	3,602	30.6	3,351	31	238	25.4	13	31
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**11,773**	**100.0**	**10,793**	**100.0**	**938**	**100.0**	**42**	**100.0**
	Percentage of Total Businesses:			**91.7**		**8.0**		**.4**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	9	3.3	8	3.4	1	2.6	0	0
Moderate-income	70	25.4	54	22.7	16	42.1	0	0
Middle-income	130	47.1	115	48.3	15	39.5	0	0
Upper-income	67	24.3	61	25.6	6	15.8	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**276**	**100.0**	**238**	**100.0**	**38**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**86.2**		**13.8**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is Low Satisfactory. The geographic distribution of loans reflects adequate penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. However, the bank makes a low level of community development loans, and lending activity reflects poor responsiveness to assessment area credit needs.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 331 (92.7%) small business loans compared to 26 (7.3%) HMDA loans in the Santa Cruz assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is good.

In 2016, the bank originated 33.0% of its loans, representing 22.1% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 39.0% (33.8% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 33.6% of loans (23.4% by dollar) to small business while aggregate lenders originated 54.1% (40.9% by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which in 2016 and 2017 reported 92.5% and 91.7%, respectively, of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 60.4% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 98.1% for the aggregate. In 2017, 53.3% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 96.9% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered adequate when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is adequate. While the bank did not originate any home mortgage loans to low-income borrowers in 2016, aggregate lenders also struggled to originate loans to low-income borrowers. Only 2.3% of aggregate loans (1.0% by dollar) were originated to low-income borrowers in 2016. In 2017, Comerica originated 20.0% of its home mortgage loans (2.9% by dollar) to low-income borrowers, which was greater than the 2.6% (1.2% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. While the 2017 percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as only five home mortgage loans were originated during that time period. Low-income families made up 25.2% of total families in the assessment area in 2016 and 24.5% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is adequate. In 2016, the bank originated 9.1% (5.0% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which was greater than the 8.4% of HMDA-related loans (4.5% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank also exceeded aggregate, originating 20.0% of HMDA-related loans (5.0% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 7.6% of HMDA loans (3.5% by dollar) to moderate-income borrowers. While the percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as only 11 home mortgage loans were originated by the bank in 2016 and five in 2017. Moderate-income families made up 17.6% of total families in the assessment area in 2016 and 17.2% in 2017.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered poor when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is adequate. In 2015 and 2016, Comerica originated 5.1% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 25.2%. However, 35.5% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated no HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 24.5%. Of note, 25.7% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is poor. In 2015 and 2016, Comerica originated 14.6% of its HELOCs to moderate-income borrowers. The bank's performance was slightly below the percentage of moderate-income families in the assessment area, at 17.6%. In 2017, the bank originated 4.0% of its HELOCs to moderate-income borrowers. The bank's performance was below the percentage of moderate-income families in the assessment area, at 17.2%. While 14.9% of moderate-income families live below the poverty level, it seems there may be additional lending opportunities to moderate-income borrowers.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects adequate penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects good penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is adequate. The bank's small business lending by number in low-income tracts during the review period was comparable to, or only slightly less than, the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 0.9% of small business loans (3.7% by dollar) were originated in low-income tracts, compared to 2.0% of businesses located in those tracts and 1.2% of aggregate loans (0.7% by dollar). In 2017, 3.7% of small business loans

(1.0% by dollar) were originated in low-income tracts, compared to 4.4% of businesses located in those tracts and 4.1% of aggregate loans (4.3% by dollar).

The bank's small business lending in moderate-income census tracts is excellent. Small business lending during the review period exceeded both the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 27.4% of small business loans (22.3% by dollar) were originated in moderate-income tracts, compared to 21.5% of businesses located in those tracts and 21.8% of aggregate loans (23.0% by dollar). In 2017, the bank's performance improved, as 23.4% of small business loans (18.0% by dollar) were originated in moderate-income tracts, compared to 16.5% of businesses located in those tracts and 18.5% of aggregate loans (15.6% by dollar).

The bank's small business lending in middle- and upper-income tracts was comparable to the percentage of small businesses in these tracts. When compared to the aggregate by percentage, the bank originated a similar percentage of loans in middle- and upper-income tracts.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. While the bank originated no home purchase loans in these tracts during the review period, aggregate lenders struggled to originate loans during the review period as well. In 2016, aggregate lenders originated 0.5% of home purchase loans (0.4% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 3.9% of loans (3.1% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, only 0.6% and 3.0% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home purchase lending in moderate-income tracts is poor. In 2016, the bank originated 100.0% of its home purchase loans in moderate-income census tracts; however, this represented only one loan. In 2017, Comerica originated no loans. Aggregate lenders originated 26.9% and 20.7% of home purchase loans in moderate-income tracts in 2016 and 2017, respectively. Additionally, in 2016 and 2017, 26.3% and 20.5% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI income geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts during the review period, aggregate lenders also struggled to originate loans in 2016 before slightly improving performance in 2017. In 2016, aggregate lenders originated only 0.3% of loans in low-income areas; in 2017, aggregate lenders originated 4.1% of loans in low-income areas. Additionally, in 2016 and 2017, only 0.6% and 3.0% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may make it difficult to originate loans in these tracts.

Home refinance lending in moderate-income tracts is adequate. While the bank originated no home refinance loans in these tracts in 2017, it originated 70.0% of its 2016 loans (58.6% by dollar) in moderate-income tracts, exceeding both demographic data and aggregate lending. In 2016, aggregate lenders originated 23.8% of loans in these tracts (18.2% by dollar); 26.3% of owner-occupied units are located in moderate-income tracts. In 2017, aggregate originated 20.4% of home refinance loans in moderate-income tracts (30.0% by dollar) compared to 20.5% of owner-occupied units located in those tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is poor.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank originated no HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 0.6%. In 2017, the bank originated no HELOCs in low-income tracts; however, owner-occupancy was again low, at 3.0% which may signify limited lending opportunities in low-income tracts.

Comerica's HELOC lending in moderate-income census tracts is poor. In 2015 and 2016, the bank originated 15.4% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 26.3%. In 2017, the bank originated 16.0% of its HELOCs in moderate-income tracts, which was slightly below the percentage of owner-occupied units in these tracts, at 20.5%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank makes a low level of community development loans in the assessment area. The bank originated ten community development loans in the Santa Cruz Assessment Area totaling approximately $3.5 million during the review period. The bank's commitment to making qualified community development loans demonstrates a poor responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Affordable Housing	2	200
Community Services	8	3,250
Totals	10	3,450

All community services loans provided funding for healthcare services for LMI individuals. While two loans were originated to support affordable housing, the overall amount dedicated to this need (as identified by contacts in the assessment area) is low. Furthermore, according to the deposit market share, there are few financial institutions serving this assessment area, which should indicate limited competition for loans.

Investment Test

The Investment Test rating is Low Satisfactory. The bank has an excellent level of qualified community development investments and grants based on the amount of deposits in the assessment area, but exhibits poor responsiveness to credit and community development needs. While the bank's investments were primarily focused on affordable housing, the majority of these funds come from only one prior period investment; based on needs identified by community contacts, further opportunities for investment were available.

The total amount of investments and contributions, at $4.5 million, has increased substantially from the previous evaluation.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	#	$000s	#	$000s	#	$000s	#	$000s
Affordable Housing	-	-	1	4,261	5	25	6	4,286
Community Services	-	-	-	-	27	171	27	171
Economic Development	-	-	-	-	1	25	1	25
Total	-	-	1	4,261	33	221	34	4,482

Although the majority of investments and grants were focused on affordable housing, which was a need identified by multiple contacts in the assessment area, the bulk of these funds comes from only one prior period investment. As of June 30, 2017, the bank ranked 3rd of 12 institutions in terms of deposit market share. Given the market share of the bank in this assessment area, as well as opportunities identified by contacts, opportunities for further responsiveness exist.

One investment benefitting multiple assessment areas provided $206,153 to affordable housing efforts in Santa Cruz.

Service Test

The bank's Service Test performance is Low Satisfactory. Its retail and community development services reflect adequate responsiveness to the needs of the Santa Cruz assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

Retail Services

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's six branch offices and 12 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Santa Cruz assessment area.

Santa Cruz

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	4.3	6.2	1	16.7	2	25.0	-	-
Moderate	23.9	28.3	-	-	-	-	-	-
Middle	41.4	40.0	4	66.6	5	62.5	3	75.0
Upper	30.4	25.5	1	16.7	1	12.5	1	25.0
Unknown	-	-	-	-	-	-	-	-
Total	100.0	100.0	6	100.0	8	100.0	4	100.0

The bank closed one branch (in a middle-income census tract) in the assessment area, and did not open any branches during the review period. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for seven community development financial organizations offering community development services that focused on community services targeting LMI individuals. The table below shows the number of events by type of involvement. Employees participated in 101 events or meetings during the review period.

Purpose	# Events / Meetings
Community Services Benefitting LMI Individuals/Geographies	101
Total	101

The bank supports LMI students in the area through involvement in Boys and Girls Club of Santa Cruz. Bank personnel also serve with California FarmLink, a CDFI which supports beginning, limited-resource, and other underserved farmers. The organization partners with farm training programs, government agencies, impact investors, and other nonprofits to help farmers access land and financing.

METROPOLITAN AREAS (Limited Scope Review)

Description of Institution's Operations

- **Fresno MSA**
  - As of December 31, 2017, the bank operated zero branches in the assessment area.
  - As of June 30, 2017, the bank had no deposits in this assessment area.
  - Little weight was given to this assessment area given the lack of branching and deposits.
- **Inland Empire Assessment Area**
  - As of December 31, 2017, the bank operated three branches in the assessment area, representing 0.7% of its branches.
  - As of June 30, 2017, the bank had $49.0 million in deposits in this assessment area, representing a market share of 0.1%. The $49.0 million also represents 0.1% of the bank's total deposits.
- **Sacramento Assessment Area**
  - As of December 31, 2017, the bank operated zero branches in the assessment area.
  - As of June 30, 2017, the bank had no deposits in this assessment area.
  - Little weight was given to this assessment area given the lack of branching and deposits.
- **Salinas Assessment Area**
  - As of December 31, 2017, the bank operated four branches in the assessment area, representing 0.9% of its branches.
  - As of June 30, 2017, the bank had $246.5 million in deposits in this assessment area, representing a market share of 2.8%. The $246.5 million also represents 0.4% of the bank's total deposits.
- **San Diego Assessment Area**
  - As of December 31, 2017, the bank operated 14 branches in the assessment area, representing 3.2% of its branches.
  - As of June 30, 2017, the bank had $588.8 million in deposits in this assessment area, representing a market share of 0.7%. The $588.8 million also represents 1.0% of the bank's total deposits.
- **San Francisco Bay Assessment Area**
  - As of December 31, 2017, the bank operated 17 branches in the assessment area, representing 3.9% of its branches.
  - As of June 30, 2017, the bank had $2.5 billion in deposits in this assessment area, representing a market share of 0.7%. The $2.5 billion also represents 4.4% of the bank's total deposits.
- **San Jose Assessment Area**
  - As of December 31, 2017, the bank operated 14 branches in the assessment area, representing 3.2% of its branches.

- As of June 30, 2017, the bank had $7.0 billion in deposits in this assessment area, representing a market share of 5.2%. The $7.0 billion also represents 12.3% of the bank's total deposits.

- **Ventura Assessment Area**
  - As of December 31, 2017, the bank operated one branch in the assessment area, representing 0.2% of its branches.
  - As of June 30, 2017, the bank had $53.4 million in deposits in this assessment area, representing a market share of 0.3%. The $53.4 million also represents 0.1% of the bank's total deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix H for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices E and H, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Fresno MSA	Below	Consistent	Below
Inland Empire	Consistent	Consistent	Below
Sacramento	Consistent	Consistent	Below
Salinas	Consistent	Consistent	Below
San Diego	Consistent	Consistent	Consistent
San Francisco Bay	Exceeds	Exceeds	Consistent
San Jose	Exceeds	Below	Below
Ventura	Consistent	Consistent	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating.

State of Florida

<u>CRA Rating for Florida</u>: Needs to Improve

The Lending Test is Rated: Needs to Improve
The Investment Test is Rated: Low Satisfactory
The Service Test is Rated: Low Satisfactory

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects poor responsiveness to the assessment areas' credit needs.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of HMDA lending reflects adequate penetration among customers of different income levels.
- The distribution of small business lending reflects adequate penetration among business of different revenue sizes.
- Makes a low level of community development loans. Although no community development loans were originated in the full-scope assessment area, performance in the limited scope assessment areas exceeded that of the full-scope assessment area.
- Has an excellent level of qualified community development investments.
- Exhibits poor responsiveness to credit and community development needs.
- Delivery systems are unreasonably inaccessible to portions of the bank's geographies and individuals of different income levels in the assessment areas.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

<u>Scope</u>

The assessment areas were selected for full-scope reviews based on factors identified in the FFIEC procedures. These include, but are not limited to, the level of the institution's lending, investment, and service activity as well as opportunities for such in the assessment areas; population density; the number of other institutions in the assessment areas; and the length of time since the most recent full-scope review. Overall, approximately 12.7% of lending activity (by number of loans), 11.9% of the total deposits, and 14.3% of total branches within Florida were evaluated through the full-scope reviews. While these percentages are smaller than for other states' full scope assessment areas, examiners identified specific needs within the Naples-Immokalee-Marco Island MSA. Further details as well as descriptions of the assessment areas, listed below, can be found in the applicable assessment area sections of this report.

- Naples-Immokalee-Marco Island MSA

In addition, limited scope reviews were conducted for the remaining three assessment areas, including:

- Fort Lauderdale-West Palm Beach
- Sarasota
- Stuart

The time period, products, and affiliates evaluated for this state are consistent with the scope discussed in the Institution section of this report.

Description of Institution's Operations in Florida

The bank operates seven branch offices in its assessment areas in Florida, representing 1.6% of total branches. As of June 30, 2017, the bank had $307.2 million in deposits in the state, representing 0.5% of total deposits. According to the June 30, 2017 FDIC Summary of Deposits, the bank had a deposit market share of 0.1% and ranked 108th out of 228 FDIC-insured financial institutions across the state. Of the 3,257 HMDA loans originated and purchased by the bank, 172 (5.3%) were in the Florida assessment areas. Of the 28,214 small business loans originated and purchased by the bank, 221 (0.8%) were in the Florida assessment areas.

Conclusions with Respect to Performance Tests in Florida

Lending Test

In Florida, the bank's overall Lending Test rating is Needs to Improve. The bank makes a low level of community development loans, and lending activity reflects poor responsiveness to assessment area credit needs. The geographic distribution of loans reflects adequate penetration throughout the assessment areas, considering performance in the limited-scope assessment areas. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes, considering performance in the limited-scope assessment areas.

The bank is both a small business and HMDA lender. During the review period, the bank reported 221 (56.2%) small business loans compared to 172 (43.8%) HMDA loans.

Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

References are made to the bank's lending distribution by geography and borrower income throughout this report. Detailed information about the bank's HMDA- and CRA-reportable loans can be found in tables in Appendices G, H, and I.

Geographic Distribution and Distribution by Borrower Income and Business Revenue Size

Consistent with the performance standards for a large bank, conclusions about the bank's distribution of lending within its assessment areas considers the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; home mortgage loans and consumer loans to low-, moderate-, middle-, and upper-income individuals; small-business loans to businesses with gross annual revenues of $1 million or less; and, small-business loans by loan amount at origination.

The CRA emphasizes the importance of banks serving the credit needs of their assessment areas, including LMI borrowers and areas. The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. Naples, the only full-scope assessment area in the state, was considered to reflect poor penetration among individuals of different income levels and businesses of different revenue sizes. However, performance in the limited scope assessment areas was considered in determining, and affected, the overall statewide rating. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

The geographic distribution of loans reflects adequate penetration throughout the assessment areas. Naples, the only full-scope assessment area in the state, was considered to reflect poor penetration throughout the assessment area. However, performance in the limited scope assessment areas was considered in determining, and affected, the overall statewide rating. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Lending

In Florida, the bank makes a low level of community development loans. During the review period, the bank originated seven community development loans for $4.1 million in Florida representing 1.7% of the bank's total community development loans by number and 0.3% by total dollar amount. All of these loans were in the Fort Lauderdale-West Palm Beach assessment area; no community development loans were originated in the Naples, Sarasota, or Stuart assessment areas.

The community development loans originated during the evaluation period were for a variety of purposes. The table below summarizes the bank's community development lending.

Community Development Lending		
Purpose	**Number**	**$('000s)**
Affordable Housing	4	3,800
Revitalize and Stabilize	3	300
Total	7	4,100

In addition, a total of three loans benefited the statewide area, which included the bank's assessment areas. One loan for $500,000 assisted with economic development within the state, and two loans totaling $2.0 million went toward revitalizing and stabilizing areas within the state.

Investment Test

In Florida, the bank's overall Investment Test rating is Low Satisfactory. The bank has an excellent level of qualified community development investments and grants, but exhibits poor responsiveness to credit and community development needs. The table below summarizes the bank's community development investments and grants by assessment area within the state. Specific details regarding investments and donations can be found in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Investments								
	Current Period Investments		**Prior Period Investments**		**Donations**		**Total**	
Assessment Area	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**
Full Review:								
Naples MSA	2	374	-	-	17	89	19	463
Limited Review:								
Fort Lauderdale – West Palm Beach	18	10,492	1	5,824	98	429	117	16,745
Sarasota	-	-	-	-	2	8	2	8
Stuart	-	-	-	-	1	1	1	1
Total	20	10,866	1	5,824	118	527	139	17,217

In addition, one investment benefited the statewide area, which included the bank's assessment areas, and eight benefited multiple assessment areas which included those in Florida. These investments totaled $35,419 and $9.5 million, respectively.

Furthermore, a total of 14 donations benefited the statewide area, which included the bank's assessment areas. These donations totaled $33,250.

Service Test

In Florida, the bank's overall Service Test rating is Low Satisfactory.

Retail Services

Delivery systems, including ATMs and branch office locations, are unreasonably inaccessible to portions of the bank's assessment areas and individuals of different income levels based on the single branch location in the Naples assessment area and the tract distribution in the assessment area. Banking services and hours of operations do not vary in a way that inconveniences the assessment areas, including low- and moderate-income geographies or to low- and moderate-income individuals. The record of opening and closing offices has not affected the accessibility of its delivery systems, including to low- and moderate-income geographies and/or low- and moderate-income individuals.

Community Development Services

Comerica provides a relatively high level of community development services. Staff provided community development services to approximately 43 organizations and participated in more than 1,250 events. Particularly noteworthy is the bank's participation as board and committee members for community service organizations. During the review period, bank staff served in those capacities for 29 organizations throughout the State of Florida.

METROPOLITAN AREAS (Full Scope Review)

Description of Operations in Naples-Immokalee-Marco Island MSA

The Naples-Immokalee-Marco Island MSA includes Collier County.

According to the 2010 census, the assessment area population was 321,520, which accounts for 1.7% of the population in the state. Based on the 2017 population of 372,880, the assessment area has experienced an increase of 16.0% since 2010. Naples, the largest city within the assessment area accounts for 5.9% of the population in the assessment area. Other notable cities in the assessment area are Marco Island and Everglades City.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Collier	372,880	16.0	East Naples*, Naples, Marco Island, Everglades City

*Denotes county seat

As of December 31, 2017, the bank operated one branch in the assessment area representing 0.2% of its branches. The single location is located in an upper-income census tract.

According to the FDIC, as of June 30, 2017, the bank had $36.7 million in deposits in this assessment area representing 0.1% of the bank's total deposits. It also represents a deposit market share of 0.2%, which includes all other FDIC-insured deposits that are located in the assessment area. KeyBank holds the largest deposit share at 18.9%, followed by Fifth Third Bank, at 14.0%, and Wells Fargo Bank, at 10.8%.

For 2016, there were 667 financial institutions that reported HMDA data in the assessment area. The bank ranked 77th in HMDA market share with 0.1%. Wells Fargo Bank and Quicken Loans, Inc. dominated the market with 9.8% and 4.9% of the market share, respectively. For 2017, there were 629 financial institutions that reported HMDA data in the assessment area. The bank ranked 82nd in HMDA market share with less than 0.1%. Wells Fargo Bank and LendUS dominated the market with 9.6% and 5.3% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, and it appears competition could have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending. However, this is not a major product for Comerica.

For 2016, there were 127 financial institutions that reported CRA small business data in the assessment area. The bank ranked 41st in market share with 0.1%. Citibank and American Express Bank dominated the market with 33.5% and 20.4% of the market share, respectively. For 2017, there were 125 financial institutions that reported CRA small business data in the assessment area. The bank ranked 44th in market share with less than 0.1%. American Express Bank and Bank of America dominated the market with 23.8% and 11.3% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, and it appears competition could have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

At the 2010 census, the Naples MSA was made up of 74 distinct census tracts. Of the total tracts, six (8.1%) were designated as low-income, 15 (20.3%) were designated moderate-income, 28 (37.8%) were middle-income, 24 (32.4%) were upper-income, and one (1.4%) was designated as having an unknown-income level. As of the 2015 census estimates, six (8.1%) were designated as low-income, 15 (20.3%) were designated moderate-income, 26 (35.1%) were middle-income, 26 (35.1%) were upper-income, and one (1.4%) was designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Naples-Immokalee-Marco Island MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 7.9% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 9.1% of the families in the assessment area lived below the poverty level. The Naples MSA also has the 2nd-highest income inequality in the country.[14]

[14] Sommeiller, Estelle and Mark Price. "The new gilded age: Income inequality in the U.S. by state, metropolitan area, and county." EPI.org. https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/ (accessed November 1, 2018)

Naples-Immokalee-Marco Island MSA

Income Level	2010	2015
Median Income	$68,165	66,394
Low-income	< $34,083	< $33,197
Moderate-income	$34,083 - $54,531	$33,197 - $53,115
Middle-income	$54,532 - $81,797	$53,116 - $79,672
Upper-income	≥ $81,798	≥ $79,673

Housing Characteristics

2010 Census

According to the 2010 census, there were 194,529 housing units in the Naples-Immokalee-Marco Island MSA. Of total housing in the assessment area, 47.0% of the units were classified as owner-occupied, while 14.5% were classified as rental units and 38.6% of the available housing is vacant. Overall, 4.2% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 26.9% of the housing units were owner-occupied, 43.3% were rental units, and 29.8% were vacant.

The median age of housing stock in these tracts was 28 years and the median housing value in low-income tracts for the assessment area in 2010 was $119,379. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $813, which is less affordable than the monthly mortgage payment of $437 for a $119,379 home for 30 years at 3.65% interest rate. However, 38.3% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 17.0% of the housing stock in the assessment area. In these census tracts, 45.3% of the housing units were owner-occupied, 23.8% were rental units, and 31.0% were vacant. The median age of housing stock in these tracts was 24 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $234,392. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2010 was $988, which is less affordable than the monthly mortgage payment of $858 for a $234,392 home for 30 years at 3.65% interest rate. However, 11.6% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 43.3%, was in middle-income tracts. In these census tracts, 50.0% of the housing units were owner-occupied, 12.9% were rental units, and 37.1% were vacant. The median age of housing stock in these tracts was 17 years and 5.4% of families in middle-income tracts had incomes

below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $318,796.

Approximately 35.5% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 46.5% of the housing units were owner-occupied, 8.4% were rental units, and 45.1% were vacant. The median age of housing stock in these tracts was 18 years and only 4.2% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $597,892.

2015 Census Estimates

According to 2015 census estimates, there are 201,582 housing units in the Naples-Immokalee-Marco Island MSA. Of total housing in the assessment area, 46.5% of the units are classified as owner-occupied while 17.9% are classified as rental units and 35.6% of the available housing is vacant. Overall, 3.6% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 29.2% of the housing units are owner-occupied, 47.0% are rental units, and 23.8% are vacant.

The median age of housing stock in these tracts is 33 years and the median housing value in low-income tracts for the assessment area in 2015 was $86,645. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $708, which is less affordable than the monthly mortgage payment of $331 for an $86,645 home for 30 years at 3.99% interest rate. However, 39.6% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 18.3% of the housing stock in the assessment area. In these census tracts, 41.4% of the housing units are owner-occupied, 27.7% are rental units, and 30.9% are vacant. The median age of housing stock in these tracts is 33 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $147,910. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2015 was $959, which is less affordable than the monthly mortgage payment of $564 for a $147,910 home for 30 years at 3.99% interest rate. However, 17.8% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 38.0%, is in middle-income tracts. In these census tracts, 50.5% of the housing units are owner-occupied, 17.8% are rental units, and 31.6% are vacant. The median age of housing stock in these tracts is 28 years and 6.1% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $242,660.

Approximately 40.0% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 46.6% of the housing units are owner-occupied, 11.0% are rental units, and 42.5% are vacant. The median age of housing stock in these tracts is 29 years and only 3.7% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $433,365.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates were similar to the annual unemployment rates for Florida and the nation. According to the 2010 census, the unemployment rate was 10.4% in low-income tracts and 9.5% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had increased to 17.4% and 9.7% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
MSA	5.3%	4.7%	4.1%
State of Florida	5.5%	4.8%	4.2%
United States	5.3%	4.9%	4.4%

The tourism industry dominates the area economy. Almost two million people visit annually, and the leisure and hospitality sector is the largest employment sector; this sector accounts for 19.1% of all non-farm jobs in the MSA. The wholesale and retail trade sector is the second largest payroll sector due to the numerous malls and shops that cater to residents and tourists.

Most recently, the mining, logging, and construction sector has added the most jobs of any other sector. Education and health services have experienced growth partly due to the opening of the Robert, Mariann and Megan MacDonald Pediatric Emergency Department within the NHC Healthcare System. Manufacturing has increased due to the presence of Arthrex, a medical device manufacturer.[15]

[15] Villavicencio, Diana. "Comprehensive Housing Market Analysis: Naples-Immokalee-Marco Island, Florida." HUDUser.gov.
https://www.huduser.gov/portal/publications/pdf/NaplesFL-comp-17.pdf (accessed September 27, 2018)

Community Contacts and Community Development Opportunities

As part of the evaluation of the Naples MSA, two community contacts involved in economic development and community services were made. The two contacts highlighted needs for affordable housing, public transportation, financial literacy, small business education, and economic development.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

Naples-Immokalee-Marco Island MSA

Combined Demographics Report

Assessment Area: FL - Naples MSA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	8.1	4,181	5.2	1,603	38.3	17,150	21.1
Moderate-income	15	20.3	15,305	18.9	1,780	11.6	14,862	18.3
Middle-income	28	37.8	35,999	44.4	1,934	5.4	15,449	19
Upper-income	24	32.4	25,650	31.6	1,070	4.2	33,674	41.5
Unknown-income	1	1.4	0	0	0	0	0	0
Total Assessment Area	**74**	**100.0**	**81,135**	**100.0**	**6,387**	**7.9**	**81,135**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	8,154	2,191	2.4	26.9	3,532	43.3	2,431	29.8
Moderate-income	33,145	15,007	16.4	45.3	7,875	23.8	10,263	31
Middle-income	84,139	42,071	46	50	10,889	12.9	31,179	37.1
Upper-income	69,091	32,128	35.2	46.5	5,824	8.4	31,139	45.1
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**194,529**	**91,397**	**100.0**	**47.0**	**28,120**	**14.5**	**75,012**	**38.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	800	2.9	754	2.9	38	2.5	8	2.9
Moderate-income	3,552	12.9	3,379	13.1	141	9.2	32	11.6
Middle-income	11,931	43.2	11,248	43.6	586	38.2	97	35.3
Upper-income	11,311	41	10,405	40.4	768	50.1	138	50.2
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**27,594**	**100.0**	**25,786**	**100.0**	**1,533**	**100.0**	**275**	**100.0**
	Percentage of Total Businesses:			**93.4**		**5.6**		**1.0**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	22	10.5	16	8.4	6	31.6	0	0
Moderate-income	35	16.7	30	15.7	5	26.3	0	0
Middle-income	96	45.7	91	47.6	5	26.3	0	0
Upper-income	57	27.1	54	28.3	3	15.8	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**210**	**100.0**	**191**	**100.0**	**19**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**91.0**		**9.0**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Naples-Immokalee-Marco Island MSA

Combined Demographics Report

Assessment Area: FL - Naples MSA

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	8.1	4,106	4.7	1,627	39.6	18,278	20.8
Moderate-income	15	20.3	17,381	19.8	3,098	17.8	15,489	17.7
Middle-income	26	35.1	35,130	40.1	2,147	6.1	16,908	19.3
Upper-income	26	35.1	31,048	35.4	1,147	3.7	36,990	42.2
Unknown-income	1	1.4	0	0	0	0	0	0
Total Assessment Area	**74**	**100.0**	**87,665**	**100.0**	**8,019**	**9.1**	**87,665**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	7,284	2,124	2.3	29.2	3,424	47	1,736	23.8
Moderate-income	36,919	15,285	16.3	41.4	10,215	27.7	11,419	30.9
Middle-income	76,674	38,746	41.3	50.5	13,667	17.8	24,261	31.6
Upper-income	80,705	37,578	40.1	46.6	8,849	11	34,278	42.5
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**201,582**	**93,733**	**100.0**	**46.5**	**36,155**	**17.9**	**71,694**	**35.6**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	779	3.1	716	3.1	54	3.4	9	3.9
Moderate-income	3,058	12.3	2,925	12.7	115	7.3	18	7.8
Middle-income	10,005	40.4	9,346	40.7	575	36.4	84	36.4
Upper-income	10,935	44.1	9,981	43.5	834	52.9	120	51.9
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**24,777**	**100.0**	**22,968**	**100.0**	**1,578**	**100.0**	**231**	**100.0**
	Percentage of Total Businesses:			**92.7**		**6.4**		**.9**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	23	12.2	17	10	6	31.6	0	0
Moderate-income	32	16.9	26	15.3	6	31.6	0	0
Middle-income	74	39.2	71	41.8	3	15.8	0	0
Upper-income	60	31.7	56	32.9	4	21.1	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**189**	**100.0**	**170**	**100.0**	**19**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**89.9**		**10.1**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is Needs to Improve. Lending activity reflects poor responsiveness to assessment area credit needs. The geographic distribution of loans reflects a poor penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects poor penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes few, if any, community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 20 (40.0%) small business loans compared to 30 (60.0%) HMDA loans in the Naples MSA. Therefore, small business lending was given less weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's distribution of lending to borrowers reflects a poor penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is poor. While Comerica has a small percentage of the market in this assessment area, opportunities exist for improvement regarding its small dollar credits and small business lending.

In 2016, the bank originated 14.3% of its loans, representing 18.5% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 42.1% (34.8% by dollar) to small businesses during the same period. In 2017, the bank closed the gap with aggregate CRA lenders, as it originated 50.0% of loans (17.4% by dollar) to small business while aggregate lenders originated 50.2% (38.7% by dollar) to businesses with gross revenue under $1 million; however, the bank originated only six loans that year. Comerica's lending also fell below D&B demographic data, which in 2016 and 2017 reported 93.4% and 92.7%, respectively, of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that only a small percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, only 14.3% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 96.5% for the aggregate. In 2017, only 16.7% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 95.1% for the aggregate. While the bank's competition primarily consists of large multi-regional or nationwide banks, it appears the bank has further opportunities to serve small businesses in the assessment area.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered good when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is good. In 2016, the bank originated 8.3% (1.2% by dollar volume) of its total HMDA loans to low-income borrowers, which was greater than the 1.9% (0.7% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers rose to 25.0% (14.9% by dollar) and remained greater than aggregate lending to low-income borrowers, which represented 2.7% of total HMDA loans and 1.0% of the total dollar volume. Low-income families made up 21.1% of total families in the assessment area in 2016 and 20.8% in 2017.

The bank's HMDA lending to moderate-income borrowers is good. In 2016, the bank originated 50.0% (10.3% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which was greater than the 10.4% of HMDA-related loans (5.3% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank also exceeded aggregate, originating 25.0% of HMDA-related loans (19.4% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 11.6% of HMDA loans (6.2% by dollar) to moderate-income borrowers. Moderate-income families made up 18.3% of families in the assessment area in 2016 and 17.7% in 2017.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered adequate when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is adequate. In 2015 and 2016, Comerica originated one HELOC to a low-income borrower, which represented 7.1% of its HELOC lending. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 21.1%. However, 38.3% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated no HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 20.8%. However, 39.6% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is adequate. In 2015 and 2016, Comerica originated one HELOC to a moderate-income borrower, which represented 7.1% of its HELOC lending. The bank's performance was below the percentage of moderate-income families in the assessment area, at 18.3%. In 2017, the bank originated no HELOCs to moderate-income borrowers. The bank's performance was below the percentage of moderate-income families in the assessment area, at 17.7%. However, 17.8% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects a poor penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is adequate considering the low percentage of small businesses located in those tracts and aggregate lending levels. In 2016, the bank originated no small business loans in low-income tracts, compared to 2.9% of businesses located in those tracts and 1.7% of aggregate loans (1.9% by dollar). In 2017, no small business loans were originated in low-income tracts, compared to 3.1% of businesses located in those tracts and 2.7% of aggregate loans (3.7% by dollar).

The bank's small business lending in moderate-income census tracts is poor. In 2016, the bank originated no small business loans in moderate-income tracts, compared to 13.1% of businesses located in those tracts and 10.9% of aggregate loans (8.6% by dollar). In 2017, the bank's performance improved slightly, as 16.7% of small business loans (7.0% by dollar) were originated in moderate-income tracts, compared to 12.7% of businesses located in those tracts and 10.7% of aggregate loans (6.6% by dollar). However, it should be noted that the bank's percentage in 2017 consisted of only one origination.

The bank's small business lending in middle-income tracts was higher than the percentage of small businesses in these tracts, and the bank originated more loans in those tracts than aggregate lenders. The bank's small business lending in upper-income tracts was slightly lower than the percentage of small businesses in these tracts, and the bank originated fewer loans in those tracts than aggregate lenders.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects a poor penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. While the bank originated no home purchase loans in these tracts during the review period, aggregate lenders also struggled to originate loans. In 2016, aggregate lenders originated 2.1% of home purchase loans (1.5% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 1.3% of loans (0.9% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, only 2.4% and 2.3% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may provide for limited lending opportunities.

Home purchase lending in moderate-income tracts is poor. In 2016, the bank originated 16.7% of its home purchase loans in moderate-income census tracts (4.4% by dollar); in 2017, Comerica originated no loans. In 2016, aggregate lenders originated 14.1% of home purchase loans (10.4% by dollar) in moderate-income tracts; in 2017, aggregate lenders originated 17.3% (12.0% by dollar) of home purchase loans in these tracts. Additionally, in 2016 and 2017, 16.4% and 16.3% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts. Although it appears that the bank exceeded the aggregate in 2016, the bank only originated one loan in a moderate-income tract.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts during the review period, aggregate lenders also struggled to originate loans. In 2016, aggregate lenders originated only 1.4% of loans in low-income areas; in 2017, aggregate lenders originated 1.0% of loans in low-income areas. Additionally, in 2016 and 2017, only 2.4% and 2.3% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may provide for limited lending opportunities.

Home refinance lending in moderate-income tracts is poor. Comerica originated no home refinance loans in moderate-income tracts during the review period. In contrast, aggregate lenders originated 12.1% of loans (7.7% by dollar) in moderate-income tracts in 2016 and 15.8% (9.5% by dollar) in 2017. Furthermore, the percentage of owner-occupied units located in moderate-income census tracts demonstrates lending opportunity; in 2016, 16.4% of owner-occupied units were located in moderate-income tracts, and this number remained steady at 16.3% in 2017.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is good.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank did not originate any HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 2.4%. In 2017, the bank again originated no HELOCs in low-income tracts, which was comparable to the percentage of owner-occupied units in these tracts, at 2.3%.

Comerica's HELOC lending in moderate-income census tracts is good. In 2015 and 2016, the bank originated 7.1% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 16.4%. In 2017, the bank originated 66.7% of its HELOCs in moderate-income tracts, which exceeded the percentage of owner-occupied units in these tracts, at 16.3%; however, this percentage in 2017 consisted of only two loans.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank makes few, if any, community development loans in the assessment area, and the bank's commitment to making qualified community development loans demonstrates a poor responsiveness to meeting community needs. The bank originated no community development loans in the assessment area during the review period. However, two loans benefitting the statewide area provided $2.0 million to revitalization and stabilization efforts, and one loan benefitting the statewide area provided $500,000 to economic development. Economic development funds were used to create a small business loan pool to provide opportunities to small and micro business owners located in Comerica's Florida assessment areas.

Investment Test

The Investment Test rating is Low Satisfactory. The bank has an excellent level of qualified community development investments and grants considering its deposits in the assessment area but exhibits poor responsiveness to credit and community development needs. The total amount of investments and contributions, at $463,304, has more than tripled from the previous evaluation. The bank's investments were primarily focused on affordable housing, although the overall amount was low.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	#	$000s	#	$000s	#	$000s	#	$000s
Affordable Housing	2	374	-	-	-	-	2	374
Community Services	-	-	-	-	16	74	16	74
Economic Development	-	-	-	-	1	15	1	15
Total	2	374	-	-	17	89	19	463

Although the majority of investments and grants were focused on affordable housing, which was a need identified by multiple contacts in the assessment area, contacts also identified needs in small business mentoring and counseling as well as economic development, which remained largely unaddressed by the bank. Therefore, further opportunities for responsiveness remain available to the bank.

One investment benefitting multiple assessment areas provided $311,568 to affordable housing efforts in Naples.

Service Test

The bank's Service Test performance is Needs to Improve. Its retail and community development services reflect poor responsiveness to the needs of the Naples MSA. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. While the bank provides a relatively high level of community development services, delivery systems are unreasonably inaccessible to portions of the bank's geographies and individuals of different income levels in its assessment area.

Retail Services

The bank's delivery systems are unreasonably inaccessible to portions of the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's one branch office and one ATM as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The only branch location is located in an upper-income tract, which is surrounded by middle- and upper-income tracts. It is not adjacent to any low- or moderate tracts. The closest low- or moderate-income tract is two miles away from the branch; all others are located across waterways or interstates from the single branch location. The table below summarizes the bank's retail locations in the Naples MSA.

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	8.1	7.2	-	-	-	-	-	-
Moderate	20.3	23.5	-	-	-	-	-	-
Middle	35.1	38.0	-	-	-	-	-	-
Upper	35.1	31.3	1	100.0	1	100.0	-	-
Unknown	1.4	-	-	-	-	-	-	-
Total	100.0	100.0	1	100.0	1	100.0	-	-

The bank did not open or close any branches in the assessment area. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals, as there is only one location.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for nine community development financial organizations offering community development services that focused on community services targeting LMI individuals. The table below shows the number of events by type of involvement. Employees participated in 367 events or meetings during the review period.

Purpose	**# Events / Meetings**
Community Services Benefitting LMI Individuals/Geographies	367
Total	367

METROPOLITAN AREAS (Limited Scope Review)

Description of Institution's Operations

- **Fort Lauderdale-West Palm Beach Assessment Area**
  - As of December 31, 2017, the bank operated six branches in the assessment area, representing 1.4% of its branches.
  - As of June 30, 2017, the bank had $270.5 million in deposits in this assessment area, representing a market share of 0.3%. The $270.5 million also represents 0.5% of the bank's total deposits.
- **Sarasota Assessment Area**
  - As of December 31, 2017, the bank operated zero branches in the assessment area.
  - As of June 30, 2017, the bank had no deposits in this assessment area.
  - Little weight was given to this assessment area given the lack of branching and deposits.
- **Stuart Assessment Area**
  - As of December 31, 2017, the bank operated zero branches in the assessment area.
  - As of June 30, 2017, the bank had no deposits in this assessment area.
  - Little weight was given to this assessment area given the lack of branching and deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix H for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices E and H, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Fort Lauderdale – West Palm Beach	Exceeds	Exceeds	Exceeds
Sarasota	Consistent	Below	Below
Stuart	Consistent	Below	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating, but did affect some individual components of the Lending Test in Florida.

State of Michigan

CRA Rating for Michigan: Satisfactory

The Lending Test is Rated: Low Satisfactory
The Investment Test is Rated: High Satisfactory
The Service Test is Rated: Low Satisfactory

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects adequate responsiveness to the assessment areas' credit needs.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of HMDA lending reflects good penetration among customers of different income levels.
- The distribution of small business lending reflects adequate penetration among business of different revenue sizes.
- Makes an adequate level of community development loans.
- Has an excellent level of qualified community development investments.
- Exhibits adequate responsiveness to credit and community development needs.
- Delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment areas.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

Scope

The assessment areas were selected for full-scope reviews based on factors identified in the FFIEC procedures. These include, but are not limited to, the level of the institution's lending, investment, and service activity as well as opportunities for such in the assessment areas; population density; the number of other institutions in the assessment areas; and the length of time since the most recent full-scope review. Additionally, examiner knowledge of the assessment areas was considered when determining the full-scope assessment areas;

approximately 32% of Kalamazoo residents live in poverty, putting the area in the 97th percentile among the nation's cities.[16]

Overall, approximately 75.4% of lending activity (by number of loans), 90.3% of the total deposits, and 75.4% of total branches within Michigan were evaluated through the full-scope reviews. Descriptions of the assessment areas, listed below, can be found in the applicable assessment area sections of this report.

- Kalamazoo-Portage
- Southeast Michigan

In addition, limited scope reviews were conducted for the remaining ten assessment areas, including:

- Ann Arbor MSA
- Battle Creek MSA
- Fenton
- Gladwin County
- Grand Rapids-Wyoming
- Jackson MSA
- Lansing-East Lansing
- Lenawee County
- Midland MSA
- Muskegon MSA

The time period, products, and affiliates evaluated for this state are consistent with the scope discussed in the Institution section of this report. The bank's performance in the Southeast Michigan assessment area was given greater consideration in determining the overall state rating, as a substantial majority of Comerica's activities are located in this assessment area.

Description of Institution's Operations in Michigan

The bank operates 195 branch offices in its assessment areas in Michigan, representing 44.5% of total branches. As of June 30, 2017, the bank had $29.5 billion in deposits in the state, representing 51.4% of total deposits. According to the June 30, 2017, FDIC Summary of Deposits, the bank had a deposit market share of 14.0% and ranked 2nd out of 126 FDIC-insured financial institutions across the state. Of the 3,257 HMDA loans originated and purchased by the bank, 1,612 (49.5%) were in the Michigan assessment areas. Of the 28,214 small business loans originated and purchased by the bank, 11,919 (42.2%) were in the Michigan assessment areas.

[16] Michigan Live. "Kalamazoo poverty report shows slow recovery after Great Recession." Mlive.com https://www.mlive.com/news/kalamazoo/index.ssf/2017/03/poverty_data_shows_racial_disp.html

Conclusions with Respect to Performance Tests in Michigan

Lending Test

In Michigan, the bank's overall Lending Test rating is Low Satisfactory. Lending activity reflects adequate responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes an adequate level of community development loans.

The bank is both a small business and HMDA lender. During the review period, the bank reported 11,919 (88.1%) small business loans compared to 1,612 (11.9%) HMDA loans. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

References are made to the bank's lending distribution by geography and borrower income throughout this report. Detailed information about the bank's HMDA- and CRA-reportable loans can be found in tables in Appendices G, H, and I.

Geographic Distribution and Distribution by Borrower Income and Business Revenue Size

Consistent with the performance standards for a large bank, conclusions about the bank's distribution of lending within its assessment areas considers the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; home mortgage loans and consumer to low-, moderate-, middle-, and upper-income individuals; small-business and small-farm loans to businesses and farms with gross annual revenues of $1 million or less; and, small-business and small-farm loans by loan amount at origination.

The CRA emphasizes the importance of banks serving the credit needs of their assessment areas, including LMI borrowers and areas. The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of revenue different sizes. Of the two full-scope assessment areas, one is considered adequate and one is considered good. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

The geographic distribution of loans reflects good penetration throughout the assessment areas. Of the two full-scope assessment areas, both are considered good. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Lending

In Michigan, the bank makes an adequate level of community development loans. During the review period, the bank originated 151 community development loans for $338.6 million in Michigan representing 37.7% of the bank's total community development loans by number and 28.6% by total dollar amount. Of the two full-scope assessment areas, Southeast Michigan's performance exceeded that of Kalamazoo-Portage, as a low level of community development loans were originated within the Kalamazoo-Portage assessment area.

The community development loans originated during the evaluation period were for a variety of purposes. The table below summarizes the bank's community development lending.

Community Development Lending		
Purpose	**Number**	**$('000s)**
Affordable Housing	12	30,870
Community Services Benefitting LMI Individuals	129	233,140
Economic Development	2	6,751
Revitalize and Stabilize	8	67,831
Total	151	338,592

Further, Comerica provided $115,044 in consortia loans through Community or Economic Development Corporations in the state. These loans provide financing to qualified businesses, some of which are also located in low- and moderate-income census tracts.

Investment Test

In Michigan, the bank's overall Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants, and exhibits adequate responsiveness to credit and community development needs. The table below summarizes the bank's community development investments and grants by assessment area within the state. Specific details regarding investments and donations can be found in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Assessment Area	#	$000s	#	$000s	#	$000s	#	$000s
Full Review:								
Kalamazoo-Portage	2	231	-	-	41	133	43	364
Southeast Michigan	30	22,314	6	15,673	830	4,532	866	42,519
Limited Review:								
Ann Arbor MSA	6	937	1	4,004	47	125	54	5,066
Battle Creek MSA	1	122	-	-	25	38	26	160
Fenton	-	-	-	-	8	24	8	24
Grand Rapids-Wyoming	8	3,230	1	1,955	113	300	122	5,485
Jackson MSA	2	247	-	-	24	73	26	320
Lansing-East Lansing	2	173	5	14,791	62	152	69	15,116
Midland MSA	1	101	-	-	22	27	23	128
Muskegon MSA	1	137	-	-	33	48	34	185
Gladwin County	-	-	-	-	-	-	-	-
Lenawee County	-	-	-	-	-	-	-	-
Total	53	27,492	13	36,423	1,205	5,452	1,271	69,367

In addition, a total of seven investments benefited the statewide area, which included the bank's assessment areas, and 29 benefited multiple assessment areas which included those in Michigan. These investments totaled $1.9 million and $99.3 million, respectively.

Furthermore, a total of seven donations benefited the statewide area, which included the bank's assessment areas. These donations totaled $1,000.

Service Test

In Michigan, the bank's overall Service Test rating is Low Satisfactory.

Retail Services

Overall, delivery systems, including ATMs and branch office locations, are reasonably accessible to the bank's assessment areas and individuals of different income levels.

Banking services and hours of operations do not vary in a way that inconveniences the assessment areas, including low- and moderate-income geographies or to low- and moderate-income individuals. The record of opening and closing offices has not affected the accessibility of its delivery systems, including to low- and moderate-income geographies and/or low- and moderate-income individuals.

While delivery systems are reasonably accessible to the bank's assessment areas overall, one limited-scope assessment area was deemed to have branches that were unreasonably inaccessible to significant portions of the bank's geographies and individuals of different income levels in its AAs. The rating of the Fenton assessment area reflected this inaccessibility, as the assessment area excluded many of the LMI tracts in the MSA at the time of the evaluation. However, since that time, the bank has revised its Fenton assessment area to include the entire Flint MSA.

Community Development Services

Overall, the bank provides a relatively high level of community development services. In Kalamazoo-Portage, Comerica was a leader in providing community development services; in the Southeast Michigan full-scope assessment area, the bank provided a relatively high level of community development services. Staff provided community development services to approximately 223 organizations and participated in more than 2,100 events. Particularly noteworthy is the bank's participation in financial literacy initiatives. The bank participated in financial literacy initiatives with LMI schools throughout the state. In addition, one bank staff member served on the board of directors for the statewide initiative Neighborhood Associations of Michigan.

An analysis of the community development services delivered in each assessment area is provided in the following pages.

METROPOLITAN AREAS (Full Scope Review)

Description of Operations in Kalamazoo-Portage

The Kalamazoo-Portage Assessment Area includes Kalamazoo County. This county, along with Van Buren County, which is excluded from the assessment area, make up the Kalamazoo-Portage Metropolitan Statistical Area (MSA).

According to the 2010 census, the assessment area population was 250,331, which accounts for 2.5% of the population in the state. Based on the 2017 population of 262,985, the assessment area has experienced an increase of 5.1% since 2010. Kalamazoo, the largest city within the assessment area accounts for 28.8% of the population in the assessment area. Other notable cities in the assessment area are Battle Creek and Portage.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Kalamazoo	262,985	5.1	Kalamazoo*, Portage, Battle Creek

*Denotes county seat

As of December 31, 2017, the bank operated six branches in the assessment area representing 1.4% of its branches. There is one branch located in a low-income census tract, three branches in moderate-income census tracts, and two located in middle-income census tracts.

According to the FDIC, as of June 30, 2017, the bank had $237.1 million deposits in this assessment area representing 0.4% of the bank's total deposits. It also represents a deposit market share of 7.5%, which includes all other FDIC-insured deposits that are located in the assessment area. PNC Bank holds the largest deposit share at 28.7%, followed by Fifth Third Bank, at 20.4%, and First National Bank of Michigan, at 10.3%.

For 2016, there were 263 financial institutions that reported HMDA data in the assessment area. The bank ranked 57th in HMDA market share with 0.1%. Lake Michigan Credit Union and Consumers Credit Union dominated the market with 11.5% and 8.7% of the market share, respectively. For 2017, there were 279 financial institutions that reported HMDA data in the assessment area. The bank ranked 56th in HMDA market share with 0.1%. Once again, Lake Michigan Credit Union and Consumers Credit Union dominated the market with 11.1% and 9.5% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending.

For 2016, there were 57 financial institutions that reported CRA small business data in the assessment area. The bank ranked 8th in market share with 3.2%. Citibank and American Express Bank dominated the market with 25.5% and 13.7% of the market share, respectively. For 2017, there were 61 financial institutions that reported CRA small business data in the assessment area. The bank ranked 9th in market share with 3.3%. PNC Bank and American Express Bank dominated the market with 16.9% and 14.9% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Kalamazoo-Portage MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 77.3% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Kalamazoo-Portage assessment area was made up of 57 distinct census tracts. Of the total tracts, seven (12.3%) were designated as low-income, 11 (19.3%) were designated moderate-income, 26 (45.6%) were middle-income, and 13 (22.8%) were upper-income. As of the 2015 census estimates, seven (12.3%) were designated as low-income, ten (17.5%) were designated moderate-income, 24 (42.1%) were middle-income, 15 (26.3%) were upper-income, and one (1.8%) was designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; and the HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Kalamazoo-Portage MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 11.2% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 11.2% of the families in the assessment area lived below the poverty level.

Kalamazoo-Portage

Income Level	2010	2015
Median Income	$61,337	$61,008
Low-income	< $30,669	< $30,504
Moderate-income	$30,669 - $49,069	$30,504 - $48,806
Middle-income	$49,070 - $73,603	$48,807 - $73,209
Upper-income	≥ $73,604	≥ $73,210

Housing Characteristics

2010 Census

According to the 2010 census, there were 109,233 housing units in the Kalamazoo-Portage Assessment Area. Of total housing in the assessment area, 59.3% of the units were classified as owner-occupied while 31.7% were classified as rental units and 9.0% of the available housing was vacant. Overall, 8.7% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 33.7% of the housing units were owner-occupied, 52.2% were rental units, and 14.1% were vacant.

The median age of housing stock in these tracts was 60 years and the median housing value in low-income tracts for the assessment area in 2010 was $68,770. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $647, which is less affordable than the monthly mortgage payment of $252 for a $68,770 home for 30 years at 3.65% interest rate. However, 40.6% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 17.0% of the housing stock in the assessment area. In these census tracts, 36.1% of the housing units were owner-occupied, 51.5% were rental units, and 12.4% were vacant. The median age of housing stock in these tracts was 55 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $99,371. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2010 was $619, which is less affordable than the monthly mortgage payment of $364 for a $99,371 home for 30 years at 3.65% interest rate. However, 18.3% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 49.4%, was in middle-income tracts. In these census tracts, 62.2% of the housing units were owner-occupied, 29.5% were rental units, and 8.3% were vacant. The median age of housing stock in these tracts was 39 years and 9.4% of families in middle-income tracts had incomes

below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $137,152.

Approximately 24.9% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 78.4% of the housing units were owner-occupied, 15.6% were rental units, and 6.0% were vacant. The median age of housing stock in these tracts was 32 years and only 5.1% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $195,825.

2015 Census Estimates

According to 2015 census estimates, there are 110,196 housing units in the Kalamazoo-Portage Assessment Area. Of total housing in the assessment area, 58.4% of the units are classified as owner-occupied while 32.7% are classified as rental units and 8.9% of the available housing is vacant. Overall, 11.1% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 25.8% of the housing units are owner-occupied, 57.1% are rental units, and 17.1% are vacant.

The median age of housing stock in these tracts is 50 years and the median housing value in low-income tracts for the assessment area in 2015 was $56,700. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $671, which is less affordable than the monthly mortgage payment of $216 for a $56,700 home for 30 years at 3.99% interest rate. However, 39.8% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 14.0% of the housing stock in the assessment area. In these census tracts, 41.8% of the housing units are owner-occupied, 46.6% are rental units, and 11.6% are vacant. The median age of housing stock in these tracts is 61 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $89,999. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2015 was $643, which is less affordable than the monthly mortgage payment of $343 for a $89,999 home for 30 years at 3.99% interest rate. However, 18.7% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 47.7%, is in middle-income tracts. In these census tracts, 61.3% of the housing units are owner-occupied, 30.9% are rental units, and 7.8% are vacant. The median age of housing stock in these tracts is 49 years and 9.5% of families in middle-income tracts have incomes below the poverty level.

The median housing value in middle-income tracts for the assessment area in 2015 was $127,534.

Approximately 26.9% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 75.8% of the housing units are owner-occupied, 18.1% are rental units, and 6.1% are vacant. The median age of housing stock in these tracts is 42 years and only 4.3% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $ 184,579.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for the assessment area were lower than the annual unemployment rates for the MSA, Michigan, and the nation. According to the 2010 census, the unemployment rate was 22.3% in low-income tracts and 13.9% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had decreased to 18.6% and 11.0% in low- and moderate-income tracts, respectively. However, these remain high, and high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Kalamazoo County	4.3%	4.1%	4.1%
MSA	4.8%	4.4%	4.5%
State of Michigan	5.4%	5.0%	4.6%
United States	5.3%	4.9%	4.4%

The overall average hourly wage for workers in the Kalamazoo area is lower than that of the U.S. as a whole.[17] The largest employment sectors are health care and social assistance, manufacturing, and retail trade. The 12th largest employer in the state of Michigan is Bronson Healthcare Group, located in Kalamazoo.[18]

[17] Bureau of Labor Statistics. "Kalamazoo Area Economic Summary." BLS.gov https://www.bls.gov/regions/midwest/summary/blssummary_kalamazoo.pdf (accessed September 30, 2018)
[18] Career One Stop. "State Profile: Largest Employers – Michigan." CareerOneStop.org. https://www.careerinfonet.org/oview6.asp?soccode=&stfips=26&from=State&id=&nodeid=12 (accessed January 10, 2019)

Community Contacts and Community Development Opportunities

As part of the evaluation of the Kalamazoo-Portage assessment area, two community contacts involved in affordable housing and small business development were made. The two contacts highlighted needs for affordable housing, homeowner education, financial literacy, and sponsorship of small business workshops.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

Kalamazoo-Portage

Combined Demographics Report

Assessment Area: MI - Kalamazoo-Portage

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	12.3	4,086	6.8	1,657	40.6	12,955	21.6
Moderate-income	11	19.3	6,928	11.5	1,266	18.3	9,592	16
Middle-income	26	45.6	30,486	50.8	2,861	9.4	12,121	20.2
Upper-income	13	22.8	18,486	30.8	945	5.1	25,318	42.2
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**57**	**100.0**	**59,986**	**100.0**	**6,729**	**11.2**	**59,986**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	9,471	3,192	4.9	33.7	4,941	52.2	1,338	14.1
Moderate-income	18,534	6,684	10.3	36.1	9,551	51.5	2,299	12.4
Middle-income	53,979	33,561	51.8	62.2	15,913	29.5	4,505	8.3
Upper-income	27,249	21,375	33	78.4	4,239	15.6	1,635	6
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**109,233**	**64,812**	**100.0**	**59.3**	**34,644**	**31.7**	**9,777**	**9.0**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	684	7	557	6.5	122	11.8	5	6.3
Moderate-income	1,729	17.8	1,460	16.9	253	24.5	16	20.3
Middle-income	4,749	48.8	4,204	48.8	512	49.5	33	41.8
Upper-income	2,573	26.4	2,401	27.8	147	14.2	25	31.6
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**9,735**	**100.0**	**8,622**	**100.0**	**1,034**	**100.0**	**79**	**100.0**
	Percentage of Total Businesses:			**88.6**		**10.6**		**.8**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	1	0.5	1	0.5	0	0	0	0
Moderate-income	23	10.5	18	9	5	26.3	0	0
Middle-income	139	63.2	128	63.7	11	57.9	0	0
Upper-income	57	25.9	54	26.9	3	15.8	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**220**	**100.0**	**201**	**100.0**	**19**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**91.4**		**8.6**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Kalamazoo-Portage

Combined Demographics Report

Assessment Area: MI - Kalamazoo-Portage

Income Categories	Tract Distribution #	Tract Distribution %	Families by Tract Income #	Families by Tract Income %	Families < Poverty Level as % of Families #	Families < Poverty Level as % of Families %	Families by Family Income #	Families by Family Income %
Low-income	7	12.3	4,549	7.5	1,812	39.8	12,389	20.5
Moderate-income	10	17.5	6,660	11	1,243	18.7	10,041	16.6
Middle-income	24	42.1	29,410	48.7	2,783	9.5	12,072	20
Upper-income	15	26.3	19,717	32.6	857	4.3	25,936	42.9
Unknown-income	1	1.8	102	0.2	51	50	0	0
Total Assessment Area	**57**	**100.0**	**60,438**	**100.0**	**6,746**	**11.2**	**60,438**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	12,207	3,153	4.9	25.8	6,969	57.1	2,085	17.1
Moderate-income	15,402	6,428	10	41.7	7,185	46.6	1,789	11.6
Middle-income	52,563	32,229	50.1	61.3	16,236	30.9	4,098	7.8
Upper-income	29,613	22,442	34.9	75.8	5,356	18.1	1,815	6.1
Unknown-income	411	50	0.1	12.2	293	71.3	68	16.5
Total Assessment Area	**110,196**	**64,302**	**100.0**	**58.4**	**36,039**	**32.7**	**9,855**	**8.9**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	658	7.6	528	7	127	12.4	3	4.1
Moderate-income	1,596	18.5	1,296	17.2	285	27.9	15	20.5
Middle-income	3,935	45.6	3,480	46.1	430	42.1	25	34.2
Upper-income	2,409	27.9	2,206	29.2	174	17	29	39.7
Unknown-income	40	0.5	33	0.4	6	0.6	1	1.4
Total Assessment Area	**8,638**	**100.0**	**7,543**	**100.0**	**1,022**	**100.0**	**73**	**100.0**
	Percentage of Total Businesses:			**87.3**		**11.8**		**.8**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2	1	2	1.1	0	0	0	0
Moderate-income	21	10.6	16	8.8	5	27.8	0	0
Middle-income	113	56.8	105	58	8	44.4	0	0
Upper-income	63	31.7	58	32	5	27.8	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**199**	**100.0**	**181**	**100.0**	**18**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**91.0**		**9.0**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is Low Satisfactory. The geographic distribution of loans reflects a good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. However, the bank makes a low level of community development loans, and lending activity reflects poor responsiveness to assessment area credit needs.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 450 (92.6%) small business loans compared to 36 (7.4%) HMDA loans in the Kalamazoo-Portage assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is adequate. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market.

In 2016, the bank originated 27.0% of its loans, representing 23.6% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 43.3% (34.7% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 23.6% of loans (14.0% by dollar) to small business while aggregate lenders originated 49.4% (34.9% by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which in 2016 and 2017 reported 88.6% and 87.3%, respectively, of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 44.6% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 10.8% for the aggregate. In 2017, 48.0% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 88.4% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered good when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is good. In 2016, the bank originated 9.1% (3.2% by dollar volume) of its total HMDA loans to low-income borrowers, which was greater than the 6.9% (3.1% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers rose to 20.0% (6.9% by dollar) and again exceeded aggregate lending to low-income borrowers, which represented 6.2% of total HMDA loans and 2.6% of the total dollar volume. While the percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as the lending percentages to low-income borrowers represented only four total loans during the review period. Low-income families made up 21.6% of total families in the assessment area in 2016 and 20.5% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is good. In 2016, the bank originated 36.4% (21.8% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which was greater than the 17.6% of HMDA-related loans (10.7% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank once again exceeded aggregate, originating 20.0% of HMDA-related loans (11.0% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 17.6% of HMDA loans (10.9% by dollar) to moderate-income borrowers. While the percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as the lending percentages to moderate-income borrowers represented only nine total loans during the review period. Both the bank and the aggregate HMDA lenders were comparable to demographics, with 16.0% and 16.6% of families in 2016 and 2017 (respectively) in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered good when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is good. In 2015 and 2016, Comerica originated 16.2% of its HELOCs to low-income borrowers. The bank's performance was slightly below the percentage of low-income families in the assessment area, at 21.6%. However, 40.6% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 9.1% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 20.5%. However, 39.8% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is excellent. In 2015 and 2016, Comerica originated 17.6% of its HELOCs to moderate-income borrowers. The bank's performance exceeded the percentage of moderate-income families in the assessment area, at 16.0%. Additionally, 18.3% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 18.2% of its HELOCs to moderate-income borrowers. The bank's performance exceeded the percentage of moderate-income families in the assessment area, at 16.6%. Additionally, 18.7% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

<u>Geographic Distribution of Loans</u>

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects good penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is excellent. The bank's small business lending by number in low-income tracts during the review period exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 8.1% of small business loans (7.3% by dollar) were originated in low-income tracts, compared to 6.5% of businesses located in those tracts and 5.5% of aggregate loans (7.6% by dollar). In 2017, 7.9% of small business loans (6.7% by dollar) were originated in low-income tracts, compared to 7.0% of businesses located in those tracts and 6.9% of aggregate loans (7.6% by dollar).

The bank's small business lending in moderate-income census tracts is excellent. In 2016, 21.6% of small business loans (19.1% by dollar) were originated in moderate-income tracts, compared to 16.9% of businesses located in those tracts and 14.7% of aggregate loans (18.2% by dollar). In 2017, the bank's performance improved, as 25.2% of small business loans (29.8% by dollar) were originated in moderate-income tracts, compared to 17.2% of businesses located in those tracts and 19.8% of aggregate loans (20.9% by dollar).

The bank's small business lending in middle-income tracts was higher than the percentage of small businesses in these tracts, and the bank originated more loans in those tracts than aggregate lenders. The bank's small business lending in upper-income tracts was slightly lower overall than the percentage of small businesses in these tracts, and the bank originated fewer loans in those tracts than aggregate lenders.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. While the bank originated no home purchase loans in these tracts during the review period, aggregate lenders struggled to lend as well. In 2016, aggregate lenders originated only 1.7% of home purchase loans (0.8% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 3.1% of loans (1.6% by dollar) in low-income census tracts. Additionally, in both 2016 and 2017, only 4.9% of owner-occupied units in the assessment area were located in low-income tracts, which may indicate limited lending opportunities.

Home purchase lending in moderate-income tracts is poor. In 2016, the bank originated 20.0% of its home purchase loans in moderate-income census tracts (6.5% by dollar); in 2017, Comerica originated no loans. In 2016, aggregate lenders originated 10.7% of home purchase loans (6.1% by dollar) in moderate-income tracts; in 2017, aggregate lenders originated 10.8% (6.5% by dollar) of home purchase loans in these tracts. Additionally, in 2016 and 2017, 10.3% and 10.0% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts. Although it appears that the bank exceeded the aggregate in 2016, the bank only originated one loan in a moderate-income tract.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts during the review period, aggregate lenders also struggled to originate loans. In 2016, aggregate lenders originated only 1.1% of loans in low-income areas; in 2017, aggregate lenders originated 1.8% of loans in low-income areas. Additionally, in both 2016 and 2017, only 4.9% of owner-occupied units in the assessment area were located in low-income tracts, which may indicate limited lending opportunities.

Home refinance lending in moderate-income tracts is adequate. The bank originated no loans in 2016; however, in 2017, the bank originated 33.3% of its home refinance loans in moderate-income census tracts (22.0% by dollar). While this represents only one origination, home mortgage lending is not a key product for the bank and overall lending in the assessment area was low as a result. Furthermore, aggregate lending in these tract types was also fairly low: in 2016, aggregate lenders originated 7.0% of home refinance loans (4.1% by dollar) in moderate-income tracts, and in 2017, aggregate lenders originated 9.7% (6.6% by dollar) of home refinance loans in these tracts. In 2016 and 2017, 10.3% and 10.0% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is poor.

Comerica's HELOC lending in low-income census tracts is poor. In 2015 and 2016, the bank originated 1.5% of its HELOCs in low-income tracts. This performance was slightly below the percentage of owner-occupied units in these tracts, at 4.9%. In 2017, the bank originated no HELOCs in low-income tracts, while the percentage of owner-occupied units in these tracts remained steady at 4.9%.

Comerica's HELOC lending in moderate-income census tracts is poor. In 2015 and 2016, the bank originated 5.9% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 10.3%. In 2017, the bank originated 3.6% of its HELOCs in moderate-income tracts, which was below the percentage of owner-occupied units in these tracts, at 10.0%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank makes a low level of community development loans in the assessment area. The bank originated three community development loans in the Kalamazoo-Portage Assessment Area totaling approximately $8.0 million during the review period. The bank's commitment to making qualified community development loans demonstrates a poor responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Community Services	3	8,040
Totals	3	8,040

The majority of community development funds ($8.0 million) was to fund healthcare services for LMI seniors and/or disabled individuals.

The contacts in the assessment area mentioned financial education and sponsorship of small business workshops as needs within the assessment area. However, none of the bank's community development lending funded these types of initiatives.

Investment Test

The Investment Test rating is Low Satisfactory. The bank has an excellent level of qualified community development investments and grants given its deposits in the assessment area, but exhibits poor responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $364,115, has increased substantially from the previous evaluation. However, the overall level remains low.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	#	$000s	#	$000s	#	$000s	#	$000s
Affordable Housing	2	231	-	-	4	32	6	263
Community Services	-	-	-	-	32	83	32	83
Revitalization and Stabilization	-	-	-	-	5	18	5	18
Total	2	231	-	-	41	133	43	364

Although the majority of investments and grants were focused on affordable housing, which was a need identified by multiple contacts in the assessment area, the overall amount was low. Furthermore, the bank ranks 4th out of 15 institutions for deposit market share, indicating there are opportunities for Comerica to further demonstrate responsiveness in the assessment area.

Three investments benefitting multiple assessment areas provided $534,640 to affordable housing efforts in Kalamazoo. Fourteen investments and grants benefitting the statewide area provided approximately $160,917 to affordable housing efforts, $542 to community services targeting LMI individuals, and $458 to revitalization and stabilization.

Service Test

The bank's Service Test performance is High Satisfactory. Its retail and community development services reflect good responsiveness to the needs of the Kalamazoo-Portage assessment area. Delivery systems are readily accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank is a leader in providing community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

Retail Services

The bank's delivery systems are readily accessible to the bank's geographies and individuals of different income levels in its assessment area, as 66.7% of branches in the assessment area are located in low- or moderate-income tracts. The distribution of the bank's six branch offices and six ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Kalamazoo-Portage assessment area.

Kalamazoo-Portage

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	12.3	8.0	1	16.7	1	16.7	-	-
Moderate	17.5	16.7	3	50.0	3	50.0	-	-
Middle	42.1	51.8	2	33.3	2	33.3	-	-
Upper	26.3	21.9	-	-	-	-	-	-
Unknown	1.8	1.6	-	-	-	-	-	-
Total	100.0	100.0	6	100.0	6	100.0	-	-

The bank did not open or close any branches in the assessment area. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank is a leader in providing community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for ten community development financial organizations offering affordable housing and community services targeting LMI individuals. The table below shows the number of events by type of involvement. Employees participated in 105 events or meetings during the review period.

Purpose	# Events / Meetings
Affordable Housing	39
Community Services Benefitting LMI Individuals/Geographies	66
Total	105

The bank supports affordable housing initiatives through the LIFT Foundation, which is a community resource for building, preserving, operating, and maintaining homes for people with low incomes in west Michigan. This is responsive to needs identified by contacts in the area. Bank personnel also serve with Ministry with Community, whose mission is to rebuild lives by providing food, shelter, and other supportive services to those struggling with homelessness and poverty.

Description of Operations in Southeast Michigan

The Southeast Michigan Assessment Area includes Livingston, Macomb, Oakland, and Wayne Counties and portions of Lapeer County. These counties, along with St. Clair County, which is excluded from the assessment area, make up the Detroit-Warren-Dearborn MSA.

According to the 2010 census, the assessment area population was 4,091,311, which accounted for 41.84% of the population in the state. Based on the 2017 population of 4,153,652, the assessment area has experienced an increase of 1.5% since 2010. Detroit, the largest city within the assessment area, accounts for 16.2% of the population in the assessment area. Other notable cities in the assessment area are Pontiac, Utica, and Dearborn.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Lapeer	88,174	0.0	Lapeer*, Brown City, Imlay City
Livingston	189,651	4.8	Howell*, Brighton
Macomb	871,375	3.6	Mount Clemens*, Utica, Warren
Oakland	1,250,836	4.0	Pontiac*, Auburn Hills, Troy
Wayne	1,753,616	-3.7	Detroit*, Dearborn, Lincoln Park

*Denotes county seat

As of December 31, 2017, the bank operated 141 branches in the assessment area representing 32.2% of its branches. There are 10 branches located in low-income census tracts, 29 branches in moderate-income census tracts, 42 in middle-income census tracts, and 59 branches in upper-income census tracts; one branch was located in an unknown-income census tract. Additionally, Comerica operates one LPO in a moderate-income tract and three LPOs in upper-income tracts.

According to the FDIC, as of June 30, 2017, the bank had $26.4 billion in deposits in this assessment area representing 46.0% of the bank's total deposits. It also represents a deposit market share of 20.8%, which includes all other FDIC-insured deposits that are located in the assessment area. JPMorgan Chase holds the largest deposit share at 28.0%, followed by Comerica, and Bank of America, at 12.3%.

For 2016, there were 583 financial institutions that reported HMDA data in the assessment area. The bank ranked 68th in HMDA market share with 0.3%. Quicken Loans, Inc. and Wells Fargo Bank dominated the market with 11.9% and 7.3% of the market share, respectively. For 2017, there were 572 financial institutions that reported HMDA data in the assessment area. The bank ranked 70th in HMDA market share with 0.3%. Once again, Quicken Loans, Inc. and Wells Fargo Bank dominated the market with 11.6% and 5.8% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending.

For 2016, there were 152 financial institutions that reported CRA small business data in the assessment area. The bank ranked 8th in market share with 2.9%. Citibank and American Express Bank dominated the market with 27.5% and 19.4% of the market share, respectively. For 2017, there were 145 financial institutions that reported CRA small business data in the assessment area. The bank ranked 8th in market share with 3.0%. American Express Bank and Chase Bank USA dominated the market with 22.0% and 12.9% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Detroit-Warren-Dearborn MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 95.3% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Southeast Michigan assessment area was made up of 1,239 distinct census tracts. Of the total tracts, 139 (11.2%) were designated as low-income, 297 (24.0%) were designated moderate-income, 423 (34.1%) were middle-income, 363 (29.3%) were upper-income, and 17 (1.4%) were designated as having an unknown-income level. As of the 2015 census estimates, 170 (13.7%) were designated as low-income, 306 (24.7%) were designated moderate-income, 382 (30.8%) were middle-income, 357 (28.8%) were upper-income, and 24 (1.9%) were designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; and the HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Detroit-Warren-Dearborn MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 10.8% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 12.9% of the families in the assessment area lived below the poverty level.

Income Level	**2010**	**2015**
Median Income	$66,024	$67,425
Low-income	< $33,012	< $33,713
Moderate-income	$33,012 - $52,819	$33,713 - $53,940
Middle-income	$52,820 - $79,228	$53,941 - $80,910
Upper-income	≥ $79,229	≥ $80,911

Housing Characteristics

2010 Census

According to the 2010 census, there were 1,800,471 housing units in the Southeast Michigan Assessment Area. Of total housing in the assessment area, 64.3% of the units were classified as owner-occupied while 23.9% were classified as rental units and 11.8% of the available housing was vacant. Overall, 9.6% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 29.9% of the housing units were owner-occupied, 43.6% were rental units, and 26.5% were vacant.

The median age of housing stock in these tracts was 61 years and the median housing value in low-income tracts for the assessment area in 2010 was $73,382. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $686, which is less affordable than the monthly mortgage payment of $269 for a $73,382 home for 30 years at 3.65% interest rate. However, 40.7% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 24.3% of the housing stock in the assessment area. In these census tracts, 50.5% of the housing units were owner-occupied, 32.5% were rental units, and 17.0% were vacant. The median age of housing stock in these tracts was 56 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $97,322. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2010 was $771, which is less affordable than the monthly mortgage payment of $356 for a

$97,322 home for 30 years at 3.65% interest rate. However, 20.2% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 36.7%, was in middle-income tracts. In these census tracts, 69.6% of the housing units were owner-occupied, 21.5% were rental units, and 9.0% were vacant. The median age of housing stock in these tracts was 44 years and 7.2% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $154,000.

Approximately 29.4% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 80.4% of the housing units were owner-occupied, 13.3% were rental units, and 6.3% were vacant. The median age of housing stock in these tracts was 37 years and only 3.2% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $224,505

2015 Census Estimates

According to 2015 census estimates, there are 1,802,601 housing units in the Southeast Michigan Assessment Area. Of total housing in the assessment area, 60.3% of the units are classified as owner-occupied while 27.5% are classified as rental units and 12.1% of the available housing is vacant. Overall, 12.2% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 30.4% of the housing units are owner-occupied, 42.5% are rental units, and 27.1% are vacant.

The median age of housing stock in these tracts is 61 years and the median housing value in low-income tracts for the assessment area in 2015 was $40,898. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $712, which is less affordable than the monthly mortgage payment of $156 for a $40,898 home for 30 years at 3.99% interest rate. However, 42.7% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 24.6% of the housing stock in the assessment area. In these census tracts, 46.2% of the housing units are owner-occupied, 36.0% are rental units, and 17.7% are vacant. The median age of housing stock in these tracts is 61 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $65,312. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2015 was $827, which is less affordable than the monthly mortgage payment of $249 for a $65,312 home for 30 years at 3.99% interest rate. However, 22.8% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 32.7%, is in middle-income tracts. In these census tracts, 67.0% of the housing units are owner-occupied, 25.1% are rental units, and 7.9% are vacant. The median age of housing stock in these tracts is 52 years and 8.4% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $123,628.

Approximately 30.2% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 77.0% of the housing units are owner-occupied, 17.1% are rental units, and 5.9% are vacant. The median age of housing stock in these tracts is 46 years and only 4.0% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $200,849.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. With the exception of two counties, unemployment rates for all counties in the assessment area were higher than the annual unemployment rates for Michigan and the nation. Unemployment rates for Livingston County and Oakland County were slightly lower than those of the state and the country. According to the 2010 census, the unemployment rate was 25.1% in low-income tracts and 18.3% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had decreased slightly, but remained high at 24.0% and 16.0% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Lapeer County	7.2%	6.4%	5.4%
Livingston County	4.6%	4.1%	3.3%
Macomb County	5.8%	5.2%	4.3%
Oakland County	4.7%	4.2%	3.4%
Wayne County	6.9%	6.3%	5.4%
MSA	5.9%	5.3%	4.4%
State of Michigan	5.4%	5.0%	4.6%
United States	5.3%	4.9%	4.4%

The Detroit-Warren-Dearborn MSA is one of the population centers of Michigan; 43.4% of the state's population resides within the MSA. The MSA had a real gross domestic product of $260.6 billion in 2017, making it the 14th largest metropolitan economy in the U.S.[19] and similar to the economic output of countries such as Finland and Egypt[20]. The city of Detroit is the 32nd largest city by GDP in the world.

Detroit is the primary headquarters of the domestic auto industry as the home of the "Big Three": General Motors, Ford, and Chrysler. The MSA is also home to several Fortune 500 companies, including Lear Corporation, DTE Energy, and Autoliv. Many firms in the area exist primarily to support the automotive industry.[21] Other notable companies with a headquarters or major presence in the area include Compuware, IBM, and Google.

Community Contacts and Community Development Opportunities

As part of the evaluation of the Southeast Michigan assessment area, two community contacts involved in small business development and local government services were made. The two contacts highlighted needs for affordable housing, loans and grants to non-profits, and small business training for financing.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

[19] U.S. Bureau of Economic Analysis. "Gross Domestic Product by Metropolitan Area, 2017." BEA.gov. https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf (accessed October 10, 2018)
[20] Country Economy. "GDP: Gross Domestic Product." CountryEconomy.com https://countryeconomy.com/gdp (accessed October 10, 2018)
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Southeast Michigan

Combined Demographics Report

Assessment Area: MI - Southeast

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	139	11.2	71,115	6.8	28,979	40.7	227,372	21.7
Moderate-income	297	24	219,749	21	44,405	20.2	177,481	17
Middle-income	423	34.1	392,662	37.6	28,135	7.2	206,432	19.7
Upper-income	363	29.3	361,912	34.6	11,536	3.2	434,189	41.5
Unknown-income	17	1.4	36	0	0	0	0	0
Total Assessment Area	**1,239**	**100.0**	**1,045,474**	**100.0**	**113,055**	**10.8**	**1,045,47**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	172,011	51,413	4.4	29.9	75,015	43.6	45,583	26.5
Moderate-income	437,372	220,935	19.1	50.5	142,197	32.5	74,240	17
Middle-income	660,402	459,367	39.7	69.6	141,829	21.5	59,206	9
Upper-income	530,115	426,127	36.8	80.4	70,398	13.3	33,590	6.3
Unknown-income	571	53	0	9.3	60	10.5	458	80.2
Total Assessment Area	**1,800,471**	**1,157,895**	**100.0**	**64.3**	**429,499**	**23.9**	**213,077**	**11.8**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	10,231	5.9	8,538	5.5	1,622	9.4	71	6.8
Moderate-income	31,196	18	27,132	17.5	3,910	22.6	154	14.8
Middle-income	62,574	36.2	56,480	36.5	5,750	33.3	344	33.1
Upper-income	68,295	39.5	62,083	40.1	5,748	33.3	464	44.7
Unknown-income	683	0.4	430	0.3	248	1.4	5	0.5
Total Assessment Area	**172,979**	**100.0**	**154,663**	**100.0**	**17,278**	**100.0**	**1,038**	**100.0**
	Percentage of Total Businesses:			**89.4**		**10.0**		**.6**
	Total Farms by Tract		**Farms by Tract & Revenue Size**					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	21	2.3	20	2.2	1	3.2	0	0
Moderate-income	82	8.8	78	8.7	4	12.9	0	0
Middle-income	490	52.7	481	53.5	9	29	0	0
Upper-income	336	36.1	320	35.6	16	51.6	0	0
Unknown-income	1	0.1	0	0	1	3.2	0	0
Total Assessment Area	**930**	**100.0**	**899**	**100.0**	**31**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**96.7**		**3.3**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Combined Demographics Report

Assessment Area: MI - Southeast

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	170	13.7	89,261	8.7	38,094	42.7	232,928	22.7
Moderate-income	306	24.7	216,266	21.1	49,308	22.8	168,273	16.4
Middle-income	382	30.8	351,740	34.3	29,481	8.4	192,329	18.7
Upper-income	357	28.8	367,439	35.8	14,878	4	432,768	42.2
Unknown-income	24	1.9	1,592	0.2	599	37.6	0	0
Total Assessment Area	**1,239**	**100.0**	**1,026,298**	**100.0**	**132,360**	**12.9**	**1,026,29**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	219,705	66,878	6.2	30.4	93,384	42.5	59,443	27.1
Moderate-income	442,828	204,621	18.8	46.2	159,628	36	78,579	17.7
Middle-income	589,771	395,403	36.4	67	147,855	25.1	46,513	7.9
Upper-income	543,945	418,763	38.5	77	93,215	17.1	31,967	5.9
Unknown-income	6,352	1,466	0.1	23.1	2,423	38.1	2,463	38.8
Total Assessment Area	**1,802,601**	**1,087,131**	**100.0**	**60.3**	**496,505**	**27.5**	**218,965**	**12.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	11,210	7.3	9,259	6.8	1,878	11	73	7.7
Moderate-income	30,257	19.6	25,892	19	4,214	24.6	151	16
Middle-income	48,637	31.5	44,012	32.3	4,345	25.3	280	29.6
Upper-income	63,303	41	56,426	41.4	6,440	37.6	437	46.2
Unknown-income	828	0.5	559	0.4	264	1.5	5	0.5
Total Assessment Area	**154,235**	**100.0**	**136,148**	**100.0**	**17,141**	**100.0**	**946**	**100.0**
	Percentage of Total Businesses:			**88.3**		**11.1**		**.6**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	17	2	15	1.9	2	6.7	0	0
Moderate-income	97	11.6	92	11.4	5	16.7	0	0
Middle-income	431	51.6	421	52.3	10	33.3	0	0
Upper-income	289	34.6	276	34.3	13	43.3	0	0
Unknown-income	1	0.1	1	0.1	0	0	0	0
Total Assessment Area	**835**	**100.0**	**805**	**100.0**	**30**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**96.4**		**3.6**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is High Satisfactory. Lending activity reflects excellent responsiveness to assessment area credit needs. The geographic distribution of loans reflects a good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects good penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes a relatively high level of community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 8,560 (88.1%) small business loans compared to 1,153 (11.9%) HMDA loans in the Southeast Michigan assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

<u>Lending to Borrowers of Different Income Levels and Businesses of Different Sizes</u>

The bank's distribution of lending to borrowers reflects good penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is adequate. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market, which is experiencing economic growth and increased loan demand.

In 2016, the bank originated 26.2% of its loans, representing 19.2% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 42.1% (28.4% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 24.7% of loans (17.2% by dollar) to small business while aggregate lenders originated 52.0% (30.5%

by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which reported 89.4% and 88.3% of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 49.7% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 95.1% for the aggregate. In 2017, 49.4% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 93.9% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered excellent when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is excellent. In 2016, the bank originated 10.8% (3.9% by dollar volume) of its total HMDA loans to low-income borrowers, which exceeded the 7.4% (3.6% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers rose to 17.6% (8.0% by dollar) and again exceeded aggregate lending, which represented 8.1% of total HMDA loans and 4.0% of the total dollar volume. Low-income families made up 21.7% of total families in the assessment area in 2016 and 22.7% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is excellent. In 2016, the bank originated 24.7% (11.9% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which exceeded the 16.5% of HMDA-related loans (10.8% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank again exceeded aggregate, originating 39.8% of HMDA-related loans (25.2% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 18.3% of HMDA loans (12.2% by dollar) to moderate-income borrowers. Both the bank and the aggregate HMDA lenders were comparable to, or exceeded, the demographics, with 17.0% and 16.4% of families in 2016 and 2017 (respectively) in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered good when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is adequate. In 2015 and 2016, Comerica originated 12.3% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 21.7%. However, 40.7% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 11.4% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 22.7%. However, 42.7% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is excellent. In 2015 and 2016, Comerica originated 18.2% of its HELOCs to moderate-income borrowers. The bank's performance exceeded the percentage of moderate-income families in the assessment area, at 17.0%. In 2017, the bank originated 19.1% of its HELOCs to moderate-income borrowers. The bank's performance exceeded the percentage of moderate-income families in the assessment area, at 16.4%.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects good penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is excellent. The bank's small business lending by number in low-income tracts during the review period exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 9.2% of small business loans (8.9% by dollar) were originated in low-income tracts, compared to 5.5% of businesses located in those tracts and 4.4% of aggregate loans (5.7% by dollar). In 2017, 10.9% of small business loans (12.1% by dollar) were originated in low-income tracts, compared to 6.8% of businesses located in those tracts and 6.6% of aggregate loans (7.4% by dollar).

The bank's small business lending in moderate-income census tracts is excellent. In 2016, the bank's performance improved, as 22.6% of small business loans (24.7% by dollar) were originated in moderate-income tracts, compared to 17.5% of businesses located in those tracts and 15.8% of aggregate loans (19.0% by dollar). In 2017, 22.4% of small business loans (23.0% by dollar) were originated in moderate-income tracts, compared to 19.0% of businesses located in those tracts and 18.9% of aggregate loans (21.5% by dollar).

The bank's small business lending in middle- and upper-income tracts was lower than the percentage of small businesses in these tracts. When compared to the aggregate by percentage, the bank originated fewer loans in middle- and upper-income tracts.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects good penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. In 2016, Comerica originated 1.5% of its loans (0.6% by dollar) in low-income tracts; while this is lower than the owner-occupancy rate of 4.4%, it is comparable to aggregate lending at 1.2% (0.7% by dollar). In 2017, Comerica originated 1.6% of its loans (0.8% by dollar) in low-income tracts; while this is lower than the owner-occupancy rate of 6.2%, it is comparable to aggregate lending at 2.3% (1.1% by dollar).

Home purchase lending in moderate-income tracts is good. In 2016, the bank originated 13.9% of its home purchase loans in moderate-income census tracts (7.6% by dollar); while this is lower than the owner-occupancy rate of 19.1%, it exceeds aggregate lending levels of 12.2% (7.4% by dollar). In 2017, the bank originated 18.6% of its home purchase loans in moderate-income census tracts (13.6% by dollar), which is comparable to the owner-occupancy rate (18.8%) and exceeds lending by the aggregate (14.6% by number, 9.1% by dollar).

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. In 2016, Comerica originated 0.6% of loans in low-income tracts (0.1% by dollar). Aggregate lenders also struggled to originate loans, originating only 0.7% of loans (0.4% by dollar) in these tracts.

In 2017, the bank originated 1.5% of loans (0.6% by dollar) in low-income census tracts, which was comparable to aggregate lending (1.6% by number, 0.8% by dollar). In 2016 and 2017, 4.4% and 6.2% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home refinance lending in moderate-income tracts is good. The bank exceeded aggregate lending in 2016 and 2017, as well as the percentage of owner-occupied units in 2017. In 2016, Comerica originated 8.3% of its home refinance loans (4.9% by dollar) in moderate-income tracts, compared to aggregate which originated 7.7% of loans in those tracts (4.5% by dollar). In 2017, the bank originated 19.0% of its home refinance loans (10.4% by dollar) in moderate-income tracts, compared to aggregate which originated 11.3% of loans in those tracts (7.2% by dollar). In 2016 and 2017, 19.1% and 18.8% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is poor.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank originated 1.1% of its HELOCs in low-income tracts. This performance was slightly below the percentage of owner-occupied units in these tracts, at 4.4%. In 2017, the bank originated 2.2% of its HELOCs in low-income tracts, which was slightly below the percentage of owner-occupied units in these tracts, at 6.2%.

Comerica's HELOC lending in moderate-income census tracts is poor. In 2015 and 2016, the bank originated 8.7% of its HELOCs in moderate-income tracts. This performance was below the percentage of owner-occupied units in these tracts, at 19.1%. In 2017, the bank originated 11.7% of its HELOCs in moderate-income tracts, which was below the percentage of owner-occupied units in these tracts, at 18.8%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

<u>Community Development Lending</u>

The bank makes a relatively high level of community development loans in the assessment area given its market share. The bank originated 104 community development loans in the Southeast Michigan Assessment Area totaling approximately $260.1 million during the review period; this has more than doubled since the prior evaluation. The bank's commitment to making qualified community development loans demonstrates an excellent responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Affordable Housing	7	27,720
Community Services	89	161,218
Economic Development	1	4,800
Revitalization and Stabilization	7	66,331
Totals	104	260,069

Four affordable housing loans totaling $16.5 million served to purchase and rehabilitate 625 Section 8 housing units; affordable housing was identified by contacts as a need within the assessment area. One $22.2 million loan in a low-income Detroit census tract was for the purpose of creating a mixed-use development, leveraging support from a CDFI; the project will revitalize vacant lots, and 20% of residential units are set aside for affordable housing.

Contacts identified loans to non-profits serving LMI individuals as a need within the assessment area. In response to this need, Comerica originated $60.5 million in loans to fund these types of organizations. Examples of organizations benefitting from this responsiveness are Helping Heroes Thrive, SER Metro Detroit, Midwest Creative Investments, and several schools where a majority of the students are eligible for free or reduced lunches.

Investment Test

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants, particularly those not routinely provided by private investors, and exhibits good responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $42.5 million, has increased 68.0% from the previous evaluation.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	#	$000s	#	$000s	#	$000s	#	$000s
Affordable Housing	29	20,355	6	15,673	20	85	55	36,113
Community Services	-	-	-	-	708	3,449	708	3,449
Economic Development	1	1,959	-	-	17	264	18	2,223
Revitalization and Stabilization	-	-	-	-	85	734	85	734
Total	30	22,314	6	15,673	830	4,532	866	42,519

One way the bank demonstrated responsiveness to needs in the assessment area was through its economic development grants. These totaled $157,500 and supported small business lending and / or training in the assessment area. This type of support was noted by contacts as a need within the assessment area, as was affordable housing.

In addition, 20 investments benefitting multiple assessment areas provided $40.9 million to affordable housing efforts in Southeast Michigan.

Service Test

The bank's Service Test performance is Low Satisfactory. Its retail and community development services reflect good responsiveness to the needs of the Southeast Michigan assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

<u>Retail Services</u>

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's 141 branch offices and 288 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Southeast Michigan assessment area.

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	13.7	10.4	10	7.1	22	10.5	14	17.7
Moderate	24.7	22.9	29	20.6	51	24.4	26	32.9
Middle	30.8	33.4	42	29.8	57	27.3	10	12.7
Upper	28.8	33.1	59	41.8	77	36.8	25	31.6
Unknown	2.0	0.2	1	0.7	2	1.0	4	5.1
Total	100.0	100.0	141	100.0	209	100.0	79	100.0

The bank opened four branches (one in a moderate-income, one in a middle-income, and two in upper-income census tracts) and closed 11 branches (three in lower-income, two in moderate-income, two in middle-income, and four in upper-income census tracts) in the assessment area. The bank's record of opening or closing branches has not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for 145 community development financial organizations offering community development services that focused on community services targeting LMI individuals as well as economic development. The table below shows the number of events by type of involvement. Employees participated in 1,470 events or meetings during the review period.

Purpose	# Events / Meetings
Community Services Benefitting LMI Individuals/Geographies	1,441
Economic Development	29
Total	1,470

The bank supports LMI students in the area through involvement with various K-12 schools. Bank personnel also serve with Mary's Mantle, an organization providing shelter to homeless expecting mothers.

Comerica is also a key sponsor of The Financial Institutions Community Development Conference. This conference seeks to bring together financial, governmental, nonprofit, and private sector entities involved in neighborhood revitalization efforts to problem solve, build relationships, educate, and advance the cause of neighborhood community development in Detroit and the surrounding region. This is an example of a responsive activity given the needs in the assessment area.

METROPOLITAN AREAS (Limited Scope Review)

Description of Institution's Operations

- **Ann Arbor MSA**
  - As of December 31, 2017, the bank operated nine branches in the assessment area, representing 2.1% of its branches.
  - As of June 30, 2017 the bank had $742.0 million in deposits in this assessment area, representing a market share of 8.4%. The $742.0 million also represents 1.3% of the bank's total deposits.
- **Battle Creek MSA**
  - As of December 31, 2017, the bank operated four branches in the assessment area, representing 0.9% of its branches.
  - As of June 30, 2017, the bank had $207.7 million in deposits in this assessment area, representing a market share of 18.4%. The $207.7 million also represents 0.4% of the bank's total deposits.
- **Fenton Assessment Area**
  - As of December 31, 2017, the bank operated one branch in the assessment area, representing 0.2% of its branches.
  - As of June 30, 2017, the bank had $58.5 million in deposits in this assessment area, representing a market share of 1.5%. The $58.5 million also represents 0.1% of the bank's total deposits.
- **Grand Rapids-Wyoming Assessment Area**
  - As of December 31, 2017, the bank operated 11 branches in the assessment area, representing 2.5% of its branches.
  - As of June 30, 2017, the bank had $517.9 million in deposits in this assessment area, representing a market share of 2.6%. The $517.9 million also represents 0.9% of the bank's total deposits.
- **Jackson MSA**
  - As of December 31, 2017, the bank operated nine branches in the assessment area, representing 2.1% of its branches.
  - As of June 30, 2017, the bank had $414.3 million in deposits in this assessment area, representing a market share of 25.1%. The $414.3 million also represents 0.7% of the bank's total deposits.
- **Lansing-East Lansing Assessment Area**
  - As of December 31, 2017, the bank operated seven branches in the assessment area, representing 1.6% of its branches.
  - As of June 30, 2017, the bank had $541.3 million in deposits in this assessment area, representing a market share of 8.6%. The $541.3 million also represents 0.9% of the bank's total deposits.
- **Midland MSA**
  - As of December 31, 2017, the bank operated two branches in the assessment area, representing 0.5% of its branches.

- As of June 30, 2017, the bank had $121.4 million in deposits in this assessment area, representing a market share of 6.0%. The $121.4 million also represents 0.2% of the bank's total deposits.

- **Muskegon MSA**
  - As of December 31, 2017, the bank operated four branches in the assessment area, representing 0.9% of its branches.
  - As of June 30, 2017, the bank had $210.6 million in deposits in this assessment area, representing a market share of 13.5%. The $210.6 million also represents 0.4% of the bank's total deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix H for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices E and H, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Ann Arbor MSA	Consistent	Consistent	Below
Battle Creek MSA	Below	Below	Exceeds
Fenton	Below	Below	Consistent
Grand Rapids-Wyoming	Consistent	Consistent	Exceeds
Jackson MSA	Below	Below	Below
Lansing-East Lansing	Below	Exceeds	Exceeds
Midland MSA	Below	Consistent	Below
Muskegon MSA	Below	Below	Exceeds

The performance in the limited-scope assessment areas did not change the bank's overall rating.

NON-METROPOLITAN STATEWIDE AREAS (Limited Scope Review)

Description of Institution's Operations in the Non-Metropolitan Assessment Areas

- **Gladwin County Assessment Area**
  - As of December 31, 2017, the bank operated zero branches in the assessment area.
  - As of June 30, 2017, the bank had $20.0 million in deposits in this assessment area, representing a market share of 9.2%. The $20.0 million also represents less than 0.1% of the bank's total deposits.
  - Little weight was given to this assessment area given the lack of branching and deposits.

- **Lenawee County Assessment Area**
  - As of December 31, 2017, the bank operated one branch in the assessment area, representing 0.2% of its branches.
  - As of June 30, 2017, the bank had $31.5 million in deposits in this assessment area, representing a market share of 3.1%. The $31.5 million also represents 0.1% of the bank's total deposits.
  - Little weight was given to this assessment area given the lack of branching and deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix I for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices F and I, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Gladwin County	Below	Below	Below
Lenawee County	Below	Below	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating.

State of Texas

CRA Rating for Texas: Satisfactory

The Lending Test is Rated: High Satisfactory
The Investment Test is Rated: High Satisfactory
The Service Test is Rated: High Satisfactory

Summary of Major Factors Supporting Rating

Major factors supporting the institution's rating include:

- Lending activity reflects good responsiveness to the assessment areas' credit needs.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of HMDA lending reflects adequate penetration among customers of different income levels.
- The distribution of small business lending reflects adequate penetration among business of different revenue sizes.
- Makes a relatively high level of community development loans.
- Has an excellent level of qualified community development investments.
- Exhibits good responsiveness to credit and community development needs.
- Delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment areas.
- The record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and/or LMI individuals.
- Services do not vary in a way that inconveniences its assessment areas, particularly LMI geographies and/or LMI individuals.
- Provides a relatively high level of community development services.

Scope

The assessment areas were selected for full-scope reviews based on factors identified in the FFIEC procedures. These include, but are not limited to, the level of the institution's lending, investment, and service activity as well as opportunities for such in the assessment areas; population density; the number of other institutions in the assessment areas; and the length of time since the most recent full-scope review. Overall, approximately 86.4% of lending activity (by number of loans), 86.8% of the total deposits, and 83.6% of total branches within Texas were evaluated through the full-scope reviews. Descriptions of the assessment areas, listed below, can be found in the applicable assessment area sections of this report.

- Dallas-Fort Worth Metroplex
- Houston

In addition, limited scope reviews were conducted for the remaining three assessment areas, including:

- Austin
- Kerr County
- San Antonio

The time period, products, and affiliates evaluated for this state are consistent with the scope discussed in the Institution section of this report.

Description of Institution's Operations in Texas

The bank operates 122 branch offices in its assessment areas in Texas, representing 27.9% of total branches. As of June 30, 2017, the bank had $9.5 billion in deposits in the state, representing 16.6% of total deposits. According to the June 30, 2017, FDIC Summary of Deposits, the bank had a deposit market share of 1.2% and ranked 11th out of 529 FDIC-insured financial institutions across the state. Of the 3,257 HMDA loans originated and purchased by the bank, 566 (17.4%) were in the Texas assessment areas. Of the 28,214 small business loans originated and purchased by the bank, 6,694 (23.7%) were in the Texas assessment areas.

Conclusions with Respect to Performance Tests in Texas

Lending Test

In Texas, the bank's overall Lending Test rating is High Satisfactory. Lending activity reflects good responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank makes a relatively high level of community development loans.

The bank is both a small business and HMDA lender. During the review period, the bank reported 6,474 (92.0%) small business loans compared to 566 (8.0%) HMDA loans. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

References are made to the bank's lending distribution by geography and borrower income throughout this report. Detailed information about the bank's HMDA- and CRA-reportable loans can be found in tables in Appendices G, H, and I.

Geographic Distribution and Distribution by Borrower Income and Business Revenue Size

Consistent with the performance standards for a large bank, conclusions about the bank's distribution of lending within its assessment areas considers the number and amount of loans in low-, moderate-, middle-, and upper-income geographies in the bank's assessment areas; home mortgage loans and consumer loans to low-, moderate-, middle-, and upper-income individuals; small-business loans to businesses with gross annual revenues of $1 million or less; and, small-business loans by loan amount at origination.

The CRA emphasizes the importance of banks serving the credit needs of their assessment areas, including LMI borrowers and areas. The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of revenue different sizes. Both full-scope assessment areas were considered adequate overall. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

The geographic distribution of loans reflects good penetration throughout the assessment areas. Both full-scope assessment areas were considered good overall. A detailed discussion of the facts and data supporting the overall conclusions are presented in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Lending

In Texas, the bank makes a relatively high level of community development loans. During the review period, the bank originated 93 community development loans for $466.6 million in Texas representing 23.2% of the bank's total community development loans by number and 39.4% by total dollar amount. In both full-scope assessment areas, Comerica was a leader in providing community development loans; however, performance in the limited scope areas was taken into account, resulting in an overall rating as previously mentioned.

The community development loans originated during the evaluation period were for a variety of purposes. The table below summarizes the bank's community development lending.

Community Development Lending		
Purpose	**Number**	**$('000s)**
Affordable Housing	3	21,093
Community Services Benefitting LMI Individuals	25	16,703
Economic Development	14	33,742
Revitalize and Stabilize	51	395,017
Total	93	466,555

Further, Comerica provided $88,076 in consortia loans through Community or Economic Development Corporations in the state. These loans provide financing to qualified businesses, some of which are also located in low- and moderate-income census tracts.

Investment Test

In Texas, the bank's overall Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants, and exhibits good responsiveness to credit and community development needs. The table below summarizes the bank's community development investments and grants by assessment area within the state. Specific details regarding investments and donations can be found in the Conclusions with Respect to Performance Tests section for each assessment area.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Assessment Area	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**
Full Review:								
Dallas-Fort Worth Metroplex	26	8,392	1	956	183	1,325	210	10,673
Houston	16	15,653	4	10,248	131	779	151	26,680
Limited Review:								
Austin	10	1,214	-	-	28	300	38	1,514
San Antonio	7	14,398	2	4,902	22	264	31	19,564
Kerr County	-	-	-	-	13	61	13	61
Total	59	39,657	7	16,106	377	2,729	443	58,492

In addition, a total of four investments benefited the statewide area, which included the bank's assessment areas, and 23 benefited multiple assessment areas which included those in Texas. These investments totaled $1.1 million and $34.5 million, respectively.

Furthermore, a total of two donations benefited the statewide area, which included the bank's assessment areas. These donations totaled $6,500.

Service Test

In Texas, the bank's overall Service Test rating is High Satisfactory.

Retail Services

Delivery systems, including ATMs and branch office locations, are reasonably accessible to the bank's assessment areas and individuals of different income levels. Banking services and hours of operations do not vary in a way that inconveniences the assessment areas, including low- and moderate-income geographies or to low- and moderate-income individuals. Overall, the record of opening and closing offices has not affected the accessibility of its delivery systems, including to low- and moderate-income geographies and/or low- and moderate-income individuals. In the Dallas-Fort Worth assessment area, Comerica's record of opening and closing branches has improved the accessibility of its delivery systems.

Community Development Services

Overall, the bank provides a relatively high level of community development services. In both full-scope assessment areas, Comerica provided a relatively high level of community development services. Staff provided community development services to approximately 89 organizations and participated in more than 1,200 events. Particularly noteworthy is the bank's participation in financial literacy initiatives at schools and organizations across the state. An analysis of the community development services delivered in each assessment area is provided in the following pages.

METROPOLITAN AREAS (Full Scope Review)

Description of Operations in Dallas-Fort Worth Metroplex

The Dallas-Fort Worth Metroplex Assessment Area includes Dallas, Ellis, Rockwall, and Tarrant Counties as well as portions of Collin and Denton Counties. These counties, along with Hood, Hunt, Johnson, Kaufman, Parker, Somervell, and Wise Counties, (which are excluded from the assessment area) make up the Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA).

According to the 2010 census, the assessment area population was 5,622,672, which accounted for 22.4% of the population in the state. Based on the 2017 population of 6,748,844, the assessment area has experienced an increase of 20.0% since 2010. Dallas, the largest city within the assessment area, accounts for 19.9% of the population in the assessment area. Other notable cities in the assessment area are Fort Worth, Plano, Allen, and Denton.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Collin	969,603	23.9	McKinney*, Plano, Allen, Frisco
Dallas	2,618,148	10.6	Dallas*, University Park, Farmers Branch, Irving
Denton	836,210	26.2	Denton*, Highland Village, Sanger
Ellis	173,620	16.0	Waxahachie*, Ennis, Midlothian
Rockwall	96,788	23.6	Rockwall*, Mobile City
Tarrant	2,054,475	13.6	Fort Worth*, Arlington, Bedford, Hurst, Euless

*Denotes county seat

As of December 31, 2017, the bank operated 54 branches in the assessment area representing 12.3% of its branches. There are six branches located in low-income census tracts, 12 branches in moderate-income census tracts, 16 in middle-income census tracts, and 20 branches in upper-income census tracts.

According to the FDIC, as of June 30, 2017, the bank had $5.1 billion in deposits in this assessment area representing 8.9% of the bank's total deposits. It also represents a deposit market share of 2.0%, which includes all other FDIC-insured deposits that are located in the assessment area. Bank of America holds the largest deposit share at 30.0%, followed by JPMorgan Chase, at 22.4%, and Wells Fargo Bank, at 7.3%.

For 2016, there were 971 financial institutions that reported HMDA data in the assessment area. The bank ranked 207th in HMDA market share with less than 0.1%. Wells Fargo Bank and Quicken Loans, Inc. led the market with 11.0% and 3.6% of the market share, respectively. For 2017, there were 943 financial institutions that reported HMDA data in the assessment area. The bank ranked 227th in HMDA market share with less than 0.1%. Wells Fargo Bank and JPMorgan Chase Bank led the market with 11.8% and 5.4% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending.

For 2016, there were 236 financial institutions that reported CRA small business data in the assessment area. The bank ranked 19th in market share with 0.6%. American Express Bank and Citibank dominated the market with 18.2% and 17.5% of the market share, respectively. For 2017, there were 236 financial institutions that reported CRA small business data in the assessment area. The bank ranked 19th in market share with 0.7%. American Express Bank and Chase Bank USA dominated the market with 20.0% and 15.2% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Dallas-Fort Worth-Arlington MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 87.5% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Dallas-Fort Worth assessment area was made up of 1,176 distinct census tracts. Of the total tracts, 143 (12.2%) were designated as low-income, 306 (26.0%) were designated moderate-income, 325 (27.6%) were middle-income, 398 (33.8%) were upper-income, and four (0.3%) were designated as having an unknown-income level. As of the 2015 census estimates, 167 (14.2%) were designated as low-income, 306 (26.0%) were designated moderate-income, 311 (26.4%) were middle-income, 385 (32.7%) were upper-income, and seven (0.6%) were designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the

U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; and the HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Dallas-Fort Worth-Arlington MSA. It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 10.6% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 11.7% of the families in the assessment area lived below the poverty level.

Income Level	2010	2015
Median Income	$66,441	$70,025
Low-income	< $33,221	< $35,012
Moderate-income	$33,221 - $53,152	$35,012 - $56,020
Middle-income	$53,153 - $79,729	$56,021 - $84,030
Upper-income	≥ $79,730	≥ $84,031

Housing Characteristics

2010 Census

According to the 2010 census, there were 2,154,849 housing units in the Dallas-Fort Worth Metroplex Assessment Area. Of total housing in the assessment area, 55.6% of the units were classified as owner-occupied, while 35.2% were classified as rental units and 9.2% of the available housing was vacant. Overall, 10.9% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 26.2% of the housing units were owner-occupied, 57.9% were rental units, and 15.9% were vacant.

The median age of housing stock in these tracts was 38 years and the median housing value in low-income tracts for the assessment area in 2010 was $73,488. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was $705, which is less affordable than the monthly mortgage payment of $269 for a $73,488 home for 30 years at 3.65% interest rate. However, 33.0% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 25.1% of the housing stock in the assessment area. In these census tracts, 44.0% of the housing units were owner-occupied, 44.3% were rental units, and 11.7% were vacant. The median age of housing stock in these tracts was 37 years and the median housing value in moderate-income tracts for the assessment area in 2010 was $92,731. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2010 was $784, which is less affordable than the monthly mortgage payment of $339 for a $92,731 home for 30 years at 3.65% interest rate. However, 17.9% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 30.3%, was in middle-income tracts. In these census tracts, 55.5% of the housing units were owner-occupied, 36.1% were rental units, and 8.3% were vacant. The median age of housing stock in these tracts was 27 years and 7.6% of families in middle-income tracts had incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $132,056.

Approximately 33.7% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 73.8% of the housing units were owner-occupied, 20.3% were rental units, and 5.9% were vacant. The median age of housing stock in these tracts was 18 years and only 2.8% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $213,291.

2015 Census Estimates

According to 2015 census estimates, there are 2,285,520 housing units in the Dallas-Fort Worth Metroplex Assessment Area. Of total housing in the assessment area, 53.8% of the units are classified as owner-occupied, while 38.6% are classified as rental units and 7.5% of the available housing is vacant. Overall, 12.5% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 25.1% of the housing units are owner-occupied, 61.6% are rental units, and 13.3% are vacant.

The median age of housing stock in these tracts is 46 years and the median housing value in low-income tracts for the assessment area in 2015 was $72,037. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $747, which is less affordable than the monthly mortgage payment of $275 for a $72,037 home for 30 years at 3.99% interest rate. However, 34.1% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 24.6% of the housing stock in the assessment area. In these census tracts, 43.9% of the housing units are owner-occupied, 47.4% are rental units, and 8.7% are vacant. The median age of housing stock in these tracts is 45 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $94,417. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2015 was $876, which is less affordable than the monthly mortgage payment of $360 for a $94,417 home for 30 years at 3.99% interest rate. However, 18.9% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 28.3%, is in middle-income tracts. In these census tracts, 55.5% of the housing units are owner-occupied, 37.9% are rental units, and 6.6% are vacant. The median age of housing stock in these tracts is 34 years and 8.2% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $138,698.

The majority of the housing stock in the assessment area, at 34.4%, is in upper-income tracts. In these census tracts, 70.1% of the housing units are owner-occupied, 24.5% are rental units, and 5.4% are vacant. The median age of housing stock in these tracts is 26 years and only 3.4% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $ 239,687.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for all counties within the assessment area were lower than the annual unemployment rates for Texas as well as the nation. According to the 2010 census, the unemployment rate was 11.7% in low-income tracts and 9.1% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had decreased slightly to 10.6% and 8.6% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Collin County	3.6%	3.5%	3.4%
Dallas County	4.3%	4.0%	3.8%
Denton County	3.6%	3.4%	3.3%
Ellis County	3.9%	3.7%	3.4%
Rockwall County	3.7%	3.5%	3.3%
Tarrant County	4.2%	4.0%	3.7%
MSA	4.1%	3.9%	3.6%
State of Texas	4.4%	4.6%	4.3%
United States	5.3%	4.9%	4.4%

The Dallas-Fort Worth-Arlington MSA has one of the highest concentrations of corporate headquarters in the U.S. This has resulted in a rapid population growth of the metro area. Commonly known as "the Metroplex", the MSA had a gross domestic product of $535.5 billion in 2017, making it the 4th largest metropolitan economy in the U.S.[22] The area also contains the largest information technology industry base in the state, often referred to as "Silicon Prairie". The area has numerous electronics and telecommunication firms such as Texas Instruments, Microsoft, Dell Services, HP Enterprise Services, Nokia, Google, Cisco, Fujitsu, AT&T, Ericsson, and Verizon.

For several years, American Airlines has remained the largest employer in the Metroplex, and the headquarters of Southwest Airlines is also located in Dallas. Other major employers in the Metroplex include Bank of America Corporation, Texas Health Resources, Dallas Independent School District, and Baylor Health Care System.[23] In 2016, Toyota USA relocated its corporate headquarters to Plano, Texas.[24] In October 2016, Jacobs Engineering, a Fortune 500 company and one of the world's largest engineering companies, relocated from Pasadena, California to Dallas.[25] In addition, the Texas farming and ranching industry is based in Fort Worth. Several major defense manufacturers, including Lockheed Martin, Bell Textron (formerly known as Bell Helicopter), and Raytheon, maintain significant operations in the Metroplex, primarily around Fort Worth.

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Community Contacts and Community Development Opportunities

As part of the evaluation of the Dallas-Fort Worth Metroplex assessment area, two community contacts involved in community development and community services were made. The two contacts highlighted needs for affordable housing, small dollar loans for customers with lower credit scores, and donations and loans to organizations that support LMI individuals.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

Dallas-Ft. Worth Metroplex

Combined Demographics Report

Assessment Area: TX - DFW Metroplex

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	143	12.2	123,393	9.2	40,743	33	307,265	22.9
Moderate-income	306	26	317,861	23.7	56,937	17.9	224,949	16.7
Middle-income	325	27.6	397,396	29.6	30,333	7.6	246,421	18.3
Upper-income	398	33.8	504,799	37.6	14,255	2.8	564,823	42
Unknown-income	4	0.3	9	0	0	0	0	0
Total Assessment Area	**1,176**	**100.0**	**1,343,458**	**100.0**	**142,268**	**10.6**	**1,343,45**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	235,554	61,650	5.1	26.2	136,377	57.9	37,527	15.9
Moderate-income	540,371	237,707	19.8	44	239,214	44.3	63,450	11.7
Middle-income	652,808	362,602	30.3	55.5	235,947	36.1	54,259	8.3
Upper-income	726,098	535,689	44.7	73.8	147,374	20.3	43,035	5.9
Unknown-income	18	18	0	100	0	0	0	0
Total Assessment Area	**2,154,849**	**1,197,666**	**100.0**	**55.6**	**758,912**	**35.2**	**198,271**	**9.2**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	22,314	7.3	19,107	6.9	3,062	12.5	145	5.4
Moderate-income	57,304	18.8	50,781	18.3	6,195	25.3	328	12.2
Middle-income	82,462	27.1	75,779	27.4	6,098	24.9	585	21.8
Upper-income	141,596	46.6	131,048	47.3	8,938	36.6	1,610	60.1
Unknown-income	500	0.2	335	0.1	154	0.6	11	0.4
Total Assessment Area	**304,176**	**100.0**	**277,050**	**100.0**	**24,447**	**100.0**	**2,679**	**100.0**
	Percentage of Total Businesses:			**91.1**		**8.0**		**.9**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	86	4.3	80	4	6	15.8	0	0
Moderate-income	242	12	236	11.9	6	15.8	0	0
Middle-income	597	29.6	588	29.7	9	23.7	0	0
Upper-income	1,090	54.1	1,072	54.2	17	44.7	1	100
Unknown-income	1	0	1	0.1	0	0	0	0
Total Assessment Area	**2,016**	**100.0**	**1,977**	**100.0**	**38**	**100.0**	**1**	**100.0**
	Percentage of Total Farms:			**98.1**		**1.9**		**.0**

2016 FFIEC Census Data and 2016 D&B Information

Combined Demographics Report

Assessment Area: TX - DFW Metroplex

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	167	14.2	152,147	10.5	51,883	34.1	346,337	23.8
Moderate-income	306	26	343,526	23.7	64,935	18.9	238,276	16.4
Middle-income	311	26.4	409,513	28.2	33,686	8.2	259,958	17.9
Upper-income	385	32.7	545,851	37.6	18,817	3.4	607,954	41.9
Unknown-income	7	0.6	1,488	0.1	273	18.3	0	0
Total Assessment Area	**1,176**	**100.0**	**1,452,525**	**100.0**	**169,594**	**11.7**	**1,452,52**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	286,414	71,906	5.8	25.1	176,455	61.6	38,053	13.3
Moderate-income	561,260	246,281	20	43.9	265,923	47.4	49,056	8.7
Middle-income	645,889	358,406	29.1	55.5	244,972	37.9	42,511	6.6
Upper-income	787,035	552,104	44.9	70.1	192,633	24.5	42,298	5.4
Unknown-income	4,922	1,248	0.1	25.4	3,133	63.7	541	11
Total Assessment Area	**2,285,520**	**1,229,945**	**100.0**	**53.8**	**883,116**	**38.6**	**172,459**	**7.5**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	21,624	7.9	18,645	7.5	2,865	11.8	114	4.7
Moderate-income	55,743	20.3	48,898	19.7	6,516	26.8	329	13.4
Middle-income	72,609	26.4	65,816	26.5	6,245	25.7	548	22.4
Upper-income	123,737	45	114,150	45.9	8,144	33.5	1,443	59
Unknown-income	1,542	0.6	992	0.4	537	2.2	13	0.5
Total Assessment Area	**275,255**	**100.0**	**248,501**	**100.0**	**24,307**	**100.0**	**2,447**	**100.0**
	Percentage of Total Businesses:			**90.3**		**8.8**		**.9**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	78	4.2	74	4.1	4	10	0	0
Moderate-income	251	13.7	243	13.5	8	20	0	0
Middle-income	504	27.4	489	27.2	15	37.5	0	0
Upper-income	998	54.3	986	54.8	12	30	0	0
Unknown-income	7	0.4	6	0.3	1	2.5	0	0
Total Assessment Area	**1,838**	**100.0**	**1,798**	**100.0**	**40**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**97.8**		**2.2**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is High Satisfactory. Lending activity reflects good responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank is a leader in making community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 3,114 (92.4%) small business loans compared to 255 (7.6%) HMDA loans in the Dallas-Fort Worth Metroplex assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is adequate. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market, which is experiencing economic growth and increased loan demand.

In 2016, the bank originated 24.0% of its loans, representing 16.1% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 42.3% (34.0% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 25.1% of loans (16.3% by dollar) to small business while aggregate lenders originated 47.0% (35.5%

by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which reported 91.1% and 90.3% of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 46.1% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 94.3% for the aggregate. In 2017, 47.4% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 93.6% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered good when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is good. In 2016, the bank originated 3.2% (0.9% by dollar volume) of its total HMDA loans to low-income borrowers, which was comparable to the 3.3% (1.3% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers increased to 10.0% (2.8% by dollar) and exceeded aggregate lending, which represented 3.5% of total HMDA loans and 1.4% of the total dollar volume. Low-income families made up 22.9% of total families in the assessment area in 2016 and 23.8% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is adequate. In 2016, the bank originated 7.4% (2.2% by dollar volume) of its total HMDA-related loans to moderate-income borrowers; while this was lower than aggregate lending levels (11.3% of loans, 6.2% by dollar), Comerica exceeded aggregate the next year. In 2017, the bank originated 16.7% (8.0% by dollar) to moderate-income borrowers, compared to aggregate lenders, which originated 12.0% of HMDA-related loans (6.6% by dollar volume) to moderate-income borrowers. In 2016 and 2017 (respectively), 16.7% and 16.4% of families in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered good when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is good. In 2015 and 2016, Comerica originated 10.4% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 22.9%. However, 33.0%

of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 12.6% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 23.8%. However, 34.1% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is good. In 2015 and 2016, Comerica originated 16.9% of its HELOCs to moderate-income borrowers. The bank's performance was comparable to the percentage of moderate-income families in the assessment area, at 16.7%. Furthermore, 17.9% of moderate-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 16.6% of its HELOCs to moderate-income borrowers. The bank's performance was comparable to the percentage of moderate-income families in the assessment area, at 16.4%. Furthermore, 18.9% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

<u>Geographic Distribution of Loans</u>

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects good penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is excellent. The bank's small business lending by number in low-income tracts during the review period exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 15.4% of small business loans (16.8% by dollar) were originated in low-income tracts, compared to 6.9% of businesses located in those tracts and 7.3% of aggregate loans (9.5% by dollar). In 2017, 12.1% of small business loans (11.9% by dollar) were originated in low-income tracts, compared to 7.5% of businesses located in those tracts and 8.0% of aggregate loans (8.7% by dollar).

The bank's small business lending in moderate-income census tracts is excellent. In 2016, 23.8% of small business loans (24.8% by dollar) were originated in moderate-income tracts, compared to 18.3% of businesses located in those tracts and 18.0% of aggregate loans (20.7% by dollar). In 2017, 26.7% of small business loans (26.5% by dollar) were originated in moderate-income tracts, compared to 19.7% of businesses located in those tracts and 19.9% of aggregate loans (22.1% by dollar).

The bank's small business lending in middle- and upper-income tracts was lower than the percentage of small businesses in these tracts. When compared to the aggregate by percentage, the bank originated fewer loans in middle- and upper-income tracts.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. While the bank originated no home purchase loans in these tracts in 2016 and only one in 2017, aggregate lenders struggled to lend as well. In 2016, aggregate lenders originated 2.5% of home purchase loans (1.9% by dollar) in low-income census tracts; in 2017, aggregate lenders originated 3.7% of loans (2.5% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, only 5.1% and 5.8% of owner-occupied units in the assessment area, respectively, were located in low-income tracts, which may indicate limited lending opportunities.

Home purchase lending in moderate-income tracts is adequate. In 2016, the bank originated 8.7% of its home purchase loans in moderate-income census tracts (2.4% by dollar), while aggregate lenders originated 11.7% of home purchase loans (7.6% by dollar) in those tracts. In 2017, Comerica originated 29.6% of its home purchase loans in moderate-income census tracts (14.2% by dollar); aggregate lenders originated 13.6% of home purchase loans (9.0% by dollar) in those tracts. Additionally, in 2016 and 2017, 19.8% and 20.0% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. While the bank originated no home refinance loans in these tracts in 2017 and only one in 2016, aggregate lenders also struggled to originate loans in 2016 before slightly improving performance in 2017. In 2016, aggregate lenders originated only 1.5% of loans in low-income areas; in 2017, aggregate lenders originated 2.1% of loans in low-income areas. Additionally, in 2016 and 2017, 5.1% and 5.8% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home refinance lending in moderate-income tracts is good. In 2016, the bank originated 10.3% of its home refinance loans in moderate-income census tracts (2.6% by dollar); while this is lower than the owner-occupancy rate of 19.8%, it exceeds aggregate lending levels of 8.8% (5.3% by dollar). In 2017, the bank originated 16.7% of its home refinance loans in moderate-income census tracts (5.1% by dollar), which is slightly less than the owner-occupancy rate (20.0%), but exceeds lending by the aggregate (13.3% by number, 8.0% by dollar).

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is adequate.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016, the bank originated 3.8% of its HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 5.1%. In 2017, the bank originated 4.0% of its HELOCs in low-income tracts, which was comparable to the percentage of owner-occupied units in these tracts, at 5.8%.

Comerica's HELOC lending in moderate-income census tracts is adequate. In 2015 and 2016, the bank originated 14.3% of its HELOCs in moderate-income tracts. This performance was slightly below the percentage of owner-occupied units in these tracts, at 19.8%. In 2017, the bank originated 16.4% of its HELOCs in moderate-income tracts, which was slightly below the percentage of owner-occupied units in these tracts, at 20.0%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank is a leader in making community development loans in the assessment area. The bank originated 36 community development loans in the DFW Metroplex Assessment Area totaling approximately $217.1 million during the review period. The bank's commitment to making qualified community development loans demonstrates a good responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Community Services	13	6,075
Economic Development	8	25,155
Revitalization and Stabilization	15	185,910
Totals	36	217,140

Several loans were for the purpose of revitalization and stabilization. One example demonstrating responsiveness is the lending in designated reinvestment zones. Six loans totaling $112.7 million benefitted Grand Prairie and Carrollton Tax Increment Financing Reinvestment Zones, with the purposes of increasing economic vitality and activity for the city; stimulating commercial growth and development of surrounding and neighboring commercial and retail properties; and promoting local economic development within the city.

Investment Test

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants and exhibits good responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $10.7 million, has doubled since the previous evaluation.

Community Development Investments								
	Current Period Investments		**Prior Period Investments**		**Donations**		**Total**	
Purpose	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**	**#**	**$000s**
Affordable Housing	26	8,392	1	956	9	38	36	9,386
Community Services	-	-	-	-	174	1,287	174	1,287
Total	26	8,392	1	956	183	1,325	210	10,673

One way the bank demonstrated responsiveness to needs in the assessment area was through its grants for community services providing assistance to LMI individuals. These totaled $1.3 million, and this type of support was noted by contacts as a need within the assessment area, as was affordable housing.

In addition, seven investments benefitting multiple assessment areas provided $13.2 million to affordable housing efforts in the Dallas-Fort Worth Metroplex.

Service Test

The bank's Service Test performance is High Satisfactory. Its retail and community development services reflect good responsiveness to the needs of the Dallas-Fort Worth assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

Retail Services

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's 54 branch offices and 63 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Dallas-Fort Worth Metroplex assessment area.

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	14.2	12.1	6	11.1	6	10.0	-	-
Moderate	26.0	25.8	12	22.2	15	25.0	-	-
Middle	26.4	27.7	16	29.7	16	26.7	-	-
Upper	32.7	34.3	20	37.0	23	38.3	3	100.0
Unknown	0.7	0.1	-	-	-	-	-	-
Total	100.0	100.0	54	100.0	60	100.0	3	100.0

The bank opened one branch (in a moderate-income census tract), and did not close any branches in the assessment area. The bank's record of opening or closing branches has improved the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for 43 community development financial organizations offering economic development and community services targeting LMI individuals. The table below shows the number of events by type of involvement. Employees participated in 567 events or meetings during the review period.

Purpose	**# Events / Meetings**
Community Services Benefitting LMI Individuals/Geographies	532
Economic Development	35
Total	567

The bank actively supports LMI students in the area through involvement in Boys and Girls Clubs as well as various school districts in the area. Bank personnel also provide financial education through several avenues such as Circle of Support, Inc. and Dallas County Community College District Foundation, Inc. FBO Cedar Valley College. These are responsive to needs identified by contacts in the area.

Description of Operations in Houston

The Houston Assessment Area includes Harris and Montgomery Counties as well as portions of Brazoria, Fort Bend, and Galveston Counties. These counties, along with Liberty, Waller, Chambers, and Austin Counties (which are excluded from the assessment area), make up the Houston-The Woodlands-Sugar Land MSA.

According to the 2010 census, the assessment area population was 5,527,221, which accounts for 22.0% of the population in the state. Based on the 2017 population of 6,686,235, the assessment area has experienced an increase of 21.0% since 2010. Houston, the largest city within the assessment area, accounts for 34.6% of the population in the assessment area. Other notable cities in the assessment area are Pearland and Sugar Land.

County	2017 Population Estimate	% Increase Since 2010	Major Municipalities
Brazoria	362,457	15.7	Angleton*, Pearland, Brazoria
Fort Bend	764,828	30.7	Richmond*, Sugar Land
Galveston	335,036	15.0	Galveston*, Friendswood, League City
Harris	4,652,980	13.7	Houston*, Katy, Pasadena
Montgomery	570,934	25.3	Conroe*, Montgomery

*Denotes county seat

As of December 31, 2017, the bank operated 48 branches in the assessment area representing 11.0% of its branches. There are six branches located in low-income census tracts, nine branches in moderate-income census tracts, ten in middle-income census tracts, and 23 branches in upper-income census tracts. Additionally, Comerica operates one LPO in an upper-income tract.

According to the FDIC, as of June 30, 2017, the bank had $3.2 billion in deposits in this assessment area representing 5.5% of the bank's total deposits. It also represents a deposit market share of 1.3%, which includes all other FDIC-insured deposits that are located in the assessment area. JPMorgan Chase holds the largest deposit share at 44.1%, followed by Wells Fargo Bank, at 10.8%, and Bank of America, at 8.7%.

For 2016, there were 884 financial institutions that reported HMDA data in the assessment area. The bank ranked 207th in HMDA market share with less than 0.1%. Wells Fargo Bank and Quicken Loans, Inc. led the market with 10.6% and 4.5% of the market share, respectively. For 2017, there were 872 financial institutions that reported HMDA data in the assessment area. The bank ranked 208th in HMDA market share with less than 0.1%. Wells Fargo Bank and JPMorgan Chase Bank led the market with 11.2% and 5.6% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding mortgage lending.

For 2016, there were 210 financial institutions that reported CRA small business data in the assessment area. The bank ranked 20th in market share with 0.6%. American Express Bank and Chase Bank USA dominated the market with 19.6% and 14.4% of the market share, respectively. For 2017, there were 216 financial institutions that reported CRA small business data in the assessment area. The bank ranked 21st in market share with 0.5%. Again, American Express Bank and Chase Bank USA dominated the market with 21.8% and 17.6% of the market share, respectively. Many of the bank's competitors are statewide, multi-regional, and national banks, but competition does not appear to have adversely affected the bank's ability to serve the credit needs of its assessment area, specifically regarding small business lending.

Demographic Characteristics

Certain economic and demographic data is available for analysis for the Houston-The Woodlands-Sugar Land MSA as a whole, but not the specific assessment area. However, it is reasonable to believe that the data for the MSA provides a good representation of the characteristics of the assessment area because the population of the assessment area includes 93.7% of the total MSA population, and distribution of low-, moderate-, middle-, and upper-income families for the two areas is similar according to census data.

At the 2010 census, the Houston assessment area was made up of 981 distinct census tracts. Of the total tracts, 125 (12.7%) were designated as low-income, 278 (28.3%) were designated moderate-income, 249 (25.4%) were middle-income, 325 (33.1%) were upper-income, and four (0.4%) were designated as having an unknown-income level. As of the 2015 census estimates, 154 (15.7%) were designated as low-income, 286 (29.2%) were designated moderate-income, 229 (23.3%) were middle-income, 305 (31.1%) were upper-income, and seven (0.7%) were designated as having an unknown-income level.

Demographics and economic information impacting the bank's performance context are discussed below. Information was obtained from publicly available sources including the U.S. Department of Commerce's Bureau of Census; the U.S. Department of Labor; HUD; D&B; and the Texas Workforce Commission.

Income Characteristics

For purposes of classifying borrower income, this evaluation uses both U.S. Census 2010 data and 2015 estimated data. The following chart reflects the estimated median family income for the years 2010 and 2015 for the Houston-The Woodlands-Sugar Land MSA.

It also provides a range of the estimated annual family income for each income category (low, moderate, middle, and upper). According to the 2010 census, 11.9% of the families in the assessment area lived below the poverty level. According to the 2015 census estimates, 12.9% of the families in the assessment area lived below the poverty level.

Income Level	2010	2015
Median Income	\$64,295	\$69,385
Low-income	< \$32,148	< \$34,693
Moderate-income	\$32,148 - \$51,435	\$34,693 - \$55,508
Middle-income	\$51,436 - \$77,153	\$55,509 - \$83,262
Upper-income	≥ \$77,154	≥ \$83,263

Housing Characteristics

2010 Census

According to the 2010 census, there were 2,046,205 housing units in the Houston Assessment Area. Of total housing in the assessment area, 55.8% of the units were classified as owner-occupied while 33.2% were classified as rental units and 11.0% of the available housing was vacant. Overall, 11.0% of the housing stock in the assessment area was in low-income tracts. In these census tracts, 21.5% of the housing units were owner-occupied, 59.4% were rental units, and 19.1% were vacant.

The median age of housing stock in these tracts was 37 years and the median housing value in low-income tracts for the assessment area in 2010 was \$76,672. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2010 was \$676, which is less affordable than the monthly mortgage payment of \$281 for a \$76,672 home for 30 years at 3.65% interest rate. However, 34.3% of families in low-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts accounted for 25.5% of the housing stock in the assessment area. In these census tracts, 44.9% of the housing units were owner-occupied, 41.7% were rental units, and 13.4% were vacant. The median age of housing stock in these tracts was 36 years and the median housing value in moderate-income tracts for the assessment area in 2010 was \$93,102. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2010 was \$771, which is less affordable than the monthly mortgage payment of \$341 for a \$93,102 home for 30 years at 3.65% interest rate. However, 19.2% of families in moderate-income tracts had incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 26.5%, was in middle-income tracts. In these census tracts, 59.8% of the housing units were owner-occupied, 30.3% were rental units, and 9.9% were vacant. The median age of housing stock in these tracts was 26 years and 9.7% of families in middle-income tracts had incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2010 was $120,017.

Approximately 37.0% of the housing stock in the assessment area was in upper-income tracts. In these census tracts, 70.6% of the housing units were owner-occupied, 21.6% were rental units, and 7.8% were vacant. The median age of housing stock in these tracts was 19 years and only 3.6% of families in upper-income tracts had incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2010 was $195,991.

2015 Census Estimates

According to the 2015 census, there are 2,227,702 housing units in the Houston Assessment Area. Of total housing in the assessment area, 54.6% of the units are classified as owner-occupied while 36.4% are classified as rental units and 9.1% of the available housing is vacant. Overall, 12.9% of the housing stock in the assessment area is in low-income tracts. In these census tracts, 23.2% of the housing units are owner-occupied, 61.3% are rental units, and 15.5% are vacant.

The median age of housing stock in these tracts is 47 years and the median housing value in low-income tracts for the assessment area in 2015 was $79,987. Mortgage payments on homes in these areas would still be considered affordable for a low-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in low-income tracts in 2015 was $725, which is less affordable than the monthly mortgage payment of $305 for a $79,987 home for 30 years at 3.99% interest rate. However, 35.8% of families in low-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

Moderate-income tracts account for 25.1% of the housing stock in the assessment area. In these census tracts, 46.0% of the housing units are owner-occupied, 43.6% are rental units, and 10.4% are vacant. The median age of housing stock in these tracts is 44 years and the median housing value in moderate-income tracts for the assessment area in 2015 was $94,032. Mortgage payments on homes in these areas would still be considered affordable for a moderate-income family, although a down payment is typically a barrier to homeownership. The median gross monthly rental payment in moderate-income tracts in 2015 was $855, which is less affordable than the monthly mortgage payment of $359 for a $94,032 home for 30 years at 3.99% interest rate. However, 19.6% of families in moderate-income tracts have incomes below the poverty level, which may make it difficult to qualify for a loan.

A large portion of the housing stock in the assessment area, at 25.0%, is in middle-income tracts. In these census tracts, 58.9% of the housing units are owner-occupied, 33.6% are rental units, and 7.6% are vacant. The median age of housing stock in these tracts is 33 years and 10.2% of families in middle-income tracts have incomes below the poverty level. The median housing value in middle-income tracts for the assessment area in 2015 was $125,773.

Approximately 36.7% of the housing stock in the assessment area is in upper-income tracts. In these census tracts, 68.8% of the housing units are owner-occupied, 24.3% are rental units, and 6.9% are vacant. The median age of housing stock in these tracts is 25 years and only 3.9% of families in upper-income tracts have incomes below the poverty level. In addition, the median housing value in upper-income tracts for the assessment area in 2015 was $229,232.

Employment and Economic Conditions

The national average unemployment rates for 2015, 2016, and 2017 were 5.3%, 4.9%, and 4.4%, respectively. Unemployment rates for counties in the assessment area were similar to those of the state and the nation in 2015. However, in 2016, unemployment rates increased within the assessment area, and were slightly higher than those in the state and the nation. For most counties, the unemployment rates improved slightly in 2017. According to the 2010 census, the unemployment rate was 11.5% in low-income tracts and 9.3% in moderate-income tracts. At the time of 2015 census estimates, the unemployment rates had decreased slightly to 10.8% and 9.2% in low- and moderate-income tracts, respectively. The high unemployment rates in LMI tracts could affect loan demand from these tracts.

The following chart shows unemployment rates relevant to the assessment area for 2015 through 2017.

Annual Average Unemployment Rate			
AREA	**2015**	**2016**	**2017**
Brazoria County	4.6%	5.2%	5.3%
Fort Bend County	4.3%	5.0%	4.6%
Galveston County	5.0%	5.3%	5.2%
Harris County	4.6%	5.3%	5.0%
Montgomery County	4.2%	4.9%	4.3%
MSA	4.6%	5.3%	5.0%
State of Texas	4.4%	4.6%	4.3%
United States	5.3%	4.9%	4.4%

Although known for its concentrations in the energy sector, the Houston metropolitan economy is diverse and has the fourth-highest number of Fortune 500 companies in the country.[26] Major employers include Memorial Hermann Hospital System, MD Anderson Cancer Center, United Airlines, Houston Methodist, Exxon Mobil, Kroger, and H-E-B. The MSA had a gross domestic product of $490.1 billion in 2017, making it the 7th largest metropolitan economy in the U.S.[27] and similar to the economic output of countries such as Poland and Belgium[28].

Houston added over 12,000 jobs from August to December 2017, an annual growth rate of 1.3%. Financial activities and construction saw the fastest rates of growth although trade, transportation, and utilities grew by the largest amount.[29] The local economy continues to recover from Hurricane Harvey, which hit the area in August 2017. Estimated damages of $80 billion mean Harvey is, economically speaking, the most devastating natural disaster to ever hit the area.[30]

Community Contacts and Community Development Opportunities

As part of the evaluation of the Houston assessment area, two community contacts involved in small business development and community development were made. The two contacts highlighted needs for affordable housing, financial education, and small business lending for startups.

Key Assessment Area Demographics

The following table details selected characteristics of the assessment area.

[26] Greater Houston Partnership. "Corporate Headquarters." Houston.org. http://www.houston.org/newgen/14_Company_Information/14A%20W001%20Fortune%20500%20Companies.pdf (accessed January 10, 2019)
[27] U.S. Bureau of Economic Analysis. "Gross Domestic Product by Metropolitan Area, 2017." BEA.gov. https://www.bea.gov/system/files/2018-09/gdp_metro0918_0.pdf (accessed October 10, 2018)
[28] Country Economy. "GDP: Gross Domestic Product." CountryEconomy.com https://countryeconomy.com/gdp (accessed October 10, 2018)
[29] NAI Partners. "Houston Office – Monthly Market Snapshots." NAIPartners.com. https://www.naipartners.com/research/houston-office-monthly-market-snapshot-february-2018/ (accessed 10/8/2018)
[30] Long, Heather. "Harvey's financial toll: $80 billion so far in damage, second only to Katrina." WashingtonPost.com. https://www.washingtonpost.com/news/wonk/wp/2017/09/01/harveys-toll-80-billion-so-far-in-damage-second-only-to-katrina/?noredirect=on&utm_term=.bf73d711a22c (accessed October 14, 2018)

Houston

Combined Demographics Report

Assessment Area: TX - Houston

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	125	12.7	116,349	9	39,956	34.3	306,726	23.7
Moderate-income	278	28.3	318,673	24.6	61,201	19.2	212,404	16.4
Middle-income	249	25.4	351,019	27.1	34,072	9.7	224,538	17.3
Upper-income	325	33.1	508,585	39.3	18,342	3.6	550,958	42.6
Unknown-income	4	0.4	0	0	0	0	0	0
Total Assessment Area	**981**	**100.0**	**1,294,626**	**100.0**	**153,571**	**11.9**	**1,294,62**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	224,690	48,213	4.2	21.5	133,554	59.4	42,923	19.1
Moderate-income	522,623	234,643	20.6	44.9	217,936	41.7	70,044	13.4
Middle-income	542,165	324,005	28.4	59.8	164,235	30.3	53,925	9.9
Upper-income	756,648	534,458	46.8	70.6	163,533	21.6	58,657	7.8
Unknown-income	79	0	0	0	50	63.3	29	36.7
Total Assessment Area	**2,046,205**	**1,141,319**	**100.0**	**55.8**	**679,308**	**33.2**	**225,578**	**11.0**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	22,387	7.9	19,306	7.5	2,954	12.2	127	5.3
Moderate-income	53,133	18.8	47,563	18.6	5,297	21.9	273	11.4
Middle-income	68,853	24.3	62,546	24.4	5,845	24.1	462	19.3
Upper-income	138,466	48.9	126,831	49.5	10,107	41.7	1,528	63.9
Unknown-income	132	0	114	0	16	0.1	2	0.1
Total Assessment Area	**282,971**	**100.0**	**256,360**	**100.0**	**24,219**	**100.0**	**2,392**	**100.0**
	Percentage of Total Businesses:			**90.6**		**8.6**		**.8**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	54	2.9	51	2.8	3	8.3	0	0
Moderate-income	201	11	197	11	4	11.1	0	0
Middle-income	496	27	481	26.8	14	38.9	1	100
Upper-income	1,083	59.1	1,068	59.4	15	41.7	0	0
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**1,834**	**100.0**	**1,797**	**100.0**	**36**	**100.0**	**1**	**100.0**
	Percentage of Total Farms:			**98.0**		**2.0**		**.1**

2016 FFIEC Census Data and 2016 D&B Information

Combined Demographics Report

Assessment Area: TX - Houston

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	154	15.7	157,131	11	56,331	35.8	349,343	24.4
Moderate-income	286	29.2	349,232	24.4	68,433	19.6	228,678	16
Middle-income	229	23.3	372,071	26	37,866	10.2	242,033	16.9
Upper-income	305	31.1	550,382	38.5	21,302	3.9	611,067	42.7
Unknown-income	7	0.7	2,305	0.2	999	43.3	0	0
Total Assessment Area	**981**	**100.0**	**1,431,121**	**100.0**	**184,931**	**12.9**	**1,431,12**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	286,650	66,621	5.5	23.2	175,649	61.3	44,380	15.5
Moderate-income	559,466	257,608	21.2	46	243,806	43.6	58,052	10.4
Middle-income	557,969	328,376	27	58.9	187,226	33.6	42,367	7.6
Upper-income	817,434	562,638	46.3	68.8	198,535	24.3	56,261	6.9
Unknown-income	6,183	789	0.1	12.8	4,770	77.1	624	10.1
Total Assessment Area	**2,227,702**	**1,216,032**	**100.0**	**54.6**	**809,986**	**36.4**	**201,684**	**9.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	25,861	10.4	21,815	9.9	3,911	15.9	135	6.1
Moderate-income	47,920	19.4	42,086	19.1	5,552	22.6	282	12.8
Middle-income	55,564	22.4	50,062	22.7	5,094	20.7	408	18.6
Upper-income	117,759	47.6	106,445	48.2	9,945	40.5	1,369	62.3
Unknown-income	467	0.2	409	0.2	53	0.2	5	0.2
Total Assessment Area	**247,571**	**100.0**	**220,817**	**100.0**	**24,555**	**100.0**	**2,199**	**100.0**
	Percentage of Total Businesses:			**89.2**		**9.9**		**.9**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	70	4.4	65	4.2	5	13.9	0	0
Moderate-income	204	12.8	196	12.6	8	22.2	0	0
Middle-income	392	24.5	384	24.6	8	22.2	0	0
Upper-income	928	58.1	913	58.5	15	41.7	0	0
Unknown-income	3	0.2	3	0.2	0	0	0	0
Total Assessment Area	**1,597**	**100.0**	**1,561**	**100.0**	**36**	**100.0**	**0**	**.0**
	Percentage of Total Farms:			**97.7**		**2.3**		**.0**

2017 FFIEC Census Data and 2017 D&B Information

Conclusions With Respect to Performance Tests

Lending Test

The bank's lending performance is High Satisfactory. Lending activity reflects good responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment area. In addition, the distribution of lending to borrowers reflects adequate penetration among borrowers of different income levels and businesses of different revenue sizes. Additionally, the bank is a leader in making community development loans.

The bank is both a small business and HMDA lender. Comerica also elected to have its HELOC lending activity evaluated, as its volume is more significant than its HMDA lending. During the review period, the bank reported 2,683 (92.4%) small business loans compared to 221 (7.6%) HMDA loans in the Houston assessment area. Therefore, small business lending was given more weight than HMDA lending in determining the bank's Lending Test rating in the assessment area.

Details of the bank's mortgage and small business lending and information regarding lending by peers can be found in Appendix G.

<u>Lending to Borrowers of Different Income Levels and Businesses of Different Sizes</u>

The bank's distribution of lending to borrowers reflects adequate penetration among individuals of different income levels (including LMI) and businesses of different revenue sizes. As previously mentioned, small business lending received the most weight when determining overall ratings. The distribution of the remainder of bank lending to middle- and upper-income borrowers did not affect conclusions about the bank's performance considering its lending to LMI borrowers.

Small Business Lending

Considering the bank's performance when compared to the aggregate, the borrower distribution of small business loans by revenue size of businesses is adequate. The assessment area is saturated with large national banks; therefore, competition for business loans is high in the market, which is experiencing economic growth and increased loan demand.

In 2016, the bank originated 23.7% of its loans, representing 19.9% by dollar volume, to businesses with gross annual revenue of $1 million or less. This lags behind aggregate CRA lenders, which originated 40.7% (31.9% by dollar) to small businesses during the same period. In 2017, the bank again fell below aggregate CRA lenders by originating 24.7% of loans (19.1% by dollar) to small business while aggregate lenders originated 45.8% (34.5%

by dollar) to businesses with gross revenue under $1 million. Comerica's lending also fell below D&B demographic data, which reported 90.6% and 89.2% of all businesses in the assessment area with gross annual revenues of $1 million during the review period.

Another way to gauge the bank's small business lending performance is to review the data by loan amount. Small businesses typically require smaller dollar credits. In this regard, it is noted that a large percentage of the bank's small business loans were made in loan amounts of $100,000 or less. In 2016, 43.2% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 94.3% for the aggregate. In 2017, 45.1% of the bank's small business loans were originated in loan amounts of $100,000 or less, compared to 93.9% for the aggregate. However, it should be noted that the bank's competition consists primarily of large multi-regional or nationwide banks.

HMDA Lending

HMDA lending by borrower income in the assessment area is considered adequate when compared to demographic characteristics of the community, as well as the performance of aggregate HMDA lenders with loan originations or purchases in the assessment area.

Comerica's HMDA lending to low-income borrowers is adequate. In 2016, the bank originated 4.5% (4.6% by dollar volume) of its total HMDA loans to low-income borrowers, which was greater than the 2.4% (1.0% by dollar) of total HMDA loans originated by the aggregate to low-income borrowers. In 2017, the bank's originations to low-income borrowers fell to 2.0% (0.6% by dollar), but remained only slightly below those of aggregate, which represented 3.5% of total HMDA loans and 1.5% of the total dollar volume. While the percentages compare favorably or similarly to aggregate data, Comerica's overall lending levels were low, as only eight home mortgage loans were originated in these tracts during the review period. Low-income families made up 23.7% of total families in the assessment area in 2016 and 24.4% in 2017, meaning that both the bank and aggregate lending are below demographics.

The bank's HMDA lending to moderate-income borrowers is adequate. In 2016, the bank originated 9.1% (3.0% by dollar volume) of its total HMDA-related loans to moderate-income borrowers, which was less than the 10.6% of HMDA-related loans (5.8% by dollar) originated by the aggregate HMDA lenders. In 2017, the bank's performance improved, as it originated 16.3% of HMDA-related loans (4.6% by dollar volume) to moderate-income borrowers as compared with the aggregate lenders' 12.1% of HMDA loans (6.9% by dollar) to moderate-income borrowers. Both the bank and the aggregate HMDA lenders fell below the demographics, with 16.4% and 16.0% of families in 2016 and 2017 (respectively) in the assessment area classified as moderate-income according to available data.

Home Equity Lines of Credit

HELOC lending by borrower income in the assessment area is considered good when compared to the demographic characteristics of the assessment area.

HELOC lending to low-income borrowers is good. In 2015 and 2016, Comerica originated 11.6% of its HELOCs to low-income borrowers. The bank's performance was significantly below the percentage of low-income families in the assessment area, at 23.7%. However, 34.3% of low-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 14.5% of its HELOCs to low-income borrowers. The bank's performance was below the percentage of low-income families in the assessment area, at 24.4%. However, 35.8% of low-income families live below the poverty level, which might make it difficult to qualify for a HELOC. Additionally, it should be noted that low-income families often find it challenging to obtain a HELOC loan because of maximum loan-to-value and debt-to-income ratio limits used by banks to qualify loan applicants.

HELOC lending to moderate-income borrowers is excellent. In 2015 and 2016, Comerica originated 17.4% of its HELOCs to moderate-income borrowers. The bank's performance was exceeded the percentage of moderate-income families in the assessment area, at 16.4%. Furthermore, 19.2% of moderate-income families lived below the poverty level at this time, which might make it difficult to qualify for a HELOC. In 2017, the bank originated 17.3% of its HELOCs to moderate-income borrowers. The bank's performance exceeded the percentage of moderate-income families in the assessment area, at 16.0%. Furthermore, 19.6% of moderate-income families live below the poverty level, which might make it difficult to qualify for a HELOC.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business lending and HMDA lending, including both originations and purchases, was compared with available demographic information. Performance context issues and aggregate lending data were taken into consideration. Considering all of these factors, the bank's geographic distribution of loans reflects good penetration throughout the assessment area. Loans were generally made in close proximity to the bank's branches and there were no conspicuous gaps or anomalies in the lending patterns.

Small Business Loan Geographic Distribution

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders.

Comerica's small business lending in low-income census tracts is excellent. The bank's small business lending by number in low-income tracts during the review period exceeded the percentage of small businesses located in these tracts as well as aggregate lending. In 2016, 10.9% of small business loans (12.4% by dollar) were originated in low-income tracts, compared to 7.5% of businesses located in those tracts and 7.5% of aggregate loans (9.2% by dollar). In 2017, 15.4% of small business loans (16.9% by dollar) were originated in low-income tracts, compared to 9.9% of businesses located in those tracts and 10.1% of aggregate loans (11.8% by dollar).

The bank's small business lending in moderate-income census tracts is excellent. In 2016, 24.5% of small business loans (22.7% by dollar) were originated in moderate-income tracts, compared to 18.6% of businesses located in those tracts and 17.5% of aggregate loans (17.9% by dollar). In 2017, 26.6% of small business loans (26.8% by dollar) were originated in moderate-income tracts, compared to 19.1% of businesses located in those tracts and 18.4% of aggregate loans (19.8% by dollar).

The bank's small business lending in middle- and upper-income tracts was lower than the percentage of small businesses in these tracts. When compared to the aggregate by percentage, the bank originated fewer loans in middle- and upper-income tracts.

HMDA Loan Geographic Distribution

The geographic distribution of HMDA loans reflects adequate penetration throughout the assessment area. This was based on performance compared to demographics, taking into consideration the performance of the aggregate lenders. As the bank makes very few home improvement and multifamily loans, these were not significant product lines and were not analyzed separately.

Home Purchase Lending

Home purchase lending in low-income census tracts is adequate. In 2016, Comerica originated no home purchase loans in low-income census tracts; however, aggregate lenders also struggled to originate loans (1.6% by number and 1.2% by dollar). In 2017, the bank originated 5.0% of its home purchase loans (1.2% by dollar) in low-income tracts. The same year, aggregate lenders originated 2.4% of loans (1.8% by dollar) in low-income census tracts. Additionally, in 2016 and 2017, 4.2% and 5.5% of owner-occupied units in the assessment area, respectively, were located in low-income tracts.

Home purchase lending in moderate-income tracts is adequate. While the bank's performance was below that of aggregate lenders in 2016, it exceeded aggregate performance in 2017. In 2016, the bank originated 6.5% of its home purchase loans in moderate-income census tracts (3.1% by dollar); aggregate lenders originated 10.5% of home purchase loans in these tracts (7.0% by dollar). In 2017, the bank originated 20.0% of its home purchase loans in moderate-income census tracts (13.9% by dollar); aggregate lenders originated 12.8% of home purchase loans in these tracts (8.7% by dollar). While the 2017 percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as only four home purchase loans were originated in these tracts in 2017. Additionally, in 2016 and 2017, 20.6% and 21.2% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Refinance Lending

Home refinance lending in low-income census tracts is adequate. In 2016, the bank originated 2.9% of its home refinance loans (0.8% by dollar) in low-income tracts. The same year, aggregate lenders originated 1.4% of loans (1.0% by dollar) in low-income census tracts. In 2017, the bank originated 3.7% of its home refinance loans (1.1% by dollar) in low-income tracts. The same year, aggregate lenders originated 2.5% of loans (1.6% by dollar) in low-income census tracts. While percentages compare favorably to aggregate data, Comerica's overall lending levels were low, as only two home refinance loans were originated in low-income tracts during the review period. Additionally, in 2016 and 2017, 4.2% and 5.5% of owner-occupied units in the assessment area (respectively) were located in low-income tracts.

Home refinance lending in moderate-income tracts is adequate. In 2016, the bank originated 17.1% of its home refinance loans (5.5% by dollar) in moderate-income tracts, compared to aggregate lenders which originated 9.6% of loans (5.7% by dollar) in these tracts. In 2017, the bank's performance dropped, as it originated 11.1% of its home refinance loans in moderate-income tracts (1.5% by dollar). That same year, aggregate lenders originated 14.2% (8.9% by dollar) in moderate-income tracts. In 2016 and 2017, 20.6% and 21.2% of owner-occupied units in the assessment area, respectively, were located in moderate-income tracts.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Home Equity Lines of Credit

Considering the percentage of owner-occupied units, the geographic distribution of Comerica's HELOC lending is adequate.

Comerica's HELOC lending in low-income census tracts is adequate. In 2015 and 2016 the bank originated 3.3% of its HELOCs in low-income tracts. This performance was comparable to the percentage of owner-occupied units in these tracts, at 4.2%. In 2017, the bank originated 4.7% of its HELOCs in low-income tracts, which was comparable to the percentage of owner-occupied units in these tracts, at 5.5%.

Comerica's HELOC lending in moderate-income census tracts is adequate. In 2015 and 2016, the bank originated 14.5% of its HELOCs in moderate-income tracts. This performance was slightly below the percentage of owner-occupied units in these tracts, at 20.6%. In 2017, the bank originated 20.4% of its HELOCs in moderate-income tracts, which was slightly below the percentage of owner-occupied units in these tracts, at 21.2%.

The distribution of the remainder of bank lending in middle- and upper- income geographies did not affect conclusions about the bank's performance considering its lending in LMI geographies.

Community Development Lending

The bank is a leader in making community development loans in the assessment area. The bank originated 43 community development loans in the Houston Assessment Area totaling approximately $197.8 million during the review period. The bank's commitment to making qualified community development loans demonstrates a good responsiveness to meeting community needs. The table below provides a breakdown of the types of community development loans the bank originated during the review period.

Community Development Lending		
Purpose	**#**	**$000s**
Community Services	7	8,775
Economic Development	4	7,264
Revitalization and Stabilization	32	181,786
Totals	43	197,825

A majority of the loans originated during the review period were for the purpose of revitalizing and stabilizing LMI geographies. A total of 19 loans in the amount of $133.5 million are dedicated to revitalizing and stabilizing LMI Super Neighborhoods and/or Municipal Management Districts. A Super Neighborhood is a City of Houston geographically designated area where residents, civic organizations, institutions and businesses work together to identify, plan, and set priorities to address the needs and concerns of their community. Municipal Management Districts are created to promote, encourage, and maintain employment, commerce, transportation, housing, economic development, and public welfare within the district's boundaries; these are designated by the Texas legislature. Investment in these areas demonstrates responsiveness to the assessment area's needs.

Investment Test

The Investment Test rating is High Satisfactory. The bank has an excellent level of qualified community development investments and grants and exhibits good responsiveness to credit and community development needs. The bank's investments were primarily focused on affordable housing.

The total amount of investments and contributions, at $26.7 million, has nearly doubled since the previous evaluation.

Community Development Investments								
	Current Period Investments		Prior Period Investments		Donations		Total	
Purpose	#	$000s	#	$000s	#	$000s	#	$000s
Affordable Housing	16	15,653	4	10,248	6	47	26	25,948
Community Services	-	-	-	-	120	718	120	718
Revitalization and Stabilization	-	-	-	-	5	14	5	14
Total	16	15,653	4	10,248	131	779	151	26,680

One way the bank demonstrated responsiveness to needs in the assessment area was through its grants for community services providing financial education to LMI individuals and small businesses. These totaled $304,283, and this type of support was noted by contacts as a need within the assessment area, as was affordable housing.

In addition, 13 investments benefitting multiple assessment areas provided $12.5 million to affordable housing efforts in Houston.

Service Test

The bank's Service Test performance is Low Satisfactory. Its retail and community development services reflect adequate responsiveness to the needs of the Houston assessment area. Delivery systems are reasonably accessible to all portions of the assessment area. The bank's branch hours are reasonable and services generally do not vary in a way that inconveniences low- or moderate-income census tracts or individuals. The bank provides a relatively high level of community development services. Bank officers and employees actively support organizations dedicated to community development initiatives.

<u>Retail Services</u>

The bank's delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in its assessment area. The distribution of the bank's 48 branch offices and 51 ATMs as of December 31, 2017, was compared to the distribution of households and businesses among the tract categories within the assessment area. The table below summarizes the bank's retail locations in the Houston assessment area.

Houston

Tract Income	% of Geographies	% of Population	Branches		Full Service ATMs		Cash Only ATMS	
			#	%	#	%	#	%
Low	15.7	12.2	6	12.5	7	14.3	1	50.0
Moderate	29.2	26.0	9	18.8	9	18.4	1	50.0
Middle	23.3	25.9	10	20.8	10	20.4	-	-
Upper	31.1	35.6	23	47.9	23	46.9	-	-
Unknown	0.7	0.3	-	-	-	-	-	-
Total	100.0	100.0	48	100.0	49	100.0	2	100.0

The bank closed eight branches (one in a lower-income, one in a moderate-income, four in middle-income, and two in upper-income census tracts) in the assessment area; no branches were opened during the review period. The bank's record of opening or closing branches has generally not adversely affected the accessibility of its delivery systems, including to LMI income geographies. Banking services and hours of operations do not vary in a way that inconveniences the assessment area, particularly in LMI geographies or to LMI individuals. The level of branch services and hours offered are essentially the same throughout the assessment area.

Community Development Services

The bank provides a relatively high level of community development services in the assessment area. The bank's employees served in various capacities, including boards of directors and in other leadership roles, for 31 community development financial organizations offering community services targeting LMI individuals, affordable housing, and economic development. The table below shows the number of events by type of involvement. Employees participated in 455 events or meetings during the review period.

Purpose	# Events / Meetings
Affordable Housing	19
Community Services Benefitting LMI Individuals/Geographies	417
Economic Development	19
Total	455

Particularly responsive is the bank's involvement in Houston Money Week and Houston ToolBank. Bank personnel worked to develop strategic plans as well as educational material for Houston Money Week, which assists in addressing the need for financial education as identified by contacts in the area. The ToolBank lends its inventory of tools to charitable organizations to increase the impact of their mission-related efforts in the community. Due to damage sustained from Hurricane Harvey, this was particularly responsive to the needs of the community and assisted non-profits in repairing the area.

METROPOLITAN AREAS (Limited Scope Review)

Description of Institution's Operations

- **Austin Assessment Area**
  - As of December 31, 2017, the bank operated ten branches in the assessment area, representing 2.3% of its branches.
  - As of June 30, 2017, the bank had $898.0 million in deposits in this assessment area, representing a market share of 2.3%. The $898.0 million also represents 1.6% of the bank's total deposits.
- **San Antonio Assessment Area**
  - As of December 31, 2017, the bank operated six branches in the assessment area, representing 1.4% of its branches.
  - As of June 30, 2017, the bank had $177.8 million in deposits in this assessment area, representing a market share of 0.2%. The $177.8 million also represents 0.3% of the bank's total deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix H for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices E and H, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Austin	Below	Consistent	Exceeds
San Antonio	Below	Exceeds	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating, but did affect some individual components of the Lending Test in Texas.

NON-METROPOLITAN STATEWIDE AREA (Limited Scope Review)

Description of Institution's Operations in the Non-Metropolitan Assessment Areas

- **Kerr County Assessment Area**
  - As of December 31, 2017, the bank operated four branches in the assessment area, representing 0.9% of its branches.
  - As of June 30, 2017, the bank had $178.6 million in deposits in this assessment area, representing a market share of 13.6%. The $178.6 million also represents 0.3% of the bank's total deposits.

Conclusions With Respect to Performance Tests

Through the use of available facts and data, including performance and demographic information, each assessment area's performance was evaluated and compared with the bank's performance in the state. The conclusions regarding performance are provided in the table below. Please refer to the tables in Appendix I for information regarding these areas. Additional information regarding detailed demographic information and the HMDA and CRA lending for the limited scope assessment areas can be found in Appendices F and I, respectively.

Assessment Area	Lending Test	Investment Test	Service Test
Kerr County	Below	Below	Below

The performance in the limited-scope assessment areas did not change the bank's overall rating, but did affect some individual components of the Lending Test in Texas.